

FINANCIAL STATEMENTS

HOSPITAL SERVICE DISTRICT NO.1
PARISH OF AVOYELLES
BUNKIE, LOUISIANA

JUNE 30, 2009

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 1/27/10

FINANCIAL STATEMENTS

HOSPITAL SERVICE DISTRICT NO. 1

PARISH OF AVOUELLES

BUNKIE, LOUISIANA

JUNE 30, 2009

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**LANGLINAIS
BROUSSARD &
KOHLBERG**

A Corporation of Certified Public Accountants



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INDEPENDENT AUDITOR'S REPORT *Jonathan P. Primeaux, C.P.A., M.B.A.*

Board of Commissioners
Hospital Service District No. 1
Parish of Avoyelles, State of Louisiana
Bunkie, Louisiana

We have audited the financial statements of Hospital Service District No. 1, Parish of Avoyelles, State of Louisiana, a component unit of the Avoyelles Parish Police Jury, State of Louisiana, as of June 30, 2009 and 2008, and 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 audit.

We conducted our audit in accordance with generally accepted auditing standards of the United States and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, the component unit financial statements referred to above present fairly, in all material respects, the financial position of Hospital District No. 1, Parish of Avoyelles, State of Louisiana, a component unit of the Avoyelles Parish Police Jury, State of Louisiana, at June 30, 2009 and 2008, and the changes in financial position and cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2009, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in Schedules one through five is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Hospital District No. 1 has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.



LANGLINAIS BROUSSARD & KOHLENBERG
(A corporation of Certified Public Accountants)

December 11, 2009

HOSPITAL SERVICE DISTRICT NO.1

Parish of Avoyelles

Bunkie, Louisiana

STATEMENT OF NET ASSETS

ASSETS

	<u>2009</u>	<u>2008</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 722,231	\$ 875,323
Accounts receivables, less allowance for doubtful accounts of \$1,985,226 in 2009 and \$3,204,243 in 2008	976,933	1,115,478
Due from Third Party Payors	721,569	370,704
Other Receivables	232,158	14,104
Investments	65,961	51,886
Inventories	260,117	221,364
Prepaid Expenses	55,201	55,473
Total Current Assets	<u>3,034,170</u>	<u>2,704,332</u>
ASSETS WHOSE USE IS LIMITED:		
By Bond Indenture	105,280	185,882
By Board	23,604	23,604
Total Assets Whose Use is Limited	<u>128,884</u>	<u>209,486</u>
PROPERTY, PLANT AND EQUIPMENT:		
Property, Plant and Equipment, cost	7,215,098	8,217,359
Less: Accumulated Depreciation	<u>3,961,461</u>	<u>4,584,798</u>
Total Property, Plant and Equipment	<u>3,253,637</u>	<u>3,632,561</u>
TOTAL ASSETS	<u>\$ 6,416,691</u>	<u>\$ 6,546,379</u>

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

STATEMENT A

LIABILITIES AND NET ASSETS

	<u>2009</u>	<u>2008</u>
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 142,495	\$ 233,955
Accounts payable	405,027	679,305
Due to third party payors	-	161,780
Credit balances	268,683	87,323
Interest payable	12,832	14,569
Accrued salaries and related withholdings	210,461	213,832
Accrued vacation and holiday expense	179,338	158,503
Total Current Liabilities	<u>1,218,836</u>	<u>1,549,267</u>
LONG-TERM LIABILITIES:		
Long-Term Debt:		
Note payable - Baytree	8,920	24,213
Note payable - Ultrasound	13,431	36,186
Revenue bond 1972	-	25,000
Revenue bond 2006	-	45,647
USDA HVAC	860,238	904,170
Rural health building	153,248	168,241
Total Long-Term Liabilities	<u>1,035,837</u>	<u>1,203,457</u>
TOTAL LIABILITIES	<u>2,254,673</u>	<u>2,752,724</u>
NET ASSETS		
Invested in capital assets, net of related debt	2,121,455	2,391,059
Restricted net assets	128,884	209,486
Unrestricted	1,911,679	1,193,110
TOTAL NET ASSETS	<u>4,162,018</u>	<u>3,793,655</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,416,691</u>	<u>\$ 6,546,379</u>

The accompanying notes are an integral part of these financial statements

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

STATEMENT B

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30,

	2009	2008
OPERATING REVENUES:		
Net Patient Service Revenues	\$ 11,014,926	\$ 12,901,797
Advalorem Taxes	83,279	84,760
Other Operating Revenue	564,525	470,461
TOTAL OPERATING REVENUE	11,662,730	13,457,018
OPERATING EXPENSES:		
Professional Services	5,997,503	6,523,482
General and Administrative	3,852,989	3,803,010
Depreciation and Amortization	450,451	463,065
Provision for Doubtful Accounts	1,208,294	2,923,670
TOTAL OPERATING EXPENSES	11,509,237	13,713,227
INCOME (LOSS) FROM OPERATIONS	153,493	(256,209)
NON-OPERATING REVENUES (EXPENSES)		
Grant Revenue	149,677	1,192,984
Interest Income	7,390	23,587
Insurance Settlement	65,865	-
Gain (Loss) of Sale of Assets	(8,062)	1,500
TOTAL NON-OPERATING REVENUES	214,870	1,218,071
CHANGE IN NET ASSETS	368,363	961,862
TOTAL NET ASSETS, BEGINNING	3,793,655	2,831,793
TOTAL NET ASSETS, ENDING	\$ 4,162,018	\$ 3,793,655

