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East Jefferson General Hospital

Financial Report
December 31, 2010

Contents

McGladrey

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Certified Public Accountants

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Independent Auditor's Report

To the Board of Directors
East Jefferson General Hospital
Jefferson Parish, Louisiana

We have audited the accompanying basic financial statements of East Jefferson General Hospital (Organization) (Jefferson Parish Hospital Service District No. 2, is a component unit of Jefferson Parish, Louisiana) as of and for the years ended December 31, 2010 and 2009 as listed in the table of contents. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these basic financial statements based on our audits. We did not audit East Jefferson Radiation Oncology, LLC for the years ended December 31, 2010 and 2009, which represents 1.4% and 1.4% of the assets and 3.3% and 4.2% of the revenue, respectively, of the financial statements. We did not audit East Jefferson Ambulatory Surgery Center, LLC for the years ended December 31, 2010 and 2009, which represents 0.7% and 1.0% of the assets and 1.7% and 1.6% of the revenue, respectively, of the financial statements. We did not audit the pension trust fund statements of East Jefferson General Hospital for the years ended December 31, 2010 and 2009 which represent 100% of the assets and additions of the pension trust fund. Those financial statements were audited by other independent auditors whose report thereon has been furnished to us and, our opinion on the basic financial statements is based solely upon the reports of the other independent auditors.

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 financial statements are free of material misstatement. The financial statements of East Jefferson Ambulatory Surgery Center, LLC, PET Scan Center of East Jefferson, LLC, East Jefferson Radiation Oncology, LLC, East Jefferson Physicians Group, LLC, East Jefferson Physician Network, LLC, East Jefferson General Surgery Co-Management Company, LLC, East Jefferson Orthopedic Co-Management Company, LLC, and Gulf South Quality Network, LLC were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of East Jefferson General Hospital, a component unit of Jefferson Parish, Louisiana, as of December 31, 2010 and 2009, and the changes in their financial position and their 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 our reports for the years ended December 31, 2010 and 2009 dated April 28, 2011 and April 29, 2010, respectively, on our consideration of the East Jefferson General Hospital's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of those reports 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. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 9, the Retirement Plan schedule of funding progress on page 53 and the Other Postemployment Benefit Plan schedule of funding progress on Page 54 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Organization's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining and other supplementary information for the years ended December 31, 2010 and 2009 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying Hospital statistics, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Davenport, Iowa
April 28, 2011

LaPorte, Sehrt, Romig & Hand

Metairie, Louisiana
April 28, 2011

Management's discussion and analysis of East Jefferson General Hospital's (EJGH), Jefferson Parish Hospital Service District No. 2, a component of Jefferson Parish, Louisiana (the Organization) financial performance provides an overall review of the Organization's activities for the years ended December 31, 2010 and 2009. The intent of this discussion is to provide an overview of the Organization's performance for the years and should be read in conjunction with the Organization's basic financial statements and notes thereto.

EJGH operates a 448-bed general acute care hospital and physician practices located in Metairie, Louisiana. EJGH serves the citizens of the greater New Orleans area and particularly residents of the East Bank of Jefferson Parish.

The basic financial statements also include the following component units: PET Scan Center of East Jefferson, LLC, which operates a PET Scan facility; East Jefferson Physician Network, LLC which was used to acquire several physician practices; East Jefferson Ambulatory Surgery Center, LLC, which operates an ambulatory surgery center; East Jefferson Radiation Oncology, LLC, which operates a radiation oncology center; East Jefferson Physicians Group, LLC, which operates various clinic practices, and East Jefferson General Surgery Co-Management Company, LLC, East Jefferson Orthopedic Co-Management Company, LLC and Gulf South Quality Network, LLC.

Financial Highlights

The assets of the Organization exceeded its liabilities by $292,806,632 and $227,743,000 (net assets) as of December 31, 2010 and 2009, respectively.

The Organization's total assets decreased by $5,898,247 or 1.2% from December 31, 2009 and $17,370,000 or 3.4% from December 31, 2008.

The Organization's total liabilities decreased by $70,962,001 or 26.9% from December 31, 2009 and $7,315,000 or 2.7% from December 31, 2008.

Overview of Financial Statements

The audited financial statements include the basic financial statements: Balance Sheets, Statements of Revenue, Expenses and Changes in Net Assets, and Statements of Cash Flows plus the Notes to the Basic Financial Statements.

Our financial position is measured in terms of resources (assets) we own and obligations (liabilities) we owe at a given date. This information is reported in the Balance Sheets, which reflects the Organization's assets in relation to its debts to bondholders, suppliers, employees and other creditors. The excess of our assets over our liabilities is reported as Net Assets.

Information regarding the results from operations during the year is reported in the Statement of Revenue, Expenses and Changes in Net Assets. This statement shows how much our net assets increased or decreased during the year as a result of our operations, nonoperating activities and other changes.

The Statement of Cash Flows discloses the flow of cash resources into and out of the Organization during the year. It identifies all cash received during the year from operating activities, contributions and other sources, and how we applied those funds (for example, payment of expenses, repayment of debt, purchases of new property and equipment, additions and deletions to the investment accounts and transfers to related entities).

The Notes to Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the Basic Financial Statements.

Condensed Statements of Revenue, Expenses and Changes in Net Assets

A summary version of the Statements of Revenue, Expenses and Changes in Net Assets for the years ended December 31, 2010, 2009 and 2008 follows:

	Year Ended December 31,		
	2010	2009	2008
	(Dollars in Thousands)		
Net patient revenue	$ 364,259	$ 348,487	$ 327,327
Other operating revenue	3,330	4,942	5,287
Total operating revenue	367,589	353,429	332,614
Nonoperating revenue	80,332	8,258	22,288
Total revenue	447,921	361,687	354,902
Expenses:			
Salaries, wages and benefits	173,333	173,370	171,114
Purchased services and other	117,712	104,241	98,954
Supplies	56,261	55,493	54,605
Depreciation and amortization	24,311	24,720	24,506
Interest	7,874	8,946	9,590
Total operating expenses	379,491	366,770	358,769
Nonoperating expenses	179	2,419	3,683
Total expenses	379,670	369,189	362,452
Excess of revenue over (under) expenses before transfers and minority interest	68,251	(7,502)	(7,550)
Transfers to Jefferson Parish	(1,631)	(1,194)	(2,067)
Minority interest in net (income) of equity interests	(1,556)	(1,359)	(1,263)
Change in net assets	65,064	(10,055)	(10,880)
Net assets:			
Beginning	227,743	237,798	248,678
Ending	$ 292,807	$ 227,743	$ 237,798

Operations

Year Ended December 31, 2010: Increased net patient revenue of $15,772,000 was the result, in part, of annual admissions growth of 3.6%. Significant growth was seen in admissions from primary care (Family Practice and Internal Medicine) specialties. The Hospitals strategic focus on growth through increased outpatient services was realized as charges from outpatient ancillary services grew 4.3%. In addition, net patient revenue has been positively impacted by management's focus on improving contracts with third-party payors.

Non-operating revenue of $80,332,000 includes the Hospital's successful effort to obtain forgiveness of the Federal Community Disaster Loan and associated accrued interest expense.

Total operating expenses increased by $12,721,000. The majority of this increase is related to an increase in purchased services and other expense of $13,471,000. Drug and pharmaceutical costs increased $3,708,000 (16.2%). Computer system related expenses increased $6,466,000 due, in part, to costs related to termination of the contract with Phoenix Healthcare.

Salaries, wages and benefits expenses decreased $37,000 due, in part, to a reorganization implemented in September 2010. Savings from this reorganization in 2010 were $631,000 with projected annual savings of approximately $5,000,000.

Year Ended December 31, 2009: Operations of the Hospital remained relatively stable in the current year. The Hospital initiated a comprehensive strategic planning process focusing on organizational growth, quality of services, constituent satisfaction and financial stability. Organizational growth through increased outpatient services was furthered by the acquisition of an outpatient imaging center and the addition of physicians to the East Jefferson Physician Group. Focus on improving quality and satisfaction have allowed the Hospital to experience shorter lengths of stay while increasing satisfaction ratings.

We continue to work with the State and Federal Governments to resolve financial matters on Community Disaster Loan forgiveness.

Total operating revenues increased by $20,815,000. This is primarily the result of improved inpatient throughput (decreased lengths of stay), increased outpatient services and an increase in state funding through Social Services Block Grant revenues.

Operating expenses increased by $8,001,000, which were primarily volume related. Purchased Services increased $5,000,000 due to volume-driven Anesthesia professional fees, collection agency fees and new costs for EJPG. Salaries, Wages and Benefits increased by $2,000,000. Increased supply costs of $1,000,000 were related to orthopedic volumes and an increase in implant costs incurred by the Hospital.

The excess of revenue over (under) expenses before transfers and minority interest for the year ended December 31, 2008 was $(7,550,000) and for the year ended December 2009 was $(7,502,000).

Condensed Balance Sheets

Condensed versions of the Balance Sheets as of December 31, 2010, 2009 and 2008 follow:

	December 31,		
	2010	2009	2008
	(Dollars in Thousands)		
Assets:			
Current assets	$ 128,803	$ 125,410	$ 123,177
Assets limited as to use, noncurrent	141,622	146,728	156,918
Capital assets, net	204,597	210,864	221,408
Other assets	10,271	8,190	7,058
Total assets	$ 485,293	$ 491,192	$ 508,561
Liabilities:			
Current liabilities	$ 53,316	$ 43,892	$ 48,810
Long-term debt	128,779	198,772	204,190
Retirement benefits, noncurrent	1,063	899	612
Other liabilities, noncurrent	9,328	19,886	17,151
Total liabilities	$ 192,486	$ 263,449	$ 270,763
Net Assets:			
Invested in capital assets, net of related debt	$ 66,851	$ 67,719	$ 70,048
Restricted under bond indenture	30,090	27,569	28,841
Unrestricted	195,866	132,455	138,909
Total net assets	$ 292,807	$ 227,743	$ 237,798

Long-term debt consists of revenue bonds issued in 1993 and 1998, a Capital lease (EJRO), and notes payable to the bank (EJASC). The Organization continues to make all annual and semi-annual debt service payments in compliance with these bond indentures. There are no current plans to issue additional debt or defease any existing debt, other than already in place as of December 31, 2010. Please see the Notes to Basic Financial Statements for additional information.

<u>December 31, 2010</u>: Current assets increased $3,393,000 due to an increase in patient receivables offset by decreases in short-term investments. Unrestricted net assets increased by $63,411,000 primarily due to the forgiveness of the Community Disaster Loan.

<u>December 31, 2009</u>: Current assets decreased in 2009 by $2,232,047, primarily due to a reduction of net patient accounts receivable of $2,642,000.

East Jefferson General Hospital

Management's Discussion and Analysis
Years Ended December 31, 2010 and 2009

Condensed Statements of Cash Flows

	Year Ended December 31,		
	2010	2009	2008
	(Dollars in Thousands)		
Cash provided by operating activities	$ 17,609	$ 20,894	$ 8,853
Cash (used in) capital and related financing activities	(28,944)	(28,556)	(27,020)
Cash (used in) non-capital financing activities	(4,157)	(2,558)	(4,404)
Cash provided by investing activities	16,775	3,930	23,707
Net increase (decrease) in cash	1,283	(6,290)	1,136
Cash and cash equivalents:			
Beginning	10,305	16,595	15,459
Ending	$ 11,588	$ 10,305	$ 16,595

Year Ended December 31, 2010: Cash provided by operating activities decreased by $3,285,000 over the prior year. Cash and cash equivalents increased by $1,283,000 over the prior year.

Year Ended December 31, 2009: Cash provided by operating activities increased by $12,041,000 over the prior year. In addition, cash used in capital and related financing activities decreased by $1,498,000 reflecting a decreased expenditure for capital assets in 2009. Cash and cash equivalents decreased over the prior year by $6,290,000.

Capital Assets

December 31, 2010: As of December 31, 2010 the Organization had $204,596,714 invested in capital assets. Capital expenditures in 2010 were approximately $6,200,000 less than depreciation expense resulting in a decrease of capital assets from 2009 to 2010.

December 31, 2009: As of December 31, 2009 the Organization had $210,864,000 invested in capital assets. Capital expenditures in 2009 were approximately $10,400,000 less than depreciation expense resulting in a decrease of capital assets from 2008 to 2009.

	December 31,		
	2010	2009	2008
	(Dollars in Thousands)		
Capital assets not being depreciated:			
Land	$ 17,674	$ 12,873	$ 12,873
Construction in progress	4,351	3,928	2,202
Capital assets net of depreciation:			
Land improvements	1,444	1,930	2,058
Buildings	120,961	125,008	130,562
Fixed equipment	25,613	29,174	32,075
Major movable equipment	34,553	37,950	41,630
Minor equipment	1	1	8
Total capital assets, net	$ 204,597	$ 210,864	$ 221,408

Additional information on the Organization's capital assets can be found in Note 6 of this report.

Long-Term Debt

Long-term debt consists of two revenue bond issues, described in more detail in the Notes to Basic Financial Statements. The principal balance on the outstanding bonds was $125,990,000, $129,855,000 and $136,670,000 as of December 31, 2010, 2009 and 2008, respectively. The decrease is attributable to principal payments on the bonds and payments on capital lease obligations.

Long-term debt also consists of notes payable to the bank of $1,651,000 and capital lease obligations of $10,104,000.

Additional information on the Organization's long-term debt can be found in Note 7 of this report.

Economic Factors

Year Ended December 31, 2010: Post Katrina construction spending and Go Zone funding continue to bolster the economy of the New Orleans Metropolitan Service Area. Growth in the region will continue to be fed by increased construction spending. Over 2011-2012, 8,300 new jobs are projected to be added with several new firms coming to the region and stabilization of the convention/tourism industry.

While the uncertainty of Federal Healthcare Reform Legislation continues, Management continues to prepare through the strategies identified and initiated in 2009.

Year Ended December 31, 2009: The New Orleans Metropolitan Service Area economy was fairly stable in 2009 with projected job losses of approximately 3,000 (-0.06%). These job losses are anticipated to be offset by job gains in fiscal year 2010 of approximately 6,000 (1.1%). The Hospital's inpatient volume was fairly stable for the fiscal year with a slight decline in admissions of approximately 0.3%. Outpatient revenue grew by approximately 2.59% over fiscal year 2008. This shift in volume and revenue from the inpatient to the outpatient setting is consistent with current healthcare industry trends.

In response to budget shortfalls, The Louisiana Department of Health and Hospitals reduced Medicaid payments for hospital services by 3.5% in February 2009 followed by a 6.3% reduction in August 2009.

The Hospital is proactive in its preparation for the uncertainty of recently enacted Federal Healthcare Reform Legislation and anticipated future Payment Reform initiatives. Specifically, through implementation of strategic initiatives developed in the second half of 2009, the Hospital is focused:

- Hospital/Physician alignment,
- growing high-margin services,
- net patient service revenue growth through revenue cycle improvements,
- improved quality,
- improved constituent satisfaction,
- improved productivity, and
- reduced cost.

Financial Information Contact

The Organization's basic financial statements are designed to provide a general overview of the Organization's finances for all those with an interest in the Organization's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to East Jefferson General Hospital.

East Jefferson General Hospital

Balance Sheets
December 31, 2010 and 2009

Assets	2010	2009
Current Assets:		
Cash and cash equivalents (Note 4)	$ 8,507,703	$ 7,333,500
Short-term investments (Note 4)	49,972,612	53,497,347
Receivables:		
Patients, net (Note 5)	43,065,654	37,246,817
Other	1,393,325	1,930,930
Assets limited as to use, current portion (Note 4)	10,803,602	7,839,907
Inventories	7,569,556	7,534,664
Prepaid expenses	7,490,698	6,904,921
Total current assets	128,803,150	122,288,086
Noncurrent Assets:		
Assets limited as to use (Note 4):		
Under bond indenture	30,090,486	27,569,077
Board-designated for specific purposes	122,334,979	130,120,440
	152,425,465	157,689,517
Less portion required for current liabilities	10,803,602	7,839,907
	141,621,863	149,849,610
Capital assets (Notes 6 and 7):		
Nondepreciable	22,025,079	16,801,043
Depreciable, net	182,571,635	194,063,072
	204,596,714	210,864,115
Debt issuance costs, net of accumulated amortization	2,057,472	2,285,465
Other assets (Note 12)	5,531,237	3,540,716
Deferred compensation and life insurance (Note 8)	2,682,839	2,363,530
	10,271,548	8,189,711
Total noncurrent assets	356,490,125	368,903,436
	$ 485,293,275	$ 491,191,522

See Notes to Basic Financial Statements.

Liabilities and Net Assets	2010	2009
Current Liabilities:		
Current maturities of long-term debt (Note 7)	$ 8,967,207	$ 5,397,542
Accounts payable	14,046,185	11,642,315
Accrued expenses:		
Salaries and wages	4,645,819	4,317,437
Paid leave	4,353,113	4,287,464
Health insurance claims (Note 10)	2,069,947	1,799,101
Interest	3,018,142	3,548,308
Estimated third-party payor settlements	2,701,436	1,530,865
Other (Notes 6, 8 and 10)	13,514,433	11,368,957
Total current liabilities	53,316,282	43,891,989
Noncurrent Liabilities:		
Deferred compensation and executive benefits (Note 8)	1,608,177	1,291,605
Retirement benefits (Notes 8 and 9)	1,062,572	898,805
Estimated self-insurance reserves (Note 10)	4,252,770	3,395,484
Long-term debt, less current maturities (Note 7)	128,778,617	198,772,358
Other accrued expenses	-	4,494,737
Accrued interest (Note 7)	-	5,886,962
Interest rate swap agreements (Note 7)	3,092,918	2,941,311
Minority interest in equity interests	375,307	1,875,393
Total noncurrent liabilities	139,170,361	219,556,655
Total liabilities	192,486,643	263,448,644
Commitments and Contingencies (Note 10)		
Net Assets:		
Invested in capital assets, net of related debt	66,850,890	67,719,160
Restricted under bond indenture	30,090,486	27,569,077
Unrestricted	195,865,256	132,454,641
	292,806,632	227,742,878
	$ 485,293,275	$ 491,191,522

East Jefferson General Hospital

Statements of Revenue, Expenses and Changes in Net Assets
Years Ended December 31, 2010 and 2009

	2010	2009
Operating revenue:		
Net patient service revenue (Note 2)	$ 364,258,848	$ 348,486,908
Other operating revenue	3,330,192	4,942,257
Total operating revenue	367,589,040	353,429,165
Operating expenses:		
Salaries, wages and benefits	173,332,800	173,370,209
Purchased services and other	117,711,927	104,241,504
Supplies	56,260,810	55,492,758
Depreciation and amortization	24,311,514	24,719,622
Interest	7,874,114	8,946,362
Total operating expenses	379,491,165	366,770,455
Loss from operations	(11,902,125)	(13,341,290)
Nonoperating revenue (expenses):		
Investment earnings	4,198,384	(2,170,513)
Rental income from leases	5,825,434	4,512,879
Community benefit services	-	(167,882)
Gain (loss) on disposal of capital assets	292,331	(80,325)
Grant revenue (Note 15)	956,387	2,313,700
Contributions	118,330	95,723
Forgiveness of community disaster loan (Note 7)	68,338,546	-
Equity in net income of associated company	602,584	1,262,292
Change in fair value of interest rate swap agreements (Note 7)	(151,607)	27,953
Other	(27,395)	45,796
	80,152,994	5,839,623
Excess of revenue over (under) expenses before transfers and minority interest	68,250,869	(7,501,667)
Transfers to Jefferson Parish (Note 3)	(1,631,155)	(1,194,273)
Minority interest in net income of equity interests	(1,555,960)	(1,358,985)
Change in net assets	65,063,754	(10,054,925)
Net assets:		
Beginning	227,742,878	237,797,803
Ending	$ 292,806,632	$ 227,742,878

See Notes to Basic Financial Statements.

