

**ST. CHARLES PARISH HOSPITAL
SERVICE DISTRICT
Luling, Louisiana**

Audited Financial Statements

Years Ended July 31, 2007 and 2006

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

Release Date 3-19-08

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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Commissioners
St. Charles Parish Hospital Service District
Luling, Louisiana

We have audited the accompanying balance sheets of St. Charles Parish Hospital Service District (Hospital), a component unit of the St. Charles Parish Council, as of July 31, 2007 and 2006, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 financial statements referred to above present fairly, in all material respects, the financial position of St. Charles Parish Hospital Service District, as of July 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2008, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

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As discussed in Note 16 to the financial statements, certain errors resulting in an understatement of capital assets as of December 31, 2005 and 2006, were discovered during the 2007 fiscal year. Accordingly, the 2006 financial statements were restated to correct the error.

The Hospital has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States have determined to be necessary to supplement, although not required to be part of, the basic financial statements.



A Professional Accounting Corporation

January 28, 2008

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Balance Sheets
July 31, 2007 and 2006

	2007	2006 Restated
Assets		
Current assets		
Cash and cash equivalents	\$ 13,175	\$ 180,295
Accounts receivable (Net of estimated uncollectibles and allowances of \$6,757,632 for 2007 and \$9,818,050 for 2006)	5,000,385	5,209,954
Other receivables	615,935	499,619
Estimated third-party settlements	212,407	238,089
Assets whose use is limited	1,643,848	4,037,555
Inventory	1,155,038	1,093,155
Prepaid expenses	563,299	718,388
Total current assets	9,204,087	11,977,055
Noncurrent cash and investments		
Assets whose use is limited:		
By board for indenture reserves	1,643,848	4,037,555
By indenture agreement for capital acquisition	9,701,667	10,909,125
Total assets whose use is limited	11,345,515	14,946,680
Less: amounts required to meet current obligations	1,643,848	4,037,555
Noncurrent assets whose use is limited	9,701,667	10,909,125
Capital assets	24,002,956	16,187,021
Other assets		
Bond issuance costs, net of amortization	120,935	133,884
Deposits	4,550	2,200
Total other assets	125,485	136,084
Total assets	\$ 43,034,195	\$ 39,209,285

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

	2007	2006 Restated
Liabilities and net assets		
Current liabilities		
Current maturities of long-term debt	\$ 8,139,030	\$ 7,273,456
Accounts payable	3,106,868	2,442,495
Accrued salaries and benefits	1,123,940	1,048,109
Accrued interest payable	759,144	699,778
Cash overdraft	294,072	-
Estimated third-party settlements	-	584,198
Other liabilities	182,873	124,732
Other accrued expenses	194,475	177,944
Total current liabilities	13,800,402	12,350,712
Long-term debt and other liabilities		
Long-term debt	26,092,207	20,996,632
Estimated retroactive adjustments - third-party payors	750,000	750,000
Total long-term liabilities	26,842,207	21,746,632
Net assets		
Invested in capital assets, and restricted for capital acquisitions, net of related debt	6,343,623	5,702,801
Unrestricted	(3,952,037)	(590,860)
Total net assets	2,391,586	5,111,941
Total liabilities and net assets	\$ 43,034,195	\$ 39,209,285

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended July 31, 2007 and 2006

	2007	2006 Restated
Net patient service revenues	\$ 17,783,161	\$ 19,262,987
Other operating revenues	7,994,504	10,360,658
Total revenues	<u>25,777,665</u>	<u>29,623,645</u>
Operating expenses		
Salaries and wages	14,314,821	13,208,390
Supplies and other	7,710,082	8,050,010
Purchased services	3,699,795	3,639,481
Depreciation and amortization	2,731,291	2,511,488
Employee benefits	3,639,449	2,437,660
Total expenses	<u>32,095,438</u>	<u>29,847,029</u>
Loss from operations	<u>(6,317,773)</u>	<u>(223,384)</u>
Non-operating income (expense)		
Ad Valorem taxes - maintenance	2,096,118	1,983,994
Ad Valorem taxes - debt service	2,013,819	1,853,239
Interest income	160,334	173,656
Interest expense	(674,749)	(387,360)
Loss on disposal of equipment	(3,070)	18,515
Changes in net assets - services corporation	4,966	70,079
Non-operating gains, net	<u>3,597,418</u>	<u>3,712,123</u>
Changes in net assets	(2,720,355)	3,488,739
Net assets, beginning of year, as restated	<u>5,111,941</u>	<u>1,623,202</u>
Net assets, end of year, as restated	<u>\$ 2,391,586</u>	<u>\$ 5,111,941</u>

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

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Statements of Cash Flows
Years Ended July 31, 2007 and 2006

	2007	2006 Restated
Cash flows from operating activities		
Revenue collected	\$ 25,314,102	\$ 29,464,321
Cash payments to employees and for employee-related costs	(17,878,439)	(15,725,745)
Cash payments for operating expenses	(10,283,554)	(12,956,652)
Net cash (used in) provided by operating activities	(2,847,891)	781,924
Cash flows from non-capital financing activities		
Advance from primary government	-	-
Ad Valorem taxes - maintenance	2,096,118	1,983,994
Ad Valorem taxes - debt service	2,013,819	1,853,239
Net cash provided by non-capital financing activities	4,109,937	3,837,233
Cash flows from capital and related financing activities		
Proceeds from issuance of general obligation bonds	5,500,000	5,700,000
Proceeds from issuance of certificates of indebtedness	6,000,000	5,000,000
Proceeds from issuance of notes payable	1,919,462	-
Principal payments on general obligation bonds	(1,815,000)	(1,300,000)
Principal payments on certificates of indebtedness	(5,190,000)	(5,170,000)
Principal payments on notes payable	(71,455)	(97,500)
Principal payments under capital lease obligations	(281,860)	(69,209)
Cash paid for repayment of advance from primary government	(100,000)	(100,000)
Cash paid for interest on debt obligations	(916,390)	(1,226,763)
Proceeds from the sale of capital assets	-	85,767
Purchase of capital assets (property, plant and equipment)	(10,675,853)	(2,513,112)
Net cash (used in) provided by capital and related financing activities	(5,631,096)	309,183
Cash flows from investing activities		
Cash received as interest	598,149	451,403
Changes in net assets - services corporation	4,966	70,079
Increase in deposits	(2,350)	-
Decrease (Increase) in assets whose use is limited	3,601,165	(5,270,139)
Net cash provided by (used in) investing activities	4,201,930	(4,748,657)
Net (decrease) increase in cash and cash equivalents	(167,120)	179,683
Cash and cash equivalents, beginning of year	180,295	612
Cash and cash equivalents, end of year	\$ 13,175	\$ 180,295

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

	2007	2006 Restated
Reconciliation of loss from operations to net cash provided by (used in) operating activities		
Operating loss	\$ (6,317,773)	\$ (223,384)
Adjustments to reconcile operating loss to net cash flows provided by (used in) operating activities		
Depreciation and amortization	2,731,291	2,511,488
Provision for bad debts	2,493,097	5,855,754
Changes in operating assets and liabilities:		
Increase in accounts receivable	(2,283,528)	(6,055,003)
Increase in inventory	(61,883)	(108,883)
Decrease (increase) in prepaid expenses	155,089	(582,364)
(Decrease) Increase in estimated third party payor settlement	(558,516)	8,856
Decrease in other assets	1,700	39,608
(Increase) in other receivables	(116,316)	(237,274)
Increase (decrease) in accounts payable	664,373	(309,808)
Increase (decrease) in accrued salaries and benefits	75,831	(10,220)
Increase (decrease) in cash overdraft	294,072	(277,882)
Increase in other liabilities	58,141	124,732
Increase in other accrued expenses	16,531	46,304
Net cash (used in) provided by operating activities	\$ (2,847,891)	\$ 781,924

Schedule on noncash investing, capital and financing activities

Equipment acquired via capital lease	\$ -	\$ 259,346
Interest cost capitalized on construction in progress	\$ 651,643	\$ 719,784

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Years Ended July 31, 2007 and 2006

Notes to Financial Statements

Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity

St. Charles Parish Hospital Service District (Hospital), a special district and component of St. Charles Parish (Parish), was formed for the purpose of operating St. Charles Parish Hospital, a non-profit community hospital established in 1956. The Board of Commissioners is the governing authority for the Hospital and responsible for obtaining voter approval for the levy of tax or debt issuance, but all related Louisiana State Bond Commission approvals must be obtained through the Parish.

