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JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 and 2007

P&N Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

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TABLE OF COMMENTS

Postlethwaite & Netterville

A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
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Report of Independent Auditors

The Board of Directors
Jefferson Parish Hospital Service District No. 1

We have audited the accompanying basic financial statements of Jefferson Parish Hospital Service District No. 1 (the Service District), a component unit of Jefferson Parish, as of and for the years ended December 31, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the Service District's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the pension trust fund and required supplementary information schedule as described in note 1 to the financial statements. We did not audit the financial statements as of and for the year then ended December 31, 2007 of the West Jefferson Service Corporation, whose assets and operating revenues represent 2.2% and 0.76%, respectively, of the assets and operating revenue of the Service District's enterprise fund for 2007 as described in note 1 to the financial statements. Those financial statements were audited by other auditors whose report thereon which were furnished to us, and our opinion, herein, insofar as it relates to the amounts included for the pension trust fund as of and for the years ended December 31, 2008 and 2007, and the West Jefferson Service Corporation as of and for the year ended December 31, 2007, is based upon the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Service District's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Service District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based upon our audits and report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Service District at December 31, 2008 and 2007, 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.

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In accordance with Government Auditing Standards, we have also issued our report dated April 17, 2009 on our consideration of the Service District's internal control over financial reporting and on 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 considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 23 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Postlethwaite & Netterville

Metairie, Louisiana
April 17, 2009

This section of Jefferson Parish Hospital Service District No. 1's (the Service District), a component unit of Jefferson Parish, annual financial report provides important background information and management's analysis of the Service District's financial performance during the years ended December 31, 2008 and 2007. Please read this section in conjunction with the basic financial statements beginning on page 24 and the notes to the basic financial statements beginning on page 31 in this report.

FINANCIAL HIGHLIGHTS

Service District - Financial Highlights for the Year Ended December 31, 2008

The following summarizes the Service District's financial highlights for the year ended December 31, 2008:

- Operating results for 2008 reflect the impact of Hurricane Gustav which made landfall on August 31, 2008.
- Net patient service revenue increased $4.5 million, or 2%, in 2008 compared to the prior year.
- Total operating expenses increased by $3.6 million, or 1%, compared to 2007.
- Assets decreased by $37.8 million, or 10%, compared to 2007.
- Long-term debt decreased by $32.7 million, or 17%, as the Service District defeased $81.4 million of debt using cash and proceeds from the issuance of $55 million of hospital revenue bonds, as well as principal payments of $6.4 million in 2008.
- Assets of the Service District exceeded liabilities by $147.3 million (net assets) in 2008 compared to $150.9 million in 2007.

As a result of the effects of Hurricane Gustav which made landfall on August 31, 2008, the Service District incurred an estimated decrease in net patient revenue of approximately $4.0 million. The Service District also incurred approximately $3.1 million in direct labor costs, sheltering, facility repairs and other expenses associated with the hurricane. Under the terms of the Service District's casualty and business interruption insurance coverage, the Service District will not be reimbursed for these amounts. The Service District is working with the Federal Emergency Management Agency (FEMA) on requests for reimbursement of incurred eligible expenses and repairs. At December 31, 2008 the Service District has not received from FEMA any reimbursement of eligible Hurricane Gustav expenses and repairs.

Included in 2008 operating results is approximately $6.8 million of funding from the State to partially offset some of the Service District's uncompensated care costs. Also included is approximately $800,000 of Medicare wage index grant funds to partially offset increased labor costs since Hurricane Katrina. Total amounts from State and federal funding reflected in 2007 operating results were approximately $11.9 million.

Service District - Financial Highlights for the Year Ended December 31, 2007

The following summarizes the Service District's financial highlights for the year ended December 31, 2007:

- Operating results improved in 2007 over 2006, with the Service District recording operating income of $2.8 million compared to an operating loss of $9.1 million for the prior year.
- The Service District reported total revenues in excess of expenses before assessments of $6.6 million in 2007 compared to expenses in excess of revenues of $7.1 million in 2006.
- The Service District recorded an increase in net patient revenue of just under 1% in 2007 compared to 2006.

- The Service District had positive cash flow from operations and earnings on investments, offset by capital expenditures and payments on debt resulting in a net decrease in cash and cash equivalents of $2.7 million, as compared to 2006 which had a net increase in cash and cash equivalents of $8.8 million.
- Through its recruitment and retention efforts, the Service District reduced contract nursing expenses by 52% in 2007 compared to the prior year. The Service District also partnered with Our Lady of the Lake College School of Nursing to implement an on-site accelerated nursing degree program. The program, which began in January 2008, provides tuition and a stipend to students with undergraduate degrees who desire to become registered nurses. In exchange for the tuition and stipend the graduates agree to work as registered nurses at the Service District for three years after graduation from the program.

Fiscal year 2007 was a year of continuing progress for the Service District as it moved forward in its recovery from the effects of Hurricane Katrina that hit the gulf coast on August 29, 2005. The Service District was one of only three hospitals open in the entire New Orleans metropolitan area during the hurricane and the only one open on the West Bank at the time. As a direct result of the hurricane's impact on the region's health care resources, in late 2005 and 2006 the Service District, along with other area hospitals, experienced a dramatic increase in the volume of uninsured patients seeking services. The Service District continues its efforts to work with the State of Louisiana (the State) to obtain funding for the increased volume of uninsured patients and to work with the federal government to secure funding for the increase in labor costs that would not otherwise be reimbursed through the Medicare wage index until 2009 at the earliest.

Included in 2007 operating results is approximately $8.2 million of funding from the State to partially offset some of the Service District's uncompensated care costs. Also in 2007 the Service District recorded $3.7 million of Medicare wage index grant funding which partially offset the increased labor costs since Hurricane Katrina. Total amounts from State and federal funding reflected in 2007 operating results were approximately $11.9 million compared to approximately $16.8 million in 2006. Overall, these payments represent only a partial recovery of actual costs incurred.

In August 2007, the Service District settled its business interruption and property damage insurance claims resulting from Hurricane Katrina. The Service District received approximately $5.1 million to settle these claims. As a result of the settlement, the Service District released its claims against its insurer and dismissed the litigation initiated in August 2006. Of the settlement amount, approximately $4.8 million was recorded as other operating revenue and approximately $300,000 is recorded as a liability owed to the federal government.

The Service District continues to work with the Federal Emergency Management Agency (FEMA) to submit claims for reimbursement for qualifying expenses that, due to insurance coverage limitations, were not reimbursed under its casualty or business interruption insurance policies. In 2007, the Service District received approximately $691,000 of reimbursement for its incurred expenses and recorded a receivable of approximately $1.7 million at December 31, 2007, of which $1.5 million was received in January and February 2008.

In February 2006, the Service District was granted a $30.7 million Community Disaster Loan (the Loan) from the federal government. The terms of the Loan call for interest to be accrued at 2.74% annually which is to be repaid with the principal when the Loan becomes due in 2011. In 2007, Congress passed legislation which included the forgiveness of the Loan. However, to date no process has been established to apply for the Loan forgiveness. For fiscal year 2007, the Service District recorded accrued interest expense of approximately $841,000 on the Loan; total accrued interest as of December 31, 2007 was $1.6 million.

Pension Trust Fund - Financial Highlights for the Year Ended December 31, 2008

The Plan's net assets decreased by approximately $12.3 million in 2008 due primarily to net depreciation of the market value of plan assets resulting from the market downturn experienced in 2008. The reduction in market value of the plan's assets was partially offset by dividends received in 2008 on plan investments. In addition, benefit payments increased over the prior year primarily due to the 2007 plan amendment discussed below. In 2007 the Plan's net assets increased by approximately $2.9 million primarily due to investment income resulting from the net appreciation of investments as well as dividends received.

The Plan's employer contribution increased by approximately $469,000 in 2008 and decreased by approximately $259,000 in 2007. Contribution amounts needed to fund the Plan are determined by an independent actuary.

The Plans' investments consist primarily of fixed income mutual funds, equity mutual funds and money market funds, which decreased by approximately $13.1 million in 2008 due to unrealized losses to the equity and money market mutual funds resulting from the market downturn in 2008, benefit payments and plan administrative expenses. These decreases were partially offset by employer contributions. In 2007, Plan investments increased by approximately $3.3 due to investment income and employer contributions which were partially offset by benefit payments and plan administrative expenses.

Pension Trust Fund - Financial Highlights for the Year Ended December 31, 2007

The Plan's net assets increased approximately $2.9 million and $4.8 million in 2007 and 2006, respectively. The 2007 increase in the Plan's net assets were primarily due to investment income resulting from net appreciation of investments and an increase in dividends, although these amounts decreased overall in 2007 compared to 2006 due to less favorable market conditions. The Plan's employer contributions decreased by approximately $259,000 and $616,000 in 2007 and 2006, respectively. Contribution amounts needed to fund the Plan are determined by an independent actuary.

The Plan's investments consist primarily of fixed income mutual funds, equity mutual funds, and money market funds, which increased by approximately $3.3 million and $5.4 million in 2007 and 2006, respectively, due to employer contributions to the Plan and an increase in the fair value of the Plan's assets.

OVERVIEW OF THE FINANCIAL STATEMENTS
Government-wide Financial Statements - Enterprise Fund

The Basic Financial Statements in this report are presented using Governmental Accounting Standards Board (GASB) accounting principles.

The balance sheets include all of the Service District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Service District creditors (liabilities). They also provide the basis for computing rate of return, evaluating the capital structure of the Service District, and assessing the liquidity and financial flexibility of the Service District.

All of the current year's revenues and expenses are accounted for in the statements of revenues, expenses, and changes in net assets. These statements measure changes in the Service District's operations over the current and prior year and can be used to determine whether the Service District has been able to recover all of its costs through its patient service revenue and other revenue sources.

The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Service District's cash from operating, investing, and financing activities and provide answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

The financial statements provide both long-term and short-term information about the Service District's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The Service District's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the statements of revenues, expenses, and changes in net assets. All assets and liabilities associated with the operation of the Service District are included in the balance sheets.

The balance sheets and the statements of revenues, expenses, and changes in net assets report information about the Service District's activities. Increases or decreases in the Service District's net assets are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

Fund Financial Statements - Pension Trust Fund

The Service District's fund financial statements consist of its pension trust fund. As a fiduciary fund, the pension trust fund is held for the benefit of employees and retirees of the Service District. The pension trust fund is not reflected in the government wide financials because the resources are not available to the Service District for its activities. The accounting for the pension trust fund is much like that used by the enterprise fund.

The statements are followed by required supplementary information and other supplementary information that further explain and support the information in the financial statements.

FINANCIAL ANALYSIS - ENTERPRISE FUND

2008 and 2007 Balance Sheets – Enterprise Fund

Table 1A represents a summary of the financial changes to the Service District in 2008 as compared to 2007. The Service District's total assets decreased by approximately $37.8 million, or 9.6% to $355.3 million in 2008 compared to $393.1 million in 2007.

TABLE 1A - 2008 vs. 2007
Condensed Balance Sheets

	December 31		Dollar	Percent
	2008	2007	Change	Change
Total current assets	$ 77,014,833	$ 74,496,336	$ 2,518,497	3.4%
Board-designated investments	98,795,911	128,041,744	(29,245,833)	-22.8%
Trustee-held assets	16,326,296	22,690,617	(6,364,321)	-28.0%
Property, plant, and equipment, net	151,135,967	159,931,124	(8,795,157)	-5.5%
Other assets	12,005,993	7,954,264	4,051,729	50.9%
Total Assets	$ 355,279,000	$ 393,114,085	$ (37,835,085)	-9.6%
Current liabilities	$ 43,030,436	$ 40,616,714	$ 2,413,722	5.9%
Long-term debt and other long-term liabilities	164,989,330	201,572,386	(36,583,056)	-18.1%
Total liabilities	208,019,766	242,189,100	(34,169,334)	-14.1%
Net assets	147,259,234	150,924,985	(3,665,751)	-2.4%
Total liabilities and net assets	$ 355,279,000	$ 393,114,085	$ (37,835,085)	-9.6%

Current Assets

Current assets increased by approximately $2.5 million. The increase is primarily due to a $4.3 million increase in cash and cash equivalents reflecting continued emphasis on and efficiencies in collection activities. In addition, designated cash and investments that are required for current liabilities increased by $2.6 million over the prior year due to increases in principal and accrued interest on debt due in 2009 compared to amounts due in 2008. These increases were partially offset by a reduction of approximately $2.9 million in other receivables due to a decrease in uncompensated care receivable from the State and receipt of amounts due from FEMA. Also offsetting the increase was a decrease of approximately $833,000 in prepaid expenses primarily due to a returned deposit for pharmacy inventory.

Board-designated Cash and Investments

Board-designated cash and investments decreased by approximately $29.2 million in 2008 from 2007 due primarily to $30.5 million of cash placed in escrow as part of the defeasance of the Hospital Revenue Bonds (Series 2004A) (Note 5) offset by investment income in the current year.

Property, Plant and Equipment

The following table presents the components of property, plant, and equipment at December 31, 2008 and 2007. In 2008, net property, plant, and equipment decreased by approximately $8.8 million, or 5.5%, primarily due to depreciation expense of $17.6 million offset by $7.1 million of new construction costs.

Construction in progress decreased approximately $7.6 million, or 55%, due primarily to completion of projects begun in the prior year such as technical and property infrastructure upgrades as well as software and equipment upgrades.

TABLE 2A
Property, Plant and Equipment

	December 31		Dollar	Percent
	2008	2007	Change	Change
Land and land improvements	$ 20,665,872	$ 20,892,843	$ (226,971)	-1.09%
Building and fixed equipment	182,031,013	174,844,855	7,186,158	4.11%
Equipment	190,008,640	181,320,322	8,688,318	4.79%
Subtotal	392,705,525	377,058,020	15,647,505	4.15%
Less accumulated depreciation	(247,827,506)	(230,978,154)	(16,849,352)	7.29%
Construction in progress	6,257,948	13,851,258	(7,593,310)	-54.82%
Property, plant, and equipment, net	$ 151,135,967	$ 159,931,124	$ (8,795,157)	-5.50%

In Table 3 below, the Service District's fiscal year 2009 capital budget projects spending of up to $12.5 million for capital projects (excluding those projects approved in prior years). These projects represent primarily equipment purchases and will be financed from fund balance. More information about the Service District's capital assets is presented in the Notes to the Basic Financial Statements.

TABLE 3
FISCAL YEAR 2009 CAPITAL BUDGET

Equipment purchases	$ 7,532,000
Construction / renovations	4,988,000
Prior year approved items	4,650,075
	$ 17,170,075

Long-Term Debt

The Service District had approximately $164.8 million and $197.5 million in debt outstanding which includes the $30.7 million Community Disaster Loan, as of December 31, 2008 and 2007, respectively. In 2008, long-term debt decreased by approximately $32.8 million due to the defeasance of the $81.4 million Hospital Revenue Bonds (Series 2004A) and principal payments of $6.4 million offset by the issuance of the $20 million Hospital Revenue Refunding Bonds (Series 2008B-1) and $35 million Hospital Revenue Refunding Bonds (Series 2008B-2). More detailed information about the Service District's long-term liabilities is presented in the Notes to Basic Financial Statements. Total long-term debt outstanding represents approximately 46% of the Service District's total assets at December 31, 2008, compared to approximately 50% at December 31, 2007.

Net Assets

The following table presents the components of the Service District's net assets at December 31, 2008 and 2007:

TABLE 4A
Components of Net Assets

	December 31		Dollar	Percent
	2008	2007	Change	Change
Invested capital assets, net of related debt	$ 17,076,745	$ (6,846,658)	$ 23,923,403	-349.42%
Restricted	16,120,427	22,491,686	(6,371,259)	-28.33%
Unrestricted	114,062,062	135,279,957	(21,217,895)	-15.68%
Total net assets	$ 147,259,234	$ 150,924,985	$ (3,665,751)	-2.43%

Net assets decreased approximately $3.7 million to $147.3 million at December, 31 2008, as opposed to an increase of approximately $4.1 million to $150.9 million at December 31, 2007. The 2008 decrease was due primarily to operating losses recognized in the period of approximately $337,000, decreases in grants, donated assets, and capital contributions of approximately $1.9 million, and approximately $3.6 million of settlement expenses. Refer to the pages that follow Table 5 for a discussion of 2008 operations.

2007 and 2006 Balance Sheets - Enterprise Fund

Table 1B presents a summary of the financial changes to the Service District in 2007 as compared to 2006. The Service District's total assets decreased by approximately $0.9 million or approximately 0.2% to $393.1 million in 2007 as compared to 2006.

Current Assets

Current assets decreased by approximately $9.5 million. The decrease is primarily due to a $2.7 million decrease in accounts receivable primarily reflecting increased efficiency in collection activities and a $0.6 million decrease in other receivables due to a $6.0 million uncompensated care receivable from the state recorded in 2006 and received in February 2007. The decrease was partially offset by a $2.5 million receivable from the State recorded at December 31, 2007. Prepaid expense increased by $1.0 million primarily due to deposits with vendors and due to prepaid software maintenance contracts on the Service District's clinical and other software.

Designated Cash and Investments

Board-designated cash and investments increases by approximately $14.8 million in 2007 from 2006 due primarily to an increase in investment income in 2007 as well as investment of receipts from the settlement of the Service District's business interruption insurance claim.

TABLE 1B - 2007 vs. 2006
Condensed Balance Sheets

	December 31 2007	December 31 2006	Dollar Change	Percent Change
Total current assets	$ 74,496,336	$ 83,986,021	$ (9,489,685)	-11.30%
Board-designated investments	128,041,744	113,217,568	14,824,176	13.09%
Trustee-held assets	22,690,617	32,968,764	(10,278,147)	-31.18%
Property, plant, and equipment, net	159,931,124	154,333,273	5,597,851	3.63%
Other assets	7,954,264	9,460,818	(1,506,554)	-15.92%
Total Assets	$ 393,114,085	$ 393,966,444	$ (852,359)	-0.22%
Current Liabilities	$ 40,616,714	$ 37,904,490	$ 2,712,224	7.16%
Long-term debt and other long-term liabilities	201,572,386	209,197,726	(7,625,340)	-3.65%
Total liabilities	242,189,100	247,102,216	(4,913,116)	-1.99%
Net assets	150,924,985	146,864,228	4,060,757	2.76%
Total liabilities and net assets	$ 393,114,085	$ 393,966,444	$ (852,359)	-0.22%

Property, Plant and Equipment

The following table presents the components of property, plant, and equipment at December 31, 2007 and 2006. In 2007, net property, plant, and equipment increased by approximately $5.6 million, or 4%, as the Service District continued to enhance existing facilities and equipment including a new PET/CT scan system and a new neurovascular lab.

Construction in progress increased approximately $5.0 million, or 57%, due primarily to projects such as technical and property infrastructure upgrades as well as software and equipment upgrades.

TABLE 2A
Property, Plant and Equipment

	December 31 2007	December 31 2006	Dollar Change	Percent Change
Land and land improvements	$ 20,892,843	$ 19,921,793	$ 971,050	4.87%
Building and fixed equipment	174,844,855	170,767,874	4,076,981	2.39%
Equipment	181,320,322	169,694,745	11,625,577	6.85%
Subtotal	377,058,020	360,384,412	16,673,608	4.63%
Less accumulated depreciation	(230,978,154)	(214,867,965)	(16,110,189)	7.50%
Construction in progress	13,851,258	8,816,826	5,034,432	57.10%
Property, plant, and equipment, net	$ 159,931,124	$ 154,333,273	$ 5,597,851	3.63%

Long-Term Debt

At 2007 and 2006, the Service District had $197.5 million and $207.9 million, respectively, in debt outstanding which includes the $30.7 million Community Disaster Loan. In 2007, total debt decreased by approximately $10.4 million due to principal payments. More detailed information about the Service District's long-term liabilities is presented in the Notes to Basic Financial Statements. Total debt outstanding represents approximately 50% of the Service District's total assets at December 31, 2007, compared to approximately 50% in 2006.

Net Assets

The following table presents the components of the Service District's net assets at December 31, 2007 and 2006:

TABLE 4B
Components of Net Assets

	December 31 2007	December 31 2006	Dollar Change	Percent Change
Invested capital assets, net of related debt	$ (6,846,658)	$ (17,083,644)	$ 10,236,986	-59.92%
Restricted	23,731,384	27,209,328	(3,477,944)	-12.78%
Unrestricted	134,040,259	136,738,544	(2,698,285)	-1.97%
Total net assets	$ 150,924,985	$ 146,864,228	$ 4,060,757	2.76%

Net assets increased $4.1 million during 2007 which was an improvement over a decrease in 2006. The 2006 decrease was a result primarily of the operating losses recognized in the period. Refer to the pages that follow Table 8 for a discussion of 2007 operations.

2008 and 2007 Statements of Revenues and Expenses - Enterprise Fund

Operating Revenue - Net Patient Service Revenue

This discussion refers to the summarized activity presented in the Service District's Condensed Statements of Revenues and Expenses in Table 5 for 2008 and 2007.

Overall, net patient service revenue increased by approximately $4.5 million, or 2.0%, for fiscal year 2008 when compared to an increase of $1.3 million, or 0.6%, in 2007 over 2006.

Inpatient gross revenue increased by approximately 1% in 2008 compared to the prior year. While inpatient admissions and patient days decreased compared to 2007 (as discussed below), the Service District experienced an increase in the volume of interventional procedures (neurology, vascular and cardiology).

Total inpatient admissions decreased by approximately 3% to 17,117 in the current year with general acute inpatient admissions decreasing by approximately 4% to 15,253. Total patient days decreased by approximately 5% to 87,035 with general acute patient days decreasing by approximately 6.9% to 71,569. In addition, total average daily census decreased by approximately 7.1% to 195.5 days compared to 2007.

Outpatient gross revenue increased by approximately 3% in 2008 compared to 2007. The increase in outpatient gross revenue is attributable to increases in emergency room visits, outpatient CyberKnife treatments, outpatient infusion therapy, PET CT scan volumes and hyperbarics volumes. In addition, the Service District experienced increases in outpatient physical, occupational and speech therapy volumes.

TABLE 5
CONDENSED STATEMENTS OF REVENUES AND EXPENSES
Years Ended December 31

	2008	2007	Dollar Change	Percent Change
Operating revenue:				
Net patient service revenue	$ 229,530,257	224,997,989	$ 4,532,268	2.01%
Other operating revenue	14,630,463	18,778,535	(4,148,072)	-22.09%
Total operating revenue	244,160,720	243,776,524	384,196	0.16%
Operating expenses:				
Salaries and wages	86,976,716	92,003,260	(5,026,544)	-5.46%
Employee benefits	20,431,119	20,308,087	123,032	0.61%
Professional fees	20,487,212	21,349,109	(861,897)	-4.04%
Medical and general supplies	45,863,918	43,695,856	2,168,062	4.96%
Purchased services	35,733,746	34,479,003	1,254,743	3.64%
Other expenses	17,403,359	12,052,718	5,350,641	44.39%
Depreciation	17,601,181	17,054,663	546,518	3.20%
Total operating expenses	244,497,251	240,942,696	3,554,555	1.48%
(Loss) gain from operations	(336,531)	2,833,828	(3,170,359)	-111.88%
Total investment income	7,587,479	8,850,230	(1,262,751)	-14.27%
Interest expense, net	(5,083,524)	(6,968,467)	1,884,943	-27.05%
Settlement expense	(3,563,918)	-	(3,563,918)	0.00%
Other	13,758	1,888,735	(1,874,977)	-99.27%
Assessments by Jefferson Parish and support to others	(2,283,015)	(2,543,569)	260,554	-10.24%
Net assets, beginning of year	150,924,985	146,864,228	4,060,757	2.76%
Net assets, end of year	$ 147,259,234	150,924,985	$ (3,665,751)	4.50%

Total gross emergency room visits increased by 3% to 53,973 visits in 2008 compared to 2007, while total net emergency room visits (net of those patients who leave against medical advice or leave without completing the visit) increased by almost 4% over the prior year. Clinic visits of 78,454 decreased by 2.5% compared to 2007.

The Service District derived approximately 95% and 93% in 2008 and 2007 respectively, of its total net operating revenue from patient services. The Service District's revenue has historically generated from services provided to patients drawn primarily from communities located on the west bank of the Mississippi River in the Greater New Orleans area. In the immediate aftermath of Hurricane Katrina, all but the Service District and two other hospitals were closed in the New Orleans metropolitan area. In the interim, as other hospitals and medical facilities reopened, the Service District experienced an increase in the number of patients drawn from other communities in the New Orleans metropolitan area. Patient service revenue is generated by providing services to patients who are covered by Medicare, Medicaid, or managed care contracts, as well as by providing services to self-pay and indigent patients. The impact of Hurricane Katrina on the metropolitan area's health care facilities also resulted in changes to the Service District's payor mix. Self-pay patient revenues experienced major increases in late 2005 and 2006.

Table 6 below presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended December 31, 2008 and 2007.

Table 6
PAYOR MIX

	2008	2007
Managed care/commercial	29%	31%
Medicare	26%	26%
Medicare HMO	18%	15%
Medicaid	15%	18%
Self-pay and other	12%	10%
Total patient revenues	100%	100%

Reimbursements to the Service District are made on behalf of patients by the federal and state governments under the Medicare and Medicaid programs, respectively, by commercial insurance carriers and health maintenance organizations, as well as by patients on their own behalf. The difference between the covered charges and the payments under government programs and established contracts is recognized as a contractual allowance. The following table presents the contractual allowances on gross billings by payor and the provision for doubtful accounts.

TABLE 7
ALLOWANCE SUMMARY

	Years Ended December 31	
	2008	**2007**
Contractual Allowances		
Managed care and commercial accounts	$ 281,001,904	$ 266,545,559
Medicaid contractual allowances	111,390,254	115,709,822
Medicare contractual allowances	152,819,307	149,159,604
Other adjustments	569,492	8,954,800
Total contractual allowances	545,780,957	540,369,785
Doubtful accounts	24,336,550	19,430,889
	$ 570,117,507	$ 559,800,674

During 2008, with the increase in gross patient service revenue as well as periodic review of its methodology used to estimate the allowance for doubtful accounts, the Service District's doubtful accounts expense increased by approximately $4.9 million in 2008 compared to the prior year.

In 2007, the doubtful accounts decreased by $15,824,147 compared to 2006 due primarily to a continued emphasis on assisting uninsured patients to apply and qualify for Medicaid benefits, increased collection efficiency in 2007 and due a revision of its estimates of the allowance for doubtful accounts based on review of more recent collection data. Also reflected in the decrease in doubtful accounts in 2007 was $8.2 million of partial funding for uncompensated care which is recorded as a reduction of bad debt. Had these partial funding amounts not been recorded in 2007 doubtful accounts in 2007 would have been approximately $27.6 million.

Other Operating Revenue

Other operating revenue includes income primarily generated by rent receipts from the Service District's professional office buildings and Medical Plaza, as well as income from other miscellaneous services, such as its fitness centers and Alzheimer's day care services.

Other operating revenue decreased by approximately $3.7 million, or 23%, in 2008 compared to the prior year. The decrease is primarily due to recording in 2007 the proceeds from the settlement of the Medical Center's Hurricane Katrina-related claims under its property and business interruption insurance coverage.

Investment Income

The Service District maintains investments that are shown in its Balance Sheets as both board-designated and restricted trustee-held funds. These funds are invested primarily in money market funds and securities issued by the U.S. Treasury and other federal agencies.

Operating Expenses

Salaries and wages decreased approximately $5.0 million, or 5%, compared to 2007. The decrease is primarily due to position control and appropriate staffing to volumes which resulted in lower paid and worked full-time equivalent employees (FTEs).

