

**HOSPITAL SERVICE DISTRICT NO. 1
OF OUACHITA PARISH**

**Financial Report
As of and For the Year Ended December 31, 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 7-25-07

HOSPITAL SERVICE DISTRICT NO. 1 OF OUACHITA PARISH
FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2006

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Francis I. Huffman, CPA
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ACCOUNTANTS' COMPILATION REPORT

Board of Commissioners Hospital Service District No. 1 of Ouachita Parish

We have compiled the accompanying general purpose financial statements of the Hospital Service District No. 1 of Ouachita Parish (the District) as of and for the year ended December 31, 2006 as listed in the Table of Contents in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements, information that is the representation of management of the Hospital Service District No. 1 of Ouachita Parish. We have not audited or reviewed the accompanying general purpose financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Generally accepted accounting standards require State and Local Governments to adopt and report under Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and No. 37, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus." The District is not presenting its financial statements under those standards. Those standards require that the District report information regarding its financial position by governmental activities, business-type activities, each major fund, and the aggregate remaining fund information that comprise the District's basic financial statements. The standards also require that a management's discussion and analysis be included as supplementary information. The effects of these departures have not been determined.

Management has elected to present the District's financial statements under the pre-GASB 34 standards (general purpose financial statements) and to omit substantially all of the disclosures required by generally accepted accounting principles. If the GASB 34 presentation (basic financial statements) and the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the District's financial position, results of operations and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

(A Professional Accounting Corporation)

June 14, 2007

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GENERAL PURPOSE FINANCIAL STATEMENTS

Hospital Service District No. 1 of Ouachita Parish
Balance Sheet
As of December 31, 2006

	<u>Governmental Fund Type - General Fund</u>
ASSETS	
Current Assets	
Cash and Investments	\$ <u>106,205</u>
TOTAL ASSETS	\$ <u><u>106,205</u></u>
LIABILITIES & EQUITY	
Equity	
Fund Balance	\$ <u>106,205</u>
TOTAL LIABILITIES & EQUITY	\$ <u><u>106,205</u></u>

See accountants' report and summary information.

Hospital Service District No. 1 of Ouachita Parish
Statement of Revenues, Expenditures and Changes in Fund Balance
All Governmental Fund Types
For the Year Ended December 31, 2006

	<u>General Fund</u>
Revenues	
Reimbursed Expenses	\$ 54,929
Interest Income	3,269
Other Income	10,000
Total Revenues	<u>68,198</u>
Expenditures	
Professional Fees	
Consulting	8,444
Legal Fees	45,785
Total Professional Fees	<u>54,229</u>
Travel	<u>700</u>
Total Expenditures	<u>54,929</u>
Excess of Revenues Over Expenditures	<u>13,269</u>
Fund Balance - Beginning of Year	<u>92,936</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 106,205</u></u>

See accountants' report and summary information.

Hospital Service District No. 1 of Ouachita Parish
SELECTED INFORMATION - Substantially All Disclosures Required By
Generally Accepted Accounting Principles Are Not Included
FOR THE YEAR ENDED DECEMBER 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background

Hospital Service District No. 1, Ouachita Parish, Louisiana, (the District) is a public corporation and political subdivision of the State of Louisiana which was created in 1951 by Ordinance No. 7006 of the Ouachita Parish Police Jury, as provided by Revised Statutes 46:1051-1067. The boundaries of the District comprise all of the territory within Ward No. 5 of Ouachita Parish as it stood in 1951. The district is governed by a Board of Commissioners consisting of five members who are appointed by the Ouachita Parish Police Jury.

As of May 1, 1996, the District (Lessor) entered into a lease agreement (the Agreement) with Glenwood Regional Medical Center (Lessee) for the lease of a hospital by the same name in West Monroe, Louisiana (the Hospital). On April 6, 1997, the Lessor and Lessee amended the Agreement to provide for a term that would continue until at least May 15, 2021 (and also entered into a second contingent lease agreement, on similar terms, that would commence only in the event of early termination of the Agreement). Among other provisions, the Agreement stipulated that:

- a. For and in consideration of the mutual covenants and agreements set forth therein, Lessee agrees to manage and operate Lessor's hospital facility, including all buildings, improvements, appurtenances, hospital furnishings, equipment and supplies, as a non-profit institution in accordance with the terms of the Agreement.
- b. The Lessee shall have full and complete charge of the management and operation of the Hospital and shall conduct and operate said Hospital in accordance with acceptable standards, as established by the various agencies and governmental bodies named in the Agreement.
- c. In operating and managing the Hospital, rates and charges are to be imposed and collected by Lessee for all facilities and services rendered at the Hospital, such rates and charges being established by the Board of Directors of the Lessee, subject to the approval of the Board of Commissioners of the Lessor. Also, such rates and charges are to be sufficient to pay expenses of operation and maintaining the Hospital, to pay maturing principal and interest on the Series 1996 Bonds and to ensure the deposit and maintenance of all funds established by the Bond Resolution.
- d. All income and revenues derived from the operation of the Hospital are to be governed by the terms of the above-mentioned Bond Resolution.

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- e. Lessee is to maintain the Hospital in good repair and working order and shall from time to time make all necessary and proper repairs, replacements and renewals.
- f. The terms of the Agreement are in all respects subordinate to the terms of the above-mentioned Bond Resolution.

