ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Luling, Louisiana

Audited Consolidated Financial Statements

July 31, 2013 and 2012

LAPORTE
CPAs & BUSINESS ADVISORS

Contents

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Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying financial statements of St. Charles Parish Hospital Service District (the Hospital), a component unit of the St. Charles Parish Council, as of and for the years ended July 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Hospital's basic consolidated financial statements as listed in the table of contents.

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

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

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

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

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Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of the Hospital, a component unit of the St. Charles Parish Council, as of July 31, 2013 and 2012, and the respective changes in its net position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters
The Hospital has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic consolidated financial statements. Such missing information, although not part of the basic consolidated financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economical, or historical context. Our opinion on the basic consolidated financial statements is not affected by this missing information.

Other Information
Our audit was conducted for the purpose of forming opinions on the consolidated financial statements that collectively comprise the Hospital's basic consolidated financial statements. The Schedule of Board of Commissioners and Compensation and the Schedule of Bonds and Certificates of Indebtedness are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements.

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2014, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

LaPorte

A Professional Accounting Corporation

Metairie, LA
February 21, 2014

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Consolidated Statements of Net Position
July 31, 2013 and 2012

	2013	2012
Assets		
Current assets		
Cash and cash equivalents	$ 93,380	$ 420,740
Patient accounts receivable, net of estimated uncollectibles and allowances of $14,378,549 for 2013 and $11,757,487 for 2012	5,899,448	5,241,144
Other receivables	269,650	384,979
Estimated third-party settlements	645,580	1,252,117
Assets whose use is limited	1,890,599	1,642,212
Inventory	1,323,914	1,257,463
Prepaid expenses	1,387,809	546,032
Total current assets	11,510,380	10,744,687
Noncurrent cash and investments		
Assets whose use is limited:		
By board for indenture reserves	1,890,599	1,642,212
By indenture agreement for capital acquisition	4,020,415	-
Total assets whose use is limited	5,911,014	1,642,212
Less: amounts required to meet current obligations	1,890,599	1,642,212
Noncurrent assets whose use is limited	4,020,415	-
Capital assets, net	30,800,963	30,366,004
Other assets		
Investment in joint venture	1,045,440	1,045,440
Bond issuance costs, net of amortization	63,535	64,946
Deposits	58,243	58,246
Total other assets	1,167,218	1,168,632
Total assets	$ 47,498,976	$ 42,279,323

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

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Consolidated Statements of Net Position (Continued)
July 31, 2013 and 2012

	2013	2012
Liabilities and net position		
Current liabilities		
Accounts payable	$ 3,204,918	$ 6,271,125
Current maturities of long-term debt	3,130,000	2,960,000
Current maturities of multi-employer pension withdrawal liability	608,280	-
Accrued salaries and benefits	1,604,107	1,769,737
Accrued interest payable	879,372	762,400
Accrued self-insurance health claims	215,087	130,413
Cash overdraft	372,206	198,130
Other accrued expenses	137,324	47,951
Total current liabilities	10,151,294	12,139,756
Long-term debt and other liabilities		
Long-term debt	45,395,315	34,425,179
Multi-employer pension withdrawal liability	4,079,418	-
Lease deposits	17,452	17,452
Total long-term debt and other liabilities	49,492,185	34,442,631
Net position		
Invested in capital assets	(2,702,851)	(535,975)
Unrestricted	(9,441,652)	(3,767,089)
Total net position	(12,144,503)	(4,303,064)
Total liabilities and net position	$ 47,498,976	$ 42,279,323

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

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Consolidated Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended July 31, 2013 and 2012

	2013	2012
Net patient service revenues	$ 22,328,763	$ 22,553,679
Other operating revenues	7,149,447	7,842,382
Total operating revenues	29,478,210	30,396,061
Operating expenses		
Salaries and wages	16,399,389	16,146,615
Supplies and other	10,836,101	10,114,668
Purchased services	3,121,711	2,677,678
Depreciation and amortization	3,143,587	3,036,819
Employee benefits	3,302,118	3,592,827
Total operating expenses	36,802,906	35,568,607
Operating loss	(7,324,696)	(5,172,546)
Nonoperating revenues (expenses)		
Ad Valorem taxes - maintenance	2,773,097	2,640,788
Ad Valorem taxes - debt service	3,501,244	3,333,049
Noncapital grants and contributions	24,073	38,284
Interest income	11,205	7,165
Interest expense	(2,138,532)	(1,669,023)
(Loss) gain on disposal of equipment	(134)	397,769
Changes in net assets - services corporation	2	2
Total nonoperating revenues (expenses)	4,170,955	4,748,034
Income before other revenues, expenses, gains, losses, and transfers	(3,153,741)	(424,512)
Special Item - Pension plan withdrawal expense	(4,687,698)	-
Change in net position	(7,841,439)	(424,512)
Net position, beginning of year	(4,303,064)	(3,878,552)
Net position, end of year	$ (12,144,503)	$ (4,303,064)

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

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Consolidated Statements of Cash Flows
For the Years Ended July 31, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Revenue collected	$ 29,541,772	$ 29,951,041
Payments to employees and for employee-related costs	(19,782,463)	(19,495,128)
Payments for operating expenses	(17,668,795)	(9,510,021)
Net cash (used in) provided by operating activities	(7,909,486)	945,892
Cash flows from noncapital financing activities		
Ad Valorem taxes - maintenance	2,773,097	2,640,789
Ad Valorem taxes - debt service	3,501,244	3,333,049
Noncapital grants and contributions	24,073	38,284
Net cash provided by noncapital financing activities	6,298,414	6,012,122
Cash flows from capital and related financing activities		
Proceeds from issuance of general obligation bonds	14,145,136	-
Proceeds from issuance of limited tax bonds	-	6,000,000
Principal payments on general obligation bonds	(1,480,000)	(1,275,000)
Principal payments on certificates of indebtedness	-	(4,300,000)
Principal payments on limited tax bonds	(1,525,000)	(1,495,000)
Principal payments under capital lease obligations	-	(189,200)
Cash paid for interest on debt obligations	(2,372,186)	(2,021,741)
Proceeds from disposal of capital assets	39,000	400,000
Purchase of capital assets (property, plant and equipment)	(3,265,643)	(4,276,980)
Net cash provided by (used) in capital and related financing activities	5,541,307	(7,157,921)
Cash flows from investing activities		
Cash received as interest	11,205	7,165
Changes in net assets - services corporation	2	-
(Increase) decrease in assets whose use is limited	(4,268,802)	473,423
Net cash (used in) provided by investing activities	(4,257,595)	480,588
Net (decrease) increase in cash and cash equivalents	(327,360)	280,681
Cash and cash equivalents, beginning of year	420,740	140,059
Cash and cash equivalents, end of year	$ 93,380	$ 420,740

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

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Consolidated Statements of Cash Flows (Continued)
For the Years Ended July 31, 2013 and 2012

	2013	2012
Reconciliation of loss from operations to net cash (used in) provided by operating activities		
Operating loss	$ (7,324,696)	$ (5,172,546)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities		
Depreciation and amortization	3,143,587	3,036,819
Provision for bad debts	6,426,338	7,580,157
Changes in operating assets and liabilities:		
Increase in accounts receivable	(7,084,642)	(7,824,764)
Increase in inventory	(66,451)	(127,387)
(Increase) decrease in prepaid expenses	(841,777)	112,435
Decrease (increase) in estimated third-party payor settlements	606,537	(54,200)
Decrease (increase) in other receivables	115,329	(146,213)
Decrease (increase) in other assets	3	(41,822)
(Decrease) increase in accounts payable	(3,066,207)	3,190,219
(Decrease) increase in accrued salaries and benefits	(165,630)	197,078
Increase in accrued self-insurance health claims	84,674	47,236
Increase in cash overdraft	174,076	149,713
Increase (decrease) in other accrued expenses	89,373	(833)
Net cash (used in) provided by operating activities	$ (7,909,486)	$ 945,892
Schedule on noncash investing, capital and financing activities		
Interest cost capitalized on construction in progress	$ 332,614	$ 368,114
Liability incurred in settling its pension obligation	$ 4,687,698	$ -

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

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

Reporting Entity

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

The St. Charles Hospital Continuum of Care Corporation (SCHCCC) was incorporated on August 10, 2006 with a subsequent name change to St. Charles Health Initiatives, Inc. (SCHII). SCHII is a non-profit hospital that principally provides housing, healthcare, and other related services to residents. While legally separate from the Hospital, SCHII is reported as if it were a part of the Hospital because of the presence of a shared governing body. As a component unit of the Hospital, the operations of SCHII are included in the financial statements of the Hospital for the years ended July 31, 2013 and 2012. In preparing these financial statements, all inter-company transactions and balances have been eliminated.

St. Charles Hospital Services Corporation (the Corporation) is a non-profit entity that, while legally separate from the Hospital, is reported as if it were a part of the Hospital because of the presence of a shared governing body with the Hospital. As a component unit of the Hospital, the operations of the Corporation are included in the financial statements of the Hospital; however, the operations of the Corporation became dormant. During the year ended July 31, 2007, the Corporation changed its name to the St. Charles Continuum of Care Corporation after the SCHCCC mentioned above changed its name to St. Charles Health Initiatives, Inc.

On July 2, 2013, Plantation View Medical Offices (PVMO) was formed with St. Charles Parish Hospital being the sole member. PVMO was formed as a not-for-profit corporation for the purpose of building a medical office building on the east bank of St. Charles Parish. For the year ended July 31, 2013, there was no activity in PVMO.

