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HOSPITAL SERVICE DISTRICT NO. 2
Parish of St. Martin
State of Louisiana
Brenn's Bridge, Louisiana

FINANCIAL REPORT

YEARS ENDED SEPTEMBER 30, 2001 AND 2000

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date: 3/27/02

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Hospital Service District No. 2
Parish of St. Martin, State of Louisiana
Bossier Bridge, Louisiana

We have audited the accompanying general purpose financial statements of the Hospital Service District No. 2, Parish of St. Martin, State of Louisiana, a component unit of the St. Martin Parish Government, as of and for the years ended September 30, 2001 and 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Hospital Service District No. 2, Parish of St. Martin, State of Louisiana, a component unit of the St. Martin Parish Government, as of September 30, 2001 and 2000, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 16, 2001, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The other supplemental information (pp. 17-22) is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Kalder, Champagne, Slawson & Company, LLC

Certified Public Accountants

French Bridge, Louisiana
November 16, 2011

HOSPITAL, ORANSKY DISTRICT NO. 3
 Parish of St. Martin
 State of Louisiana

BALANCE SHEETS
 SEPTEMBER 30, 2009 AND 2008

ASSETS

	<u>2009</u>	<u>2008</u>
Current assets		
Cash	\$ 366,220	\$ 349,033
Certificates of deposit	390,049	393,897
Accounts receivable - patients (net of provisions for doubtful accounts)	1,315,390	1,331,833
Self-referral receivables (net of allowance)	3,286	-
Due from intermediaries	421,528	271,811
Due from intermediaries - allowance	(393,344)	(432,634)
Prepaid bills	214,738	211,438
Prepaid expenses	18,875	35,834
	<u>1,268,805</u>	<u>1,615,382</u>
Total current assets		
Assets whose use is limited		
For plant maintenance and replacement -		
Cash	<u>117,051</u>	<u>218,694</u>
Total assets whose use is limited	<u>117,051</u>	<u>218,694</u>
Property, plant and equipment, net	<u>1,868,160</u>	<u>2,766,960</u>
Total assets	<u>\$ 3,253,916</u>	<u>\$ 3,601,036</u>

LIABILITIES AND FUND BALANCES

	<u>2004</u>	<u>2003</u>
Current liabilities:		
Payable from restricted assets -		
Current maturities of long-term debt	\$ 101,000	\$ 80,000
Accounts payable	201,800	249,804
Accrued wages and related withholdings	80,371	78,081
Medicare payable	-	171,783
Contract payable	4,439	-
Burdette payable	-	91,111
Accrued compensated absences	100,430	91,900
	<u>688,040</u>	<u>1,063,689</u>
Total current liabilities	<u>688,040</u>	<u>1,063,689</u>
Long-term debt, net of current maturities	<u>1,641,000</u>	<u>1,995,000</u>
	<u>1,641,000</u>	<u>1,995,000</u>
Total liabilities	<u>3,329,040</u>	<u>3,058,689</u>
Fund balances:		
Dedicated capital	111,187	41,704
Plant maintenance and replacement	21,021	190,000
Operating fund	<u>3,116,812</u>	<u>2,806,985</u>
	<u>3,349,020</u>	<u>3,038,689</u>
Total fund balance	<u>3,349,020</u>	<u>3,038,689</u>
Total liabilities and fund balance	<u>\$ 3,329,040</u>	<u>\$ 3,058,689</u>

The accompanying notes are an integral part of these statements.

HOSPITAL SERVICE DISTRICT NO. 2
Parish of St. Martin
State of Louisiana

STATEMENTS OF OPERATIONS
YEARS ENDED SEPTEMBER 30, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
Operating revenues		
Net patient revenues	\$ 5,150,844	\$ 5,095,608
Other revenues	<u>60,741</u>	<u>78,906</u>
Total operating revenues	<u>\$ 5,210,790</u>	<u>\$ 5,079,515</u>
Operating expenses		
Professional	3,452,806	3,294,418
Rehabilitation unit	118,038	138,298
General and administrative	1,408,499	1,477,198
Depreciation	328,448	154,098
Provision for bad debts	<u>467,336</u>	<u>467,187</u>
Total operating expenses	<u>\$ 6,079,639</u>	<u>\$ 6,115,219</u>
Operating income (loss)	<u>\$ (868,849)</u>	<u>\$ (103,210)</u>
Nonoperating income (expense)		
Interest income	30,476	58,218
Interest expense	(113,302)	(33,118)
Grant revenues	6,300	-
Miscellaneous revenues	118	20,900
Miscellaneous expenses	(33,199)	(27,688)
Property tax revenues	108,304	140,132
Loss on sale of assets	<u>(2,896)</u>	<u>-</u>
Total nonoperating income	<u>\$ (6,309)</u>	<u>\$ 118,442</u>
Excess (deficiency) of revenues over expenses	<u>\$ (935,158)</u>	<u>\$ (118,462)</u>

The accompanying notes are an integral part of these statements.

