1592

HOSPITAL SERVICE DISTRICT NO. 2
OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL
HOSPITAL AUTHORITY

FINANCIAL REPORT

JUNE 30, 2010

Hospital Service District No.2 of St. Landry Parish, Louisiana
And Opelousas General Hospital Authority (d/b/a Opelousas General Health System)

Years Ended June 30, 2010 and 2009 with Report of Independent Auditors

MANAGEMENT'S DISCUSSION AND ANALYSIS AND BASIC FINANCIAL STATEMENTS

TABLE OF CONTENTS

HOSPITAL SERVICE DISTRICT #2 OF ST. LANDRY PARISH, LOUISIANA AND OPELOUSAS GENERAL HOSPITAL AUTHORITY (D/B/A OPELOUSAS GENERAL HEALTH SYSTEM)

MANAGEMENT'S DISCUSSION AND ANALYSIS AND BASIC FINANCIAL STATEMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

(In Thousands)

This section of the Hospital's annual financial report presents background information and management's analysis of the Hospital's financial performance during the fiscal year that ended June 30, 2010. Please read it in conjunction with the financial statements in this report.

Financial Highlights

Opelousas General Health System showed a decrease in earnings in excess of expenses of approximately $2,641 or a 76.6% decrease over the prior year. The decrease was due to the following:

- During the year, Opelousas General Health System's total operating revenues increased by $12,054 or 11.6% in 2010 and $12,764 or 14.0% in 2009. Expenses increased by approximately $14,063 or 14.0% in 2010 and $11,961 or 13.49% in 2009. The Hospital experienced income from operations of $1,165 in 2010 and income from operations of approximately $3,174 in 2009.

- During the fiscal year, Opelousas General Health System made capital investments for a total of approximately $6,928 in 2010 and $5,091 in 2009. The following is a list of significant items for 2010 followed by a list of significant items for 2009:

	2010
McKesson Project	$ 5,073
Psych Unit Addition	460
Psych Unit South Campus	277
OR #8 Renovation	210
Superdimension Inreach System	155
Rehab Unit Renovations	138
2nd Floor AHU	118
	$ 6,431

The source of the funding for these projects was derived from operations and capital lease proceeds for the McKesson Project.

(In Thousands)

List of significant capital investments for 2009 are as follows:

		2009
PACS Upgrade	$	44
Washer/Extractor		87
Cardiography System		30
Elite Digital Mobile C-Arm		84
Fetal Monitors & Carts		81
Epsilon X-ray Generator		47
Visum LED Dual Light		58
Arthroscopy Endoscopy Towers		133
Sonosite Ultrasound Probes		15
Booster Pump		15
Elevator #5 Remodel		143
Elevator #6 Remodel		143
Office Renovations		17
Informations Systems Renovations		332
McKesson Project		2,355
Architectural and Design Costs		115
North Complex 5th Floor Offices		47
CT Room Renovations		665
Fetal Monitor Software License		43
	$	4,454

The source of the funding for these projects was derived from operations and capital lease proceeds for the McKesson Project.

Required Financial Statements

The basic financial statements of the Hospital report information about the Hospital using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The balance sheets include all of the Hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Hospital, and assessing the liquidity and financial flexibility of the Hospital. All of the current year's revenues and expenses are accounted for in the statements of revenue, expenses, and changes in net assets. This statement measures improvements in the Hospital's operations over the past years and can be used to determine whether the Hospital has been able to recover all of its costs through its patient service revenue and other revenue sources. The final required financial statement is the statements of cash flows. The primary purpose of this statement is to provide information about the Hospital's cash from operations, investing, and financing activities, and to provide answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the Hospital

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(In Thousands)

Net Assets

A summary of Opelousas General Health System's balance sheets are presented in Table 1 below:

TABLE 1
Condensed Balance Sheets
(In Thousands)

	2010	2009	2008	2009 to 2010 Dollar Change	2008 to 2009 Dollar Change
ASSETS					
Total currents assets	$ 34,911	$ 34,857	$ 31,304	$ 54	$ 3,553
Property, plant & equipment (less accumulated depreciation)	76,119	76,136	63,434	(17)	12,702
Other assets – including board designated funds	25,135	23,442	26,324	1,693	(2,882)
Total assets	$136,165	$134,435	$121,062	$ 1,730	$ 13,373
LIABILITIES					
Current liabilities	$ 14,912	$ 15,994	$ 12,216	$ (1,082)	$ 3,778
Long-term debt outstanding	36,285	34,279	28,131	2,006	6,148
Total liabilities	$ 51,197	$ 50,273	$ 40,347	$ 924	$ 9,926
NET ASSETS					
Invested in capital assets, net of related debt	$ 38,721	$ 43,688	$ 38,774	$ (4,967)	$ 4,914
Restricted assets	4,897	3,768	3,825	1,129	(57)
Unrestricted assets	41,350	36,706	38,116	4,644	(1,410)
Total net assets	$ 84,968	$ 84,162	$ 80,715	$ 806	$ 3,447
Total liabilities and net assets	$136,165	$134,435	$121,062	$ 1,730	$ 13,373

As shown in Table 1, total assets increased by $1,730 to $136,165 in fiscal year 2010, up from $134,435 in fiscal year 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(In Thousands)

Summary of Revenue, Expenses, and Changes in Net Assets

A summary of Opelousas General Health System's historical revenues and expenses for the fiscal years ended June 30, 2010, 2009 and 2008 is presented in Table 2 below:

TABLE 2
Condensed Statements of Revenue, Expenses, and Changes in Net Assets
(In Thousands)

				From 2009 to 2010		From 2008 to 2009	
	2010	2009	2008	Dollar Change	Percent Change	Dollar Change	Percent Change
Revenue:							
Net patient service revenue	$112,164	$100,572	$ 88,282	$11,592	11.5%	$ 12,290	13.9%
Other operating revenue	3,320	2,858	2,384	462	16.2%	474	19.9%
Total operating revenue	$115,484	$103,430	$ 90,666	$12,054	11.7%	$ 12,764	14.1%
Expenses:							
Routine services	$ 19,627	$ 17,187	$ 15,256	$ 2,440	14.2%	$ 1,931	12.7%
Ancillary services	61,310	54,002	45,974	7,308	13.5%	8,028	17.5%
General services	10,613	8,766	7,880	1,847	21.1%	886	11.2%
Fiscal & administrative services	15,777	13,905	12,473	1,872	13.5%	1,432	11.5%
Depreciation	6,992	6,396	6,712	596	9.3%	(316)	-4.7%
Total operating expenses	$114,319	$100,256	$ 88,295	$14,063	14.0%	$ 11,961	13.5%
Operating income (loss)	$ 1,165	$ 3,174	$ 2,371	$ (2,009)	-63.3%	$ 803	33.9%
Non-operating income (loss):	$ (359)	$ 273	$ 143	$ (632)	-231.5%	$ 130	90.9%
Increase (decrease) in net assets	$ 806	$ 3,447	$ 2,514	$ (2,641)	-76.6%	$ 933	37.1%
Net assets, beginning of year	84,162	80,715	78,201	3,447	4.3%	2,514	3.2%
Net assets, end of year	$ 84,968	$ 84,162	$ 80,715	$ 806	1.0%	$ 3,447	4.3%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(In Thousands)

SOURCES OF REVENUE

Operating Revenue

The Hospital derived the majority of its revenues from in and out patient services, which translated to approximately 97% of total revenues in 2010, 2009 and 2008. Patient service revenues include monies from the Medicare, Medicaid and Champus programs and/or revenues from commercial third-party payors. Reimbursement for Medicare and Medicaid programs and commercial third-party payors is based upon established contracts. The difference between the covered charges or gross revenue and reimbursement or net revenue is referred to as contractual allowance. Other revenue includes cafeteria sales, gift shop sales, rental income and other miscellaneous services.

Table 3 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended June 30, 2010, 2009 and 2008.

TABLE 3
Payor Mix by Percentage

	Year Ended June 30,		
	2010	2009	2008
Medicare	44.20%	44.55%	44.56%
Medicaid	20.00%	18.82%	18.89%
Medicare HMO	3.40%	3.38%	2.93%
Commercial/PPO	25.60%	26.61%	26.75%
Workers Comp	1.50%	1.67%	1.59%
Self Pay	4.10%	3.68%	3.35%
Other	1.20%	1.29%	1.93%
	100.00%	100.00%	100.00%

Other Revenue

Other revenue includes cafeteria sales, rental income, and other miscellaneous services.

TABLE 4
Other Revenue
(In Thousands)

	Year Ended June 30, 2010	2009	2008
Other Revenue:			
Cafeteria	$ 928	$ 845	$ 692
Gift shop	303	247	227
Rental income	1,428	1,184	986
Nutritional counseling	121	115	104
Outside housekeeping & laundry services	234	208	202
Reimbursement - pain management	149	50	-
Miscellaneous	157	209	173
	$ 3,320	$ 2,858	$ 2,384

Investment Revenue

Opelousas General Health System holds designated and restricted funds in its balance sheets that are invested primarily in money market funds and securities issued by the U.S. Treasury and other federal agencies. These investments earned $675 in 2010, $1,009 in 2009 and $1,414 in 2008.

Operating and Financial Performance

The following summarizes Opelousas General Health System's statements of revenue and expenses.

Overall activity at the Hospital, as measured by patient discharges, increased 6.8% to 9,474 from 8,872 in 2009. The 2009 discharges of 8,872 increased from 2008 discharges of 7,939 by 933 (an increase of 12.0%). The total patient days in 2010, were 42,257 as compared to 38,497 in 2009, for a difference of 3,760 (an increase of 9.8%). In 2009, total patient days increased 10.67% to 38,497 in 2009 from 34,789 in 2008. The average length of stay for acute care patients (excluding newborns and rehabilitation) was 4.0, 4.1 and 4.1 for fiscal years 2010, 2009, and 2008 respectively. OGHS is maintaining its patient days and discharges while maintaining ALOS, which is a tribute to case management and discharge planning.

Note: Discharges and Patients days include Acute, Psychiatric and Rehabilitation days

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(In Thousands)

TABLE 5
Patient and Hospital Statistical Data

	Year Ended June 30,		
	2010	2009	2008
Discharges:			
Acute Care	9,046	8,654	7,742
Psychiatric	236	-	-
Rehabilitation	192	218	197
Newborn	1,169	1,316	950
Patient Days:			
Acute Care	36,682	36,045	32,050
Psychiatric	2,916	-	-
Rehabilitation	2,659	2,452	2,739
Newborn	2,271	2,547	1,891
Operating Room I/P Visits	3,536	3,648	3,034
Outpatient Surgeries	5,211	5,471	4,525
Emergency Room Visits	32,466	29,889	27,597
Outpatient Registrations (Including ER)	127,919	96,530	88,186
Deliveries	1,138	1,301	937
Procedures:			
Lab	562,048	477,947	434,049
Radiology	53,234	57,991	54,833
CT Scan	15,984	13,691	12,445
Nuclear Medicine	2,315	1,476	1,439
MRI	3,066	2,952	3,295
Radiation Therapy	4,878	3,792	4,903
Heart Cath Unit Cases	1,427	1,558	1,195
Hyperbaric Oxygen	3,961	3,727	3,754
Physical Therapy	53,205	60,129	56,818
Average Daily Census:			
Acute Care	100.5	98.8	87.6
Psychiatric	8.0	-	-
Rehabilitation	7.3	6.7	7.5
Newborn	6.2	7.0	5.2
Average Length of Stay (excluding newborns):			
Acute Care	4.0	4.1	4.1
Psychiatric	12.0	-	-
Rehabilitation	13.8	11.2	13.9

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(In Thousands)

Total net patient service revenue increased $11,592 or 11.5% from 2009 to 2010 as compared to an increase of $12,290 or 13.9% from 2008 to 2009.