Accounting Standards

In 2013, the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity*: Changes under Statement No. 61 include an increased emphasis on financial relationships between primary governments and other organizations, clarification of the requirements to blend component units, and clarification of reporting equity interests in legally separate organizations. The adoption of this Statement did not have a significant impact on the financial statements.

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

Accounting Standards (Continued)

In 2013, the Hospital adopted the principles of Governmental Accounting Standards Board (GASB) statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) Pronouncements*. GASB No. 62 incorporates into GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure. The adoption of GASB No. 62 does not have any impact on the Hospital's consolidated financial statements.

In 2013, the Hospital also adopted the provisions of GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement specifies where deferred outflows of resources and deferred inflows of resources, as well as assets and liabilities, should be displayed. It also specifies that net assets will no longer be displayed, replacing that categorization with the term net position. The effect to the Hospital's consolidated financial statements is that its balance sheet is now titled statement of net position, and that any reference to net assets is now replaced with the term net position.

Enterprise Fund Accounting

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

Cash and Cash Equivalents

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

Assets Whose Use is Limited

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

Inventory

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

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

Capital Assets

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

Net Position

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, *as amended,* net position is classified into three components – net investment in capital assets, restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

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

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

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

Costs of Borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets, net of interest earned on these borrowed funds. See Note 15 for further details.

Use of Estimates

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

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

Net Patient Service Revenue and Related Receivables

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

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

Non-Direct Response Advertising

The Hospital expenses advertising costs as incurred.

Compensated Absences

Employees of the Hospital are entitled to paid time off depending on their length of service and other factors. Accrued compensated absences, included as a component of accrued salaries and benefits on the Hospital's balance sheets, were $795,320 and $745,023, as of July 31, 2013 and 2012, respectively.

Grants and Contributions

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

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

Grants and Contributions (Continued)

Government grants are recognized as income when there is reasonable assurance that the Hospital will comply with the conditions attaching to them, and that the grants will be received. This revenue is recorded as either operating revenue or nonoperating revenue dependent upon how the transaction is classified on the statement of cash flows. Cash flows that do not meet the reporting criteria for investing, capital financing or non capital financing would be reported as operating activities, with their associated revenue reported as operating revenue within the statement of revenues, expenses and changes in net assets.

Unamortized Bond Costs

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

Operating Revenues and Expenses

The Hospital's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the Hospital's principal activity. Non-exchange revenues, including taxes and certain grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses include all expenses incurred to provide health care services, other than financing costs.

Note 2. Operating Results and Liquidity

As shown in the accompanying financial statements, the Hospital incurred an overall decrease in net position of $7,841,439 for the year ended July 31, 2013. As of that date, the Hospital's current assets exceed its current liabilities; however, total liabilities exceed total assets.

Subsequent to the date of the financial statements, but prior to the date of the independent auditor's report, the Hospital has been in receipt of a distribution of approximately $2,600,000 million of Rural Hospital Grant reimbursements. Disproportionate Share reimbursements have been eliminated due to State of Louisiana budget short falls and replaced by Rural Hospital Grants. As a result of this change, the Rural Hospital Coalition, in collaboration with the State, was successful in replacing Disproportionate Share Reimbursements to rural hospitals. The receipt of these funds is expected to continue with an additional distribution of $2,500,000 for the 2014 fiscal year. However, guarantee of continued legislative appropriation of these funds cannot be assured.

The Hospital received approximately $2.77 million of ad valorem taxes for maintenance during the fiscal year ending July 31, 2013 which was used to pay down the Taxable Limited Tax Bonds, Series 2008A, 2010 and 2011, in the amount of approximately $1,612,000 as presented in Note 10.

Note 2. Operating Results and Liquidity (Continued)

During the year ending July 31, 2011, the Hospital first met the meaningful use definition to receive the Medicare and Medicaid Electronic Health Record Incentive Payments. In fiscal year July 31, 2013, the Hospital received $835,600 of Stage 1, Year 2 payment. It is anticipated that the Hospital will continue to meet the future meaningful use definitions.

Actions taken by, and planned by, Hospital management to affect future operations include:

- A new state of the art Emergency Department which opened in May 2012. This enhanced the Hospital's ability to provide more efficient services to the residents of St. Charles Parish which has increased overall use of the facility. Emergency Department daily visits have increased from 34 visits per day to 40 visits per day since the opening of this new facility.

- The chief financial officer continues to identify and help with management of costs of the Hospital. He has also been assigned the task of identifying areas of potential revenue growth opportunities.

- In an effort to increase Hospital revenues, a successful bond issue of $15,000,000 was approved by the residents of St. Charles Parish in April 2012. The funds are being used to recruit physicians in the specialties of Cardiology, Digestive Care, Pulmonology, Orthopedics/Sports Medicine and Ophthalmology. The Bonds are being used to equip the main hospital with state of the art equipment and staff for a Catheterization Lab and to purchase new ambulances to service both the East and West Banks of St. Charles Parish. Finally, the bond proceeds will address the need for more primary care and after-hours care with a new fully staffed facility on the East Bank of St. Charles Parish.

- The Hospital has an agreement with Cardiovascular Institute of the South (A Professional Medical Corporation) (CIS) to provide services to the citizens of St. Charles Parish. A Cardiologist began to practice in March 2013 on a full time basis at the Hospital. A vascular catheterization lab opened in July 2013. By the end of fiscal year 2014, a complete Cardiac Catheterization Lab will be operational.

- In September 2011, the Hospital entered into a cooperative agreement with Schonberg & Associates of Gulf Coast I, LLC (Schonberg), for the purpose of providing Schonberg's construction and operation of an assisted living facility on property owned by the Hospital. The purpose was accomplished through the formation of a limited liability company, Ashton Plantation Real Property, LLC (the Company), owned by the Hospital and Schonberg. The Hospital contributed land with a carrying value of $1,045,440 as its capital contribution to the Company in exchange for 9.9% interest in the Company. If the Company is dissolved prior to September 1, 2015, the Company's assets will be liquidated and $1,000,000 will be returned to the Hospital after payment is made to the creditors of the Company. The assisted living facility opened in January 2013.

Note 2. Operating Results and Liquidity (Continued)

Management believes that its current cash flow from operations, Tax Revenues, Rural Hospital Grants, and its ability to secure additional capital through certificates of indebtedness together with the enhancements to operations and other actions will allow the Hospital to meet its operational expenses and debt service. However, there are no assurances that such results will be achieved.

Note 3. Net Patient Service Revenue

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

The primary third-party programs include Medicare and Medicaid, which accounts for approximately 50% of the Hospital's net patient service revenue.

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

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

The Hospital is paid for inpatient psychiatric care services rendered to Medicare program beneficiaries under a payment methodology which, during a transitional period, utilizes a blended rate of cost-based and prospective payment methodologies. The cost-based component is subject to cost report settlement.

Outpatient services were paid via cost reimbursement methodologies, fee schedule limitations, or cost/fee blending methodologies before August 1, 2000. After August 1, 2000, cost based and cost/fee blending reimbursed services are paid at predetermined outpatient rates, subject to certain stop-loss provisions, referred to by Medicare as the transitional corridor. The transitional corridor will limit potential reductions in reimbursement caused by the implementation of the outpatient prospective payment system through 2004.

Note 3. Net Patient Service Revenue (Continued)

Cost reimbursed outpatient services were paid at a tentative rate, with final settlement determined after submission of annual cost reports by the Hospital and audits performed thereof by the Medicare fiscal intermediary.

Outpatient services subject to the outpatient prospective payment system are not subject to cost report settlement with several exceptions, and without regard to the transitional corridor.

The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through July 31, 2009.

Medicaid - Inpatient care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per day. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through July 31, 2010.

Revenue from the Medicare and Medicaid programs accounted for approximately 29.2 percent and 21.7 percent, respectively, of the Hospital's net patient revenue, for the year ended July 31, 2013. Revenue from the Medicare and Medicaid programs accounted for approximately 25.8 percent and 29.7 percent, respectively, of the Hospital's net patient revenue, for the year ended July 31, 2012.

The laws and regulations under which Medicare and Medicaid programs operate are complex, and subject to interpretation and frequent changes. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Adjustments to estimated settlements resulted in a decrease to net patient service revenue of $23,383 in 2013. Adjustments to estimated settlements resulted in a decrease to net patient service revenue of $24,593 in 2012.

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

Note 3. Net Patient Service Revenue (Continued)

A summary of the Hospital's net patient service revenue for the years ended July 31, 2013 and 2012, is as follows:

	2013	2012
Gross patient service revenue	**$ 81,050,864**	$ 77,107,926
Less: contractual adjustments	**(48,980,963)**	(44,973,984)
Less: provision for bad debts	**(6,426,338)**	(7,580,157)
Less: free care	**(3,314,800)**	(2,000,106)
Net patient service revenue	**$ 22,328,763**	$ 22,553,679

Since the Hospital serves a disproportionate share of low-income patients, it qualifies for additional reimbursements. As mentioned in Note 2, the Hospital received a Rural Hospital Grant. The grant funds totaled $5,306,565. During the year ended July 31, 2012, the Hospital received Medicaid Disproportionate Share reimbursements of $5,264,860. The funds received in 2013 and 2012 are classified within other operating revenues.

Note 4. Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are residents of St. Charles Parish and are insured under third-party payor agreements. The mix of accounts receivable due from patients and third-party payors was as follows as of July 31, 2013 and 2012:

	2013	2012
Medicare	**24 %**	22 %
Medicaid	**13**	16
Commercial	**15**	19
Private pay	**48**	43
	100 %	100 %

Note 5. Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Hospital maintains records to identify and monitor the level of charity care it provides to all of its qualifying patients. These records include the amount of charges foregone for services and supplies furnished under its charity care policy.