HOSPITAL SERVICES DISTRICT NO. 2

Parish of St. Martin
State of Louisiana

STATEMENTS OF CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2001 AND 2000

		Donated Capital	From Maintenance and Replacements	Operating Fund	Total
Fund balance, September 30, 1999		\$ 81,704	\$ 1,205,486	\$ 1,881,731	\$ 3,068,921
Source (deficiency) of revenues and expenses		-	(274,000)	(417,617)	(691,617)
Less: Non-operating		-	768,211	31,074	771,296
Nonoperating income		-	(768,211)	(31,074)	(800,296)
Fund assets purchased		-	(7,481,883)	1,493,488	(6,669,278)
Equity transfer		-	(225,855)	246,858	(78,997)
Fund balance, September 30, 2000		\$ 81,704	\$ 176,464	\$ 2,480,686	\$ 2,738,854
Source (deficiency) of revenues and expenses		-	(225,464)	285,462	59,998
Less: Non-operating		-	188,281	(213,484)	(24,199)
Nonoperating income (loss)		-	(188,281)	(213,484)	(401,765)
Fund assets purchased		-	(24,204)	8,124	(16,080)
Equity transfer		-	(188,276)	188,276	-
Donated capital		82,883	-	-	82,883
Fund balance, September 30, 2001		\$ 175,587	\$ 12,983	\$ 2,122,378	\$ 2,311,948

The accompanying notes are an integral part of these statements.

HOSPITAL SERVICE DISTRICT NO. 2
 Parish of St. Martin
 State of Louisiana

STATEMENTS OF CASH FLOWS
YEARS ENDING SEPTEMBER 30, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
Cash flows from operating activities		
Cash received from patients and third party payors	\$ 3,468,184	\$ 4,798,598
Lease payments received	4,789	4,183
Cash paid for supplies and other expenses	(1,818,363)	(2,848,879)
Cash paid to employees	(2,029,024)	(2,529,415)
	<u>(1,335,414)</u>	<u>(305,518)</u>
Net cash used by operating activities		
Cash flows from nonoperating financing activities		
Interest received	33,470	88,879
Grant receipts	4,800	-
Miscellaneous receipts	118	(1,983)
Miscellaneous expenses	(33,599)	(27,888)
Net revenue tax receipts	(29,611)	(40,502)
	<u>(23,432)</u>	<u>(81,494)</u>
Net cash provided by nonoperating financing activities		
Cash flows from capital and related financing activities		
Proceeds from long-term debt	171,000	-
Principal payments	(180,000)	(79,888)
Interest paid	(171,303)	(57,118)
Capital contributed from state grants	91,643	-
	<u>(18,660)</u>	<u>(137,006)</u>
Net cash used by capital and related financing activities		
Cash flows from investing activities		
Purchase of equipment	(11,114)	(1,099,500)
Purchase of investments	(11,023)	(94,988)
Proceeds from sales and maturities of investments	-	(88,522)
Cash provided by assets returned to limited	81,179	1,115,802
	<u>(41,958)</u>	<u>(167,218)</u>
Net cash provided by investing activities		
Increase in cash and cash equivalents	171,348	58,783
Cash and cash equivalents, beginning of year	149,111	128,933
Cash and cash equivalents, end of year	\$ 320,459	\$ 187,716

The accompanying notes are an integral part of these statements.

HOSPITAL SERVICE DISTRICT NO. 2
Parish of St. Martin
State of Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

A. Reporting Entity

Hospital Service District No. 2 was created in October, 1948, by the Parish Government of St. Martin Parish, Louisiana, to operate, control, and manage matters concerning the Parish's health care functions. The Parish Government appoints the Board of Commissioners of the Hospital. For this reason, the Hospital is considered to be a component unit of the St. Martin Parish Government, St. Martin Parish, Louisiana.