Both net and gross patient revenues show increases over the prior year. These increases are primarily due to higher volumes (Table 5 – patient and hospital statistical data). Gross patient revenue increased by $49,139 or 15.6% as compared to 2009. In 2009, gross patient revenue increased from 2008 by $43,601 or 16.0%.

Allowances increased over prior year as described in Table 6 below:

TABLE 6
Allowance Summary
(In Thousands)

	Year Ended June 30,		
	2010	2009	2008
Allowances:			
Administrative allowances	$ 238	$ 125	$ 142
Blue Cross discounts	27,870	24,104	19,267
Charity allowances	1,116	632	486
Contractual adjustments - Medicare and Medicaid	167,107	140,319	118,709
Managed care allowances	38,862	35,017	31,280
Provision for uncollectible accounts	17,388	14,837	13,839
Total contractual allowances, discounts, and uncollectible accounts	$ 252,581	$ 215,034	$ 183,723

The business office continues to streamline collection efforts and collected approximately $16,452 in cash over prior year, which translated in keeping days in accounts receivable consistent with prior year.

Salary expenses increased by $7,208 or 16.9% from 2009 to 2010 and $7,831 or 22.5% from 2008 to 2009. Total salaries were $49,878 in 2010, $42,670 in 2009 and $34,839 in 2008. As a percentage of net patient service revenue, salary expense was approximately 38.1% in 2010, 42.4% in 2009 and 39.5% in 2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(In Thousands)

Employee benefit expense increased in 2010 by $1,045 or 12.2% from 2009 and increased $1,019 or 13.5% from 2008 to 2009. Employee benefit expense represented 19.2% of salary expense in 2010, and 20.0% of salary expenses in 2009 and 21.6% in 2008. This increase is primarily due to continued increase in workman compensation claims, pension plan and health and dental claims.

Provision for bad debts increased in 2010 by $2,551 or 17.2% from 2009 and increased $998 or 7.2% from 2008 to 2009. This increase is due to increased volumes and to a continued increase in uninsured patients.

Depreciation expense increased by $556 or 8.70% from 2009 to 2010 and decreased $323 or 4.81% from 2008 to 2009. The increase is primarily due to acquisition of new equipment related to the McKesson IT project as well as the addition of the Doctors' Hospital facility.

Interest expense increased by $457 or 30.2% from 2009 to 2010 and $30 or 2.02% from 2008 to 2009. Also, OGHS has incurred additional interest expense as a result of the IT Expansion Project as well as the acquisition of the Doctors' Hospital facility.

Total operating expenses increased by $14,063 or 14.0% from 2009 to 2010 and $11,911 or 13.5% from 2008 to 2009, for the reasons discussed above.

Investment income consists of interest earnings on funds designated by the board of commissioners and funds held by trustee under bond resolution. Investment income decreased from the prior year given the fact that there were lower investment yields in the current year than in the previous year.

Capital Assets

During fiscal year 2010, OGHS invested $6,928 in a broad range of capital assets as compared to $5,091 in 2009. This information is included in Table 7 below.

TABLE 7
Capital Assets
(In Thousands)

	2010	2009	2008	2009 to 2010 Dollar Change	2008 to 2009 Dollar Change
Non-depreciable capital assets					
Land	$ 5,971	$ 5,971	$ 3,771	$ -	$ 2,200
Construction in progress	4,187	4,826	2,022	(639)	2,804
Total non-depreciable capital assets	$ 10,158	$ 10,797	$ 5,793	$ (639)	$ 5,004
Depreciable assets					
Land improvements	$ 1,467	$ 1,467	$ 1,467	$ -	$ -
Automobiles	148	148	127	-	21
Buildings	85,698	83,921	77,484	1,777	6,437
Equipment	70,473	64,683	57,169	5,790	7,514
Total depreciable capital assets	$157,786	$150,219	$136,247	$ 7,567	$ 13,972
Less accumulated depreciation	(91,825)	(84,880)	(78,606)	(6,945)	(6,274)
Total depreciable capital assets	$ 65,961	$ 65,339	$ 57,641	$ 622	$ 7,698

Net property, plant, and equipment increased over the prior year, which is primarily due to the enhancement of existing facilities and equipment. OGHS added new facilities and renovated and improved existing services to accommodate continued growth in inpatient and outpatient services.

Long-Term Debt

At year-end for 2010, OGHS had $34,150 in short-term and long-term debt outstanding in revenue bonds as compared to $30,468 in 2009 and $22,710 in 2008. The debt amount is shown net, in the balance sheet, of the unamortized bond discount of $189 in 2010, $207 in 2009 and $225 in 2008. Capital leases at the end of 2010 totaled $5,129, $6,662 in 2009 and $8,367 in 2008 which were included in current and long-term liabilities. More detailed information about the Hospital's long-term liabilities is presented in the notes to the basic financial statements. Total debt outstanding, excluding other long-term liabilities, represented approximately 28.8% in 2010, 27.6% in 2009 and 25.7% in 2008, of OGHS' total assets.

Acquisition of Hospital Facility

In April 2009, the Hospital completed the purchase of a 171 bed acute care facility located in Opelousas, Louisiana (Doctor's Hospital) for $5,000 in cash plus a note payable to the seller of $9,000 for a total purchase price of $14,000. In addition, the Hospital incurred direct costs associated with the acquisition of $1,090. Consequently, total acquisition costs amounted to $15,090. As a result of the acquisition, the Hospital is expected to increase the quality of healthcare provided in St. Landry Parish as well as surrounding parishes. The Hospital accounted for the acquisition using the purchase method of accounting.

Contacting the Hospital's Financial Manager

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

This page intentionally left blank.

BROUSSARD, POCHÉ, LEWIS & BREAUX, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

994 E. Prudhomme Street
Opelousas, Louisiana 70570
phone: (337) 942-5217
fax: (337) 942-1568
www.bplb.com

Other Offices:
Crowley, LA
(337) 783-5693
Lafayette, LA
(337) 988-4930
New Iberia, LA
(337) 364-4554

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Hospital Service District No. 2
and Board of Trustees
Opelousas General Hospital Authority
St. Landry Parish, Louisiana

We have audited the accompanying basic financial statements of Hospital Service District No. 2 of St. Landry Parish, Louisiana (the "District"), a component unit of the St. Landry Parish Government and Opelousas General Hospital Authority (the "Hospital"), a public instrumentality of the State of Louisiana and a component unit of Hospital Service District No. 2 of St. Landry Parish, Louisiana, as of and for the years ended June 30, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the District and Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 2 of St. Landry Parish, Louisiana and Opelousas General Hospital Authority as of June 30, 2010 and 2009, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 12, 2010, on our consideration of the District and Hospital's internal control over financial reporting on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This page intentionally left blank.

To the Board of Commissioners
Hospital Service District No. 2
and Board of Trustees
Opelousas General Hospital Authority
St. Landry Parish, Louisiana

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Hospital Service District No. 2 of St. Landry Parish, Louisiana and Opelousas General Hospital Authority's financial statements taken as a whole. The accompanying supplementary information on pages 28 to 42, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the financial statements or to the financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Broussard, Poche', Lewis & Breaux, L.L.P.

Opelousas, Louisiana
November 12, 2010

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

BALANCE SHEETS
June 30, 2010 and 2009
(In Thousands)

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 5,160	$ 4,098
Short-term investments	3,909	6,097
Patient accounts receivable, net of estimated uncollectible accounts of $25,533 (2010) and $25,990 (2009)	17,212	16,195
Inventories	3,454	3,111
Prepaid expenses	1,130	1,245
Estimated third party payor settlements	74	-
Other receivables	3,972	4,111
Total current assets	$ 34,911	$ 34,857
OTHER ASSETS		
Held by trustee for debt service:		
Cash and cash equivalents	$ 3,978	$ 3,146
Investments	919	611
Accrued interest receivable	-	11
Held by trustee for equipment purchase under lease:		
Cash and cash equivalents	1,881	4,681
Accrued interest receivable	-	1
Other long-term investments	15,881	12,818
Deposits	107	9
Unamortized expense	1,631	1,390
Joint venture investments	738	775
Total other assets	$ 25,135	$ 23,442
CAPITAL ASSETS		
Non-depreciable capital assets	$ 10,158	$ 10,797
Depreciable capital assets, net of accumulated depreciation	65,961	65,339
Total capital assets, net of accumulated depreciation	$ 76,119	$ 76,136
Total assets	$ 136,165	$ 134,435

See Notes to Financial Statements.

	2010	2009
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 5,078	$ 5,304
Current maturities of long-term debt	1,927	1,317
Current maturities of capital leases	1,067	1,534
Employee compensation payable	805	1,071
Other accrued expenses	6,035	6,327
Estimated third party payor settlements	-	441
Total current liabilities	$ 14,912	$ 15,994
LONG-TERM LIABILITIES		
Long-term debt, net of current maturities	$ 32,223	$ 29,151
Long-term capital lease, net of current maturities	4,062	5,128
Total long-term liabilities	$ 36,285	$ 34,279
Total liabilities	$ 51,197	$ 50,273
NET ASSETS		
Invested in capital assets, net of related debt	$ 38,721	$ 43,688
Restricted:		
For debt service	4,897	3,768
Unrestricted	41,350	36,706
Total net assets	$ 84,968	$ 84,162
Total liabilities and net assets	$ 136,165	$ 134,435

This page intentionally left blank.

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended June 30, 2010 and 2009
(In Thousands)

	2010	2009
Operating revenues:		
Net patient service revenues (net of provision for bad debts of $17,388 in 2010 and $14,837 for 2009)	$ 112,164	$ 100,572
Other operating revenues	3,320	2,858
Total operating revenues	$ 115,484	$ 103,430
Operating expenses:		
Routine services	$ 19,627	$ 17,187
Ancillary services	61,310	54,002
General services	10,613	8,766
Fiscal and administrative services	15,777	13,905
Depreciation and amortization	6,992	6,396
Total operating expenses	$ 114,319	$ 100,256
Operating income	$ 1,165	$ 3,174
Non-operating revenues (expenses):		
Gain (loss) on disposal of capital assets	$ 36	$ (2)
Unrealized and realized gain (loss) on investments	71	(142)
Non-capital grants and donations	1	-
Investment income	675	1,009
Interest expense	(1,970)	(1,513)
Net income from joint ventures	828	921
Total non-operating revenues (expenses)	$ (359)	$ 273
Increase in net assets	$ 806	$ 3,447
Net assets beginning	84,162	80,715
Net assets ending	$ 84,968	$ 84,162

See Notes to Financial Statements.