The accompanying notes are an integral part of these financial statements

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

STATEMENT C

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2009 AND 2008

	2008	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Patients	\$ 11,146,520	\$ 12,798,645
Ad Valorem Taxes	83,279	84,760
Cash Payments to Suppliers for Goods and Services	(6,360,589)	(8,030,997)
Cash Payments to Employees for Services	(4,986,981)	(4,923,245)
Net Cash Flow from Operating Activities	(117,771)	(70,837)
CASH FLOW FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES:		
Acquisition of Property and Equipment	(82,375)	(1,199,950)
Proceeds from Grant Revenue	149,677	1,192,984
Proceeds from the Sale of Assets	2,600	1,500
Proceeds from Insurance Settlement	65,865	-
Proceeds from Long-term Borrowing	-	185,250
Principal payments on Long-term Debt	(259,080)	(282,467)
Net Cash Used in Capital and Related Financial Activities	(123,313)	(102,683)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Income	7,390	23,587
Net Cash Provided by Financing Activities	7,390	23,587
NET DECREASE IN CASH AND CASH EQUIVALENTS	(233,694)	(149,933)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,084,809	1,234,742
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 851,115	\$ 1,084,809
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ 153,493	\$ (256,209)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and Amortization	450,451	463,065
Provision for Doubtful Accounts	1,208,294	2,923,670
Increase in Receivables and Due from Third Parties	(1,618,902)	(3,485,415)
Increase in Investments	(14,075)	(13,368)
Increase in Inventories and Prepaid Expenses	(38,481)	(17,533)
Increase (Decrease) in Accounts Payable and Accrued Expenses	(258,551)	314,953
NET CASH USED IN OPERATING ACTIVITIES	\$ (117,771)	\$ (70,837)

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

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The Avoyelles Parish Hospital Service District (the "Hospital") was created by an ordinance of the Avoyelles Parish Police Jury on February 14, 1968. The District is comprised of and embraces the territory contained within the Parish of Avoyelles, State of Louisiana, as constituted as of the date of the ordinance.

The Hospital is a political subdivision of the Avoyelles Parish Police Jury whose jurors are elected officials. The Hospital's commissioners are appointed by the Avoyelles Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Avoyelles Parish Police Jury is the financial reporting entity for the Hospital. Accordingly, the Hospital was determined to be a component unit of the Avoyelles Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the governmental services provided by that governmental unit or the governmental units that comprise that financial reporting entity.

Method of Accounting. The Hospital uses the accrual method of accounting. Under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, the Hospital has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989. Hospital accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the *Louisiana Governmental Audit Guide*, and to the AICPA, *Audit and Accounting Guide - Health Care Organizations*, published by the American Institute of Certified Public Accountants, and standards set by the Governmental Accounting Standards Board (GASB), which is the accepted standard setting body for establishing governmental accounting and financial reporting principles in the United States of America.

Enterprise Fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Cash and Cash Equivalents. Cash and cash equivalents consist primarily of deposits in checking and money market accounts and certificates of deposit with original maturities of 90 days or less. Certificates of deposit with original maturities over 90 days are classified as short-term investments. Cash and cash equivalents and short-term investments are stated at cost, which approximates market value. The caption "cash and cash equivalents" does not include amounts whose use is limited or temporary cash investments.

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.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Inventory. Inventories are stated at the lower of cost determined by the first-in, first-out method, or market basis.

Capital Assets. Capital assets are carried at cost, or if donated, at fair value at date of donation. Capital assets are defined by the Hospital as assets with an initial individual cost of more than \$5,000 and an initial useful life of three years or greater. Depreciation is computed using the straight-line method over the assets' estimated useful lives generally ranging from three to forty years.

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

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, net of related debt excludes unspent debt proceeds.

Restricted 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 consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often are designated to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

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

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.

Investments. Investments, including assets limited as to use, are recorded at fair value in accordance with Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investments in equity securities with readily determinable fair values and all investments in debt securities, including those classified as assets limited as to use, are measured at fair value in the balance sheet. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investment income, including realized gains and losses on investments, interest and dividends, and changes in unrealized gains and losses are included in non-operating income.

HOSPITAL SERVICE DISTRICT NO. 1

Parish of Avovelles

Bunkie Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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. See the disclosure regarding Net Patient Service Revenue below for further discussion of significant estimates involving the revenue recognition methods of the Hospital.

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 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 receivables are carried at original charge 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. Patient receivables are written off when deemed uncollectible. Recoveries of patient receivables previously written off are recorded when received.

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 Statement of Net Assets was \$179,338 and \$158,503 for 2009 and 2008, respectively.

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 of 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.