Employee benefits increased by approximately $123,000, or 0.6%, in 2008 compared to the prior year due primarily to an increase in pension expense which was offset by decreases in payroll and other taxes and benefits expenses.

Professional fees decreased by approximately $862,000, or 4%, compared to the prior year primarily due to decreases in graduate medical education ("GME") expenses as well as a decrease in legal expenses.

Medical and general supply expense increased by approximately $2.2 million, or 5%, due to increases in medical supply expense in the OR and in Special Procedures. While the overall volume of surgeries decreased in the current year, more complex surgeries were performed in the current year. In addition, the Service District experienced an increase in the volume of interventional procedures (neurology, vascular and cardiology).

Purchased services increased by approximately $1.3 million, or 4%, in the current year primarily due to an increase in repairs and maintenance expenses, some of which were directly attributable to Hurricane Gustav (as discussed above) as well as an increase in maintenance contracts for computer software and hardware. Also contributing to the increase were increased costs in the overall purchased services account, some of which were also directly related to Hurricane Gustav, as well as an increase in medical purchased services. The increases noted above were partially offset by a 47% decrease in contract labor expense as the Service District continues efforts to reduce reliance on contract labor.

Other expenses increased by approximately $5.4 million, or 44%, compared to the prior year. The increase is primarily due to increases in professional liability and other insurance expense as well as utilities expenses. In addition, the Service District increased its advertising expenses in an effort to promote its services to the community.

Net interest expense decreased by approximately $1.9 million, or 27%, compared to the prior year primarily due to a net interest reduction recorded on the termination of the 2004A total return swap as a result of the defeasance of the Series 2004A Hospital Revenue bonds.

Non-Operating Expenses

Settlement Expense

In October 2008, the Service District agreed to settle pending litigation filed in 2004 on behalf of the U.S. Department of Health and Human Services (DHH) which alleged that the Service District improperly billed the Medicaid program for certain services rendered between 1998 and 2003. While the Service District did not admit liability, the Service District agreed to the settlement to avoid protracted proceedings. As a result of the settlement agreement, the Service District paid a combined total of approximately \$3.56 million to the federal government and the State of Louisiana. In addition, the Service District entered into a compliance agreement with the federal government to continue implementation of the Service District's compliance program and to comply with reporting requirements contained in the compliance agreement.

2007 and 2006 Statements of Revenues and Expenses - Enterprise Fund

Operating Revenue - Net Patient Service Revenue

This discussion refers to the summarized activity presented in the Service District's Condensed Statements of Revenues and Expenses in Table 8 for 2007 and 2006.

TABLE 8
CONDENSED STATEMENTS OF REVENUES AND EXPENSES
Years Ended December 31

	2007	2006	Dollar Change	Percent Change
Operating revenue:				
Net patient service revenue	$ 224,997,989	223,650,291	$ 1,347,698	0.60%
Other operating revenue	18,778,535	11,221,607	7,556,928	67.34%
Total operating revenue	243,776,524	234,871,898	8,904,626	3.79%
Operating expenses:				
Salaries and wages	92,003,260	90,037,527	1,965,733	2.18%
Employee benefits	20,308,087	19,878,239	429,848	2.16%
Professional fees	21,349,109	16,058,733	5,290,376	32.94%
Medical and general supplies	43,695,856	43,219,415	476,441	1.10%
Purchased services	34,479,003	42,214,897	(7,735,894)	-18.33%
Other expenses	12,052,718	16,071,136	(4,018,418)	-25.00%
Depreciation	17,054,663	16,471,180	583,483	3.54%
Total operating expenses	240,942,696	243,951,127	(3,008,431)	-1.23%
Gain (loss) from operations	2,833,828	(9,079,229)	11,913,057	-131.21%
Total investment income	8,850,230	6,065,479	2,784,751	45.91%
Interest expense, net	(6,968,467)	(6,143,315)	(825,152)	13.43%
Other	1,888,735	2,027,257	(138,522)	-6.83%
Assessments by Jefferson Parish and support to others	(2,543,569)	(2,668,207)	124,638	-4.67%
Net assets, beginning of year	146,864,228	156,662,243	(9,798,015)	-6.25%
Net assets, end of year	$ 150,924,985	146,864,228	$ 4,060,757	4.50%

Overall, net patient service revenue increased by approximately $1.3 million, or 0.6%, for fiscal year 2007 when compared to an increase of $70.2 million, or 46% in 2006 over 2005. In 2006 the Service District experienced significant increases in volumes as a result of the impact from Hurricane Katrina on the healthcare infrastructure in the metropolitan area. As of the end of 2005, several of the New Orleans area hospitals had yet not reopened which caused an increase in the volume of patients utilizing the Service District in 2006.

Inpatient gross revenue decreased by approximately 2% in 2007 compared to the prior year. The decrease is primarily a result of an overall 1% volume decrease in admissions, an 8% decrease in patient days and a 10% decrease in inpatient surgical services. Additionally, the overall case mix index decreased over the prior year. Total inpatient admissions decreased by approximately 1.2% to 17,646 admissions in 2007. The 2007 volumes declined from the significant artificial spike in volumes in 2006 due to the hurricane's effects on healthcare in the area.

General acute inpatient admissions decreased by approximately 0.8% to 15,880 in 2007. Total patient days decreased by approximately 7.8% to 92,263, while general acute patient days decreased by 6.3% to 76,997 patient days compared to the prior year. In addition, total average daily census decreased by 7.8% to 252.8 compared to 2006. Overall inpatient revenues and volumes in 2006 reflected the effects of Hurricane Katrina which significantly drove up volumes to artificially high levels, driving up volumes as a result of the decline in the number of healthcare providers in the metropolitan area.

Fiscal year 2007 inpatient activity reflected progress in providers and services available in the area as well as moving away from the artificially high volume levels post-Katrina.

Outpatient gross revenue increased by 6.7% in 2007 compared to the prior year. The growth in outpatient gross revenue is attributable to an increase in outpatient billable units and service volumes such as physical, occupational and speech therapy units, endoscopy, radiation therapy, imaging services and hyperbaric services. Total gross emergency room visits decreased by 8.0% to 52,107 visits in 2007 compared to 2006, while total net emergency room visits (net of those patients who leave against medical advice or leave without completing the visit) decreased by 6.3%. Clinic visits of 80,488 were down 2.9% in 2007 to 2006.

The Service District derived approximately 92% and 95% in 2007 and 2006 respectively, of its total net operating revenue from patient services. The Service District's revenue has historically generated from services provided to patients drawn primarily from communities located on the west bank of the Mississippi River in the Greater New Orleans area. In the immediate aftermath of Hurricane Katrina, all but the Service District and two other hospitals were closed in the New Orleans metropolitan area. In the interim, as other hospitals and medical facilities reopened, the Service District experienced an increase in the number of patients drawn from other communities in the New Orleans metropolitan area. Patient service revenue is generated by providing services to patients who are covered by Medicare, Medicaid, or managed care contracts, as well as by providing services to self-pay and indigent patients. The impact of Hurricane Katrina on the metropolitan area's health care facilities also resulted in changes to the Service District's payor mix. Self-pay patient revenues experienced major increases in late 2005 and 2006.

Table 9 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended December 31, 2007 and 2006.

Table 9
PAYOR MIX

	2007	2006
Managed care/commercial	31%	31%
Medicare	26%	27%
Medicare HMO	15%	13%
Medicaid	18%	17%
Self-pay and other	10%	12%
Total patient revenues	100%	100%

Reimbursements to the Service District are made on behalf of patients by the federal and state governments under the Medicare and Medicaid programs, respectively, by commercial insurance carriers and health maintenance organizations, as well as by patients on their own behalf. The difference between the covered charges and the payments under government programs and established contracts is recognized as a contractual allowance. In 2007, the doubtful accounts decreased by $15.8 million compared to 2006 due primarily to a continued emphasis on assisting uninsured patients to apply and qualify for Medicaid benefits, increased collection efficiency in 2007 and due a revision of its estimates of the allowance for doubtful accounts based on review of more recent collection data. Also reflected in the decrease in doubtful accounts in 2007 was $8.2 million of partial funding for uncompensated care which is recorded as a reduction of bad debt. Had these partial funding amounts not been recorded in 2007 doubtful accounts in 2007 would have been approximately $27.6 million.

Other Operating Revenue

Other operating revenue includes income primarily generated by rent receipts from the Service District's professional office buildings and Medical Plaza, as well as income from other miscellaneous services, such as its fitness centers and Alzheimer's day care services. Also included in 2007 other operating revenue is approximately $4.8 million of proceeds from the settlement of the Service District's business interruption and property damage claims.

Investment Income

The Service District maintains investments that are shown in its Balance Sheets as both board-designated and restricted trustee-held funds. These funds are invested primarily in money market funds and securities issued by the U.S. Treasury and other federal agencies.

Operating Expenses

Salaries and wages increased $2.0 million, or 2%, compared to 2006. The increase primarily represents merit increases in 2007 year partially offset by the Service District's efforts to flex staffing to volumes.

Employee benefits increased by $430,000, or 2%, in 2007 compared to the prior year due to an increase in group health insurance expenses primarily due to the severity of claims processed. This increase was partially offset by decreases in other taxes and benefits, workers compensation expenses and a decrease in pension and retirement expenses in part due to a lower actuarially determined contribution.

Professional fees increased by $5.3 million, or 33%, compared to the prior year primarily due to increases in graduate medical education ("GME") expenses, ER physician professional fees, anesthesia professional fees and an increase in legal fees. The increase in 2007 GME expenses represents a full year of expenses compared to six months in the prior year as the program began in July 2006.

Medical and General Supply expenses were up $476,000, or just over 1% compared to the prior year. The increase is primarily due to a 3% increase in drug costs and a 14% increase in blood supplies costs which were partially offset by an 8% decrease in I.V. solutions costs and an overall slight decrease in medical/surgical supply costs.

Purchased services decreased by $7.7 million, or 18%, in 2007 compared to the prior year with $6.3 million, or 82%, of the decrease resulting from the reduction in the use of contract labor. Total contract labor expenses decreased by 52% in 2007 compared to 2006. Contract labor expenses had increased 695% in 2006 compared to 2005 as the region experienced an acute nursing shortage resulting from Hurricane Katrina. The Service District intensified its recruitment and retention efforts to reduce its reliance on contract labor resulting in a reduction from approximately 100 contract FTEs in 2006 to just over 10 contract FTEs at year-end 2007. As discussed under "Financial Highlights" above, to assist with recruiting efforts the Service District also implemented an accelerated nursing program which began in January 2008. Also contributing to the year-to-date decrease in purchased services was $1.4 million, or 7%, decrease in overall purchased services, and an approximate $283,000, or 8%, decrease in medical purchased services. These decreases were partially offset by an increase of approximately $247,000, or 9%, in computer maintenance contract expenses and an increase of approximately $273,000, or 21%, in collection services expense.

Other expenses decreased by $4.0 million, or 25%, in 2007 compared to the prior year primarily due to a $3.1 million change and reclassification in professional liability insurance expense. At December 31, 2006 the Service District recorded a $1.9 million increase in professional liability reserves based on actuarial valuation of its reserve requirements. At December 31, 2007, the actuarial valuation of its reserve requirements resulted in the Service District reclassifying a total of $1.3 million of reserves to workers' compensation, general liability and malpractice litigation expense reserves. The reclassification and increase to the workers compensation reserve is recorded as an increase in employee benefits expense while the malpractice litigation reserve increase is recorded as an increase in legal fees expense. Also included in the decrease in other expenses was an approximate $379,000, or 21%, decrease in equipment rental expense and an approximate $898,000, or 67%, decrease in advertising expenses.

Net interest expense increased by $825,000, or 13%, primarily due to lower returns on the Service District's interest rate swap agreements as well as due to a decrease in investment income earned on bond trust investments which offsets interest expense.

Pension Trust Fund

2008 Plan Net Assets

The Service District's total plan net assets of its pension trust fund at December 31, 2008 was approximately $44.9 million, a 21.5% decrease from December 31, 2007 (see table A-10). Plan net assets decreased by $12.3 million from 2007 net depreciation of the market value of plan assets resulting from the market downturn experienced in 2008. The reduction in market value of the plan's assets was partially offset by dividends received on plan investments. In addition, benefit payments increased over the prior year primarily due to the 2007 plan amendment discussed below.

Table A-10
Retirement Plan for Employees of West Jefferson Medical Center
Plan Net Assets

	2008	2007	Increase (Decrease)	Increase (Decrease)
Cash and investments	$ 42,449,333	$ 55,499,338	$ (13,050,005)	-23.5%
Receivables	2,491,313	2,042,846	448,467	22.0%
Total assets	44,940,646	57,542,184	(12,601,538)	-21.9%
Total liabilities	6,721	319,133	(312,412)	-97.9%
Plan net assets	$ 44,933,925	$ 57,223,051	$ (12,289,126)	-21.5%

2007 Plan Net Assets

The Service District's total plan net assets of its pension trust fund at December 31, 2007 was approximately $57 million, a 5.3% increase over December 31, 2006 (see table A-11). Plan net assets increased by $2.9 million from 2006 primarily due to realized and unrealized gains on investments recognized in 2007 which were partially offset by a reduction in the Service District's actuarially determined contribution.

Table A-11
Retirement Plan for Employees of West Jefferson Medical Center
Plan Net Assets

	2007	2006	Increase (Decrease)	Increase (Decrease)
Cash and investments	$ 55,499,338	$ 52,152,917	$ 3,346,421	6.4%
Receivables	2,042,846	2,205,329	(162,483)	-7.4%
Total assets	57,542,184	54,358,246	3,183,938	5.9%
Total liabilities	319,133	6,085	313,048	5144.6%
Plan net assets	$ 57,223,051	$ 54,352,161	$ 2,870,890	5.3%

2008 Changes in Plan Net Assets

Table A-12 presents as summary of changes in Plan net assets for the year ended December 31, 2008. Contributions to the pension plan increased in 2008 as compared to 2007. Contribution amounts needed to fund the Plan are determined by an independent actuary.

The decrease in plan net assets of $12.3 million resulted primarily due to net depreciation of the market value of plan assets resulting from the market downturn experienced in 2008. The reduction in market value of the plan's assets was partially offset by dividends received on plan investments. In addition, benefit payments increased over the prior year primarily due to the 2007 plan amendment discussed below.

The Plans' investments consist primarily of fixed income mutual funds, equity mutual funds and money market funds, which decreased by approximately $13.1 million in 2008 due to unrealized losses to the equity and money market mutual funds resulting from the market downturn in 2008, benefit payments and plan administrative expenses. These decreases were partially offset by employer contributions. In 2007, Plan investments increased by approximately $3.3 million due to investment income and employer contributions which were partially offset by benefit payments and plan administrative expenses.

Table A-12
Retirement Plan for Employees of West Jefferson Medical Center
Change in Plan Net Assets

	2008	2007	Increase (Decrease)	Increase (Decrease)
Additions:				
Contributions	$ 2,333,775	$ 1,864,390	$ 469,385	25.2%
Net income on investments	(10,623,265)	3,671,655	(14,294,920)	-389.3%
Total additions	(8,289,490)	5,536,045	(13,825,535)	-249.7%
Deductions:				
Benefits	(3,860,438)	(2,478,313)	(1,382,125)	55.8%
Administrative expenses	(139,198)	(186,842)	47,644	-25.5%
Total deductions	(3,999,636)	(2,665,155)	(1,334,481)	50.1%
Change in net assets	(12,289,126)	2,870,890	(15,160,016)	-528.1%
Plan net assets, beginning of year	57,223,051	54,352,161	2,870,890	5.3%
Plan net assets, end of year	$ 44,933,925	$ 57,223,051	$ (12,289,126)	-21.5%

2007 Changes in Plan Net Assets

Table A-13 presents as summary of changes in Plan net assets for the year ended December 31, 2007. Contributions to the pension plan decreased in 2007 as compared to 2006 primarily as a result of the actuarially determined required contribution.

The increase in plan net assets of $2.9 million resulted primarily from an increase in realized and unrealized gains and dividends on investments, although these amounts decreased overall in 2007 compared to 2006 due to less favorable market conditions in 2007. These increases were partially offset by the decrease in the required contribution and an increase in benefit payments.

Table A-13
Retirement Plan for Employees of West Jefferson Medical Center
Change in Plan Net Assets

	2007	2006	Increase (Decrease)	Increase (Decrease)
Additions:				
Contributions	$ 1,864,390	$ 2,123,511	$ (259,121)	-12.2%
Net income on investments	3,671,655	5,207,029	(1,535,374)	-29.5%
Total additions	5,536,045	7,330,540	(1,794,495)	-24.5%
Deductions:				
Benefits	(2,478,313)	(2,300,810)	(177,503)	7.7%
Administrative expenses	(186,842)	(257,999)	71,157	-27.6%
Total deductions	(2,665,155)	(2,558,809)	(106,346)	4.2%
Change in net assets	2,870,890	4,771,731	(1,900,841)	-39.8%
Plan net assets, beginning of year	54,352,161	49,580,430	4,771,731	9.6%
Plan net assets, end of year	$ 57,223,051	$ 54,352,161	$ 2,870,890	5.3%

ECONOMIC FACTORS

Year ended December 31, 2008

In 2008 the Service District continued implementing its strategic plan, focusing on its core service lines in support of its commitment to deliver quality patient care, increase patient satisfaction and maintain financial stability.

As noted above, the Service District's 2008 net revenue and operating expenses were impacted by Hurricane Gustav. While the net revenue impact and increased expenses will not be recovered from insurance, the Service District is working with FEMA on reimbursement of eligible expenses.

The Service District and other area healthcare providers continue to face challenges in obtaining uncompensated care reimbursement. The total funds made available from the state for this purpose have continued to decline since Hurricane Katrina. In addition, the state has projected budget shortfalls. Among other remedies to reduce the projected budget shortfall, the state reduced Medicaid reimbursement by 3.5% effective February 20, 2008 through the end of the state fiscal year (SFY) in June 2009. The state also proposed an additional reduction of 7.2% in Medicaid reimbursement in SFY 2010. The Service District continues to work with its legislative delegation and others to obtain funding that may partially offset the impact of reductions in Medicaid reimbursement in SFY 2009 and SFY 2010.

Year ended December 31, 2007

Damages to the healthcare infrastructure, the economy and available housing stock as a result of Hurricane Katrina all contributed to a challenging environment for the metropolitan area and West Jefferson Service District beginning in the fourth quarter of 2005 and continuing into 2006 and 2007. Beginning in the fourth quarter of 2005 and continuing throughout calendar year 2006, the Service District experienced an increase in uninsured patients resulting from the loss of the Charity System in New Orleans and the loss of other providers in the area's healthcare infrastructure. In addition, the Service District's overall length of stay increased due to lack of nursing home beds available for discharged patients. Further, the Service District recorded higher labor costs as well as contract labor expenses in 2006 due to the continuing shortage of nurse staffing in the region.

To overcome some of these challenges, the Service District's administration worked to obtain uncompensated care reimbursement from the state, grant funds and/or reimbursement from the federal government and pursued claims under its insurance coverage. In addition, in July 2006 the Service District began providing graduate medical education which provided some incremental increase in reimbursement.

In 2007 the Service District continued its recruitment and retention efforts which resulted in a 52% decrease in contract labor. As part of these efforts, the Service District implemented an accelerated nursing program in January 2008. Under this program students receive tuition and a stipend in exchange for a commitment to work for the Service District for three years upon graduation from the program.

Due to the impact of Hurricane Katrina, the Service District was in non-compliance with its bond covenants in 2005 and 2006. As a result, the Service District was required to engage consultants to assist the Service District to improve its operating results. The Service District engaged two consulting firms, the first of which assisted with the benchmarking of labor standards to a selected peer group of hospitals and recommended other operating changes designed to improve throughput and decrease operating expenses. These recommendations were adopted by the Service District's Board of Directors and were in progress at December 31, 2007. The second consulting firm was engaged to review the Service District's operations, incorporating the recommendations from the first consultant, to assist in strategic planning and service line analysis. These efforts were in progress at December 31, 2007.

In addition, the Service District's bond insurers agreed to forebear until January 1, 2008 the exercise of their respective rights & remedies as a result of the bond non-compliance noted above. Also, in May 2007 one of its bond insurers directed, under terms of the trust indenture, that a springing mortgage be recorded on substantially all of the Service District's property and equipment.

Contacting the Service District's Administration

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

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT No. 1
BALANCE SHEETS
DECEMBER 31, 2008 AND 2007

ASSETS	2008	2007
Current Assets:		
Cash and cash equivalents	$ 14,716,101	$ 10,415,505
Receivables:		
Patient accounts receivable, net	38,810,720	39,845,251
Other receivables	4,044,632	6,985,606
Inventory	4,527,021	4,064,181
Prepaid expenses	6,121,540	7,006,429
Designated cash and investments and that are required for current liabilities	8,794,819	6,179,364
Total current assets	77,014,833	74,496,336
Designated cash and investments:		
By board for specific purposes, at fair value	107,590,730	134,221,108
Trustee-held assets, at fair value	16,326,296	22,690,617
Total designated cash and investments	123,917,026	156,911,725
Less amounts required for current liabilities	(8,794,819)	(6,179,364)
Noncurrent designated cash and investments	115,122,207	150,732,361
Property, plant, and equipment, net	151,135,967	159,931,124
Other assets:		
Unamortized financing costs	7,584,565	3,080,111
Prepaid deferred compensation	166,229	203,340
Other	4,255,199	4,670,813
Total other assets	12,005,993	7,954,264
Total assets	$ 355,279,000	$ 393,114,085

(Continued)

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT No. 1
BALANCE SHEETS, CONTINUED
DECEMBER 31, 2008 AND 2007

LIABILITIES AND NET ASSETS	2008	2007
Current liabilities:		
Accounts payable	$ 9,361,168	$ 13,423,402
Accrued expenses	21,966,670	18,112,509
Patient deposits and credit balances	1,823,600	1,435,121
Due to government health care programs	1,084,179	1,466,318
Bond interest payable	2,149,819	4,399,364
Current installments of long-term debt	6,645,000	1,780,000
Total current liabilities	43,030,436	40,616,714
Accrued malpractice claims	4,294,390	4,098,491
Accrued deferred compensation	166,229	203,340
Interest payable, long-term	2,401,989	1,560,273
Long-term debt, net of original issue discount of $1,060,778 in 2008 and $1,157,218 in 2007	158,126,722	195,710,282
Total liabilities	208,019,766	242,189,100
Net assets:		
Invested in capital assets, net of related debt	17,076,745	(6,846,658)
Restricted	16,120,427	22,491,686
Unrestricted	114,062,062	135,279,957
Total net assets	147,259,234	150,924,985
Total liabilities and net assets	$ 355,279,000	$ 393,114,085

The accompanying notes are an integral part of these statements.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT No. 1
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
Operating revenue:		
Net patient service revenue	$ 229,530,257	$ 224,997,989
Earnings from joint ventures	1,419,776	1,885,063
Other operating revenue	13,210,687	16,893,472
Total operating revenue	244,160,720	243,776,524
Operating expenses:		
Salaries and wages	86,976,716	92,003,260
Employee benefits	20,431,119	20,308,087
Professional fees	20,487,212	21,349,109
Medical and general supplies	45,863,918	43,695,856
Purchased services	35,733,746	34,479,003
Other expenses	17,403,359	12,052,718
Depreciation	17,601,181	17,054,663
Total operating expenses	244,497,251	240,942,696
(Loss) gain from operations	(336,531)	2,833,828
Investment income and other nonoperating income (expenses):		
Investment income	7,587,479	8,850,230
Interest expense	(5,083,524)	(6,968,467)
Settlement expense (Note 7)	(3,563,918)	-
Donated assets	13,758	56,470
Government operating grants	-	1,087,910
Total investment income and other non-operating income	(1,046,205)	3,026,143
(Loss) gain before capital contributions	(1,382,736)	5,859,971
Capital contributions	-	744,355
(Loss) gain before assessments by Jefferson Parish and support to others	(1,382,736)	6,604,326
Assessments by Jefferson Parish and support to others	(2,283,015)	(2,543,569)
Changes in net assets	(3,665,751)	4,060,757
Net assets, beginning of year	150,924,985	146,864,228
Net assets, end of year	$ 147,259,234	$ 150,924,985

The accompanying notes are an integral part of these statements.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT No. 1
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
OPERATING ACTIVITIES		
Revenue collected	$ 248,116,826	$ 249,149,656
Cash payments to employees and for employee-related costs	(108,104,405)	(112,150,409)
Cash payments for operating expenses	(118,975,017)	(107,654,299)
Net cash provided by operating activities	21,037,404	29,344,948
NON-CAPITAL FINANCING ACTIVITIES		
Operating grants	174,312	810,658
Proceeds from donations	13,758	56,470
Assessments by Jefferson Parish	(2,283,015)	(2,543,569)
Settlement payment	(3,563,918)	-
Net cash used in noncapital financing activities	(5,658,863)	(1,676,441)
CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest payments	(5,148,918)	(7,129,280)
Capital expenditures	(8,806,024)	(22,652,514)
Capital contributions	744,355	451,564
Proceeds from issuance of debt	55,000,000	-
Principal and defeasance payments on borrowings	(87,815,000)	(10,495,000)
Bond financing costs and other required payments (Note 5)	(6,403,850)	-
Net cash used in capital and related financing activities	(52,429,437)	(39,825,230)
INVESTING ACTIVITIES		
Purchases of investment securities	(1,668,784,948)	(4,381,663,380)
Proceeds from sales and maturities of investments	1,701,779,647	4,381,341,008
Investment income and other	8,356,793	9,798,106
Net cash provided by investing activities	41,351,492	9,475,734
Net increase (decrease) in cash and cash equivalents	4,300,596	(2,680,989)
Cash and cash equivalents, beginning of year	10,415,505	13,096,494
Cash and cash equivalents, end of year	$ 14,716,101	$ 10,415,505

(Continued)

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT No. 1
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
Reconciliation of income (loss) from operations to net cash provided by operating activities		
(Income) loss from operations	$ (336,531)	$ 2,833,828
Adjustments to reconcile loss from operations to net cash provided by (used in) operating activities:		
Depreciation	17,601,181	17,054,663
Bad debt expense	24,336,550	19,430,889
Amortization of non-compete agreement	213,962	-
Income (loss) on other investments	*89,008*	*(245,661)*
Changes in operating assets and liabilities:		
Accounts receivable, net	(23,142,573)	(16,533,198)
Inventory and prepaid expenses	422,049	(822,045)
Other receivables	2,160,204	1,205,476
Accounts payable	(4,062,234)	3,712,964
Accrued expenses and other liabilities	3,755,788	2,708,032
Net cash provided by operating activities	$ 21,037,404	$ 29,344,948

The accompanying notes are an integral part of these statements.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT No. 1
STATEMENTS OF NET ASSETS
PENSION TRUST FUND
DECEMBER 31, 2008 AND 2007

	2008	2007
Assets:		
Receivables:		
Accrued dividends	$ 157,538	$ 178,456
Employer contributions receivable	2,333,775	1,864,390
Total receivables	2,491,313	2,042,846
Investments		
Cash equivalents	2,675,940	7,210,641
Equity mutual funds	21,023,635	31,111,378
Fixed income mutual funds	18,749,758	17,177,319
Total investments	42,449,333	55,499,338
Total assets	44,940,646	57,542,184
Liabilities:		
Accrued trust fees	6,721	25,286
Due to brokers	-	293,847
	6,721	319,133
Plan net assets available for pension benefits	$ 44,933,925	$ 57,223,051

The accompanying notes are an integral part of these statements.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT No. 1
STATEMENTS OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
Additions:		
Employer contributions	$ 2,333,775	$ 1,864,390
Investment income:		
Dividends	1,801,344	2,131,049
Realized gains from sale of investments	-	409,118
Net appreciation	(12,424,609)	1,131,488
	(10,623,265)	3,671,655
Total additions	(8,289,490)	5,536,045
Deductions:		
Benefits	(3,860,438)	(2,478,313)
Administrative expenses	(139,198)	(186,842)
Total deductions	(3,999,636)	(2,665,155)
Change in plan net assets	(12,289,126)	2,870,890
Plan net assets at beginning of year	57,223,051	54,352,161
Plan net assets at end of year	$ 44,933,925	$ 57,223,051

The accompanying notes are an integral part of these statements.