East Jefferson General Hospital

Statements of Cash Flows
Years Ended December 31, 2010 and 2009

		2010		2009
Cash Flows from Operating Activities:				
Receipts from patients and third-party payors	$	359,610,582	$	353,275,074
Payments to suppliers		(173,410,665)		(162,689,003)
Payments to employees		(172,458,430)		(172,627,361)
Other receipts		3,867,797		2,935,022
Net cash provided by operating activities		17,609,284		20,893,742
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets		(18,546,590)		(14,027,693)
Proceeds from disposals of capital assets		1,022,801		63,510
Grant revenues		956,387		2,313,700
Principal payments on long-term debt		(5,399,126)		(8,215,025)
Interest payments on long-term debt		(6,977,646)		(7,353,556)
(Decrease) in outstanding checks in excess of bank balance		-		(1,336,689)
Net cash (used in) capital and related financing activities		(28,944,174)		(28,555,753)
Cash Flows from Non-Capital Financing Activities:				
Contributions received		118,330		95,723
Transfers to Jefferson Parish		(1,631,155)		(1,194,273)
Payments for community benefit services		-		(167,882)
(Distributions to) minority interest, net		(2,643,983)		(1,291,518)
Net cash (used in) non-capital financing activities		(4,156,808)		(2,557,950)
Cash Flows from Investing Activities:				
Investment earnings		3,140,742		3,340,582
Purchase of investments		(3,403,341,366)		(1,832,333,739)
Proceeds from sales and maturities of investments		3,413,297,002		1,828,525,878
Net increase in deferred compensation, life insurance and other		(319,309)		(161,752)
Purchase of minority interest in component unit		(1,800,000)		-
Other revenue (expense)		(27,395)		45,796
Rental income		5,825,434		4,512,879
Net cash provided by investing activities		16,775,108		3,929,644
Increase (decrease) in cash and cash equivalents		1,283,410		(6,290,317)
Cash and cash equivalents:				
Beginning		10,304,478		16,594,795
Ending	$	11,587,888	$	10,304,478
Reconciliation of Cash and Cash Equivalents to the Balance Sheets:				
Cash and cash equivalents in current assets	$	8,507,703	$	7,333,500
Cash and cash equivalents, included in assets limited as to use, noncurrent		3,080,185		2,970,978
	$	11,587,888	$	10,304,478

(Continued)

East Jefferson General Hospital

Statements of Cash Flows (Continued)
Years Ended December 31, 2010 and 2009

		2010		2009
Reconciliation of operating loss to net cash provided by operating activities:				
Cash Flows from Operating Activities:				
Loss from operations	$	**(11,902,125)**	$	(13,341,290)
Adjustments to reconcile loss from operations to net cash provided by operating activities:				
Depreciation and amortization		**24,311,514**		24,719,622
Interest expense		**7,874,114**		8,946,362
(Increase) decrease in:				
Patient receivables		**(5,818,837)**		2,641,939
Other receivables		**537,605**		(776,511)
Inventories		**(34,892)**		(359,041)
Prepaid expenses		**(585,777)**		(1,541,689)
Increase (decrease) in:				
Accounts payable		**2,403,870**		1,547,547
Third-party payor settlements		**1,170,571**		915,503
Accrued expenses		**(1,684,384)**		(2,401,958)
Deferred compensation and executive benefits, retirement benefits and self-insurance reserves		**1,337,625**		543,258
Net cash provided by operating activities	$	**17,609,284**	$	20,893,742
Noncash Investing Activities, increase (decrease) in fair value of investments	$	**1,057,642**	$	(5,511,095)
Noncash Capital and Related Financing Activities, forgiveness of Community Disaster Loan, including accrued interest	$	**68,338,546**	$	-

See Notes to Basic Financial Statements.

East Jefferson General Hospital

Retirement and Savings Plan
Statements of Plan Net Assets - Pension Trust Fund
December 31, 2010 and 2009

	2010	2009
Assets		
Cash and investments at fair value:		
Cash equivalents	**$ 1,103,747**	$ 1,774,915
Mutual funds	**10,643,785**	9,133,092
Equities	**23,523,386**	17,150,250
Investment in partnership	**275,696**	4,178,823
VALIC	**113,870,171**	97,965,254
Total cash and investments	**149,416,785**	130,202,334
Receivables and prepaids:		
Accrued interest and dividends	**14,702**	12,601
Contributions receivable:		
Employee	**283,073**	260,822
Employer	**4,031,614**	4,589,078
Other	**408,473**	-
Total receivables	**4,737,862**	4,862,501
Liabilities, accounts payable	**30,309**	69,421
Net Assets Held in Trust for Pension Benefits	**$ 154,124,338**	$ 134,995,414

See Notes to Basic Financial Statements.

East Jefferson General Hospital

Retirement and Savings Plan
Statements of Changes in Plan Net Assets - Pension Trust Fund
Years Ended December 31, 2010 and 2009

	2010	2009
Additions:		
Contributions:		
Members	$ 8,788,775	$ 7,572,144
Employer	8,105,084	6,998,971
Total contributions	16,893,859	14,571,115
Investment income:		
Interest	1,139,668	1,136,097
Dividends	2,829,232	1,979,551
Net appreciation in fair value of investments	11,781,082	18,421,448
	15,749,982	21,537,096
Less:		
Investment advisory services	149,133	106,192
Custodial fees	66,540	60,561
Net investment income	15,534,309	21,370,343
Total additions	32,428,168	35,941,458
Deductions:		
Retirement benefits paid and savings plan withdrawals	12,020,788	8,948,731
Forfeitures of nonvested contributions	1,278,456	558,775
Total deductions	13,299,244	9,507,506
Net increase	19,128,924	26,433,952
Net assets held in trust for pension benefits:		
Beginning	134,995,414	108,561,462
Ending	$ 154,124,338	$ 134,995,414

See Notes to Basic Financial Statements.

Note 1. Nature of Business and Significant Accounting Policies

Nature of business:

East Jefferson General Hospital (Hospital) is organized as Jefferson Parish Hospital Service District No. 2 by the Parish Council of Jefferson Parish, Louisiana (Parish) under provisions of the Jefferson Parish Charter and of Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950 and is exempt from federal and state income taxes. The Hospital operates an acute care hospital and physician practices and owns certain medical office buildings. The Hospital is a component unit of Jefferson Parish, Louisiana for financial reporting purposes and is included in the basic financial statements of Jefferson Parish together with its component units, which are described below.

East Jefferson Radiation Oncology, LLC (EJRO) was formed in 2006 and shall continue perpetually. EJRO provides radiation oncology services. The Hospital has a 100% ownership interest in EJRO.

East Jefferson Physicians Group, LLC (EJPG) was formed in 2006 and shall continue perpetually. EJPG owns and operates a wide range of clinical practices. The Hospital has a 100% ownership interest in EJPG.

PET Scan Center of East Jefferson, LLC (PET Scan) was formed in 2002 and shall continue perpetually. PET Scan operates a PET Scan facility. The Hospital has a 100% and 53.5% ownership interest in PET Scan as of December 31, 2010 and 2009, respectively.

Gulf South Quality Network, LLC (GULF) was formed in 2010 and shall continue perpetually. GULF was formed to develop a physician network engaged in the process of clinical integration. The Hospital has a 100% ownership interest in GULF.

East Jefferson Physician Network, LLC (EJPN) was formed in 1996 and shall continue perpetually. EJPN was used to acquire several physician practices. The Hospital has a 95% ownership interest in EJPN as of December 31, 2010 and 2009.

East Jefferson Ambulatory Surgery Center, LLC (EJASC) was formed in 2004 and shall continue perpetually. EJASC operates a surgery center on the Organization's campus. The Hospital has a 51% ownership interest in EJASC as of December 31, 2010 and 2009.

East Jefferson General Surgery Co-Management Company, LLC (SURG) was formed in 2009 and shall continue perpetually. SURG entered into a management agreement with the Hospital to manage, enhance and improve general surgery services. The Hospital has a 51% ownership in SURG as of December 31, 201 and 2009.

East Jefferson Orthopedic Co-Management Company, LLC (ORTHO) was formed in 2009 and shall continue perpetually. ORTHO entered into a management agreement with the Hospital to manage, enhance and improve orthopedic services. The Hospital has a 51% ownership in ORTHO as of December 31, 2010 and 2009.

The Hospital, EJRO, EJPG, PET Scan, GULF, EJPN, EJASC, SURG and ORTHO are collectively referred to as the Organization.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Significant accounting policies:

Reporting entity: For financial reporting purposes EJRO, EJPG, PET Scan, GULF, EJPN, EJASC, SURG and ORTHO are included in the Hospital's financial statements as blended component units. The balances and transactions of these entities are blended with those of the Hospital in the accompanying basic financial statements, and referred to as "East Jefferson General Hospital" due to their insignificance. Intercompany balances and transactions are eliminated in the process. The Organization has included all funds, organizations, agencies, boards, commissions and authorities. The Organization has also considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Organization are such that exclusion would cause the Organization's basic financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the organization to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the organization. Based on these criteria, EJRO, EJPG, PET Scan, GULF, EJPN, EJASC, SURG and ORTHO are included within the reporting entity.

Fiduciary fund type: The Organization also includes a pension trust fund, fiduciary fund type. The Pension Trust Fund is accounted for in essentially the same manner as the Organization, using the same measurement focus and accrual basis of accounting. Employee and employer contributions are recognized in the period in which the employee is compensated for services performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The Pension Trust Fund accounts for the assets of the East Jefferson General Hospital Retirement and Savings Plan. This plan is included in the reporting entity due to the Organization's significant administrative involvement.

Accrual basis of accounting: The accrual basis of accounting is used by the Organization. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when the liability has been incurred. Under this basis of accounting, all assets and liabilities associated with the operation of the Organization are included in the balance sheets.

Accounting standards: The Organization has elected to apply all applicable Governmental Accounting Standards Board (GASB) Pronouncements as well as the following pronouncements issued before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs). The Organization has elected not to follow FASB guidance subsequent to November 30, 1989.

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

Cash and cash equivalents: Cash and cash equivalents include temporary cash investments whose use is not limited. The temporary cash investments have original maturities of three months or less at date of issuance. Certain temporary investments internally designated as long-term investments are excluded from cash and cash equivalents.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Patient receivables: Patient receivables, where a third-party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided to third-party payors.

Patient receivables due directly from the patients, net of any third-party payor responsibility, are carried at the original charge for the service provided less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. The Organization does not charge interest on patient receivables. Patient receivables are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received. Provision for bad debts was $26,574,803 and $22,205,807 for the years ended December 31, 2010 and 2009, respectively, and is recorded as a reduction of net patient service revenue.

Receivables or payables related to estimated settlements on various risk contracts that the Hospital participates in are reported as estimated third-party payor receivables or payables.

Inventories: Inventories, which consist primarily of drugs and supplies, are valued at the lower of cost (first-in, first-out method) or market.

Assets limited as to use and investments: Assets limited as to use include assets set aside by the Board of Directors for retirement of long-term debt and future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes and assets held by trustees under bond indenture agreements.

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

Funds that were established in connection with the issuance of the revenue bonds are maintained by a trustee in special trust accounts for the benefit and security of the holders and owners of the debt and are reported as assets limited as to use under bond indentures. Interest earned on the investments held in trust is retained in the funds and used for the purposes described in the respective bond ordinances.

The Organization has an investment in an associated company that operates a laundry service, which is accounted for by the equity method of accounting under which the Organization's share of the net income of the associated company is recognized as income in the Organization's statements of revenue, expenses and changes in net assets and is added to the investment account. Dividends and distributions received from the associated company is treated as a reduction of the investment account. The Organization's equity in the net income of the associated company is $602,584 and $1,262,292 for the years ended December 31, 2010 and 2009, respectively.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Capital assets: Capital assets are carried at cost or, if donated, at fair value at date of donation. Depreciation is computed by the straight-line method over the assets' estimated useful lives ranging from three to forty years. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets and is depreciated over the estimated useful lives of the constructed assets.

Interest capitalized on construction was approximately $196,000 and $87,000 during the years ended December 31, 2010 and 2009, respectively.

Debt issuance costs: Debt issuance costs are being amortized over the term the related debt is outstanding by a method which approximates the interest method.

Net patient service revenue: 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 with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Net patient service revenue is reported net of provision for bad debts.

Operating income: The Organization distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from the primary purpose of the Organization, which is to provide medical services to the region. Operating revenue consists of net patient services, cafeteria and special meals, Wellness Center membership and other miscellaneous services. Operating expenses consist of salaries and benefits, purchased services, supplies, depreciation and amortization, and interest. All revenue and expenses not meeting these criteria are considered nonoperating.

Net assets: Net asset classifications are defined as follows:

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted – This component of net assets consists of constraints placed on net assets through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. There was no amount restricted by enabling legislation as of year-end.

Unrestricted net assets – 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" above.

Charity care: The Organization provides care to patients who meet certain criteria under its charity care policy at amounts less than its established rates.

Gifts, grants and bequests: Gifts, grants and bequests not designated by donors for specific purposes are reported as nonoperating revenue regardless of the use for which they might be designated by the Board of Directors.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Board of Directors: Members of the Hospital's Board of Directors receive no compensation or per diem.

Reclassification: Certain items on the accompanying balance sheet for the year ended December 31, 2009, have been reclassified to be consistent with classifications for the current year ended December 31, 2010. The reclassification had no impact on total assets, liabilities or net assets.

Note 2. Net Patient Service Revenue

Approximately 90% of the Hospital's net patient service revenue for the years ended December 31, 2010 and 2009 is earned under agreements with third-party payors. These agreements with third-party payors provide for payments to the Hospital at amounts different from its established rates. These third-party payors include: the Medicare and Medicaid programs, health maintenance organizations, and various commercial insurance and preferred provider organizations. A summary of the payment arrangements with major third-party payors follows:

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

Outpatient services are paid via the outpatient prospective payment system. Any former cost reimbursed outpatient services were paid at a tentative rate, with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. Outpatient services subject to the outpatient prospective payment system are not subject to cost report settlement with several exceptions, and without regard to the transitional corridor.

The Hospital's Medicare cost reports have been finalized by the Medicare fiscal intermediary through December 31, 2006.

Medicaid: Inpatient services rendered to Medicaid program beneficiaries are reimbursed based upon prospectively determined rates. The prospectively determined rates are not subject to retroactive adjustment. Outpatient services are reimbursed based on cost reimbursement and fee schedule limitations. The cost based rates are subject to retroactive adjustment.

In the summer of 2009, House Bill No. 879 (HB 879) was approved and became effective upon the signature of the Governor of Louisiana. HB 879 directed the Department of Health and Hospitals, Bureau of Health Services Financing to issue supplemental payments to hospitals that demonstrated substantial financial and operational challenges in the aftermath of hurricanes Katrina, Rita, Gustav and Ike. One of the provisions of HB 879 made additional Medicaid funding available to hospitals identified in the July 17, 2008 United States Government Accountability Office (GAO) report that have demonstrated substantial financial and operational challenges in the aftermath of Hurricane Katrina. East Jefferson General Hospital is one of five hospitals identified in the GAO report.

As a result of the above, the Hospital is eligible to receive supplemental payments for Medicaid services rendered from July 1, 2009 to December 31, 2010. During the years ended December 31, 2010 and 2009 EJGH recognized into income approximately $21.9 and $11.0 million, respectively, of these supplemental payments.

The Hospital's Medicaid cost reports have been finalized through December 31, 2006.

Note 2. Net Patient Service Revenue (Continued)

Other agreements: The Hospital has entered into payment agreements 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, prospectively determined daily rates and capitated per member per month rates.

A summary of the Organization's net patient revenue for the years ended December 31, 2010 and 2009 is as follows:

	2010	2009
Gross patient service revenue	$1,107,318,403	$1,061,844,849
Less discounts, allowances and estimated contractual adjustments under third-party reimbursement programs	716,484,752	691,152,134
Less provision for bad debts	26,574,803	22,205,807
	$ 364,258,848	$ 348,486,908

Contractual adjustment expenses for the years ended December 31, 2010 and 2009 include the effects of changes in the estimate of liabilities due to Medicare. The effect of this change in estimate for the Medicare liability was a reduction in contractual adjustment expense of approximately $528,000 and $173,000 for the years ended December 31, 2010 and 2009, respectively, and is primarily related to the recognition of disproportionate share reimbursement.

Note 3. Charity Care and Community Service

The Organization maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and the estimated cost of those services and supplies. The amount of charges foregone, based on established rates during the years ended December 31, 2010 and 2009 was approximately $1,289,000 and $1,203,000, respectively.

Although not accounted for as charity care, the Organization considers the contractual adjustment expense related to the Medicaid services as charity care. Contractual adjustment expense related to the Medicaid services performed was approximately $55,884,000 and $48,673,000 for the years ended December 31, 2010 and 2009, respectively.