The St. Charles Hospital Continuum of Care Corporation (SCHCCC) was incorporated on August 10, 2006 with a subsequent name change to St. Charles Health Initiatives, Inc. (SCHII). SCHII CCC is a nonprofit organization that principally provides housing, healthcare, and other related services to residents. While legally separate, from the Hospital, SCHII is reported as if it were a part of the Hospital because of the presence of a shared governing body. As a component unit of the Hospital, the operations of SCHII are included in the financial statements of the Hospital for the year ended July 31, 2007. In preparing these financial statements, all inter-company transactions and balances have been eliminated.

St. Charles Hospital Services Corporation (Corporation) is a not-for-profit entity that, while legally separate from the Hospital, is reported as if it were a part of the Hospital because of the presence of a shared governing body with the Hospital. As a component unit of the Hospital, the operations of the Corporation are included in the financial statements of the; however, the operations of the Corporation became dormant. During the year ended July 31, 2007, the Corporation changed its name to the St. Charles Continuum of Care Corporation after the SCHCCC mentioned above changed its name to St. Charles Health Initiatives, Inc.

Accounting Standards

The financial statements of the Hospital have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict or contradict GASB pronouncements.

Enterprise Fund Accounting

The Hospital utilizes the enterprise fund method of accounting whereby revenues and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual. The Corporation also uses the accrual method.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Years Ended July 31, 2007 and 2006

Notes to Financial Statements

Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies
(Continued)

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with maturities of three months or less, excluding amounts whose use is limited by board designation, other arrangements under trust agreements, or with third-party payors.

Assets Whose Use is Limited

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

Inventory

Inventory is valued at the lower of cost or market using the first-in, first-out method.

Capital Assets

Capital assets are carried at cost or, if donated, at fair value at date of donation. Depreciation is computed by the straight-line method over the assets' estimated useful lives, generally ranging from three to 40 years.

Net Assets

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

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

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

Unrestricted Net Assets - This component of net assets consists of constraints placed on net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt," as described above.

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

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Years Ended July 31, 2007 and 2006

Notes to Financial Statements

Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies
(Continued)

Costs of Borrowing

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

Use of Estimates

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

Net Patient Service Revenue and Related Receivables

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

Patient (or trade) receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a timely basis. Management estimates the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

Non-Direct Response Advertising

The Hospital expenses advertising costs as incurred.

Compensated Absences

Employees of the Hospital are entitled to paid time off depending on their length of service and other factors. Accrued compensated absences included as a component of accrued salaries and benefits on the Hospital's balance sheets were \$491,876 and \$475,417 as of July 31, 2007 and 2006, respectively.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Years Ended July 31, 2007 and 2006

Notes to Financial Statements

Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies
(Continued)

Other Receivables

Other receivables include amounts due from the St. Charles Community Health Center, Inc. (Health Center), an unrelated company, for operating expenses and other miscellaneous expenses associated with the startup of the Health Center. Management believes these receivables are fully collectible.

Grants and Contributions

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

Unamortized Bond Costs

Unamortized bond costs represent the cost of debt issuance and are being amortized over the term the related debt is outstanding.

Operating Revenues and Expenses

The 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 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.

Note 2. Net Patient Service Revenue

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

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Years Ended July 31, 2007 and 2006

Notes to Financial Statements

Note 2. Net Patient Service Revenue (Continued)

The primary third-party programs include Medicare and Medicaid, which account for a significant amount of the Hospital's revenue. A summary of the payment arrangements with major third-party payors follows:

Medicare - The Hospital is paid for inpatient acute care services rendered to Medicare program beneficiaries under prospectively determined rates-per-discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The prospectively determined classification of patients and the appropriateness of the patients' admissions are subject to validation reviews by a Medicare peer review organization, which is under contract with the Hospital to perform such reviews.

The Hospital is paid for inpatient psychiatric care services rendered to Medicare program beneficiaries under cost reimbursement methodologies and are subject to cost report settlement.

Outpatient services were paid via cost reimbursement methodologies, fee schedule limitations, or cost/fee blending methodologies before August 1, 2000. After August 1, 2000, cost based and cost/fee blending reimbursed services are paid at predetermined outpatient rates, subject to certain stop-loss provisions, referred to by Medicare as the transitional corridor. The transitional corridor will limit potential reductions in reimbursement caused by the implementation of the outpatient prospective payment system through 2004. Cost reimbursed outpatient services were paid at a tentative rate, with final settlement determined after submission of annual cost reports by the Hospital and audits performed thereof by the Medicare fiscal intermediary. Outpatient services subject to the outpatient prospective payment system are not subject to cost report settlement with several exceptions, and without regard to the transitional corridor.

The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through July 31, 2005.

Medicaid - Inpatient care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per day. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through July 31, 2002.

Revenue from the Medicare and Medicaid programs accounted for approximately 69.6 percent and 6.5 percent, respectively, of the Hospital's net patient revenue, for the year ended July 31, 2007, and 71.7 percent and 8.5 percent, respectively, of the Hospital's net patient revenue, for the year ended July 31, 2006. The laws and regulations under which Medicare and Medicaid programs operated are complex, and subject to interpretation and frequent changes.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Years Ended July 31, 2007 and 2006

Notes to Financial Statements

Note 2. Net Patient Service Revenue (Continued)

As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2007 net patient revenue decreased by approximately \$188,257 due to removal of allowances previously estimated that are no longer necessary as a result of final settlements and years that are no longer subject to audits, reviews, and investigations.

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

A summary of the Hospital's net patient service revenue for the years ended July 31, 2007 and 2006, is as follows:

	2007	2006
Gross Patient Service Revenue	\$ 56,178,589	\$ 56,736,168
Less: Contractual Adjustments	(32,723,930)	(29,540,566)
Less: Provision for Bad Debts	(2,493,097)	(6,084,489)
Less: Charity Care	(3,178,401)	(1,848,126)
Net Patient Service Revenue	\$ 17,783,161	\$ 19,262,987

Since the Hospital serves a disproportionate share of low-income patients, it qualifies for Medicaid Disproportionate Share reimbursements. Medicaid Disproportionate Share reimbursements of \$6,848,370 and \$7,264,072 were received in the State of Louisiana's years ended June 30, 2007 and 2006, respectively. These amounts are subject to audit by the State of Louisiana. It is possible that settlement amounts may arise as a result of such audits; as such, management has established an estimated liability for such retroactive adjustments of \$750,000, as of July 31, 2007 and 2006.

Note 3. Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are residents of St. Charles Parish and are insured under third-party payor agreements. The mix of accounts receivable due from patients and third-party payors was as follows as of July 31, 2007 and 2006:

	2007	2006
Medicare	24%	31%
Medicaid	12	11
Commercial	28	20
Private Pay Patients	36	38
	100%	100%

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Years Ended July 31, 2007 and 2006

Notes to Financial Statements

Note 4. 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. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Hospital maintains records to identify and monitor the level of charity care it provides to all of its qualifying patients. These records include the amount of charges foregone for services and supplies furnished under its charity care policy.

For the years ended July 31, 2007 and 2006, the Hospital wrote off \$3,178,401 and \$1,848,126, respectively, of free care against gross revenue.