1. Organization and Significant Accounting Policies

Organization

Jefferson Parish Hospital Service District No. 1 (the Service District), a component unit of Jefferson Parish, represents the combined financial statements of West Jefferson Medical Center (the Medical Center) and West Jefferson Service Corporation (the Service Corporation). The Medical Center operates an acute care hospital, physician clinics, medical office buildings, and health and fitness centers. The primary purpose of the Service Corporation is to support the activities of the Medical Center. The Medical Center and the Service District operate under the jurisdiction of the Parish Council of Jefferson Parish, Louisiana (the Parish) as Jefferson Parish Hospital Service District No. 1 and are exempt from federal and state income taxes.

The Service District has a 50% interest in the following entities accounted for under the equity method: MRI, Surgery Center, and CT scan. The Service District also has a 64.4% interest in a radiosurgery center and accounts for it using the equity method. Separate financial statements for each of these organizations can be obtained from the Service District.

Basis of Accounting

The Service District's basic financial statements consist of the government-wide statements which include the proprietary fund (the enterprise fund) and the fund financial statements which includes the fiduciary fund (the pension trust fund). The operations of the Service District are accounted for in the following fund types:

Proprietary Fund Type

The proprietary fund is used to account for the Service District's ongoing operations and activities which are similar to those often found in the private sector. The proprietary fund is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. Net assets are segregated into amounts invested in capital assets (net of related debt), restricted for debt service, restricted for capital projects and unrestricted. The Service District's restricted assets are expandable for their purposes. The Service District utilizes available restricted assets before utilizing unrestricted assets. The operating statements present increases (revenues) and decreases (expenses) in net assets. The Service District maintains one proprietary fund type – the enterprise fund. The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance.

Operating revenues include all charges for service; other revenues include non-operating revenues. The enterprise fund is presented in the government-wide financial statements. The Service District uses the accrual basis of accounting for proprietary funds. 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 Service District has elected not to apply Financial Accounting Standards Service District pronouncements issued after November 30, 1989. As a governmental entity, the Service District also follows certain accounting and disclosure requirements promulgated by the GASB.

Fiduciary Fund Type

The fiduciary fund, the Retirement Plan for Employees of West Jefferson Medical Center (the Plan), is used to account for assets held by the Service District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The Service District maintains one fiduciary fund type - the pension trust fund. The pension trust fund uses the flow of economic resources measurement focus. All assets and liabilities associated with the operation of this fund are included in the statement of plan net assets. The pension trust fund is used to account for the activity of the Service District's employee retirement plan. The pension trust fund is presented in the fund financial statements. Additional information on the pension trust fund is presented in note 8.

Operating and Non-operating Revenue

The Service District's primary purpose is to provide diversified health care services to individuals, physicians, and businesses. As such, activities related to the ongoing operations of the Service District are classified as operating revenue. Operating revenue includes amounts generated from direct patient care, related support services, earnings from joint venture investments, gains or losses from disposition of operating properties, and sundry revenue related to the operation of the Service District. Interest income from trustee-held investments is reported as a net component of interest expense. Additionally, rental income, gains and losses that are directly related to the ongoing operations of the Service District, and gifts, grants, and bequests not restricted by donors for specific purposes are reported as a component of other operating revenue. Investment income, realized and unrealized gains (losses) from board-designated investments, as well as donated assets are reported as a component of nonoperating income.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with maturities of three months or less when purchased, excluding designated cash and investments by board designation or other arrangements under trust agreements or with third-party payers. Cash and cash equivalents include temporary cash investments whose use is not limited. The temporary cash investments have original maturities of three months or less at date of issuance. Certain temporary investments internally designated as long-term investments are excluded from cash and cash equivalents.

Patient Accounts Receivable

Patient accounts receivables are carried at a net amount determined by the original charge for the services provided, less an estimate made for contractual adjustments or discounts provided to third party payers, less any payments received and less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. The Medical Center does not charge interest on patient receivables. Patient receivables are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received. Receivables or payables related to estimated settlements on various risk contracts that the Hospital participates in are reported as estimated third-party pay or receivables or payables. As of December 31, 2008 and 2007, the allowance for doubtful accounts approximated $23.6 million and $37.8 million, respectively.

Investments

Investments are carried at fair value and all investment income, including changes in the fair value of investments is recognized in the Statements of Revenues, Expenses, and Changes in Net Assets.

Designated Cash and Investments

Designated cash and investments include cash, cash equivalents, and investments. These assets are designated as such in the accompanying Balance Sheets as they are held by bond trustees under related indenture agreements or designated as such by the board of directors. Amounts classified as current assets represent amounts to be used to meet certain debt service requirements and other obligations classified as current liabilities.

Inventory

Inventory, which consists primarily of drugs and supplies, is stated at the lower of cost or market. The cost for drug inventory and operating room special order supplies is determined using the first-in, first-out method. The cost for supplies is determined using the weighted-average method.

Property, Plant, and Equipment

Property, plant, and equipment is stated at cost or, if donated, at fair value at the date of receipt, if known. Depreciation is computed on the straight-line basis over estimated useful lives as follows:

Land improvements	10 years
Buildings	10-40 years
Fixed equipment	10-25 years
Major movable equipment	5-10 years
Minor equipment	3-5 years

The Service District recognizes the impairment of capital assets when events or changes in circumstances suggest that the service utility of the capital asset may have significantly and unexpectedly declined. The restoration or replacement of an impaired capital asset is reported as a separate transaction from the associated insurance recovery. The impairment loss is reported net of the associated realized or realizable insurance recovery when the recovery and loss occur in the same year. Insurance recoveries reported in subsequent years are reported as non-operating revenue.

Unamortized Financing Costs

Deferred financing costs are amortized over the period the obligation is expected to be outstanding using the straight-line method.

Other Assets

Other assets consist primarily of the Service District's ownership interest in a laundry cooperative and an ownership interest in a radiosurgery entity, which are carried under the equity method.

Net Assets

The Service District classifies net assets into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These components are defined as follows:

<u>Invested in capital assets, net of related debt</u> - This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding debt attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in this component of net assets. Rather, that portion of debt is included in the same component of net assets as the unspent proceeds. At December 31, 2008 and 2007, there was no debt included in invested in capital assets, net of related debt.

Restricted - This component reports those net assets with externally imposed constraints placed on their use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component reports net assets that do not meet the definition of either of the other two components.

Net Patient Service Revenue

Substantially all of the Service District's net patient service revenue is earned under agreements with third-party payors. Under these agreements, the Service District provides medical services to government program beneficiaries and other third-party payers, such as health maintenance organizations, at amounts different from established rates. These payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem rates. Net patient service revenue is reported at the estimated net realizable amounts billed to patients, third-party payors, and others for services rendered. The Service District's provision for bad debts is classified as a reduction to net patient service revenue. A summary of net patient revenue for the years ended December 31, 2008 and 2007 is as follows:

	2008	2007
Gross patient service revenue	$ 799,647,764	$ 784,798,663
Less discounts, allowance, and estimated contractual adjustments under third-party reimbursement programs	545,780,957	540,369,785
Less provision for bad debts	24,336,550	19,430,889
Net patient revenue	$ 229,530,257	$ 224,997,989

The Service District is unable to predict the future course of federal, state, and local regulation or legislation, including Medicare and Medicaid statutes and regulations. Future changes could have a material adverse effect on the future financial results of the Service District. The percentage of total gross patient service revenue derived from services furnished to Medicare and Medicaid program beneficiaries, combined, was approximately 41% in both 2008 and 2007, respectively.

Retroactive settlements are provided for in some of the governmental health care programs outlined above, based on annual cost reports. Such settlements are estimated and recorded as amounts due to or from these programs in the accompanying financial statements. The differences between these estimates and final determination of amounts to be received or paid are based on audits by fiscal intermediaries and are reported as adjustments to net patient service revenue when such determinations are made. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term. No significant differences are anticipated between the estimated settlements recorded and the final settlements expected to be determined by program representatives. These adjustments resulted in increases to net patient service revenue of approximately $997,000 and $2.1 million, respectively, in 2008 and 2007. Estimated settlements through December 31, 2008, for the Medicaid and Medicare programs have been reviewed by program representatives, and adjustments have been recorded to reflect any revisions to the estimates.

The effect of any adjustments that may be made to cost reports still subject to review will be reported in the Service District's financial position or results of operations as such determinations are made. For the year ended December 31, 2008, the Service District recorded a receivable of $50,000 for the current year cost report.

Fair Value of Financial Instruments

Financial instruments are described as cash or contractual obligations or rights to pay or to receive cash. The fair value for certain financial instruments approximates the carrying value because of the short-term maturity of these instruments which include cash and cash equivalents, receivables, accounts payable, accrued liabilities, estimated third-party payor settlements, and other current liabilities. The Service District's investments and assets limited as to use are carried at fair value on the combined balance sheets. Based on borrowing rates currently available to the Service District with similar terms and maturities, the fair value of the long-term debt approximated $164.8 and $197.5 million as of December 31, 2008 and 2007, respectively.

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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein. Actual results could differ from those estimates.

Pension Trust

Employer contributions are recognized as revenues in the period in which employee services are performed. The assets of the Plan are invested in various fixed income, equity and short-term money market funds managed by a trustee. Investments are carried at fair value as reported by the Trustee. Fair values are determined by quoted market prices, as available. Dividend income is recognized when earned. All administrative expenses of the Plan are paid by the Plan.

Accumulated plan benefits are those future periodic payments, including lump-sum distributions that are attributable under the Plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits payable under all circumstances-retirement, death, disability, and termination or employment are included, to the extent they are deemed attributable to employee service rendered to the valuation date. Benefits to be provided from annuity contracts excluded from Plan assets are excluded from accumulated Plan benefits.

The actuarial present value of accumulated plan benefits is determined by an independent actuary and is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuations as of December 31, 2008 and 2007 were (a) life expectancy of participants (1984 Unisex Pension Mortality Table was used), (b) retirement age assumptions, and (c) investment return.

The 2008 and 2007 valuations included assumed average rates of return of 8.0%. The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

2. Cash and Investments

At December 31, 2008 and 2007, the Service District's cash consisted of demand deposits with bank balances of $20,475,182 and $15,327,129, respectively. The cash accounts were fully secured by federal depository insurance or collateral held by agents of the Service District in its name. The composition of designated cash and investments at December 31, 2008 and 2007, is set forth below:

2008	Cash and Cash Equivalents	Investments	Total
Board-designated	$ 20,531,537	$ 87,059,193	$ 107,590,730
1998 Bond Issue:			
Improvement Fund	-	205,869	205,869
Reserve Fund	-	3,284,876	3,284,876
Interest Fund	-	2,652,126	2,652,126
Total 1998 Bond Issue	-	6,142,871	6,142,871
2004B Bond Issue:			
Interest Fund	-	52,540	52,540
Debt Service Fund	-	4,500,128	4,500,128
Proceeds Expense Fund	-	102	102
Total 2004B Bond Issue	-	4,552,770	4,552,770
2008 Bond Issue:			
Capital Fund	-	113,574	113,574
Debt Reserve Fund	-	5,479,453	5,479,453
Proceeds Expense Fund	-	37,628	37,628
Total 2008 Bond Issue	-	5,630,655	5,630,655
Total carrying value (at fair value)	$ 20,531,537	$ 103,385,489	$ 123,917,026

2007	Cash and Cash Equivalents	Investments	Total
Board-designated	$ 27,793,443	$ 106,427,665	$ 134,221,108
1998 Bond Issue:			
Improvement Fund	-	198,930	198,930
Reserve Fund	-	3,660,735	3,660,735
Interest Fund	-	2,825,619	2,825,619
Total 1998 Bond Issue	-	6,685,284	6,685,284
2004A Bond Issue:			
Proceeds Expense Fund	-	2,683,502	2,683,502
Debt Service Reserve Fund	-	8,011,846	8,011,846
Improvement Fund	-	1	1
Total 2004A Bond Issue	-	10,695,349	10,695,349
2004B Bond Issue:			
Interest Fund	-	413,651	413,651
Principal Fund	-	20,213	20,213
Debt Service Fund	-	4,876,021	4,876,021
Proceeds Expense Fund	-	99	99
Total 2004B Bond Issue	-	5,309,984	5,309,984
Total carrying value (at fair value)	$ 27,793,443	$ 129,118,282	$ 156,911,725

Louisiana state statutes authorize the Service District to invest in obligations of the U.S. Treasury and other federal agencies, time deposits with state banks and national banks having their principal offices in the state of Louisiana, guaranteed investment contracts issued by highly rated financial institutions, and certain investments with qualifying mutual or trust fund institutions. During the years ended December 31, 2008 and 2007, the Service District invested primarily in securities issued by the U.S. Treasury and other federal agencies.

Credit Risk

Per GASB 40, unless there is information to the contrary, obligations of the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality. The following table presents each applicable rating grouped by investment type as of December 31, 2008:

By Investment Type	Fair Value	Rating
Cash deposits, operating funds	$ 14,716,101	Exempt from Disclosure
Cash deposits, held by Trustee	20,531,537	Exempt from Disclosure
U.S. Government securities	103,385,489	Exempt from Disclosure
Total cash and investments	$ 138,633,127	

Balance Sheet by Category	Fair Value
Cash deposits, operating funds	$ 14,716,101
Designated Assets:	
Trustee-held assets, under bond indenture	16,326,296
By Board for discretionary purposes	107,590,730
Total designated assets	123,917,026
Total cash and investments	$ 138,633,127

The following table presents each applicable rating grouped by investment type as of December 31, 2007:

By Investment Type	Fair Value	Rating
Cash deposits, operating funds	$ 10,415,505	Exempt from Disclosure
Cash deposits, held by Trustee	27,793,443	Exempt from Disclosure
U.S. Government securities	129,118,282	Exempt from Disclosure
Total cash and investments	$ 167,327,230	

Balance Sheet by Category	Fair Value
Cash deposits, operating funds	$ 10,415,505
Designated Assets:	
Trustee-held assets, under bond indenture	22,690,617
By Board for discretionary purposes	134,221,108
Total designated assets	156,911,725
Total cash and investments	$ 167,327,230

Concentration, Credit Risk, and Custodial Credit Risk

Louisiana state statutes also require that all of the deposits of the Service District be protected by insurance or collateral. The market value of collateral pledged must equal 100% of the deposits not covered by insurance. The bank balances of deposits at December 31, 2008 and 2007 were fully covered by insurance or collateral held by financial institutions in the Service District's name.

Per GASB 40, concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. GASB 40 further defines an at-risk investment to be one that represents more than five percent (5%) of the market value of the total investment portfolio and requires disclosure of such at-risk investments. GASB 40 specifically excludes investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments from the disclosure requirement. At December 31, 2008, the Service District had no investments requiring Concentration of Credit Risk disclosure.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Service District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Service District will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Interest Rate Risk

Interest Rate Risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk inherent in the portfolio is measured by monitoring the segmented time distribution of the investments in the portfolio. The following table summarizes the Service District's segmented time distribution investment maturities by investment type as of December 31, 2008 and 2007.

By Investment Type	Fair Value	<1 Year	1-5 Years
2008			
Cash deposits, operating funds	$ 14,716,101	$ 14,716,101	$ -
Cash deposits, held by Trustee	20,531,537	20,531,537	-
U.S. Government securities	103,385,489	70,158,637	33,226,852
Total cash and investments	$ 138,633,127	$ 105,406,275	$ 33,226,852
2007			
Cash deposits, operating funds	$ 10,415,505	$ 10,415,505	$ -
Cash deposits, held by Trustee	27,793,443	27,793,443	-
U.S. Government securities	129,118,282	82,171,330	46,946,952
Total cash and investments	$ 167,327,230	$ 120,380,278	$ 46,946,952

Pension Trust Fund

Hospital service districts are authorized under Louisiana R.S. 46:10688 to establish and maintain actuarially sound pension and retirement systems making contributions from hospital service district funds. They may make contracts of insurance with any insurance company legally authorized to do business in Louisiana and may enter into other contracts and trust agreements with banks, which are incidental to creating and maintaining an actuarially sound pension and retirement system. At December 31, 2008, the Retirement Plan's investments were held by Regions Morgan Keegan Trust.

Investments at December 31, 2008 and 2007 consist of the following mutual funds which are stated at fair value.

Fixed Income:	2008	2007
Federated U.S. Government Trust		
Institutional Fund *	$ 10,998,512	$ 9,932,096
Vanguard Short-term Treasury Fund *	7,751,246	7,245,223
	18,749,758	17,177,319
Equity:		
Artisan Sm Cap Value Fund 963 Inv	1,867,708	1,719,018
Amer Cap World Growth & Inc FD CL R5*	3,460,602	3,878,619
Vanguard Institutional Index Fund*	11,036,449	17,505,487
Vanguard Mid Cap Index Fund*	4,658,876	8,008,254
	21,023,635	31,111,378
Cash equivalents:		
Cash	-	352,691
*Fidelity Institutional Treasury Portfolio**	2,675,940	-
Federated Treasury Money Market Fund*	-	6,857,950
	2,675,940	7,210,641
Total investments	$ 42,449,333	$ 55,499,338

* represents investments that are 5% or more of the Plan's net assets.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising interest rates, the Retirement Plan's investment policy limits the maximum for any single fixed income security to 10 years. None of the investments of the Retirement Plan have fixed maturity dates.

Credit Risk

State statutes authorize the Retirement Plan to invest in obligations of the U.S. Treasury, agencies, and instrumentalities; commercial paper rated AAA 1, 2, or 3; repurchase agreements; and the Louisiana Asset Management Pool (LAMP). The Retirement Plan's investment policy limits the Plan's investments to treasury bills, money market funds, commercial paper, U.S. government and agency securities, corporate notes and bonds, common stocks, American Depository Receipts of Non-U.S. companies listed on American exchanges, and stocks of Non- U.S. companies. As of December 31, 2008 and 2007, all investments of the Retirement Plan were rated Aaa by Moody's Investor's Service and AAA by Standard & Poor's and Fitch ratings.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Retirement Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the investments of the Retirement Plan are held in the name of the Retirement Plan for the years ended December 31, 2008 and 2007.

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the Retirement Plan's investment in a single issuer. The Retirement Plan's investment policy states that the securities of any one company or government agency cannot exceed ten (10) percent of the total fund, and no more than twenty (20) percent of the total fund can be invested in any one industry. With the exception of U.S. Government securities, no fixed income issue may exceed fifteen (15) percent of the market value of the fixed income portfolio. No investments of the Retirement Plan are in violation of this policy at December 31, 2008 and 2007.

3. Property, Plant and Equipment

The following table summarizes the changes in net property, plant, and equipment for the year ended December 31:

2008	Beginning Balance	Additions	Reclassification/ Retirements	Ending Balance
Land and Land improvements	$ 20,892,843	$ 522,288	$ (749,259)	$ 20,665,872
Building and fixed equipment	174,844,855	3,958,474	3,227,684	182,031,013
Equipment	181,320,322	11,919,129	(3,230,811)	190,008,640
Construction in progress	13,851,258	7,046,230	(14,639,540)	6,257,948
	390,909,278	23,446,121	(15,391,926)	398,963,473
Less accumulated depreciation	(230,978,154)	(17,601,181)	751,829	(247,827,506)
Property, plant, and equipment, net	$ 159,931,124	$ 5,844,940	$ (14,640,097)	$ 151,135,967

2007	Beginning Balance	Additions	Reclassification/ Retirements	Ending Balance
Land and Land improvements	$ 19,921,793	$ 971,050	$ -	$ 20,892,843
Building and fixed equipment	170,767,874	4,076,981	-	174,844,855
Equipment	169,694,745	12,802,993	(1,177,416)	181,320,322
Construction in progress	8,816,826	12,087,380	(7,052,948)	13,851,258
	369,201,238	29,938,404	(8,230,364)	390,909,278
Less accumulated depreciation	(214,867,965)	(17,054,663)	944,474	(230,978,154)
Property, plant, and equipment, net	$ 154,333,273	$ 12,883,741	$ (7,285,890)	$ 159,931,124

The Service District leases certain major movable and other non-movable equipment under operating leases, some of which are on a month-to-month basis and others which are on a longer-term basis. Refer to Note 10 for amounts relating to these leases. Rental expense for leased equipment amounted to approximately $1,360,000 in 2008 and $1,406,000 in 2007.

Construction in progress includes projects such as technical and property infrastructure upgrades as well as software and equipment upgrades.

In May 2007, one of the Medical Center's bond insurers directed, under the terms of the trust indenture, that a springing mortgage be recorded on substantially all of the Medical Center's property and equipment.

4. Risk Management

The Service District participates in the State of Louisiana patient compensation fund (the Fund). The Fund provides malpractice coverage to the Service District 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. Service District management has no reason to believe that the Service District will be prevented from continuing its participation in the Fund.

From July 1, 1993 to November 1, 1997, the Service District was insured by the LHA Trust Fund for medical malpractice claims. Subsequent to November 1, 1997, the Service District has maintained a funded self-insured program against medical malpractice claims and purchased excess general liability coverage up to $10 million with a $2 million self-retention; this excess liability policy includes professional liability (medical malpractice) as of April 1, 2008. The Service District is involved in litigation arising in the ordinary course of business. Claims alleging malpractice liability have been asserted against the Service District and are currently in various states of litigation. The Service District has accrued approximately $4,294,000 and $4,098,000 at December 31, 2008 and 2007, for the estimated loss and litigation expenses related to medical malpractice claims for which the Service District is self-insured. Claims have been filed alleging damages in excess of the amount accrued for estimated malpractice costs. It is the opinion of management that estimated malpractice costs accrued are adequate to provide for probable losses resulting from pending or threatened litigation. Additional claims may be asserted against the Service District arising from services provided to patients through December 31, 2008. The Service District is unable to determine the ultimate cost of the resolution of such potential claims; however, an accrual has been made based on estimates for these claims.

The Service District is self-insured for workers' compensation up to $500,000 per claim and is self-insured for employee group health insurance claims. The Service District purchased commercial insurance that provides coverage for workers' compensation claims in excess of the self-insured limits. A liability is recorded when it is probable that a loss has been incurred and the amount of that loss can be reasonably estimated. Liabilities for claims incurred are re-evaluated periodically to take into consideration recently settled claims, frequency of claims, and other economic and social factors. The following table summarizes the changes in the Service District's aggregate claims liability for medical malpractice, workers' compensation, and health insurance.

Year Ended December 31	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2008	$ 9,277,212	$ 16,643,367	$ 14,538,231	$ 11,382,348
2007	$ 9,123,798	$ 11,516,540	$ 11,363,126	$ 9,277,212

5. Long-Term Debt

Long-term debt consisted of the following as of December 31:

	2008	2007
Hospital Revenue Bonds (Series 1998A); 4% - 5.25%; due in installments through 2021	$ 30,945,000	$ 32,725,000
Hospital Revenue Bonds (Series 1998B); variable interest rate (ranging from 1.28% - 5.50% in 2008 and 3.13% - 3.97% in 2007); due in installments, beginning in 2022 through 2028	25,000,000	25,000,000
Hospital Revenue Bonds (Series 2004A); 5.85%; due in installments, beginning in 2025 through 2034, defeased in 2008	-	81,410,000
Hospital Revenue Bonds (Series 2004B); variable interest rate (ranging from 0.90% - 8.94% in 2008, 2.75% - 4.25% in 2007); due in installments through 2018	24,175,000	28,800,000
Hospital Revenue Refunding Bonds (Series 2008B-1); variable interest rate (ranging from 2.71% - 3.73% in 2008), due in installments beginning in 2010 through 2019	20,000,000	-
Hospital Revenue Refunding Bonds (Series 2008B-2); variable interest rate (ranging from 2.71% - 3.73% in 2008) due in installments beginning in 2020 through 2034	35,000,000	-
Special Community Disaster Loan; interest accrues at 2.74%; principal and interest due in total in 2011	30,712,500	30,712,500
Total	165,832,500	198,647,500
Less unamortized original issue discount	(1,060,778)	(1,157,218)
Less current maturities	(6,645,000)	(1,780,000)
Long-term debt, less current maturities	$ 158,126,722	$ 195,710,282

For the years ended December 31, 2008 and 2007, interest expense, before interest income from trustee-held assets of approximately $653,401 and $1,239,835, respectively, totaled $5,736,925 and $8,208,302.

The changes in long-term debt were as follows:

	2008	2007
Balance, beginning of year	$ 198,647,500	$ 209,142,500
Issuances	55,000,000	-
Defeased	(81,410,000)	-
Payments	(6,405,000)	(10,495,000)
Balance, end of year	$ 165,832,500	$ 198,647,500

The debt service requirements at December 31, 2008, were as follows:

	Principal	Interest
2009	$ 6,645,000	$ 5,451,056
2010	5,475,000	5,510,514
2011	36,452,500	7,627,716
2012	5,965,000	4,973,677
2013	6,245,000	4,705,345
2014-2018	33,195,000	19,365,904
2019-2023	24,945,000	12,455,458
2024-2028	29,510,000	6,772,260
2029-2033	14,100,000	2,365,232
2034-2038	3,300,000	39,551
Total long-term debt	$ 165,832,500	$ 69,266,712

Series 1979 Bonds

The Series 1979 bonds were advance refunded in 1985. A portion of the proceeds from a subsequent bond issuance was deposited with an escrow trustee and invested in obligations secured by the U.S. government. The principal and interest income from these invested funds is used to service the debt of the refunded issue. Neither the escrow fund nor the Series 1979 bonds payable are shown in the accompanying Balance Sheets. Series 1979 bonds payable outstanding were $3,165,000 at December 31, 2008 and $6,075,000 at December 31, 2007.

Series 2004A Bonds

The Series 2004A bonds were defeased on November 20, 2008 using a combination of the proceeds from the issuance of Series 2008B-1 ($20,000,000) and 2008B-2 ($35,000,000) bonds (discussed below) net of issuance costs, funds on deposit in the 2004A debt service reserve fund, and $30.5 million of the Service District's cash. These amounts were irrevocably deposited with an escrow trustee and invested in obligations secured by the U.S. government. The principal and interest income from these invested funds will be used to redeem the Series 2004A issue on the call date of January 1, 2010. Neither the escrowed funds nor the Series 2004A bonds payable are shown in the accompanying Balance Sheets. Series 2004A bonds payable outstanding were $81,410,000 at December 31, 2008. As part of the defeasance, the Service District paid approximately $283,000 in financing costs and $6,121,000 in prepaid interest costs totaling $6,404,000. The Service District also recognized a book loss on the transaction of approximately $327,000 which has been included in the issuance costs and will be amortized over the life of the 2008B bonds.