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2010 and 2009
(In Thousands)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from and on behalf of patients	$ 113,952	$ 101,624
Payments to suppliers and contractors	(58,309)	(50,134)
Payments to employees	(50,144)	(42,399)
Net cash provided by operating activities	$ 5,499	$ 9,091
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Non-capital donations	$ 1	$ -
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for the purchase of capital assets	$ (6,928)	$ (5,091)
Acquisition of business	(74)	(6,090)
Proceeds from issuance of long-term debt	5,000	-
Principal payments on long-term debt	(1,336)	(1,260)
Interest paid on long-term debt	(1,775)	(1,482)
Bond issuance cost	(245)	-
Principal payments on capital leases	(1,533)	(1,705)
Net cash used in capital and related financing activities	$ (6,891)	$ (15,628)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	$ 778	$ 1,050
Net investment in joint ventures	865	731
Purchase of investments	(21,338)	(17,591)
Maturities of investments	20,180	16,641
Net cash provided by investing activities	$ 485	$ 831
Net decrease in cash and cash equivalents	$ (906)	$ (5,706)
Cash and cash equivalents at beginning of year	11,925	17,631
Cash and cash equivalents at end of year	$ 11,019	$ 11,925
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash and cash equivalents in current assets	$ 5,160	$ 4,098
Restricted cash and cash equivalents:		
Held by trustee for debt service	3,978	3,146
Held by trustee for equipment purchase under lease	1,881	4,681
Total cash and cash equivalents	$ 11,019	$ 11,925

(continued)

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL TRUST AUTHORITY

STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended June 30, 2010 and 2009
(In Thousands)

	2010	2009
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 1,165	$ 3,174
Adjustments to reconcile operating income to net cash flows provided by operating activities:		
Depreciation and amortization	6,992	6,396
Gain (loss) on sale of capital assets	36	(2)
Provision for bad debts	17,388	14,837
(Increase) decrease in assets:		
Patient accounts receivable	(18,405)	(17,080)
Inventories	(343)	(1,116)
Prepaid expenses	115	(166)
Other receivable	(4)	(883)
Increase (decrease) in liabilities:		
Accounts payable	(226)	856
Accrued expenses	(438)	2,308
Estimated third-party settlements	(515)	487
Other liabilities related to operating activities	(266)	280
Net cash provided by operating activities	$ 5,499	$ 9,091

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Note 1. Organization and Significant Accounting Policies

Reporting entity:

Hospital Service District No. 2 of St. Landry Parish (the "District) is a political subdivision of the St. Landry Parish Government, created by an ordinance adopted in 1953 by virtue of the authority of Louisiana Revised Statutes (R.S.) 46:1051 et seq. The purpose of the Hospital Service District is to provide health services to St. Landry Parish. The Board of Commissioners are appointed by the St. Landry Parish Government. As the governing authority of the Parish, for reporting purposes, the St. Landry Parish Government is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the St. Landry Parish Government based on GASB Statement No. 14. The accompanying financial statements present only the Hospital Service District No. 2 and its component units. The components units discussed below are included in the District's reporting entity because of the significance of their operational or financial relationships with the District.

Blended Component Unit: The Opelousas General Hospital Authority (the "Hospital") was created under the laws of the State of Louisiana pursuant to a Trust Indenture executed on April 6, 1971 for the benefit of the District and is a public instrumentality of the State of Louisiana. The stated purpose of the Hospital is to acquire hospital facilities by lease, purchase, and gift or otherwise and to plan, establish, develop, construct and administer hospital properties for the use and benefit of the residents of the District. The District's Board of Commissioners also serve on the Board of Trustees of the Hospital. In addition, the Hospital owns 100% of OGH Medical Services, Inc. and OGH Medical Offices, Inc. These two entities have also been blended with the District's basic financial statements.

On May 21, 2002, the Hospital, by a vote of its board, changed the name of its operating entity from "Opelousas General Hospital" to "Opelousas General Health System."

Basis of Accounting:

The accompanying basic financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, the GASB unanimously approved Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* Statement 34 established standards for external financial reporting for all state and local governmental entities, which include a balance sheet; a statement of revenue and expenses and changes in net assets; and a direct method statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt, restricted, and unrestricted.

These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – This component of net assets consists of constraints 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 assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Note 1. Organization and Significant Accounting Policies (Continued)

Other significant accounting policies

Enterprise fund accounting -

The District and Hospital use enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the District and Hospital have elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Use of estimates -

The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

Cash and cash equivalents -

For purposes of the statements of cash flows, the District and Hospital considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Trade receivables and allowance for uncollectible accounts -

Trade receivables are carried at the original billed amount less an estimate made for uncollectible accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for uncollectible 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.

Inventories -

Inventories are valued at the latest invoice price, which approximates the lower of cost (first-in, first-out method) or market.

Net patient service revenues -

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its 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 future periods as final settlements are determined.

Income taxes -

The District and Hospital are political subdivision and exempt from taxes.

Note 1. Organization and Significant Accounting Policies (Continued)

Capital assets -

The District and Hospital records all capital asset at historical cost, except for capital assets donated to the District or Hospital. Donated capital assets are recorded at fair market value at the date of donation.

The District and Hospital provides for depreciation of its plant and equipment using the straight-line method over the estimated useful lives of each class of depreciable assets. Equipment under capital lease obligations are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. The following estimated useful lives are generally used:

Land improvements	2-25 years
Automobiles	3-10 years
Buildings	10-40 years
Equipment	3-25 years

Investments -

Investments in debt and equity securities are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in non-operating revenue when earned.

Investments include certificates of deposit, obligations of the U.S. Government Agencies and commercial paper issued by United States corporations with ratings of at least A-1 (Moody's) and P-1 (Standard and Poor's) and the Louisiana Hospital Investment Pool. It is the Authority's intention to hold investments to maturity.

Classification of revenues and expenses -

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

Grants and donations -

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

Restricted resources -

When the District and Hospital has both restricted and unrestricted resources available to finance a particular program, it is the policy to use restricted resources before unrestricted resources.

Note 1. Organization and Significant Accounting Policies (Continued)

Compensated absences -

The Hospital's employees earn paid time off (PTO) hours at varying rates depending on years of service and employment status. Employees may accumulate PTO hours to a maximum of 480 hours. When this is reached further accumulation is ceased until PTO time is used, there is no cash option associated with this maximum bank. Bonus PTO is earned every fifth year beginning with the completion of the tenth year of full-time employment and this bonus amount will be pro-rated for part-time status. Employees with PTO hours remaining upon separation are paid in full.

The Hospital also offered employees extended illness benefits (EIB) which was the compensated absence policy in effect prior to July 1, 1998. This policy has now been superseded by the above-mentioned PTO policy. Employees that had balances in their EIB banks prior to July 1, 1998 had their hours frozen and upon retirement, age 55 or older with 10 years of full-time service, will be paid for these EIB hours at their base rate at the time of retirement with a limit of $10.

The estimated amounts of these compensated absences payable is included in other accrued expenses under current liabilities in 2010 and 2009.

Environmental matters -

Due to the nature of the Hospital's operations, materials handled could lead to environmental concerns. However, at this time, management is not aware of any environmental matters, which need to be considered.

Advertising costs -

The Hospital expenses advertising costs as they are incurred. Total advertising costs expensed were $523 and $539 for 2010 and 2009, respectively.

Unamortized expense -

Unamortized expense consists of bond issue cost and is recorded as other assets on the balance sheets and is being amortized over the life of the related bond issue. The bond issue cost amortized is $31 and $24 in 2010 and 2009, respectively.

Risk management -

The District and Hospital are exposed to various risks of loss from tort; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health. Commercial insurance coverage is purchased for claims arising from such matters.

Reclassifications -

To be consistent with current year classifications, some items from the previous year have been reclassified with no effect on net assets.

Note 2. Net Patient Service Revenues

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- Medicare – Inpatient acute care services (and related capital costs) rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. Acute care service rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services related to Medicare beneficiaries are reimbursed either on a prospective determined rate or a fee schedule. The Hospital is reimbursed for cost reimbursable items and Medicare bad debts at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2007.

- Medicaid – Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per day. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, subject to certain limits, while other outpatient services are reimbursed on a fee schedule. The Hospital is reimbursed for outpatient services at an interim rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through June 30, 2007.

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

During the years ended June 30, 2010 and 2009, approximately 64% and 63%, respectively, of the Hospital's gross patient service revenues were furnished to Medicare and Medicaid beneficiaries. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the near term. As a result of retroactive adjustments of certain prior year cost reports, the Hospital recorded changes in estimates resulting in an increase in net patient service revenues of approximately $162 and $757 during the years ending June 30, 2010 and 2009, respectively.

Note 3. Deposits and Investments

The District investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in direct obligations of the United States Government and its agencies pledged by its full faith and credit, certificates of deposit and savings accounts which are secured by FDIC or pledge of securities, and government backed mutual or trust funds. At June 30, 2010 and 2009, all the District's deposits and investments were secured by Federal Deposit Insurance Corporation (FDIC) coverage.

The Hospital (blended component unit) investing is performed in accordance with its investment policy. Funds may be invested in time deposits, money market investments accounts or certificates of deposits with financial institutions insured by the FDIC; direct obligations of the United States Government and its agencies; commercial paper issued by United States Corporations with a rating of A-1 (Moody's) and P-1 (Standard and Poor's) or higher; and the Louisiana Hospital Investment Pool. All of the securities have fixed maturities and it is the Hospital's intention to hold them until maturity. The Hospital, which is a public trust, is not required to comply with the collateralization requirements of the local depository law (per La. Atty. Gen. Op. No. 89-549).

(In Thousands)

Note 3. Deposits and Investments (Continued)

The District and Hospital's investments generally are reported at fair value, as discussed in Note 1. At June 30, 2010 and 2009, the District and Hospital's investments consisted of the following, all of which were held in the District and Hospital's name by a custodial agent of the District and Hospital:

	2010	2009
Certificate of Deposit	$ 5,629	$ 7,393
U.S. Government Agency Securities	10,397	10,073
Municipal Bonds	2,508	968
Equities	108	-
Commercial Paper	2,067	1,092
	$ 20,709	$ 19,526

The carrying amounts of deposits and investments included in the District and Hospital's balance sheets are as follows:

	2010	2009
Carrying amount:		
Deposits	$ 11,019	$ 11,925
Investments	20,709	19,526
	$ 31,728	$ 31,451
Included in the following balance sheet captions:		
Cash and cash equivalents	$ 5,160	$ 4,098
Short term investments	3,909	6,097
Held by trustee for debt service:		
Cash and cash equivalents	3,978	3,146
Investments	919	611
Held by trustee for equipment purchase under lease:		
Cash and cash equivalents	1,881	4,681
Other long-term investments	15,881	12,818
	$ 31,728	$ 31,451

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. As of June 30, 2010 and 2009, $-0- and $2,528, respectively, of the Hospital's bank balances of $7,251 and $3,881, respectively, were exposed to custodial risk of being uninsured and uncollateralized. The Hospital's investment policy limits the maximum funds invested in any one financial institution may not exceed 33 1/3% of total funds available for investment, except for the Hospital's lead bank which shall not exceed the greater of $2 million or 50% of total invested funds.