Note 5. Deposits and Investments

The Hospital has various deposits and investments. The amounts reflected on the accompanying balance sheets are as follows:

	2007	2006
Depository and money market accounts	\$ 3,334,428	\$ 2,110,980
Certificates of deposits	7,724,705	13,015,995
Total	<u>\$ 11,059,133</u>	<u>\$ 15,126,975</u>

Under state law, these deposits must be secured by either Federal deposit insurance or by the pledge of securities owned by a fiscal agent bank. The market value of the pledged securities plus the Federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent bank. At July 31, 2007, the Hospital had \$12,595,606 in deposits (collected bank balances).

Of these bank balances, \$300,000 was covered by Federal Depository Insurance, and the remainder was secured by collateral held by the fiscal agent bank in the name of the Hospital.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Years Ended July 31, 2007 and 2006

Notes to Financial Statements

Note 5. Deposits and Investments (Continued)

Under Louisiana Revised Statutes 39:1271 and 33:2955, the Hospital may deposit funds in demand deposit accounts, interest-bearing demand deposit accounts, money market accounts, and time certificates of deposit with state banks, organized under Louisiana Law and National Banks having principal offices in Louisiana. Additionally, Louisiana statutes allow the Hospital to invest in direct obligations of the U.S. Government, federally insured instruments, guaranteed investment contracts issued by certain financial institutions, and mutual or trust funds registered with the Securities and Exchange Commission.

Note 6. Assets Whose Use is Limited

Assets whose use is limited that are required for obligations classified as current liabilities are reported in current assets. The composition of assets whose use is limited at July 31, 2007 and 2006, is set forth in the following table.

	2007	2006
By indenture agreement for capital asset acquisition		
Cash and cash equivalents	\$ 2,941,793	\$ 1,011,816
Certificates of deposit	6,759,874	9,897,309
	<u>9,701,667</u>	<u>10,909,125</u>
By board for indenture reserves		
Cash and cash equivalents	679,017	918,869
Certificates of deposit	964,831	3,118,686
	<u>1,643,848</u>	<u>4,037,555</u>
	<u>\$ 11,345,515</u>	<u>\$ 14,946,680</u>

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Years Ended July 31, 2007 and 2006

Notes to Financial Statements

Note 7. Capital Assets

Capital assets activity as of and for the years ended July 31, 2007 and 2006, is as follows:

	Balance July 31, 2006	Additions	Transfers and Disposals	Balance July 31, 2007
Capital assets, not being depreciated:				
Land	\$ 379,597	\$ 1,045,440	\$ -	\$ 1,425,037
Construction in progress	1,318,960	7,520,566	(1,055,182)	7,782,344
Total capital assets not being depreciated	1,696,557	8,566,006	(1,055,182)	9,207,381
Capital assets, being depreciated:				
Buildings and improvements	16,433,161	984,347	-	17,417,508
Equipment	17,100,962	1,942,737	(11,018)	19,032,681
Leasehold Improvements	67,408	74,975	-	142,381
Vehicles	421,141	26,163	-	447,304
Total capital assets being depreciated	34,022,690	3,028,222	(11,018)	37,039,874
Less accumulated depreciation for:				
Buildings and improvements	7,635,023	967,244	-	8,602,267
Equipment	11,751,588	1,643,886	(7,949)	13,387,525
Leasehold improvements	1,731	8,313	-	10,044
Vehicles	143,864	100,599	-	244,463
Total accumulated depreciation	19,532,206	2,720,042	(7,949)	22,244,299
Total Capital Assets, Being Depreciated, Net	14,490,464	308,180	(3,069)	14,795,575
Total capital assets, net	\$ 16,187,021	\$ 8,874,186	\$ (1,058,251)	\$ 24,002,956

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Years Ended July 31, 2007 and 2006

Notes to Financial Statements

Note 7. Capital Assets (Continued)

	Balance July 31, 2005	Additions	Transfers and Disposals	Balance July 31, 2006
Capital assets, not being depreciated:				
Land	\$ 379,597	\$ -	\$ -	\$ 379,597
Construction in progress	743,733	1,789,803	(1,216,576)	1,316,960
Total capital assets not being depreciated	1,123,330	1,789,803	(1,216,576)	1,696,557
Capital assets, being depreciated:				
Buildings and improvements	15,680,380	752,781	-	16,433,161
Equipment	15,251,732	1,849,230	-	17,100,962
Leasehold improvements	-	67,406	-	67,406
Vehicles	462,110	249,597	(290,566)	421,141
Total capital assets being depreciated	31,394,222	2,919,014	(290,566)	34,022,670
Less accumulated depreciation for:				
Buildings and improvements	6,723,612	911,411	-	7,635,023
Equipment	10,261,200	1,490,388	-	11,751,588
Leasehold improvements	-	1,731	-	1,731
Vehicles	270,470	96,709	(223,315)	143,864
Total accumulated depreciation	17,255,282	2,500,239	(223,315)	19,532,206
Total Capital Assets, Being Depreciated, Net	\$ 14,138,940	\$ 418,775	\$ (67,251)	\$ 14,490,464
Total capital assets, net	\$ 15,262,270	\$ 2,208,578	\$ (1,283,827)	\$ 16,187,021

Plant and equipment acquisitions are recorded at cost. The Hospital's policy is to record acquisitions over \$500. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed on the straight-line method.

Maintenance, repairs and minor replacements and improvements are expensed as incurred. Major replacements and improvements are capitalized at cost.

Depreciation expense reported in the fiscal year ended July 31, 2007, was \$2,720,042 (exclusive of amortization expense). Depreciation expense reported during the fiscal year ended July 31, 2006, was \$2,500,239 (exclusive of amortization expense).

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Years Ended July 31, 2007 and 2006

Notes to Financial Statements

Note 8. Long-Term Debt and Other Liabilities

The components of long-term debt as of July 31, 2007 and 2006, are as follows:

		2007	2006
General Obligation Bonds, Series 1998	(A)	-	595,000
General Obligation Bonds, Series 2003A	(B)	2,745,000	2,745,000
General Obligation Bonds, Series 2003B	(B)	810,000	810,000
General Obligation Bonds, Series 2004	(C)	4,640,000	4,860,000
General Obligation Bonds, Series 2005	(D)	6,500,000	7,000,000
General Obligation Bonds, Series 2006	(G)	5,200,000	5,700,000
General Obligation Bonds, Series 2007	(H)	5,500,000	-
Certificate of Indebtedness, Series 2004B	(E)	855,000	1,045,000
Certificate of Indebtedness, Series 2006A	(F)	-	1,500,000
Certificate of Indebtedness, Series 2006B	(F)	-	2,800,000
Certificate of Indebtedness, Series 2006C	(F)	-	700,000
Certificate of Indebtedness, Series 2007A	(I)	3,000,000	-
Certificate of Indebtedness, Series 2007B	(I)	1,500,000	-
Certificate of Indebtedness, Series 2007C	(I)	500,000	-
Certificate of Indebtedness, Series 2007D	(I)	1,000,000	-
Equipment Note Payable - First National		-	26,769
Note Payable - Guaranty	(J)	15,237	31,403
Advance from Primary Government - Dialysis Center	(M)	-	100,000
Capital Lease Obligation - Phillips Telemetry	(K)	17,307	45,828
Capital Lease Obligation - Toshiba	(L)	40,793	55,898
Capital Lease Obligation - Phillips Monitors	(N)	16,025	52,506
Capital Lease Obligation - BellSouth	(O)	206,215	252,347
Capital Lease Obligation - G.E. Capital	(P)	1,731,183	-
		34,276,760	28,319,751
Less Unamortized Original Issue Discount	*	(45,523)	(49,663)
Less Current Maturities		(8,139,030)	(7,273,456)
		\$ 26,092,207	\$ 20,996,632

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Years Ended July 31, 2007 and 2006

Notes to Financial Statements

Note 8. Long-Term Debt and Other Liabilities (Continued)

- (A) On January 28, 1998, the Hospital adopted a resolution issuing \$4,565,000 of General Obligation Bonds, Series 1998, payable from the pledge of unlimited Ad Valorem taxes approved by an election held November 15, 1997, for the purpose of constructing and acquiring buildings, machinery and equipment, including both real and personal property, to be used in providing hospital facilities. The bonds mature in 2007. Interest is payable on September 1 and March 1, each year. The average interest rate is 4.625%.
- (B) The Hospital adopted a resolution on October 16, 2003, issuing \$2,745,000 General Obligation Refunding Bonds, Series 2003A and \$810,000 Taxable General Obligation Refunding Bonds, Series 2003B. These bonds were issued December 1, 2003, for the purpose of refunding and extending the Hospital's Series 1990A General Obligation Bonds, Series 1990B General Obligation Bonds, Series 1992A General Obligation Bonds, Series 1992B General Obligation Bonds (taxable), and to pay the cost of issuance.