Series 2008B-1 and 2008B-2 Bonds

As noted above, in November 2008 the Service District issued Variable Rate Hospital Revenue Refunding Bonds Series 2008B-1 ($20,000,000) and Series 2008B-2 ($35,000,000). The Series 2008B-1 bonds are payable in installments beginning in 2010 through 2019 while the Series 2008B-2 bonds are payable in installments beginning in 2020 through 2034. The bonds, subsequent to the defeasance of the 2004A bonds, will be secured by a pledge of revenues on a parity with the Series 1998A, Series 1998B and Series 2004B bonds and other outstanding parity obligations.

Interest Rate Swaps

To take advantage of lower rates of interest, the Service District has entered into interest rate swap agreements, as described below, with two major financial institutions. In 2004 and 2006, the Service District and JPMorgan Chase Bank ("JPMorgan") entered into interest rate swap agreements which incorporate the 2000 International Swap Dealers Association ("ISDA") Master Agreement which includes defined terms and provisions. In November 2008, the Service District and Capital One, N.A. ("Capital One") entered into an interest rate swap agreement which incorporates the 2002 Master Agreement.

Series 1998B Bonds

In November 2004, the Service District entered into a floating-to-fixed interest rate swap agreement on the Series 1998B variable-rate bonds. The swap agreement has a notional amount of $25,000,000. Under the terms of the agreement, which matures on January 1, 2012, the Service District pays to JPMorgan on January 1st and July 1st fixed interest at the rate of 3.10% and receives from JPMorgan a variable rate, paid quarterly, calculated as 68% of the one-month London Interbank Offer Rate (LIBOR) plus or minus the variable bond rate based on the Bond Market Association Municipal Swap Index (BMA). The swap agreements on the 1998B bonds are subject to terms that require either party to post additional collateral based on the change in interest rates, the mark-to-market valuation of the swap agreements and/or change in credit rating of either party. At December 31, 2008 the fair value of this agreement was ($1,479,575). The net effect of the swap transaction in 2008 was an increase in the Service District's Series 1998B interest expense of $271,670. At December 31, 2008, the mark-to-market on the swap transaction resulted in collateral requirements of $1,720,139 which the Service District had posted with JPMorgan.

In August 2006, the Service District entered into a basis swap agreement which matures on January 1, 2012. The swap agreement has a notional amount of $25,000,000. Under the terms of this agreement, the Service District pays JPMorgan on the 1st of each quarter a variable rate computed as 68% of the one-month LIBOR rate and receives from JPMorgan 61.75% of the five-year LIBOR rate plus or minus the variable bond rate based on the BMA Swap Index. At December 31, 2008 the fair value of this agreement was $441,072. The net effect of the swap transaction in 2008 was a decrease in the Service District's Series 1998B interest expense of $39,854. At December 31, 2008, the mark-to-market on this swap transaction resulted in collateral requirements by JPMorgan of $335,533.

Series 2004A Bonds

In August 2004, the Service District entered into a fixed-to-floating total return interest rate swap agreement which matured on December 1, 2008. The swap agreement had a notional amount equal to the total bonds issued of $81.4 million. Under the terms of the agreement, the Service District pays the 5.85% fixed rate semi-annual bond coupon payments. JPMorgan returns to the Service District the net of the 5.85% fixed rate on the bonds and a semi-annual variable rate of interest computed as BMA plus 70 basis points. The net effect of the swap transaction in 2008 was a decrease in the Service District's Series 2004A interest expense of $4,090,512 due in part to the swap termination discussed below and a decrease in the Service District's Series 2004A 2007 interest expense of $1,237,575.

At December 31, 2007, the swap had a fair value of $1,022,084. The swap agreement is subject to terms that require either party to post additional collateral based on the change in interest rates, the mark-to-market valuation of the swap agreements and/or change in credit rating of either party. At December 31, 2007, the mark-to-market on the 2004A swap transaction resulted in the counterparty having to post collateral for the fair value noted above.

Due to changes in interest rates and mark-to-market valuations in 2008, the Service District was required to post collateral with the counterparty. As a result of the defeasance of the Series 2004A bonds in November 2008 as discussed above, the Service District terminated the swap agreement which resulted in the return to the Service District of approximately $18 million of posted collateral. In addition, the deposit of the Series 2004A escrowed funds (as discussed above) increased the market valuation of the 2004A swap which resulted in the Service District receiving an additional return of $2.9 million at termination on December 1, 2008. This amount was recorded as a reduction to interest expense.

Series 2004B Bonds

In August 2004, the Service District entered into a floating-to-fixed interest rate swap agreement which matures on January 1, 2017. The notional amount of the bonds was $39.2 million which continues to decline each year until the maturity date of the bonds. Under the terms of this agreement, the Service District pays semi-annually to JPMorgan a fixed rate of 3.35% and receives from JPMorgan a variable rate, paid monthly, calculated as 68% of the one-month LIBOR plus or minus the variable bond rate based on The Bond Market Association Municipal Swap Index (BMA). At December 31, 2008 the fair value of this agreement was ($1,265,139). The net effect of the swap transaction in 2008 was an increase in the Service District's Series 2004B interest expense of $250,404. At December 31, 2008 no collateral was required by either party.

In August 2006, the Service District entered into a basis swap agreement which matures on January 1, 2017. The notional amount of the bonds was $33.3 million and declines each year until the maturity date. Under the terms of this agreement, the Service District pays monthly to JPMorgan a variable rate computed as 68% of the one-month LIBOR and receives monthly from JPMorgan a variable rate calculated as 61.72% of the five-year LIBOR rate plus or minus the variable bond rate based on the BMA Swap Index. At December 31, 2008 the fair value of this agreement was $311,888. The net effect of the swap transaction in 2008 was a decrease in the Service District's Series 2004B interest expense of $89,983.

The swap agreement on the 2004B bonds is subject to terms that require either party to post additional collateral based on the change in interest rates, the mark-to-market valuation of the swap agreements and/or change in credit rating of either party. At December 31, 2008, the mark-to-market on the 2004B swap transaction resulted in JPMorgan having to post collateral of $222,533 for the fair value noted.

Series 2008B Bonds

In connection with the issuance in November 2008 of the Series 2008B-1 and Series 2008B-2 bonds noted above, the Service District entered into a floating-to-fixed interest rate swap agreement which matures on November 20, 2013. The notional amount of the interest rate swap equals the outstanding principal balance of the bonds and declines each year as principal payments are made until the maturity date. Under the terms of the agreement, the Service District pays a 2.55% fixed rate of interest on the principal amount of the outstanding bonds. The Service District receives from Capital One variable interest rate payments based on 65% of one-month LIBOR. The net effect of the swap transaction in 2008 was an increase in the Service District's Series 2008B interest expense of $83,261. At December 31, 2008 no collateral was required by either party. At December 31, 2008, the fair value of this agreement was $2,483,419.

Community Disaster Loan

In the aftermath of Hurricane Katrina, the Service District applied for and received a Special Community Disaster Loan (the "Loan") from the federal government. The Loan proceeds, in the amount of approximately $31 million, were received by the Service District on February 22, 2006. The terms of the Loan call for interest to accrue at 2.74% annually to be repaid with the principal when the Loan becomes due in 2011. At December 31, 2008 and 2007, the Service District had accrued $2,402,374 and $1,560,272, respectively, of interest expense on the Loan.

6. Community Benefits (Unaudited)

Services provided to the indigent and benefits provided to the broader community by the Medical Center are summarized below for the years ended December 31:

	2008	2007
Benefits for the indigent and uninsured (unpaid costs):		
Traditionally charity care and uninsured	$ 8,910,260	$ 9,688,733
Benefits for the broader community:		
Unpaid costs of Medicare and Medicaid programs	16,015,103	18,102,491
Other community benefits	2,878,441	3,046,433
Total quantifiable benefits for the broader community	$ 27,803,804	$ 30,837,657

Benefits for the indigent include services provided to persons who cannot afford health care because of inadequate resources or who are uninsured. This amount includes the estimated costs of services associated with traditional charity care and other services such as emergency room services.

Benefits for the broader community include the unpaid cost of treating Medicare and Medicaid beneficiaries in excess of the government payments. These benefits also include services provided to other needy populations that may not qualify as indigent but that require special services and support. Examples include the cost of health promotion and education, an assistance program for the elderly, health clinics and screenings, special assessments by the Parish to fund MITs, health care for the Parish correctional center, and funding assistance for a nonprofit community clinic, all of which, in management's opinion, benefit the broader community.

7. Governmental Regulations

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes, and regulations by health care providers in recent years. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Service District is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations. However, assessment of our 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.

Legislation and regulation at all levels of government have affected and are likely to continue to affect the operation of the Service District. Federal health care reform legislation proposals debated in Congress in recent years have included significant reductions in Medicare and Medicaid program reimbursement to hospitals and the promotion of a restructured delivery and payment system focusing on competition among providers based on price and quality, managed care, and steep discounting or capitated payment arrangements with many, if not all, of the Service District's principal payers. It is not possible at this time to determine the impact on the Service District of government plans to reduce Medicare and Medicaid spending, government implementation of national and state health care reform, or market-initiated delivery system and/or payment methodology changes. However, such changes could have an adverse impact on operating results, cash flows, and estimated debt service coverage of the Service District in future years.

In October 2008, the Service District agreed to settle pending litigation filed in 2004 on behalf of the U.S. Department of Health and Human Services (DHH) which alleged that the Service District improperly billed the Medicaid program for certain services rendered between 1998 and 2003. While the Service District did not admit liability, the Service District agreed to the settlement to avoid protracted proceedings. As a result of the settlement agreement, the Service District paid a combined total of approximately $3.56 million to the federal government and the State of Louisiana. In addition, the Service District entered into a compliance agreement with the federal government to continue implementation of the Service District's compliance program and to comply with reporting requirements contained in the compliance agreement.

8. Employee Benefits

The Retirement Plan for Employees of West Jefferson Medical Center

West Jefferson Medical Center operates under the jurisdiction of the Parish Council of Jefferson Parish, Louisiana (the "Parish") as Jefferson Parish Hospital Service District No. 1. A Louisiana Attorney General opinion empowers hospital service districts to create pension plans for officers and employees and to fund the plan with district funds.

The Retirement Plan for Employees of West Jefferson Medical Center (the "Plan") is a single-employer, non-contributory, defined public employee retirement system (PERS). The Plan covers certain employees of West Jefferson Medical Center (the Employer) who met certain length of service requirements through December 31, 2005 and is funded through employer contributions and investment earnings.

Plan Description

The Medical Center contributes to the Retirement Plan for Employees of West Jefferson Medical Center (the Plan). No new entrants were allowed to participate in the plan after December 31, 2005. As a governmental entity, the Plan provides disclosures required by the Governmental Accounting Standards Board (GASB).

The Medical Center's total payroll for all employees and the total covered payroll for the year ended December 31, 2008, amounted to approximately $86,960,000 and $44,148,000, respectively, and $91,741,000 and $49,735,000, respectively, for the year ended December 31, 2007. Covered payroll refers to all compensation paid by the Medical Center to active employees covered by the Plan on which contributions to the Plan are based.

	2008	2007
Active employees	818	919
Retirees and beneficiaries currently receiving benefits	753	712
Terminated vested participants	475	462
Total plan membership*	2,046	2,093

*The total retirees and beneficiaries count of 475 includes 67 participants who, under an amendment to the Plan effective November 1, 2007, elected enhanced early retirement benefits under the Voluntary Retirement Incentive Program (VRIP) with effective retirement dates ranging from January 1, 2008 to April 1, 2008. See "Plan Amendments" discussed below.

Eligibility Requirements

An employee is eligible to participate in the Plan as of the date they have completed one year of service of 1,000 hours or more and attained at the age of 21. No new entrants are allowed to participate in the Plan after December 31, 2005.

Benefits Retirement

The Plan provides retirement benefits as well as death and disability benefits. Prior to July 1, 2002, all benefits were fully vested after 10 years of credited service. Effective July 1, 2002, all employees become fully vested after 5 years of credited service. The basic annual retirement benefit at age 65 is a benefit payable for life in an amount equal to the number of years of credited service up to 30 years, multiplied by the sum (1) 1.2 percent of final average monthly compensation (2) 0.65 percent of final average monthly compensation in excess of "covered" compensation," which is defined as the average of the Social Security Taxable Wage Base for the 35-year period ending in the year in which social security normal retirement age is attained. Final average monthly compensation is defined as the monthly compensation of a participant averaged over the 5 consecutive calendar years which produces the highest monthly average within the last 10 calendar years preceding the earlier of retirement or termination of employment. Employees with 10 years of credited service may elect to receive a reduced benefit beginning at age 55.

Deferred and Disability Benefits

A Plan member leaving employment after 10 years of credited service but before attaining retirement age or who ceases active employment because of total and permanent disability after 10 years of credited service but before attaining retirement age is eligible for deferred benefits or may elect to receive reduced benefits beginning on the early retirement date.

Survivor Benefits

The survivor benefit provided under the Plan is a death benefit for a vested participant in the form of survivor annuity. Such annuity payments are generally equal to 50 percent of the amount which would be payable to the participant if he or she had survived and elected to commence receiving a retirement income at the earliest date allowed under the Plan.

Contributions

The employer is required to contribute amounts necessary to provide the benefits under the Plan determined by the application of accepted actuarial methods and assumptions.

Plan Termination

The Medical Center has the right under the Plan to discontinue its contributions at anytime and to terminate the Plan. See further discussion below under "Plan Amendment."

Contributions Required and Contributions Made

The funding policy of the Plan for periodic employer contributions at actuarially determined rates that are sufficient to pay benefits when due. The actuarial funding method used to determine the normal cost and the unfunded actuarial accrued liability, amortized over 30 years, for purposes of determining contribution requirements is the entry age normal cost method. The significant actuarial assumptions underlying the actuarial method used to compute the contribution requirement are the same as those used to compute the pension benefit obligation.

The actuarially determined contribution requirement for 2008, accrued by the Plan, was $2,333,775. The actual contribution paid by the employer during 2008 relating to the 2007 contribution requirement was $1,864,390. The 2008 contribution requirement consisted of (a) $863,945 normal cost, (b) $1,296,958 amortization of the unfunded actuarial accrued liability and (c) $172,872 net interest cost. The actuarially determined contribution requirement for 2007, accrued by the Plan, was $1,864,390. The actual contribution paid by the employer during 2007 relating to the 2006 contribution requirement was $2,123,511. The 2007 contribution requirement consisted of (a) $1,044,753 normal cost, (b) $681,534 amortization of the unfunded actuarial accrued liability and (c) $138,103 net interest cost.

Funding Status

The amount shown below as pension benefit obligation, determined as part of an actuarial valuation as of January 1, 2008, represents a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the Plan's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits.

The following is a summary for the changes in the actuarial present value of accumulated plan benefits for the years ended December 31, 2008:

Annual pension cost and net pension obligation:	
Annual required contribution	$ 2,333,775
Contribution made (related to prior year obligations)	(1,864,390)
Increase in net pension obligation	469,385
Net pension obligation, beginning of year	1,864,390
Net pension obligation, end of year	$ 2,333,775

Significant actuarial assumptions used in the valuation include a rate of return on the investment of present and future assets of 8% per year, compounded annually, and projected salary increases based on merit of 3% per year compounded annually.

Changes in Accumulated Plan Benefits

The following is a summary of the changes in the actuarial present value of accumulated plan benefits for the years ended December 31:

	2008	2007
Actuarial present value of accumulated plan, benefits at beginning of year	$ 65,146,953	$ 53,840,766
Increase (decrease) attributable to:		
Benefits accumulated, including actuary loss	1,951,027	2,423,270
Assumed interest from beginning of year	5,060,742	4,209,913
Benefits paid	(3,849,422)	(2,481,440)
Plan amendments	-	7,154,444
Net increase	3,162,347	11,306,187
Actuarial present value of accumulated plan benefits at end of year	$ 68,309,300	$ 65,146,953

Trend Information

Historical trend information as of January 1 is presented below to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2008	$2,333,775	100%	$2,333,775
December 31, 2007	$1,864,390	100%	$1,864,390
December 31, 2006	$2,123,511	100%	$2,123,511

The 2008 audited financial statements of the Plan include certain required supplementary information related to net actuarial value of assets and accrued liabilities, funded ratios, and annual covered payroll.

Tax Qualification

The Plan is a tax qualified plan under IRS Code Section 401(a).

Plan Amendments

In 2005, the Medical Center adopted a change to the Plan that amends the Plan effective January 1, 2006. The change freezes participation after December 31, 2005 (no new participants) and offer active participants as of January 1, 2006 a one-time irrevocable election to either (1) freeze their benefits under the Plan as of December 31, 2005, with no future accruals but with enhanced benefits available under a new 403(b) Defined Contribution Plan (the "new Defined Contribution Plan"), or (2) continue further accruals under the Plan after December 31, 2005, but without the enhanced benefits otherwise available under the new Defined Contribution Plan (see below).

In 2007, the Medical Center adopted an amendment to the new Defined Contribution Plan effective November 1, 2007. The change provides enhanced retirement benefits to eligible participants electing retirement under the Voluntary Retirement Incentive Program (VRIP) by December 17, 2007. Participants age 55 or older with at least 20 years of credited service by December 31, 2007 were granted the most favorable combination of 10 total additional years of age and service (with a forty year service cap) if they retired under the VRIP with an approved retirement date ranging from January 1, 2008 to April 1, 2008. Of a total of 119 eligible employees, 67 participants elected to accept enhanced retirement benefits under the VRIP. The Plan's actuarial accrued liability increased $5,903,534 as a result of these elections under the VRIP.

Other Benefits

The Medical Center provides a supplemental executive retirement plan (SERP) as well as a contributory flexible benefit plan to certain key employees. The Medical Center's contribution to the plan in 2008 was $234,000 while 2007 reflected a credit of approximately $964,000 due to forfeitures of unvested executive supplemental pension benefits. Net assets and liabilities associated with the plans were approximately $166,000 and $203,000 at December 31, 2008 and 2007, respectively, and are included in noncurrent assets and noncurrent liabilities in the accompanying combined financial statements.

Defined Contribution 403(b) Plan

All new employees after December 31, 2005 and any employees who elected out of the Plan (see above) are eligible to join the Medical Center's new Defined Contribution 403(b) Plan. Employer contributions to the 403(b) plan totaled $1,522,397 and $1,445,945 for the year ended, December 31, 2008, and 2007, respectively. New employees are immediately eligible to make pre-tax contributions to the plan and receive employer matching contributions. To receive the employer annual non-discretionary contribution based on years of service, employees must complete at least 12 months of service and 1,000 hours by December 31st of the current plan year.

9. Concentrations of Credit Risk

The Service District grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables due from patients and third-party payers was as follows:

	December 31	
	2008	**2007**
Medicare	25 %	20 %
Medicaid	10 %	11 %
Managed care	45 %	51 %
Other	11 %	13 %
Self-pay	9 %	5 %
	100 %	100 %

10. Operating Leases and Subsequent Events

The Service District has entered into several long-term operating leases. The future commitments resulting from these leases are as follows:

2008	$	968,953
2009		851,547
2010		663,533
2011		505,132
2012		178,487
Thereafter		677,511
		2,491,830

11. Related Parties

The Service District paid no amounts to members of its board of directors for compensation or per diem in 2008 and 2007. Board members are provided health insurance benefits under the Medical Center's health insurance plan.

12. Effects of Hurricanes

Hurricane Gustav

As a result of the effects of Hurricane Gustav which made landfall on August 31, 2008, the Service District incurred an estimated net patient revenue impact of approximately $4.0 million. The Service District also incurred approximately $3.1 million in direct labor costs, sheltering, facility repairs and other expenses associated with the hurricane. Under the terms of the Service District's casualty and business interruption insurance coverage, the Service District will not be reimbursed for these amounts. The Service District is working with the Federal Emergency Management Agency ("FEMA") on requests for reimbursement of incurred eligible expenses and repairs. At December 31, 2008 the Service District has not received from FEMA any reimbursement of eligible Hurricane Gustav expenses and repairs.

Hurricane Katrina

Hurricane Katrina made landfall on August 29, 2005. As a direct result, the Service District incurred an estimated $1.9 million of facility and equipment damage, incurred approximately $5.2 million in additional incremental expenses and its net patient revenue was impacted due to business interruption. The Service District engaged outside consultants to assist with preparing claims under its casualty and business interruption insurance coverage.

In August 2006 the Service District initiated legal proceedings against its business interruption insurance carrier seeking to recover amounts the Service District believed it was due under its business interruption coverage. In August 2007, the Service District settled its outstanding business interruption and property damage insurance claims and received payments of approximately $5.1 million to settle these claims. As a result of the settlement, the Service District released its claims against its insurer and dismissed the litigation initiated in August 2006. Of the settlement amount, approximately $4.8 million was included in other operating revenues and approximately $300,000 included as other current liabilities as the amount was due to a third party at December 31, 2007.

The Service District also engaged consultants to assist in submitting requests for reimbursement to FEMA for those qualifying expenses that, due to insurance coverage limitations, were not reimbursed under its casualty or business interruption insurance. In 2006, the Service District received approximately $1.5 million of reimbursements from FEMA, the majority of which was recorded as other non-operating income. At December 31, 2006 the Service District recorded a $381,000 receivable for amounts FEMA reimbursed in early 2007. For the remainder of 2007, the Service District received approximately $172,000 from FEMA covering reimbursement for property damages not covered by insurance.

At December 31, 2007 the Service District recorded approximately $1.5 million in receivables for amounts FEMA reimbursed in early 2008. In addition, the Service District recorded a receivable of $148,000 representing amounts expended on projects for which FEMA has obligated funding. The Service District continues to work with FEMA to obtain any remaining reimbursements from Hurricane Katrina.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
RETIREMENT PLAN FOR EMPLOYEES OF
WEST JEFFERSON MEDICAL CENTER
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
December 31, 2001 thrugh 2008

Year		Annual Required Contribution	Percentage Contributed
2008	$	2,333,775	100%
2007	$	1,864,390	100%
2006	$	2,123,511	100%
2005	$	2,739,608	100%
2004	$	2,483,379	100%
2003	$	1,980,141	100%
2002	$	1,577,881	100%
2001	$	1,016,964	100%

SCHEDULE OF FUNDING PROGRESS
December 31, 2001 through 2008

(1) Actuarial Valuation Date		(2) Actuarial Value of Assets (AVA)		(3) Actuarial Accrued Liability (AAL)		(4) Actuarial Accrued (Prefunded) Liability (UAAL) (3)-(2)	(5) Funded Ratio (2)/(3)		(6) Annual Covered Payroll	(7) UAAL as a Percent of Payroll (4)/(6)
01/01/09	$	55,077,129 *	$	76,327,335	$	21,250,206	72.2%	$	44,147,514	48.1%
01/01/08	$	57,248,337	$	73,017,274	$	15,768,937	78.4%	$	49,734,574	31.7%
01/01/07	$	54,358,247	$	62,644,610	$	8,286,363	86.8%	$	58,108,577	14.3%
01/01/06	$	45,636,913	$	57,977,462	$	12,340,549	78.7%	$	61,076,105	20.2%
01/01/05	$	43,037,997	$	56,595,243	$	13,557,246	76.0%	$	62,387,862	21.7%
01/01/04	$	40,899,923	$	52,037,852	$	11,137,929	78.6%	$	60,701,967	18.3%
01/01/03	$	36,200,000	$	51,120,377	$	14,920,377	70.8%	$	48,455,441	30.8%
01/01/02	$	39,700,000	$	45,712,387	$	6,012,387	86.8%	$	44,903,940	13.4%
01/01/01	$	41,300,000	$	42,020,625	$	720,625	98.3%	$	42,532,749	1.7%

* Effective with the 01/01/09 actuarial valuation, the actuarial value of assets recognizes the difference between expected and actual total investment return over 3 years.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The information presented in the preceding required supplementary scheduled was determined as part of the actuarial valuations dates indicated. Additional information as of the latest valuation follows:

Valuation date	January 1, 2009
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Remaining amortization period	30 years
Asset valuation method	5-Year Smoothing
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	3.00%
Projected social security increase	3.00%
Cost of living adjustment	None

See independent auditors' report.

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

The Board of Directors
Jefferson Parish Hospital Service District No. 1

We have audited the financial statements of the Jefferson Parish Hospital Service District No. 1 (the Service District) as of and for the year ended December 31, 2008, and have issued our report thereon dated April 17, 2009. 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 Service District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Service District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Service District's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity'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 Service District's financial statements that is more than inconsequential will not be prevented or detected by the Service District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Service District'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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Service District, the Service District's management; federal, state and city awarding agencies; and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netterville

Metairie, Louisiana
April 17, 2009

WEST JEFFERSON MEDICAL CENTER

FINANCIAL STATEMENTS

DECEMBER 31, 2008 and 2007

P&N Postlethwaite & Netterville
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WEST JEFFERSON MEDICAL CENTER

FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

TABLE OF CONTENTS

P&N Postlethwaite & Netterville

A Professional Accounting Corporation
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Report of Independent Auditors

The Board of Directors
West Jefferson Medical Center

We have audited the accompanying basic financial statements of West Jefferson Medical Center (the Medical Center), a component of the Jefferson Parish Hospital Service District No. 1, as of and for the years ended December 31, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the Medical Center's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the pension trust fund and required supplementary information schedule as described in note 1 to the financial statements. Those financial statements were audited by other auditors whose report thereon which were furnished to us, and our opinion, herein, insofar as it relates to the amounts included for the pension trust fund, is based upon the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Medical Center's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Medical Center at December 31, 2008 and 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2009 on our consideration of the Medical Center's internal control over financial reporting and on 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 considered in assessing the results of our audit.

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The management's discussion and analysis on pages 4 through 24 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Postlethwaite & Netterville

Metairie, Louisiana
April 17, 2009

WEST JEFFERSON MEDICAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008 AND 2007

This section of West Jefferson Medical Center's (the Medical Center) annual financial report provides important background information and management's analysis of the Medical Center's financial performance during the years ended December 31, 2008 and 2007. Please read this section in conjunction with the basic financial statements beginning on page 25 and the notes to the basic financial statements beginning on page 32 in this report.

FINANCIAL HIGHLIGHTS

Medical Center - Financial Highlights for the Year Ended December 31, 2008

The following summarizes the Medical Center's financial highlights for the year ended December 31, 2008:

- Operating results for 2008 reflect the impact of Hurricane Gustav which made landfall on August 31, 2008.
- Net patient service revenue increased $4.5 million, or 2%, in 2008 compared to the prior year.
- Total operating expenses increased by $3.1 million, or just over 1%, compared to 2007.
- Assets decreased by $36.9 million, or 10%, compared to 2007.
- Long-term debt decreased by $32.7 million, or 17%, as the Medical Center defeased $81.4 million of debt using cash and proceeds from the issuance of $55 million of hospital revenue bonds, as well as principal payments of $6.4 million in 2008.
- Assets of the Medical Center exceeded liabilities by $139.6 million (net assets) in 2008 compared to $142.4 million in 2007.

As a result of the effects of Hurricane Gustav which made landfall on August 31, 2008, the Medical Center incurred an estimated decrease in net patient revenue of approximately $4.0 million. The Medical Center also incurred approximately $3.1 million in direct labor costs, sheltering, facility repairs and other expenses associated with the hurricane. Under the terms of the Medical Center's casualty and business interruption insurance coverage, the Medical Center will not be reimbursed for these amounts. The Medical Center is working with the Federal Emergency Management Agency (FEMA) on requests for reimbursement of incurred eligible expenses and repairs. At December 31, 2008 the Medical Center has not received from FEMA any reimbursement of eligible Hurricane Gustav expenses and repairs.

Included in 2008 operating results is approximately $6.8 million of funding from the State to partially offset some of the Medical Center's uncompensated care costs. Also included is approximately $800,000 of Medicare wage index grant funds to partially offset increased labor costs since Hurricane Katrina. Total amounts from State and federal funding reflected in 2007 operating results were approximately $11.9 million.