(In Thousands)

Note 3. Deposits and Investments (Continued)

In accordance with FASB ASC 820, the Hospital groups assets and financial liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes securities that are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. For example, municipal securities valuations are based on markets that are currently offering similar financial products. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Below is a table that presents information about certain assets and liabilities measured at fair value on a recurring basis:

	Fair Value	Quoted Prices In Active Markets For Identical Assets/ Liabilities Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
As of June 30, 2010				
Investments	$ 20,709	$ 2,175	$ 12,905	$ 5,629
As of June 30, 2009				
Investments	$ 19,526	$ 1,092	$ 10,740	$ 7,694

	Fair Value Measurements Using Significant Unobservable Inputs Level 3	
	2010	2009
Beginning balance	$ 7,694	$ 1,580
Purchases	1,603	6,332
Sales and maturities	(3,693)	(194)
Gains and (losses)	25	(24)
Ending balance	$ 5,629	$ 7,694

(In Thousands)

Note 4. Accounts Receivable

Patient accounts receivable reported as current assets by the Hospital at June 30, 2010 and 2009 consisted of these amounts:

	2010	2009
Receivable from patients and their insurance carriers	$ 27,331	$ 27,796
Receivable from Medicare	7,851	7,846
Receivable from Medicaid	7,563	6,543
Total patient accounts receivable	$ 42,745	$ 42,185
Less allowance for uncollectibles amounts	(25,533)	(25,990)
Patient accounts receivable, net	$ 17,212	$ 16,195

Note 5. Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2010 and 2009 was as follows:

	2010	2009
Medicare	18%	19%
Medicaid	18%	15%
Other third-party payors	27%	33%
Patients	37%	33%
	100%	100%

(In Thousands)

Note 6. Capital Assets

Capital asset additions, retirements, and balances for the years ended June 30, 2010 and 2009 were as follows:

	Balance 6/30/2009	Additions	Retirements	Balance 6/30/2010
Non-depreciable capital assets				
Land	$ 5,971	$ -	$ -	$ 5,971
Construction in progress	4,826	5,073	(5,712)	4,187
Total non-depreciable capital assets	$ 10,797	$ 5,073	$ (5,712)	$ 10,158
Depreciable assets				
Land improvements	$ 1,467	$ -	$ -	$ 1,467
Automobiles	148	-	-	148
Buildings	83,921	1,777	-	85,698
Equipment	64,683	5,790	-	70,473
Total depreciable capital assets	$ 150,219	$ 7,567	$ -	$ 157,786
Less accumulated depreciation for:				
Land improvements	$ (1,195)	$ (65)	$ -	$ (1,260)
Automobiles	(107)	(12)	-	(119)
Buildings	(35,257)	(2,619)	-	(37,876)
Equipment	(48,321)	(4,249)	-	(52,570)
Total accumulated depreciation	$ (84,880)	$ (6,945)	$ -	$ (91,825)
Total depreciable capital assets, net	$ 65,339	$ 622	$ -	$ 65,961

	Balance 6/30/2008	Additions	Retirements	Balance 6/30/2009
Non-depreciable capital assets				
Land	$ 3,771	$ 2,200	$ -	$ 5,971
Construction in progress	2,022	4,049	(1,245)	4,826
Total non-depreciable capital assets	$ 5,793	$ 6,249	$ (1,245)	$ 10,797
Depreciable assets				
Land improvements	$ 1,467	$ -	$ -	$ 1,467
Automobiles	127	34	(13)	148
Buildings	77,484	6,437	-	83,921
Equipment	57,169	7,619	(105)	64,683
Total depreciable capital assets	$ 136,247	$ 14,090	$ (118)	$ 150,219
Less accumulated depreciation for:				
Land improvements	$ (1,130)	$ (65)	$ -	$ (1,195)
Automobiles	(113)	(7)	13	(107)
Buildings	(32,672)	(2,585)	-	(35,257)
Equipment	(44,691)	(3,732)	102	(48,321)
Total accumulated depreciation	$ (78,606)	$ (6,389)	$ 115	$ (84,880)
Total depreciable capital assets, net	$ 57,641	$ 7,701	$ (3)	$ 65,339

(In Thousands)

Note 6. Capital Assets (Continued)

Depreciation expense for the years ended June 30, 2010 and 2009 amounted to $6,945 and $6,389, respectively.

The construction in progress represents the costs involved in relation to various renovations at the hospital as well as the IT expansion project.

Note 7. Long-Term Debt

A schedule of changes in the Hospital's non-current liabilities for 2010 and 2009 are as follows:

	Balance 6/30/2009	Additions	Reductions	Balance 6/30/2010	Amount Due Within One Year
Bonds payable:					
Revenue and refunding bond series- 1999	$ 3,075	$ -	$ (465)	$ 2,610	$ 480
Revenue bonds series- 2003	18,600	-	(870)	17,730	905
Revenue bonds series- 2009	-	14,000	-	14,000	560
Unamortized bond discounts	(207)	-	17	(190)	(18)
Total bonds payable	$ 21,468	$ 14,000	$ (1,318)	$ 34,150	$ 1,927
Capital lease payable:					
Cath lab lease	$ 456	$ -	$ (456)	$ -	$ -
Medquist lease	50	-	(50)	-	-
Chase equipment lease	6,156	-	(1,027)	5,129	1,067
Total capital lease payable	$ 6,662	$ -	$ (1,533)	$ 5,129	$ 1,067
Note payable:					
LifePoint Hospital note payable	$ 9,000	$ -	$ (9,000)	$ -	$ -
Total note payable	$ 9,000	$ -	$ (9,000)	$ -	$ -

	Balance 6/30/2008	Additions	Reductions	Balance 6/30/2009	Amount Due Within One Year
Bonds payable:					
Revenue and refunding bond series- 1999	$ 3,505	$ -	$ (430)	$ 3,075	$ 465
Revenue bonds series- 2003	19,430	-	(830)	18,600	870
Unamortized bond discounts	(225)	-	18	(207)	(18)
Total bonds payable	$ 22,710	$ -	$ (1,242)	$ 21,468	$ 1,317
Capital lease payable:					
Cath lab lease	$ 1,124	$ -	$ (668)	$ 456	$ 457
Medquist lease	96	-	(46)	50	50
Chase equipment lease	7,147	-	(991)	6,156	1,027
Total capital lease payable	$ 8,367	$ -	$ (1,705)	$ 6,662	$ 1,534
Note payable:					
LifePoint Hospital note payable	$ -	$ 9,000	$ -	$ 9,000	$ -
Total note payable	$ -	$ 9,000	$ -	$ 9,000	$ -

(In Thousands)

Note 7. Long-Term Debt (Continued)

The terms and due dates of the Hospital's long-term debt, including capital lease obligations, at June 30, 2010 and 2009 are as follows:

Revenue and refunding bond series - 1999

On December 22, 1999, the Hospital issued $10,000 of Hospital Revenue and Refunding Bonds collateralized by a first mortgage on the leasehold interest of the facilities and pledge of hospital revenues, due serially to 2015 with an interest rate of 5.85%. The purpose of these bonds is as follows:

Construction	$ 1,625
Advance refunding of 1995 issue	6,550
Equipment acquisition	1,825
Total	$10,000

The portion of the proceeds related to the advance refunding along with $1,672 of Hospital funds were deposited into an irrevocable trust with an escrow agent to defease the First Leasehold Mortgage Hospital Revenue Bonds Series 1995. As a result, the Series 1995 Bonds are considered defeased and the liability has been removed from the Hospital's books. This advance refunding was undertaken to reduce total debt service payments over the next sixteen years by $1,699 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $16. This gain is being amortized over the new debt's life.

Hospital revenue bonds – Series 2003

During 2004, the Hospital issued $22,500 of hospital revenue bonds for purposes of capital additions to the hospital facility. Bonds Series 2003 has an interest rate from 2.15% to 4.80%, collateralized by a first mortgage on the leasehold interest of the facilities and pledge of hospital revenues, due serially to 2023.

The disbursement of the bond proceeds consisted of the following:

Deposited into construction fund	$ 19,975
Deposited into debt service reserve fund	1,859
Deposited into cost of issuance fund	200
Total funds actually received	$ 22,034
Bond underwriter's fee	225
Bond discount	241
Total bond issue	$ 22,500

Under the terms of the revenue bonds, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included as restricted cash and investments in the balance sheet. The revenue bond indenture also places limits on the incurrence of additional borrowings and requires that the Hospital satisfy certain measures of financial performance as long as the bonds are outstanding.

LifePoint Hospital Note Payable

In April 2009, the Hospital purchased another local hospital as explained in Note 15. In order to facilitate this transaction, the seller granted the Hospital a note of $9,000. Interest on the note was set at a variable rate of prime plus 0% to July 29, 2009, prime plus 1% to April 29, 2010 and prime plus 4% thereafter with a maturity date of April 2016. This note was secured by the acquired hospital buildings, equipment and inventory at that location. In July of 2009, this note was paid off with the proceeds of the issuance of revenue bonds by the Hospital.

(In Thousands)

Note 7. Long-Term Debt (Continued)

Hospital revenue bonds – Series 2009

During July 2009, the Hospital issued $14,000 of hospital revenue bonds for purpose of refinancing the LifePoint note mentioned above and to finance cash outlays of the hospital associated with the acquisition of Doctor's Hospital in April 2009. Bonds Series 2009 has an interest rate of 4.50%, collateralized by a first mortgage on the South Campus buildings and a pledge of hospital revenues, due serially to 2034.

The disbursement of the bond proceeds consisted of the following:

Payoff of LifePoint Note	$ 9,000
Deposited into construction fund	2,400
Deposited into the operating account	1,213
Deposited into debt service reserve fund	1,107
Deposited into cost of issuance fund	280
Total funds actually received	$ 14,000

Under the terms of the revenue bonds, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included as restricted cash and investments in the balance sheets. The revenue bond indenture also places certain requirements regarding cash balances and liquidity of the Hospital and requires that the Hospital satisfy certain measures of financial performance as long as the bonds are outstanding.

Capital lease obligations

During 2005, the Hospital entered into a lease agreement for the purchase of equipment for the Cath lab. The total equipment cost associated with this lease is $3,202, with accumulated depreciation of $2,864 as of June 30, 2010. Monthly payments for this obligation are $58 with an interest rate of 3.2% until February of 2010.

The Hospital entered into a lease agreement for the purchase of a speech recognition system for radiology. The total equipment cost associated with this lease is $105, with accumulated depreciation of $65 as of June 30, 2010. The total monthly payments for this obligation are $4 with an interest rate of 7.9% until May of 2010.

During 2008, the Hospital entered into a lease agreement for the purchase of software and hardware. As of June 30, 2010, implementation was still in progress, however, certain phases of the installation have been completed and are being depreciated. Total costs associated with this lease through June 30, 2010 were $6,991, with $3,923 considered to be completed and operational. Total depreciation expense associated with the completed portion of the project amounted to $232. Total monthly payments for this obligation are $103 with an interest rate of 3.73% with the final installment due December 19, 2014.