Operating Revenues and Expenses. The Hospital's Statement of Activities 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 cost.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

NOTE 2: MAJOR SOURCE OF REVENUE

The Hospital participated in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Hospital derived approximately 68% of its gross patient service revenue from patients covered by the Medicare and Medicaid programs. Included in net patient services is additional reimbursement for Medicaid Uncompensated Care Adjustments of \$627,142 and \$ 1,014,941 for 2009 and 2008, respectively. This amount is subject to audit by the State of Louisiana.

NOTE 3: 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.

The primary third-party programs include Medicare and Medicaid, which account for a significant amount of the Hospital's revenue. The laws and regulations under which Medicare and Medicaid programs operate are complex, and subject to interpretation and frequent changes. As part of operating under these programs, there is a possibility that government authorities may review the Hospital's compliance with these laws and regulations. Such review may result in adjustments to program reimbursement previously received and subject the Hospital to fines and penalties. Although no assurance can be given, management believes it has complied with the requirements of these programs.

A summary of the payment arrangements with major third-party payors follows:

Medicare - The Hospital is paid for inpatient and outpatient services rendered to Medicare program beneficiaries under cost based reimbursement methodology. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The retrospectively 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 files a year end cost report with Medicare to determine final settlement. This cost report is subject to audit by the Medical fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2006.

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 June 30, 2006.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

NOTE 3: NET PATIENT SERVICE REVENUE (cont)

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.

NOTE 4: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, by major category, is as follows:

	<u>06/30/08</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/09</u>
Land	\$ 88,352	\$ 33,505	-	\$ 121,857
Land improvements	290,454	-	-	290,454
Buildings	4,264,177	-	-	4,264,177
Fixed equipment	367,255	14,477	-	381,732
Major movables	<u>3,199,121</u>	<u>22,620</u>	<u>(1,084,636)</u>	<u>2,137,105</u>
Total cost	8,209,359	70,602	(1,084,636)	7,195,325
Less: Accumulated depreciation	<u>4,584,798</u>	<u>450,450</u>	<u>(1,073,787)</u>	<u>3,961,461</u>
	3,624,561	(379,848)	(10,849)	3,233,864
Construction in progress	<u>8,000</u>	<u>11,773</u>	<u>-</u>	<u>19,773</u>
Net Property, Plant and Equipment	<u>\$3,632,561</u>	<u>\$ (368,075)</u>	<u>\$ (10,849)</u>	<u>\$3,253,637</u>

NOTE 5: LONG-TERM DEBT

Long-term debt at June 30, 2009, consisted of the following:

Revenue bonds, dated March 15, 2004 bearing interest of 4.5% maturing March 15, 2024, with interest payable monthly, collateralized by the Hospital's gross receipts	\$ 904,887
Revenue bonds, dated October 5, 2004, bearing interest of 5.25% maturing October 1, 2009, with interest and principal due monthly	46,153
Notes Payable, dated May 1, 2008, bearing interest of 6.00% maturing April 1, 2018, with interest and principal due monthly	168,241
Various notes with interest rates up to 1.9%, due in monthly installments through 2011, secured by equipment	<u>59,051</u>
Less: Current Portion	<u>1,178,332</u>
	<u>142,495</u>
Long-Term Portion	<u>\$ 1,035,837</u>

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

NOTE 5: LONG-TERM DEBT (cont)

A summary of long-term debt activity for the year ended is as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Revenue Bonds 1972	\$ 25,000	\$ -	\$ 25,000	\$ -	\$ -
Revenue Bonds 2004 (USDA HVAC)	904,170	-	43,932	860,238	44,649
Revenue Bonds 2006	45,647	-	45,647	-	46,153
Note Payable - Baytree	24,213	-	15,293	8,920	14,018
Note Payable - Ultrasound	36,186	-	22,755	13,431	22,683
Rural Health Building	<u>168,241</u>	<u>-</u>	<u>14,993</u>	<u>153,248</u>	<u>14,992</u>
Total	<u>\$1,203,457</u>	<u>\$ -</u>	<u>\$ 167,620</u>	<u>\$1,035,837</u>	<u>\$ 142,495</u>

The 1972 Revenue Bonds were originally scheduled to mature on November 1, 2009; however, the hospital elected to pay the remaining balance during the fiscal year ended June 30, 2009.

Scheduled repayments on long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 142,495	\$ 50,998	\$ 193,493
2011	84,928	47,318	132,246
2012	65,658	44,151	109,809
2013	68,894	40,909	109,803
2014	72,294	37,515	109,809
Remaining	<u>744,063</u>	<u>177,602</u>	<u>921,665</u>
Total	<u>\$1,178,332</u>	<u>\$ 398,493</u>	<u>\$ 1,576,825</u>

NOTE 6: OPERATING LEASES

Total rental expense for June 30, 2009 and 2008, respectively, for all operating leases was \$202,677 and \$88,344.