Medical Center - Financial Highlights for the Year Ended December 31, 2007

The following summarizes the Medical Center's financial highlights for the year ended December 31, 2007:

- Operating results improved in 2007 over 2006, with the Medical Center recording operating income of $1.2 million compared to an operating loss of $11.5 million for the prior year.
- The Medical Center reported total revenues in excess of expenses of $8.8 million in 2007 compared to expenses in excess of revenues of $9.9 million in 2006.

- The Medical Center recorded an increase in net patient revenue of just under 1% in 2007 compared to 2006.
- The Medical Center had positive cash flow from operations and earnings on investments, offset by capital expenditures and payments on debt resulting in a net change in cash and cash equivalents of $620,350 compared to 2006 which had a net change in cash and cash equivalents of $6.0 million.
- Through its recruitment and retention efforts, the Medical Center reduced contract nursing expenses by 52% in 2007 compared to the prior year. The Medical Center also partnered with Our Lady of the Lake College School of Nursing to implement an on-site accelerated nursing degree program. The program, which began in January 2008, provides tuition and a stipend to students with undergraduate degrees who desire to become registered nurses. In exchange for the tuition and stipend the graduates agree to work as registered nurses at the Medical Center for three years after graduation from the program.

Fiscal year 2007 was a year of continuing progress for the Medical Center as it moved forward in its recovery from the effects of Hurricane Katrina that hit the gulf coast on August 29, 2005. The Medical Center was one of only three hospitals open in the entire New Orleans metropolitan area during the hurricane and the only one open on the West Bank at the time. As a direct result of the hurricane's impact on the region's health care resources, in late 2005 and 2006 the Medical Center, along with other area hospitals, experienced a dramatic increase in the volume of uninsured patients seeking services. The Medical Center continues its efforts to work with the State of Louisiana (the State) to obtain funding for the increased volume of uninsured patients and to work with the federal government to secure funding for the increase in labor costs that would not otherwise be reimbursed through the Medicare wage index until 2009 at the earliest.

Included in 2007 operating results is approximately $8.2 million of funding from the State to partially offset some of the Medical Center's uncompensated care costs. Also in 2007 the Medical Center recorded $3.7 million of Medicare wage index grant funding which partially offset the increased labor costs since Hurricane Katrina. Total amounts from State and federal funding reflected in 2007 operating results were approximately $11.9 million compared to approximately $16.8 million in 2006. Overall, these payments represent only a partial recovery of actual costs incurred.

In August 2007, the Medical Center settled its business interruption and property damage insurance claims resulting from Hurricane Katrina. The Medical Center received approximately $5.1 million to settle these claims. As a result of the settlement, the Medical Center released its claims against its insurer and dismissed the litigation initiated in August 2006. Of the settlement amount, approximately $4.8 million was recorded as other operating revenue and approximately $300,000 was recorded as a liability owed to the federal government.

The Medical Center continues to work with the Federal Emergency Management Agency (FEMA) to submit claims for reimbursement for qualifying expenses that, due to insurance coverage limitations, were not reimbursed under its casualty or business interruption insurance policies. In 2007, the Medical Center received approximately $691,000 of reimbursement for its incurred expenses and recorded a receivable of approximately $1.7 million at December 31, 2007, of which $1.5 million was received in January and February 2008.

In February 2006, the Medical Center was granted a $30.7 million Community Disaster Loan (the Loan) from the federal government. The terms of the Loan call for interest to be accrued at 2.74% annually which is to be repaid with the principal when the Loan becomes due in 2011. In 2007, Congress passed legislation which included the forgiveness of the Loan. However, to date no process has been established to apply for the Loan forgiveness. For fiscal year 2007, the Medical Center recorded accrued interest expense of approximately $841,000 and on the Loan; total accrued interest as of December 31, 2007 was $1.6 million.

Pension Trust Fund - Financial Highlights for the Year Ended December 31, 2008

The Plan's net assets decreased by approximately $12.3 million in 2008 due primarily to net depreciation of the market value of plan assets resulting from the market downturn experienced in 2008. The reduction in market value of the plan's assets was partially offset by dividends received in 2008 on plan investments. In addition, benefit payments increased over the prior year primarily due to the 2007 plan amendment discussed below. In 2007 the Plan's net assets increased by approximately $2.9 million primarily due to investment income resulting from the net appreciation of investments as well as dividends received.

The Plan's employer contribution increased by approximately $469,000 in 2008 and decreased by approximately $259,000 in 2007. Contribution amounts needed to fund the Plan are determined by an independent actuary.

The Plans' investments consist primarily of fixed income mutual funds, equity mutual funds and money market funds, which decreased by approximately $13.1 million in 2008 due to unrealized losses to the equity and money market mutual funds resulting from the market downturn in 2008, benefit payments and plan administrative expenses. These decreases were partially offset by employer contributions. In 2007, Plan investments increased by approximately $3.3 due to investment income and employer contributions which were partially offset by benefit payments and plan administrative expenses.

Pension Trust Fund - Financial Highlights for the Year Ended December 31, 2007

The Plan's net assets increased approximately $2.9 million and $4.8 million in 2007 and 2006, respectively. The 2007 increase in the Plan's net assets were primarily due to investment income resulting from net appreciation of investments and an increase in dividends, although these amounts decreased overall in the current year compared to 2006 due to less favorable market conditions in 2007. The Plan's employer contributions decreased by approximately $259,000 and $616,000 in 2007 and 2006, respectively. Contribution amounts needed to fund the Plan are determined by an independent actuary.

The Plan's investments consist primarily of fixed income mutual funds, equity mutual funds, and money market funds, which increased by approximately $3.3 million and $5.4 million in 2007 and 2006, respectively, due to employer contributions to the Plan and an increase in the fair value of the Plan's assets.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements – Enterprise Fund

The Basic Financial Statements in this report are presented using Governmental Accounting Standards Board (GASB) accounting principles.

The balance sheets include all of the Medical Center's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Medical Center creditors (liabilities). They also provide the basis for computing rate of return, evaluating the capital structure of the Medical Center, and assessing the liquidity and financial flexibility of the Medical Center.

All of the current year's revenues and expenses are accounted for in the statements of revenues, expenses, and changes in net assets. These statements measure changes in the Medical Center's operations over the current and prior year and can be used to determine whether the Medical Center has been able to recover all of its costs through its patient service revenue and other revenue sources.

The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Medical Center's cash from operating, investing, and financing activities and provide answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

The financial statements provide both long-term and short-term information about the Medical Center's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The Medical Center's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the statements of revenues, expenses, and changes in net assets. All assets and liabilities associated with the operation of the Medical Center are included in the balance sheets.

The balance sheets and the statements of revenues, expenses, and changes in net assets report information about the Medical Center's activities. Increases or decreases in the Medical Center's net assets are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

Fund Financial Statements - Pension Trust Fund

The Medical Center's fund financial statements consist of its pension trust fund. As a fiduciary fund, the pension trust fund is held for the benefit of employees and retirees of the Medical Center. The pension trust fund is not reflected in the government wide financials because the resources are not available to the Medical Center for its activities. The accounting for the pension trust fund is much like that used by the enterprise fund.

The statements are followed by required supplementary information and other supplementary information that further explain and support the information in the financial statements.

FINANCIAL ANALYSIS - ENTERPRISE FUND

2008 and 2007 Balance Sheets – Enterprise Fund

Table 1A represents a summary of the financial changes to the Medical Center in 2008 as compared to 2007. The Medical Center's total assets decreased by approximately $36.9 million, or 9.6% to $347.6 million in 2008 compared to $384.5 million in 2007.

TABLE 1A - 2008 vs. 2007
Condensed Balance Sheets

	December 31		Dollar	Percent
	2008	2007	Change	Change
Total current assets	$ 71,293,308	$ 70,051,793	$ 1,241,515	1.8%
Board-designated investments	98,795,911	125,173,344	(26,377,433)	-21.1%
Trustee-held assets	16,326,296	22,690,617	(6,364,321)	-28.0%
Property, plant, and equipment, net	150,200,347	159,929,378	(9,729,031)	-6.1%
Other assets	11,009,354	6,631,019	4,378,335	66.0%
Total Assets	$ 347,625,216	$ 384,476,151	$ (36,850,935)	-9.6%
Current liabilities	$ 42,996,147	$ 40,506,319	$ 2,489,828	6.1%
Long-term debt and other long-term liabilities	164,989,330	201,572,386	(36,583,056)	-18.1%
Total liabilities	207,985,477	242,078,705	(34,093,228)	-14.1%
Net assets	139,639,739	142,397,446	(2,757,707)	-1.9%
Total liabilities and net assets	$ 347,625,216	$ 384,476,151	$ (36,850,935)	-9.6%

Current Assets

Current assets increased by approximately $1.2 million. The increase is primarily due to a $3.2 million increase in cash and cash equivalents reflecting continued emphasis on and efficiencies in collection activities. In addition, designated cash and investments that are required for current liabilities increased by $2.6 million over the prior year due to increases in principal and accrued interest on debt due in 2009 compared to amounts due in 2008. These increases were partially offset by a reduction of approximately $3.4 million in other receivables due to a decrease in uncompensated care receivable from the State and receipt of amounts due from FEMA. Also offsetting the increase was a decrease of approximately $833,000 in prepaid expenses primarily due to a returned deposit for pharmacy inventory.

Board-designated Cash and Investments

Board-designated cash and investments decreased by approximately $26.4 million. The decrease is due primarily to $30.5 million of cash placed in escrow as part of the defeasance of the Hospital Revenue Bonds (Series 2004A) (Note 5) offset by investment income in the current year of $7.5 million.

Property, Plant and Equipment

The following table presents the components of property, plant, and equipment at December 31, 2008 and 2007. In 2008, net property, plant, and equipment decreased by approximately $9.7 million, or 6.1%, primarily due to depreciation expense of $17.6 million offset by $7.1 million of new construction costs.

Construction in progress decreased approximately $7.6 million, or 55%, primarily due to completion of projects begun in the prior year such as technical and property infrastructure upgrades as well as software and equipment upgrades.

TABLE 2A
Property, Plant and Equipment

	December 31		Dollar	Percent
	2008	2007	Change	Change
Land and land improvements	$ 20,430,872	$ 20,892,843	$ (461,971)	-2.21%
Building and fixed equipment	181,330,913	174,844,855	6,486,058	3.71%
Equipment	189,287,141	180,598,823	8,688,318	4.81%
Subtotal	391,048,926	376,336,521	14,712,405	3.91%
Less accumulated depreciation	(247,106,527)	(230,258,401)	(16,848,126)	7.32%
Construction in progress	6,257,948	13,851,258	(7,593,310)	-54.82%
Property, plant, and equipment, net	$ 150,200,347	$ 159,929,378	$ (9,729,031)	-6.08%

In Table 3 below, the Medical Center's fiscal year 2009 capital budget includes spending of up to $12.5 million for capital projects (excluding those projects approved in prior years). These projects represent primarily equipment purchases and will be financed from fund balance. More information about the Medical Center's capital assets is presented in the Notes to the Basic Financial Statements.

TABLE 3
FISCAL YEAR 2009 CAPITAL BUDGET

Equipment purchases	$ 7,532,000
Construction / renovations	4,988,000
Prior year approved items	4,650,075
	$ 17,170,075

Long-Term Debt

The Medical Center had approximately $164.8 million and $197.5 million in debt outstanding which includes the $30.7 million Community Disaster Loan, as of December 31, 2008 and 2007, respectively. In 2008, long-term debt decreased by approximately $32.8 million due to the defeasance of the $81.4 million Hospital Revenue Bonds (Series 2004A) and principal payments of $6.4 million offset by the issuance of the $20 million Hospital Revenue Refunding Bonds (Series 2008B-1) and $35 million Hospital Revenue Refunding Bonds (Series 2008B-2). More detailed information about the Medical Center's long-term liabilities is presented in the Notes to Basic Financial Statements. Total long-term debt outstanding represents approximately 47% of the Medical Center's total assets at December 31, 2008, compared to approximately 51% at December 31, 2007.

Net Assets

The following table presents the components of the Medical Center's net assets at December 31, 2008 and 2007:

TABLE 4A
Components of Net Assets

	December 31		Dollar	Percent
	2008	2007	Change	Change
Invested capital assets, net of related debt	$ 16,141,125	$ (6,848,404)	$ 22,989,529	-335.69%
Restricted	16,120,427	22,491,686	(6,371,259)	-28.33%
Unrestricted	107,378,187	126,754,164	(19,375,977)	-15.29%
Total net assets	$ 139,639,739	$ 142,397,446	$ (2,757,707)	-1.94%

Net assets decreased approximately $2.8 million to $139.6 million at December, 31 2008, compared to an increase of approximately $6.3 million to $142.4 million at December 31, 2007. The 2008 decrease was due primarily to operating losses recognized in the period of approximately $1.3 million, decreases in grants, capital contributions, and donated assets of approximately $4.0 million, and $3.6 million of settlement expenses. Refer to the pages that follow Table 5 for a discussion of 2008 operations.

2007 and 2006 Balance Sheets - Enterprise Fund

Table 1B presents a summary of the financial changes to the Medical Center in 2007 as compared to 2006. The Medical Center's total assets increased by approximately $1.3 million or approximately .3% to $384.5 million in 2007 as compared to 2006.

Current Assets

Current assets decreased by approximately $7.1 million. The decrease is primarily due to a $3.0 million decrease in accounts receivable primarily reflecting increased efficiency in collection activities and a $1.3 million decrease in other receivables due to a $6.0 million uncompensated care receivable from the State recorded in 2006 and received in February 2007. The $6.0 million decrease was partially offset by a $2.5 million receivable from the State recorded at December 31, 2007. Prepaid expenses increased by $1.0 million primarily due to deposits with vendors and due to prepaid software maintenance contracts on the Medical Center's clinical and other software.

Board-designated Cash and Investments

Board-designated cash and investments increased by approximately $14.1 million in 2007 from 2006 due primarily to an increase in investment income in 2007 as well as investment of receipts from the settlement of the Medical Center's business interruption insurance claim.

TABLE 1B - 2007 vs. 2006
Condensed Balance Sheets

	December 31		Dollar	Percent
	2007	2006	Change	Change
Total current assets	$ 70,051,793	$ 77,166,719	$ (7,114,926)	-9.22%
Board-designated investments	125,173,344	111,088,388	14,084,956	12.68%
Trustee-held assets	22,690,617	32,968,764	(10,278,147)	-31.18%
Property, plant, and equipment, net	159,929,378	154,330,218	5,599,160	3.63%
Other assets	6,631,019	7,654,719	(1,023,700)	-13.37%
Total Assets	$ 384,476,151	$ 383,208,808	$ 1,267,343	0.33%
Current Liabilities	$ 40,506,319	$ 37,885,929	$ 2,620,390	6.92%
Long-term debt and other long-term liabilities	201,572,386	209,197,726	(7,625,340)	-3.65%
Total liabilities	242,078,705	247,083,655	(5,004,950)	-2.03%
Net assets	142,397,446	136,125,153	6,272,293	4.61%
Total liabilities and net assets	$ 384,476,151	$ 383,208,808	$ 1,267,343	0.33%

Property, Plant and Equipment

The following table presents the components of property, plant, and equipment at December 31, 2007 and 2006. In 2007, net property, plant, and equipment increased by approximately $5.6 million, or 4%, as the Medical Center continued to enhance existing facilities and equipment including a new PET/CT scan system and a new neurovascular lab.

Construction in progress increased approximately $5.0 million, or 57%, due primarily to projects such as technical and property infrastructure upgrades as well as software and equipment upgrades.

In 2006, net property, plant, and equipment increased by approximately $5.6 million or 4%, which included costs associated with the support services project and other capital expenditures to enhance existing facilities and equipment.

TABLE 2B
Property, Plant and Equipment

	December 31		Dollar	Percent
	2007	2006	Change	Change
Land and land improvements	$ 20,892,843	$ 19,921,793	$ 971,050	4.87%
Building and fixed equipment	174,844,855	170,767,874	4,076,981	2.39%
Equipment	180,598,823	168,973,246	11,625,577	6.88%
Subtotal	376,336,521	359,662,913	16,673,608	4.64%
Less accumulated depreciation	(230,258,401)	(214,149,521)	(16,108,880)	7.52%
Construction in progress	13,851,258	8,816,826	5,034,432	57.10%
Property, plant, and equipment, net	$ 159,929,378	$ 154,330,218	$ 5,599,160	3.63%

Long-Term Debt

At 2007 and 2006, the Medical Center had $197.5 and $207.9 million, respectively, in debt outstanding which includes the $30.7 million Community Disaster Loan. In 2007, total debt decreased by approximately $10.4 million due to principal payments. More detailed information about the Medical Center's long-term liabilities is presented in the Notes to Basic Financial Statements. Total debt outstanding represents approximately 51% of the Medical Center's total assets at December 31, 2007, compared to approximately 54% in 2006.

Net Assets

The following table presents the components of the Medical Center's net assets at December 31, 2007 and 2006:

TABLE 4B
Components of Net Assets

	December 31		Dollar	Percent
	2007	2006	Change	Change
Invested capital assets, net of related debt	$ (6,848,404)	$ (17,086,699)	$ 10,238,295	-59.92%
Restricted	22,491,686	27,209,328	(4,717,642)	-17.34%
Unrestricted	126,754,164	126,002,524	751,640	0.60%
Total net assets	$ 142,397,446	$ 136,125,153	$ 6,272,293	4.61%

Net assets increased $6.3 million during 2007 which was an improvement over a decrease of $12.6 million in 2006. The 2006 decrease was a result primarily of the operating losses recognized in the period. Refer to the pages that follow Table 8 for a discussion of 2007 operations.

2008 and 2007 Statements of Revenues and Expenses - Enterprise Fund

Operating Revenue - Net Patient Service Revenue

This discussion refers to the summarized activity presented in the Medical Center's Condensed Statements of Revenues and Expenses in Table 5 for 2008 and 2007.

Overall, net patient service revenue increased by approximately $4.5 million, or 2.0%, for fiscal year 2008 when compared to an increase of $1.3 million, or 0.6%, in 2007 over 2006.

TABLE 5
CONDENSED STATEMENTS OF REVENUES AND EXPENSES
Years Ended December 31

	2008	2007	Dollar Change	Percent Change
Operating revenue:				
Net patient service revenue	$ 229,530,257	224,997,989	$ 4,532,268	2.01%
Other operating revenue	13,053,832	16,929,520	(3,875,688)	-22.89%
Total operating revenue	242,584,089	241,927,509	656,580	0.27%
Operating expenses:				
Salaries and wages	86,976,716	91,741,060	(4,764,344)	-5.19%
Employee benefits	20,431,119	20,308,087	123,032	0.61%
Professional fees	20,487,212	21,349,109	(861,897)	-4.04%
Medical and general supplies	45,863,918	43,695,856	2,168,062	4.96%
Purchased services	35,733,746	34,479,003	1,254,743	3.64%
Other expenses	16,803,628	12,146,613	4,657,015	38.34%
Depreciation	17,599,955	17,053,354	546,601	3.21%
Total operating expenses	243,896,294	240,773,082	3,123,212	1.30%
(Loss) gain from operations	(1,312,205)	1,154,427	(2,466,632)	-213.67%
Total investment income	7,471,197	8,567,875	(1,096,678)	-12.80%
Interest expense, net	(5,083,524)	(6,968,467)	1,884,943	-27.05%
Settlement expense	(3,563,918)	-	(3,563,918)	0.00%
Other	2,013,758	6,062,027	(4,048,269)	-66.78%
Assessments by Jefferson Parish and support to others	(2,283,015)	(2,543,569)	260,554	-10.24%
Net assets, beginning of year	142,397,446	136,125,153	6,272,293	4.61%
Net assets, end of year	$ 139,639,739	142,397,446	$ (2,757,707)	-1.94%

In patient gross revenue increased by approximately 1% in 2008 compared to the prior year. While inpatient admissions and patient days decreased compared to 2007 (as discussed below), the Medical Center experienced an increase in the volume of interventional procedures (neurology, vascular and cardiology).

Total inpatient admissions decreased by approximately 3% to 17,117 in the current year with general acute inpatient admissions decreasing by approximately 4% to 15,253. Total patient days decreased by approximately 5% to 87,035 with general acute patient days decreasing by approximately 6.9% to 71,569. In addition, total average daily census decreased by approximately 7.1% to 195.5 days compared to 2007.

Outpatient gross revenue increased by approximately 3% in 2008 compared to 2007. The increase in outpatient gross revenue is attributable to increases in emergency room visits, outpatient CyberKnife treatments, outpatient infusion therapy, PET CT scan volumes and hyperbarics volumes. In addition, the Medical Center experienced increases in outpatient physical, occupational and speech therapy volumes.

Total gross emergency room visits increased by 3% to 53,973 visits in 2008 compared to 2007, while total net emergency room visits (net of those patients who leave against medical advice or leave without completing the visit) increased by almost 4% over the prior year. Clinic visits of 78,454 decreased by 2.5% compared to 2007.

The Medical Center derived approximately 95% and 93% in 2008 and 2007 respectively, of its total net operating revenue from patient services. The Medical Center's revenue has historically generated from services provided to patients drawn primarily from communities located on the west bank of the Mississippi River in the Greater New Orleans area. In the immediate aftermath of Hurricane Katrina, all but the Medical Center and two other hospitals were closed in the New Orleans metropolitan area. In the interim, as other hospitals and medical facilities reopened, the Medical Center experienced an increase in the number of patients drawn from other communities in the New Orleans metropolitan area. Patient service revenue is generated by providing services to patients who are covered by Medicare, Medicaid, or managed care contracts, as well as by providing services to self-pay and indigent patients. The impact of Hurricane Katrina on the metropolitan area's health care facilities also resulted in changes to the Medical Center's payor mix. Self-pay patient revenues experienced major increases in late 2005 and 2006.

Table 6 below presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended December 31, 2008 and 2007.

Table 6
PAYOR MIX

	2008	2007
Managed care/commercial	29%	31%
Medicare	26%	26%
Medicare HMO	18%	15%
Medicaid	15%	18%
Self-pay and other	12%	10%
Total patient revenues	100%	100%

Reimbursements to the Medical Center are made on behalf of patients by the federal and state governments under the Medicare and Medicaid programs, respectively, by commercial insurance carriers and health maintenance organizations, as well as by patients on their own behalf. The difference between the covered charges and the payments under government programs and established contracts is recognized as a contractual allowance. The following table presents the contractual allowances on gross billings by payor and the provision for doubtful accounts.

TABLE 7
ALLOWANCE SUMMARY

	Years Ended December 31	
	2008	**2007**
Contractual Allowances		
Managed care and commercial accounts	$ 281,001,904	$ 266,545,559
Medicaid contractual allowances	111,390,254	115,709,822
Medicare contractual allowances	152,819,307	149,159,604
Other adjustments	569,492	8,954,800
Total contractual allowances	545,780,957	540,369,785
Doubtful accounts	24,336,550	19,430,889
	$ 570,117,507	$ 559,800,674

During 2008, with the increase in gross patient service revenue as well as periodic review of its methodology used to estimate the allowance for doubtful accounts, the Medical Center's doubtful accounts expense increased by approximately $4.9 million in 2008 compared to the prior year.

In 2007, the doubtful accounts decreased by $15,824,147 compared to 2006 due primarily to a continued emphasis on assisting uninsured patients to apply and qualify for Medicaid benefits, increased collection efficiency in 2007 and due a revision of its estimates of the allowance for doubtful accounts based on review of more recent collection data. Also reflected in the decrease in doubtful accounts in 2007 was $8.2 million of partial funding for uncompensated care which is recorded as a reduction of bad debt. Had these partial funding amounts not been recorded in 2007 doubtful accounts in 2007 would have been approximately $27.6 million.

Other Operating Revenue

Other operating revenue includes income primarily generated by rent receipts from the Medical Center's professional office buildings and Medical Plaza, as well as income from other miscellaneous services, such as its fitness centers and Alzheimer's day care services.

Other operating revenue declined by approximately $3.9 million, or 23%, in 2008 compared to the prior year. The decrease is primarily due to recording in 2007 the proceeds from the settlement of the Medical Center's Hurricane Katrina-related claims under its property and business interruption insurance coverage.

Investment Income

The Medical Center maintains investments that are shown in its Balance Sheets as both board-designated and restricted trustee-held funds. These funds are invested primarily in money market funds and securities issued by the U.S. Treasury and other federal agencies.

Other Non-Operating Income

The Medical Center received donations of cash and property from a related entity totaling $2 million in 2008. Donations totaling $4.2 million were made by the related entity in 2007.

Operating Expenses

Salaries and wages decreased $4.8 million, or 5%, compared to 2007. The decrease is primarily due to position control and appropriate staffing to volumes which resulted in lower paid and worked full-time equivalent employees (FTEs).

Employee benefits increased by approximately $123,000, or 0.6%, in 2008 compared to the prior year due primarily to an increase in pension expense which was offset by decreases in payroll and other taxes and benefits expenses.

Professional fees decreased by approximately $862,000, or 4%, compared to the prior year primarily due to decreases in graduate medical education ("GME") expenses as well as a decrease in legal expenses.

Medical and General Supply expense increased by approximately $2.2 million, or 5%, due to increases in medical supply expense in the OR and in Special Procedures. While the overall volume of surgeries decreased in the current year, more complex surgeries were performed in the current year. In addition, the Medical Center experienced an increase in the volume of interventional procedures (neurology, vascular and cardiology).

Purchased services increased by $1.3 million, or 4%, in the current year primarily due to an increase in repairs and maintenance expenses, some of which were directly attributable to Hurricane Gustav (as discussed above) as well as an increase in maintenance contracts for computer software and hardware. Also contributing to the increase were increased costs in the overall purchased services account, some of which were also directly related to Hurricane Gustav, as well as an increase in medical purchased services. The increases noted above were partially offset by a 47% decrease in contract labor expense as the Medical Center continues efforts to reduce reliance on contract labor.

Other expenses increased by $4.7 million, or 38%, compared to the prior year. The increase is primarily due to increases in professional liability and other insurance expense as well as utilities expenses. In addition, the Medical Center increased its advertising expenses in an effort to promote its services to the community.

Net interest expense decreased by $1.9 million, or 27%, compared to the prior year primarily due to a net interest reduction recorded on the termination of the 2004A total return swap as a result of the defeasance of the Series 2004A Hospital Revenue bonds.

Non-Operating Expenses

Settlement expense

In October 2008, the Medical Center agreed to settle pending litigation filed in 2004 on behalf of the U.S. Department of Health and Human Services (DHH) which alleged that the Medical Center improperly billed the Medicaid program for certain services rendered between 1998 and 2003. While the Medical Center did not admit liability, the Medical Center agreed to the settlement to avoid protracted proceedings. As a result of the settlement agreement, the Medical Center paid a combined total of approximately $3.56 million to the federal government and the State of Louisiana. In addition, the Medical Center entered into a compliance agreement with the federal government to continue implementation of the Medical Center's compliance program and to comply with reporting requirements contained in the compliance agreement.

2007 and 2006 Statements of Revenues and Expenses - Enterprise Fund

Operating Revenue - Net Patient Service Revenue

This discussion refers to the summarized activity presented in the Medical Center's Condensed Statements of Revenues and Expenses in Table 8 for 2007 and 2006.