Interest on the Series 2003A and Series 2003B bonds is payable semiannually on March 1 and September 1.

The Series 2003A bonds mature according to maturity schedules contained in the bond documents beginning on March 1, 2008, with scheduled maturities ranging from \$205,000 to \$245,000 each year through March 1, 2013. The final \$1,405,000 of Series 2003A bonds maturing in 2018 are subject to mandatory sinking fund redemptions beginning March 1, 2014, through final maturity of March 1, 2018. Interest rates associated with this Series range from 3% to 4.50%.

The Series 2003B bonds mature, according to maturity schedules contained in the bond documents, beginning on March 1, 2008. Scheduled maturities range from \$55,000 to \$70,000 each year through March 1, 2012. The final \$500,000 of Series 2003B bonds are subject to mandatory sinking fund redemptions beginning March 1, 2013, through final maturity at March 1, 2018. Interest rates associated with this Series range from 4.15% to 6%.

The Series 2003A and Series 2003B bonds are secured by and payable from unlimited Ad Valorem taxation.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Years Ended July 31, 2007 and 2006

Notes to Financial Statements

Note 8. Long-Term Debt and Other Liabilities (Continued)

- (C) During the fiscal year ended July 31, 2004, the Hospital issued \$5,300,000 of General Obligation Bonds, Series 2004, to be dated March 1, 2004. The purpose of the issue was for purchasing, acquiring, and constructing lands, buildings, machinery, equipment and furnishings, including both real and personal property, to be used in providing hospital facilities. The outstanding principal of the bonds will be repaid in 20 annual installments ranging from \$220,000 to \$500,000 beginning March 1, 2005, with the final installment due March 1, 2024.

Interest on the bonds is payable semiannually on March 1 and September 1 until maturity.

The maximum interest rate allowed on the Issue is 7% per annum. The bonds maturing March 1, 2015, and thereafter, are callable by the Hospital in full or in part at any time on or after March 1, 2014, at the principal amount thereof, plus accrued interest to the date fixed for redemption. The bonds are secured by and payable from unlimited Ad Valorem taxation.

- (D) During the fiscal year ended July 31, 2005, the Hospital issued \$7,500,000 of General Obligation Bonds, Series 2005, to be dated April 1, 2005. The purpose of the issue is the purchasing, acquiring and constructing lands, buildings, machinery, equipment and furnishings, including both real and personal property, to be used in providing hospital facilities. The outstanding principal of the bonds will be repaid in 20 annual installments ranging from \$225,000 to \$520,000 beginning March 1, 2006, with the final installment due March 1, 2025.
- (E) On September 2, 2004, the Hospital adopted a resolution issuing \$1,320,000 of Certificates of Indebtedness, Series 2004, payable from the pledge of limited Ad Valorem taxes approved by an election held July 19, 2003, for the purpose of constructing and maintaining hospital facilities within the said District. The bonds mature in March 2011. Interest is payable on March 1 and September 1, each year. The interest rate is 4.75%.
- (F) On January 25, 2006, the Hospital adopted a resolution authorizing the issuance of Certificates of Indebtedness, Series 2006 totaling \$5,000,000, payable from a pledge of revenues of the Hospital for the purposes of paying current expenses of the District for the calendar year 2006. Interest rates on the Series range from 4.75% to 6.0%. The individual certificates authorized and outstanding (2006A, 2006B, and 2006C), mature in February 2007.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Years Ended July 31, 2007 and 2006

Notes to Financial Statements

Note 8. Long-Term Debt and Other Liabilities (Continued)

- (G) During the year ended July 31, 2006, the Hospital issued \$5,700,000 of General Obligation Bonds, Series 2006, to be dated April 1, 2006. The purpose of the issue is the purchasing, acquiring land and constructing buildings, machinery, equipment and furnishings, including both real and personal property, to be used in providing Hospital facilities. The outstanding principal of the bonds will be repaid in 20 annual installments ranging from \$155,000 to \$500,000 beginning March 1, 2007, with the final installment due March 1, 2026. Interest is payable semi-annually on March 1 and September 1 at rates ranging from 4.125% to 6.75%.
- (H) During the year ended July 31, 2007, the Hospital issued \$5,500,000 of General Obligation Bonds, Series 2007, to be dated April 1, 2007. The purpose of the issue is the purchasing, acquiring land and constructing buildings, machinery, equipment and furnishings, including both real and personal property, to be used in providing Hospital facilities. The outstanding principal of the bonds will be repaid in 20 annual installments ranging from \$5,000 to \$500,000 beginning March 1, 2008, with the final installment due March 1 2027. Interest is payable semi-annually on March 1 and September 1 at rates ranging from 4.00% to 6.5%.
- (I) During the year ended July 31, 2007, the Hospital adopted authorized a resolution authorizing the issuance of Certificates of Indebtedness, Series 2007 totaling \$6,000,000 payable from a pledge of revenues of the Hospital for the purposes of paying current expenses of the District for the calendar year 2007. Interest rates on the Series range from 5.25% to 6.0%. The individual certificates authorized and outstanding (2007A, 2007B, 2007C, and 2007D), mature in February 2008.
- (J) During the years ended July 31, 2003 and 2004, the Hospital borrowed funds for the rental of advertising signage. The amount of the notes collectively totaled \$70,000, and are repayable in 60 monthly installments totaling \$1,387 per month. The notes bear interest at 7%. The notes are collateralized by a security interest in any funds that the Hospital may have on deposit with the lending institution as of the date of any default.
- (K) The Hospital entered into a capital lease agreement with an equipment supplier for the purpose of acquiring medical equipment. The lease calls for 36 monthly payments of \$2,514. The lease is collateralized by the equipment.
- (L) The Hospital entered into a capital lease agreement with an equipment supplier for the purpose of acquiring computer equipment. The lease calls for 59 monthly payments of \$1,433. The lease is collateralized by the equipment and transfers ownership at the end of the term for a final payment of \$101.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Years Ended July 31, 2007 and 2006

Notes to Financial Statements

Note 8. Long-Term Debt and Other Liabilities (Continued)

- (M) During the fiscal year ended July 31, 2004, the Hospital entered into an intergovernmental agreement with St. Charles Parish (the primary government) under the terms of which the Parish was to advance funds up to \$277,000 for the funding of the startup cost and operational expenses of a chronic dialysis unit. The first installment of \$100,000 was received upon execution of the agreement with an additional \$177,000 received in fiscal year 2005. The advance is non-interest bearing and is to be repaid as follows: \$77,000 paid in fiscal year 2005, \$100,000 paid in fiscal year 2006, and \$100,000 paid in fiscal year 2007.
- (N) The Hospital entered into a capital lease agreement with an equipment supplier for the purpose of acquiring medical equipment. The lease calls for 35 monthly payments of \$3,245. The lease is collateralized by the equipment and transfers ownership at the end of the term for a final payment of \$1.00.
- (O) During the fiscal year ended July 31, 2006, the Hospital entered into a capital lease agreement with an equipment supplier for the purpose of acquiring communications equipment. The lease calls for 60 monthly payments of \$4,924. The lease is collateralized by the equipment.
- (P) During the fiscal year ended July 31, 2007, the Hospital entered into a capital lease agreement with an equipment supplier for the purpose of acquiring medical equipment. The lease calls for 60 monthly payments of \$38,563. The lease is collateralized by the equipment.