Note 5. Charity Care (Continued)

As presented in Note 3, the Hospital reduced its gross revenues for its cost of free care. For the years ended July 31, 2013 and 2012, free care totaled $3,314,800 and $2,000,106, respectively.

Note 6. Deposits and Investments

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

	2013	2012
Depository and money market accounts	**$ 5,632,188**	$ 1,864,822

Under state law, these deposits must be secured by either Federal deposit insurance or by the pledge of securities owned by a fiscal agent bank. The market value of the pledged securities plus the Federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent bank. At July 31, 2013, the Hospital had $6,961,808 in securities pledged by banks who are holding Hospital accounts that have balances in excess of the Federal deposit insurance amount.

Amounts in excess of Federal deposit insurance are secured by collateral held by the fiscal agent bank in the name of the Hospital.

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

Note 7. Assets Whose Use is Limited

Assets whose use is limited that are required for bond obligations classified as current liabilities are reported as current assets, as well. The composition of assets whose use is limited at July 31, 2013 and 2012, is set forth in the following table:

	2013	2012
By indenture agreement for capital asset acquisition		
Cash and cash equivalents	$ 4,020,415	$ -
	4,020,415	-
By board for indenture reserves		
Cash and cash equivalents	1,890,599	1,642,212
	1,890,599	1,642,212
Total	$ 5,911,014	$ 1,642,212

Note 8. Capital Assets

Capital assets activity as of and for the years ended July 31, 2013 and 2012, is as follows:

	Balance July 31, 2012	Additions	Transfers and Disposals	Balance July 31, 2013
Capital assets, not being depreciated:				
Land	$ 876,676	$ -	$ -	$ 876,676
Construction in progress	5,378,959	1,238,541	(6,285,377)	332,123
Total capital assets not being depreciated	6,255,635	1,238,541	(6,285,377)	1,208,799
Capital assets, being depreciated:				
Building and improvements	37,468,558	6,382,553	-	43,851,111
Equipment	19,570,165	1,752,863	-	21,323,028
Leasehold improvements	22,110	-	-	22,110
Vehicles	584,751	486,273	(269,503)	801,521
Total capital assets being depreciated	57,645,584	8,621,689	(269,503)	65,997,770
Less accumulated depreciation for:				
Buildings and improvements	16,846,155	1,986,073	-	18,832,228
Equipment	16,196,482	1,006,982	-	17,203,464
Leasehold improvements	17,893	1,729	-	19,622
Vehicles	474,685	145,110	(269,503)	350,292
Total accumulated depreciation	33,535,215	3,139,894	(269,503)	36,405,606
Total capital assets, being depreciated, net	24,110,369	5,481,795	-	29,592,164
Total capital assets, net	$ 30,366,004	$ 6,720,336	$ (6,285,377)	$ 30,800,963

Note 8. Capital Assets (Continued)

	Balance July 31, 2011	Additions	Transfers and Disposals	Balance July 31, 2012
Capital assets, not being depreciated:				
Land	$ 1,862,780	$ 59,336	$ (1,045,440)	$ 876,676
Construction in progress	1,975,729	3,503,104	(99,874)	5,378,959
Total capital assets not being depreciated	3,838,509	3,562,440	(1,145,314)	6,255,635
Capital assets, being depreciated:				
Building and improvements	36,738,248	730,310	-	37,468,558
Equipment	20,320,257	452,586	(1,202,678)	19,570,165
Leasehold improvements	22,110	-	-	22,110
Vehicles	584,751	-	-	584,751
Total capital assets being depreciated	57,665,366	1,182,896	(1,202,678)	57,645,584
Less accumulated depreciation for:				
Buildings and improvements	14,935,525	1,910,630	-	16,846,155
Equipment	16,396,265	1,000,664	(1,200,447)	16,196,482
Leasehold improvements	14,289	3,604	-	17,893
Vehicles	364,013	110,672	-	474,685
Total accumulated depreciation	31,710,092	3,025,570	(1,200,447)	33,535,215
Total capital assets, being depreciated, net	25,955,274	(1,842,674)	(2,231)	24,110,369
Total capital assets, net	$ 29,793,783	$ 1,719,766	$ (1,147,545)	$ 30,366,004

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

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

Depreciation expense reported in the fiscal year ended July 31, 2013, was $3,139,759 (exclusive of amortization expense). Depreciation expense reported during the fiscal year ended July 31, 2012, was $3,025,070 (exclusive of amortization expense).

Note 9. Investment in Joint Venture

As mentioned in Note 2, the Hospital contributed land with a cost of $1,045,440, in exchange for a 9.9% membership interest in an LLC. At July 31, 2013 and 2012, this investment is measured at the cost of the land donated.

Note 10. Long-Term Debt and Other Liabilities

The components of long-term debt as of July 31, 2013 and 2012, are as follows:

		2013	2012
Hospital Revenue Bonds, Series 2003A	(A)	**$ 1,405,000**	$ 1,650,000
Hospital Revenue Bonds, Series 2003B	(A)	**430,000**	500,000
Hospital Revenue Bonds, Series 2004	(B)	**3,325,000**	3,550,000
Hospital Revenue Bonds, Series 2005	(C)	**4,750,000**	5,025,000
Hospital Revenue Bonds, Series 2006	(D)	**3,825,000**	4,020,000
Hospital Revenue Bonds, Series 2007	(E)	**5,235,000**	5,335,000
Hospital Revenue Bonds, Series 2009	(F)	**5,250,000**	5,355,000
Hospital Revenue Bonds, Series 2009A	(G)	**895,000**	925,000
Hospital Revenue Bonds, Series 2009B	(H)	**4,485,000**	4,625,000
Limited Tax Bonds, Series 2008A	(I)	**620,000**	805,000
Limited Tax Bonds, Series 2010	(J)	**630,000**	820,000
Limited Tax Bond, Series 2011	(K)	**3,710,000**	4,860,000
Hospital Revenue Bonds, Series 2012A	(L)	**7,955,000**	-
Hospital Revenue Bonds, Series 2012B	(L)	**5,950,000**	-
		48,465,000	37,470,000
Less: Unamortized original issue discount / premium		**60,315**	(84,821)
Less: Current maturities		**(3,130,000)**	(2,960,000)
Total		**$ 45,395,315**	$ 34,425,179

Scheduled maturities of general obligation bonds and limited tax bonds as of July 31, 2013, are as follows:

Year Ending July 31,	Principal	Interest
2014	$ 3,130,000	$ 2,151,946
2015	3,245,000	2,010,133
2016	3,985,000	1,863,500
2017	2,345,000	1,653,092
2018	2,475,000	1,558,902
2019-2023	13,310,000	6,275,789
2024-2028	14,125,000	3,171,245
2029-2032	5,850,000	506,345
Total	$ 48,465,000	$ 22,880,952

Note 10. Long-Term Debt and Other Liabilities (Continued)

(A) The Hospital adopted a resolution on October 16, 2003, issuing $2,745,000 General Obligation Refunding Bonds, Series 2003A and $810,000 Taxable General Obligation Refunding Bonds, Series 2003B. These bonds were issued December 1, 2003, for the purpose of refunding and extending the Hospital's Series 1990A General Obligation Bonds, Series 1990B General Obligation Bonds, Series 1992A General Obligation Bonds, Series 1992B General Obligation Bonds (taxable), and to pay the cost of issuance.

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

The Series 2003A bonds mature according to maturity schedules contained in the bond documents beginning on March 1, 2008, with scheduled maturities ranging from $205,000 to $245,000 each year through March 1, 2013. The final $1,405,000 of Series 2003A bonds are subject to mandatory sinking fund redemptions beginning March 1, 2014, through final maturity of March 1, 2018. Interest rates associated with this Series range from 3.00% to 4.50%.

The Series 2003B bonds mature, according to maturity schedules contained in the bond documents, beginning on March 1, 2008. Scheduled maturities range from $55,000 to $70,000 each year through March 1, 2012. The final $500,000 of Series 2003B bonds are subject to mandatory sinking fund redemptions beginning March 1, 2013, through final maturity at March 1, 2018. Interest rates associated with this Series range from 4.15% to 6.00%.

These bonds are secured by and payable from unlimited Ad Valorem taxes.

(B) During the fiscal year ended July 31, 2004, the Hospital issued $5,300,000 of General Obligation Bonds, Series 2004, to be dated March 1, 2004. The purpose of the issue was for purchasing, acquiring, and constructing lands, buildings, machinery, equipment and furnishings, including both real and personal property, to be used in providing hospital facilities. The outstanding principal of the bonds will be repaid in 20 annual installments ranging from $220,000 to $550,000 beginning March 1, 2005, with the final installment due March 1, 2024.

Interest on the bonds is payable semiannually on March 1 and September 1 until maturity. The maximum interest rate allowed on the Issue is 5% per annum. The bonds maturing March 1, 2015, and thereafter, are callable by the Hospital in full or in part at any time on or after March 1, 2014, at the principal amount thereof, plus accrued interest to the date fixed for redemption.

These bonds are secured by and payable from unlimited Ad Valorem taxes.

Note 10. Long-Term Debt and Other Liabilities (Continued)

(C) During the fiscal year ended July 31, 2005, the Hospital issued $7,500,000 of General Obligation Bonds, Series 2005, to be dated April 1, 2005. The purpose of the issue is the purchasing, acquiring and constructing of lands, buildings, machinery, equipment and furnishings, including both real and personal property, to be used in providing hospital facilities. The outstanding principal of the bonds will be repaid in 20 annual installments ranging from $225,000 to $520,000 beginning March 1, 2006, with the final installment due March 1, 2025. Interest is payable semi-annually on March 1 and September 1 at rates ranging from 4.0% to 6.5%.