Community benefit services represent the cost of providing services such as ambulance services, public speeches on health care issues to Parish organizations and funding of a community health center.

The Organization transferred $1,000,000 in 2010 and 2009 to the Parish to fund a medical facility at the Parish prison. Additional transfers of $631,155 and $194,273 for the years ended December 31, 2010 and 2009, respectively, were made to fund other Parish programs. These amounts have been recorded in the accompanying basic financial statements as transfers.

East Jefferson General Hospital

Notes to Basic Financial Statements

Note 4. Cash and Investments

The Organization's cash, cash equivalents and investments as of December 31, 2010 and 2009 are classified in the accompanying balance sheets as follows:

	2010	2009
Current assets:		
Cash and cash equivalents	$ 8,507,703	$ 7,333,500
Short-term investments:		
Certificates of deposit	250,000	1,255,375
Investments	49,722,612	52,241,972
Assets limited as to use:		
Cash and cash equivalents	3,080,185	2,970,978
Investments	149,045,280	154,418,539
Other	300,000	300,000
	$ 210,905,780	$ 218,520,364

Authorized investments:

Louisiana state statutes authorize the Organization to invest in direct obligations of the U.S. Treasury and other federal agencies, time deposits with state banks and national banks having their principal office in the State of Louisiana, guaranteed investment contracts issued by highly rated financial institutions, and certain investments with qualifying mutual or trust fund institutions. Louisiana statutes also require that all of the deposits of the Organization be protected by insurance or collateral. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance.

Interest rate risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the Organization's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Organization's investments by maturity:

		Investment Maturities (in Years)			
	Fair Value	Less than 1	1 - 5	6 -10	More than 10
Money market mutual funds	$ 17,047,662	$ 17,047,662	$ -	$ -	$ -
United States Treasury bills	128,623,583	128,623,583	-	-	-
Municipal bonds	53,096,647	6,571,457	26,359,798	20,165,392	-
	$ 198,767,892	$ 152,242,702	$ 26,359,798	$ 20,165,392	$ -

Note 4. Cash and Investments (Continued)

Credit risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Organization's investment policy limits any investments in Louisiana Municipal Bonds to be rated at Baa3 or higher by Moody's Investor Service or BBB– or higher by Standard & Poor's Corporation or Fitch Inc. and a final maturity of no more than ten years.

As of December 31, 2010, the Organization's investments were rated as follows:

Investment Type	Moody's Investor's Service	Standard & Poor's
Money market mutual funds	AAA	Aaa
United States Treasury bills	AAA	Aaa
Municipals bonds	See chart below	See chart below

Note 4. Cash and Investments (Continued)

Municipal bonds are rated as follows:

Moody's Investor's Service	Standard & Poor's	Fair Value
Aaa	AA-	$ 521,205
Aaa	n/a	1,641,566
Aa1	AAA	1,588,515
Aa1	AA+	428,418
Aa1	n/a	1,532,447
Aa2	AA	5,248,090
Aa2	AA-	3,310,679
Aa2	n/a	5,039,240
Aa3	AA+	5,071,526
Aa3	AA	777,380
Aa3	AA-	3,409,662
Aa3	A+	743,577
Aa3	A	180,452
Aa3	n/a	6,012,798
A1	A+	144,972
A1	n/a	569,117
A2	n/a	1,086,827
A3	n/a	150,990
n/a	AAA	214,142
n/a	AA+	7,945,859
n/a	AA	199,640
n/a	AA-	3,505,616
n/a	A+	2,976,313
n/a	A	99,859
n/a	A-	344,653
n/a	BBB	253,225
n/a	n/a	99,879 *
		$ 53,096,647

*Rated AAA by Fitch

Concentration of credit risk:

The Organization's investment policy is to apply the standard of prudence: Investments shall be made with judgment and care, under circumstances then prevailing which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The Organization places no limits on the amount that may be invested with one issuer.

Note 4. Cash and Investments (Continued)

Custodial credit risk:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The custodial risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Hospital's investment policy requires all certificates of deposit and repurchase agreements be collateralized by government securities for an amount in excess of FDIC and SAIF insurance limits. Certificates of deposit or repurchase agreement with terms longer than four days must be held by an independent third party.

As of December 31, 2010, all of the Organization's bank balances in deposits with financial institutions were covered by insurance or collateral held by financial institutions in the Organization's name. The investments were also entirely covered by insurance or held by financial institutions in the Organization's name.

East Jefferson General Hospital Retirement and Savings Plan:

Following are the components of the East Jefferson General Hospital Retirement and Savings Plan's (Plan) cash equivalents and investments as of December 31, 2010 and 2009:

	Defined Benefit Retirement Plan	Savings Plan	Total
		2010	
Cash equivalents	$ 1,103,747	$ -	$ 1,103,747
Investments	34,442,867	113,870,171	148,313,038
	$ 35,546,614	$113,870,171	$149,416,785
		2009	
Cash equivalents	$ 1,774,915	$ -	$ 1,774,915
Investments	30,462,165	97,965,254	128,427,419
	$ 32,237,080	$ 97,965,254	$130,202,334

Cash equivalents: The Plan's cash equivalents totaling $1,103,747 and $1,774,915 as of December 31, 2010 and 2009, respectively, consist of government backed pooled funds. The funds are held by a sub-custodian and are managed by a separate money manager and are in the name of the Plan's custodian's trust department.

Note 4. Cash and Investments (Continued)

Investments: Hospital service districts are authorized under Louisiana R.S. 46:1068 to establish and maintain actuarially sound pension and retirement systems making contributions from hospital service district funds. They may make contracts of insurance with any insurance company legally authorized to do business in Louisiana and may enter into other contracts and Trust Agreements with banks, which are incidental to creating and maintaining an actuarially sound pension and retirement system. As of December 31, 2010 and 2009, the Retirement Plan's investments were held by JP Morgan Chase. The Savings Plan's investments are held by VALIC.

Concentration of credit risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's investment policy states that no more than 5% (of cost) of the assets assigned to an investment manager may be invested in the securities of one issuer. As of December 31, 2010 and 2009, there were no investment holdings that exceeded the Plan's concentration of credit risk policy.

Credit risk: Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan's investment policy regarding credit risk states that all fixed income securities shall carry an investment grade rating of BBB or higher. The Plan did not have investments in long-term securities at December 31, 2010 and 2009.

Custodial credit risk: Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Plan holds its cash equivalents in a nominee name in the amount of $1,103,747 and $1,774,915 as of December 31, 2010 and 2009, respectively. The Plan has assets in the amount of $148,313,038 and $128,427,419 as of December 31, 2010 and 2009, respectively, which are not held in a nominee name or in the name of the Plan and, therefore, exposed to custodial credit risk. These assets are held in JP Morgan Chase & VALIC custodial accounts.

Interest rate risk: Interest rate risk is defined as the risk that changes in the interest rates will adversely affect the fair value of an investment. The Plan did not have long-term debt securities as of December 31, 2010 and 2009. The Plan has no formal investment policy regarding interest rate risk.

The Plan invests in collateralized mortgage obligations. These securities are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates.

Note 5. Composition of Patient Receivables

Patient receivables as of December 31, 2010 and 2009 consist of the following:

	2010	2009
Patients	$ 141,101,335	$ 124,622,466
Less estimated third-party contractual adjustments	83,689,136	73,899,645
Less allowance for doubtful accounts	14,346,545	13,476,004
	$ 43,065,654	$ 37,246,817

East Jefferson General Hospital

Notes to Basic Financial Statements

Note 6. Capital Assets

Capital assets activity as of and for the years ended December 31, 2010 and 2009 is as follows:

	December 31, 2009	Additions	Transfers and Disposals	December 31, 2010
Capital assets not being depreciated:				
Land	$ 12,873,070	$ 5,170,625	$ (370,000)	$ 17,673,695
Construction in progress	3,927,973	3,959,750	(3,536,339)	4,351,384
Total capital assets not being depreciated	16,801,043	9,130,375	(3,906,339)	22,025,079
Capital assets being depreciated:				
Land improvements	7,018,208	16,080	(241,140)	6,793,148
Buildings	253,558,135	4,218,748	(1,101,461)	256,675,422
Fixed equipment	80,120,191	754,450	(17,316)	80,857,325
Major movable equipment	163,687,991	8,202,876	(1,244,267)	170,646,600
Minor equipment	888,182	-	(595)	887,587
Total capital assets being depreciated	505,272,707	13,192,154	(2,604,779)	515,860,082
Less accumulated depreciation for:				
Land improvements	5,088,895	262,330	(1,540)	5,349,685
Buildings	128,550,369	7,929,728	(765,481)	135,714,616
Fixed equipment	50,945,564	4,324,650	(25,678)	55,244,536
Major movable equipment	125,737,895	11,566,813	(1,211,415)	136,093,293
Minor equipment	886,912	-	(595)	886,317
Total accumulated depreciation	311,209,635	24,083,521	(2,004,709)	333,288,447
Total capital assets being depreciated, net	194,063,072	(10,891,367)	(600,070)	182,571,635
Organization capital assets, net	$ 210,864,115	$ (1,760,992)	$ (4,506,409)	$ 204,596,714

Note 6. Capital Assets (Continued)

	December 31, 2008	Additions	Transfers and Disposals	December 31, 2009
Capital assets not being depreciated:				
Land	$ 12,873,070	$ -	$ -	$ 12,873,070
Construction in progress	2,201,985	4,840,992	(3,115,004)	3,927,973
Total capital assets not being depreciated	15,075,055	4,840,992	(3,115,004)	16,801,043
Capital assets being depreciated:				
Land improvements	6,930,208	-	88,000	7,018,208
Buildings	250,850,932	2,707,203	-	253,558,135
Fixed equipment	80,807,171	1,371,401	(2,058,381)	80,120,191
Major movable equipment	158,639,864	8,223,101	(3,174,974)	163,687,991
Minor equipment	888,255	-	(73)	888,182
Total capital assets being depreciated	498,116,430	12,301,705	(5,145,428)	505,272,707
Less accumulated depreciation for:				
Land improvements	4,819,456	269,439	-	5,088,895
Buildings	120,289,077	8,261,292	-	128,550,369
Fixed equipment	48,731,561	4,186,099	(1,972,096)	50,945,564
Major movable equipment	117,062,969	11,704,350	(3,029,424)	125,737,895
Minor equipment	880,638	6,347	(73)	886,912
Total accumulated depreciation	291,783,701	24,427,527	(5,001,593)	311,209,635
Total capital assets being depreciated, net	206,332,729	(12,125,822)	(143,835)	194,063,072
Organization capital assets, net	$ 221,407,784	$ (7,284,830)	$ (3,258,839)	$ 210,864,115

Note 7. Long-Term Debt and Interest Rate Swap Agreements

Long-term debt as of December 31, 2010 and 2009 consists of:

	2010	2009
Hospital Revenue Bonds, Series 1998 (A) (C)	$ 99,675,000	$ 103,040,000
Hospital Revenue Refunding Bonds, Series 1993 (B) (C)	26,315,000	26,815,000
Community Disaster Loan (D)	-	61,024,950
Capital lease obligation, MRI (E)	2,899,975	3,198,958
Capital lease obligation, parking garage (F)	3,830,431	4,257,033
EJRO capital lease obligation (G)	3,374,019	3,953,750
EJASC notes payable, bank (H)	1,651,399	1,880,209
	137,745,824	204,169,900
Less current maturities	8,967,207	5,397,542
	$ 128,778,617	$ 198,772,358

(A) **Hospital Revenue Bonds, Series 1998 - $125,000,000.** Bond proceeds were used for capital improvements and paying interest and issuance costs incurred. The Series 1998 Bonds bear interest at rates ranging from 4.5% to 5.25% payable semi-annually. Annual principal payments are due in varying amounts ranging from $3,520,000 to $8,113,000 through July 2028.

(B) **Hospital Revenue Refunding Bonds, Series 1993 - $64,575,000.** Bond proceeds were used to advance refund the Hospital's Series 1986 Hospital Revenue Refunding Bonds, and to pay bond insurance and issuance costs. The Series 1993 Bonds bear interest at 5.75% payable semi-annually. Annual principal payments are due in varying amounts ranging from $3,800,000 to $5,020,000 through July 2016.

(C) The Series 1998 and Series 1993 Bonds grant a security interest in all revenue either accrued or received in connection with operations of the Hospital. The terms of the trust indentures require the Hospital to comply with certain covenants. The covenants provide for timely financial reporting and require the Hospital to maintain certain financial ratios, the most restrictive of which is the maintenance of a specified debt service coverage ratio.

In addition, the Hospital has entered into Bond Insurance Agreements in conjunction with these various issuances, which were revised and amended in November 2008. Under the Revised and Amended Insurance Agreements, the Hospital has agreed to certain additional covenants to maintain certain levels of defined days of cash on hand.

Management has computed the maximum annual debt service requirements for the debt service coverage ratio and the days cash on hand requirements as of December 31, 2010.

Note 7. Long-Term Debt and Interest Rate Swap Agreements (Continued)

(D) **Community Disaster Loan (CDL) - $61,024,000**. During 2006, the Hospital borrowed monies in accordance with the federal CDL program, which is administered by the Federal Emergency Management Agency (FEMA). The proceeds of this loan were used for operating expenses of the Hospital, mainly payroll costs. The loans accrued interest at fixed rates ranging from 2.68% to 3.0%. The loans plus accrued interest were to mature in January 2011 through September 2011.

The CDL program is a program of federal aid available to local governments specifically to replace revenue lost as the result of a natural or man-made disaster. The CDL program is unique in permitting local governments struck by disasters to borrow directly from the federal government. It has also been unique in giving the federal administrators of the loan program the authority to cancel the borrower's obligation to repay the loan under specified local budget conditions. In early 2009, proposed rules specifying the procedures to apply for forgiveness of these loans were published in the Federal Register with a comment period ending in May of 2009. Under the proposed regulations the obligation to repay the loan shall be canceled if the local government's operating losses incurred subsequent to the disaster equal or exceed the amount of the loans. The Hospital applied for loan forgiveness, and during the year ended December 31, 2010, the CDL and all accrued interest in the aggregate amount of $68,338,546, was forgiven.

(E) The Hospital has entered into a capital lease agreement with a medical partnership for the purpose of constructing a medical building used to house magnetic resonance imaging unit and radiation therapy equipment. The medical building and equipment revert to the Hospital upon termination of the lease. The lease requires monthly base rental payments of approximately $47,000 and minimum monthly operating expense payments of approximately $22,000 through March 2017. The base rental payments are subject to a 1% annual cumulative escalation clause. The lease is collateralized by the building and equipment with an amortized cost of approximately $1,291,000 as of December 31, 2010.

(F) The Hospital has entered into a capital lease agreement with East Jefferson General Hospital Foundation for the purpose of constructing a parking garage. The parking garage reverts to the Hospital upon termination of the lease. The lease requires monthly base rental payments of approximately $65,000 and minimum monthly operating expense payments of approximately $15,000 through May 2017. The lease is collateralized by the parking garage with an amortized cost of approximately $1,752,000 as of December 31, 2010.

(G) EJRO has entered into a capital lease agreement for a Novalis TX linear accelerator and related hardware. The lease requires monthly payments of approximately $69,000 through October 2015. The lease is collateralized by leasehold improvements and equipment with an amortized cost of approximately $2,591,000 as of December 31, 2010.

(H) EJASC has entered into two notes payable. The first note bears interest at 6.75%, due in monthly installments of approximately $15,000, with a maturity date of September 2013. This note is secured by furniture, equipment and accounts receivable of EJASC. The second note bears interest at 6.75%, due in monthly installments of approximately $15,000, which are based on a fifteen-year amortization and seven-year balloon payment with a maturity date of August 2013. This note is secured by equipment and accounts receivable of EJASC. These notes payable contain certain financial covenants for EJASC, including requirements to maintain defined levels of net worth and financial statement reporting requirements. As of December 31, 2010, EJASC was not in compliance with a certain covenant, for which EJASC obtained a waiver of the covenant.

Note 7. Long-Term Debt and Interest Rate Swap Agreements (Continued)

Long-term debt activity as of and for the years ended December 31, 2010 and 2009 is as follows:

	December 31, 2009	Borrowings	Payments and Forgiveness	December 31, 2010	Due Within One Year
Hospital Revenue Bonds, Series 1998	$ 103,040,000	$ -	$ (3,365,000)	$ 99,675,000	$ 3,520,000
Hospital Revenue Refunding Bonds, Series 1993	26,815,000	-	(500,000)	26,315,000	3,800,000
Community Disaster Loan	61,024,950	-	(61,024,950)	-	-
Capital lease obligation, MRI	3,198,958	-	(298,983)	2,899,975	336,634
Capital lease obligation, parking garage	4,257,033	-	(426,602)	3,830,431	465,460
EJRO capital lease obligation	3,953,750	-	(579,731)	3,374,019	619,301
EJASC notes payable, bank	1,880,209	-	(228,810)	1,651,399	225,812
	$ 204,169,900	$ -	$ (66,424,076)	$ 137,745,824	$ 8,967,207

	December 31, 2008	Borrowings	Payments	December 31, 2009	Due Within One Year
Hospital Revenue Refunding Bonds, Series 2004	$ 3,610,000	$ -	$ (3,610,000)	$ -	$ -
Hospital Revenue Bonds, Series 1998	106,245,000	-	(3,205,000)	103,040,000	3,365,000
Hospital Revenue Refunding Bonds, Series 1993	26,815,000	-	-	26,815,000	500,000
Community Disaster Loan	61,024,950	-	-	61,024,950	-
Capital lease obligation, MRI	3,463,922	-	(264,964)	3,198,958	288,986
Capital lease obligation, parking garage	4,648,015	-	(390,982)	4,257,033	426,599
Capital lease obligation, EJRO	4,496,443	-	(542,693)	3,953,750	579,731
EJASC notes payable, bank	2,081,595	-	(201,386)	1,880,209	237,226
	$ 212,384,925	$ -	$ (8,215,025)	$ 204,169,900	$ 5,397,542

The aggregate principal and interest maturities, including capital leases, of long-term debt as of December 31, 2010 are as follows:

	Principal	Interest
Year ending December 31:		
2011	$ 8,967,207	$ 6,783,613
2012	9,506,954	6,349,748
2013	11,011,499	5,784,515
2014	10,409,931	5,259,727
2015	10,867,793	4,760,111
2016 to 2020	31,822,440	17,928,356
2021 to 2025	31,915,000	10,754,000
2026 to 2028	23,245,000	2,362,250
	$ 137,745,824	$ 59,982,320

Note 7. Long-Term Debt and Interest Rate Swap Agreements (Continued)

The Organization has pledged revenue to repay $125,000,000 hospital revenue bonds issued January 1999 and $64,575,000 hospital revenue refunding bonds issued January 1993. These bonds are payable solely from the hospital revenue and are payable through 2028 and 2016, respectively. Annual principal and interest payments on the bonds are expected to require less than 10% of revenue. As of December 31, 2010, the total principal and interest remaining to be paid on the Series 1998 and Series 1993 bonds is $153,624,149 and $29,085,437, respectively. Principal and interest paid for the current year on each bond were $8,457,645 and $1,143,150, respectively. Total hospital revenue for the current year is $448,786,441.