(In Thousands)

Note 7. Long-Term Debt (Continued)

Schedule principal and interest repayments on long-term debt and payments on capital lease obligations are as follows:

	Long-Term Debt			Captial Lease Obligation	
Years Ending June 30,	Principal	Discount	Interest	Principal	Interest
2011	$ 1,945	$ (18)	$ 1,686	$ 1,067	$ 173
2012	2,015	(18)	1,591	1,107	133
2013	2,085	(18)	1,490	1,149	91
2014	2,170	(18)	1,385	1,193	47
2015	2,140	(17)	1,272	613	7
2016 - 2020	9,135	(60)	4,962	-	-
2021 - 2025	9,250	(41)	2,343	-	-
2026 - 2030	2,800	-	945	-	-
2031 - 2034	2,800	-	315	-	-
Total	$ 34,340	$ (190)	$ 15,989	$ 5,129	$ 451

Note 8. Employee Retirement Plan

The Hospital maintains a 401(a) Money Purchase Plan (defined contribution plan) for which employees become immediately eligible to participate. Employees are required to contribute an amount equal to the existing Social Security and Medicare rate (7.65%). The Hospital provides non-elective contributions ranging from 5 to 13 percent of the employees compensation based on credited years of service. The Hospital's contributions vest with employees based on years of service and employees become fully vested in the Hospital's contributions after six years. The Hospital's board of directors directs investments among the available investment options. The Hospital's contributions to the plan for the year ended June 30, 2010 and 2009 were $2,778 and $2,278, respectively.

The Hospital also offers its employees the option of participating in a 457 deferred compensation plan. The Hospital does not contribute to the 457 deferred compensation plan on behalf of its employees.

(In Thousands)

Note 9. Operating Leases

Hospital as lessee:

Infusion pumps

On March 31, 2003, the Hospital entered into an operating lease agreement with Baxter Healthcare Corporation for the lease of one hundred ninety-nine (199) infusion pumps. The maximum term of the lease is sixty (60) months.

On August 1, 2008, the Hospital entered into a new agreement with Baxter Healthcare Corporation to lease the infusion pumps for a twelve (12) month term and continued on a month to month basis after the end of the term..

Total rental expense paid for the years ended June 30, 2010 and 2009 was $237 and $142, respectively.

Hospital as lessor:

Health Club Facility

The Hospital entered into an agreement with Louisiana Physical Therapy, L.L.P. for the sale of virtually all of the equipment of the health club. In addition, they entered into an agreement with Louisiana Physical Therapy, L.L.P. (LPT) whereby LPT will lease the building and premises housing the health club for a monthly rental of $8. The initial term of the lease is for sixty (60) months beginning June 30, 2003. The lease was renewed in June of 2008 for an additional sixty (60) months ending on May 31, 2013. In addition, any additional renovations or improvements to the facility, which are funded by the Hospital, will be reimbursed by LPT on a monthly basis over the remaining term of the lease.

The future minimum lease receipts related to this lease are as follows:

2011	$ 100
2012	$ 100
2013	$ 92

In addition, the Hospital has various office facility leases with doctors for various rental amounts.

Note 10. 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. The amount of charges excluded from revenue for services and supplies furnished under the Hospital's charity care policy were $1,116 and $632 in 2010 and 2009, respectively.

Note 11. Joint Ventures

The Hospital is a participant in a joint venture with Acadian Homecare, L.L.C., d/b/a St. Landry Home Care, in order to provide home health services to the patients of the Hospital service area. The Hospital has a 33% participation in the joint venture. The Hospital's equity interest in the joint venture was $9 at June 30, 2010 and 2009. The Hospital recognized revenue related to the joint venture in the amount of $676 and $669 in 2010 and 2009, respectively, all of which was distributed by the joint venture to the Hospital. Complete financial statements for the joint venture can be obtained from the Hospital upon request.

The Hospital is a participant in a joint venture with private investors in St. Landry Sleep Medicine Real Estate Venture, L.L.C. The Hospital has a 36% participation in the joint venture. The Hospital has agreed to lease a building from St. Landry Sleep Medicine Real Estate Venture, L.L.C. for a period of five years with the option to extend the term of the lease for two additional terms of five years in order to operate a Sleep Center. The lease will expire on January 10, 2012 and the scheduled lease payments are $91 per year. The total lease expense reported for 2010 and 2009 was $97 and $95, respectively. The Hospital's equity interest in the joint venture was $210 and $208 at June 30, 2010 and 2009, respectively. The Hospital recognized income related to the joint venture of $2 in 2010 and a loss of $2 in 2009. There were no distributions to the Hospital by the joint venture. Complete financial statements for the joint venture can be obtained from the Hospital upon request.

The Hospital is a participant in a joint venture with private investors in Sunset Healthcare Realty, L.L.C., in order to own and lease a building for an outpatient imaging center in Sunset, Louisiana. The Hospital invested $382 for 51 units of the 100 units available in the joint venture. Sunset Healthcare Realty, L.L.C. leases land from the Hospital, on which a building was constructed, for $2 per month. The total lease income reported was $24 in 2010 and 2009. The building is leased to OGH Imaging, L.L.C., a joint venture in which the Hospital also participates. As of June 30, 2010 and 2009, the Hospital has recorded other receivables on the balance sheets of $1,561 and $1,604, respectively, which represents construction costs paid on behalf of the joint venture. The Hospital's equity interest in the joint venture was $227 and $253 at June 30, 2010 and 2009, respectively. The Hospital recognized revenue related to the joint venture of $42 and $53 in 2010 and 2009, respectively. The Hospital received distributions of $59 and $66 in 2010 and 2009, respectively. Complete financial statements for the joint venture can be obtained from the Hospital upon request.

The Hospital is a participant in a joint venture with private investors in OGH Imaging, L.L.C., in order to operate an outpatient imaging center in Sunset, Louisiana to provide imaging services to the patients of the Hospital service area. The Hospital invested $494 for 52 units of the 100 units available in the joint venture. OGH Imaging, L.L.C. is leasing a building from Sunset Healthcare Realty, L.L.C., a joint venture in which the Hospital also participates. As of June 30, 2010 and 2009, the Hospital has recorded other receivables on the balance sheets of $57 and $96, respectively. These amounts represent equipment costs paid on behalf of the joint venture. The Hospital's equity interest in the joint venture was $293 and $305 at June 30, 2010 and 2009, respectively. The Hospital recognized income related to the joint venture of $109 in 2010 and $201 in 2009. The Hospital received distributions of $121 in 2010. Complete financial statements for the joint venture can be obtained from the Hospital upon request.

(In Thousands)

Note 12. Self Funded Insurance

Health Insurance

The Hospital provides health insurance coverage to its employees under a self-funded plan. The Hospital pays the health insurance claims as they are incurred by the employee. The Hospital records a liability for claims incurred but not reported or paid, which is included in other accrued expenses on the balance sheet. Stop-loss insurance is retained to limit the Hospital's liability to $175 in 2010 and $100 in 2009, of paid claims per individual on an annual basis. The Hospital purchases commercial insurance for claims in excess of the coverage provided by the Hospital. Settled claims have not exceeded this commercial coverage in either of the past two years.

Workers Compensation

The Hospital is also self-insured for worker's compensation. The Hospital pays worker's compensation claims as they are incurred. Estimates for claims payable, which includes both reported and unreported claims, are recorded in other accrued expenses, at which time claim expense is also recorded. Stop-loss insurance is retained to limit the Hospital's liability to $350 and $300, respectively, per claim for 2010 and 2009. The Hospital purchases commercial insurance for claims in excess of the coverage provided by the Hospital. Settled claims have not exceeded this commercial coverage in either of the past two years.

The claims liability at June 30, 2010 and 2009, is based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Hospital's claims liability amount in fiscal years 2010 and 2009 were:

	Liability July 1,	Changes in Estimates	Claim Payments	Liability June 30,
2010	$ 1,829	$ 4,619	$ 4,835	$ 1,613
2009	$ 1,102	$ 4,989	$ 4,262	$ 1,829

Note 13. Professional and General Liability Risk

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

The District and Hospital has acquired additional coverage for professional medical malpractice and general liability through the Louisiana Hospital Association Trust Fund by purchasing a claims-made policy. Losses on medical malpractice and general liability claims are estimated based on deductibles and claims in excess of per-claim or aggregate coverage and incurred but not reported during the claim year. These estimates reflect the District and Hospital's best estimates of the ultimate costs of reported and unreported claims, using the District and Hospital's past experience, industry experience and identified asserted claims and reported incidents. No provision for losses in excess of the deductible amount of the insurance policy has been recorded in the accompanying financial statements. Estimated provision for losses on medical malpractice and general liability claims recorded in other accrued expenses amounted to $762 and $730 at June 30, 2010 and 2009, respectively.

(In Thousands)

Note 14. Contingencies

The District and Hospital evaluates contingencies based upon the best available evidence. The District and Hospital believes that no additional allowances than the previously stated, for loss contingencies, are considered necessary. To the extent that resolution of contingencies results in amounts that vary from the District and Hospital's estimates, future earnings will be charged or credited.

The principle contingencies are described below:

Third-Party Government Revenues (Note 2) – Cost reimbursements are subject to examination by agencies administering the programs. The District and Hospital are contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of those programs. The amount of such adjustments cannot be determined.

The healthcare 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 program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the District and Hospital are in compliance with fraud and abuse statutes as well as other applicable governmental 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.

Litigation and Other Matters - The District and Hospital are involved as defendant in several lawsuits in the ordinary course of business. In the opinion of management and legal counsel, insurance and provision for losses is sufficient to cover adverse legal determinations in those cases where a liability can be measured.

Note 15. Business Acquisition

In April 2009, the Hospital completed the purchase of a 171 bed acute care facility located in Opelousas, Louisiana (Doctor's Hospital) for $5,000 in cash plus a note payable to the seller of $9,000 for a total purchase price of $14,000. In addition, the Hospital incurred direct costs associated with the acquisition of $1,090. Consequently, total acquisition costs amounted to $15,090. As a result of the acquisition, the Hospital is expected to increase the quality of healthcare provided in St. Landry Parish as well as surrounding parishes. The Hospital accounted for the acquisition using the purchase method of accounting.

The following table presents the net assets acquired in the purchase and the respective values assigned and recorded within the financial statements.

Medical office buildings	$	4,500
Land		2,200
Hospital buildings		5,400
Inventory		700
PET CT Scanner		1,200
Goodwill		1,090
Net assets acquired	$	15,090

Goodwill recorded as a result of this transaction is being amortized over 25 years using the straight line method. Total amortization expense associated with goodwill amounted to $47 and $7 in 2010 and 2009, respectively.