TABLE 8

CONDENSED STATEMENTS OF REVENUES AND EXPENSES

Years Ended December 31

	2007	2006	Dollar Change	Percent Change
Operating revenue:				
Net patient service revenue	$ 224,997,989	223,650,291	$ 1,347,698	0.60%
Other operating revenue	16,929,520	8,938,548	7,990,972	89.40%
Total operating revenue	241,927,509	232,588,839	9,338,670	4.02%
Operating expenses:				
Salaries and wages	91,741,060	89,895,927	1,845,133	2.05%
Employee benefits	20,308,087	19,878,239	429,848	2.16%
Professional fees	21,349,109	16,058,733	5,290,376	32.94%
Medical and general supplies	43,695,856	43,219,415	476,441	1.10%
Purchased services	34,479,003	42,214,897	(7,735,894)	-18.33%
Other expenses	12,146,613	16,352,841	(4,206,228)	-25.72%
Depreciation	17,053,354	16,465,231	588,123	3.57%
Total operating expenses	240,773,082	244,085,283	(3,312,201)	-1.36%
Gain (loss) from operations	1,154,427	(11,496,444)	12,650,871	-110.04%
Total investment income	8,567,875	5,900,167	2,667,708	45.21%
Interest expense, net	(6,968,467)	(6,143,315)	(825,152)	13.43%
Other	6,062,027	1,852,258	4,209,769	227.28%
Assessments by Jefferson Parish and support to others	(2,543,569)	(2,668,207)	124,638	-4.67%
Net assets, beginning of year	136,125,153	148,680,694	(12,555,541)	-8.44%
Net assets, end of year	$ 142,397,446	136,125,153	$ 6,272,293	4.61%

Overall, net patient revenue increased by approximately $1.3 million, or 0.6%, for fiscal year 2007 when compared to an increase of $68.7 million, or 44% in 2006 over 2005. In 2006, the Medical Center experienced significant increases in volumes as a result of the impact from Hurricane Katrina on the healthcare infrastructure in the metropolitan area. As of the end of 2005, several the New Orleans area hospitals had yet not reopened, causing an increase in the volume of patients at utilizing the Medical Center in 2006.

Inpatient gross revenue decreased by approximately 2% in 2007 compared to the prior year. The decrease is primarily a result of an overall 1% volume decrease in admissions, an 8% decrease in patient days and an 10% decrease in inpatient surgical services. Additionally, the overall case mix index decreased over the prior year. Total inpatient admissions decreased by approximately 1.2% to 17,646 admissions in 2007.

The 2007 volumes declined from the significant artificial spike in volumes in 2006 due to the hurricane's effects on healthcare in the area. General acute inpatient admissions decreased by approximately 0.8% to 15,880 in 2007. Total patient days decreased by approximately 7.8% to 92,263, while general acute patient days decreased by 6.3% to 76,997 patient days compared to the prior year. In addition, total average daily census decreased by 7.8% to 252.8 compared to 2006. Overall inpatient revenues and volumes in 2006 reflected the effects of Hurricane Katrina which significantly drove up volumes to artificially high levels, driving up volumes as a result of the decline in the number of healthcare providers in the metropolitan area. Fiscal year 2007 inpatient activity reflects some progress in providers and services available in the area as well as moving away from the artificially high volume levels post-Katrina.

Outpatient gross revenue increased by 6.7% in 2007 compared to the prior year. The growth in outpatient gross revenue is attributable to an increase in outpatient billable units and service volumes such as physical, occupational and speech therapy units, endoscopy, radiation therapy, imaging services and hyperbaric services. Total gross emergency room visits decreased by 8.0% to 52,107 visits in 2007 compared to 2006, while total net emergency room visits (net of those patients who leave against medical advice or leave without completing the visit) decreased by 6.3%. Clinic visits of 80,488 were down 2.9% in 2007 compared to 2006.

The Medical Center derived approximately 93% and 96% in 2007 and 2006, respectively, of its total operating revenue from patient services. The Medical Center's revenue is historically generated from services provided to patients drawn primarily from communities located on the west bank of the Mississippi River in the Greater New Orleans area. In the immediate aftermath of Hurricane Katrina, all but the Medical Center and two other hospitals were closed in the New Orleans metropolitan area. In the interim, as other hospitals and medical facilities reopen, the Medical Center could experience an increase in the number of patients drawn from other communities in the New Orleans metropolitan area.

Patient service revenue is generated by providing services to patients who are covered by Medicare, Medicaid, or managed care contracts, as well as by providing services to self-pay and indigent patients. The impact of Hurricane Katrina on the metropolitan area's health care facilities resulted in changes to the Medical Center's payor mix. Self-pay patient revenues experienced major increases in late 2005 and 2006.

Table 9 below presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended December 31, 2007 and 2006.

Table 9
PAYOR MIX

	2007	2006
Managed care/commercial	31%	31%
Medicare	26%	27%
Medicare HMO	15%	13%
Medicaid	18%	17%
Self-pay and other	10%	12%
Total patient revenues	100%	100%

Reimbursements to the Medical Center are made on behalf of patients by the federal and state governments under the Medicare and Medicaid programs, respectively, by commercial insurance carriers and health maintenance organizations, as well as by patients on their own behalf. The difference between the covered charges and the payments under government programs and established contracts is recognized as a contractual allowance. In 2007, doubtful accounts decreased by $15,824,147 compared to 2006 due primarily to a continued emphasis on assisting uninsured patients to apply and qualify for Medicaid benefits, increased collection efficiency in 2007 and due to a revision of its estimates of the allowance for doubtful accounts based on review of more recent collection data. Also reflected in the decrease in doubtful accounts in 2007 was $8.2 million of partial funding for uncompensated care which is recorded as a reduction of bad debt. Had these partial funding amounts not been recorded in 2007, doubtful accounts in 2007 would have been approximately $27.6 million.

In 2006, doubtful accounts decreased by $40,265,932 compared to 2005 as the Medical Center increased its allowance for doubtful accounts in the fourth quarter of 2005 due to the effects of Hurricane Katrina which resulted in an increase in self-pay accounts. In addition, Hurricane Katrina caused displacement of residents and businesses, as well as disruption in mail service which impacted collection efforts. In 2006, the Medical Center recorded approximately $13.0 million of uncompensated care receipts from the State of Louisiana, and accrued a $6.0 million receivable from the State for amounts that were paid in 2007, all of which represented partial reimbursement for the Medical Center's increased cost of uncompensated care resulting from the effects of Hurricane Katrina on healthcare in the region. These amounts were recorded as a reduction of bad debt. Had these amounts not been recorded in 2006, doubtful accounts shown above would have been approximately $54.0 million.

Other Operating Revenue

Other operating revenue includes income primarily generated by rent receipts from the Medical Center's professional office buildings and Medical Plaza, as well as income from other miscellaneous services, such as its fitness centers and Alzheimer's day care services. Also included in 2007 other operating revenues is approximately $4.8 million of proceeds from the settlement of the Medical Center's business interruption and property damage claims.

Investment Income

The Medical Center maintains investments that are shown in its Balance Sheets as both board-designated and restricted trustee-held funds. These funds are invested primarily in money market funds and securities issued by the U.S. Treasury and other federal agencies.

Other Non-Operating Income

The Medical Center received donations of cash and property from a related entity totaling $4.2 million in 2007.

Operating Expenses

Salaries and wages increased $1.8 million, or 2%, compared to 2006. The increase primarily represents merit increases in the 2007, partially offset by the Medical Center's efforts to flex staffing to volumes.

Employee benefits increased by $429,848, or 2%, in 2007 compared to the prior year due to an increase in group health insurance expenses primarily due to the severity of claims processed. This increase was partially offset by decreases in other taxes and benefits, workers compensation expenses and a decrease in pension and retirement expenses in part due to a lower actuarially determined contribution.

Professional fees increased by $5.3 million, or 33%, compared to the prior year primarily due to increases in graduate medical education ("GME") expenses, ER physician professional fees, anesthesia professional fees and an increase in legal fees. The increase in 2007 GME expenses represents a full year of expenses compared to six months in the prior year as the program began in July 2006.

Medical and General Supply expenses were up $476,441, or just over 1% compared to the prior year. The increase is primarily due to a 3% increase in drug costs and a 14% increase in blood supplies costs which were partially offset by an 8% decrease in I.V. solutions costs and an overall slight decrease in medical/surgical supply costs.

Purchased services decreased by $7.7 million, or 18%, in 2007 compared to the prior year with $6.3 million, or 82%, of the decrease resulting from the reduction in the use of contract labor. Total contract labor expenses decreased by 52% in 2007 compared to 2006. Contract labor expenses had increased 695% in 2006 compared to 2005 as the region experienced an acute nursing shortage resulting from Hurricane Katrina. The Medical Center intensified its recruitment and retention efforts to reduce its reliance on contract labor resulting in a reduction from approximately 100 contract FTEs in 2006 to just over 10 contract FTEs at year-end 2007. As discussed under "Financial Highlights" above, to assist with recruiting efforts the Medical Center also implemented an accelerated nursing program which began in January 2008.

Also contributing to the year-to-date decrease in purchased services was $1.4 million, or 7%, decrease in overall purchased services, and an approximate $283,000, or 8%, decrease in medical purchased services. These decreases were partially offset by an increase of approximately $247,000, or 9%, in computer maintenance contract expenses and an increase of approximately $273,000, or 21%, in collection services expense.

Other expenses decreased by $4.2 million, or 26%, in 2007 compared to the prior year primarily due to a $3.1 million change and reclassification in professional liability insurance expense. At December 31, 2006 the Medical Center recorded a $1.9 million increase in professional liability reserves based on actuarial valuation of its reserve requirements. At December 31, 2007, the actuarial valuation of its reserve requirements resulted in the Medical Center reclassifying a total of $1.3 million of reserves to workers' compensation, general liability and malpractice litigation expense reserves. The reclassification and increase to the workers compensation reserve is recorded as an increase in employee benefits expense while the malpractice litigation reserve increase is recorded as an increase in legal fees expense. Also included in the decrease in other expenses was an approximate $379,000, or 21%, decrease in equipment rental expense and an approximate $898,000, or 67%, decrease in advertising expenses.

Net interest expense increased by approximately $825,000, or 13%, primarily due to lower returns on the Medical Center's interest rate swap agreements as well as due to a decrease in investment income earned on bond trust investments which offsets interest expense.

Pension Trust Fund

2008 Plan Net Assets

The Medical Center's total plan net assets of its pension trust fund at December 31, 2008 was approximately $45 million, a 21.5% decrease from December 31, 2007 (see table A-10). Plan net assets decreased by $12.3 million from 2007 net depreciation of the market value of plan assets resulting from the market downturn experienced in 2008. The reduction in market value of the plan's assets was partially offset by dividends received on plan investments. In addition, benefit payments increased over the prior year primarily due to the 2007 plan amendment discussed below.

Table A-10
Retirement Plan for Employees of West Jefferson Medical Center
Plan Net Assets

	2008	2007	Increase (Decrease)	Increase (Decrease)
Cash and investments	$ 42,449,333	$ 55,499,338	$ (13,050,005)	-23.5%
Receivables	2,491,313	2,042,846	448,467	22.0%
Total assets	44,940,646	57,542,184	(12,601,538)	-21.9%
Total liabilities	6,721	319,133	(312,412)	-97.9%
Plan net assets	$ 44,933,925	$ 57,223,051	$ (12,289,126)	-21.5%

2007 Plan Net Assets

The Medical Center's total plan net assets of its pension trust fund at December 31, 2007 was approximately $57 million, a 5.3% increase over December 31, 2006 (see table A-11).

Table A-11
Retirement Plan for Employees of West Jefferson Medical Center
Plan Net Assets

	2007	2006	Increase (Decrease)	Increase (Decrease)
Cash and investments	$ 55,499,338	$ 52,152,917	$ 3,346,421	6.4%
Receivables	2,042,846	2,205,329	(162,483)	-7.4%
Total assets	57,542,184	54,358,246	3,183,938	5.9%
Total liabilities	319,133	6,085	313,048	5144.6%
Plan net assets	$ 57,223,051	$ 54,352,161	$ 2,870,890	5.3%

Plan net assets increased by $2.9 million from 2006 primarily due to realized and unrealized gains on investments recognized in 2006 which were partially offset by a reduction in the Medical Center's actuarially determined contribution.

2008 Changes in Plan Net Assets

Table A-12 presents as summary of changes in Plan net assets for the year ended December 31, 2008. Contributions to the pension plan increased in 2008 as compared to 2007. Contribution amounts needed to fund the Plan are determined by an independent actuary.

The decrease in plan net assets of $12.3 million resulted primarily due to net depreciation of the market value of plan assets resulting from the market downturn experienced in 2008. The reduction in market value of the plan's assets was partially offset by dividends received on plan investments. In addition, benefit payments increased over the prior year primarily due to the 2007 plan amendment discussed below.

The Plans' investments consist primarily of fixed income mutual funds, equity mutual funds and money market funds, which decreased by approximately $13.1 million in 2008 due to unrealized losses to the equity and money market mutual funds resulting from the market downturn in 2008, benefit payments and plan administrative expenses. These decreases were partially offset by employer contributions. In 2007, Plan investments increased by approximately $3.3 million due to investment income and employer contributions which were partially offset by benefit payments and plan administrative expenses.

Table A-12
Retirement Plan for Employees of West Jefferson Medical Center
Change in Plan Net Assets

	2008	2007	Increase (Decrease)	Increase (Decrease)
Additions:				
Contributions	$ 2,333,775	$ 1,864,390	$ 469,385	25.2%
Net income on investments	(10,623,265)	3,671,655	(14,294,920)	-389.3%
Total additions	(8,289,490)	5,536,045	(13,825,535)	-249.7%
Deductions:				
Benefits	(3,860,438)	(2,478,313)	(1,382,125)	55.8%
Administrative expenses	(139,198)	(186,842)	47,644	-25.5%
Total deductions	(3,999,636)	(2,665,155)	(1,334,481)	50.1%
Change in net assets	(12,289,126)	2,870,890	(15,160,016)	-528.1%
Plan net assets, beginning of year	57,223,051	54,352,161	2,870,890	5.3%
Plan net assets, end of year	$ 44,933,925	$ 57,223,051	$ (12,289,126)	-21.5%

2007 Changes in Plan Net Assets

Table A-13 presents as summary of changes in Plan net assets for the year ended December 31, 2007. Contributions to the pension plan decreased in 2007 as compared to 2006 primarily as a result of the actuarially determined required contribution.

The increase in plan net assets of $2.9 million resulted primarily from an increase in realized and unrealized gains and dividends on investments, although these amounts decreased overall in 2007 compared to 2006 due to less favorable market conditions in 2007. These increases were partially offset by the decrease in the required contribution and an increase in benefit payments.

Table A-13
Retirement Plan for Employees of West Jefferson Medical Center
Change in Plan Net Assets

	2007	2006	Increase (Decrease)	Increase (Decrease)
Additions:				
Contributions	$ 1,864,390	$ 2,123,511	$ (259,121)	-12.2%
Net income on investments	3,671,655	5,207,029	(1,535,374)	-29.5%
Total additions	5,536,045	7,330,540	(1,794,495)	-24.5%
Deductions:				
Benefits	(2,478,313)	(2,300,810)	(177,503)	7.7%
Administrative expenses	(186,842)	(257,999)	71,157	-27.6%
Total deductions	(2,665,155)	(2,558,809)	(106,346)	4.2%
Change in net assets	2,870,890	4,771,731	(1,900,841)	-39.8%
Plan net assets, beginning of year	54,352,161	49,580,430	4,771,731	9.6%
Plan net assets, end of year	$ 57,223,051	$ 54,352,161	$ 2,870,890	5.3%

ECONOMIC FACTORS

Year ended December 31, 2008

In 2008 the Medical Center continued implementing its strategic plan, focusing on its core service lines in support of its commitment to deliver quality patient care, increase patient satisfaction and maintain financial stability.

As noted above, the Medical Center's 2008 net revenue and operating expenses were impacted by Hurricane Gustav. While the net revenue impact and increased expenses will not be recovered from insurance, the Medical Center is working with FEMA on reimbursement of eligible expenses.

The Medical Center and other area healthcare providers continue to face challenges in obtaining uncompensated care reimbursement. The total funds made available from the state for this purpose have continued to decline since Hurricane Katrina. In addition, the state has projected budget shortfalls. Among other remedies to reduce the projected budget shortfall, the state reduced Medicaid reimbursement by 3.5% effective February 20, 2008 through the end of the state fiscal year (SFY) in June 2009. The state also proposed an additional reduction of 7.2% in Medicaid reimbursement in SFY 2010. The Medical Center continues to work with its legislative delegation and others to obtain funding that may partially offset the impact of reductions in Medicaid reimbursement in SFY 2009 and SFY 2010.

Year ended December 31, 2007

Damages to the healthcare infrastructure, the economy and available housing stock as a result of Hurricane Katrina all contributed to a challenging environment for the metropolitan area and West Jefferson Medical Center beginning in the fourth quarter of 2005 and continuing into 2006 and 2007. Beginning in the fourth quarter of 2005 and continuing throughout calendar year 2006, the Medical Center experienced an increase in uninsured patients resulting from the loss of the Charity System in New Orleans and the loss of other providers in the area's healthcare infrastructure. In addition, the Medical Center's overall length of stay increased due to lack of nursing home beds available for discharged patients. Further, the Medical

Center recorded higher labor costs as well as contract labor expenses in 2006 due to the continuing shortage of nurse staffing in the region.

To overcome some of these challenges, the Medical Center's administration worked to obtain uncompensated care reimbursement from the state, grant funds and/or reimbursement from the federal government and pursued claims under its insurance coverage. In addition, in July 2006 the Medical Center began providing graduate medical education which provided some incremental increase in reimbursement.

In 2007 the Medical Center continued its recruitment and retention efforts which resulted in a 52% decrease in contract labor. As part of these efforts, the Medical Center implemented an accelerated nursing program in January 2008. Under this program students receive tuition and a stipend in exchange for a commitment to work for the Medical Center for three years upon graduation from the program.

Due to the impact of Hurricane Katrina, the Medical Center was in non-compliance with its bond covenants in 2005 and 2006. As a result, the Medical Center was required to engage consultants to assist the Medical Center to improve its operating results. The Medical Center engaged two consulting firms, the first of which assisted with the benchmarking of labor standards to a selected peer group of hospitals and recommended other operating changes designed to improve throughput and decrease operating expenses. These recommendations were adopted by the Medical Center's Board of Directors and were in progress at December 31, 2007. The second consulting firm was engaged to review the Medical Center's operations, incorporating the recommendations from the first consultant, to assist in strategic planning and service line analysis. These efforts were in progress at December 31, 2007.

In addition, the Medical Center's bond insurers agreed to forebear until January 1, 2008 the exercise of their respective rights & remedies as a result of the bond non-compliance noted above. Also, in May 2007 one of its bond insurers directed, under terms of the trust indenture, that a springing mortgage be recorded on substantially all of the Medical Center's property and equipment.

Contacting the Medical Center's Administration

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

WEST JEFFERSON MEDICAL CENTER
BALANCE SHEETS
ENTERPRISE FUND
DECEMBER 31, 2008 AND 2007

ASSETS	2008	2007
Current Assets:		
Cash and cash equivalents	$ 10,241,832	$ 7,059,849
Receivables:		
Patient accounts receivable, net	38,750,558	39,499,684
Other receivables	2,923,241	6,309,786
Inventory	4,527,021	4,064,181
Prepaid expenses	6,055,837	6,938,929
Designated cash and investments and *that are required for current liabilities*	8,794,819	6,179,364
Total current assets	71,293,308	70,051,793
Designated cash and investments:		
Board for discretionary purposes, at fair value	107,590,730	131,352,708
Trustee-held assets, at fair value	16,326,296	22,690,617
Total designated cash and investments	123,917,026	154,043,325
Less amounts required for current liabilities	(8,794,819)	(6,179,364)
Noncurrent designated cash and investments	115,122,207	147,863,961
Property, plant, and equipment, net	150,200,347	159,929,378
Other assets:		
Unamortized financing costs	7,584,565	3,080,111
Prepaid deferred compensation	166,229	203,340
Other	3,258,560	3,347,568
Total other assets	11,009,354	6,631,019
Total assets	$ 347,625,216	$ 384,476,151

(Continued)

WEST JEFFERSON MEDICAL CENTER
BALANCE SHEETS, CONTINUED
ENTERPRISE FUND
DECEMBER 31, 2008 AND 2007

LIABILITIES AND NET ASSETS	2008	2007
Current liabilities:		
Accounts payable	$ 9,326,879	$ 13,313,007
Accrued expenses	21,966,670	18,112,509
Patient deposits and credit balances	1,823,600	1,435,121
Due to government health care programs	1,084,179	1,466,318
Bond interest payable	2,149,819	4,399,364
Current installments of long-term debt	6,645,000	1,780,000
Total current liabilities	42,996,147	40,506,319
Accrued malpractice claims	4,294,390	4,098,491
Accrued deferred compensation	166,229	203,340
Interest payable, long-term	2,401,989	1,560,273
Long-term debt, net of original issue discount	158,126,722	195,710,282
Total liabilities	207,985,477	242,078,705
Net assets:		
Invested in capital assets, net of related debt	16,141,125	(6,848,404)
Restricted	16,120,427	22,491,686
Unrestricted	107,378,187	126,754,164
Total net assets	139,639,739	142,397,446
Total liabilities and net assets	$ 347,625,216	$ 384,476,151

The accompanying notes are an integral part of these statements.

WEST JEFFERSON MEDICAL CENTER
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
ENTERPRISE FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
OPERATING REVENUE		
Net patient service revenue	$ 229,530,257	$ 224,997,989
Other operating revenue	13,053,832	16,929,520
Total operating revenue	242,584,089	241,927,509
OPERATING EXPENSES		
Salaries and wages	86,976,716	91,741,060
Employee benefits	20,431,119	20,308,087
Professional fees	20,487,212	21,349,109
Medical and general supplies	45,863,918	43,695,856
Purchased services	35,733,746	34,479,003
Other expenses	16,803,628	12,146,613
Depreciation	17,599,955	17,053,354
Total operating expenses	243,896,294	240,773,082
(Loss) gain from operations	(1,312,205)	1,154,427
NON-OPERATING INCOME (EXPENSE)		
Investment income	7,471,197	8,567,875
Interest expense	(5,083,524)	(6,968,467)
Settlement expense (Note 7)	(3,563,918)	-
Donated assets (Note 9)	2,013,758	4,229,762
Government operating grants	-	1,087,910
	837,513	6,917,080
(Loss) gain before capital contributions	(474,692)	8,071,507
Capital contributions	-	744,355
Changes in net assets before assessment by Jefferson Parish and support to others	(474,692)	8,815,862
Assessments by Jefferson Parish and support to others	(2,283,015)	(2,543,569)
Change in net assets	(2,757,707)	6,272,293
NET ASSETS		
Beginning of year	142,397,446	136,125,153
End of year	$ 139,639,739	$ 142,397,446

The accompanying notes are an integral part of these statements.

WEST JEFFERSON MEDICAL CENTER
STATEMENTS OF CASH FLOWS
ENTERPRISE FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
OPERATING ACTIVITIES		
Revenue collected	$ 246,189,572	$ 246,997,003
Cash payments to employees and for related costs	(107,956,205)	(111,982,609)
Cash payments for operating expenses	(118,149,081)	(107,339,864)
Net cash provided by operating activities	20,084,286	27,674,530
NON-CAPITAL FINANCING ACTIVITIES		
Operating grants	174,312	810,658
Proceeds from donations	2,013,758	4,056,470
Assessments by Jefferson Parish and support to others	(2,283,015)	(2,543,569)
Settlement payment	(3,563,918)	-
Net cash provided by (used in) non-capital financing activities	(3,658,863)	2,323,559
CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest payments	(5,148,918)	(7,129,280)
Capital expenditures	(7,870,924)	(22,479,222)
Capital contributions	744,355	451,564
Proceeds from issuance of debt	55,000,000	-
Principal and defeasance payments on borrowings	(87,815,000)	(10,495,000)
Bond financing costs and other required payments (Note 5)	(6,403,850)	-
Net cash used in capital and related financing activities	(51,494,337)	(39,651,938)
INVESTING ACTIVITIES		
Purchases of investment securities	(1,668,784,948)	(4,378,794,980)
Proceeds from sales and maturities of investments	1,698,911,247	4,379,261,304
Investment income and other	8,124,598	9,807,875
Net cash provided by investing activities	38,250,897	10,274,199
Net increase in cash and cash equivalents	3,181,983	620,350
Cash and cash equivalents, beginning of year	7,059,849	6,439,499
Cash and cash equivalents, end of year	$ 10,241,832	$ 7,059,849

(Continued)

WEST JEFFERSON MEDICAL CENTER
STATEMENTS OF CASH FLOWS, CONTINUED
ENTERPRISE FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

		2008		2007
Reconciliation of income (loss) from operations to net net cash provided by (used in) operating activities				
Income (loss) from operations	$	(1,312,205)	$	1,154,427
Depreciation		17,599,955		17,053,354
Bad debt expense		24,336,550		19,430,889
(Income) loss on other investments		89,008		(245,661)
Changes in operating assets and liabilities:				
Accounts receivable, net		(23,198,945)		(16,267,468)
Inventory and prepaid expenses		420,252		(837,045)
Other receivables		2,467,878		1,906,073
Accounts payable		(3,986,128)		3,621,160
Accrued expenses and other liabilities		3,667,921		1,858,801
Net cash provided by operating activities	$	20,084,286	$	27,674,530

NON-CASH TRANSACTIONS

During 2007, the Medical Center received donated land with a value of $173,292.

The accompanying notes are an integral part of these statements.

WEST JEFFERSON MEDICAL CENTER
STATEMENTS OF NET ASSETS
PENSION TRUST FUND
DECEMBER 31, 2008 AND 2007

	2008	2007
Assets:		
Receivables:		
Accrued dividends	$ 157,538	$ 178,456
Employer contributions receivable	2,333,775	1,864,390
Total receivables	2,491,313	2,042,846
Investments		
Cash equivalents	2,675,940	7,210,641
Equity mutual funds	21,023,635	31,111,378
Fixed income mutual funds	18,749,758	17,177,319
Total investments	42,449,333	55,499,338
Total assets	44,940,646	57,542,184
Liabilities:		
Accrued trust fees	6,721	25,286
Due to brokers	-	293,847
	6,721	319,133
Plan net assets available for pension benefits	$ 44,933,925	$ 57,223,051

The accompanying notes are an integral part of these statements.

WEST JEFFERSON MEDICAL CENTER
STATEMENTS OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUND
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
Additions:		
Employer contributions	$ 2,333,775	$ 1,864,390
Investment income:		
Dividends	1,801,344	2,131,049
Realized gains from sale of investments	-	409,118
Net (depreciation) appreciation	(12,424,609)	1,131,488
	(10,623,265)	3,671,655
Total additions	(8,289,490)	5,536,045
Deductions:		
Benefits	(3,860,438)	(2,478,313)
Administrative expenses	(139,198)	(186,842)
Total deductions	(3,999,636)	(2,665,155)
Change in plan net assets	(12,289,126)	2,870,890
Plan net assets at beginning of year	57,223,051	54,352,161
Plan net assets at end of year	$ 44,933,925	$ 57,223,051

The accompanying notes are an integral part of these statements.

1. Organization and Significant Accounting Policies

Organization

West Jefferson Medical Center (the Medical Center) operates an acute care hospital, physician clinics, medical office buildings, and health and fitness centers. The Medical Center operates under the jurisdiction of the Parish Council of Jefferson Parish, Louisiana (the Parish) as Jefferson Parish Hospital Service District No. 1 and is exempt from federal and state income taxes. The Medical Center reporting entity includes the hospital enterprise fund and a pension trust fund.