The future minimum rental commitments payable as of December 31, 2010 on capital lease obligations are as follows:

Year ending December 31:	
2011	$ 2,727,952
2012	2,734,064
2013	2,740,244
2014	2,746,481
2015	2,578,079
2016 to 2017	2,592,740
Total minimum lease payments	16,119,560
Less amount representing executory costs (i.e., operating expenses) included in total minimum lease payments	2,772,575
Net minimum lease payments	13,346,985
Less amount representing interest	3,242,560
Present value of net minimum lease payments	$ 10,104,425

Note 7. Long-Term Debt and Interest Rate Swap Agreements (Continued)

Interest rate swap agreements:

The Hospital has the following interest rate swap agreements:

Description	Notional Amount	Start Date	End Date	EJGH Pays	EJGH Receives	Fair Value as of December 31, 2010	Change in Fair Value for the Year Ended December 31, 2010
Fixed payer swap (A)	$ 27,302,000	August 2004	July 2016	3.331%	68% of LIBOR	$ (1,834,000)	$ (191,000)
Total return swap (B)	26,315,000	October 2004	December 2011	BMA + 10 bps	5.75%	(1,259,000)	39,000
						$ (3,093,000)	$ (152,000)

Description	Notional Amount	Start Date	End Date	EJGH Pays	EJGH Receives	Fair Value as of December 31, 2009	Change in Fair Value for the Year Ended December 31, 2009
Fixed payer swap (A)	$ 31,027,000	August 2004	July 2016	3.331%	68% of LIBOR	$ (1,643,000)	$ 1,074,000
Total return swap (B)	26,815,000	October 2004	December 2011	BMA + 10 bps	5.75%	(1,298,000)	(1,046,000)
						$ (2,941,000)	$ 28,000

During 2004, the Hospital entered into two interest rate swap (basis swap) agreements as described below:

(A) The Hospital entered into a fixed payer swap in order to hedge its variable rate exposure relative to the portion of its Series 1993 Bonds subject to the total return swap (see (B) below) and its Series 2004 Bonds. Based on the fixed payer swap agreement, the Hospital owes interest at a fixed rate of 3.331%, and in return receives interest calculated at a variable rate equal to 68% of the 1 month London Interbank Offered Rate (LIBOR).

(B) The Hospital entered into a fixed-to-floating swap (total return swap) which results in the Hospital converting a portion of its Series 1993 Bonds from a fixed rate to a variable rate. Based on the total return swap agreement, the Hospital owes interest calculated at a variable rate of the Bond Market Association Municipal Swap Index (BMA) plus 0.10 percent (ie 10 basis points) to the counterparty to the swap. In return, the counterparty owes the Hospital interest based on a fixed rate of 5.75%.

Under the interest rate swap agreements, only the net difference in the interest payments is actually exchanged with the counterparty. Settlement payments, representing the net difference in the amounts to be received and paid under each swap agreement are netted, and the net settlement amount is exchanged semi-annually. The notional amounts are not exchanged, they are only the basis on which the interest payments are calculated.

Note 7. Long-Term Debt and Interest Rate Swap Agreements (Continued)

As of December 31, 2010 and 2009, the swaps have an estimated negative fair value of approximately $3,093,000 and $2,941,000, respectively, which is recorded as a liability for interest rate swaps in the accompanying balance sheet. Under the provisions of GASB Statement No. 53 (see also Note 14), the swaps are not considered as effective hedging derivative instruments, and therefore, the changes in fair value of ($152,000) and $28,000 for the years ended December 31, 2010 and 2009 have been recorded as a component of nonoperating revenue (expense) in the accompanying Statements of Revenue, Expenses and Changes in Net Assets similar to investment earnings. The interest settlements received by the Hospital, or paid to the counterparty, are included as a component of interest expense. The net settlements decreased interest expense by approximately $512,000 and $382,000 for the years ended December 31, 2010 and 2009, respectively.

As a result of the negative position, the Hospital is not exposed to credit risk at December 31, 2010. However, should interest rates change and the fair value of the swap agreements become positive (ie. an asset), the Hospital would be exposed to credit risk in the amount of the swap's fair value. The Hospital or the counterparty may terminate the swap agreements if the other party fails to perform under the terms of the contract.

Note 8. Retirement and Benefit Plans

Defined benefit retirement plan:

The Hospital contributes to the Retirement Plan for Employees of East Jefferson General Hospital (Plan) which is a single-employer, noncontributory defined benefit public employee retirement system (PERS). The Plan is sponsored by the Hospital to provide retirement benefits as well as death benefits. All full-time employees at least 21 years of age with at least one year of credited service are eligible to participate in the Plan. Plan benefits vest after five years of credited service. Employees who retire at or after age 62 with 5 years of credited service are entitled to an annual retirement benefit payable monthly for life, unless the present value amount is under $8,500. In this instance, the employer has the option to distribute in a lump-sum payment. The Plan also provides early retirement benefits at reduced amounts at age 55 with 10 years of service. For the years ended December 31, 2010 and 2009, the Hospital's total payroll for all employees was approximately $127,889,000 and $130,685,000, respectively, and the Hospital's total covered payroll (for pension plan participants) was approximately $57,758,000 and $61,094,000, respectively. Covered payroll refers to all compensation paid by the Hospital to active employees covered by the Plan on which contributions to the Plan are based.

In November 2004, the Board of Directors of the Hospital adopted a resolution to revise the Plan participation eligibility requirements to exclude employees hired or rehired subsequent to January 1, 2005. In January 2005, the Board of Directors adopted a resolution to freeze the Plan effective April 1, 2005. This resolution had the immediate effect of reducing the actuarially determine recommended contribution to the Plan for 2005. The Board of Directors also resolved to increase base contributions to the Employee Savings Plan on a graduated scale based on length of service.

The benefit provisions of the Plan consist of current and prior accrued benefits. The current benefit provided is equal to .75% of the participant's annual earnings for each Plan year commencing after December 31, 1988, plus .5% of the participant's annual earnings in excess of covered compensation, as defined by the Plan, for each Plan year commencing after December 31, 1988, for up to 35 years of benefit service. The prior accrued benefit provided was equal to 30% of the participant's final average monthly earnings in excess of the Social Security Maximum Wage Average. Certain Plan participants are also entitled to supplemental benefits as specifically defined in the Plan. The Plan issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to East Jefferson General Hospital, Administration Department or by calling (504) 454-4000.

Note 8. Retirement and Benefit Plans (Continued)

Basis of accounting: The Plan's assets are held in various investments, including U.S. government and agency issues, equity securities, mutual funds, corporate bonds, foreign obligation bonds, partnership and guaranteed investment contracts with a life insurance company. The Plan's asset value is the fund value as reported by the life insurance company, which is a book value with part of the fund subject to a market value adjustment should the contract be terminated.

Funding status and progress: The amount shown as the net pension obligation in the following table is a standardized disclosure measure of the present value of pension benefits, adjusted beginning January 1, 2001 for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The measure, which is independent of the actuarial funding method used to determine contributions to the Plan, is the actuarial present value of credited projected benefits. The measure is intended to help users assess the Plan's funding status on a going-concern basis and assess progress made in accumulating sufficient assets to pay benefits when due.

Plan members are not required to contribute a portion of their annual salary. The Hospital is required per the Plan's funding policy to contribute at an actuarially determined rate which was 4.9% and 4.4% for the years ended December 31, 2010 and 2009, respectively.

Significant actuarial assumptions used in 2010 and 2009 include a rate of return on the investment of present and future assets of 8.0% and 8.5% per year compounded annually, respectively. There has been no cost of living adjustment. In 2010 and 2009 the actuarial value of assets was determined using market value. The unfunded actuarial accrued liability is being amortized as an open level dollar of payroll. The remaining amortization period at a January 1, 2011 actuarial valuation date was 29 years.

Annual pension costs, net pension obligation and the accrual for retirement benefits for 2010 and 2009 are as follows:

	2010	2009
Annual required contribution for current year	$ 2,554,536	$ 1,851,102
Interest on net pension obligation	3,083	3,303
Adjustment to annual required contribution	(3,083)	(4,407)
Annual pension costs	2,554,536	1,849,998
Contribution made	2,554,536	1,851,102
Decrease in net pension obligation	-	(1,104)
Net pension obligation, beginning of year	77,855	78,959
Net pension obligation, end of year	$ 77,855	$ 77,855

Note 8. Retirement and Benefit Plans (Continued)

Contributions required and contributions made: The funding policy of the Plan provides for actuarially determined periodic employer contributions at rates that, for individual employees, remain fairly constant over time so that sufficient assets will be available to pay benefits when due. The contribution rate for normal cost is determined using the Traditional Unit Credit actuarial cost method. The Plan is being funded based on its normal cost, as actuarially determined, reduced by amounts sufficient to amortize an overfunded amount from prior years over a 30-year period. The Hospital made contributions of approximately $2,555,000 and $1,851,000 for the years ended December 31, 2010 and 2009, respectively, and is fully funded according to Internal Revenue Service funding limitations. Significant actuarial assumptions used to compute the contribution required are the same as those used to compute the standardized measure of the pension benefit obligation.

Trend information: Trend information related to the Plan is as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/08	$ 1,452,002	97%	$ 78,959
12/31/09	1,849,998	96	77,855
12/31/10	2,554,536	100	77,855

Funded status and funding progress, pension plan:

The funded status of the Plan as of December 31, 2010 and 2009 is based on the most recent actuarial valuation dated January 1, 2011 and 2010, respectively, as follows:

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Valuation date January 1:						
2011	$ 35,969,789	$ 65,035,180	$ 29,065,391	55.3	$ 52,622,311	55.2%
2010	$ 32,249,681	$ 59,702,876	$ 27,453,195	54.0	$ 57,757,738	47.5%

Note 8. Retirement and Benefit Plans (Continued)

The supplementary information presented in the Required Retirement Plan Information was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Plan Year	2010	2009
Valuation Date	January 1, 2011	January 1, 2010
Actuarial Cost Method	Traditional Unit Credit	Traditional Unit Credit
Asset Valuation Method	Market value	Market value
Actuarial Assumptions:		
Investment rate of return	8.0% per annum	8.5% per annum
Amortization method	Level dollar	Level dollar
Amortization period	30 years remaining (open basis)	30 years remaining (open basis)
Salary increase rate	None	None

Employee savings plan:

Effective September 15, 1989, the Hospital adopted the East Jefferson General Hospital Savings Plan (Savings Plan) for the benefit of eligible employees. Benefits under the Plan are payable upon the retirement/disability of the participant or termination of the participant's employment. The Hospital believes the Savings Plan qualifies under Sections 401(a), 403(b) and 457(b) of the Internal Revenue Code of 1986, as applicable to governmental plans.

Employees who have attained the age of 21 and completed one year of service are eligible to become participants in the Savings Plan. Savings Plan participants may elect to make pre-tax contributions up to a maximum of the limits allowed by the IRS, as defined in the Savings Plan agreement. The Savings Plan agreement provides that the Hospital contribute 2% of participants' Savings Plan compensation each year and match participant contributions up to 2% of the participants' Savings Plan compensation. Beginning April 1, 2005, the Hospital increased its contribution to a graduated scale of 2% to 5% of compensation based on employee length of service.

Savings Plan assets are invested in an equity fund (consisting primarily of common stocks) or a guaranteed investment contract fund with a commercial insurance company, as elected by plan participants. A separate account is established for each Savings Plan participant. Participants have a nonforfeitable right to the value of their after-tax deposits at any time and become 100% vested in Hospital basic deposits and Hospital matching deposits upon the completion of five years of service. Loans are not permitted under the terms of the Savings Plan.

Employer contributions and employer paid Savings Plan expenses totaled $4,049,141 and $4,649,990 for the years ended December 31, 2010 and 2009, respectively.

East Jefferson General Hospital

Notes to Basic Financial Statements

Note 8. Retirement and Benefit Plans (Continued)

Employee savings plan (continued):

The following is a summary of the financial statements of the pension plan and employee savings plan as of and for the years ended December 31, 2010 and 2009:

	Defined Benefit Retirement Plan	Savings Plan 401(a)	Savings Plan 403(b) Special	Savings Plan 403(b)	Savings Plan 457(b)	(Total Memorandum Only)
	December 31, 2010					
Assets						
Receivables and prepaids:						
Accrued interest and dividends	$ 14,702	$ -	$ -	$ -	$ -	$ 14,702
Contributions receivable:						
Employee	-	-	-	216,355	66,718	283,073
Employer	-	2,773,844	-	1,257,770	-	4,031,614
Other	408,473	-	-	-	-	408,473
Total receivables	423,175	2,773,844	-	1,474,125	66,718	4,737,862
Investments at fair value:						
Cash equivalents	1,103,747	-	-	-	-	1,103,747
Equities	23,523,386	-	-	-	-	23,523,386
Mutual funds	10,643,785	-	-	-	-	10,643,785
Investment in partnership	275,696	-	-	-	-	275,696
AIG Valic	-	48,288,138	160,170	54,621,109	10,800,754	113,870,171
Total investments	35,546,614	48,288,138	160,170	54,621,109	10,800,754	149,416,785
Liabilities, accounts payable	30,309	-	-	-	-	30,309
Net Assets Held in Trust for Pension Benefits	$ 35,939,480	$ 51,061,982	$ 160,170	$ 56,095,234	$ 10,867,472	$ 154,124,338

Note 8. Retirement and Benefit Plans (Continued)

Employee savings plan (continued):

	Defined Benefit Retirement Plan	Savings Plan 401(a)	Savings Plan 403(b) Special	Savings Plan 403(b)	Savings Plan 457(b)	(Total Memorandum Only)
	December 31, 2009					
Assets						
Receivables and prepaids:						
Accrued interest and dividends	$ 12,601	$ -	$ -	$ -	$ -	$ 12,601
Contributions receivable:						
Employee	-	-	-	200,692	60,130	260,822
Employer	-	2,951,294	-	1,637,784	-	4,589,078
Total receivables	12,601	2,951,294	-	1,838,476	60,130	4,862,501
Investments at fair value:						
Cash equivalents	1,774,915	-	-	-	-	1,774,915
Equities	17,150,250	-	-	-	-	17,150,250
Mutual funds	9,133,092	-	-	-	-	9,133,092
Investment in partnership	4,178,823	-	-	-	-	4,178,823
AIG Valic	-	44,478,310	146,763	44,991,056	8,349,125	97,965,254
Total investments	32,237,080	44,478,310	146,763	44,991,056	8,349,125	130,202,334
Liabilities, accounts payable	69,421	-	-	-	-	69,421
Net Assets Held in Trust for Pension Benefits	$ 32,180,260	$ 47,429,604	$ 146,763	$ 46,829,532	$ 8,409,255	$ 134,995,414

Note 8. Retirement and Benefit Plans (Continued)

Employee savings plan (continued):

	Defined Benefit Retirement Plan	Savings Plan 401(a)	403(b) Special	403(b)	457(b)	(Total Memorandum Only)
	Year Ended December 31, 2010					
Additions:						
Contributions:						
Members	$ -	$ -	$ -	$ 6,942,920	$ 1,845,855	$ 8,788,775
Employer	2,554,536	3,539,926	-	2,010,622	-	8,105,084
Total contributions	2,554,536	3,539,926	-	8,953,542	1,845,855	16,893,859
Investment income:						
Interest	24,840	539,143	1,348	511,149	63,188	1,139,668
Dividends	856,036	901,993	-	866,903	204,300	2,829,232
Net appreciation in fair value of investments	3,445,941	3,337,242	13,090	4,113,830	870,979	11,781,082
	4,326,817	4,778,378	14,438	5,491,882	1,138,467	15,749,982
Less:						
Investment advisory services	149,133	-	-	-	-	149,133
Custodial fees	63,689	-	-	-	2,851	66,540
Net investment income	4,113,995	4,778,378	14,438	5,491,882	1,135,616	15,534,309
Total additions	6,668,531	8,318,304	14,438	14,445,424	2,981,471	32,428,168
Deductions:						
Retirement benefits paid and savings plan withdrawals	2,909,311	4,160,323	1,031	4,426,869	523,254	12,020,788
Forfeitures of nonvested contributions	-	525,603	-	752,853	-	1,278,456
Total deductions	2,909,311	4,685,926	1,031	5,179,722	523,254	13,299,244
Net increase	3,759,220	3,632,378	13,407	9,265,702	2,458,217	19,128,924
Net assets held in trust for pension benefits:						
Beginning	32,180,260	47,429,604	146,763	46,829,532	8,409,255	134,995,414
Ending	$ 35,939,480	$ 51,061,982	$ 160,170	$ 56,095,234	$ 10,867,472	$ 154,124,338

Note 8. Retirement and Benefit Plans (Continued)

Employee savings plan (continued):

	Defined Benefit Retirement Plan	Savings Plan 401(a)	403(b) Special	403(b)	457(b)	(Total Memorandum Only)
	Year Ended December 31, 2009					
Additions:						
Contributions:						
Members	$ -	$ -	$ -	$ 5,848,055	$ 1,724,089	$ 7,572,144
Employer	1,851,102	3,191,790	-	1,956,079	-	6,998,971
Total contributions	1,851,102	3,191,790	-	7,804,134	1,724,089	14,571,115
Investment income:						
Interest	46,923	534,452	2,637	496,575	55,510	1,136,097
Dividends	773,047	526,138	-	546,785	133,581	1,979,551
Net appreciation in fair value of investments	5,142,199	5,912,661	15,415	6,097,291	1,253,882	18,421,448
	5,962,169	6,973,251	18,052	7,140,651	1,442,973	21,537,096
Less:						
Investment advisory services	106,192	-	-	-	-	106,192
Custodial fees	58,909	-	-	-	1,652	60,561
Net investment income	5,797,068	6,973,251	18,052	7,140,651	1,441,321	21,370,343
Total additions	7,648,170	10,165,041	18,052	14,944,785	3,165,410	35,941,458
Deductions:						
Retirement benefits paid and savings plan withdrawals	2,830,845	2,837,281	421	2,663,838	616,346	8,948,731
Forfeitures of nonvested contributions	-	240,480	-	318,295	-	558,775
Total deductions	2,830,845	3,077,761	421	2,982,133	616,346	9,507,506
Net increase	4,817,325	7,087,280	17,631	11,962,652	2,549,064	26,433,952
Net assets held in trust for pension benefits:						
Beginning	27,362,935	40,342,324	129,132	34,866,880	5,860,191	108,561,462
Ending	$ 32,180,260	$ 47,429,604	$ 146,763	$ 46,829,532	$ 8,409,255	$ 134,995,414

Deferred compensation and executive benefits:

The Hospital previously provided a supplemental executive retirement plan (SERP) as well as a deferred compensation plan to certain key employees. The SERP plan was terminated during 2005. Assets and liabilities associated with the deferred compensation plan were $1,608,177 and $1,291,605 as of December 31, 2010 and 2009, respectively. These amounts are included in noncurrent assets and liabilities in the accompanying basic financial statements.