NOTE 7: PENSION PLAN

Employees have available retirement coverage through an employee funded defined contribution plan, Bunkie General Hospital Service Defined Compensation Program, administered by Nationwide Retirement Solutions. Each pay period the Hospital contributes to an additional plan for full-time employees who work 64 or more hours per pay period. Each employee will be required to contribute a minimum of 3% of their base pay toward the program. Employees will become 100% vested in the Hospital's contributions after three full years of employment. Pension cost amounted to \$95,455 and \$63,214 for the year ended June 30, 2009 and 2008, respectively.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

NOTE 8: ASSETS LIMITED AS TO USE

On November 12, 1968, the Hospital accepted an offer from the Department of Housing and Urban Development to make a loan in order to aid in financing the construction of a new 30-bed general hospital. On May 15, 2004, the Hospital accepted an offer from the United States Department of Agriculture Rural Development to make a loan in order to acquire, construct and/or install improvements and replacements to the hospital facilities of the District, including appurtenant equipment and accessories. This indenture imposed restrictions on the Hospital. A summary of cash restrictions follows:

All income earned from operations of the Hospital is to be deposited in the hospital operating fund. Funds are to be expensed in the following order of priority and for the following purposes.

- (1) The payment of reasonable expenses of administration, operation and maintenance of the Hospital.
- (2) A cash transfer to the 1968 Hospital Bond and Interest Sinking Fund by the 15th day of each month, sums equal to one-fifth of the interest due on the next interest payment date, plus one-tenth of the principal due on the next principal payment date. Transfer will continue until a reserve of \$24,000 has been accumulated; thereafter, cash transfers will be made as are necessary to meet the current year's debt service requirements and maintain the reserve of \$24,000.
- (3) A cash transfer to the 1968 Hospital Repair and Replacement Reserve Fund of \$125 monthly until a reserve of \$15,000 has been accumulated and maintained in such amount. The money may be withdrawn for the purpose of paying extraordinary maintenance of repairs, renewals and replacement. Should the Hospital Bond and Interest Sinking Fund be insufficient to pay a required installment, funds in the Hospital Repair and Replacement Reserve Fund will be transferred to the extent required to eliminate the deficiency.
- (4) A cash transfer to the 2004 Hospital Revenue Bond and Interest Sinking Fund by the 20th day of each month, sums equal to the total amount of principal and interest falling due on the next payment date for the Bonds. During the first year the Bonds are outstanding, a monthly sum equal to one-twelfth of the interest due on the first payment date on the Bonds shall be transferred.
- (5) A cash transfer to the 2004 Hospital Revenue Bond Reserve Fund by the 20th day of each month, commencing with the month following completion of and acceptance of the improvements financed with the proceeds of the Bonds, a sum at least equal to five percent of the amount to be paid into the Sinking Fund. The transfer will continue until such time as there has been accumulated a sum equal to the highest principal and interest falling due in any year.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

NOTE 8: ASSETS LIMITED AS TO USE (cont)

(6)A cash transfer to the 2004 Hospital Depreciation and Contingency Fund by the 20th day of each month commencing with the month following completion of and acceptance of the improvements financed with the proceeds of the Bonds, a sum at least equal to five percent of the amount to be paid into the Sinking Fund. When a sum equal to the Debt Service Requirements has been accumulated in the Reserve Fund, the monthly payments into the Contingency Fund shall be increased to an amount equal to 10% of the amount being paid monthly into the Sinking Fund, and said payments are to continue over the life of the Bonds.

It is the contention of management that the accounting requirements of the revenue bond issues were met.

Pursuant to a resolution by the Board of Directors of the Hospital on January 18, 1973, a board-designated plant fund was established to be utilized for replacement of existing capital assets and the purchase of new capital assets.

Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets. The composition of assets limited as to use at June 30, 2008 and 2007 are set forth in the following table.

	2009	2008
Internally designated for capital acquisitions	\$ 23,604	\$ 23,604
Under indenture agreement	105,280	185,882
Total Assets limited as to use	\$ 128,884	\$ 209,486

NOTE 9: CASH FLOWS SUPPLEMENTAL INFORMATION

Cash and cash equivalents consists of the following:

	2009	2008
Current assets	\$ 722,231	\$ 875,323
Assets whose use is limited		
By board	23,604	23,604
By bond indenture	105,280	185,882
	\$ 851,115	\$ 1,084,809

Total interest paid by the Hospital was \$51,555 and \$55,904 for the fiscal year ending 2009 and 2008, respectively.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

NOTE 10: EMPLOYEE HOSPITALIZATION PLAN

The Hospital maintains a medical benefits trust. The Hospital and employees contribute on a 50/50 basis amounts required to cover the health benefits cost of the employees. Employees with more than 90 days of service can participate.

The trust pays all claims from funds provided from the Hospital. The trust agreement provides that should it not have sufficient funds to cover its obligations, the Hospital is obligated to fund the shortfall.

The Hospital purchases "excess" insurance coverage that provides for payment of individual claims in excess of \$35,000 or aggregate annual claims in excess of \$1,000,000. The Hospital and employees contribute on a 50/50 basis amounts required to cover the insurance premiums.

NOTE 11: CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2009 and 2008, is as follows:

	<u>2009</u>	<u>2008</u>
Medicare	38%	39%
Medicaid	11	17
Commercial and other third-party payors	18	19
All other	<u>33</u>	<u>25</u>
	<u>100%</u>	<u>100%</u>

NOTE 12: FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Hospital in estimating the fair value of its financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Investments: Fair values, which are the amounts reported in the balance sheet, are based on quoted market prices for similar securities.