These bonds are secured by and payable from unlimited Ad Valorem taxes.

(D) During the year ended July 31, 2006, the Hospital issued $5,700,000 of General Obligation Bonds, Series 2006, to be dated April 1, 2006. The purpose of the issue is the purchasing, acquiring land and constructing buildings, machinery, equipment and furnishings, including both real and personal property, to be used in providing Hospital facilities. The outstanding principal of the bonds will be repaid in 20 annual installments ranging from $155,000 to $400,000 beginning March 1, 2007, with the final installment due March 1, 2026

These bonds are secured by and payable from unlimited Ad Valorem taxes.

(E) During the year ended July 31, 2007, the Hospital issued $5,500,000 of General Obligation Bonds, Series 2007, to be dated April 1, 2007. The purpose of the issue is the purchasing, acquiring land and constructing buildings, machinery, equipment and furnishings, including both real and personal property, to be used in providing Hospital facilities. The outstanding principal of the bonds will be repaid in 20 annual installments ranging from $5,000 to $500,000 beginning March 1, 2008, with the final installment due March 1 2027. Interest is payable semi-annually on March 1 and September 1 at rates ranging from 4.00% to 6.5%.

These bonds are secured by and payable from unlimited Ad Valorem taxes.

(F) During the year ended July 31, 2010, the Hospital issued $5,500,000 of General Obligation Bonds, Series 2009, to be dated August 1, 2009. The purpose of the issue is purchasing, acquiring land and constructing buildings, machinery, equipment and furnishings, including both real and personal property, to be used in providing Hospital facilities. The outstanding principal of the bonds will be repaid in 20 annual installments ranging from $30,000 to $975,000 beginning March 1, 2010, with the final installment due March 1, 2029. Interest is payable semi-annually on March 1 and September 1 at rates ranging from 5.875% to 7.00%.

These bonds are secured by and payable from unlimited Ad Valorem taxes.

Note 10. Long-Term Debt and Other Liabilities (Continued)

(G) During the year ended July 31, 2010, the Hospital issued $1,000,000 of General Obligation Bonds, Series 2009A, to be dated November 1, 2009. The purpose of the issue is purchasing, acquiring land and constructing buildings, machinery, equipment and furnishings, including both real and personal property, to be used in providing Hospital facilities. The outstanding principal of the bonds will be repaid in 20 annual installments ranging from $25,000 to $90,000 beginning March 1, 2010, with the final installment due March 1, 2029. Interest is payable semi-annually on March 1 and September 1 at rates ranging from 3.20% to 5.00%.

These bonds are secured by and payable from unlimited Ad Valorem taxes.

(H) During the year ended July 31, 2010, the Hospital issued $5,000,000 of General Obligation Bonds, Series 2009B, to be dated November 1, 2009. The purpose of the issue is the refunding and extending of the Hospital's outstanding Limited Tax Bonds, Series 2008 and to represent said indebtedness. The outstanding principal of the bonds will be repaid in 20 annual installments ranging from $120,000 to $460,000 beginning March 1, 2010, with the final installment due March 1, 2029. Interest is payable semi-annually on March 1 and September 1 at rates ranging from 5.25% to 7.00%.

These bonds are secured by and payable from unlimited Ad Valorem taxes.

(I) On April 23, 2008, the Hospital adopted a resolution issuing $1,300,000 of Limited Tax Bonds, Series 2008A, payable from the pledge of unlimited Ad Valorem taxes approved by an election held July 19, 2003 and July 15, 2006, for the purpose of paying current expenses of the District for calendar year 2008, including both real and personal property, to be used in providing hospital facilities. These bonds mature in 2016. Interest is payable semi-annually on March 1 and September 1, at a rate of 6.50%.

(J) On August 25, 2010, the Hospital adopted a resolution issuing $1,000,000 of Limited Tax Bonds, Series 2010, payable from the pledge of unlimited Ad Valorem taxes approved by an election held July 19, 2003 and July 15, 2006, for the purpose of acquiring and installing an electronic records system, and paying the costs incurred in connection with the issuance of the Bonds. These bonds mature in 2016. Interest is payable semi-annually on March 1 and September 1, at a rate of 5.50%.

(K) On October 27, 2011, the Hospital adopted a resolution issuing $6,000,000 of Limited Tax Bonds, Series 2011, payable from the pledge of unlimited Ad Valorem taxes approved by an election held July 19, 2003 and July 15, 2006, for the purpose of paying current expenses of the Hospital. These bonds mature in 2016. Interest is payable semi-annually on March 1 and September 1, at a rate of 3.75%.

Note 10. Long-Term Debt and Other Liabilities (Continued)

(L) In April 2012, the residents of St. Charles Parish voted for a bond proposition authorizing the Hospital to issue up to $15,000,000 of 20-year General Obligation Bonds for the purpose of purchasing, acquiring and constructing lands, buildings, machinery, equipment, and furnishings, including both real and personal property, to be used in providing hospital facilities to the district, said bonds to be general obligations of the Hospital and to be payable from ad valorem taxes.

In August 2012, the Hospital adopted a resolution issuing $8,000,000 General Obligation Series 2012A bonds and $6,000,000 Taxable General Obligation Series 2012B bonds.

Interest is payable semiannually on March 1st and September 1st.

The Series 2012A bonds mature according to maturity schedules contained in the bond documents beginning on March 1, 2013, with scheduled maturities ranging from $45,000 to $635,000 each year through March 1, 2032. Interest rates associated with this Series range from 2.00% to 3.25%.

The Series 2012B bonds mature, according to maturity schedules contained in the bond documents, beginning on March 1, 2013. Scheduled maturities range from $50,000 to $520,000 each year through March 1, 2032. Interest rates associated with this Series range from 2.00% to 4.25%.

These bonds are secured by and payable from unlimited Ad Valorem taxes.

Long-term debt and other non-current liability activity as of and for the fiscal years ended July 31, 2013 and 2012 is as follows:

	Balance July 31, 2012	Additions	Reductions	Balance July 31, 2013	Due Within One Year
Long-term debt:					
General Obligation Bonds, Series 2003A	$ 1,650,000	$ -	$ (245,000)	$ 1,405,000	$ 255,000
General Obligation Bonds, Series 2003B	500,000	-	(70,000)	430,000	75,000
General Obligation Bonds, Series 2004	3,550,000	-	(225,000)	3,325,000	225,000
General Obligation Bonds, Series 2005	5,025,000	-	(275,000)	4,750,000	290,000
General Obligation Bonds, Series 2006	4,020,000	-	(195,000)	3,825,000	205,000
General Obligation Bonds, Series 2007	5,335,000	-	(100,000)	5,235,000	100,000
General Obligation Bonds, Series 2009	5,355,000	-	(105,000)	5,250,000	105,000
General Obligation Bonds, Series 2009A	925,000	-	(30,000)	895,000	30,000
General Obligation Bonds, Series 2009B	4,625,000	-	(140,000)	4,485,000	155,000
Limited Tax Bonds, Series 2008A	805,000	-	(185,000)	620,000	195,000
Limited Tax Bonds, Series 2010	820,000	-	(190,000)	630,000	200,000
Limited Tax Bonds, Series 2011	4,860,000	-	(1,150,000)	3,710,000	1,200,000
General Obligation Bonds, Series 2012A	-	8,000,000	(45,000)	7,955,000	45,000
General Obligation Bonds, Series 2012B	-	6,000,000	(50,000)	5,950,000	50,000
Total long-term debt	37,470,000	14,000,000	(3,005,000)	48,465,000	3,130,000
Other Long-term liabilities:					
Multi-employer pension withdrawl liability	-	4,687,698	-	4,687,698	608,280
Lease deposits	17,452	-	-	17,452	-
Total long-term obligations	$ 37,487,452	$ 18,687,698	$ (3,005,000)	$ 53,170,150	$ 3,738,280

Note 10. Long-Term Debt and Other Liabilities (Continued)

	Balance July 31, 2011	Additions	Reductions	Balance July 31, 2012	Due Within One Year
Long-term debt:					
General Obligation Bonds, Series 2003A	$ 1,885,000	$ -	$ (235,000)	$ 1,650,000	$ 245,000
General Obligation Bonds, Series 2003B	570,000	-	(70,000)	500,000	70,000
General Obligation Bonds, Series 2004	3,775,000	-	(225,000)	3,550,000	225,000
General Obligation Bonds, Series 2005	5,290,000	-	(265,000)	5,025,000	275,000
General Obligation Bonds, Series 2006	4,205,000	-	(185,000)	4,020,000	195,000
General Obligation Bonds, Series 2007	5,410,000	-	(75,000)	5,335,000	100,000
General Obligation Bonds, Series 2009	5,415,000	-	(60,000)	5,355,000	105,000
General Obligation Bonds, Series 2009A	950,000	-	(25,000)	925,000	30,000
General Obligation Bonds, Series 2009B	4,760,000	-	(135,000)	4,625,000	140,000
Limited Tax Bonds, Series 2008A	980,000	-	(175,000)	805,000	185,000
Limited Tax Bonds, Series 2010	1,000,000	-	(180,000)	820,000	190,000
Certificate of Indebtedness, Series 2010	4,000,000	-	(4,000,000)	-	-
Certificate of Indebtedness, Series 2010A	300,000	-	(300,000)	-	-
Capital Lease Obligation - G.E. Capital	189,200	-	(189,200)	-	-
Limited Tax Bonds, Series 2011	-	6,000,000	(1,140,000)	4,860,000	1,200,000
Total long-term debt	38,729,200	6,000,000	(7,259,200)	37,470,000	2,960,000
Other long-term liabilities:					
Lease deposits	17,452	-	-	17,452	-
Total long-term obligations	$ 38,746,652	$ 6,000,000	$ (7,259,200)	$ 37,487,452	$ 2,960,000

Note 11. Retirement Benefits

Multi-Employer Defined Benefit Pension Plan and 2013 Withdrawal

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

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

The Hospital formally terminated its participation from the Plan effective July 1, 2013.