Note 8. Retirement and Benefit Plans (Continued)

Early termination benefits:

In order to encourage early retirement, the Hospital offered a one-time only early termination benefit in 2002. The employee had to be 50 years of age or older and have completed five years of credited service by August 15, 2002 to be eligible for enhanced health and dental insurance as part of East Jefferson General Hospital's early retirement offering to begin on October 1, 2002. The early termination benefit allows an eligible employee to remain on the Hospital's health plan at their existing participation level for up to five years, or until the individual is Medicare eligible. For all years after 2007, the retirees may remain on the Hospital's health plan until they are Medicare eligible at a fair market value rate of insurance, which is defined as a rate no less than the COBRA rate. If the retiree drops coverage any time after retirement, they are no longer eligible to return to the plan. There were 12 and 22 participants still remaining under the plan as of December 31, 2010 and 2009, respectively. As of December 31, 2010 and 2009, the Hospital had no accrual.

Note 9. Other Postemployment Benefits (OPEB)

Plan description and funding policy:

The Hospital sponsors a postretirement medical plan that provides post-termination medical insurance coverage for the participant and the participant's spouse of health insurance through age 65, then lifetime Medicare supplement insurance. The employees eligible under this policy are key employees as designated by the Hospital's Board of Directors who terminate employment at or after age 62 with at least 10 years of service. Prior to the participants' age 65, the coverage shall be insured coverage providing a level of benefits reasonably comparable to the standard medical coverage the Hospital provides to all full-time employees. Commencing at the participant's age 65, the coverage shall be provided in the form of an insured Medicare Supplement Policy providing the level of coverage determined by the Hospital in its sole discretion.

The Hospital shall pay 50% or 100% of the premiums for the coverage under this plan for the participant and the participant's spouse depending on the ages of both of the covered individuals with a gross premium cap of $1,000 per month per individual. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal years 2010 and 2009, the Hospital contributed $26,350 and $13,306, respectively, to the plan.

Note 9. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB cost and net OPEB obligation:

The Hospital's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance to the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the Hospital's annual OPEB cost for the years ended December 31, 2010 and 2009, the amount actuarially contributed to the plan, and changes in the Hospital's annual OPEB obligation:

	2010	2009
Annual required contribution	$ 157,279	$ 279,842
Interest on net OPEB obligation	32,838	21,324
Annual OPEB cost	190,117	301,166
Contributions made	(26,350)	(13,306)
Increase in net OPEB obligation	163,767	287,860
Net OPEB obligation, beginning of year	820,950	533,090
Net OPEB obligation, end of year	$ 984,717	$ 820,950

The Hospital's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations for fiscal years 2010, 2009 and 2008 is as follows:

	Annual OPEB Cost	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation
Fiscal year ended December 31:			
2010	$ 190,117	13.9%	$ 984,717
2009	301,166	4.4	820,950
2008	279,842	4.5	533,090

Funded status and funding progress:

Postemployment benefit obligations under GASB Statement No. 45 as of December 31, 2010, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
December 31, 2010	$ -	$ 2,054,548	$ 2,054,548	$ -

Note 9. Other Postemployment Benefits (OPEB) (Continued)

Actuarial methods and assumptions:

The actuarial calculations are performed in accordance with the Projected Unit Credit Actuarial Cost Method as allowed under GASB Statement No. 45. The excess of the AAL over the actuarial value of plan assets is the unfunded actuarial accrued liability. The unfunded actuarial accrued liability is amortized over a maximum of 30 years in level dollar amounts on an open period amortization basis. The sum of the normal cost and the amortization of the unfunded actuarial accrued liability is the annual required contribution, which with interest at the valuation date, determines the annual OPEB cost.

Economic cost assumptions:

The rate at which projected cash flows are to be discounted is 4% based on estimated long-term investment return on the investments that are expected to be used to finance the payment of benefits.

Actuarial calculations reflect a long-term perspective that involves estimates of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Note 10. Self-Insurance, Commitments and Contingent Liabilities

Self-insurance for health insurance:

The Hospital is self-insured for its employee health insurance plan. The self-insured claims are processed through a Plan Administrator. In 2010 and 2009, the Hospital had stop-loss insurance coverage for claims in excess of $300,000 per individual per plan year and a lifetime maximum coverage of $700,000 per individual. The following is a summary of estimated claims liability for the years ended December 31, 2010 and 2009. The Hospital has recorded a current liability for open claims and claims incurred but not reported.

	2010	2009
Balance, beginning	$ 1,799,101	$ 2,019,248
Claims expense	9,900,000	11,125,000
Claims payment	(9,629,154)	(11,345,147)
Balance, ending	$ 2,069,947	$ 1,799,101

Note 10. Self-Insurance, Commitments and Contingent Liabilities (Continued)

Self-insurance for worker's compensation insurance:

The Hospital is self-insured for worker's compensation. The self-insured claims are processed through a Plan Administrator. The Hospital has purchased stop-loss insurance coverage for claims in excess of $150,000 per occurrence. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. The following is a summary of estimated claims liability for the years ended December 31, 2010 and 2009. The Hospital has recorded a current liability for open claims and claims incurred but not reported which is included in other accrued expenses.

	2010	2009
Balance, beginning	$ 2,696,960	$ 2,458,940
Claims expense	3,021,093	1,327,677
Claims payment	(1,549,873)	(1,089,657)
Balance, ending	$ 4,168,180	$ 2,696,960

Professional liability insurance:

During 1976, the State of Louisiana enacted legislation that created a statutory limit of $500,000 plus interest, costs and future medical expenses for each medical professional liability claim and established the Louisiana Patient Compensation Fund (State Insurance Fund) to provide professional liability insurance to participating health care providers. The constitutionality of the statutory limit has been tested and sustained to date although additional challenges may be made in the future. The Hospital participates in the State Insurance Fund, which provides up to $400,000 coverage for settlement amounts in excess of $100,000 per claim. The Hospital is self-insured with respect to the first $100,000 of each claim and has purchased additional coverage through a claims-made policy with a commercial insurance carrier for losses on claims in excess of $500,000 for claims made on or prior to December 31, 2003 and $1,000,000 for claims made subsequent to December 31, 2003. The following is a summary of estimated claims liability for the years ended December 31, 2010 and 2009. The Hospital has recorded the liability in noncurrent liabilities.

	2010	2009
Balance, beginning	$ 2,315,387	$ 1,637,581
Claims expense and change in accrual	498,255	1,070,306
Claims payment	(27,500)	(392,500)
Balance, ending	$ 2,786,142	$ 2,315,387

Note 10. Self-Insurance, Commitments and Contingent Liabilities (Continued)

Other self-insurance programs:

The Hospital is self-insured for general liability and vehicle liability. The self-insured claims are processed through a Plan Administrator. The following is a summary of estimated claims liability for the years ended December 31, 2010 and 2009. The Hospital has recorded the liability in noncurrent liabilities.

	2010	2009
Balance, beginning	$ 780,097	$ 1,357,319
Claims expense and change in accrual	951,501	(495,722)
Claims payment	(564,970)	(81,500)
Balance, ending	$ 1,166,628	$ 780,097

Laws and regulations:

The health care industry is subject to numerous laws and regulations of federal, state and local governments. 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. These laws and regulations include, but are not limited to, accreditation, licensure, government health care program participation 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 health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Organization is subject to similar regulatory reviews, management believes the outcome of any such regulatory review will not have a material adverse effect on the Organization's financial position.

The Organization has been named as a defendant in various legal actions arising from normal business activities in which damages in various amounts are claimed. The amount of ultimate liability, if any, with respect to such matters cannot be determined, but management believes that any such liability would not have a material effect on the Organization's financial position.

Health care reform:

As a result of recently enacted federal health care reform legislation, substantial changes are anticipated in the United States health care system. Such legislation includes numerous provisions affecting the delivery of health care services, the financing of health care costs, reimbursement of health care providers and the legal obligations of health insurers, providers and employers. These provisions are currently slated to take effect at specified times over approximately the next decade. This federal health care reform legislation does not affect the financial statements for the year ended December 31, 2010.

Note 10. Self-Insurance, Commitments and Contingent Liabilities (Continued)

Lease commitments:

The Organization leases property and various equipment under leases that expire at various dates through 2034.

As of December 31, 2010, the total minimum rental commitment under operating lease agreements is approximately $22,447,000 is due as follows:

Year ending December 31:	
2011	$ 2,521,000
2012	2,445,000
2013	2,374,000
2014	2,286,000
2015	2,126,000
Thereafter	10,695,000
	$ 22,447,000

Total rent expense for the above leases for the years ended December 31, 2010 and 2009 was approximately $2,508,000 and $2,426,000, respectively.

Professional services commitments:

The Organization has agreements for the outsourcing of its information technology department and for its emergency room coverage. These agreements expire in 2020 and 2012, respectively.

As of December 31, 2010, the total minimum commitment under these agreements is approximately due as follows:

Year ending December 31:	
2011	$ 16,861,000
2012	19,292,000
2013	19,441,000
2014	20,117,000
2015	17,378,000
2016 to 2020	71,597,000
	$164,686,000

Total expense for the above agreements for the years ended December 31, 2010 and 2009 was approximately $12,192,000 and $8,168,000, respectively.

Note 11. Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of December 31, 2010 and 2009 was as follows:

	2010	2009
Medicare	53.9%	53.1%
Medicaid	5.6	4.8
Managed care	14.7	18.8
Other third-party payors	19.2	16.8
Patients	6.6	6.5
	100.0%	100.0%

Note 12. Other Assets

Other assets as of December 31, 2010 and 2009 consist of an investment in Associated Hospital Services and goodwill associated with the 2010 acquisition of the minority interest in PET Scan. These are summarized as follows:

	2010	2009
Associated Hospital Services (laundry service)	$ 4,143,300	$ 3,540,716
Goodwill	1,387,937	-
	$ 5,531,237	$ 3,540,716

Note 13. Functional Expenses

The Organization provides general health care services to residents within its geographic location. Expenses related to providing these services for the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
Program	$ 218,537,182	$ 216,151,294
General and administrative	160,953,983	150,619,161
	$ 379,491,165	$ 366,770,455

Note 14. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements

During the year ended December 31, 2010, the Organization adopted the following GASB statements:

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement provides guidance regarding how to identify, account for and report intangible assets. The new Statement characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period. This Statement provides that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new Statement, such as capital leases and goodwill created through combination). The adoption of this Statement had no effect on the financial statements.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements. The adoption of this Statement had no effect on the financial statements as the Organization was accounting for its derivative instruments (interest rate swap agreements) at fair value prior to the effective date of GASB Statement No. 53. The Organization did enhance its footnote disclosures as a result of the adoption of this Statement.

GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. This Statement provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs. The adoption of this Statement had no effect on the financial statements.

Note 14. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements (Continued)

As of December 31, 2010, the GASB has also issued several statements not yet implemented by the Organization. The Statements which may impact the Organization are as follows:

GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* issued January 2010, will be effective for the Organization beginning with its year ending December 31, 2012. This Statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. GASB 57 amends GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*

GASB Statement No. 59, *Financial Instruments Omnibus,* issued June 2010, will be effective for the Organization beginning with its year ending December 31, 2011. This Statement is intended to update and improve existing standards regarding financial reporting of certain financial instruments and external investment pools. Specifically, this Statement provides financial reporting guidance by emphasizing the applicability of SEC requirements to certain external investment pools, addressing the applicability of GASB 53, *Accounting and Financial Reporting for Derivative Instruments,* and applying the reporting provisions for interest-earning investment contracts of GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.*

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34,* issued November 2010, will be effective for the Organization beginning with its year ending December 31, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* issued January 2011, will be effective for the Organization beginning with its year ending December 31, 2012. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.

The Organization's management has not yet determined the effect these Statements will have on the Organization's financial statements.

Note 15. Hurricane Katrina

On August 29, 2005, southeastern Louisiana and southern Mississippi were impacted by Hurricane Katrina, and its resulting aftermath. The economy, population and infrastructure of the metropolitan New Orleans area, in particular, have been severely affected. The Hospital is located in Metairie, Louisiana, and suffered disruption of business and damage to its structures from the effects of the Hurricane. Additionally, the State's charity hospital system facilities in the New Orleans area were heavily damaged which resulted in a substantial increase in the number of uninsured patients at East Jefferson General Hospital. Management believes this change in payor mix has had dramatic negative impact on the net patient service revenue recognized by the Hospital. In addition, post-discharge programs such as home health care have been affected, leading to increased length of stay at the Hospital. The State of Louisiana is currently evaluating how to adequately compensate the affected providers for this shift in patient census.

Additionally the Hospital has filed claims with the State of Louisiana's assistance programs and with the Federal Emergency Management Agency (FEMA). The Hospital has received $207,621 and $2,262,310 in reimbursement from FEMA and other insurers for flood damage, which have been included in the accompanying statements of revenue, expenses and changes in net assets as nonoperating revenue for the years ended December 31, 2010 and 2009, respectively.

As of the date of these financial statements management cannot reasonably estimate the remaining amount of reimbursement for outstanding damage and loss claims, including amounts to be received from FEMA and State of Louisiana assistance programs. The ultimate future effect of this event on the ongoing operations of the Hospital is unknown.

SUPPLEMENTARY INFORMATION

East Jefferson General Hospital

Required Supplementary Information
Retirement Plan
December 31, 2010

Schedule of Funding Progress	**2010**	2009	2008
Actuarial valuation date	**1/1/11**	1/1/10	1/1/09
Actuarial value of assets (AVA)	**$ 35,969,789**	$ 32,249,681	$ 37,047,904
Actuarial accrued liability (AAL)	**$ 65,035,180**	$ 59,702,876	$ 56,941,416
Unfunded AAL (UAAL)	**$ 29,065,391**	$ 27,453,195	$ 19,893,512
Funded ratio	**55.3%**	54.0%	65.1%
Annual covered payroll	**$ 52,622,311**	$ 57,757,738	$ 61,093,503
UAAL as % of payroll	**55.2%**	47.5%	32.6%

The information presented in the required supplementary schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

1. The valuation date is January 1, 2011.
2. The actuarial method used is traditional unit credit.
3. The amortization method is a level dollar open method. The remaining amortization period is 30 years.
4. The assets are shown at fair value.
5. Economic assumptions are as follows: investment rate of return of 8.0% and no projected salary increases.

East Jefferson General Hospital

Required Supplementary Information
Other Postemployment Benefit Plan

Schedule of Funding Progress

Fiscal Year-End	Actuarial Valuation Date	Actuarial Value of Net Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over-funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2010	12/31/2010	$ -	$ 2,054,548	$ 2,054,548	- %	$ 7,325,554	28%
2009	12/31/2007	-	2,495,161	2,495,161	-	7,824,967	32
2008	12/31/2007	-	2,495,161	2,495,161	-	8,520,475	29

Note: Fiscal year 2007 was the transition year for GASB Statement No. 45.

The information presented in the required supplementary schedule was determined as part of the actuarial valuation as of December 31, 2010. Additional information follows:

1. The cost method used to determine the ARC is the Projected Unit Credit Actuarial Cost method.
2. There are no plan assets.
3. Economic assumptions are discount rate of 4.0%.
4. The amortization method is open period, level dollar.

East Jefferson General Hospital

Combining Balance Sheets
December 31, 2010

Assets	EJGH	EJRO, LLC	EJPG, LLC	EJPN, LLC
Current Assets:				
Cash and cash equivalents	$ 3,910,277	$ 2,196,373	$ 642,464	$ 83,534
Short-term investments	49,972,612	-	-	-
Receivables:				
Patients, net	40,372,970	805,272	1,186,186	-
Other	6,395,969	-	-	292,994
Assets limited as to use, current portion	10,803,602	-	-	-
Inventories	7,569,556	-	-	-
Prepaid expenses	5,992,330	103,961	1,333,457	-
Total current assets	125,017,316	3,105,606	3,162,107	376,528
Noncurrent Assets:				
Assets limited as to use:				
Under bond indenture	30,090,486	-	-	-
Board-designated for specific purposes	122,334,979	-	-	-
	152,425,465	-	-	-
Less portion required for current liabilities	10,803,602	-	-	-
	141,621,863	-	-	-
Capital assets	200,157,814	3,850,083	292,838	-
Debt issuance costs, net of accumulated amortization	2,055,472	-	-	-
Investment in equity interests and associated companies and other *	9,009,437	-	-	-
Deferred compensation and life insurance	2,682,839	-	-	-
Total noncurrent assets	355,527,425	3,850,083	292,838	-
	$ 480,544,741	$ 6,955,689	$ 3,454,945	$ 376,528

* EJGH carries its investment in EJPN, LLC at none as of December 31, 2010. This investment should be carried at $190,740. The effects of this investment have been properly eliminated in the balance sheet as of December 31, 2010.