Assets limited as to use: These assets consist primarily of cash and short-term investments and interest receivable. The carrying amount reported in the balance sheet is fair value.

Accounts payable and accrued expenses: The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates its fair value.

Estimated third-party payor settlements: The carrying amount reported in the balance sheet for estimated third-party payor settlements approximates its fair value.

Long-term debt: Fair values of the Hospital's revenue notes are based on current traded value. The fair value of the Hospital's remaining long-term debt is estimated using discounted cash flow analyses, based on the Hospital's current incremental borrowing rates for similar types of borrowing arrangements.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

NOTE 12: FAIR VALUE OF FINANCIAL INSTRUMENTS (cont)

The carrying amounts and fair values of the Hospital's financial instruments are as follows:

	<u>2009</u>		<u>2008</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 851,115	\$ 851,115	\$ 1,084,809	\$ 1,084,809
Accounts payable and accrued expenses	\$ 807,658	\$ 807,658	\$ 1,066,209	\$ 1,066,209
Estimated receivable from third- party payors	\$ 721,569	\$ 721,569	\$ 370,704	\$ 370,704
Estimated third-party payor settlements	\$ -	\$ -	\$ 161,780	\$ 161,780
Long-term debt	\$ 1,178,332	\$ 1,178,332	\$ 1,437,412	\$ 1,437,412

NOTE 13: BANK DEPOSITS AND INVESTMENTS

State statutes authorize the Hospital to invest in obligations of the U.S. Treasury, certificates or other obligations of the United States of America, and time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. At June 30, 2009 and 2008, the Hospital had bank balances as follows:

	<u>2009</u>	<u>2008</u>
Insured (FDIC)	\$ 500,000	\$ 200,000
Collateralized by securities held by the financial institution's trust department in the Hospital's name	<u>1,920,907</u>	<u>2,035,381</u>
Total Collateral for Cash Balances	<u>\$ 2,420,907</u>	<u>\$ 2,235,381</u>
 Carrying value	 <u>\$ 956,103</u>	 <u>\$ 955,962</u>

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

NOTE 14: PROFESSIONAL LIABILITY RISK

The Hospital participates in the Louisiana Patient's Compensation Fund established by the State of Louisiana to provide medical professional liability coverage to healthcare providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the Hospital is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund ("PCF"), the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limiting the PCF's exposure to \$400,000 per occurrence.

The Hospital's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability and worker's compensation. 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 only included these allocations or equity amounts assigned to the Hospital by the trust fund in its financial statements.

NOTE 15: AD VALOREM TAXES

The District levies real estate taxes on all real property on a calendar year basis, at a rate enacted by the Board of Commissioners as recommended by the local tax assessor. Property taxes are collected through the local sheriff and remitted, net of collection fees, to the District. The sheriff's office is responsible for collection, including establishing lien, levy and due dates of property taxes.

NOTE 16: JOINT VENTURE

The Hospital entered into a cooperative endeavor (i.e. joint venture) with a home health company on March 1, 2004. The Hospital shares one-third of the profits and losses, and leases space to this organization.

HOSPITAL-SERVICE-DISTRICT NO.-1

Parish of Avoyelles

Bunkie, Louisiana

SCHEDULES OF PATIENT SERVICE REVENUES

FOR THE YEARS ENDED JUNE 30,

INPATIENT SERVICE REVENUES

	<u>2009</u>	<u>2008</u>
Daily Patient Services:		
Adult and Pediatric	\$ 419,334	\$ 474,257
Psychiatric Unit	1,905,196	2,091,480
Swing-Bed	33,732	60,535
Total	<u>2,358,262</u>	<u>2,626,272</u>
Other Nursing Services:		
Central Supplies	80,380	205,310
Emergency Service	-	49,758
Total	<u>80,380</u>	<u>255,068</u>
Other Professional Services:		
Laboratory	798,902	969,598
EKG	37,140	37,570
Blood	8,538	14,448
Radiology	335,334	480,806
Pharmacy	676,620	724,926
Telemetry	-	47,000
Intravenous Therapy	143,298	315,846
Inhalation Therapy	190,796	164,917
Physical Therapy	8,608	24,716
Professional Fees	254,705	349,455
	<u>2,453,941</u>	<u>3,129,282</u>
TOTAL INPATIENT SERVICE REVENUE	<u>4,892,583</u>	<u>6,010,622</u>