Long-term debt and other non-current liability activity as of and for the fiscal years ended July 31, 2007 and 2006, is as follows:

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Years Ended July 31, 2007 and 2006

Notes to Financial Statements

Note 8. Long-Term Debt and Other Liabilities (Continued)

	Balance July 31, 2006	Additions	Reductions	Balance July 31, 2007	Due Within One Year
Long-Term Debt:					
General Obligation Bonds, Series 1998	\$ 595,000	\$ -	\$ (595,000)	\$ -	\$ -
General Obligation Bonds, Series 2003A	2,745,000	-	-	2,745,000	205,000
General Obligation Bonds, Series 2003B	810,000	-	-	810,000	55,000
General Obligation Bonds, Series 2004	4,860,000	-	(220,000)	4,640,000	220,000
General Obligation Bonds, Series 2005	7,000,000	-	(500,000)	6,500,000	500,000
General Obligation Bonds, Series 2006	5,700,000	-	(500,000)	5,200,000	500,000
General Obligation Bonds, Series 2007	-	5,500,000	-	5,500,000	5,000
Certificate of Indebtedness, Series 2004B	1,045,000	-	(190,000)	855,000	200,000
Certificate of Indebtedness, Series 2006A	1,500,000	-	(1,500,000)	-	-
Certificate of Indebtedness, Series 2006B	2,800,000	-	(2,800,000)	-	-
Certificate of Indebtedness, Series 2006C	700,000	-	(700,000)	-	-
Certificate of Indebtedness, Series 2007A	-	3,000,000	-	3,000,000	3,000,000
Certificate of Indebtedness, Series 2007B	-	1,500,000	-	1,500,000	1,500,000
Certificate of Indebtedness, Series 2007C	-	500,000	-	500,000	500,000
Certificate of Indebtedness, Series 2007D	-	1,000,000	-	1,000,000	1,000,000
Equipment Note Payable - First National	26,769	-	(26,769)	-	-
Note Payable - Guaranty	31,403	-	(16,167)	15,236	14,555
Capital Lease Obligation - G.E. Capital	-	1,919,462	(188,278)	1,731,183	342,797
Capital Lease Obligation - Toshiba	55,898	-	(15,105)	40,793	14,966
Capital Lease Obligation - Phillips Monitors	52,506	-	(36,482)	16,024	16,025
Capital Lease Obligation - Phillips Telemetry	45,828	-	(28,519)	17,309	17,307
Capital Lease Obligation - BellSouth	252,347	-	(46,132)	206,215	48,361
Advance from Primary Government - Dialysis Center	100,000	-	(100,000)	-	-
Total Long-Term Debt	28,319,751	13,419,462	(7,462,452)	34,276,760	8,139,030
Other Non-Current Liabilities:					
Est. Retroactive Adjustment Liability - Third-Party Payors (Note B)	750,000	-	-	750,000	-
Total Long-Term Debt and Other Liabilities	\$ 29,069,751	\$ 13,419,462	\$ (7,462,452.43)	\$ 35,026,760	\$ 8,139,030

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Years Ended July 31, 2007 and 2006

Notes to Financial Statements

Note 8. Long-Term Debt and Other Liabilities (Continued)

	Balance July 31, 2005	Additions	Reductions	Balance July 31, 2006	Due Within One Year
Long-Term Debt:					
General Obligation Bonds, Series 1998	\$ 1,175,000	\$ -	\$ (580,000)	\$ 595,000	\$ 595,000
General Obligation Bonds, Series 2003A	2,745,000	-	-	2,745,000	-
General Obligation Bonds, Series 2003B	810,000	-	-	810,000	-
General Obligation Bonds, Series 2004	5,080,000	-	(220,000)	4,860,000	220,000
General Obligation Bonds, Series 2005	7,500,000	-	(500,000)	7,000,000	500,000
General Obligation Bonds, Series 2006	-	5,700,000	-	5,700,000	500,000
Certificate of Indebtedness, Series 2004B	1,215,000	-	(170,000)	1,045,000	190,000
Certificate of Indebtedness, Series 2005A	4,000,000	-	(4,000,000)	-	-
Certificate of Indebtedness, Series 2005B	1,000,000	-	(1,000,000)	-	-
Certificate of Indebtedness, Series 2006A	-	1,500,000	-	1,500,000	1,500,000
Certificate of Indebtedness, Series 2006B	-	2,800,000	-	2,800,000	2,800,000
Certificate of Indebtedness, Series 2006C	-	700,000	-	700,000	700,000
Equipment Note Payable-First National	84,388	-	(57,619)	26,769	26,768
Note Payable-Guaranty	44,159	-	(12,756)	31,403	14,960
Capital Lease Obligation - G.E. Capital	12,778	-	(12,778)	-	-
Capital Lease Obligation - Toshiba	71,476	-	(15,578)	55,898	14,966
Capital Lease Obligation - Phillips Monitors	86,361	-	(33,855)	52,506	36,256
Capital Lease Obligation - Phillips Telemetry	72,952	-	(27,124)	45,828	28,520
Capital Lease Obligation - Bell South	-	259,345	(6,998)	252,347	46,986
Advance from Primary Government - Dialysis Center	200,000	-	(100,000)	100,000	100,000
Total Long-Term Debt	24,097,114	10,959,345	(6,736,708)	28,319,751	7,273,456
Other Non-Current Liabilities:					
Est. Retroactive Adjustment Liability - Third-Party Payors (Note B)	750,000	-	-	750,000	-
Total Long-Term Debt and Other Liabilities	\$ 24,847,114	\$ 10,959,345	\$ (6,736,708.00)	\$ 29,069,751	\$ 7,273,456

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Years Ended July 31, 2007 and 2006

Notes to Financial Statements

Note 8. Long-Term Debt and Other Liabilities (Continued)

Scheduled maturities of certificates of indebtedness, general obligation bonds, notes and capital lease obligations as of July 31, 2007, are as follows:

Year Ending July 31,	Principal	Interest
2008	\$ 8,139,030	\$ 1,184,253
2009	1,225,381	1,104,236
2010	1,202,308	1,063,147
2011	1,291,401	1,005,432
2012 – 2016	7,248,640	4,181,542
2017 – 2021	7,190,000	2,679,894
2022 – 2026	7,980,000	1,055,029
	\$ 34,276,760	\$ 12,273,534

Note 9. Pensions

Substantially all employees of the Hospital are members of the Parochial Employees' Retirement System of Louisiana (System), a cost sharing, multiple-employer public employee retirement system, controlled and administered by a separate board of trustees. The System provides retirement and disability benefits, annual costs of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by state statute. The Parochial Employees' Retirement System of Louisiana issues a publicly available financial report that includes financial information and required supplementary information for the System. That report may be obtained by writing to Thomas B. Sims, CFA, Administrative Director, P.O. Box 14619, Baton Rouge, LA 70898-4619, or by calling 225-928-1361.

Contributions to the System include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. All eligible employees are required by state statute to contribute 9.50% of their salaries to the System. In accordance with state statutes, the employer contributions are determined by actuarial valuation and are subject to change annually based on the results of the valuation for the prior fiscal year.