PET Scan	EJASC, LLC	SURG, LLC	ORTHO, LLC	GULF, LLC	Eliminations	Combined
$ 659,544	$ 866,056	$ 47,451	$ 102,004	$ -	$ -	$ 8,507,703
-	-	-	-	-	-	49,972,612
185,173	516,053	-	-	-	-	43,065,654
-	-	-	-	-	(5,295,638)	1,393,325
-	-	-	-	-	-	10,803,602
-	-	-	-	-	-	7,569,556
28,715	32,235	-	-	-	-	7,490,698
873,432	1,414,344	47,451	102,004	-	(5,295,638)	128,803,150
-	-	-	-	-	-	30,090,486
-	-	-	-	-	-	122,334,979
-	-	-	-	-	-	152,425,465
-	-	-	-	-	-	10,803,602
-	-	-	-	-	-	141,621,863
75,220	1,845,334	-	-	-	(1,624,575)	204,596,714
-	2,000	-	-	-	-	2,057,472
-	-	-	-	-	(3,478,200)	5,531,237
-	-	-	-	-	-	2,682,839
75,220	1,847,334	-	-	-	(5,102,775)	356,490,125
$ 948,652	$ 3,261,678	$ 47,451	$ 102,004	$ -	$ (10,398,413)	$ 485,293,275

East Jefferson General Hospital

Combining Balance Sheets
December 31, 2010

Liabilities and Net Assets	EJGH	EJRO, LLC	EJPG, LLC	EJPN, LLC
Current Liabilities:				
Current maturities of long-term debt	$ 8,122,094	$ 619,301	$ -	$ -
Accounts payable	13,189,487	563,998	4,378,622	-
Accrued expenses:				
Salaries and wages	4,645,819	-	-	-
Paid leave	4,353,113	-	-	-
Health insurance claims	2,069,947	-	-	-
Interest	3,018,142	-	-	-
Estimated third-party payor settlements	2,701,436	-	-	-
Other	13,480,413	-	-	175,749
Total current liabilities	51,580,451	1,183,299	4,378,622	175,749
Noncurrent Liabilities:				
Deferred compensation and executive benefits	1,608,177	-	-	-
Retirement benefits	1,062,572	-	-	-
Estimated self-insurance reserves	4,252,770	-	-	-
Long-term debt, less current maturities	124,598,312	2,754,718	-	-
Other accrued expenses	-	-	-	-
Interest rate swap agreements	3,092,918	-	-	-
Minority interest in equity interests	-	-	-	-
Total noncurrent liabilities	134,614,749	2,754,718	-	-
Total liabilities	186,195,200	3,938,017	4,378,622	175,749
Net Assets:				
Invested in capital assets, net of related debt	67,437,408	476,064	292,838	-
Restricted under bond indenture	30,090,486	-	-	-
Unrestricted *	196,821,647	2,541,608	(1,216,515)	200,779
Total net assets	294,349,541	3,017,672	(923,677)	200,779
	$ 480,544,741	$ 6,955,689	$ 3,454,945	$ 376,528

* EJGH carries its investment in EJPN, LLC at none as of December 31, 2010. This investment should be carried at $190,740. The effects of this investment have been properly eliminated in the balance sheet as of December 31, 2010.

PET Scan	EJASC, LLC	SURG, LLC	ORTHO, LLC	GULF, LLC	Eliminations	Combined
$ -	$ 225,812	$ -	$ -	$ -	$ -	$ 8,967,207
88,604	101,158	-	-	684,425	(4,960,109)	14,046,185
-	-	-	-	-	-	4,645,819
-	-	-	-	-	-	4,353,113
-	-	-	-	-	-	2,069,947
-	-	-	-	-	-	3,018,142
-	-	-	-	-	-	2,701,436
-	188,320	-	-	5,480	(335,529)	13,514,433
88,604	515,290	-	-	689,905	(5,295,638)	53,316,282
-	-	-	-	-	-	1,608,177
-	-	-	-	-	-	1,062,572
-	-	-	-	-	-	4,252,770
-	1,425,587	-	-	-	-	128,778,617
-	724,811	-	-	-	(724,811)	-
-	-	-	-	-	-	3,092,918
-	-	-	-	-	375,307	375,307
-	2,150,398	-	-	-	(349,504)	139,170,361
88,604	2,665,688	-	-	689,905	(5,645,142)	192,486,643
75,220	193,935	-	-	-	(1,624,575)	66,850,890
-	-	-	-	-	-	30,090,486
784,828	402,055	47,451	102,004	(689,905)	(3,128,696)	195,865,256
860,048	595,990	47,451	102,004	(689,905)	(4,753,271)	292,806,632
$ 948,652	$ 3,261,678	$ 47,451	$ 102,004	$ -	$ (10,398,413)	$ 485,293,275

East Jefferson General Hospital

Combining Balance Sheet
December 31, 2009

Assets	EJGH	EJRO, LLC	EJPG, LLC	EJPN, LLC	PET Scan	EJASC, LLC	SURG, LLC	ORTHO, LLC	Eliminations	Combined
Current Assets:										
Cash and cash equivalents	$ 1,771,623	$ 1,606,855	$ 1,371,587	$ 83,455	$1,144,930	$ 1,243,099	$ 69,897	$ 42,054	$ -	$ 7,333,500
Short-term investments	52,491,972	-	-	-	-	1,005,375	-	-	-	53,497,347
Receivables:										
Patients, net	34,547,273	758,881	1,061,738	-	264,879	614,046	-	-	-	37,246,817
Other	13,721,679	34,663	-	290,822	563	-	-	50,000	(12,166,797)	1,930,930
Assets limited as to use, current portion	7,839,907	-	-	-	-	-	-	-	-	7,839,907
Inventories	7,534,664	-	-	-	-	-	-	-	-	7,534,664
Prepaid expenses	5,975,348	100,000	781,945	-	23,399	24,229	-	-	-	6,904,921
Total current assets	123,882,466	2,500,399	3,215,270	374,277	1,433,771	2,886,749	69,897	92,054	(12,166,797)	122,288,086
Noncurrent Assets:										
Assets limited as to use:										
Under bond indenture	27,569,077	-	-	-	-	-	-	-	-	27,569,077
Board-designated for specific purposes	130,120,440	-	-	-	-	-	-	-	-	130,120,440
	157,689,517	-	-	-	-	-	-	-	-	157,689,517
Less portion required for current liabilities	7,839,907	-	-	-	-	-	-	-	-	7,839,907
	149,849,610	-	-	-	-	-	-	-	-	149,849,610
Capital assets	205,365,711	4,514,025	94,767	-	268,214	2,006,373	-	-	(1,384,975)	210,864,115
Debt issuance costs, net of accumulated amortization	2,280,465	-	-	-	-	5,000	-	-	-	2,285,465
Investment in equity interests and associated companies *	(380,407)	-	-	-	-	-	-	-	3,921,123	3,540,716
Deferred compensation and life insurance	2,363,530	-	-	-	-	-	-	-	-	2,363,530
Total noncurrent assets	359,478,909	4,514,025	94,767	-	268,214	2,011,373	-	-	2,536,148	368,903,436
	$ 483,361,375	$ 7,014,424	$ 3,310,037	$ 374,277	$1,701,985	$ 4,898,122	$ 69,897	$ 92,054	$ (9,630,649)	$491,191,522

* EJGH carries its investment in EJPN, LLC at none as of December 31, 2009. This investment should be carried at $178,591. The effects of this investment have been properly eliminated in the balance sheet as of December 31, 2009.

Liabilities and Net Assets	EJGH	EJRO, LLC	EJPG, LLC	EJPN, LLC	PET Scan	EJASC, LLC	SURG, LLC	ORTHO, LLC	Eliminations	Combined
Current Liabilities:										
Current maturities of long-term debt	$ 4,580,585	$ 579,731	$ -	$ -	$ -	$ 237,226	$ -	$ -	$ -	$ 5,397,542
Accounts payable	11,274,218	657,167	11,508,989	-	92,469	89,963	-	-	(11,980,511)	11,642,315
Accrued expenses:										
Salaries and wages	4,294,053	-	23,384	-	-	-	-	-	-	4,317,437
Paid leave	4,287,464	-	-	-	-	-	-	-	-	4,287,464
Health insurance claims	1,799,101	-	-	-	-	-	-	-	-	1,799,101
Interest	3,548,308	-	-	-	-	-	-	-	-	3,548,308
Estimated third-party payor settlements	1,530,865	-	-	-	-	-	-	-	-	1,530,865
Other	11,340,549	-		186,286	8,000	20,408	-	-	(186,286)	11,368,957
Total current liabilities	42,655,143	1,236,918	11,532,373	186,286	100,469	347,597	-	-	(12,166,797)	43,891,989
Noncurrent Liabilities:										
Deferred compensation and executive benefits	1,291,605	-	-	-	-	-	-	-	-	1,291,605
Retirement benefits	898,805	-	-	-	-	-	-	-	-	898,805
Estimated self-insurance reserves	3,395,484	-	-	-	-	-	-	-	-	3,395,484
Long-term debt, less current maturities	193,755,356	3,374,019	-	-	-	1,642,983	-	-	-	198,772,358
Other accrued expenses	4,494,737	-	-	-	-	1,044,359	-	-	(1,044,359)	4,494,737
Accrued interest	5,886,962	-	-	-	-	-	-	-	-	5,886,962
Interest rate swap	2,941,311	-	-	-	-	-	-	-	-	2,941,311
Minority interest in equity interests	-	-	-	-	-	-	-	-	1,875,393	1,875,393
Total noncurrent liabilities	212,664,260	3,374,019	-	-	-	2,687,342	-	-	831,034	219,556,655
Total liabilities	255,319,403	4,610,937	11,532,373	186,286	100,469	3,034,939	-	-	(11,335,763)	263,446,644
Net Assets:										
Invested in capital assets, net of related debt	68,054,715	560,275	94,767	-	268,214	126,164	-	-	(1,384,975)	67,719,160
Restricted under bond indenture	27,569,077	-	-	-	-	-	-	-	-	27,569,077
Unrestricted *	132,418,180	1,843,212	(8,317,103)	187,991	1,333,302	1,737,019	69,897	92,054	3,090,089	132,454,641
Total net assets	228,041,972	2,403,487	(8,222,336)	187,991	1,601,516	1,863,183	69,897	92,054	1,705,114	227,742,878
	$ 483,361,375	$7,014,424	$ 3,310,037	$ 374,277	$1,701,985	$ 4,898,122	$ 69,897	$ 92,054	$ (9,630,649)	$491,191,522

East Jefferson General Hospital

Combining Statement of Revenue, Expenses, and Changes in Net Assets
Year Ended December 31, 2010

	EJGH	EJRO, LLC	EJPG, LLC	EJPN, LLC
Operating revenue:				
Net patient service revenue	$ 330,015,422	$ 12,154,965	$ 14,112,522	$ -
Other operating revenue	8,789,811	55,812	25,000	-
Total operating revenue	338,805,233	12,210,777	14,137,522	-
Operating expenses:				
Salaries, wages and benefits	155,048,313	-	17,237,291	-
Purchased services and other	107,095,459	8,045,368	4,788,559	13,500
Supplies	54,731,692	237,282	214,767	-
Depreciation and amortization	23,107,843	663,942	68,139	-
Interest	7,760,065	-	-	-
Total operating expenses	347,743,372	8,946,592	22,308,756	13,500
Income (loss) from operations	(8,938,139)	3,264,185	(8,171,234)	(13,500)
Nonoperating revenue (expenses):				
Investment earnings	4,177,010	-	3,356	80
Rental income from leases	6,268,576	-	-	26,208
Gain on disposal of capital assets	292,331	-	-	-
Grant revenue	956,387	-	-	-
Contributions	118,330	-	-	-
Community disaster loan forgiveness	68,338,546	-	-	-
Equity in net income (loss) of component units and associated companies	(3,122,710)	-	-	-
Change in fair value of interest rate swap agreements	(151,607)	-	-	-
Other	-	-	-	-
	76,876,863	-	3,356	26,288
Excess of revenue over (under) expenses before capital contribution (distribution), transfers and minority interest	67,938,724	3,264,185	(8,167,878)	12,788
Capital contribution (distribution)	-	(2,650,000)	15,466,537	-
Transfers to Jefferson Parish	(1,631,155)	-	-	-
Minority interest in net income of component units	-	-	-	-
Change in net assets	66,307,569	614,185	7,298,659	12,788
Net assets:				
Beginning	228,041,972	2,403,487	(8,222,336)	187,991
Ending	$ 294,349,541	$ 3,017,672	$ (923,677)	$ 200,779

PET Scan	EJASC, LLC	SURG, LLC	ORTHO, LLC	GULF, LLC	Eliminations	Combined
$ 1,835,457	$ 6,140,482	$ -	$ -	$ -	$ -	$ 364,258,848
-	-	361,135	308,163	-	(6,209,729)	3,330,192
1,835,457	6,140,482	361,135	308,163	-	(6,209,729)	367,589,040
-	1,047,196	-	-	-	-	173,332,800
960,102	1,206,887	198,574	88,975	689,905	(5,375,402)	117,711,927
-	1,077,069	-	-	-	-	56,260,810
192,994	278,596	-	-	-	-	24,311,514
-	114,049	-	-	-	-	7,874,114
1,153,096	3,723,797	198,574	88,975	689,905	(5,375,402)	379,491,165
682,361	2,416,685	162,561	219,188	(689,905)	(834,327)	(11,902,125)
4,421	13,517	-	-	-	-	4,198,384
-	-	-	-	-	(469,350)	5,825,434
-	-	-	-	-	-	292,331
-	-	-	-	-	-	956,387
-	-	-	-	-	-	118,330
-	-	-	-	-	-	68,338,546
-	-	-	-	-	3,725,294	602,584
-	-	-	-	-	-	(151,607)
-	(27,395)	-	-	-	-	(27,395)
4,421	(13,878)	-	-	-	3,255,944	80,152,994
686,782	2,402,807	162,561	219,188	(689,905)	2,421,617	68,250,869
(1,428,250)	(3,670,000)	(185,007)	(209,238)	-	(7,324,042)	-
-	-	-	-	-		(1,631,155)
-	-	-	-	-	(1,555,960)	(1,555,960)
(741,468)	(1,267,193)	(22,446)	9,950	(689,905)	(6,458,385)	65,063,754
1,601,516	1,863,183	69,897	92,054	-	1,705,114	227,742,878
$ 860,048	$ 595,990	$ 47,451	$ 102,004	$ (689,905)	$ (4,753,271)	$ 292,806,632

East Jefferson General Hospital

Combining Statement of Revenue, Expenses and Changes in Net Assets
Year Ended December 31, 2009

	EJGH	EJRO, LLC	EJPG, LLC	EJPN, LLC	PET Scan	EJASC, LLC	SURG, LLC	ORTHO, LLC	Eliminations	Combined
Operating revenue:										
Net patient service revenue	$ 315,909,122	$ 14,235,880	$10,707,329	$ -	$2,121,614	$5,512,963	$ -	$ -	$ -	$ 348,486,908
Other operating revenue	7,405,483	83,767	30,000	-	-	-	146,707	-	(2,723,700)	4,942,257
Total operating revenue	323,314,605	14,319,647	10,737,329	-	2,121,614	5,512,963	146,707	-	(2,723,700)	353,429,165
Operating expenses:										
Salaries, wages and benefits	158,960,802	-	13,412,351	-	-	997,056	-	-	-	173,370,209
Purchased services and other	93,578,912	8,863,050	2,191,055	13,500	1,200,922	1,232,220	145,687	9,986	(2,993,828)	104,241,504
Supplies	54,012,040	332,006	234,327	-	-	914,385	-	-	-	55,492,758
Depreciation and amortization	23,631,611	663,942	56,239	-	85,151	282,679	-	-	-	24,719,622
Interest	8,792,656	-	-	-	-	153,706	-	-	-	8,946,362
Total operating expenses	338,976,021	9,858,998	15,893,972	13,500	1,286,073	3,580,046	145,687	9,986	(2,993,828)	368,770,455
Income (loss) from operations	(15,661,416)	4,460,649	(5,156,643)	(13,500)	835,541	1,932,917	1,020	(9,986)	270,128	(13,341,290)
Nonoperating revenue (expenses):										
Investment earnings	(2,188,331)	-	8,082	81	3,538	6,117	-	-	-	(2,170,513)
Rental income from leases	4,854,834	-	-	26,208	-	-	-	-	(368,163)	4,512,879
Community benefit services	(167,882)	-	-	-	-	-	-	-	-	(167,882)
(Loss) on disposal of capital assets	(80,325)	-	-	-	-	-	-	-	-	(80,325)
Grant revenue	2,313,700	-	-	-	-	-	-	-	-	2,313,700
Contributions	95,723	-	-	-	-	-	-	-	-	95,723
Equity in net income (loss) of component units and associated companies	2,060,151	-	-	-	-	-	-	-	(797,859)	1,262,292
Change in fair value of interest rate swap agreement	27,953	-	-	-	-	-	-	-	-	27,953
Other	-	-	-	-	-	45,796	-	-	-	45,796
	6,915,823	-	8,082	26,289	3,538	51,913	-	-	(1,166,022)	5,839,623
Excess of revenue over (under) expenses before capital contribution (distribution), transfers and minority interest	(8,745,593)	4,460,649	(5,148,561)	12,789	839,079	1,984,830	1,020	(9,986)	(895,894)	(7,501,667)
Capital contribution (distribution)	-	(6,700,000)	-	-	(1,113,478)	(1,750,000)	68,877	102,040	9,392,561	-
Transfers to Jefferson Parish	(1,194,273)	-	-	-	-	-	-	-	-	(1,194,273)
Minority interest in net income of component units	-	-	-	-	-	-	-	-	(1,358,985)	(1,358,985)
Change in net assets	(9,939,866)	(2,239,351)	(5,148,561)	12,789	(274,399)	234,830	69,897	92,054	7,137,682	(10,054,925)
Net assets:										
Beginning	237,981,838	4,642,838	(3,073,775)	175,202	1,875,915	1,628,353	-	-	(5,432,568)	237,797,803
Ending	$ 228,041,972	$ 2,403,487	$(8,222,336)	$187,991	$1,601,516	$1,863,183	$ 69,897	$ 92,054	$ 1,705,114	$227,742,878

East Jefferson General Hospital

Statements of Revenue, Expenses and Changes in Net Assets Information
(Hospital Only)
Years Ended December 31, 2010 and 2009