HOSPITAL SERVICE DISTRICT NO. 1

Parish of Avoyelles

Bunkie, Louisiana

SCHEDULES OF PATIENT SERVICE REVENUES

FOR THE YEARS ENDED JUNE 30,

OUTPATIENT SERVICE REVENUES

	<u>2009</u>	<u>2008</u>
Other Nursing Services:		
Emergency Service	1,628,942	1,347,113
Operating Room	-	11,506
Central Supplies	210,889	174,397
Observation	215,628	282,137
Total	<u>2,055,459</u>	<u>1,815,153</u>
Other Professional Services:		
Laboratory	3,328,900	4,023,208
Anesthesiology	-	3,000
EKG	145,285	135,665
EEG	-	1,425
Blood	13,981	12,915
Radiology	3,076,887	3,057,012
Pharmacy	246,859	305,913
Telemetry	-	18,800
Cardiac Rehab	118,806	108,285
Intravenous Therapy	91,312	218,073
Inhalation Therapy	77,002	80,661
Physical Therapy	-	972
Intensive Psychiatric Therapy	1,599,552	1,077,735
Clinics	1,585,179	1,561,103
Professional Fees	47,011	747,747
Total	<u>10,330,774</u>	<u>11,352,514</u>
TOTAL OUPATIENT SERVICE REVENUE	<u>12,386,233</u>	<u>13,167,667</u>
GROSS PATIENT SERVICE REVENUE	17,278,816	19,178,289
Less: Contractual Adjustments	<u>6,891,032</u>	<u>7,291,433</u>
Net Patient Service Revenue before Medicaid Uncompensated Care	10,387,784	11,886,856
Medicaid Uncompensated Care	<u>627,142</u>	<u>1,014,941</u>
NET PATIENT SERVICE REVENUE	<u>\$ 11,014,926</u>	<u>\$ 12,901,797</u>

HOSPITAL SERVICE DISTRICT NO. 1

Parish of Avoyelles

Bunkie, Louisiana

SCHEDULES OF OTHER OPERATING REVENUES

FOR THE YEARS ENDED JUNE 30,

	<u>2009</u>	<u>2008</u>
Cafeteria and Vendor sales	\$ 28,105	\$ 35,776
Rental Income	128,970	119,868
Joint Venture	260,158	190,356
Pharmacy Sales - Employees	28,557	38,005
Other	<u>118,735</u>	<u>86,456</u>
	<u>\$ 564,525</u>	<u>\$ 470,461</u>

HOSPITAL SERVICE-DISTRICT NO. 1

Parish of Avoyelles
Bunkie, Louisiana

SCHEDULES OF PROFESSIONAL SERVICES

FOR THE YEARS ENDED JUNE 30,

Salaries and Fees:

	<u>2009</u>	<u>2008</u>
Nursing	\$ 498,846	\$ 532,328
Operating room	-	201
Central supply	43,464	52,405
Emergency room	426,607	322,959
Laboratory	249,719	289,638
Radiology	277,810	291,573
IOP	255,865	170,962
Clinics	1,233,331	1,288,246
Geriatric Psychiatry	570,861	617,522
Other	119,351	99,944
Total Salaries and Fees	<u>3,675,854</u>	<u>3,665,778</u>

Supplies and Other Expenses:

Nursing	56,870	75,596
Central Supply	58,565	270,616
Emergency Room	575,555	782,082
Laboratory	413,865	487,586
Radiology	103,835	89,333
Pharmacy	635,646	572,124
Inhalation Therapy	172,314	163,447
IOP	90,324	90,447
Physical Therapy	4,525	14,731
Clinics	98,638	128,773
Geriatric Psychiatry	76,614	122,002
Other	34,898	60,967
Total Supplies and Other Expenses	<u>2,321,649</u>	<u>2,857,704</u>

TOTAL PROFESSIONAL SERVICES

\$ 5,997,503 \$ 6,523,482

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

SCHEDULES OF GENERAL AND ADMINISTRATIVE

FOR THE YEARS ENDED JUNE 30,

Salaries and Fees:

	<u>2009</u>	<u>2008</u>
Administrative	\$ 897,578	\$ 848,465
Maintenance	141,168	138,489
Housekeeping	87,843	82,402
Medical Records	124,767	109,758
Dietary	104,749	102,458
Total Salaries and Fees	<u>1,356,105</u>	<u>1,281,572</u>

Supplies and Other Expenses:

Interest	64,388	63,454
Administrative	1,599,343	1,702,582
Maintenance	656,550	555,315
Housekeeping	24,146	36,016
Medical Records	26,172	49,936
Dietary	126,285	114,135
Total Supplies and Other Expenses	<u>2,496,884</u>	<u>2,521,438</u>
TOTAL GENERAL AND ADMINISTRATIVE SERVICES	<u>\$ 3,852,989</u>	<u>\$ 3,803,010</u>

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

GOVERNING BOARD COMPENSATION

YEAR ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Judge James Mixon	\$ -	\$ -
Charles T. Descant	\$ -	\$ -
Dr. Olivier La Prairie	\$ -	\$ -
Harry Normand	\$ 600	\$ 480
Barbara Jones	\$ 480	\$ 320
Nancy Carruth	\$ -	\$ -
Jeff Keys	\$ -	\$ 240
Craig Foster	\$ 320	\$ 120

**LANGLINAIS
BROUSSARD &
KOHLENBERG**

A Corporation of Certified Public Accountants



Glen P. Langlinalis, C.P.A.
Michael P. Broussard, C.P.A.
Chris A. Kohlenberg, C.P.A., M.B.A., M.H.A.
Gayle L. Falcon, C.P.A.

Patrick M. Guldry, C.P.A.
Ashley V. Breaux, C.P.A.
Jonathan P. Primeaux, C.P.A., M.B.A.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS

Board of Commissioners
Hospital Service District No. 1
Parish of Avoyelles, State of Louisiana
Bunkie, Louisiana

We have audited the financial statements of Hospital Service District No.1 Parish of Avoyelles, d/b/a Bunkie General Hospital (The Hospital) a component unit of the Avoyelles Parish Police Jury, State of Louisiana, as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated December 11, 2009.