Retirement contributions totaled \$1,494,347, \$1,363,732 and \$1,132,495 for the years ended July 31, 2007, 2006 and 2005, respectively.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Years Ended July 31, 2007 and 2006

Notes to Financial Statements

Note 10. Income Taxes

The Hospital is a governmental unit which has registered as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code, and is exempt from Federal income taxes on related income pursuant to Section 501(a) of the Code.

Note 11. Commitments

Capital Leases

The Hospital is the lessee of medical equipment under capital lease originally expiring in April 2006. The assets associated with these capital leases are recorded at the lower of the present value of the minimum lease payments or fair value of the asset. The assets are amortized over the lower of their related lease terms or their estimated productive lives. Amortization of assets under leases is included in depreciation expense for the years ended July 31, 2007 and 2006.

Operating Leases

The Hospital also leases, on a month-to-month basis, medical and office equipment under operating lease agreements. Lease expense totaled \$330,933 and \$334,516 for the years ended July 31, 2007 and 2006, respectively.

Purchase Agreements

The Hospital entered into a contract with Cardinal Health for the purchase radiopharmaceuticals. The term of the contract is one year, automatically renewing each year unless terminated in writing to Cardinal Health. The Hospital must purchase 90% of all radiopharmaceutical requirements required for actual use from Cardinal Health.

The Hospital entered into a long-term purchase contract with IOS Capital for the purchase of an image runner. The term of the contract is five years, through the year ending July 31, 2008, with an annual purchase commitment of \$34,260.

Employment Contracts

The Hospital has an employment contract with its CEO. The term of the contract extends through March 2011. The Hospital is contractually obligated to pay this contract at a rate of \$16,217 per month for months June 2006 through March 2008, and \$17,050 per month for months April 2008 through March 2011.

Management Contracts

The Hospital has a management contract with Efficient Management Company, Inc. with terms through 2007, to manage the Hospital's psychiatric unit. The Hospital is contractually obligated to pay this company an annual total of \$300,000.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Years Ended July 31, 2007 and 2006

Notes to Financial Statements

Note 11. Commitments (Continued)

Deferred Compensation Plan

The Hospital offers to its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all Hospital employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants and their beneficiaries, and the benefits may not be diverted to any other use.

It is the opinion of Hospital management that the Hospital has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

Physician Guarantee Agreement

The Hospital entered into an agreement to establish a private practice of medicine for the period of November 1, 2004 through October 31, 2006. During this period the physician is guaranteed income as defined. To induce the physician to remain in St. Charles Parish after the Guarantee Period, as defined, the Hospital will forgive certain obligations of the physician over a thirty-six month period. Throughout and after the Guarantee Period, Physician agrees to execute one or more promissory notes evidencing all or a portion of the total assistance amount.

Subsequent to the balance sheet date the physician was found to be in default of the agreement. As such, the Hospital retains the right to terminate the agreement immediately. Upon termination, the sum representing the total assistance amount shall immediately become due and payable to the Hospital. A receivable was recorded on the financial statements representing the total assistance to the physician. The Hospital is involved in various legal actions regarding this Agreement; therefore, an allowance was established for the full amount of the receivable. The ultimate resolution of this matter cannot be determined at this time.

Note 12. Contingencies and Risk Management

The Hospital is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Years Ended July 31, 2007 and 2006

Notes to Financial Statements

Note 12. Contingencies and Risk Management (Continued)

The Hospital is a member of two separate trust funds established by the Louisiana Hospital Association that encompass self-insurance of (1) Hospital professional liability and comprehensive general liability and (2) Statutory workers' compensation. The Hospital continues to carry commercial insurance for all other risks of loss except as noted below.

The Hospital participates in the State of Louisiana patient compensation fund (the Fund). The Fund provides malpractice coverage to the Hospital for claims in excess of \$100,000 up to \$500,000. According to current state law, medical malpractice liability (exclusive of future medical care awards) is limited to \$500,000 per occurrence. The management of the Hospital has no reason to believe that the Hospital will be prevented from continuing its participation in the Fund.

Professional Liability

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

Workmen's Compensation

The Hospital also participates in the Louisiana Hospital Association Self Insurance Workmen's Compensation Trust fund. Should the fund's assets not be adequate to cover claims made against it, the Hospital may be assessed its pro rata share of the resulting deficit. It is not practical to estimate the amount of additional assessments, if any, and the cost associated with any such assessments are treated as period expenses at the time they are assessed. The trust fund presumes to be a "grantor trust" and, accordingly, income and expenses are prorated to member hospitals. The Hospital has included these allocations and equity amounts assigned to the Hospital by the trust fund in its financial statements.

Self-Insurance for Health Insurance

The Hospital has elected to self-insure employee and eligible dependent health claims. The self-insured claims are processed through a plan administrator. The Hospital's self insured plan has stop-loss insurance coverage for claims in excess of \$40,000 per individual per plan year and \$40,000 in the aggregate for claims in excess of the individual stop-loss. The Hospital has recorded a current liability for open claims and claims incurred but not reported. The following is a summary of estimated claims liability for the year ended July 31, 2007.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Years Ended July 31, 2007 and 2006

Notes to Financial Statements

Note 12. Contingencies and Risk Management (Continued)

Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Current Year Claim Payments	Balance at Fiscal Year End
\$ 91,751	\$ 1,299,045	\$ 1,311,492	\$ 79,304

The following is a summary of estimated claims liability for the year ended July 31, 2006.

Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Current Year Claim Payments	Balance at Fiscal Year End
\$ 91,751	\$ 1,299,045	\$ 1,311,492	\$ 79,304

Laws and Regulations

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments; 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. These laws and regulations include, but are not limited to, accreditation, licensure, government health care program participation 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 health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Hospital is subject to similar regulatory reviews, management believes the outcome of any such regulatory review will not have a material adverse effect on the Hospital's financial position.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Years Ended July 31, 2007 and 2006

Notes to Financial Statements

Note 13. Deficit Reduction Act Katrina Healthcare Related Provider Stabilization Grant

On January 18, 2007, the Department of Health and Human Services (HHS), Centers for Medicare and Medicaid Services (CMS) announced the availability of grant funds for three states impacted by Hurricane Katrina, under the authority of section 6201 of the Deficit Reduction Act of 2005 (DRA). The state was directed to make these grant payments to all Medicare participating general, acute care hospitals and skilled nursing facilities that are currently paid under a Medicare prospective payment system (PPS) and are located in an impacted community. During fiscal year ending July 31, 2007, the Hospital was awarded \$411,325 to compensate the Hospital for increased hourly wages from the fourth calendar quarter 2006 as compared to the second calendar quarter 2005.

Note 14. Capitalized Interest

The Hospital had \$1,505,752 of interest cost incurred during fiscal year 2007; of that amount, \$1,089,456 has been capitalized, net of interest income of \$437,813. For the year ended July 31, 2006, the Hospital incurred \$1,627,399 of interest cost; of that amount, \$952,650 has been capitalized, net of interest income of \$514,837.

Note 15. Correction of an Error

The 2006 financial statements have been restated to correct the error in not capitalizing interest cost incurred on tax exempt debt in accordance with Financial Accounting Standard 62. The restatement included increasing the 2006 capital assets and non-operating income by \$719,784 for the interest incurred in fiscal year 2006 on the 2004, 2005 and 2006 General Obligation Bonds, net of the interest earned on funds on deposit from those bond issuances. The restatement also included increasing capital assets and the 2006 beginning net assets by \$433,220 for the interest incurred in fiscal year 2005 on the 2004 and 2005 General Obligation Bonds, net of interest earned on funds on deposit from those bond issuances.



Independent Auditor's Report on Supplementary Information

To the Board of Commissioners
St. Charles Parish Hospital Service District
Luling, Louisiana

Our audit was made for the purpose of forming an opinion on the basic financial statements for the year ended July 31, 2007, taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information for the year ended July 31, 2007, 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.