Basis of Accounting

The General Fund is the only fund and is accounted for using the modified accrual basis of accounting. Interest income is recorded when the income on the investment has been received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Cash and Temporary Cash Investments

All cash deposits and temporary investments of the District are held by financial institutions and are fully insured. At the end of the period the carrying amount of the District's deposits was the same as the balance reported by the financial institutions.

2. OUTSTANDING BONDS:

In 1996, the District issued \$38,505,000 Series 1996 Hospital Revenue Refunding Bonds (the "1996 bonds" or the "Bonds") under the Trust Indenture between Hospital Service District No. 1 of the Parish of Ouachita, State of Louisiana and First National Bank of Commerce dated as of May 1, 1996 (the "Trust Indenture"). The proceeds of the 1996 Bonds were used to provide funds for (a) refunding the Series 1991 Bonds through a defeasance trust to achieve interest cost savings, (b) funding a reserve fund and (c) paying the costs of issuance of the Series 1996 Bonds. All outstanding Hospital Revenue Bonds were carried on the books of the Lessee (See Note 1).

3. BOARD COMPENSATION:

For the period ended December 31, 2006, there was no compensation paid to members of the Board of Commissioners.

4. FINANCIAL DATA OF GLENWOOD REGIONAL MEDICAL CENTER

During 2006 the District leased the Hospital facility to the Lessee as further discussed in Note 1. The financial statements of the District do not include financial data of the Lessee.

Hospital Service District No. 1 of Ouachita Parish
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5. SALE OF THE HOSPITAL AND SUBSEQUENT EVENTS

The District and the Lessee entered into a certain Asset Purchase Agreement dated July 20, 2006 (the "Asset Purchase Agreement") with IASIS Glenwood Regional Medical Center, L.P. (IASIS) and others, which contemplates, among other things, the sale or lease of substantially all of the assets of the District and of the Lessee to IASIS.

On August 17, 2006, the District established Ward Five Healthcare Foundation (the Foundation) to receive substantially all of the net proceeds from the sale to IASIS in order to safeguard such funds and ensure that they are used for appropriate healthcare purposes.

A public referendum was held on September 30, 2006 whereby the residents of the District overwhelmingly approved the transactions contemplated by the Asset Purchase Agreement and the transfer to the Foundation of substantially all of the net proceeds of the sale to IASIS for use for healthcare purposes.

In November 2006, the District, the Lessee, the Foundation and the Ouachita Parish Police Jury (OPPJ) entered into a "Coordination Agreement" whereby, among other things, Lessee agreed to pay OPPJ \$4,116,113 and OPPJ agreed to release various claims and to refrain from taking various actions that might interfere with the sale or the subsequent operation of the Foundation. In December 2006, the Lessee paid OPPJ \$350,000 pursuant to an earlier 1997 Settlement Agreement, but for which Lessee also received credit under the Coordination Agreement.

On January 26, 2007, the Louisiana Attorney General approved the detailed application of the District and the Lessee to sell the Hospital to IASIS pursuant to the Asset Purchase Agreement and related documents. As of January 31, 2007, the sale to IASIS was closed for a cash purchase price of approximately \$79,000,000. Of this amount, approximately \$30,000,000 was transmitted to an escrow for defeasement of the 1996 Bonds, approximately \$44,000,000 was transferred to the Foundation for future healthcare purposes, \$2,500,000 was transmitted to an escrow for post-closing price adjustments, approximately \$1,000,000 was transmitted to the Lessee (now renamed Glenwood Resolution Authority, Inc.) to help it to pay off its estimated remaining liabilities, and approximately \$1,000,000 was retained by the District. Contemporaneously with the sale, although not out of the proceeds of the sale, the Lessee paid \$3,766,113 to the Ouachita Parish Police Jury pursuant to the Coordination Agreement and paid off long-term bank debt of approximately \$5,000,000. The Lessee also retained approximately \$11,000,000 of Lessee's pre-closing liquid assets as well as certain non-liquid assets, with the agreement that after liquidation of the non-liquid assets and payment of all Lessee's liabilities and administrative expenses, any amounts remaining will be transferred to the District. Several weeks after the closing, certain securities were substituted for the cash in the bond defeasement escrow, resulting in the release of approximately \$4,000,000 back to the District. In connection with the sale, the District took over the operation of its physical

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fitness facility, known as The Wellness Center, in West Monroe, Louisiana (which had previously been leased to Lessee as part of the lease of the Hospital, but which was not sold to IASIS). Therefore, in 2007 The Wellness Center along with its equipment and furnishings with a book value of approximately \$700,000 was recorded on the District's books.

HOSPITAL SERVICE DISTRICT NO. 1 OF OUACHITA PARISH

AFFIDAVIT

Personally came and appeared before the undersigned authority, Violet Liner, Chairman, who, duly sworn, deposes and says that the financial statements herewith given present fairly the financial position of the Hospital Service District No. 1 of Ouachita Parish as of December 31, 2006, and the results of operations for the year then ended.



Signature

Sworn to and subscribed before me, this 22ND day of June, 2007.



NOTARY PUBLIC
Douglas C. Caldwell
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Officer Violet Liner, Chairman

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