SUPPLEMENTARY INFORMATION

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULES OF GROSS PATIENT SERVICE REVENUES
Years Ended June 30, 2010 and 2009
(In Thousands)

	Inpatient	
	2010	2009
Routine services:		
Medical and surgical	$ 10,211	$ 9,919
Intensive care unit	4,075	3,912
Nursery	847	1,000
CV short stay	1	2
Orthopedic unit	765	794
Psychiatric unit	3,202	-
Rehab unit	2,711	2,483
Total routine services	$ 21,812	$ 18,110
Ancillary services:		
Anesthesiology	$ 2,391	$ 2,397
Cancer treatment center	25	49
Cardiac catheterization	14,784	15,182
Cardiopulmonary diagnostic lab and rehab	4,633	4,224
Central supply	4,926	4,490
Centralized scheduling	-	-
Communication disorders	270	270
Contract dialysis	463	508
CT scan	8,287	7,007
Delivery room	1,296	1,417
Discharge planning	-	-
Durable medical equipment	-	-
Emergency room	7,043	5,824
Emergency room physician	38	17
Hyperbaric medicine	1,993	2,182
Inhalation therapy	18,377	15,031
Infusion clinic	1	1
Intravenous therapy	2,257	2,105
Laboratory	24,921	21,317
Lithotripsy	16	16
Medical imaging	3,602	3,142
MRI	1,444	1,571
Nuclear CT	-	-
Nuclear medicine	704	557
Outpatient clinic	1	1
Operating room	38,628	36,682
Pharmacy	27,530	23,273
Physical therapy	1,372	1,480
Physician clinics	-	-
Pulmonary function	17	15
Recovery room	2,618	2,360
Sleep lab	149	160
Total ancillary services	$ 167,786	$ 151,278
Total gross patient service revenue	$ 189,598	$ 169,388

Outpatient		Totals	
2010	2009	2010	2009
$ 1,924	$ 1,941	$ 12,135	$ 11,860
31	68	4,106	3,980
-	-	847	1,000
9	28	10	30
113	57	878	851
-	-	3,202	-
1	1	2,712	2,484
$ 2,078	$ 2,095	$ 23,890	$ 20,205
$ 2,928	$ 2,602	$ 5,319	$ 4,999
1,990	1,554	2,015	1,603
14,686	15,909	29,470	31,091
3,130	2,605	7,763	6,829
1,910	1,620	6,836	6,110
12	3	12	3
263	232	533	502
51	93	514	601
18,310	14,920	26,597	21,927
199	221	1,495	1,638
1	1	1	1
248	367	248	367
23,794	17,352	30,837	23,176
7	3	45	20
5,064	5,025	7,057	7,207
2,451	1,988	20,828	17,019
354	273	355	274
829	646	3,086	2,751
29,326	21,616	54,247	42,933
177	147	193	163
10,817	9,094	14,419	12,236
5,965	5,280	7,409	6,851
2,258	377	2,258	377
1,976	1,520	2,680	2,077
296	280	297	281
27,240	23,664	65,868	60,346
12,779	11,118	40,309	34,391
999	1,078	2,371	2,558
7	26	7	26
328	341	345	356
2,333	1,993	4,951	4,353
2,341	2,175	2,490	2,335
$ 173,069	$ 144,123	$ 340,855	$ 295,401
$ 175,147	$ 146,218	$ 364,745	$ 315,606

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULES OF DEPARTMENTAL DIRECT OPERATING REVENUES AND EXPENSES
Years Ended June 30, 2010 and 2009
(In Thousands)

	Gross Revenues	
	2010	2009
Routine services:		
Medical and surgical	$ 12,135	$ 11,860
Intensive care unit	4,106	3,980
Nursery	847	1,000
CV short stay	10	30
Orthopedic unit	878	851
Psychiatric unit	3,202	-
Rehab unit	2,712	2,484
Total routine services	$ 23,890	$ 20,205
Ancillary services:		
Ambulance service	$ -	$ -
Anesthesiology	5,319	4,999
Camp Azzie	-	-
Cancer treatment center	2,015	1,603
Cardiac catheterization	29,470	31,091
Cardiopulmonary diagnostic lab and rehab	7,763	6,829
Central supply	6,836	6,110
Centralized scheduling	12	3
Communication disorders	533	502
Contract dialysis	514	601
CT scan	26,597	21,927
Delivery room	1,495	1,638
Discharge planning	1	1
Durable medical equipment	248	367
Emergency room	30,837	23,176
Emergency room physician	45	20
Hyperbaric medicine	7,057	7,207
Infusion clinic	355	274
Inhalation therapy	20,828	17,019
Intravenous therapy	3,086	2,751
Laboratory	54,247	42,933
Lithotripsy	193	163
Medical imaging	14,419	12,236
MRI	7,409	6,851
Nuclear CT	2,258	377
Nuclear medicine	2,680	2,077
Outpatient clinic	297	281
Operating room	65,868	60,346
Pharmacy	40,309	34,391
Physical therapy	2,371	2,558
Physician clinics	7	26
PICC line	-	-
Pulmonary function	345	356
Recovery room	4,951	4,353
Sleep lab	2,490	2,335
Social service	-	-
Total ancillary services	$ 340,855	$ 295,401
Revenue over direct operating expenses (forwarded)	$ 364,745	$ 315,606

Direct Operating Expenses		Revenue Over (Under) Direct Operating Expenses	
2010	2009	2010	2009
$ 10,731	$ 10,012	$ 1,404	$ 1,848
4,148	3,788	(42)	192
919	899	(72)	101
284	276	(274)	(246)
699	721	179	130
1,157	3	2,045	(3)
1,689	1,488	1,023	996
$ 19,627	$ 17,187	$ 4,263	$ 3,018
$ 86	$ 90	$ (86)	$ (90)
2,788	2,655	2,531	2,344
26	33	(26)	(33)
520	586	1,495	1,017
4,381	4,374	25,089	26,717
633	618	7,130	6,211
1,331	934	5,505	5,176
-	-	12	3
206	203	327	299
458	524	56	77
143	290	26,454	21,637
2,970	2,714	(1,475)	(1,076)
-	-	1	1
235	297	13	70
5,769	3,726	25,068	19,450
45	71	-	(51)
2,025	1,899	5,032	5,308
186	133	169	141
2,122	1,654	18,706	15,365
62	60	3,024	2,691
6,049	4,715	48,198	38,218
243	231	(50)	(68)
3,846	2,900	10,573	9,336
57	156	7,352	6,695
136	11	2,122	366
410	336	2,270	1,741
68	58	229	223
14,637	14,581	51,231	45,765
7,724	6,717	32,585	27,674
1,087	1,102	1,284	1,456
1,106	568	(1,099)	(542)
19	43	(19)	(43)
303	318	42	38
753	683	4,198	3,670
661	559	1,829	1,776
225	163	(225)	(163)
$ 61,310	$ 54,002	$ 279,545	$ 241,399
$ 80,937	$ 71,189	$ 283,808	$ 244,417

(continued)

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULES OF DEPARTMENTAL DIRECT OPERATING REVENUES AND EXPENSES (CONTINUED)
Years Ended June 30, 2010 and 2009
(In Thousands)

	Revenue Over (Under) Direct Operating Expenses	
	2010	2009
Revenues over direct operating expenses (forwarded)	$ 283,808	$ 244,417
Contractual allowances, discounts, and uncollectible accounts	(252,581)	(215,034)
Other operating revenues	3,320	2,858
	$ 34,547	$ 32,241
Operating expenses:		
General services	$ 10,613	$ 8,766
Fiscal and administrative services	15,777	13,905
Depreciation and amortization	6,992	6,396
	$ 33,382	$ 29,067
Excess (deficiency) of hospital operating revenues over operating expenses	$ 1,165	$ 3,174

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULES OF NET PATIENT SERVICE REVENUES
Years Ended June 30, 2010 and 2009
(In Thousands)

	2010	2009
Gross patient service revenues	$ 364,745	$ 315,606
Less:		
Administrative allowances	$ 238	$ 125
Blue Cross discounts	27,870	24,104
Charity allowances	1,116	632
Contractual Adjustments - Medicare and Medicaid	167,107	140,319
Managed care allowances	38,862	35,017
Provision for uncollectible accounts	17,388	14,837
Total contractual allowances, discounts, and uncollectible accounts	$ 252,581	$ 215,034
Net patient service revenues	$ 112,164	$ 100,572

This page intentionally left blank

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULES OF OTHER OPERATING REVENUES
Years Ended June 30, 2010 and 2009
(In Thousands)

	2010	2009
Other operating revenues:		
Cafeteria	$ 928	$ 845
Gift Shop	303	247
Rental income	1,428	1,184
Nutritional counseling	121	115
Outside housekeeping and laundry services	234	208
Reimbursement - Pain Management	149	50
Miscellaneous	157	209
Total other operating revenues	$ 3,320	$ 2,858

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULES OF DEPARTMENTAL OPERATING EXPENSES
Years Ended June 30, 2010 and 2009
(In Thousands)

	Salaries		Professional Fees	
	2010	2009	2010	2009
Routine services:				
Medical and surgical	$ 8,534	$ 7,843	$ 10	$ 2
Intensive care unit	3,278	3,004	-	-
Nursery	727	694	-	-
CV short stay	213	207	-	-
Orthopedic Unit	560	572	-	-
Psychiatric Unit	1	-	-	-
Rehab unit	1,184	1,070	109	122
Total routine services	$ 14,497	$ 13,390	$ 119	$ 124
Ancillary services:				
Ambulance service	$ -	$ -	$ -	$ -
Anesthesiology	1,741	1,644	290	193
Camp Azzie	13	15	2	-
Cancer treatment center	201	289	173	72
Cardiac catheterization	426	374	-	-
Cardiopulmonary diagnostic	341	287	163	207
Central supply	298	277	-	-
Communication disorders	164	152	5	6
Contract dialysis	330	390	60	60
CT scan	-	-	-	-
Delivery room	2,329	2,092	-	-
Durable medical equipment	141	174	-	-
Emergency room	3,817	2,450	860	551
Emergency room physician	38	51	-	-
Hyperbaric medicine	1,569	1,500	-	-
Infusion clinic	150	98	-	-
Inhalation therapy	1,464	1,136	69	53
Intravenous therapy			-	-
Laboratory	2,401	1,847	87	57
Lithotripsy			-	-
Medical imaging	2,658	1,940	14	12
MRI	-	-	-	-
Nuclear CT	-	-	7	-
Nuclear medicine	-	-	-	-
Outpatient clinic	45	40	-	-
Operating room	2,348	2,150	293	204
Pharmacy	1,716	1,227	92	88
Physical therapy	901	1,002	-	-
Physician clinics	-	-	1,106	571
PICC line	-	5	-	-
Pulmonary function	241	237	2	1
Recovery room	562	493	-	-
Sleep lab	372	282	10	8
Social services	183	130	-	-
Total ancillary services	$ 24,449	$ 20,282	$ 3,233	$ 2,083