Gross Patient Service Revenue, Summary by Department	**2010**		
	Inpatient	**Outpatient**	**Total**
Routine care services:			
Medical and surgical	$ 59,629,358	$ 10,754,396	$ 70,383,754
Intensive care	18,961,430	2,816	18,964,246
Coronary care	6,709,935	804	6,710,739
Psychiatric care	5,199,168	448,567	5,647,735
Nursery	10,860,333	-	10,860,333
Rehabilitation	2,977,474	-	2,977,474
Skilled nursing facility	6,271,487	-	6,271,487
	110,609,185	11,206,583	121,815,768
Ancillary services:			
Ambulance	4,254,251	13,497,948	17,752,199
Anesthesiology	17,036,848	13,192,879	30,229,727
Blood bank	9,759,026	2,715,047	12,474,073
Cardiology	41,462,318	62,436,779	103,899,097
Central supply	544,498	334,245	878,743
Dialysis	4,430,824	228,735	4,659,559
Electroencephalography	317,589	251,774	569,363
Emergency services	14,695,229	24,624,362	39,319,591
Endoscopy	2,707,002	5,490,796	8,197,798
Labor and delivery	8,921,296	1,084,213	10,005,509
Laboratory	42,788,545	42,809,894	85,598,439
Magnetic resonance imaging	3,922,537	9,018,114	12,940,651
Operating and recovery	120,709,358	80,551,785	201,261,143
Outpatient screening of wellness	-	324,039	324,039
Pharmacy and IV solution	116,614,297	73,650,698	190,264,995
Physical therapy	15,855,307	5,175,415	21,030,722
Physician network revenue	-	4,009,642	4,009,642
Radiation therapy	866,163	133,735	999,898
Radiology	43,918,782	78,749,746	122,668,528
Respiratory care	29,265,951	5,899,215	35,165,166
Wound care center	35,214	5,431,076	5,466,290
	478,105,035	429,610,137	907,715,172
	$ 588,714,220	$ 440,816,720	1,029,530,940
Less charity care			1,288,610
Gross patient service revenue			1,028,242,330
Less discounts, allowances and estimated contractual adjustments under third-party reimbursement programs			673,620,626
Less provision for bad debts			24,606,282
Net patient service revenue			$ 330,015,422

2009		
Inpatient	Outpatient	Total
$ 61,223,621	$ 10,041,778	$ 71,265,399
20,742,411	419	20,742,830
6,346,704	-	6,346,704
5,135,500	712,764	5,848,264
10,374,272	2,601	10,376,873
2,442,016	-	2,442,016
5,638,946	-	5,638,946
111,903,470	10,757,562	122,661,032
3,431,035	12,084,110	15,515,145
17,546,948	13,936,598	31,483,546
9,811,035	2,636,373	12,447,408
40,474,310	56,610,835	97,085,145
552,156	357,395	909,551
3,746,364	199,098	3,945,462
333,679	275,310	608,989
13,935,738	24,951,952	38,887,690
2,783,383	6,435,793	9,219,176
7,210,699	697,198	7,907,897
40,143,198	40,231,385	80,374,583
3,898,691	9,705,420	13,604,111
119,217,815	76,569,430	195,787,245
-	1,627,661	1,627,661
110,070,436	69,164,008	179,234,444
15,025,372	5,163,322	20,188,694
-	6,609,383	6,609,383
978,480	322,107	1,300,587
40,699,057	75,578,651	116,277,708
27,499,098	5,985,487	33,484,585
16,953	2,810,338	2,827,291
457,374,447	411,951,854	869,326,301
$ 569,277,917	$ 422,709,416	991,987,333
		1,203,313
		990,784,020
		653,239,384
		21,635,514
		$ 315,909,122

East Jefferson General Hospital

Statements of Revenue, Expenses and Changes in Net Assets Information (Hospital Only)
Years Ended December 31, 2010 and 2009

Other Operating Revenue	2010	2009
Cafeteria	$ 1,922,396	$ 1,954,711
Educational fees	21,340	20,308
Special meals	933,727	969,804
Vending machines	416,631	391,923
LTAC services	632,647	667,153
Wellness Center membership fees	3,088,288	2,618,381
Elder Advantage fees	37,131	25,815
Miscellaneous	1,737,651	757,388
	$ 8,789,811	$ 7,405,483

Provision for Discounts, Allowances and Estimated Contractual Adjustments under Third-Party Reimbursement Programs	2010	2009
Medicare contractual adjustments	$ 433,125,142	$ 398,736,449
Medicaid contractual adjustments	55,884,147	48,673,381
Medicaid supplemental payments	(21,931,460)	(10,965,730)
Managed care discounts	206,542,797	216,795,284
	$ 673,620,626	$ 653,239,384

East Jefferson General Hospital

Statements of Revenue, Expenses and Changes in Net Assets Information (Hospital Only)
Years Ended December 31, 2010 and 2009

	2010			
Departmental Expenses	Salaries, Wages and Benefits	Purchased Services and Other	Supplies	Total
Routine services:				
Medical and surgical	$ 24,793,235	$ 488,335	$ 1,490,423	$ 26,771,993
Intensive care	4,366,734	137,816	340,620	4,845,170
Coronary care	1,741,209	16,002	102,086	1,859,297
Psychiatric care	2,008,897	281,661	29,397	2,319,955
Nursery	3,210,050	107,232	138,727	3,456,009
Nursing administration	1,304,082	14,559	35,311	1,353,952
Rehabilitation	1,345,458	139,500	71,079	1,556,037
Skilled nursing facility	3,214,237	22,558	118,205	3,355,000
	41,983,902	1,207,663	2,325,848	45,517,413
Ancillary services:				
Ambulance	3,471,986	73,315	429,011	3,974,312
Anesthesiology	126,519	3,425,705	1,050,131	4,602,355
Blood bank	757,215	291,159	2,716,529	3,764,903
Cardiology	2,865,719	166,006	7,189,146	10,220,871
Central supply	467,961	511,383	171,363	1,150,707
Dialysis	-	955,309	5,964	961,273
Electroencephalography	59,769	4,024	4,464	68,257
Emergency services	5,115,436	554,833	622,561	6,292,830
Endoscopy	699,255	1,042	421,971	1,122,268
Labor and delivery	1,509,495	228,295	251,899	1,989,689
Laboratory	3,528,885	1,985,389	2,091,182	7,605,456
Magnetic resonance imaging	380,516	6	189,993	570,515
Operating and recovery	8,669,739	2,654,448	28,173,050	39,497,237
Occupational Medicine & Wellness Center	1,873,531	923,234	113,336	2,910,101
Pharmacy and IV solution	4,720,420	27,589,478	96,828	32,406,726
Physical therapy	4,466,187	253,765	84,097	4,804,049
Radiation therapy	100,349	694,058	20,998	815,405
Radiology	5,480,678	2,819,084	3,457,078	11,756,840
Respiratory care	4,644,662	24,562	617,892	5,287,116
Wound care center	130,106	1,326,907	30,970	1,487,983
	$ 49,068,428	$ 44,482,002	$ 47,738,463	$ 141,288,893

2009			
Salaries, Wages and Benefits	Purchased Services and Other	Supplies	Total
$ 26,174,017	$ 996,950	$ 1,837,176	$ 29,008,143
5,054,051	261,800	440,002	5,755,853
1,862,022	97,898	113,420	2,073,340
2,036,140	228,983	27,230	2,292,353
3,281,966	160,831	132,980	3,575,777
858,862	16,109	13,548	888,519
1,179,109	137,625	70,548	1,387,282
2,974,712	111,766	169,527	3,256,005
43,420,879	2,011,962	2,804,431	48,237,272
3,202,242	129,449	354,112	3,685,803
144,945	3,526,849	1,189,819	4,861,613
803,145	296,184	2,647,053	3,746,382
3,066,191	245,662	6,591,398	9,903,251
485,132	590,399	371,327	1,446,858
-	862,418	9,646	872,064
68,612	4,728	4,086	77,426
5,555,230	1,212,895	695,162	7,463,287
788,479	7,538	497,981	1,293,998
1,401,257	91,265	268,562	1,761,084
3,564,268	1,647,446	2,000,310	7,212,024
379,865	9,289	211,177	600,331
9,227,449	2,409,796	27,712,762	39,350,007
2,304,775	1,640,795	160,673	4,106,243
4,683,917	23,822,689	85,473	28,592,079
3,984,810	584,200	99,426	4,668,436
73,463	878,065	2,173	953,701
5,547,589	2,749,745	2,957,076	11,254,410
4,513,188	199,210	585,152	5,297,550
369,196	173,629	169,228	712,053
$ 50,163,753	$ 41,082,251	$ 46,612,596	$ 137,858,600

(Continued)

East Jefferson General Hospital

Statements of Revenue, Expenses and Changes in Net Assets Information (Hospital Only) (Continued)
Years Ended December 31, 2010 and 2009

	2010			
Departmental Expenses	**Salaries, Wages and Benefits**	**Purchased Services and Other**	**Supplies**	**Total**
General services:				
Dietary and cafeteria	$ 2,206,228	$ 144,941	$ 2,066,159	$ 4,417,328
Housekeeping	2,511,748	1,115,803	601,988	4,229,539
Laundry	-	855,190	474,829	1,330,019
Plant engineering and security	3,657,682	5,134,168	565,157	9,357,007
Utilities	-	3,848,046	-	3,848,046
	8,375,658	11,098,148	3,708,133	23,181,939
Fiscal and administrative services:				
Accounting	671,496	413	11,530	683,439
Administration	14,328,066	13,567,138	322,646	28,217,850
Information systems	1,119,508	17,658,231	131,406	18,909,145
Education	166,954	30,116	16,663	213,733
Employee benefits	26,368,434	-	-	26,368,434
Insurance	-	7,447,550	-	7,447,550
Medical records	2,170,245	1,159,974	15,469	3,345,688
Miscellaneous	-	1,587,291	-	1,587,291
Patient accounts	3,239,474	1,932,803	23,882	5,196,159
Personnel	2,316,086	82,764	7,974	2,406,824
Physician's network	3,350,410	717,963	52,416	4,120,789
Printing and duplication	75,444	776,998	262,615	1,115,057
Professional fees	-	2,503,905	-	2,503,905
Public relations	1,063,188	2,819,776	36,499	3,919,463
Purchasing	320,992	975	49,540	371,507
Telephone service	253,278	42,538	3,667	299,483
Volunteer services	176,750	(20,789)	24,941	180,902
	55,620,325	50,307,646	959,248	106,887,219
Total	$ 155,048,313	$ 107,095,459	$ 54,731,692	$ 316,875,464

		2009		
Salaries, Wages and Benefits	Purchased Services and Other	Supplies	Total
$ 2,306,439	$ 168,834	$ 2,046,467	$ 4,521,740
2,628,405	1,080,209	576,437	4,285,051
-	106,407	27,406	133,813
3,838,626	5,260,826	621,114	9,720,566
-	3,858,792	-	3,858,792
8,773,470	10,475,068	3,271,424	22,519,962
661,182	9,150	15,791	686,123
13,466,157	11,335,653	330,428	25,132,238
621,833	10,376,924	102,927	11,101,684
168,493	20,845	9,430	198,768
27,690,126	-	-	27,690,126
-	5,161,647	-	5,161,647
2,176,717	1,116,643	27,007	3,320,367
-	870,472	-	870,472
3,080,967	2,348,935	39,964	5,469,866
2,301,491	196,330	19,305	2,517,126
4,366,511	1,608,165	89,575	6,064,251
71,594	744,004	257,919	1,073,517
-	2,741,888	-	2,741,888
1,244,341	2,296,464	45,639	3,586,444
325,507	102,309	362,389	790,205
240,864	1,102,735	1,282	1,344,881
186,917	(22,533)	21,933	186,317
56,602,700	40,009,631	1,323,589	97,935,920
$ 158,960,802	$ 93,578,912	$ 54,012,040	$ 306,551,754

East Jefferson General Hospital

Hospital Statistics
Years Ended December 31, 2010 and 2009

	(Unaudited)	
	2010	2009
Total admissions	**21,241**	20,662
Inpatient admissions, excluding nursery and specialty units	**16,503**	16,219
Nursery, newborn and neonatal	**1,583**	1,674
Total patient days of service	**113,584**	114,788
Inpatients, excluding nursery and specialty units	**75,512**	78,628
Nursery, neonatal	**3,435**	3,553
Nursery, newborn	**3,416**	3,687
Special care units days of service, included in inpatient days of service above:		
Psychiatric unit	**11,231**	11,219
Rehabilitation unit	**5,453**	4,581
Skilled nursing facility unit	**14,517**	13,120
Average daily census	**311.7**	305.3
Inpatients, excluding nursery and specialty units	**292.9**	250.2
Nursery, neonatal	**9.4**	9.6
Nursery, newborn	**9.4**	8.9
Percentage of occupancy, inpatients, excluding nursery	**72.2%**	70.2%
Medicare percentage of total patient days	**65.6%**	53.6%
Average length of stay (days):		
Inpatients, excluding nursery	**5.4**	5.6
Nursery, newborn and neonatal	**4.3**	4.3
Psychiatric unit	**8.3**	9.3
Rehabilitation unit	**15.2**	14.5
Skilled nursing facility unit	**10.0**	10.5

East Jefferson General Hospital

Hospital Statistics
Years Ended December 31, 2010 and 2009

	(Unaudited)	
	2010	2009
Ambulance runs	**26,094**	26,510
Anesthesiology cases	**14,107**	16,219
Blood bank units of service	**108,852**	118,250
Cardiology:		
Cath lab procedures	**12,676**	12,322
Noninvasive procedures	**77,378**	76,192
Deliveries, newborn	**1,580**	1,671
EEG tests	**1,367**	1,511
Emergency room visits	**49,315**	53,998
Endoscopy procedures	**10,193**	11,332
Laboratory units of service	**1,389,969**	1,247,153
Surgical hours	**24,352**	26,308
Open heart operations	**246**	262
Physical therapy relative value units	**116,386**	106,705
Recovery room visits	**9,171**	15,811
Respiratory care units of service	**583,799**	504,441
Radiology:		
Diagnostic exams	**81,804**	85,794
CT scans	**40,020**	40,205
Nuclear medicine exams	**5,984**	12,792
Ultrasonic procedures	**16,546**	16,375
Special procedures	**3,978**	2,906
MRI procedures	**7,200**	7,634
Full-time equivalent employees	**2,245**	2,333

McGladrey

McGladrey & Pullen, LLP
Certified Public Accountants

LaPorte Sehrt Romig Hand
Certified Public Accountants

**Independent Auditor's 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***

Board of Directors
East Jefferson General Hospital
Jefferson Parish, Louisiana

We have audited the financial statements of East Jefferson General Hospital (Organization) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated April 28, 2011 and April 29, 2010, respectively. 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. We did not audit East Jefferson Radiation Oncology, LLC, East Jefferson Ambulatory Surgery Center, LLC and the pension trust fund statements of East Jefferson General Hospital for the years ended December 31, 2010 and 2009. Those financial statements were audited by other independent auditors whose report thereon has been furnished to us and, our opinion on the basic financial statements is based solely upon the reports of other independent auditors.

The financial statements of East Jefferson Ambulatory Surgery Center, LLC, PET Scan Center of East Jefferson, LLC, East Jefferson Radiation Oncology, LLC, East Jefferson Physicians Group, LLC, East Jefferson Physician Network, LLC, Gulf South Quality Network, LLC, East Jefferson General Surgery Co-Management Company, LLC, and East Jefferson Orthopedic Co-Management Company, LLC were not audited in accordance with *Government Auditing Standards.*

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Organization'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 Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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, Board of Directors and others within the Organization and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
April 28, 2011

LaPorte, Sehrt, Romig & Hand

Metairie, Louisiana
April 28, 2011

McGladrey

LaPorte Sehrt Romig Hand
Certified Public Accountants

McGladrey & Pullen, LLP
Certified Public Accountants

Board of Directors
East Jefferson General Hospital
Jefferson Parish, Louisiana

In connection with our audit of the financial statements of East Jefferson General Hospital as of and for the year ended December 31, 2010, we identified deficiencies in internal control over financial reporting (control deficiencies).

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect financial statement misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Certain control deficiencies that have been previously communicated to you, in writing, by us or by others within your Organization are not repeated herein.

Following are descriptions of other identified control deficiencies that we determined did not constitute significant deficiencies or material weaknesses:

Current Year Control Deficiencies

Pharmacy Billing

We understand the Hospital identified a pharmacy overbilling issue relating back to 2006 through 2010. Identification of this issue resulted in the Hospital recording a journal entry to accrue the estimated amount owed to Medicare and Medicaid. The Hospital has contracted with an independent third party to help identify the total exposure relating to this overbilling. We recommend management design and implement controls to ensure pharmacy billings in the future are proper.

Management's Response: EJGH has taken corrective actions including:

1. The billing formula/process for application of a multiuse vial drug charge has been reviewed and corrected to assure that only the number of units administered will be charged.
2. A formal written policy has been developed for the creation of drug charges for new drugs added to the Hospital's formulary.

3. Additional training/education will be provided for all Pharmacists focusing on the appropriate manner of order entry in our electronic medical record to assure that what is charged to the patient is consistent with what was administered.
4. One person will be assigned to "own" the Pharmacy charge process. That person will be responsible for working with Charge Description Master Charge Services personnel to assure appropriate charge build.
5. A probe sample of separately billable multiuse vial drugs will be completed on a quarterly basis. Issues identified will be addressed and a determination will be made as to whether additional self-auditing is necessary. The results of these audits will be reported to the Compliance Operating Committee.

Lease Receivable

East Jefferson Ambulatory Surgery Center, LLC (EJASC) currently leases space from East Jefferson General Hospital (EJGH). EJASC has properly recorded the rental expense on a straight-line method over the course of the lease. As EJASC makes the lease payments, the difference between the lease payments and the rental expense are either credited or debited to a lease payable account. Current guidance states that the lessor (EJGH) should also record the rental income on a straight-line method. However, EJGH has been recording rental income as the cash payments were scheduled to be made. As a result, EJGH had not recorded enough rental income to date for the rental lease, which resulted in the Hospital recording a journal entry to accrue the rest. We recommend EJGH set up a rental income schedule which properly matches the expense and the income for both EJASC and EJGH.

Management's Response: The Hospital will set up a rental income schedule related to the lease with EJASC. In addition, the Hospital will implement procedures to review future leases for proper revenue and expense recognition.