Note 11. Retirement Benefits (Continued)

Multi-Employer Defined Benefit Pension Plan and 2013 Withdrawal (Continued)

Per La R. S. 11:1903, if an employer terminates its agreement for coverage of its employees, the employer shall remit to the System that portion of the unfunded actuarial accrued liability which is attributable to the employer's participation in the System. The amount required to be remitted shall be determined as of the December thirty-first immediately prior to the date of termination. The amount due shall be determined by the actuary employed by the System and shall either be paid in a lump sum or amortized over ten years in equal monthly payments with interest at the System's actuarial valuation rate, at the option of the employer.

The Hospital has chosen to pay its withdrawal liability over ten years in equal monthly installments of $55,298, with the first payment being due September 1, 2013. The non-interest component of this monthly payment equates to a total liability of $4,687,698, which, in accordance with GASB 27, is reflected on the Consolidated Statements of Net Position as a multi-employer pension withdrawal liability. The Statement of Revenues, Expenses and Changes in Net Position presents this expense as a special item outside of operations.

Retirement contributions into the System plan totaled $2,111,617 and $1,390,250, for the years ended July 31, 2013 and 2012, respectively.

In planning for the termination of participation in the Parochial Employees' Retirement System of Louisiana, the Hospital established an eligible deferred Compensation, 457(b) Plan and a defined contribution 401(a) retirement plan, for eligible employees.

Section 457(b) Deferred Compensation Plan

Effective July 1, 2013, the Hospital offers to its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The plan is available to all Hospital employees as of the first enrollment date following the date they become an Employee and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Section 401(a) Defined Contribution Retirement Plan

The Hospital also established a 401(a) retirement plan for the purpose of matching 100% of an employee's salary reduction contributions to the deferred compensation plan up to 3% of the employee's compensation received for that year. To be eligible for this match the employee must be employed as of December 31^{ST}. The contribution match for the Hospital will be made during the first quarter of the following year. For the year ended July 31, 2013, total employer contributions to the plan were $32,121. These contributions had not been paid as of year end are shown on the Statement of Net Position within accounts payable.

Note 11. Retirement Benefits (Continued)

Section 401(a) Defined Contribution Retirement Plan (Contined)
The amounts of compensation deferred, and other contributions under the above plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants and their beneficiaries, and the benefits may not be diverted to any other use. It is the opinion of Hospital management that the Hospital has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

Note 12. Income Taxes

The Hospital is a governmental unit which has registered as a non-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code, and is exempt from Federal income taxes on related income pursuant to Section 115 (a) of the Code.

Note 13. Commitments

Operating Leases
The Hospital leases, on a month-to-month basis, medical and office equipment under operating lease agreements. Lease expense totaled $823,550 and $648,683, for the years ended July 31, 2013 and 2012, respectively.

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

Employment Contracts
The Hospital has an employment contract with its CEO. A new contract was approved in December 2011. The new contract contains a CPI adjustment based on the “all items adjustment for the 12 months prior as of November 30” prior to the January of each year. The Hospital is contractually obligated to pay this contract at a rate of $19,952 per month for months January 2013 through December 2013. This contract expires March 2016.

Physician Guarantee Agreement
During the year ended July 31, 2008, the Hospital entered into a separate Physician Recruitment Agreement whereby the Hospital guaranteed that the net practice income of this physician would equal $175,000 per year, or $350,000 during the Guarantee period, as defined. At the end of the third agreement year, which was July 31, 2011, the physician would repay, on demand, the total assistance together with 8% interest per annum; however, at the physician’s request, a promissory note could be executed that would extend the repayment plan to 24 months.

Note 13. Commitments (Continued)

Physician Guarantee Agreement (Continued)

To induce the physician to remain in the area served by the Hospital, the Hospital has agreed to forgive and cancel, one thirty-sixth of the total assistance for each full calendar month that the physician remains in practice, after the third agreement year, in her specialty in an office in St. Charles Parish. As of July 31, 2013, the physician remains in practice and the Hospital expects the physician to remain in practice through the end of the forgiveness period.

During the year ended July 31, 2013, the Hospital entered into a separate Physician Recruitment Agreement whereby the Hospital guaranteed that the net practice income of this physician would equal $624,000 over the first twelve months of the practice. If the gross physician income equals or exceeds the physician guaranteed income for a particular month, the Hospital will make no payment to physician's practice. Physician may repay Hospital any portion of the guaranteed income by the physician's continued maintenance of a full-time private practice in St. Charles Parish for the term of this agreement which is three years.

These expenses are included on the *Statements of Revenues, Expenses, and Changes in Net Position* within purchased services.

Luling Rehabilitation Cooperative Endeavor Agreement

In July 2008, the Hospital entered into a cooperative endeavor agreement with Luling Rehabilitation Hospital, Inc. (LR). The agreement states that the Hospital shall provide LR hospital, dietary and other services to the extent they are available. The charge for each service and schedule of payment is described in Exhibit "A" of the agreement.

LR entered into a 5 year lease agreement with the Hospital commencing on August 1, 2008. LR is leasing 14,237 square feet of the Hospital building for the sum of $218,988 per year, payable in equal monthly installments of $18,249. The rent payable under the lease shall increase by 1.5% annually at the beginning of each lease year.

A consent Judgment of Eviction was filed with the 29th Judicial District Court for the Parish of St. Charles on October 25, 2012 against St. Charles Specialty Rehabilitation Hospital, LLC formerly Luling Rehabilitation Hospital, Inc. due to nonpayment of rent and services provided of approximately $259,640. The Hospital is maintaining a receivable on its Statement of Net Position for the amount still owed. St. Charles Specialty Rehabilitation Hospital vacated the premises in November 2012.

Total Renal Care Cooperative Endeavor and Services Agreements

On April 1 2010, the Hospital entered into a 10 year cooperative endeavor lease agreement with Total Renal Care, Inc. (TRC). Under this agreement, TRC is leasing approximately 4,425 square feet of the Hospital building for the sum of $89,064 per year, payable in equal monthly installments of $7,422.

Note 13. Commitments (Continued)

Total Renal Care Cooperative Endeavor and Services Agreements (Continued)
The Hospital entered into a 5 year Acute Services Agreement with TRC effective April 1, 2010. The agreement states that the Hospital appoints TRC as its exclusive provider of dialysis and other related services to its patients. The Hospital will pay TRC for these services under the fee schedule described in "Exhibit 7.1" of the agreement. This agreement will be automatically renewed for successive 2 year terms unless terminated.

The Hospital also entered into a one year Stat Laboratory Services Agreement with TRC effective April 1, 2010. The agreement states that the Hospital will provide certain laboratory tests and services necessary for TRC's dialysis patients. TRC will compensate the Hospital for these services under the fee schedule described in "Exhibit B" of the agreement. This agreement was automatically renewed for one year effective April 1, 2013, and will be automatically renewed for successive one year terms unless terminated.

Cardiovascular Institute of the South (A Professional Medical Corporation) Cooperative Endeavor Agreement
St. Charles Parish Hospital entered into a five (5) year commitment with Cardiovascular Institute of the South (A Professional Medical Corporation) on March 1, 2013. This commitment includes provisions for 3 additional 5 year terms. The commitment value is $200,000 per year, which includes the salary of the Cath Lab Director and a management fee.

Note 14. Contingencies and Risk Management

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

The Hospital carries commercial insurance for all risks of loss except as noted below.

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

Workmen's Compensation
The Hospital participates in the Louisiana Commercial and Trade Association Workmen's Compensation Trust fund. Should the fund's assets not be adequate to cover claims made against it, the Hospital may be assessed its pro rata share of the resulting deficit. It is not practical to estimate the amount of additional assessments, if any, and the costs associated with any such assessments are treated as period expenses at the time they are assessed.

Note 14. Contingencies and Risk Management (Continued)

Workmen's Compensation (Continued)

The trust fund presumes to be a "grantor trust" and, accordingly, income and expenses are prorated to member hospitals. The Hospital has included these allocations and equity amounts assigned to the Hospital by the trust fund in its financial statements.

Health Insurance

The Hospital has elected to self-insure employee and eligible dependent health claims. The self-insured claims are processed through a plan administrator. The Hospital's self insured plan has stop-loss insurance coverage for claims in excess of $60,000 per individual per plan year and $60,000 in the aggregate for claims in excess of the individual stop-loss. The Hospital has recorded a current liability for open claims and claims incurred but not reported.

The following is a summary of estimated claims liability for the year ended July 31, 2013:

Beginning of Fiscal Year Liability	**Current Year Claims and Changes in Estimates**	**Current Year Claim Payments**	**Balance at Fiscal Year End**
$ 130,413	**$ 1,205,074**	**$ 1,120,400**	**$ 215,087**

The following is a summary of estimated claims liability for the year ended July 31, 2012:

Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Current Year Claim Payments	Balance at Fiscal Year End
$ 83,177	$ 2,015,954	$ 1,968,718	$ 130,413

Laws and 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, and reimbursement for patient services. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in 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.