Employee Benefits		Other Expenses		Totals	
2010	2009	2010	2009	2010	2009
$ 1,733	$ 1,616	$ 454	$ 551	$ 10,731	$ 10,012
669	620	201	164	4,148	3,788
145	154	47	51	919	899
43	48	28	21	284	276
115	125	24	24	699	721
-	-	1,156	3	1,157	3
234	162	162	134	1,689	1,488
$ 2,939	$ 2,725	$ 2,072	$ 948	$ 19,627	$ 17,187
$ -	$ -	$ 86	$ 90	$ 86	$ 90
355	388	402	430	2,788	2,655
2	3	9	15	26	33
44	54	102	171	520	586
88	84	3,867	3,916	4,381	4,374
70	65	59	59	633	618
62	64	971	593	1,331	934
33	35	4	10	206	203
-	-	68	74	458	524
-	-	143	290	143	290
471	445	170	177	2,970	2,714
28	41	66	82	235	297
770	508	322	217	5,769	3,726
7	11	-	9	45	71
-	-	456	399	2,025	1,899
31	24	5	11	186	133
301	264	288	201	2,122	1,654
-	-	62	60	62	60
410	334	3,151	2,477	6,049	4,715
-	-	243	231	243	231
543	441	631	507	3,846	2,900
-	-	57	156	57	156
-	-	129	11	136	11
-	-	410	336	410	336
9	9	14	9	68	58
483	497	11,513	11,730	14,637	14,581
351	279	5,565	5,123	7,724	6,717
171	84	15	16	1,087	1,102
-	-	-	(3)	1,106	568
-	1	19	37	19	43
49	56	11	24	303	318
116	113	75	77	753	683
78	67	201	202	661	559
38	30	4	3	225	163
$ 4,510	$ 3,897	$ 29,118	$ 27,740	$ 61,310	$ 54,002

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULES OF DEPARTMENTAL OPERATING EXPENSES (CONTINUED)
Years Ended June 30, 2010 and 2009
(In Thousands)

	Salaries		Professional Fees	
	2010	2009	2010	2009
General services:				
Biomedical services	$ 387	$ 309	$ -	$ -
Dietary	946	706	-	-
Housekeeping	1,628	1,218	-	-
Laundry and linen	362	282	-	-
Performance improvement	226	199	-	-
Plant engineering	670	539	-	-
Security	309	222	-	-
Total general services	$ 4,528	$ 3,475	$ -	$ -
Fiscal and administrative services:				
Accounting	$ 221	$ 188	$ -	$ -
Administration	1,032	1,098	-	-
Admitting	808	548	-	-
Business office	546	457	-	-
Centralized scheduling	77	77	-	-
Communications	179	128	-	-
Decision support	182	175	-	-
Gift shop	85	66	-	-
Health information services	914	857	3	-
Human resources	234	205	-	-
Industrial medicine	43	138	-	-
Infection control	93	58	-	-
Information technology	1,252	962	-	-
Marketing	18	54	-	-
Medical and staff relations	215	217	12	18
Insurance	-	-	-	-
Pain Management	117	40	-	-
Public relations	115	112	-	-
Taxes	-	-	-	-
Safety/grounds	81	79	-	-
Volunteer services	41	41	-	-
Health and wellness	65	-	-	-
After Hours Clinic	59	-	6	-
OGH Foundation	27	23	-	-
Total fiscal and administrative services	$ 6,404	$ 5,523	$ 21	$ 18
Total departmental operating expenses	$ 49,878	$ 42,670	$ 3,373	$ 2,225

Employee Benefits		Other Expenses		Totals	
2010	2009	2010	2009	2010	2009
$ 81	$ 71	$ 16	$ 31	$ 484	$ 411
196	163	958	795	2,100	1,664
337	282	477	420	2,442	1,920
76	65	255	135	693	482
47	46	15	14	288	259
138	124	3,415	3,105	4,223	3,768
59	25	15	15	383	262
$ 934	$ 776	$ 5,151	$ 4,515	$ 10,613	$ 8,766
$ 46	$ 44	$ 116	$ 122	$ 383	$ 354
92	135	1,597	1,512	2,721	2,745
166	127	88	47	1,062	722
113	106	1,289	1,005	1,948	1,568
16	18	-	-	93	95
37	29	321	235	537	392
38	41	1	59	221	275
17	15	158	136	260	217
188	195	393	376	1,498	1,428
48	47	318	328	600	580
9	17	172	109	224	264
20	13	16	12	129	83
270	221	1,331	905	2,853	2,088
3	13	577	611	598	678
44	50	90	245	361	530
-	-	1,363	1,232	1,363	1,232
24	8	(1)	-	140	48
24	26	-	-	139	138
-	-	79	55	79	55
17	18	68	43	166	140
8	10	43	56	92	107
15	-	37	29	117	29
13	-	1	-	79	-
6	21	81	93	114	137
$ 1,214	$ 1,154	$ 8,138	$ 7,210	$ 15,777	$ 13,905
$ 9,597	$ 8,552	$ 44,479	$ 40,413	$ 107,327	$ 93,860

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF DEPARTMENTAL STATISTICS
Years Ended June 30, 2010 and 2009

	2010	2009
Beds licensed:		
Acute care	201	265
Psychiatric	28	-
Rehabilitation facility	16	21
Total	245	286
Percentage of occupancy for staff beds in service:		
Acute care	65.30%	60.00%
Psychiatric	66.60%	0.00%
Rehabilitation facility	72.80%	32.00%
Percentage of gross patient service revenues:		
Medicare	44%	45%
Medicaid	20%	19%
All other	36%	36%
Total	100%	100%
Discharges:		
Acute care	9,046	8,654
Psychiatric	236	-
Rehabilitation facility	192	218
Total	9,474	8,872
Patient days in care:		
Medical and surgical	32,219	31,838
Intensive care	4,463	4,207
Acute care subtotal	36,682	36,045
Nursery	2,271	2,547
Psychiatric	2,916	-
Rehabilitation facility	2,659	2,452
Total	44,528	41,044

(Continued)

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF DEPARTMENTAL STATISTICS (CONTINUED)
Years Ended June 30, 2010 and 2009

	2010	2009
Surgeries:		
Inpatient	3,536	3,648
Outpatient	5,211	5,471
Total surgeries	8,747	9,119
Deliveries	1,168	1,301
Procedures:		
Laboratory	562,048	477,947
Radiology	53,234	57,991
CT scan	15,894	13,691
Nuclear medicine	2,315	1,476
MRI	3,066	2,952
Radiation therapy	4,878	3,792
Heart catheterization unit cases	1,427	1,558
Hyperbaric oxygen	3,961	3,727
Physical therapy	53,205	60,129
Emergency room visits	32,466	29,889
Outpatient registrations (including emergency room visits)	117,285	96,530

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
Years Ended June 30, 2010 and 2009

Opelousas General Hospital Authority

	2010	2009
Gary Blanchard	$ 1,859	$ 2,663
Gregory Bordelon	5,720	5,558
Alton Broussard	5,577	6,130
Albert Simien	6,292	6,014
Stella Thomas	5,434	6,586
Gina Tuttle	5,005	5,299
John Kempf	2,288	2,234
Wayne Gilmore	2,860	3,780
Morris Weinstein	5,291	5,326
	$ 40,326	$ 43,590

Hospital Service District No. 2 of St. Landry Parish

	2010	2009
Gregory Bordelon	$ 40	$ -
Alton Broussard	40	-
Albert Simien	40	-
Morris Weinstein	-	-
	$ 120	$ -

BROUSSARD, POCHÉ, LEWIS & BREAUX, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

994 E. Prudhomme Street
Opelousas, Louisiana 70570
phone: (337) 942-5217
fax: (337) 942-1568
www.bplb.com

Other Offices:
Crowley, LA
(337) 783-5693
Lafayette, LA
(337) 988-4930
New Iberia, LA
(337) 364-4554

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

To the Board of Commissioners
Hospital Service District No. 2
and Board of Trustees
Opelousas General Hospital Authority
St. Landry Parish, Louisiana

We have audited the basic financial statements of Hospital Service District No. 2 of St. Landry Parish, Louisiana and Opelousas General Hospital Authority as of and for the year ended June 30, 2010, and have issued our report thereon dated November 12, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hospital Service District No. 2 of St. Landry Parish, Louisiana and Opelousas General Hospital Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital Service District No. 2 and Opelousas General Hospital Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hospital Service District No. 2 and Opelousas General Hospital Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Hospital Service District No. 2 of St. Landry Parish, Louisiana and Opelousas General Hospital Authority's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses at 2010-1, 2010-2, 2010-3, 2010-4, 2010-5 to be material weaknesses.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

Hospital Service District No. 2
and Board of Trustees
Opelousas General Hospital Authority
St. Landry Parish, Louisiana

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital Service District No. 2 of St. Landry Parish, Louisiana and Opelousas General Hospital Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of management, the Board of Commissioners, Board of Trustees, and others within the entity, federal award agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Broussard, Poche', Lewis & Breaux, L.L.P.

Opelousas, Louisiana
November 12, 2010

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2010

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified.

Internal control over financial reporting:

• Material weakness identified?	☒ Yes	☐ No
• Control deficiencies identified that are not considered to be material weaknesses	☐ Yes	☒ None reported
Noncompliance material to financial statements noted?	☐ Yes	☒ No
Was a management letter issued?	☐ Yes	☒ No

Federal Awards

Not applicable

Section II. Financial Statement Findings

2010-1 Internal Controls - Inventory

Finding: During the audit, we noted numerous items in inventory that contained counting and costing errors. An overall accurate inventory balance is composed of two major components. The first component is proper quantities in inventory and the second is accurate inventory costing. In one department it appeared that prices had not been recently updated.

Recommendation: It is our recommendation that the Hospital communicate to all departments the importance of periodic inventory counts and maintaining accurate per unit costs. We recommend a control procedure be done consisting of periodically reviewing the inventory listing and comparing the inventory costs to the invoice amounts to ensure accuracy of the unit cost. This practice should help to ensure that inventories are accurately valued for financial statement purposes.

Response: We have implemented a process that will result in the Materials Management Department being tasked with updating the cost of items that are part of the Omnicell's located on the various units. Previously this function was the responsibility of the respective charging department.

Section II. Financial Statement Findings

2010-2 Internal Controls – Cash

Finding: During fiscal year 2010, the Hospital became aware of an employee within the accounting department who had used Hospital funds to pay personnel bills. This fraud was possible because certain controls which the Hospital had in place were either circumvented or failed to operate as designed. This resulted in a lack of segregation of duties surrounding this employee whereby they had the ability to change vendor names and addresses, cut hospital checks payable to personnel vendors, void those checks within the accounting system and then manipulate the monthly bank reconciliation to cover the fraud. Specifically the major breakdowns included access rights within the system software not appropriately restricted and an inability of other accounting employees responsible for reconciling the bank account to properly do so. This inability to reconcile the account appears to have provided the means by which the employee could manipulate the bank reconciliation by assisting in the reconciliation process.

Recommendation: We understand that the Hospital, upon discovery of this incident, began a thorough review of security access levels within the accounting system. It is our recommendation that the Hospital continually monitor these access restrictions to ensure that they are appropriate and proper given the employee job requirements. In addition, the Hospital should ensure that personnel understand the importance of internal control and their duties within the accounting function. Control functions and duties should be assigned commensurate with ability. Management should continually monitor controls to determine that they are still appropriate, are operating as designed and not being circumvented.