PRIOR YEAR CONTROL DEFICIENCIES

Co-Management Companies

The Hospital invested in two new companies during 2009, East Jefferson General Surgery Co-Management Company, LLC and East Jefferson Orthopedic Co-Management Company, LLC. For the Co-Management Companies, we noted there were no financial statements prepared throughout the year, with the exception of check book registers and bank reconciliations. It is recommended that the transactions be maintained in an accounting system or other method resulting in a trial balance and the preparation of financial statements on a monthly basis.

We also noted the transactions with these two co-management companies recorded on the Hospital's general ledger were not properly recorded, which resulted in an audit adjustment. We recommend the Hospital ensure the transactions with related parties are recorded according to the purpose of the underlying transaction.

In addition, since the Hospital has a majority ownership in these new companies, the Organization's financial statements should include these companies. Also, see the recommendation in the prior year control deficiencies section of this letter for more information on the reporting of the Hospital's related organizations.

Status: Resolved

External Financial Reporting for Component Units

In order for East Jefferson General Hospital's financial statements to be prepared 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*, the Hospital's financial statements need to be combined with other component units for which the Hospital has controlling ownership interest. The number of organizations has increased the past few years with PET Scan Center of East Jefferson, LLC formed in 2002, East Jefferson Ambulatory Surgery Center, LLC formed in 2004, East Jefferson Radiation Oncology, LLC and East Jefferson Cardiovascular Venture, LLC both formed in 2006, and East Jefferson General Surgery Co-Management Company, LLC and East Jefferson Orthopedic Co-Management Company, LLC formed in 2009. Along with the increase in the number of organizations has come an increase in the number and complexity of related party transactions.

We understand that the Hospital's accounting department is not always processing the transactions and preparing the monthly financial statements for the component units as the organizations are having these services performed by others. We do, however, want to remind you that management of the Hospital needs to maintain oversight of these financial statements and is responsible for the financial reporting of these component units as their financial statements are combined with the Hospital for proper reporting in accordance with GAAP.

The accounting personnel of the Hospital should also have a direct relationship with the accountants for the component units so that inter-company transactions between the component units are properly recorded.

Status: Resolved

Pharmacy Inventory

We understand that the Hospital conducts physical counts of its pharmacy inventory once a year (at the end of the fiscal year). The physical count amount is then compared to what is on the general ledger and the variance between the physical count and what is on the general ledger is then adjusted. In 2007 and 2006, the Hospital made an adjustment of approximately $1,200,000 and $1,100,000, respectively, in order to reconcile the physical count of the pharmacy inventory to the general ledger. We recommend either conducting physical inventory cycle counts periodically throughout the year (perhaps quarterly) or implementing a perpetual inventory system for pharmacy, particularly because pharmacy has such large volumes and high dollar amounts of items involved.

Status: IN PROCESS. The Pharmacy Department conducts physical inventory cycle counts during the year and at year-end; however, the controls over pharmacy inventory could be enhanced with the use of a perpetual inventory system.

Management's Response: Management agrees that additional improvement is warranted and is taking the following actions. The Pharmacy will conduct quarterly physical cycle counts on all controlled substances, and inventory counts on all non-controlled substances in Automated Dispensing Cabinets at the point of re-fill. The Director will submit a written report of the results of each cycle/inventory count to his Administrative Line Officer ("ALO"). The Pharmacy Director has submitted capital budget requests for a perpetual inventory system via installation of carousel technology. The Pharmacy Director will supervise the implementation of the plan of action and its approval and provide a written report of implementation status to management until the action plan is completed.

PET Scan Center of East Jefferson, LLC

We noted several of the estimated useful lives assigned to capital assets owned by the PET Scan Center were not appropriate. We recommend that Hospital management work with the PET Scan Center to assign proper lives to the depreciable assets. If an agreement on the proper depreciable lives assigned cannot be reached, Hospital management should adjust the financial information being combined into the Hospital's financial statements to reflect the appropriate lives for these assets and the related depreciation.

Status: Resolved

Information Technology Related Comments

As part of the financial statement audit of East Jefferson General Hospital (EJGH), an IT specialist obtained an understanding of the general computer processes that support the financial and clinical applications onsite at EJGH in order to assess the design effectiveness of information technology (IT) controls. The following are results of this understanding, as well as our observations and recommendations:

IT Administration

Currently, EJGH does not employ IT staff which are not employees of the third-party service provider, Phoenix Health Systems, Inc. In addition, the oversight of the IT operations is not performed by an individual or group of individuals with the same level of expertise as the third-party operation to ensure the third party is operating in EJGH's best interest. We recommend that as a "best-practice", EJGH seek in-house personnel with the knowledge or technical experience equal to that of the third-party service provider. In addition they should oversee the day to day operations and decision making by the third-party service provider to ensure that they are operating in the Hospital's best interest, from a cost and efficiency perspective.

Status: Resolved

The Bio-Med department maintains a separate network outside the primary EJGH network. Also, the Bio-Med, Radiology, Pharmacy, Laboratory and Surgery departments maintain their own application security outside of EJGH's IT department system. We recommend a review of the procedures set forth by the departments who maintain information security independent of the IT department, a review of the security and configurations settings for the applications and network outside the IT department, and comparison against the guidelines set forth by the IT department. We also recommend EJGH consider moving to a centralized information security department.

Status: Resolved

Individual departments of EJGH are performing periodic user access reviews but it is not done on a regular basis. We recommend the frequency of this review should be performed quarterly or monthly.

Status: Resolved

PeopleSoft Security

As part of the information systems testing, we reviewed a list of all users with an authorization action to maintain correction mode in PeopleSoft Financials and PeopleSoft HRMS modules. This correction mode enables a user to overwrite data, thereby erasing historical data and should be properly restricted as to the user with access. The results of this review were 61 of 70 users had inappropriate access to correction mode within PeopleSoft Financials, 3 of 25 users had inappropriate access to correction mode within PeopleSoft HRMS, and 1 system account had access to the ALLPAGES function within PeopleSoft Financials. We recommend EJGH implement a process to review sensitive access to ensure only authorized individuals are granted the access, and there is an associated business need for the level of access.

Status: Resolved

Location of Information Technology Equipment

We understand the Hospital's management is currently evaluating the cost versus the benefit of relocating some of the critical information technology equipment from the ground floor to an elevated location that would be safe from flooding. We commend management for this initiative and recommend the necessary resources be devoted to this very important initiative.

Status: Resolved

In addition to the above, we have the following suggestions for your consideration:

Charity Care

The charity care amount for the current year was approximately $1,200,000, which is only approximately 0.1% of gross revenue and is lower than what we typically see with other hospitals/health systems. We recommend the Organization consider modifying their charity care policy requirements, or be more diligent in ensuring the qualified patients are registered for charity care benefits.

Status: Resolved

Accounts Receivable, Allowance for Doubtful Accounts

The Hospital estimates its allowance for doubtful accounts by applying percentages to the patient accounts receivable balances. The patient accounts receivable balances included in the allowance calculation are generally disaggregated by payor and by aging category. The percentages applied to each payor, and to each aging category are generally only charged when management believes the economy and other factors may warrant an increase or decrease to the percentages. However, the estimated percentages are not substantiated by detail analysis of actual write-offs. We also understand that once an account balance reaches a certain aging category (e.g. 180 days), that the balance is fully reserved.

We recommend the Hospital update its allowance for doubtful accounts calculations. There are several ways this could be done, including using zero-balance reports to obtain actual historical write-off information. This is similar to the process that management went through during 2009 when some of the contractual adjustment allowance calculations were updated.

Status: IN PROCESS. During 2010, management made significant improvements within their calculation of allowance for doubtful accounts. The calculation now includes a review of write-offs from 2007 through 2009 by payor, allowing management to arrive at a weighted average to apply to the year-end receivables balance by payor. The calculation does not take into consideration accounts written-off that were subsequently recovered. To strengthen this analysis, we recommend some consideration be given to recoveries on a go forward basis.

Bond Covenant Compliance

The covenants included in the Hospital's bond agreements state they are to be calculated based on the financial information of the Obligated Group. Certainly East Jefferson General Hospital is a member of the Obligated Group. However, since the last bonds were issued in 2004, the Hospital has several new related organizations, some of which are 100% owned by the Hospital. We recommend the Hospital obtain clarification from bond counsel and/or the insurers of the bonds on the definition of who is included in the Obligated Group and determine whether or not the Hospital's related organizations should be included when calculating covenant compliance.

Status: Resolved

Other Industry Matters

Accounting for Lease Transactions: On August 17, 2010, the U.S. Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) proposed major changes in the way both lessees and lessors account for leases. The FASB and IASB tentatively agreed to adopt an approach to lessee accounting that would require the lessee to recognize an asset representing its right to use the leased item and a liability for its obligation under the lease. Essentially, this would mean all leases would be capitalized. This treatment differs from current U.S. GAAP, which separates leases into capital leases and operating leases.

If adopted, this new treatment will require more monitoring and record keeping, particularly for leases currently classified as operating leases. This situation should be monitored with an eye towards the potential impacts on your financial statements. Accounting for all leases as capital leases will impact several financial ratios, measurement of net income and other measurements. These changes may result in the need to revise debt covenants and other impacted contractual provisions with lenders, vendors, regulators, etc. While the Organization is subject to GASBs and not FASBs, the GASB often implements standards which are similar to FASB statements.

Health Care Reform: The recent enactment of the Patient Protection and Affordable Care Act (Act) will certainly bring significant changes to the health care industry. Some of the more immediate changes for hospitals as a result of the Act will be the supplemental requirements to maintain tax-exempt status. Although the Hospital is organized as a Service District under the provisions of the Jefferson Parish Charter and Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950, these components of the Act may have some applicability to the Hospital. These requirements include:

- **Limitation on charges** – For those patients eligible for financial assistance, charges for emergency or medically necessary care must not be more than the lowest amounts charged to patients who have insurance covering such care. The Hospital must also prohibit the use of gross charges. How the System will incorporate this guidance with the established principle of consistent charging has yet to be determined.
- **Financial Assistance Policy** – Each tax-exempt hospital must adopt a financial assistance policy that includes eligible criteria for free or discounted care, the basis for calculating amounts charged to patients, the method of applying financial assistance, a statement of the collections-related actions that could be taken if the hospital has no separate collections policy and how the hospital widely disseminates the policy. Additionally, each hospital must provide nondiscriminatory emergency medical care regardless of the individuals' eligibility for financial assistance.
- **Community Health Needs Assessment and Reporting** – Each tax-exempt hospital will be required to conduct a community health needs assessment every three years. This assessment must take into account input from a broad base of the community, including those with special knowledge of public health, and must be widely distributed to the public. This assessment provision is effective for fiscal years beginning on or after April 1, 2012 and carries a $50,000 penalty if not completed.
- **Billing and Collections** – A hospital must not take "extraordinary collection actions" until it has determined whether the patient is eligible under its financial assistance policy. While the amount of effort required making that determination will be established by subsequent regulation, it is expected to include notifying the patient upon admission, on the bill and by subsequent telephone calls.

New Reporting Timeline for Medicare and Medicaid Overpayment: The Act also places much more responsibility on hospitals to quickly report and return overpayments from the Medicare or Medicaid programs. Failure to return any overpayment within 60 days of it being identified will be subject to enforcement provisions of the False Claims Act, including monetary penalties of up to three times the amount of the overpayment. While the meaning of "identified" and even what exactly an overpayment is remains open for interpretation, we recommend the Organization consider this new requirement and review current policies for compliance.

New Timely Filing Requirements: In addition to the changes noted above, the Act altered the timely filing requirements for Medicare fee-for-service claims. Prior to the Act, claims for services furnished during the federal fiscal year ending in September were required to be submitted before the following calendar year-end. This resulted in a 15-27 month window to file claims. Under the new law, claims for services furnished after January 1, 2010, must be submitted within one year of the date of service. Claims for services furnished from October 1, 2009 through December 31, 2009, must be submitted by December 31, 2010.

The Organization should assess its current policies and practices to ensure it will meet these requirements.

This communication is intended solely for the information and use of management, Audit Committee, Board of Directors and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
April 28, 2011

LaPorte, Sehrt, Romig & Hand

Metairie, Louisiana
April 28, 2011

McGladrey & Pullen, LLP
Certified Public Accountants

McGladrey

Independent Accountant's Report

To the Board of Directors
Jefferson Parish Hospital District No. 2
East Jefferson General Hospital
Jefferson Parish, Louisiana

MBIA Insurance Corporation
Armonk, New York

Financial Security Assurance, Inc.
New York, New York

We have compiled the accompanying Calculation of Maximum Annual Debt Service Coverage Ratio of Jefferson Parish Hospital District No. 2 for the year ended December 31, 2010. This calculation is defined in the Series 1993 Insurance Agreement, dated February 1, 1993, the First Amendment to the Insurance Agreement, dated November 1, 2006, and the Amended and Restated Insurance Agreement, dated January 26, 2009, with MBIA Insurance Corporation, and the Series 1998 Insurance Agreement, dated January 1, 1999, the First Amendment to the Insurance Agreement, dated November 1, 2006, and the Amended and Restated Insurance Agreement, dated January 20, 2009, with Financial Security Assurance, Inc.

A compilation is limited to presenting in an appropriate form information that is the representation of management. We have not audited or reviewed the accompanying Calculation of Maximum Annual Debt Service Coverage Ratio, and accordingly, do not express an opinion or any other form of assurance on it.

This report is intended solely for the information and use of the Board of Directors and management of Jefferson Parish Hospital District No. 2, MBIA Insurance Corporation and Financial Security Assurance, Inc. and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
April 28, 2011

Jefferson Parish Hospital District No. 2
East Jefferson General Hospital

Calculation of Maximum Annual Debt Service Coverage Ratio
Year Ended December 31, 2010
See Accountant's Report

Net income available for debt service:	
Excess of revenue over expenses	$ 67,938,724
Depreciation and amortization expense	23,107,843
Interest expense	7,760,065
Forgiveness of community disaster loan *	(68,338,546)
Change in fair value of interest rate swap agreements	151,607
Change in unrealized gains and losses on investments	(1,057,642)
Net income available for debt service	$ 29,562,051
Maximum annual debt service requirements (2016): *	
Principal payments	$ 10,858,818
Interest payments	4,335,283
Maximum annual debt service requirements	$ 15,194,101
Maximum annual debt service coverage ratio	1.95
Required maximum annual debt service coverage ratio	1.10

* The maximum annual debt service requirements exclude the amount of principal and interest outstanding on the Community Disaster Loan and also excludes the related forgiveness in 2010, which is in accordance with the Hospital's Amended and Restated Insurance Agreements.

The above amounts are for East Jefferson General Hospital, and exclude the financial results of the Hospital's component units as the component units are not members of the Obligated Group for the Hospital's bond indebtedness.

East Jefferson General Hospital

Single Audit Reporting
December 31, 2010

Contents

LaPorte Sehrt Romig Hand

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report On Compliance With Requirements That Could Have A Direct And Material Effect On Each Major Program And Internal Control Over Compliance In Accordance With OMB Circular A-133

To the Board of Directors
East Jefferson General Hospital
Jefferson Parish, Louisiana

Compliance

We have audited the compliance of East Jefferson General Hospital (Organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. East Jefferson General Hospital's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of East Jefferson General Hospital's management. Our responsibility is to express an opinion on East Jefferson General Hospital's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about East Jefferson General Hospital's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of East Jefferson General Hospital's compliance with those requirements.

In our opinion, East Jefferson General Hospital complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2010.

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Internal Control Over Compliance

Management of East Jefferson General Hospital is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs.

In planning and performing our audit, we considered East Jefferson General Hospital's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of East Jefferson General Hospital's internal control over compliance.

A *deficiency in internal control* over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the combined basic financial statements of East Jefferson General Hospital and related organizations as of and for the year ended December 31, 2010, and have issued our report thereon dated April 28, 2011. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the combined basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the combined basic financial statements taken as a whole.

This report is intended solely for the information and use of management, and Board of Directors, others within the entity, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor of the State of Louisiana as a public document.

Laporte, Sehrt, Romig & Hand

A Professional Accounting Corporation

Metairie, Louisiana
June 28, 2011

East Jefferson General Hospital

Schedule of Findings and Questioned Costs
Year Ended December 31, 2010

I. Summary of Independent Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

• Material weakness identified?	______ Yes	__X__ No
• Significant Deficiency identified that is not considered to be a material weakness?	______ Yes	__X__ None Reported
Noncompliance material to financial statements noted?	______ Yes	__X__ No

Federal Awards

Internal control over major programs:

• Material weakness identified?	______ Yes	__X__ No
• Significant Deficiency identified that is not considered to be a material weakness?	______ Yes	__X__ None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

• Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	______ Yes	__X__ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
97.036	U.S. Department of Homeland Security, Disaster Grants -Public Assistance
97.039	U. S. Department of Homeland Security, Hazard Mitigation Grant Program
14.228	U. S. Department of Housing and Urban Development, Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

Dollar threshold used to distinguish between
Type A and Type B programs $ 300,000

Auditee qualified as low-risk auditee? ____ Yes __X__ No

II. Findings Related to the Basic Financial Statements:

None

III. Findings and Questioned Costs for Federal Awards:

None

East Jefferson General Hospital

Summary Schedule of Prior Audit Findings
Year Ended December 31, 2010

Prior Years' Findings Related to the Basic Financial Statements:

None

Prior Years' Findings and Questioned Costs for Federal Awards:

None

East Jefferson General Hospital

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2010

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	ARRA Funds	Federal Expenditures
United States Department of Homeland Security				
Pass-Through Awards:				
Federal Emergency Management Agency passed through the State of Louisiana, Govenor's Office of Homeland Security and Emergency Preparedness				
Disaster Grants - Public Assistance	97.036	FEMA-1603-DR	No	$ 1,185,436
Disaster Grants - Public Assistance	97.036	FEMA-1786-DR	No	43,316
Total Disaster Grants - Public Assistance				1,228,752
Hazard Mitigation Grant Program - DHH	97.039		No	133,791
Total United States Department of Homeland Security				1,362,543
United States Department of Housing and Urban Development				
Pass-Through Awards:				
Community Development Block Grant passed through the State of Louisiana and Jefferson Parish Department of Community Development	14.228	JP1009.5	No	508,223
Total United States Department of Housing and Urban Development				508,223
Total Federal Assistance Expended				$ 1,870,766

CFDA = Catalog of Federal Domestic Assistance

See accompanying notes to schedule of expenditures of federal awards.

East Jefferson General Hospital

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of East Jefferson General Hospital and related organizations and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.