A Professional Accounting Corporation

January 28, 2008

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ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Board of Commissioners and Salaries
For the Year Ended July 31, 2007

	Number of Meetings Attended	Total Per Diem Paid
Barbara Smith	1	\$ 40
Betty Portera	7	280
Kathleen Landry	10	400
Thomas D. Lorio	12	480
John Landry	7	280
Kenyatta Weber	7	280
		<u>\$ 1,760</u>

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Bonds and Certificates of Indebtedness

Rate	Interest Payment Date	Interest Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds			
					Authorized	Issued	Retired	Outstanding
Certificate of Indebtedness, Series 2004B 4.75%	9/1/2007	20,306			\$ 1,320,000	\$ 1,320,000	\$ 465,000	\$ 855,000
	3/1/2008	20,306	3/1/2008	200,000				
	9/1/2008	15,556						
	3/1/2009	15,556	3/1/2009	205,000				
	9/1/2009	10,688						
	3/1/2010	10,688	3/1/2010	220,000				
	9/1/2010	5,463						
	3/1/2011	5,463	3/1/2011	230,000				
					\$ 3,000,000	\$ 3,000,000	\$ -	\$ 3,000,000
Certificate of Indebtedness, Series 2007A 5.25%	3/1/2008	170,625	3/1/2008	3,000,000				
					\$ 1,500,000	\$ 1,500,000	\$ -	\$ 1,500,000
Certificate of Indebtedness, Series 2007B 5.75%	3/1/2008	93,438	3/1/2008	1,500,000				
					\$ 500,000	\$ 500,000	\$ -	\$ 500,000
Certificate of Indebtedness, Series 2007C 5.75%	3/1/2008	31,146	3/1/2008	500,000				
					\$ 1,000,000	\$ 1,000,000	\$ -	\$ 1,000,000
Certificate of Indebtedness, Series 2007D 6.00%	3/1/2008	65,000	3/1/2008	1,000,000				
					\$ 1,000,000	\$ 1,000,000	\$ -	\$ 1,000,000

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Bonds and Certificates of Indebtedness (Continued)

Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds	
					Authorized	Retired
3.00% to 4.50%					\$ 2,745,000	\$ 2,745,000
	9/1/2007	56,001				
	3/1/2008	56,001	3/1/2008	205,000		
	9/1/2008	52,928				
	3/1/2009	52,928	3/1/2009	210,000		
	9/1/2009	49,514				
	3/1/2010	49,514	3/1/2010	220,000		
	9/1/2010	45,554				
	3/1/2011	45,554	3/1/2011	225,000		
	9/1/2011	41,335				
	3/1/2012	41,335	3/1/2012	235,000		
	9/1/2012	36,635				
	3/1/2013	36,635	3/1/2013	245,000		
	9/1/2013	31,613				
	3/1/2014	31,613	3/1/2014	255,000		
	9/1/2014	25,875				
	3/1/2015	25,875	3/1/2015	270,000		
	9/1/2015	19,800				
	3/1/2016	19,800	3/1/2016	280,000		
	9/1/2016	13,500				
	3/1/2017	13,500	3/1/2017	295,000		
	9/1/2017	6,863				
	3/1/2018	6,863	3/1/2018	305,000		
					\$ 2,745,000	\$ 2,745,000

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Bonds and Certificates of Indebtedness (Continued)

Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds	
					Authorized	Outstanding
General Obligation Bonds, Series 2003B 4.150% to 6.00%	9/1/2007	22,711			\$ 810,000	\$ 810,000
	3/1/2008	22,711	3/1/2008	55,000		
	9/1/2008	21,570				
	3/1/2009	21,570	3/1/2009	60,000		
	9/1/2009	20,183				
	3/1/2010	20,183	3/1/2010	60,000		
	9/1/2010	18,683				
	3/1/2011	18,683	3/1/2011	65,000		
	9/1/2011	16,960				
	3/1/2012	16,960	3/1/2012	70,000		
	9/1/2012	15,000				
	3/1/2013	15,000	3/1/2013	70,000		
	9/1/2013	12,900				
	3/1/2014	12,900	3/1/2014	75,000		
	9/1/2014	10,650				
	3/1/2015	10,650	3/1/2015	80,000		
	9/1/2015	8,250				
3/1/2016	8,250	3/1/2016	85,000			
9/1/2016	5,700					
3/1/2017	5,700	3/1/2017	90,000			
9/1/2017	3,000					
3/1/2018	3,000	3/1/2018	100,000			
					\$ 810,000	\$ 810,000

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Bonds and Certificates of Indebtedness (Continued)

Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds		
					Authorized	Issued	Retired
3.40% to 5.0%	9/1/2007	98,008			\$ 5,300,000	\$ 660,000	\$ 4,640,000
	3/1/2008	98,008	3/1/2008	220,000			
	9/1/2008	92,508					
	3/1/2009	92,508	3/1/2009	220,000			
	9/1/2009	87,778					
	3/1/2010	87,778	3/1/2010	200,000			
	9/1/2010	83,528					
	3/1/2011	83,528	3/1/2011	225,000			
	9/1/2011	79,703					
	3/1/2012	79,703	3/1/2012	225,000			
	9/1/2012	75,541					
	3/1/2013	75,541	3/1/2013	225,000			
	9/1/2013	71,181					
	3/1/2014	71,181	3/1/2014	225,000			
	9/1/2014	66,906					
	3/1/2015	66,906	3/1/2015	250,000			
	9/1/2015	62,156					
	3/1/2016	62,156	3/1/2016	250,000			
	9/1/2016	57,156					
	3/1/2017	57,156	3/1/2017	250,000			
	9/1/2017	52,156					
	3/1/2018	52,156	3/1/2018	250,000			
	9/1/2018	47,000					
	3/1/2019	47,000	3/1/2019	275,000			
	9/1/2019	41,156					
	3/1/2020	41,156	3/1/2020	275,000			
	9/1/2020	35,175					
	3/1/2021	35,175	3/1/2021	300,000			

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Bonds and Certificates of Indebtedness (Continued)

Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds	
				Authorized	Retired
Rate				Issued	Outstanding
				\$ 7,500,000	\$ 6,500,000
9/1/2021	28,500				
3/1/2022	28,500	3/1/2022	300,000		
9/1/2022	21,750				
3/1/2023	21,750	3/1/2023	400,000		
9/1/2023	12,650				
3/1/2024	12,650	3/1/2024	550,000		
				\$ 7,500,000	\$ 1,000,000
9/1/2007	153,806				
3/1/2008	153,806	3/1/2008	500,000		
9/1/2008	137,556				
3/1/2009	137,556	3/1/2009	225,000		
9/1/2009	130,806				
3/1/2010	130,806	3/1/2010	235,000		
9/1/2010	124,343				
3/1/2011	124,343	3/1/2011	250,000		
9/1/2011	117,624				
3/1/2012	117,624	3/1/2012	265,000		
9/1/2012	110,668				
3/1/2013	110,668	3/1/2013	275,000		
9/1/2013	103,793				
3/1/2014	103,793	3/1/2014	290,000		
9/1/2014	97,268				
3/1/2015	97,268	3/1/2015	310,000		
9/1/2015	90,681				
3/1/2016	90,681	3/1/2016	325,000		
9/1/2016	84,181				
3/1/2017	84,181	3/1/2017	340,000		
9/1/2017	77,211				
3/1/2018	77,211	3/1/2018	355,000		

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Bonds and Certificates of Indebtedness (Continued)

Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds	
					Authorized	Outstanding
	9/1/2018	69,889				
	3/1/2019	69,889	3/1/2019	380,000		
	9/1/2019	61,909				
	3/1/2020	61,909	3/1/2020	400,000		
	9/1/2020	53,308				
	3/1/2021	53,308	3/1/2021	420,000		
	9/1/2021	44,069				
	3/1/2022	44,069	3/1/2022	445,000		
	9/1/2022	34,168				
	3/1/2023	34,168	3/1/2023	470,000		
	9/1/2023	23,475				
	3/1/2024	23,475	3/1/2024	495,000		
	9/1/2024	12,090				
	3/1/2025	12,090	3/1/2025	520,000		
					<u>\$ 5,700,000</u>	<u>\$ 5,700,000</u>
					<u>\$ 500,000</u>	<u>\$ 5,200,000</u>
	9/1/2007	137,287				
	3/1/2008	120,412	3/1/2008	500,000		
	9/1/2008	120,412				
	3/1/2009	109,359	3/1/2009	155,000		
	9/1/2009	109,359				
	3/1/2010	104,062	3/1/2010	165,000		
	9/1/2010	104,062				
	3/1/2011	98,756	3/1/2011	175,000		
	9/1/2011	98,756				
	3/1/2012	93,448	3/1/2012	185,000		

General Obligation Bonds, Series 2006 4.125% to 6.75%

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
 Schedule of Bonds and Certificates of Indebtedness (Continued)

Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds		
					Authorized	Issued	Retired
Outstanding							
	9/1/2012	93,448					
	3/1/2013	88,084	3/1/2013	195,000			
	9/1/2013	88,084					
	3/1/2014	82,841	3/1/2014	205,000			
	9/1/2014	82,841					
	3/1/2015	77,803	3/1/2015	220,000			
	9/1/2015	77,803					
	3/1/2016	72,741	3/1/2016	230,000			
	9/1/2016	72,741					
	3/1/2017	67,627	3/1/2017	245,000			
	9/1/2017	67,627					
	3/1/2018	62,370	3/1/2018	260,000			
	9/1/2018	62,370					
	3/1/2019	56,738	3/1/2019	270,000			
	9/1/2019	56,738					
	3/1/2020	50,718	3/1/2020	290,000			
	9/1/2020	50,718					
	3/1/2021	44,245	3/1/2021	305,000			
	9/1/2021	44,245					
	3/1/2022	37,290	3/1/2022	320,000			
	9/1/2022	37,290					
	3/1/2023	29,865	3/1/2023	340,000			
	9/1/2023	29,865					
	3/1/2024	21,990	3/1/2024	360,000			
	9/1/2024	21,990					
	3/1/2025	13,570	3/1/2025	380,000			
	9/1/2025	13,570					
	3/1/2026	9,200	3/1/2026	400,000			
	9/1/2026	9,200					

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
 Schedule of Bonds and Certificates of Indebtedness (Continued)

Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds		Outstanding
					Authorized	Retired	
6.50% to 4.00%					5,500,000	-	5,500,000
	9/1/2007	101,900					
	3/1/2008	122,280	3/1/2008	5,000			
	9/1/2008	122,118					
	3/1/2009	122,118	3/1/2009	10,000			
	9/1/2009	121,793					
	3/1/2010	121,793	3/1/2010	25,000			
	9/1/2010	120,960					
	3/1/2011	120,960	3/1/2011	50,000			
	9/1/2011	119,355					
	3/1/2012	119,355	3/1/2012	75,000			
	9/1/2012	118,918					
	3/1/2013	118,918	3/1/2013	100,000			
	9/1/2013	113,868					
	3/1/2014	113,868	3/1/2014	100,000			
	9/1/2014	110,418					
	3/1/2015	110,418	3/1/2015	100,000			
	9/1/2015	107,188					
	3/1/2016	107,188	3/1/2016	250,000			
	9/1/2016	99,043					
	3/1/2017	99,043	3/1/2017	275,000			
	9/1/2017	93,543					
	3/1/2018	93,543	3/1/2018	275,000			
	9/1/2018	88,043					
	3/1/2019	88,043	3/1/2019	300,000			
	9/1/2019	82,043					
	3/1/2020	82,043	3/1/2020	435,000			
	9/1/2020	73,125					
	3/1/2021	73,125	3/1/2021	600,000			
	9/1/2021	62,875					
	3/1/2022	62,875	3/1/2022	500,000			
	9/1/2022	52,825					
	3/1/2023	52,825	3/1/2023	500,000			
	9/1/2023	42,250					
	3/1/2024	42,250	3/1/2024	500,000			
	9/1/2024	31,750					
	3/1/2025	31,750	3/1/2025	500,000			
	9/1/2025	21,250					
	3/1/2026	21,250	3/1/2026	500,000			
	9/1/2026	10,825					
	3/1/2027	10,825	3/1/2027	500,000			
	Total Interest	\$ 12,627,755					
	Due Within One Year	\$ 1,543,762					
	Long-Term	11,084,003					
	Total	\$ 12,627,755					
	Total Principal				5,500,000		\$ 32,250,000
	Due Within One Year						\$ 7,685,000
	Long-Term						24,565,000
	Total						\$ 32,250,000



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CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of the Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of Commissioners
St. Charles Parish Hospital Service District
Luling, Louisiana

We have audited the financial statements of St. Charles Parish Hospital Service District (the Hospital), as of and for the year ended July 31, 2007 and 2006, and have issued our report thereon dated January 28, 2008. 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 the Hospital'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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'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's financial statements that is more than inconsequential will not be prevented or detected by the Hospital's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

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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's internal control.

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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies. We consider the significant deficiencies listed to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance 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 the objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Commissioners, Management of St. Charles Parish Hospital, and the Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana revised Statute 24:513, this report is distributed by the Legislative Auditor of the State of Louisiana as a public document.



A Professional Accounting Corporations

January 28, 2008

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Findings and Responses
For the Year Ended July 31, 2007

A. FINDINGS FINANCIAL STATEMENT AUDIT – 2007 Fiscal Year End

07-01

Condition: During the year ended July 31, 2007, the auditor was required to propose numerous journal entries to fairly state the financial statements of the Hospital in all material respects.

Cause: The Hospital experienced turnover within its finance department during the year ended July 31, 2007. The department had to transition responsibilities as a result.

Effect: The inability to prepare financial statements that are fairly stated in all material respects in accordance with accounting principles generally accepted in the United States could result in a more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected through the Hospitals' internal control.

Recommendations: We recommend that management of the Hospital provide training to its accounting personnel on the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Management's Corrective Action: Management appreciates the importance that the financial statements contribute to internal control. Management has agreed to provide training to its accounting department team members, with specific attention being given to those areas that are new to the Hospital and require additional instruction.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Findings and Responses
For the Year Ended July 31, 2007

B. FINDINGS - FINANCIAL STATEMENTS AUDIT – 2006 Fiscal Year End

06-01

Condition: During the year ended July 31, 2006, the provisions of the public bid law, LSA-RS Title 38:2212, the regulations of the Division of Administration, State Purchasing Office, have not been complied with.

Cause: The Hospital did not have sufficient controls in place to ensure that purchases exceeding \$10,000 were in compliance with public bid law. Management typically purchases items through a GPO (Group Purchasing Organization). According to public bid law, items purchased through a Group Purchasing Organization are not required to be put up for bid. During the year ended July 31, 2006, several purchases were made from vendors which were not part of the Group Purchasing Organization. These purchased items caused the noncompliance with the provisions of public bid law.

Effect: The Hospital may not have obtained the lowest price for the specified purchases.

Recommendations: We recommend that management of the Hospital institute controls to ensure that all purchases, especially outside of the GPO, comply with the provisions of the public bid law. We also recommend that management periodically monitor the effectiveness of these controls by reviewing expenditures and verifying that all purchases are in compliance with the provisions of public bid law. This will be used as a mechanism to facilitate compliance.

Management's Corrective Action: In the future, for all purchases that meet the applicable bid requirements, the proper bid procedures will be followed. The plan will be implemented immediately and Donald Foster, Chief Financial Officer, will oversee the implementation.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

Corrective Action Plan on management letter issued on January 12, 2007. Management will designate an individual as a point person to receive signatures from emergency personnel in the event of a future disaster.