Basis of Accounting

The Medical Center's basic financial statements consist of the government-wide statements which include the proprietary fund (the enterprise fund) and the fund financial statements which includes the fiduciary fund (the pension trust fund). The operations of the Medical Center are accounted for in the following fund types:

Proprietary Fund Type

The proprietary fund is used to account for the Medical Center's ongoing operations and activities which are similar to those often found in the private sector. The proprietary fund is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. Net assets are segregated into amounts invested in capital assets (net of related debt), restricted for debt service, restricted for capital projects and unrestricted. The Medical Center's restricted assets are expendable for their purposes. The Medical Center utilizes available restricted assets before utilizing unrestricted assets. The operating statements present increases (revenues) and decreases (expenses) in net assets. The Medical Center maintains one proprietary fund type - the enterprise fund. The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance.

Operating revenues include all charges for service; other revenues include non-operating revenues. The enterprise fund is presented in the government-wide financial statements. The Medical Center uses the accrual basis of accounting for proprietary funds. 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 Medical Center has elected not to apply Financial Accounting Standards Medical Center pronouncements issued after November 30, 1989. As a governmental entity, the Medical Center also follows certain accounting and disclosure requirements promulgated by the GASB.

Fiduciary Fund Type

The fiduciary fund, the Retirement Plan for Employees of West Jefferson Medical Center (the Plan), is used to account for assets held by the Medical Center in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The Medical Center maintains one fiduciary fund type - the pension trust fund. The pension trust fund uses the flow of economic resources measurement focus. All assets and liabilities associated with the operation of this fund are included in the statement of plan net assets. The pension trust fund is used to account for the activity of the Medical Center's employee retirement plan. The pension trust fund is presented in the fund financial statements. Additional information on the pension trust fund is presented in note 8.

Operating and Non-operating Revenue

The Medical Center's primary purpose is to provide diversified health care services to individuals, physicians, and businesses. As such, activities related to the ongoing operations of the Medical Center are classified as operating revenue. Operating revenue includes amounts generated from direct patient care, related support services, gains or losses from disposition of operating properties, and sundry revenue related to the operation of the Medical Center. Interest income from trustee-held investments is reported as a net component of interest expense. Additionally, rental income, gains and losses that are directly related to the ongoing operations of the Medical Center, and gifts, grants, and bequests not restricted by donors for specific purposes are reported as a component of other operating revenue. Investment income, realized and unrealized gains (losses) from board-designated investments, as well as donated assets are reported as a component of non-operating income.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with maturities of three months or less when purchased, excluding designated cash and investments by board designation or other arrangements under trust agreements or with third-party payers. Cash and cash equivalents include temporary cash investments whose use is not limited. The temporary cash investments have original maturities of three months or less at date of issuance. Certain temporary investments internally designated as long-term investments are excluded from cash and cash equivalents.

Patient Accounts Receivable

Patient accounts receivables are carried at a net amount determined by the original charge for the services provided, less an estimate made for contractual adjustments or discounts provided to third party payers, less any payments received and less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. The Medical Center does not charge interest on patient receivables. Patient receivables are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received. Receivables or payables related to estimated settlements on various risk contracts that the Hospital participates in are reported as estimated third-party pay or receivables or payables. As of December 31, 2008 and 2007, the allowance for doubtful accounts approximated $23.6 million and $37.8 million, respectively.

Investments

Investments are carried at fair value and all investment income, including changes in the fair value of investments is recognized in the Statements of Revenues, Expenses, and Changes in Net Assets.

Designated Cash and Investments

Designated cash and investments include cash, cash equivalents, and investments. These assets are designated as such in the accompanying Balance Sheets as they are held by bond trustees under related indenture agreements or designated as such by the board of directors.

Amounts classified as current assets represent amounts to be used to meet certain debt service requirements and other obligations classified as current liabilities.

Inventory

Inventory, which consists primarily of drugs and supplies, is stated at the lower of cost or market. The cost for drug inventory and operating room special order supplies is determined using the first-in, first-out method. The cost for supplies is determined using the weighted-average method.

Property, Plant, and Equipment

Property, plant, and equipment is stated at cost or, if donated, at fair value at the date of receipt, if known. For donations received from the West Jefferson Service Corporation (the Service Corporation), a related party, donated assets were recorded at an amount equal to the Service Corporation's acquisition cost. Depreciation is computed on the straight-line basis over estimated useful lives as follows:

Land improvements	10 years
Buildings	10-40 years
Fixed equipment	10-25 years
Major movable equipment	5-10 years
Minor equipment	3-5 years

The Hospital recognizes the impairment of capital assets when events or changes in circumstances suggest that the service utility of the capital asset may have significantly and unexpectedly declined. The restoration or replacement of an impaired capital asset is reported as a separate transaction from the associated insurance recovery. The impairment loss is reported net of the associated realized or realizable insurance recovery when the recovery and loss occur in the same year. Insurance recoveries reported in subsequent years are reported as non-operating revenue.

Unamortized Financing Costs

Deferred financing costs are amortized over the period the obligation is expected to be outstanding using the straight-line method.

Other Assets

Other assets consist primarily of the Medical Center's ownership interest in a laundry cooperative and an ownership interest in a radiosurgery entity, which are both carried under the equity method of accounting.

Net Assets

The Medical Center classifies net assets into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These components are defined as follows:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding debt attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in this component of net assets. Rather, that portion of debt is included in the same component of net assets as the unspent proceeds. At December 31, 2008 and 2007, there was no debt included in invested in capital assets, net of related debt.
- Restricted - This component reports those net assets with externally imposed constraints placed on their use 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 - This component reports net assets that do not meet the definition of either of the other two components.

Net Patient Service Revenue

Substantially all of the Medical Center's net patient service revenue is earned under agreements with third-party payors. Under these agreements, the Medical Center provides medical services to government program beneficiaries and other third-party payers, such as health maintenance organizations, at amounts different from established rates. These payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem rates. Net patient service revenue is reported at the estimated net realizable amounts billed to patients, third-party payors, and others for services rendered. The Medical Center's provision for bad debts is classified as a reduction to net patient service revenue. A summary of net patient revenue for the years ended December 31, 2008 and 2007 is as follows:

	2008	2007
Gross patient service revenue	$ 799,647,764	$ 784,798,663
Less discounts, allowance, and estimated contractual adjustments under third-party reimbursement programs	545,780,957	540,369,785
Less provision for bad debts	24,336,550	19,430,889
Net patient revenue	$ 229,530,257	$ 224,997,989

The Medical Center is unable to predict the future course of federal, state, and local regulation or legislation, including Medicare and Medicaid statutes and regulations. Future changes could have a material adverse effect on the future financial results of the Medical Center. The percentage of total gross patient service revenue derived from services furnished to Medicare and Medicaid program beneficiaries, combined, was approximately 41% and 41% for 2008 and 2007, respectively.

Retroactive settlements are provided for in some of the governmental health care programs outlined above, based on annual cost reports. Such settlements are estimated and recorded as amounts due to or from these programs in the accompanying financial statements. The differences between these estimates and final determination of amounts to be received or paid are based on audits by fiscal intermediaries and are reported as adjustments to net patient service revenue when such determinations are made. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term. No significant differences are anticipated between the estimated settlements recorded and the final settlements expected to be determined by program representatives. These adjustments resulted in increases to net patient service revenue of approximately $997,000 and $2.1 million, respectively, in 2008 and in 2007. Estimated settlements through December 31, 2008, for the Medicaid and Medicare programs have been reviewed by program representatives, and adjustments have been recorded to reflect any revisions to the estimates.

The effect of any adjustments that may be made to cost reports still subject to review will be reported in the Medical Center's financial position or results of operations as such determinations are made. For the year ended December 31, 2008, the Medical Center recorded a liability of $50,000 for the current year cost report.

Fair Value of Financial Instruments

Financial instruments are described as cash or contractual obligations or rights to pay or to receive cash. The fair value for certain financial instruments approximates the carrying value because of the short-term maturity of these instruments which include cash and cash equivalents, receivables, accounts payable, accrued liabilities, estimated third-party payor settlements, and other current liabilities. The Medical Center's investments and assets limited as to use are carried at fair value on the combined balance sheets. Based on borrowing rates currently available to the Medical Center with similar terms and maturities, the fair value of the long-term debt approximated $164.8 and $197.5 million as of December 31, 2008 and 2007, respectively.

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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein. Actual results could differ from those estimates.

Pension Trust

Employer contributions are recognized as revenues in the period in which employee services are performed. The assets of the Plan are invested in various fixed income, equity and short-term money market funds managed by a trustee. Investments are carried at fair value as reported by the Trustee. Fair values are determined by quoted market prices, as available. Dividend income is recognized when earned. All administrative expenses of the Plan are paid by the Plan.

Accumulated plan benefits are those future periodic payments, including lump-sum distributions that are attributable under the Plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits payable under all circumstances-retirement, death, disability, and termination or employment are included, to the extent they are deemed attributable to employee service rendered to the valuation date. Benefits to be provided from annuity contracts excluded from Plan assets are excluded from accumulated Plan benefits.

The actuarial present value of accumulated plan benefits is determined by an independent actuary and is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuations as of December 31, 2008 and 2007 were (a) life expectancy of participants (1984 Unisex Pension Mortality Table was used), (b) retirement age assumptions, and (c) investment return. The 2008 and 2007 valuations included assumed average rates of return of 8.0%. The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

2. Cash and Investments

At December 31, 2008 and 2007, the Medical Center's cash consisted of demand deposits with bank balances of $15,954,868 and $11,971,473, respectively. The cash accounts were fully secured by federal depository insurance or collateral held by agents of the Medical Center in its name.

Louisiana state statutes authorize the Medical Center to invest in obligations of the U.S. Treasury and other federal agencies, time deposits with state banks and national banks having their principal offices in the state of Louisiana, guaranteed investment contracts issued by highly rated financial institutions, and certain investments with qualifying mutual or trust fund institutions. During the years ended December 31, 2008 and 2007, the Medical Center invested primarily in securities issued by the U.S. Treasury and other federal agencies.

The composition of designated cash and investments at December 31, 2008 and 2007, is set forth below:

2008	Cash and Cash Equivalents	Investments	Total
Board-designated	$ 20,531,537	$ 87,059,193	$ 107,590,730
1998 Bond Issue:			
Improvement Fund	-	205,869	205,869
Reserve Fund	-	3,284,876	3,284,876
Interest Fund	-	2,652,126	2,652,126
Total 1998 Bond Issue	-	6,142,871	6,142,871
2004B Bond Issue:			
Interest Fund	-	52,540	52,540
Debt Service Fund	-	4,500,128	4,500,128
Proceeds Expense Fund	-	102	102
Total 2004B Bond Issue	-	4,552,770	4,552,770
2008 Bond Issue:			
Capital Fund	-	113,574	113,574
Debt Reserve Fund	-	5,479,453	5,479,453
Proceeds Expense Fund	-	37,628	37,628
Total 2008 Bond Issue	-	5,630,655	5,630,655
Total carrying value (at fair value)	$ 20,531,537	$ 103,385,489	$ 123,917,026

2007	Cash and Cash Equivalents	Investments	Total
Board-designated	$ 27,793,443	$ 103,559,265	$ 131,352,708
1998 Bond Issue:			
Improvement Fund	-	198,930	198,930
Reserve Fund	-	3,660,735	3,660,735
Interest Fund	-	2,825,619	2,825,619
Total 1998 Bond Issue	-	6,685,284	6,685,284
2004A Bond Issue:			
Proceeds Expense Fund	-	2,683,502	2,683,502
Debt Service Reserve Fund	-	8,011,846	8,011,846
Improvement Fund	-	1	1
Total 2004A Bond Issue	-	10,695,349	10,695,349
2004B Bond Issue:			
Interest Fund	-	413,651	413,651
Principal Fund	-	20,213	20,213
Debt Service Fund	-	4,876,021	4,876,021
Proceeds Expense Fund	-	99	99
Total 2004B Bond Issue	-	5,309,984	5,309,984
Total carrying value (at fair value)	$ 27,793,443	$ 126,249,882	$ 154,043,325

Credit Risk

Per GASB 40, unless there is information to the contrary, obligations of the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality. The following table presents each applicable rating grouped by investment type as of December 31, 2008:

By Investment Type	Fair Value	Rating
Cash deposits, operating funds	$ 10,241,832	Exempt from Disclosure
Cash deposits, held by Trustee	20,531,537	Exempt from Disclosure
U.S. Government securities	103,385,489	Exempt from Disclosure
Total cash and investments	$ 134,158,858	

Balance Sheet by Category	Fair Value
Cash deposits, operating funds	$ 10,241,832
Designated Assets:	
Trustee-held assets, under bond indenture	16,326,296
By Board for discretionary purposes	107,590,730
Total designated assets	123,917,026
Total cash and investments	$ 134,158,858

The following table presents each applicable rating grouped by investment type as of December 31, 2007:

By Investment Type	Fair Value	Rating
Cash deposits, operating funds	$ 7,059,849	Exempt from Disclosure
Cash deposits, held by Trustee	27,793,443	Exempt from Disclosure
U.S. Government securities	126,249,882	Exempt from Disclosure
Total cash and investments	$ 161,103,174	

Balance Sheet by Category	Fair Value
Cash deposits, operating funds	$ 7,059,849
Designated Assets:	
Trustee-held assets, under bond indenture	22,690,617
By Board for discretionary purposes	131,352,708
Total designated assets	154,043,325
Total cash and investments	$ 161,103,174

Concentration, Credit Risk, and Custodial Credit Risk

Louisiana state statutes also require that all of the deposits of the Medical Center be protected by insurance or collateral. The market value of collateral pledged must equal 100% of the deposits not covered by insurance. The bank balances of deposits at December 31, 2008 and 2007 were fully covered by insurance or collateral held by financial institutions in the Medical Center's name.

Per GASB 40, concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. GASB 40 further defines an at-risk investment to be one that represents more than five percent (5%) of the market value of the total investment portfolio and requires disclosure of such at-risk investments. GASB 40 specifically excludes investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments from the disclosure requirement. At December 31, 2008, the Medical Center had no investments requiring Concentration of Credit Risk disclosure.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Medical Center will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Medical Center will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Interest Rate Risk

Interest Rate Risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk inherent in the portfolio is measured by monitoring the segmented time distribution of the investments in the portfolio. The following table summarizes the Medical Center's segmented time distribution investment maturities by investment type as of December 31, 2008 and 2007.

By Investment Type	Fair Value	<1 Year	1-5 Years
2008			
Cash deposits, operating funds	$ 10,241,832	$ 10,241,832	$ -
Cash deposits, held by Trustee	20,531,537	20,531,537	-
U.S. Government securities	103,385,489	70,158,637	33,226,852
Total cash and investments	$ 134,158,858	$ 100,932,006	$ 33,226,852
2007			
Cash deposits, operating funds	$ 7,059,849	$ 7,059,849	$ -
Cash deposits, held by Trustee	27,793,443	27,793,443	-
U.S. Government securities	126,249,882	79,302,930	46,946,952
Total cash and investments	$ 161,103,174	$ 114,156,222	$ 46,946,952

Pension Trust Fund

Hospital service districts are authorized under Louisiana R.S. 46:1068 to establish and maintain actuarially sound pension and retirement systems making contributions from hospital service district funds. They may make contracts of insurance with any insurance company legally authorized to do business in Louisiana and may enter into other contracts and trust agreements with banks, which are incidental to creating and maintaining an actuarially sound pension and retirement system. At December 31, 2008, the Retirement Plan's investments were held by Regions Morgan Keegan Trust. Investments at December 31, 2008 and 2007 consist of the following mutual funds which are stated at fair value.

Fixed Income:	2008	2007
Federated U.S. Government Trust		
Institutional Fund *	$ 10,998,512	$ 9,932,096
Vanguard Short-term Treasury Fund *	7,751,246	7,245,223
	18,749,758	17,177,319
Equity:		
Artisan Sm Cap Value Fund 963 Inv	1,867,708	1,719,018
Amer Cap World Growth & Inc FD CL R5*	3,460,602	3,878,619
Vanguard Institutional Index Fund*	11,036,449	17,505,487
Vanguard Mid Cap Index Fund*	4,658,876	8,008,254
	21,023,635	31,111,378
Cash equivalents:		
Cash	-	352,691
Fidelity Institutional Treasury Portfolio*	2,675,940	-
Federated Treasury Money Market Fund*	-	6,857,950
	2,675,940	7,210,641
Total investments	$ 42,449,333	$ 55,499,338

* represents investments that are 5% or more of the Plan's net assets.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising interest rates, the Retirement Plan's investment policy limits the maximum for any single fixed income security to 10 years. None of the investments of the Retirement Plan have fixed maturity dates.

Credit Risk

State statutes authorize the Retirement Plan to invest in obligations of the U.S. Treasury, agencies, and instrumentalities; commercial paper rated AAA 1, 2, or 3; repurchase agreements; and the Louisiana Asset Management Pool (LAMP). The Retirement Plan's investment policy limits the Plan's investments to treasury bills, money market funds, commercial paper, U.S. government and agency securities, corporate notes and bonds, common stocks, American Depository Receipts of Non-U.S. companies listed on American exchanges, and stocks of Non- U.S. companies. As of December 31, 2008 and 2007, all investments of the Retirement Plan were rated Aaa by Moody's Investor's Service and AAA by Standard & Poor's and Fitch ratings.

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the Retirement Plan's investment in a single issuer. The Retirement Plan's investment policy states that the securities of any one company or government agency cannot exceed ten (10) percent of the total fund, and no more than twenty (20) percent of the total fund can be invested in any one industry. With the exception of U.S. Government securities, no fixed income issue may exceed fifteen (15) percent of the market value of the fixed income portfolio. No investments of the Retirement Plan are in violation of this policy at December 31, 2008 and 2007.

3. Property, Plant and Equipment

The following table summarizes the changes in net property, plant, and equipment for the year ended December 31:

2008	Beginning Balance	Additions	Reclassification/ Retirements	Ending Balance
Land and Land improvements	$ 20,892,843	$ 287,288	$ (749,259)	$ 20,430,872
Building and fixed equipment	174,844,855	3,258,374	3,227,684	181,330,913
Equipment	180,598,823	11,919,129	(3,230,811)	189,287,141
Construction in progress	13,851,258	7,046,230	(14,639,540)	6,257,948
	390,187,779	22,511,021	(15,391,926)	397,306,874
Less accumulated depreciation	(230,258,401)	(17,599,955)	751,829	(247,106,527)
Property, plant, and equipment, net	$ 159,929,378	$ 4,911,066	$ (14,640,097)	$ 150,200,347

2007	Beginning Balance	Additions	Reclassification/ Retirements	Ending Balance
Land and Land improvements	$ 19,921,793	$ 971,050	$ -	$ 20,892,843
Building and fixed equipment	170,767,874	4,076,981	-	174,844,855
Equipment	168,973,246	12,802,993	(1,177,416)	180,598,823
Construction in progress	8,816,826	12,087,380	(7,052,948)	13,851,258
	368,479,739	29,938,404	(8,230,364)	390,187,779
Less accumulated depreciation	(214,149,521)	(17,053,354)	944,474	(230,258,401)
Property, plant, and equipment, net	$ 154,330,218	$ 12,885,050	$ (7,285,890)	$ 159,929,378

The Medical Center leases certain major movable and other nonmovable equipment under operating leases, some of which are on a month-to-month basis and others which are on a longer-term basis. Refer to Note 11 for amounts relating to these leases. Rental expense for leased equipment amounted to approximately $1,360,000 in 2008 and $1,406,000 in 2007.

Construction in progress includes projects such as technical and property infrastructure upgrades as well as software and equipment upgrades.

In May 2007, one of the Medical Center's bond insurers directed, under the terms of the trust indenture, that a springing mortgage be recorded on substantially all of the Medical Center's property and equipment.

4. Risk Management

The Medical Center participates in the State of Louisiana patient compensation fund (the Fund). The Fund provides malpractice coverage to the Medical Center 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. Medical Center management has no reason to believe that the Medical Center will be prevented from continuing its participation in the Fund.

From July 1, 1993 to November 1, 1997, the Medical Center was insured by the LHA Trust Fund for medical malpractice claims. Subsequent to November 1, 1997, the Medical Center has maintained a funded self-insured program against medical malpractice claims and purchased excess general liability coverage up to $10 million with a $2 million self-retention; this excess liability policy includes professional liability (medical malpractice) as of April 1, 2008. The Medical Center is involved in litigation arising in the ordinary course of business. Claims alleging malpractice liability have been asserted against the Medical Center and are currently in various states of litigation. The Medical Center has accrued approximately $4,294,000 and $4,098,000 at December 31, 2008 and 2007, for the estimated loss and litigation expenses related to medical malpractice claims for which the Medical Center is self-insured. Claims have been filed alleging damages in excess of the amount accrued for estimated malpractice costs. It is the opinion of management that estimated malpractice costs accrued are adequate to provide for probable losses resulting from pending or threatened litigation. Additional claims may be asserted against the Medical Center arising from services provided to patients through December 31, 2008. The Medical Center is unable to determine the ultimate cost of the resolution of such potential claims; however, an accrual has been made based on estimates for these claims.

The Medical Center is self-insured for workers' compensation up to $500,000 per claim and is self-insured for employee group health insurance claims. The Medical Center purchased commercial insurance that provides coverage for workers' compensation claims in excess of the self-insured limits. A liability is recorded when it is probable that a loss has been incurred and the amount of that loss can be reasonably estimated. Liabilities for claims incurred are re-evaluated periodically to take into consideration recently settled claims, frequency of claims, and other economic and social factors. The following table summarizes the changes in the Medical Center's aggregate claims liability for medical malpractice, workers' compensation, and health insurance.

Year Ended December 31	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2008	$9,277,212	$16,643,367	$14,538,231	$11,382,348
2007	$9,123,798	$11,516,540	$11,363,126	$9,277,212

5. Long-Term Debt

Long-term debt consisted of the following as of December 31:

	2008	2007
Hospital Revenue Bonds (Series 1998A); 4% - 5.25%; due in installments through 2021	$ 30,945,000	$ 32,725,000
Hospital Revenue Bonds (Series 1998B); variable interest rate (ranging from 1.28% - 5.50% in 2008 and 3.13% - 3.97% in 2007); due in installments, beginning in 2022 through 2028	25,000,000	25,000,000
Hospital Revenue Bonds (Series 2004A); 5.85%; due in installments, beginning in 2025 through 2034, defeased in 2008	-	81,410,000
Hospital Revenue Bonds (Series 2004B); variable interest rate (ranging from 0.90% - 8.94% in 2008, 2.75% - 4.25% in 2007); due in installments through 2018	24,175,000	28,800,000
Hospital Revenue Refunding Bonds (Series 2008B-1); variable interest rate (ranging from 2.71% - 3.73% in 2008), due in installments beginning in 2010 through 2019	20,000,000	-
Hospital Revenue Refunding Bonds (Series 2008B-2); variable interest rate (ranging from 2.71% - 3.73% in 2008) due in installments beginning in 2020 through 2034	35,000,000	-
Special Community Disaster Loan; interest accrues at 2.74%; principal and interest due in total in 2011	30,712,500	30,712,500
Total	165,832,500	198,647,500
Less unamortized original issue discount	(1,060,778)	(1,157,218)
Less current maturities	(6,645,000)	(1,780,000)
Long-term debt, less current maturities	$ 158,126,722	$ 195,710,282

For the years ended December 31, 2008 and 2007, interest expense, before interest income from trustee-held assets of approximately $653,401 and $1,239,835, respectively, totaled $5,736,925 and $8,208,302.

The changes in long-term debt were as follows:

	2008	2007
Balance, beginning of year	$ 198,647,500	$ 209,142,500
Issuances	55,000,000	-
Defeased	(81,410,000)	-
Payments	(6,405,000)	(10,495,000)
Balance, end of year	$ 165,832,500	$ 198,647,500

The debt service requirements at December 31, 2008, were as follows:

	Principal	Interest
2009	$ 6,645,000	$ 5,451,056
2010	5,475,000	5,510,514
2011	36,452,500	7,627,716
2012	5,965,000	4,973,677
2013	6,245,000	4,705,345
2014-2018	33,195,000	19,365,904
2019-2023	24,945,000	12,455,458
2024-2028	29,510,000	6,772,260
2029-2033	14,100,000	2,365,232
2034-2038	3,300,000	39,551
Total long-term debt	$ 165,832,500	$ 69,266,712

Series 1979 Bonds

The Series 1979 bonds were defeased in 1985. A portion of the proceeds from a subsequent bond issuance was deposited with an escrow trustee and invested in obligations secured by the U.S. government. The principal and interest income from these invested funds is used to service the debt of the refunded issue. Neither the escrow fund nor the Series 1979 bonds payable are shown in the accompanying Balance Sheets. Series 1979 bonds payable outstanding were $3,165,000 at December 31, 2008 and $6,075,000 at December 31, 2007.

Series 2004A Bonds

The Series 2004A bonds were defeased on November 20, 2008 using a combination of the proceeds from the issuance of Series 2008B-1 ($20,000,000) and 2008B-2 ($35,000,000) bonds (discussed below) net of issuance costs, funds on deposit in the 2004A debt service reserve fund, and $30.5 million of the Medical Center's cash. These amounts were irrevocably deposited with an escrow trustee and invested in obligations secured by the U.S. government. The principal and interest income from these invested funds will be used to redeem the Series 2004A issue on the call date of January 1, 2010. Neither the escrowed funds nor the Series 2004A bonds payable are shown in the accompanying Balance Sheets. Series 2004A bonds payable outstanding were $81,410,000 at December 31, 2008. As part of the defeasance, the Medical Center paid approximately $283,000 in financing costs and $6,121,000 in prepaid interest costs totaling $6,404,000. The Medical Center also recognized a book loss on the transaction of approximately $327,000 which has been included in the issuance costs and will be amortized over the life of the 2008B bonds.

Series 2008B-1 and 2008B-2 Bonds

As noted above, in November 2008 the Medical Center issued Variable Rate Hospital Revenue Refunding Bonds Series 2008B-1 ($20,000,000) and Series 2008B-2 ($35,000,000). The Series 2008B-1 bonds are payable in installments beginning in 2010 through 2019 while the Series 2008B-2 bonds are payable in installments beginning in 2020 through 2034. The bonds, subsequent to the defeasance of the 2004A bonds, will be secured by a pledge of revenues on a parity with the Series 1998A, Series 1998B and Series 2004B bonds and other outstanding parity obligations.

Interest Rate Swaps

To take advantage of lower rates of interest, the Medical Center has entered into interest rate swap agreements, as described below, with two major financial institutions. In 2004 and 2006, the Medical Center and JPMorgan Chase Bank ("JPMorgan") entered into interest rate swap agreements which incorporate the 2000 International Swap Dealers Association ("ISDA") Master Agreement which includes defined terms and provisions. In November 2008, the Medical Center and Capital One, N.A. ("Capital One") entered into an interest rate swap agreement which incorporates the 2002 Master Agreement.

Series 1998B Bonds

In November 2004, the Medical Center entered into a floating-to-fixed interest rate swap agreement on the Series 1998B variable-rate bonds. The swap agreement has a notional amount of $25,000,000. Under the terms of the agreement, which matures on January 1, 2012, the Medical Center pays to JPMorgan on January 1st and July 1st fixed interest at the rate of 3.10% and receives from JPMorgan a variable rate, paid quarterly, calculated as 68% of the one-month London Interbank Offer Rate (LIBOR) plus or minus the variable bond rate based on the Bond Market Association Municipal Swap Index (BMA). The swap agreements on the 1998B bonds are subject to terms that require either party to post additional collateral based on the change in interest rates, the mark-to-market valuation of the swap agreements and/or change in credit rating of either party. At December 31, 2008 the fair value of this agreement was ($1,479,575). The net effect of the swap transaction in 2008 was an increase in the Medical Center's Series 1998B interest expense of $271,670. At December 31, 2008, the mark-to-market on the swap transaction resulted in collateral requirements of $1,720,139 which the Medical Center had posted with JPMorgan.