Note 14. Contingencies and Risk Management (Continued)

Laws and Regulations (Continued)

Management believes that the Corporation is in compliance with fraud and abuse, as well as other applicable government, laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

To ensure accurate payments to providers, the Tax Relief and Healthcare Act of 2006 mandated the Centers for Medicare & Medicaid Services (CMS) to implement a so-called Recovery Audit Contractor (RAC) program on a permanent and nationwide basis no later than 2010. The program uses RACs to search for potentially improper Medicare payments that may have been made to health care providers that were not detected through existing CMS program integrity efforts, on payments that have occurred at least one year ago but not longer than three years ago. Once a RAC identifies a claim it believes to be improper, it makes a deduction from the provider's Medicare reimbursement in an amount estimated to equal the overpayment.

A five-state pilot program concluded in March 2008, with a nationwide rollout of the RAC effort done in phases beginning in 2009. The experiences during the pilot found far more overpayments than underpayments. The Hospital will deduct from revenue amounts assessed under the RAC audits at the time a notice is received until such time that estimates of net amounts due can be reasonably estimated. RAC assessments against the Hospital are anticipated; however, the outcome of such assessments are unknown and cannot be reasonably estimated.

Electronic Health Records (EHR) Incentive Payments

The American Recovery and Reinvestment Act of 2009 established incentive payments under the Medicare and Medicaid programs for certain professionals and hospitals that adopt and meaningfully use certified EHR technology. These incentive payments are determined based on a formula, including inputs such as charity charges and total discharges. The revenue associated with EHR incentive payments is recognized by the Hospital when management can provide reasonable assurance that the Hospital will be able to demonstrate compliance with the meaningful use objectives for that reporting period and that the incentive payments will be received by the Hospital. Because these incentive payments are based on management's best estimate, the amounts recognized are subject to change. Any changes resulting from a change in estimate would be recognized within operations in the period in which they occur. In addition, these payments and the related attestation of compliance with meaningful use objectives are subject to audit by the federal government or its designee.

For the year ended July 31, 2013, the Hospital recognized $ 853,699 of revenue related to Medicare and Medicaid incentive payments for EHR. For the year ended July 31, 2012, the Hospital recognized $-0- of revenue related to Medicare and Medicaid incentive payments for EHR. This amount was recognized in full at the date of attestation and is included within other operating revenues on the statement of revenues, expenses and changes in net position.

Note 15. Capitalized Interest

For the year ended July 31, 2013, the Hospital incurred $2,471,146 of interest cost, of which $332,614 has been capitalized into the cost of the building, net of interest income of $-0-. The remaining $2,138,532 of interest cost was charged as a nonoperating expense. For the year ended July 31, 2012, the Hospital incurred $2,037,136 of interest cost, of which $368,114 was capitalized into the cost of the building, net of interest income of $-0-. The remaining $1,669,023 of interest cost was charged as a nonoperating expense.

Note 16. Reclassifications

Certain reclassifications have been made to prior year balances to conform to the current year presentation.

Note 17. Future Accounting Pronouncements

There is one accounting pronouncement that has been issued, but is not effective for the fiscal year 2013, that is expected to have an impact to the Hospital's financial statements. GASB 65 *Items Previously Reported as Assets and Liabilities* will be effective for the Hospital's July 31, 2014 year end. This pronouncement will require the Hospital to expense bond issuance costs, rather than recording it as an asset and amortizing it. The pronouncement requires retrospective application to the earliest year presented. Applying the pronouncement will result in a removal of the bond issuance cost asset and a reduction of net position for the earliest fiscal year presented.

Note 17. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 21, 2014, and determined that the following events occurred that required disclosure.

The Hospital's Rural Hospital Grant was received. The amount received, as disclosed in Note 2, was approximately $2,600,000. This represents the payment for the first two quarters of the year.

As mentioned in Note 1, the Hospital is the sole member of the not-for-profit corporation Plantation View Medical Offices Inc. (PVMO). On January 13, 2014, PVMO received a donation of land that was appraised at $714,000. PVMO also secured financing in the amount of $14,700,000, to build the medical office building. The financing is a mixture of new market tax credits, a commercial loan, and a grant from the Hospital.

No subsequent events occurring after these dates above have been evaluated for inclusion in these financial statements.

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Board of Commissioners and Compensation
For the Year Ended July 31, 2013

	Number of Meetings Attended	Total Per Diem Paid
John Landry, III	11	$ 660
Barbara Smith	9	540
Ricky Bosco	8	480
Thomas D. Lorio	7	420
Betty Portera	7	420
		$ 2,520

ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Bonds

	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds Authorized	Issued	Retired	Outstanding
General Obligation Bonds, Series 2003A	3.00% to 4.50%					$ 2,745,000	$ 2,745,000	$ 1,340,000	$ 1,405,000
		9/1/2013	31,613						
		3/1/2014	31,613	3/1/2014	255,000				
		9/1/2014	25,875						
		3/1/2015	25,875	3/1/2015	270,000				
		9/1/2015	19,800						
		3/1/2016	19,800	3/1/2016	280,000				
		9/1/2016	13,500						
		3/1/2017	13,500	3/1/2017	295,000				
		9/1/2017	6,863						
		3/1/2018	6,863	3/1/2018	305,000				

	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds Authorized	Issued	Retired	Outstanding
General Obligation Bonds, Series 2003B	4.15% to 6.00%					$ 810,000	$ 810,000	$ 380,000	$ 430,000
		9/1/2013	12,900						
		3/1/2014	12,900	3/1/2014	75,000				
		9/1/2014	10,650						
		3/1/2015	10,650	3/1/2015	80,000				
		9/1/2015	8,250						
		3/1/2016	8,250	3/1/2016	85,000				
		9/1/2016	5,700						
		3/1/2017	5,700	3/1/2017	90,000				
		9/1/2017	3,000						
		3/1/2018	3,000	3/1/2018	100,000				

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

	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds Authorized	Issued	Retired	Outstanding
General Obligation Bonds, Series 2004	3.40% to 5.0%					$ 5,300,000	$ 5,300,000	$ 1,975,000	$ 3,325,000
		9/1/2013	71,181						
		3/1/2014	71,181	3/1/2014	225,000				
		9/1/2014	66,906						
		3/1/2015	66,906	3/1/2015	250,000				
		9/1/2015	62,156						
		3/1/2016	62,156	3/1/2016	250,000				
		9/1/2016	57,156						
		3/1/2017	57,156	3/1/2017	250,000				
		9/1/2017	52,156						
		3/1/2018	52,156	3/1/2018	250,000				
		9/1/2018	47,000						
		3/1/2019	47,000	3/1/2019	275,000				
		9/1/2019	41,156						
		3/1/2020	41,156	3/1/2020	275,000				
		9/1/2020	35,175						
		3/1/2021	35,175	3/1/2021	300,000				
		9/1/2021	28,500						
		3/1/2022	28,500	3/1/2022	300,000				
		9/1/2022	21,750						
		3/1/2023	21,750	3/1/2023	400,000				
		9/1/2023	12,650						
		3/1/2024	12,650	3/1/2024	550,000				

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

	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds Authorized	Issued	Retired	Outstanding
General Obligation Bonds, Series 2005	4.0% to 6.5%					$ 7,500,000	$ 7,500,000	$ 2,750,000	$ 4,750,000
		9/1/2013	103,793						
		3/1/2014	103,793	3/1/2014	290,000				
		9/1/2014	97,268						
		3/1/2015	97,268	3/1/2015	310,000				
		9/1/2015	90,681						
		3/1/2016	90,681	3/1/2016	325,000				
		9/1/2016	84,181						
		3/1/2017	84,181	3/1/2017	340,000				
		9/1/2017	77,211						
		3/1/2018	77,211	3/1/2018	355,000				
		9/1/2018	69,889						
		3/1/2019	69,889	3/1/2019	380,000				
		9/1/2019	61,909						
		3/1/2020	61,909	3/1/2020	400,000				
		9/1/2020	53,309						
		3/1/2021	53,309	3/1/2021	420,000				
		9/1/2021	44,069						
		3/1/2022	44,069	3/1/2022	445,000				
		9/1/2022	34,168						
		3/1/2023	34,168	3/1/2023	470,000				
		9/1/2023	23,475						
		3/1/2024	23,475	3/1/2024	495,000				
		9/1/2024	12,090						
		3/1/2025	12,090	3/1/2025	520,000				

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

						Principal Portion of Bonds			
	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Authorized	Issued	Retired	Outstanding
General Obligation Bonds, Series 2006	4.125% to 6.75%					$ 5,700,000	$ 5,700,000	$ 1,875,000	$ 3,825,000
		9/1/2013	85,403						
		3/1/2014	85,403	3/1/2014	205,000				
		9/1/2014	80,278						
		3/1/2015	80,278	3/1/2015	220,000				
		9/1/2015	75,328						
		3/1/2016	75,328	3/1/2016	230,000				
		9/1/2016	70,153						
		3/1/2017	70,153	3/1/2017	245,000				
		9/1/2017	65,100						
		3/1/2018	65,100	3/1/2018	260,000				
		9/1/2018	59,640						
		3/1/2019	59,640	3/1/2019	270,000				
		9/1/2019	53,835						
		3/1/2020	53,835	3/1/2020	290,000				
		9/1/2020	47,600						
		3/1/2021	47,600	3/1/2021	305,000				
		9/1/2021	40,890						
		3/1/2022	40,890	3/1/2022	320,000				
		9/1/2022	33,690						
		3/1/2023	33,690	3/1/2023	340,000				
		9/1/2023	26,040						
		3/1/2024	26,040	3/1/2024	360,000				
		9/1/2024	17,940						
		3/1/2025	17,940	3/1/2025	380,000				
		9/1/2025	9,200						
		3/1/2026	9,200	3/1/2026	400,000				