We conducted our audit in accordance with generally accepted auditing standards of the United States 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 of the financial statements of the hospital as of and for the year ended June 30, 2009 and 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Hospital's internal control over financial reporting (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider all deficiencies described in

the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan" to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider all deficiencies described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan" to be significant deficiencies.

COMPLIANCE

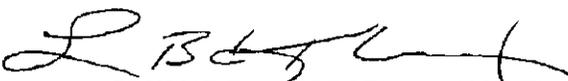
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The hospital's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and Management's Corrective Action Plan". We did not audit the Hospital's responses and, accordingly, we express no opinion on it.

This report is intended for the information of the Hospital Service District No. 1 Parish of Avoyelles 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.

We acknowledge with appreciation the courtesies extended our representatives during the audit.

Sincerely,


LANGLINAIS BROUSSARD & KOHLENBERG
(A Corporation of Certified Public Accountants)

December 11, 2009

HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
PARISH OF AVOYELLES
BUNKIE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION
PLAN

FOR THE YEAR ENDED JUNE 30, 2009

We have audited the financial statements of Avoyelles Parish Hospital Service District No. 1, d/b/a Bunkie General Hospital, a component unit of the Avoyelles Parish Police Jury, State of Louisiana, as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated December 15, 2009.

We conducted our audit in accordance with generally accepted auditing standards of the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-133. Our audits of the financial statements as of June 30, 2009, and 2008 resulted in unqualified opinions.

Section I: Summary of Auditor's Reports

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

Internal Control:

Material Weaknesses: Yes
Significant Deficiencies: Yes

Compliance:

Compliance Material to Financial Statements Yes

Section II: Financial Statement Findings

A - Issues of Noncompliance

Finding 2009-1 Compliance

Condition and Criteria: Payroll taxes are not being withheld and paid on checks written to board members for meeting fees consistently. State law dictates that board members are to be treated as employees and proper payroll taxes should be paid on compensation.

Effect: This represents a material weakness in the hospital's internal control system.

Recommendation: Board members should be treated as employees with payroll taxes withheld and remitted to the appropriate agencies.

Management Response: Effective July 2009 all board member monthly fees are paid through payroll system with appropriate payroll taxes being withheld and remitted to respective agencies. The CFO will monitor to ensure compliance.

HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
PARISH OF AVOYELLES
BUNKIE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION
PLAN

FOR THE YEAR ENDED JUNE 30, 2009

Finding 2009-2 Payroll Tax Returns

Condition and Criteria: Payroll tax returns were not filed in a timely manner causing penalties and interest to be incurred.

Effect: This represents a material weakness in the hospital's internal control system.

Recommendation: Payroll tax returns should be filed when due and appropriate members of management should review the returns and monitor the timeliness of filing.

Management Response: Accounting staff replaced August 1, 2009 with competent employees that have resolved the delinquent filing and paying issue. Effective October 1, 2009, payroll taxes are being reported timely and paid electronically by required dates. The CFO will monitor to ensure compliance.

B- Significant Deficiencies and Material Weaknesses

Finding 2009-3 Financial Statement Preparation

Condition and Criteria: The Hospital relies on its outside auditors to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, outside auditors cannot be considered part of the Hospital's internal control structure, and, because of limitations of the Hospital's small accounting staff, the design of the Hospital's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Effect: This represents a material weakness in the hospital's internal control system.

Recommendation: The hospital's accounting personnel should continue to attend education courses to further their knowledge in the application of Generally Accepted Accounting Principles. The hospital should also consider outsourcing the preparation of its financials to its independent auditors and carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

Management Response: The hospital at this time will continue to outsource to our independent auditors. In addition, the hospital hired additional competent accounting staff as of August 1, 2009 that has the ability to review the financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
PARISH OF AVOYELLES
BUNKIE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION
PLAN

FOR THE YEAR ENDED JUNE 30, 2009

Finding 2009-4 Segregation of Duties

Condition and Criteria: The hospital has several employees whose duties are not segregated.

Effect: This represents a material weakness in the hospital's internal control system.

Recommendation: The authorization, recording, and reconciliation of transactions and decisions as well as custody of assets related to those transactions and decisions should be segregated functions.

Management Response: The hospital has segregated as many duties as possible. To further segregate duties would require the hiring of additional staff which would be a financial burden to the hospital.

Finding 2009-5 General Ledger Accounting

Condition and Criteria: Due to high turnover and a small accounting staff, significant general ledger accounts are not being reconciled to subsidiary ledgers or support in a timely manner. Interim financial statements (including balance sheet and income statement) are not being presented to the board in a timely manner. Journal entries to record revenues that are not interfaced with the general ledger are not being posted in an accurate and timely manner. These issues resulted in excessive amounts of audit journal entries.

Effect: This represents a material weakness in the hospital's internal control system.

Recommendation: Significant general ledger accounts should be reconciled to supporting ledgers and documentation and adjusted in a timely and accurate manner. The board and management should require financial statements to be delivered to them timely to ensure proper management oversight.