In August 2006, the Medical Center entered into a basis swap agreement which matures on January 1, 2012. The swap agreement has a notional amount of $25,000,000. Under the terms of this agreement, the Medical Center pays JPMorgan on the 1st of each quarter a variable rate computed as 68% of the one-month LIBOR rate and receives from JPMorgan 61.75% of the five-year LIBOR rate plus or minus the variable bond rate based on the BMA Swap Index. At December 31, 2008 the fair value of this agreement was $441,072. The net effect of the swap transaction in 2008 was a decrease in the Medical Center's Series 1998B interest expense of $39,854. At December 31, 2008, the mark-to-market on this swap transaction resulted in collateral requirements by JPMorgan of $335,533.

Series 2004A Bonds

In August 2004, the Medical Center entered into a fixed-to-floating total return interest rate swap agreement which matured on December 1, 2008. The swap agreement had a notional amount equal to the total bonds issued of $81.4 million. Under the terms of the agreement, the Medical Center pays the 5.85% fixed rate semi-annual bond coupon payments. JPMorgan returns to the Medical Center the net of the 5.85% fixed rate on the bonds and a semi-annual variable rate of interest computed as BMA plus 70 basis points. The net effect of the swap transaction in 2008 was a decrease in the Medical Center's Series 2004A interest expense of $4,090,512 due in part to the swap termination discussed below and a decrease in the Medical Center's Series 2004A 2007 interest expense of $1,237,575.

At December 31, 2007, the swap had a fair value of $1,022,084. The swap agreement is subject to terms that require either party to post additional collateral based on the change in interest rates, the mark-to-market valuation of the swap agreements and/or change in credit rating of either party. At December 31, 2007, the mark-to-market on the 2004A swap transaction resulted in the counterparty having to post collateral for the fair value noted above.

Due to changes in interest rates and mark-to-market valuations in 2008, the Medical Center was required to post collateral with the counterparty. As a result of the defeasance of the Series 2004A bonds in November 2008 as discussed above, the Medical Center terminated the swap agreement which resulted in the return to the Medical Center of approximately $18 million of posted collateral. In addition, the deposit of the Series 2004A escrowed funds (as discussed above) increased the market valuation of the 2004A swap which resulted in the Medical Center receiving an additional return of $2.9 million at termination on December 1, 2008. This amount was recorded as a reduction to interest expense.

Series 2004B Bonds

In August 2004, the Medical Center entered into a floating-to-fixed interest rate swap agreement which matures on January 1, 2017. The notional amount of the bonds was $39.2 million which continues to decline each year until the maturity date of the bonds. Under the terms of this agreement, the Medical Center pays semi-annually to JPMorgan a fixed rate of 3.35% and receives from JPMorgan a variable rate, paid monthly, calculated as 68% of the one-month LIBOR plus or minus the variable bond rate based on The Bond Market Association Municipal Swap Index (BMA). At December 31, 2008 the fair value of this agreement was ($1,265,139). The net effect of the swap transaction in 2008 was an increase in the Medical Center's Series 2004B interest expense of $250,404. At December 31, 2008 no collateral was required by either party.

In August 2006, the Medical Center entered into a basis swap agreement which matures on January 1, 2017. The notional amount of the bonds was $33.3 million and declines each year until the maturity date. Under the terms of this agreement, the Medical Center pays monthly to JPMorgan a variable rate computed as 68% of the one-month LIBOR and receives monthly from JPMorgan a variable rate calculated as 61.72% of the five-year LIBOR rate plus or minus the variable bond rate based on the BMA Swap Index. At December 31, 2008 the fair value of this agreement was $311,888. The net effect of the swap transaction in 2008 was a decrease in the Medical Center's Series 2004B interest expense of $89,983.

The swap agreement on the 2004B bonds is subject to terms that require either party to post additional collateral based on the change in interest rates, the mark-to-market valuation of the swap agreements and/or change in credit rating of either party. At December 31, 2008, the mark-to-market on the 2004B swap transaction resulted in JPMorgan having to post collateral of $222,533 for the fair value noted.

Series 2008B Bonds

In connection with the issuance in November 2008 of the Series 2008B-1 and Series 2008B-2 bonds noted above, the Medical Center entered into a floating-to-fixed interest rate swap agreement which matures on November 20, 2013. The notional amount of the interest rate swap equals the outstanding principal balance of the bonds and declines each year as principal payments are made until the maturity date. Under the terms of the agreement, the Medical Center pays a 2.55% fixed rate of interest on the principal amount of the outstanding bonds. The Medical Center receives from Capital One variable interest rate payments based on 65% of one-month LIBOR. The net effect of the swap transaction in 2008 was an increase in the Medical Center's Series 2008B interest expense of $83,261. At December 31, 2008 no collateral was required by either party. At December 31, 2008, the fair value of this agreement was $2,483,419.

Community Disaster Loan

In the aftermath of Hurricane Katrina, the Medical Center applied for and received a Special Community Disaster Loan (the "Loan") from the federal government. The Loan proceeds, in the amount of approximately $31 million, were received by the Medical Center on February 22, 2006. The terms of the Loan call for interest to accrue at 2.74% annually to be repaid with the principal when the Loan becomes due in 2011. At December 31, 2008 and 2007, the Medical Center had accrued $2,402,374 and $1,560,272, respectively, of interest expense on the Loan.

6. **Community Benefits (Unaudited)**

Services provided to the indigent and benefits provided to the broader community by the Medical Center are summarized below for the years ended December 31:

	2008	2007
Benefits for the indigent and uninsured (unpaid costs):		
Traditionally charity care and uninsured	$ 8,910,260	$ 9,688,733
Benefits for the broader community:		
Unpaid costs of Medicare and Medicaid programs	16,015,103	18,102,491
Other community benefits	2,878,441	3,046,433
Total quantifiable benefits for the broader community	$ 27,803,804	$ 30,837,657

Benefits for the indigent include services provided to persons who cannot afford health care because of inadequate resources or who are uninsured. This amount includes the estimated costs of services associated with traditional charity care and other services such as emergency room services.

Benefits for the broader community include the unpaid cost of treating Medicare and Medicaid beneficiaries in excess of the government payments. These benefits also include services provided to other needy populations that may not qualify as indigent but that require special services and support. Examples include the cost of health promotion and education, an assistance program for the elderly, health clinics and screenings, special assessments by the Parish to fund MITs, health care for the Parish correctional center, and funding assistance for a nonprofit community clinic, all of which, in management's opinion, benefit the broader community.

7. Governmental Regulations

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes, and regulations by health care providers in recent years. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Medical Center is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations. However, assessment of our 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.

Legislation and regulation at all levels of government have affected and are likely to continue to affect the operation of the Medical Center. Federal health care reform legislation proposals debated in Congress in recent years have included significant reductions in Medicare and Medicaid program reimbursement to hospitals and the promotion of a restructured delivery and payment system focusing on competition among providers based on price and quality, managed care, and steep discounting or capitated payment arrangements with many, if not all, of the Medical Center's principal payers. It is not possible at this time to determine the impact on the Medical Center of government plans to reduce Medicare and Medicaid spending, government implementation of national and state health care reform, or market-initiated delivery system and/or payment methodology changes. However, such changes could have an adverse impact on operating results, cash flows, and estimated debt service coverage of the Medical Center in future years.

In October 2008, the Medical Center agreed to settle pending litigation filed in 2004 on behalf of the U.S. Department of Health and Human Services (DHH) which alleged that the Medical Center improperly billed the Medicaid program for certain services rendered between 1998 and 2003. While the Medical Center did not admit liability, the Medical Center agreed to the settlement to avoid protracted proceedings. As a result of the settlement agreement, the Medical Center paid a combined total of approximately $3.56 million to the federal government and the State of Louisiana. In addition, the Medical Center entered into a compliance agreement with the federal government to continue implementation of the Medical Center's compliance program and to comply with reporting requirements contained in the compliance agreement.

8. Employee Benefits

The Retirement Plan for Employees of West Jefferson Medical Center

West Jefferson Medical Center operates under the jurisdiction of the Parish Council of Jefferson Parish, Louisiana (the "Parish") as Jefferson Parish Hospital Service District No. 1. A Louisiana Attorney General opinion empowers hospital service districts to create pension plans for officers and employees and to fund the plan with district funds.

The Retirement Plan for Employees of West Jefferson Medical Center (the "Plan") is a single-employer, non-contributory, defined public employee retirement system (PERS). The Plan covers certain employees of West Jefferson Medical Center (the Employer) who met certain length of service requirements through December 31, 2005 and is funded through employer contributions and investment earnings.

Plan Description

The Medical Center contributes to the Retirement Plan for Employees of West Jefferson Medical Center (the Plan). No new entrants were allowed to participate in the plan after December 31, 2005. As a governmental entity, the Plan provides disclosures required by the Governmental Accounting Standards Board (GASB).

The Medical Center's total payroll for all employees and the total covered payroll for the year ended December 31, 2008, amounted to approximately $86,959,716 and $44,148,000, respectively, and $91,741,000 and $49,735,000, respectively, for the year ended December 31, 2007. Covered payroll refers to all compensation paid by the Medical Center to active employees covered by the Plan on which contributions to the Plan are based.

	2008	2007
Active employees	818	919
Retirees and beneficiaries currently receiving benefits	753	712
Terminated vested participants	475	462
Total plan membership*	2,046	2,093

*The total retirees and beneficiaries count of 475 includes 67 participants who, under an amendment to the Plan effective November 1, 2007, elected enhanced early retirement benefits under the Voluntary Retirement Incentive Program (VRIP) with effective retirement dates ranging from January 1, 2008 to April 1, 2008. See "Plan Amendments" discussed below.

Eligibility Requirements

An employee is eligible to participate in the Plan as of the date they have completed one year of service of 1,000 hours or more and attained at the age of 21. No new entrants are allowed to participate in the Plan after December 31, 2005.

Benefits Retirement

The Plan provides retirement benefits as well as death and disability benefits. Prior to July 1, 2002, all benefits were fully vested after 10 years of credited service. Effective July 1, 2002, all employees become fully vested after 5 years of credited service. The basic annual retirement benefit at age 65 is a benefit payable for life in an amount equal to the number of years of credited service up to 30 years, multiplied by the sum (1) 1.2 percent of final average monthly compensation (2) 0.65 percent of final average monthly compensation in excess of "covered" compensation," which is defined as the average of the Social Security Taxable Wage Base for the 35-year period ending in the year in which social security normal retirement age is attained. Final average monthly compensation is defined as the monthly compensation of a participant averaged over the 5 consecutive calendar years which produces the highest monthly average within the last 10 calendar years preceding the earlier of retirement or termination of employment. Employees with 10 years of credited service may elect to receive a reduced benefit beginning at age 55.

Deferred and Disability Benefits

A Plan member leaving employment after 10 years of credited service but before attaining retirement age or who ceases active employment because of total and permanent disability after 10 years of credited service but before attaining retirement age is eligible for deferred benefits or may elect to receive reduced benefits beginning on the early retirement date.

Survivor Benefits

The survivor benefit provided under the Plan is a death benefit for a vested participant in the form of survivor annuity. Such annuity payments are generally equal to 50 percent of the amount which would be payable to the participant if he or she had survived and elected to commence receiving a retirement income at the earliest date allowed under the Plan.

Contributions

The employer is required to contribute amounts necessary to provide the benefits under the Plan determined by the application of accepted actuarial methods and assumptions.

Plan Termination

The Medical Center has the right under the Plan to discontinue its contributions at anytime and to terminate the Plan. See further discussion below under "Plan Amendment."

Contributions Required and Contributions Made

The funding policy of the Plan for periodic employer contributions at actuarially determined rates that are sufficient to pay benefits when due. The actuarial funding method used to determine the normal cost and the unfunded actuarial accrued liability, amortized over 30 years, for purposes of determining contribution requirements is the entry age normal cost method. The significant actuarial assumptions underlying the actuarial method used to compute the contribution requirement are the same as those used to compute the pension benefit obligation.

The actuarially determined contribution requirement for 2008, accrued by the Plan, is $2,333,775. The actual contribution paid by the employer during 2008 relating to the 2007 contribution requirement was $1,864,390. The 2008 contribution requirement consists of (a) $863,945 normal cost, (b) $1,296,958 amortization of the unfunded actuarial accrued liability and (c) $172,872 net interest cost. The actuarially determined contribution requirement for 2007, accrued by the Plan, was $1,864,390. The actual contribution paid by the employer during 2007 relating to the 2006 contribution requirement was $2,123,511. The 2007 contribution requirement consists of (a) $1,044,753 normal cost, (b) $681,534 amortization of the unfunded actuarial accrued liability and (c) $138,103 net interest cost.

Funding Status

The amount shown below as pension benefit obligation, determined as part of an actuarial valuation as of January 1, 2008, represents a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the Plan's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits.

The following is a summary for the changes in the actuarial present value of accumulated plan benefits for the years ended December 31, 2008:

Annual pension cost and net pension obligation:	
Annual required contribution	$ 2,333,775
Contribution made (related to prior year obligations)	(1,864,390)
Increase in net pension obligation	469,385
Net pension obligation, beginning of year	1,864,390
Net pension obligation, end of year	$ 2,333,775

Significant actuarial assumptions used in the valuation include a rate of return on the investment of present and future assets of 8% per year, compounded annually, and projected salary increases based on merit of 3% per year compounded annually.

Changes in Accumulated Plan Benefits

The following is a summary of the changes in the actuarial present value of accumulated plan benefits for the years ended December 31:

	2008	2007
Actuarial present value of accumulated plan, benefits at beginning of year	$ 65,146,953	$ 53,840,766
Increase (decrease) attributable to:		
Benefits accumulated, including actuary loss	1,951,027	2,423,270
Assumed interest from beginning of year	5,060,742	4,209,913
Benefits paid	(3,849,422)	(2,481,440)
Plan Amendments	-	7,154,444
Net increase	3,162,347	11,306,187
Actuarial present value of accumulated plan benefits at end of year	$ 68,309,300	$ 65,146,953

Trend Information

Historical trend information as of January 1 is presented below to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2008	$2,333,775	100%	$2,333,775
December 31, 2007	$1,864,390	100%	$1,864,390
December 31, 2006	$2,123,511	100%	$2,123,511

The 2008 audited financial statements of the Plan include certain required supplementary information related to net actuarial value of assets and accrued liabilities, funded ratios, and annual covered payroll.

Tax Qualification

The Plan is a tax qualified plan under IRS Code Section 401(a).

Plan Amendments

In 2005, the Medical Center adopted a change to the Plan that amends the Plan effective January 1, 2006. The change freezes participation after December 31, 2005 (no new participants) and offer active participants as of January 1, 2006 a one-time irrevocable election to either (1) freeze their benefits under the Plan as of December 31, 2005, with no future accruals but with enhanced benefits available under a new 403(b) Defined Contribution Plan (the "new Defined Contribution Plan"), or (2) continue further accruals under the Plan after December 31, 2005, but without the enhanced benefits otherwise available under the new Defined Contribution Plan (see below).

In 2007, the Medical Center adopted an amendment to the new Defined Contribution Plan effective November 1, 2007. The change provides enhanced retirement benefits to eligible participants electing retirement under the Voluntary Retirement Incentive Program (VRIP) by December 17, 2007. Participants age 55 or older with at least 20 years of credited service by December 31, 2007 were granted the most favorable combination of 10 total additional years of age and service (with a forty year service cap) if they retired under the VRIP with an approved retirement date ranging from January 1, 2008 to April 1, 2008. Of a total of 119 eligible employees, 67 participants elected to accept enhanced retirement benefits under the VRIP. The Plan's actuarial accrued liability increased $5,903,534 as a result of these elections under the VRIP.

Other Benefits

The Medical Center provides a supplemental executive retirement plan (SERP) as well as a contributory flexible benefit plan to certain key employees. The Medical Center's contribution to the plan in 2008 was $234,000 while 2007 reflected a credit of approximately $964,000 due to forfeitures of unvested executive supplemental pension benefits. Net assets and liabilities associated with the plans were approximately $166,000 and $203,000 at December 31, 2008 and 2007, respectively, and are included in noncurrent assets and noncurrent liabilities in the accompanying combined financial statements.

Defined Contribution 403(b) Plan

All new employees after December 31, 2005 and any employees who elected out of the Plan (see above) are eligible to join the Medical Center's new Defined Contribution 403(b) Plan. Employer contributions to the 403(b) plan totaled $1,522,397 and $1,445,945 for the year ended, December 31, 2008, and 2007, respectively. New employees are immediately eligible to make pre-tax contributions to the plan and receive employer matching contributions. To receive the employer annual non-discretionary contribution based on years of service, employees must complete at least 12 months of service and 1,000 hours by December 31st of the current plan year.

9. Related Parties

The Service Corporation operates under the jurisdiction of the Parish Council of Jefferson Parish and the management of a board of directors appointed by the board of directors of the Medical Center. The primary purpose of the Service Corporation is to support the activities of the Medical Center and to develop and facilitate various health service activities, including joint venture activities, for the benefit of the Medical Center, as authorized by Louisiana Statutes and Federal Regulations. The Service Corporation is the leasing agent for various medical office buildings owned by the Medical Center.

Included in the Service Corporation's results are four joint ventures. The joint ventures are an MRI, a CT Scan, and an ambulatory surgery center, each of which the Service Corporation owns 50%, and a radiosurgery center of which the Service Corporation owns a 64.4% interest. The joint ventures were recorded using the equity method for investment.

The Service Corporation and its joint ventures purchase services from, or on behalf of, the Medical Center including personnel, occupancy and other costs. These costs were $120,000 and $350,000 in 2008 and 2007, respectively, of which $185,000 and $351,000, respectively, was payable to the Medical Center as of December 31, 2008 and 2007, respectively.

The Medical Center also pays the Service Corporation fees for managing the professional office buildings and other services. In 2008 and 2007 the Service Corporation earned approximately $227,000 and $212,000 respectively. As of December 31, 2008 and 2007 the Service Corporation had accounts receivable due from the Medical Center of approximately $290,000 and $327,000, respectively.

During 2005, the indigent care policy was replaced with a new policy where the Service Corporation donates funds to the Medical Center for various activities that benefit the Medical Center and the surrounding community. For the year ending December 31, 2008, the Service Corporation donated $2,000,000 in cash to the Medical Center. For the year ended December 31, 2007, the Service Corporation donated $4,173,292 to the Medical Center. Four million in cash was donated along with donated property with a purchase value of $173,292.

The Medical Center paid no amounts to members of its board of directors for compensation or per diem in 2008 and 2007. Board members are provided health insurance benefits under the Medical Center's health insurance plan.

10. Concentrations of Credit Risk

The Medical Center grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables due from patients and third-party payers was as follows:

	December 31	
	2008	2007
Medicare	25 %	20 %
Medicaid	10 %	11 %
Managed care	45 %	51 %
Other	11 %	13 %
Self-pay	9 %	5 %
	100 %	100 %

11. Operating Leases

The Medical Center has entered into several long-term operating leases. The future commitments resulting from these leases are as follows:

2009	$	828,953
2010		711,547
2011		523,533
2012		365,132
2013		38,487
Thereafter		24,178
	$	2,491,830

12. Effects of Hurricanes

Hurricane Gustav

As a result of the effects of Hurricane Gustav which made landfall on August 31, 2008, the Medical Center incurred an estimated net patient revenue impact of approximately $4.0 million. The Medical Center also incurred approximately $3.1 million in direct labor costs, sheltering, facility repairs and other expenses associated with the hurricane. Under the terms of the Medical Center's casualty and business interruption insurance coverage, the Medical Center will not be reimbursed for these amounts. The Medical Center is working with the Federal Emergency Management Agency ("FEMA") on requests for reimbursement of incurred eligible expenses and repairs. At December 31, 2008 the Medical Center has not received from FEMA any reimbursement of eligible Hurricane Gustav expenses and repairs.

Hurricane Katrina

Hurricane Katrina made landfall on August 29, 2005. As a direct result, the Medical Center incurred an estimated $1.9 million of facility and equipment damage, incurred approximately $5.2 million in additional incremental expenses and its net patient revenue was impacted due to business interruption. The Medical Center engaged outside consultants to assist with preparing claims under its casualty and business interruption insurance coverage.

In August 2006 the Medical Center initiated legal proceedings against its business interruption insurance carrier seeking to recover amounts the Medical Center believed it was due under its business interruption coverage. In August 2007, the Medical Center settled its outstanding business interruption and property damage insurance claims and received payments of approximately $5.1 million to settle these claims. As a result of the settlement, the Medical Center released its claims against its insurer and dismissed the litigation initiated in August 2006. Of the settlement amount, approximately $4.8 million was included in other operating revenues and approximately $300,000 included as other current liabilities as the amount was due to a third party at December 31, 2007.

The Medical Center also engaged consultants to assist in submitting requests for reimbursement to FEMA for those qualifying expenses that, due to insurance coverage limitations, were not reimbursed under its casualty or business interruption insurance. In 2006, the Medical Center received approximately $1.5 million of reimbursements from FEMA, the majority of which was recorded as other non-operating income. At December 31, 2006 the Medical Center recorded a $381,000 receivable for amounts FEMA reimbursed in early 2007. For the remainder of 2007, the Medical Center received approximately $172,000 from FEMA covering reimbursement for property damages not covered by insurance.

At December 31, 2007 the Medical Center recorded approximately $1.5 million in receivables for amounts FEMA reimbursed in early 2008. In addition, the Medical Center recorded a receivable of $148,000 representing amounts expended on projects for which FEMA has obligated funding. The Medical Center continues to work with FEMA to obtain any remaining reimbursements from Hurricane Katrina.

RETIREMENT PLAN FOR EMPLOYEES OF
WEST JEFFERSON MEDICAL CENTER
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
December 31, 2001 thrugh 2008

Year		Annual Required Contribution	Percentage Contributed
2008	$	2,333,775	100%
2007	$	1,864,390	100%
2006	$	2,123,511	100%
2005	$	2,739,608	100%
2004	$	2,483,379	100%
2003	$	1,980,141	100%
2002	$	1,577,881	100%
2001	$	1,016,964	100%

SCHEDULE OF FUNDING PROGRESS
December 31, 2001 through 2008

(1) Actuarial Valuation Date		(2) Actuarial Value of Assets (AVA)		(3) Actuarial Accrued Liability (AAL)		(4) Actuarial Accrued (Prefunded) Liability (UAAL) (3)-(2)	(5) Funded Ratio (2)/(3)		(6) Annual Covered Payroll	(7) UAAL as a Percent of Payroll (4)/(6)
01/01/09	$	55,077,129 *	$	76,327,335	$	21,250,206	72.2%	$	44,147,514	48.1%
01/01/08	$	57,248,337	$	73,017,274	$	15,768,937	78.4%	$	49,734,574	31.7%
01/01/07	$	54,358,247	$	62,644,610	$	8,286,363	86.8%	$	58,108,577	14.3%
01/01/06	$	45,636,913	$	57,977,462	$	12,340,549	78.7%	$	61,076,105	20.2%
01/01/05	$	43,037,997	$	56,595,243	$	13,557,246	76.0%	$	62,387,862	21.7%
01/01/04	$	40,899,923	$	52,037,852	$	11,137,929	78.6%	$	60,701,967	18.3%
01/01/03	$	36,200,000	$	51,120,377	$	14,920,377	70.8%	$	48,455,441	30.8%
01/01/02	$	39,700,000	$	45,712,387	$	6,012,387	86.8%	$	44,903,940	13.4%
01/01/01	$	41,300,000	$	42,020,625	$	720,625	98.3%	$	42,532,749	1.7%

* Effective with the 01/01/09 actuarial valuation, the actuarial value of assets recognizes the difference between expected and actual total investment return over 3 years.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The information presented in the preceding required supplementary scheduled was determined as part of the actuarial valuations dates indicated. Additional information as of the latest valuation follows:

Valuation date	January 1, 2009
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Remaining amortization period	30 years
Asset valuation method	5-Year Smoothing
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	3.00%
Projected social security increase	3.00%
Cost of living adjustment	None

See independent auditors' report.

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

The Board of Directors
West Jefferson Medical Center

We have audited the financial statements of the West Jefferson Medical Center (the Medical Center) as of and for the year ended December 31, 2008, and have issued our report thereon dated April 17, 2009. 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 Medical Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Medical Center's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity'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 Medical Center's financial statements that is more than inconsequential will not be prevented or detected by the Medical Center's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Medical Center'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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Medical Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is included in the schedule of findings and questioned costs as item 2008-1.

This report is intended solely for the information of the Medical Center, the Medical Center's management; federal, state and Medical Center awarding agencies; and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite + Netterville

Metairie, Louisiana
April 17, 2009

2008-1 Energy Savings Contracts

Criteria: The Medical Center should follow public bid law for the purchase of all movable equipment pursuant to La. R.S. 9:3304.

Condition: In August, 2002, the Medical Center entered into a performance contract with a vendor to lease movable equipment. The Medical Center did not bid the purchase of movable equipment in violation of Louisiana statute.

Context: In August, 2002, the Medical Center entered into a lease with Johnson Controls to lease movable equipment under separate lease agreement for a period of 10 years, whereby the vendor promised both measurable ($2,737,050) and stipulated savings ($947,127). The vendor is required under the terms of the contract to periodically compute savings in accordance with formulae included in the contract. When the savings do not amount to the measurable savings included the contract, the Medical Center is entitled to and has received a refund.

The Medical Center does not have support for the determination of amount of the stipulated savings included in the contract.

The equipment leased included HVAC equipment. The net present value of the leased equipment for each equipment lease was $2,885,000. Total lease payments over the life of the lease amounted to $3,563,400.

Effect: The Medical Center may not be in compliance with Louisiana statutes regarding the lease of movable equipment under the contract as defined in the State law.

Recommendation: The Medical Center's management should review the contract to determine their legal status and appropriate claims or amendments to the contract should be made, if any.

Views of Responsible Officials and Planned Corrective Action : The performance contract referred to above was signed and took effect in 2002. The Medical Center's current Administration is currently working with the vendor to modify, amend, or terminate the contract as necessary to be in compliance with the applicable state law.

WEST JEFFERSON MEDICAL CENTER

Summary Schedule of Prior Year Audit Findings and Questioned Costs

Year ended December 31, 2008

Finding 2007-1

Medicare/Medicaid Receivables

Recommendation: The Medical Center has a process to prepare monthly reconciliations and review for appropriate support of reconciling items. We recommend a review of the reconciliation process with a periodic review of reconciling items.

Current Status: Resolved. The Medical Center has revised its receivable reconciliation process to insure that any reconciling items are highlighted and resolved during the month-end reconciliation process. In addition, the Medical Center has added an account to its general ledger to separately record the sub-ledger balance of receivables to insure that these amounts agree each period.

Finding 2007-2

Bid Compliance

Recommendation: The Medical Center has procedures and policies related to compliance in this area. Any potential deviations should be researched and documented accordingly, with appropriate approvals as permitted by LSA-RS.

Current Status: Resolved. The Medical Center has in place a dedicated employee who is responsible for soliciting bids as required by Louisiana Revised Statutes governing such activity. The Medical Center works with its Compliance Officer to insure that the Medical Center refers all solicitation requests to the designated employee. The Compliance Officer insures that the Medical Center complies with its policies and procedures.