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

	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Authorized	Principal Portion of Bonds Issued	Retired	Outstanding
General Obligation Bonds, Series 2007	4.00% to 6.50%					$ 5,500,000	$ 5,500,000	$ 265,000	$ 5,235,000
		9/1/2013	113,668						
		3/1/2014	113,668	3/1/2014	100,000				
		9/1/2014	110,418						
		3/1/2015	110,418	3/1/2015	100,000				
		9/1/2015	107,168						
		3/1/2016	107,168	3/1/2016	250,000				
		9/1/2016	99,043						
		3/1/2017	99,043	3/1/2017	275,000				
		9/1/2017	93,543						
		3/1/2018	93,543	3/1/2018	275,000				
		9/1/2018	88,043						
		3/1/2019	88,043	3/1/2019	300,000				
		9/1/2019	82,043						
		3/1/2020	82,043	3/1/2020	435,000				
		9/1/2020	73,125						
		3/1/2021	73,125	3/1/2021	500,000				
		9/1/2021	62,875						
		3/1/2022	62,875	3/1/2022	500,000				
		9/1/2022	52,625						
		3/1/2023	52,625	3/1/2023	500,000				
		9/1/2023	42,250						
		3/1/2024	42,250	3/1/2024	500,000				
		9/1/2024	31,750						
		3/1/2025	31,750	3/1/2025	500,000				
		9/1/2025	21,250						
		3/1/2026	21,250	3/1/2026	500,000				
		9/1/2026	10,625						
		3/1/2027	10,625	3/1/2027	500,000				

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

	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds Authorized	Issued	Retired	Outstanding
General Obligation Bonds, Series 2009	5.875% to 7.00%					$ 5,500,000	$ 5,500,000	$ 250,000	$ 5,250,000
		9/1/2013	157,597						
		3/1/2014	157,597	3/1/2014	105,000				
		9/1/2014	154,316						
		3/1/2015	154,316	3/1/2015	105,000				
		9/1/2015	151,034						
		3/1/2016	151,034	3/1/2016	105,000				
		9/1/2016	147,753						
		3/1/2017	147,753	3/1/2017	105,000				
		9/1/2017	144,472						
		3/1/2018	144,472	3/1/2018	145,000				
		9/1/2018	139,941						
		3/1/2019	139,941	3/1/2019	145,000				
		9/1/2019	135,409						
		3/1/2020	135,409	3/1/2020	195,000				
		9/1/2020	129,681						
		3/1/2021	129,681	3/1/2021	195,000				
		9/1/2021	123,953						
		3/1/2022	123,953	3/1/2022	195,000				
		9/1/2022	118,225						
		3/1/2023	118,225	3/1/2023	195,000				
		9/1/2023	112,497						
		3/1/2024	112,497	3/1/2024	240,000				
		9/1/2024	105,447						
		3/1/2025	105,447	3/1/2025	245,000				
		9/1/2025	98,250						
		3/1/2026	98,250	3/1/2026	645,000				
		9/1/2026	78,900						
		3/1/2027	78,900	3/1/2027	740,000				
		9/1/2027	56,700						
		3/1/2028	56,700	3/1/2028	915,000				
		9/1/2028	29,250						
		3/1/2029	29,250	3/1/2029	975,000				

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

	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds Authorized	Issued	Retired	Outstanding
General Obligation Bonds, Series 2009A	3.20% to 5.00%					$ 1,000,000	$ 1,000,000	$ 105,000	$ 895,000
		9/1/2013	19,918						
		3/1/2014	19,918	3/1/2014	30,000				
		9/1/2014	19,295						
		3/1/2015	19,295	3/1/2015	35,000				
		9/1/2015	18,735						
		3/1/2016	18,735	3/1/2016	35,000				
		9/1/2016	18,131						
		3/1/2017	18,131	3/1/2017	35,000				
		9/1/2017	17,484						
		3/1/2018	17,484	3/1/2018	40,000				
		9/1/2018	16,684						
		3/1/2019	16,684	3/1/2019	45,000				
		9/1/2019	15,761						
		3/1/2020	15,761	3/1/2020	45,000				
		9/1/2020	14,816						
		3/1/2021	14,816	3/1/2021	50,000				
		9/1/2021	13,741						
		3/1/2022	13,741	3/1/2022	55,000				
		9/1/2022	12,545						
		3/1/2023	12,545	3/1/2023	60,000				
		9/1/2023	11,210						
		3/1/2024	11,210	3/1/2024	65,000				
		9/1/2024	9,748						
		3/1/2025	9,748	3/1/2025	70,000				
		9/1/2025	8,138						
		3/1/2026	8,138	3/1/2026	75,000				
		9/1/2026	6,375						
		3/1/2027	6,375	3/1/2027	80,000				
		9/1/2027	4,375						
		3/1/2028	4,375	3/1/2028	85,000				
		9/1/2028	2,250						
		3/1/2029	2,250	3/1/2029	90,000				

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

	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds: Authorized	Issued	Retired	Outstanding
General Obligation Bonds, Series 2009B	5.25% to 7.00%					$ 5,000,000	$ 5,000,000	$ 515,000	$ 4,485,000
		9/1/2013	144,239						
		3/1/2014	144,239	3/1/2014	155,000				
		9/1/2014	139,976						
		3/1/2015	139,976	3/1/2015	165,000				
		9/1/2015	135,645						
		3/1/2016	135,645	3/1/2016	180,000				
		9/1/2016	130,920						
		3/1/2017	130,920	3/1/2017	195,000				
		9/1/2017	125,801						
		3/1/2018	125,801	3/1/2018	205,000				
		9/1/2018	119,908						
		3/1/2019	119,908	3/1/2019	220,000				
		9/1/2019	113,170						
		3/1/2020	113,170	3/1/2020	240,000				
		9/1/2020	105,970						
		3/1/2021	105,970	3/1/2021	255,000				
		9/1/2021	98,065						
		3/1/2022	98,065	3/1/2022	275,000				
		9/1/2022	89,403						
		3/1/2023	89,403	3/1/2023	295,000				
		9/1/2023	79,815						
		3/1/2024	79,815	3/1/2024	315,000				
		9/1/2024	69,263						
		3/1/2025	69,263	3/1/2025	340,000				
		9/1/2025	57,575						
		3/1/2026	57,575	3/1/2026	365,000				
		9/1/2026	44,800						
		3/1/2027	44,800	3/1/2027	395,000				
		9/1/2027	30,975						
		3/1/2028	30,975	3/1/2028	425,000				
		9/1/2028	16,100						
		3/1/2029	16,100	3/1/2029	460,000				

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

	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds Authorized	Issued	Retired	Outstanding
General Obligation Bonds, Series 2012A	2.00% to 3.25%					$ 8,000,000	$ 8,000,000	$ 45,000	$ 7,955,000
		9/1/2013	104,769						
		3/1/2014	104,028	3/1/2014	45,000				
		9/1/2014	104,028						
		3/1/2015	103,578	3/1/2015	45,000				
		9/1/2015	103,578						
		3/1/2016	101,853	3/1/2016	300,000				
		9/1/2016	101,853						
		3/1/2017	98,803	3/1/2017	310,000				
		9/1/2017	98,803						
		3/1/2018	95,628	3/1/2018	325,000				
		9/1/2018	95,628						
		3/1/2019	92,328	3/1/2019	335,000				
		9/1/2019	92,328						
		3/1/2020	88,703	3/1/2020	390,000				
		9/1/2020	88,703						
		3/1/2021	84,703	3/1/2021	410,000				
		9/1/2021	84,703						
		3/1/2022	80,369	3/1/2022	430,000				
		9/1/2022	80,369						
		3/1/2023	75,581	3/1/2023	445,000				
		9/1/2023	75,581						
		3/1/2024	70,172	3/1/2024	465,000				
		9/1/2024	70,172						
		3/1/2025	64,234	3/1/2025	485,000				
		9/1/2025	64,234						
		3/1/2026	57,766	3/1/2026	500,000				
		9/1/2026	57,766						
		3/1/2027	50,391	3/1/2027	525,000				
		9/1/2027	50,391						
		3/1/2028	42,365	3/1/2028	545,000				
		9/1/2028	42,365						
		3/1/2029	33,864	3/1/2029	565,000				
		9/1/2029	33,864						
		3/1/2030	24,840	3/1/2030	590,000				
		9/1/2030	24,840						
		3/1/2031	15,275	3/1/2031	610,000				
		9/1/2031	15,275						
		3/1/2032	10,319	3/1/2032	635,000				

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

	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds Authorized	Issued	Retired	Outstanding
General Obligation Bonds, Series 2012B	2.00% to 4.25%					$ 6,000,000	$ 6,000,000	$ 50,000	$ 5,950,000
		9/1/2013	104,183						
		3/1/2014	103,394	3/1/2014	50,000				
		9/1/2014	103,394						
		3/1/2015	102,894	3/1/2015	50,000				
		9/1/2015	102,894						
		3/1/2016	101,181	3/1/2016	195,000				
		9/1/2016	101,181						
		3/1/2017	98,181	3/1/2017	205,000				
		9/1/2017	98,181						
		3/1/2018	95,031	3/1/2018	215,000				
		9/1/2018	95,031						
		3/1/2019	91,694	3/1/2019	230,000				
		9/1/2019	91,694						
		3/1/2020	87,944	3/1/2020	270,000				
		9/1/2020	87,944						
		3/1/2021	83,781	3/1/2021	285,000				
		9/1/2021	83,781						
		3/1/2022	79,356	3/1/2022	305,000				
		9/1/2022	79,356						
		3/1/2023	74,669	3/1/2023	320,000				
		9/1/2023	74,669						
		3/1/2024	69,719	3/1/2024	340,000				
		9/1/2024	69,719						
		3/1/2025	64,289	3/1/2025	360,000				
		9/1/2025	64,289						
		3/1/2026	58,179	3/1/2026	380,000				
		9/1/2026	58,179						
		3/1/2027	51,349	3/1/2027	400,000				
		9/1/2027	51,349						
		3/1/2028	43,759	3/1/2028	420,000				
		9/1/2028	43,759						
		3/1/2029	35,319	3/1/2029	445,000				
		9/1/2029	35,319						
		3/1/2030	26,219	3/1/2030	465,000				
		9/1/2030	26,219						
		3/1/2031	16,309	3/1/2031	495,000				
		9/1/2031	16,309						
		3/1/2032	11,050	3/1/2032	520,000				