Management Response: Effective with the November 2009 financials, all significant general ledger accounts are being reconciled to subsidiary ledgers. Reporting to management and board is performed in a timely manner as our goal is to be closed by the 10th of the following month. This will allow for proper management oversight and accurate reports to the board.

HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
PARISH OF AVOYELLES
BUNKIE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION
PLAN

FOR THE YEAR ENDED JUNE 30, 2009

Finding 2009-6 Asset Reconciliation

Condition and Criteria: Assets present on the depreciation schedule and balance sheet have not been reconciled to those in possession. Depreciable assets are not labeled with permanent identification tags.

Effect: This represents a material weakness in the hospital's internal control system.

Recommendation: The asset balances reflected on the financial statements should be reconciled to assets in the hospital's possession.

Management Response: The hospital will reconcile the assets in possession to those present on the depreciation schedule. The hospital will also begin to label all depreciable assets.

Finding 2009-7 Accounts Payable and Payroll Oversight

Condition and Criteria: A newly hired accounts payable/payroll clerk was able to set up vendors, modify time, and mail checks. Although she was not authorized to sign checks, the invoice packet and support was not presented to the two authorized check signers at the time of signing. In addition, management was not reviewing payroll registers before and after the payroll run. Fraud was allegedly committed by the clerk which totaled approximately \$79,000. The alleged fraud included setting up fictitious vendors and increasing hours paid on the clerk's personal paycheck. Hospital management detected the alleged fraud after a period of approximately five months. The lack of segregation of duties and management override of controls that had previously been set up may have contributed to the delay of management's detection of the alleged fraud.

Effect: This represents a material weakness in the hospital's internal control system.

Recommendation: Management and the board should exercise oversight over key employee functions related to cash, accounts payable, payroll, and financial reporting. Management should exercise increased oversight when there is high turnover in all accounting positions. Key controls such as segregating duties, or increasing oversight when duties cannot be segregated can be designed to prevent errors and fraud from occurring. Examples include requiring authorized signers to review of all supporting documentation before signing a check; reconciling bank statements timely, and having a member of management review the reconciliation and scan the cleared check images; reviewing payroll journals before and after the payroll run; and performing random audits of the payroll function - matching pay rates, time records, and payroll journal.

HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
PARISH OF AVOYELLES
BUNKIE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION
PLAN

FOR THE YEAR ENDED JUNE 30, 2009

Finding 2009-7 Accounts Payable and Payroll Oversight, Cont'd

Management Response: Effective May 7, 2009, the hospital modified internal control procedures to include authorized signers to review all supporting documentation. The CFO reviews payroll journals before and after payroll run and also performs random audit on payroll verifying pay rates, time records and payroll journal. In addition to the above, the Finance Committee Chairman reviews a monthly accounts payable check register effective September 2009.

Finding 2009-8 Bank Reconciliations

Condition and Criteria: Bank reconciliations are not being performed in a timely manner. Several months of bank reconciliations were performed after the fiscal year end.

Effect: This represents a material weakness in the hospital's internal control system.

Recommendation: Management should require all bank reconciliations to be performed in a timely manner. Management should review the bank reconciliations as well as cleared images of checks.

Management Response: Effective August 1, 2009, new accounting personnel began performing bank reconciliations in a timely manner. The CFO will monitor to ensure compliance.

Section III: Management Letter Items

There are no management letter items at June 30, 2009.

HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
PARISH OF AVOYELLES
BUNKIE, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2009

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

Finding 2008-1 Compliance

Payroll taxes are not being withheld and paid on checks written to board members for meeting fees. State law dictates that board members are to be treated as employees and proper payroll taxes should be paid on compensation.

Status: Unresolved. See 2009-1.

B- Significant Deficiencies and Material Weaknesses

Finding 2008-2 Financial Statement Preparation

The Hospital relies on its outside auditors to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, outside auditors cannot be considered part of the Hospital's internal control structure, and, because of limitations of the Hospital's small accounting staff, the design of the Hospital's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Status: Unresolved. See 2009-2.

Finding 2008-3 Segregation of Duties

The hospital has several employees whose duties are not segregated.

Status: Unresolved. See 2009-3.

HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
PARISH OF AVOYELLES
BUNKIE, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2009

Finding 2008-4 Vacations

Key employees are not required to take continuous vacations.

Status: Resolved.

Finding 2008-5 Bad Debts

In a sample of bad debts tested for supporting documentation, the hospital could not provide support on a significant number of the total sample.

Status: Resolved.

Finding 2008-6 General Ledger Accounting

Due to high turnover and a small accounting staff, significant general ledger accounts are not being reconciled to subsidiary ledgers or support in a timely manner.

Status: Unresolved. See 2009-4.

Finding 2008-7 Asset Reconciliation

Assets present on the depreciation schedule and balance sheet have not been reconciled to those in possession. Depreciable assets are not labeled with permanent identification tags.

Status: Unresolved. See 2009-5.

Finding 2008-8 Budget

There is no evidence in the board minutes that the budget for the fiscal year ended June 30, 2008, was approved by the board of commissioners.

Status: Resolved.