Response: In response to the discovery of the fraud that was perpetrated by the accounting department employee we conducted an in-depth review of all access granted to the various employees. As a result we implemented additional controls that greatly reduced the access points dependent on the employee role within the department. Additional steps were put in place to facilitate more review points during the processing of the accounting process. We feel that the steps we have implemented will ensure that this does not occur again. After extensive review and analysis of our operating cash account it was determined that the amount that had been misappropriated totaled $102,707.09. We have filed a claim with our insurance carrier for this amount and a receivable has been established on the balance sheet.

2010-3 Internal Controls – Accruals and Payables

Finding: During our auditing procedures over accounts payable and accrued liabilities of the Hospital, we noted an item which was accrued by the Hospital as maintenance expense at a set amount per month. Review of actual repair expenses revealed that the monthly accrual did not accurately reflect actual expenses incurred. Upon inquiry of management, it was noted that the amount had been accrued based on a "maximum" exposure the hospital might incur under this contract if the repair expense exceeded a certain dollar amount. Consequently, the Hospital was accruing based on the maximum exposure as opposed to the actual expense. As a result, an adjustment in the amount of $482,160 was required to remove the over accrual of repair and maintenance expense.

Recommendation: It is our recommendation that the Hospital always ensure that all accruals, whether it be assets or liabilities always reflect the economic reality and substance of the transactions.

Response: The intent of this accrual was to recognize the maximum amount of maintenance expense the hospital was required to pay before the maintenance insurance came into play. At the end of the contract period which was August 2010 the intent was to adjust this accrual accordingly. As a result of this finding we will be no longer accrue for this possibility but rather will only record actual expenses incurred thus eliminating the need to adjust the accrued expenses account at fiscal year end.

Section II. Financial Statement Findings

2010-4 Internal Controls – Fixed Assets

Finding: During our auditing procedures over fixed assets, it was discovered that the fixed asset accounts on the balance sheet of the Hospital did not agree with the fixed asset listings. Specifically there was a difference of $283,521 between the fixed asset listing (depreciation schedules) and the general ledger accounts of the hospital. Upon further investigation, it was determined that certain assets which were properly capitalized, were not added to the depreciation schedule as required. Consequently, this also caused depreciation expense for the year to be misstated.

Recommendation: It is our recommendation that the Hospital ensure that the depreciation schedule is regularly updated and reconciled to the fixed asset accounts of the Hospital. Due to the volume of fixed asset purchases at the Hospital, we recommend that this process be done monthly. Hospital personnel should review the gain(loss) on sale of fixed assets account as well to ensure that any and all dispositions are properly reflected on the fixed asset listing. The depreciation schedule should be reconciled to the fixed asset accounts as well as depreciation expense and accumulated depreciation. A designated supervisor should review this reconciliation and the related depreciation schedule to ensure that it is properly reconciled, lives assigned to certain assets are appropriate and that the system is accurately computing the required depreciation expense.

Response: This was the result of the loss of staff in conjunction with the fraud that occurred. The employee who was responsible for this function apparently was not processing the activity timely and upon her departure post year end, we uncovered this issue. Additional staff training and appropriate changes is access to this function have been put in place as well as additional analysis to ensure that this does not occur again.

2010-5 Accounts Receivable Credit Balances

Finding: During our audit, we noted that accounts receivable credit balances increased by approximately $515,000 to approximately $1,156,000 as of June 30, 2010. Healthcare regulations as well as good internal control policies require that account receivable credit balances be reviewed and any amounts refunded within a reasonable period.

Recommendation: We recommend that a policy be established that accounts receivable credit balances be reviewed within a reasonable period, in order for any overpayments to be refunded.

Response: We have implemented a procedure that requires a monthly review of outstanding credit balances by the Chief Financial Officer and the Business Office Director, which will ensure that appropriate actions are taken to appropriately process any credit balance accounts.

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 2010

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

Not applicable.

Section II. Internal Control and Compliance Material to Federal Awards

Not applicable.

Section III. Management Letter

There were no matters reported in a separate management letter for the year ended June 30, 2010.

Opelousas
GENERAL HEALTH SYSTEM

539 E. Prudhomme Street • P. O. Box 1389
Opelousas, Louisiana 70570
(337) 948-3011 • Fax (337) 948-5126

MANAGEMENT CORRECTIVE ACTION PLAN

November 12, 2010

Legislative Auditor
State of Louisiana
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

Hospital Service District No. 2 of St. Landry Parish, Louisiana and Opelousas General Hospital Authority respectfully submits the following corrective action plan for the year ended June 30, 2010.

Name and address of independent public accounting firm:

Broussard, Poche', Lewis & Breaux, L.L.P.
Certified Public Accountants
101 Independence Blvd
Lafayette, Louisiana 70506

Audit Period: July 1, 2009 through June 30, 2010.

The findings from the 2010 schedule of findings and responses are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Section II: Financial Statement Findings

2010-1 Internal Controls - Inventory

Finding: During the audit, we noted numerous items in inventory that contained counting and costing errors. An overall accurate inventory balance is composed of two major components. The first component is proper quantities in inventory and the second is accurate inventory costing. In one department it appeared that prices had not been recently updated.

Recommendation: It is our recommendation that the Hospital communicate to all departments the importance of periodic inventory counts and maintaining accurate per unit costs. We recommend a control procedure be done consisting of periodically reviewing the inventory listing and comparing the inventory costs to the invoice amounts to ensure accuracy of the unit cost. This practice should help to ensure that inventories are accurately valued for financial statement purposes.

Current Status NOT RESOLVED: We have implemented a process that will result in the Materials Management Department being tasked with updating the cost of items that are part of the Omnicell's located on the various units. Previously this function was the responsibility of the respective charging department.

Responsible Party: Jim Juneau, Chief Financial Officer

Section II: Financial Statement Findings (Cont'd)

2010-2 Internal Controls - Cash

Finding: During fiscal year 2010, the Hospital became aware of an employee within the accounting department who had used Hospital funds to pay personnel bills. This fraud was possible because certain controls which the Hospital had in place were either circumvented or failed to operate as designed. This resulted in a lack of segregation of duties surrounding this employee whereby they had the ability to change vendor names and addresses, cut hospital checks payable to personnel vendors, void those checks within the accounting system and then manipulate the monthly bank reconciliation to cover the fraud. Specifically the major breakdowns included access rights within the system software not appropriately restricted and an inability of other accounting employees responsible for reconciling the bank account to properly do so. This inability to reconcile the account appears to have provided the means by which the employee could manipulate the bank reconciliation by assisting in the reconciliation process.

Recommendation: We understand that the Hospital, upon discovery of this incident, began a thorough review of security access levels within the accounting system. It is our recommendation that the Hospital continually monitor these access restrictions to ensure that they are appropriate and proper given the employee job requirements. In addition, the Hospital should ensure that personnel understand the importance of internal control and their duties within the accounting function. Control functions and duties should be assigned commensurate with ability. Management should continually monitor controls to determine that they are still appropriate, are operating as designed and not being circumvented.

Current Status – RESOLVED: In response to the discovery of the fraud that was perpetrated by the accounting department employee we conducted an in-depth review of all access granted to the various employees. As a result we implemented additional controls that greatly reduced the access points dependent on the employee role within the department. Additional steps were put in place to facilitate more review points during the processing of the accounting process. We feel that the steps we have implemented will ensure that this does not occur again. After extensive review and analysis of our operating cash account it was determined that the amount that had been misappropriated totaled $102,707.09. We have filed a claim with our insurance carrier for this amount and a receivable has been established on the balance sheet.

Responsible Party: Jim Juneau, Chief Financial Officer

2010-3 Internal Controls – Accruals and Payables

Finding: During our auditing procedures over accounts payable and accrued liabilities of the Hospital, we noted an item which was accrued by the Hospital as maintenance expense at a set amount per month. Review of actual repair expenses revealed that the monthly accrual did not accurately reflect actual expenses incurred. Upon inquiry of management, it was noted that the amount had been accrued based on a "maximum" exposure the hospital might incur under this contract if the repair expense exceeded a certain dollar amount. Consequently, the Hospital was accruing based on the maximum exposure as opposed to the actual expense. As a result, an adjustment in the amount of $482,160 was required to remove the over accrual of repair and maintenance expense.

Recommendation: It is our recommendation that the Hospital always ensure that all accruals, whether it be assets or liabilities always reflect the economic reality and substance of the transactions.

Current Status – RESOLVED: The intent of this accrual was to recognize the maximum amount of maintenance expense the hospital was required to pay before the maintenance insurance came into play. At the end of the contract period which was August 2010 the intent was to adjust this accrual accordingly. As a result of this finding we will be no longer accrue for this possibility but rather will only record actual expenses incurred thus eliminating the need to adjust the accrued expenses account at fiscal year end.

Responsible Party: Jim Juneau, Chief Financial Officer

Section II: Financial Statement Findings (Cont'd)

2010-4 Internal Controls – Fixed Assets

Finding: During our auditing procedures over fixed assets, it was discovered that the fixed asset accounts on the balance sheet of the Hospital did not agree with the fixed asset listings. Specifically there was a difference of $283,521 between the fixed asset listing (depreciation schedules) and the general ledger accounts of the hospital. Upon further investigation, it was determined that certain assets which were properly capitalized, were not added to the depreciation schedule as required. Consequently, this also caused depreciation expense for the year to be misstated.

Recommendation: It is our recommendation that the Hospital ensure that the depreciation schedule is regularly updated and reconciled to the fixed asset accounts of the Hospital. Due to the volume of fixed asset purchases at the Hospital, we recommend that this process be done monthly. Hospital personnel should review the gain(loss) on sale of fixed assets account as well to ensure that any and all dispositions are properly reflected on the fixed asset listing. The depreciation schedule should be reconciled to the fixed asset accounts as well as depreciation expense and accumulated depreciation. A designated supervisor should review this reconciliation and the related depreciation schedule to ensure that it is properly reconciled, lives assigned to certain assets are appropriate and that the system is accurately computing the required depreciation expense.

Current Status – RESOLVED: This was the result of the loss of staff in conjunction with the fraud that occurred. The employee who was responsible for this function apparently was not processing the activity timely and upon her departure post year end, we uncovered this issue. Additional staff training and appropriate changes is access to this function have been put in place as well as additional analysis to ensure that this does not occur again.

Responsible Party: Jim Juneau, Chief Financial Officer

2010-5 Accounts Receivable Credit Balances

Finding: During our audit, we noted that accounts receivable credit balances increased by approximately $515,000 to approximately $1,156,000 as of June 30, 2010. Healthcare regulations as well as good internal control policies require that account receivable credit balances be reviewed and any amounts refunded within a reasonable period.

Recommendation: We recommend that a policy be established that accounts receivable credit balances be reviewed within a reasonable period, in order for any overpayments to be refunded.

Current Status – NOT RESOLVED: We have implemented a procedure that requires a monthly review of outstanding credit balances by the Chief Financial Officer and the Business Office Director, which will ensure that appropriate actions are taken to appropriately process any credit balance accounts.

Responsible Party: Jim Juneau, Chief Financial Officer

Section III: Internal Control and Compliance Material to the Federal Awards

This years report does not include any federal awards.

Management Letter:

This years report does not include a management letter.

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH AND
OPELOUSAS GENERAL HOSPITAL AUTHORITY