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

	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds Authorized	Issued	Retired	Outstanding
Limited Tax Bonds, Series 2008A	6.50%					$ 1,300,000	$ 1,300,000	$ 680,000	$ 620,000
		9/1/2013	20,150						
		3/1/2014	20,150	3/1/2014	195,000				
		9/1/2014	13,813						
		3/1/2015	13,813	3/1/2015	205,000				
		9/1/2015	7,150						
		3/1/2016	7,150	3/1/2016	220,000				
Limited Tax Bonds, Series 2010	5.50%					$ 1,000,000	$ 1,000,000	$ 370,000	$ 630,000
		9/1/2013	17,325						
		3/1/2014	17,325	3/1/2014	200,000				
		9/1/2014	11,825						
		3/1/2015	11,825	3/1/2015	210,000				
		9/1/2015	6,050						
		3/1/2016	6,050	3/1/2016	220,000				
Limited Tax Bonds, Series 2011	3.75%					$ 6,000,000	$ 6,000,000	$ 2,290,000	$ 3,710,000
		9/1/2013	90,000						
		3/1/2014	90,000	3/1/2014	1,200,000				
		9/1/2014	67,500						
		3/1/2015	67,500	3/1/2015	1,200,000				
		9/1/2015	45,000						
		3/1/2016	45,000	3/1/2016	1,310,000				

Total interest	$ 19,190,953
Due within one year	$ 2,151,946
Long-term	17,039,007
Total	$ 19,190,953

Total principal	$ 48,465,000
Due within one year	$ 3,130,000
Long-term	45,335,000
Total	48,465,000
Bond Premium, Net	60,315
Total	$ 48,525,315

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the business-type activities of St. Charles Parish Hospital Service District (the Hospital), as of and for the year ended July 31, 2013, and the related notes to the financial statements, which collectively comprise the Hospital's basic consolidated financial statements, and have issued our report thereon dated February 21, 2014.

Internal Control over Financial Reporting

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

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. See findings 2013-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's consolidated 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 instances of non-compliance with laws and regulations, as noted below in the *Schedule of Findings and Responses* with findings 2013-02 and 2013-03. No other matters that are required to be reported under *Government Auditing Standards* were noted.

St. Charles Parish Hospital Service District's Response to Findings

The Hospital's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Hospital's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is intended for the information of the Board of Commissioners, Management of St. Charles Parish Hospital, and the Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana revised Statute 24:513, this report is distributed by the Legislative Auditor of the State of Louisiana as a public document.

LaPorte

A Professional Accounting Corporation

Metairie, LA
February 21, 2014

A. FINDINGS FINANCIAL STATEMENT AUDIT - 2013 FISCAL YEAR END

2013-01 – Credit Card Expenses

Condition: The Hospital does not have a written credit card policy. In our review of credit card activity we noted a number of charges with either no supporting receipt or approval for the charges. In addition, we noted charges that were recorded to an incorrect general ledger account.

Effect: This condition could result in charges unrelated to the Hospital being paid by the Hospital. None of the charges noted appeared to be for anything other than Hospital use.

Recommendation: We recommend that Management consider adopting and enforcing a credit card policy that institutes requirements based on best practices for a public organization.

Management Response and Corrective Action: Management has drafted a credit card policy which was approved and implemented effective January 31, 2014.

2013-02 – Use of Bond Proceeds

Condition: During the year ended July 31, 2013, the Hospital issued $14,000,000 of Taxable General Obligation Bonds, for the stated purpose of purchasing, acquiring and constructing land, buildings, machinery, equipment and furnishings, including both real and personal property, to be used in providing Hospital facilities to the District. The Hospital used $3,700,000 of these bond proceeds for operations and another $2,194,093 for paying professional fees associated with medical services provided to the District.

Effect: The Hospital has used proceeds from its 2012 General Obligation Bonds for purposes that are not in direct relation to its purpose as written on the ballot that was placed before the residents of St. Charles Parish for election on April 21, 2012.

Recommendation: We recommend that the Hospital fund back into its restricted cash account those funds from its 2012 Series A and B Taxable bonds that were used for operational purposes and for paying for medical services.

Management Response and Corrective Action: The total of $5,894,093 should be broken down into two categories: 1) $3,700,000 used for operational issues and 2) $2,194,093 used for physician and program development.

Use of the $3,700,000 was meant to be temporary to assist the hospital in two areas. It is Management's intention to replace these funds during the fiscal year ending 07/31/14. The Hospital, because of financial pressures, decided several years ago to discontinue its participation in the Parochial Employees' Retirement System of Louisiana (PERSLA). It was required by PERSLA to give a 2 year and 3 month notice. The notice period ended during the fiscal year audited. We were in arrears two quarters totaling $1,700,000. We were required to pay this amount due in order to finalize our participation in the retirement system.

The Hospital is currently undertaking significant services expansion in the areas of Cardiology, Orthopedics, Urology, and Internal Medicine. We have had significant costs in this expansion endeavor.

Management's plan to replace these funds is to issue a Certificate of Indebtedness within the fiscal year ending 07/31/14, replace the funds and become compliant. Until compliance is achieved, these funds will continue to be reflected on the hospital's balance sheet as a Due to the Construction Account.

Hospital Management disagrees with the finding citing inappropriate use of $2,194,093. We believe these were appropriate use of these funds. In fact, during numerous public presentations prior to the bond election, Management informed the public that a substantial use of these bond proceeds would be used for physician and new service line development.

As a small rural hospital it has become very difficult to operate in such a volatile healthcare environment. With the implementation of the Affordable Care Act (Obama Care) and continued federal mandates, we are exploring some form of affiliation with a larger healthcare system.

In summary, with the reduction of significant costs, expansion of hospital services and becoming part of a larger health care system, we believe our hospital has a bright future and will continue to provide our community access to quality hospital and emergency services.

2013-03 – Timely filing of audit report

Condition: Pursuant to State law, the Hospital is required to submit its annual audit to the State's Legislative Auditor no later than six months post its fiscal year-end. The Hospital was unable to meet that deadline due to the Board not meeting at its regularly scheduled meeting in January due to weather conditions and road closures. The next opportunity to allow the Board to accept the audit from its independent auditor was in February.

Effect: As a result of the road closures and the inability to have its independent auditor present the audit to its Board of Commissioners for acceptance and submission to the Legislative Auditor the audit report is being filed late.

Management Response and Corrective Action: Management was prepared to file its audit report timely with the Legislative auditor absent the occurrence of freezing weather that forced road closures and the cancelation of the regularly scheduled January Board of Commissioners meeting. The independent auditor was unable to present until the February board meeting. No corrective action is deemed necessary.

2012-01 - Patient Receivable and Credit Balances

Observation: Credit balances are being caused by situations where payments are made by both a primary and secondary payor. Management has begun addressing this issue, handling newer claims first. There still remains a population of older balances that Management has not yet addressed.

Recommendation: We recommend that Management continue its practice in handling more current claims while considering how to best use its resources in clearing older balances.

Status: Resolved

2012-02 Month-end close-out process

Observation: We observed that Management is not utilizing a fixed date for the completion of its month end closing process. We also noted that Management has not formalized policies for who, on their staff, is to prepare designated account reconciliations, the process for reviewing those reconciliations, and the overall review of the financial statements and other significant financial reports.

Recommendation: Management should adopt a written policy on the financial closing process, including who is to prepare respective account reconciliations, who reviews and approves those reconciliations, who reviews the financial statements and other significant reports, and establish a fixed date on which the financial statements and their supporting reconciliations are to be completed.

Status: Resolved

2012-03 Repeat Finding - Compliance with Public Bid Law

Observation: During the year ended July 31, 2011, we noted an instance in which the Hospital did not comply with the provisions of the public bid law, LSA-RS Title 38:2211, and the regulations of the Division of Administration State Purchasing office. The Hospital did not have sufficient controls in place to ensure that all public works projects with a value of $150,000 or more were procured in accordance with the public bid law.

Recommendation: Management should identify all requirements related to procurements under the Public Bid Law and establish a written policy manual that incorporates the State requirements. This policy should addresses how the Hospital will ensure the implementation of adequate controls to comply with the applicable State requirements, as well as delineate procedures for documentation of contract files including the significant procurement history such as: (1) the advertising and bidding information, (2) contractor selection or rejection, and (3) a written confirmation of the accepted offer.

Status: Resolved

2012-04 Repeat Finding - Compliance with LRS 24:513

Observation: Per Louisiana Revised Statute 24:513, public entities are required to submit their audited financial statements to the Legislative Auditor of Louisiana within six months of the close of the entity's fiscal year. The Hospital was unable to comply with the statute for the fiscal year ended July 31, 2012.

Recommendation: We recommend that the Hospital undertake measures to allow completion and submission of the audited financial statements within the required reporting deadline.

Status: Resolved