B. Use of Estimates

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

C. Proprietary Fund Accounting

The Hospital utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual.

D. Costs of Borrowings

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Interest costs incurred for the year ended September 30, 2011 were \$117,302 of which \$317,140 was charged to expense and \$8 was capitalized.

E. Debt and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less, except assets whose use is limited.

HOSPITAL SERVICE DISTRICT NO. 2
Parish of St. Martin
State of Louisiana

Notes to Financial Statements (continued)

F. Accounts Receivable

Accounts receivable are shown net of provision for doubtful accounts of \$681,903 and \$881,079 at September 30, 2011 and 2010, respectively.

G. Inventory

Inventories are stated at the lower of cost or market, with cost determined by the first-in first-out, (FIFO) method.

H. Income Taxes

The Hospital is a non profit Hospital Service District as described in Section 581(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 581(a) of the Code.

I. Accounting Standards

Pursuant to Government Accounting Standards Board (GASB) Statement No. 26, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

J. Risk Management

The Hospital is exposed to various risks of loss from theft, thefts of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. There have been no significant reductions in insurance coverage during the current fiscal year. Physicians working at the Hospital are insured against malpractice as discussed in Note 3.

K. Charity Care

The Hospital's charity care was immaterial for 2011 and 2010.

HOSPITAL SERVICE DISTRICT NO. 3
Parish of St. Martin
State of Louisiana

Notes to Financial Statements (continued)

L. Liquid Accumulated Vacation, Sick Pay, and Compensated Absences

Vacation time is accumulated based on the number of years of service with the Hospital and whether classified as full-time or part-time. Employees are required to use 25% of the hours earned in a calendar year. Hours accumulated in excess of 368 hours will automatically convert to sick time. Sick time may be accumulated with no maximum. Accrued compensated absences at September 30, 2001 and 2000 were \$408,520 and \$95,906 respectively.

M. Ad Valorem Taxes

The Hospital received approximately 4 percent in 2001 and 4 percent in 2000 of its financial support from ad valorem taxes. Current taxes are received beginning in October of each year and become delinquent after January 31 of the following year. Ad valorem taxes receivable are shown net of allowance of \$2,548 at September 30, 2001.

N. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Hospital as an extension of formal budgetary integration in the fund.

(2) Net Patient Service Revenues

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

A. Medicare

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient intensive services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audit thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 1993.

HOSPITAL SERVICE DISTRICT NO. 2
Parish of St. Martin
State of Louisiana

Notes to Financial Statements (continued)

The 1997 audit resulted in the Hospital recording a payable of \$132,162, which was paid during the fiscal year ending September 30, 2001. The Hospital's Medicare cost reports for the year ended September 30, 2001 indicate a receivable of \$254,546. Total cost reports outstanding indicate a receivable of \$254,546. Of this receivable, \$79,364 has been set aside as an allowance.

B. Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 1997. The Hospital's Medicaid cost reports for the year ended September 30, 2001 indicate a payable of \$48,960. Total cost reports outstanding indicate a net receivable of \$166,962. The entire receivable balance (\$215,922) has been set aside as an allowance.

(3) Cash and Certificates of Deposit

Under state law, the Hospital may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Hospital may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 2001 and 2000, the Hospital had cash and interest-bearing deposits (bank balances) totaling \$314,467 and \$465,636, respectively.

These deposits are stored at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The following is a summary of deposit balances (bank balances) at September 30, 2001 and 2000, and the related federal insurance and pledged securities:

	2001	2000
Bank balances	\$314,467	\$465,636
Federal deposit insurance	\$149,460	\$322,173
Pledged securities (Category 2)	477,892	322,543
Total Federal insurance and pledged securities	\$627,352	\$644,716

HOSPITAL SERVICE DISTRICT NO. 2
Parish of St. Martin
State of Louisiana

Notes to Financial Statements (continued)

Pledged securities in Category 3 include unsecured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Hospital's name. Even though the pledged securities are considered uncollateralized (Category 3), Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten (10) days of being notified by the Hospital that the fiscal agent has failed to pay deposited funds upon demand.

(4) **Assets Whose Use is Limited**

Assets whose use is limited consists of cash whose use has been limited by the Hospital's Board of Commissioners or parish ordinance for bond redemptions. The balance remaining after payoff of the bonds is approved for use in Operations and Maintenance. Fund balance is set aside for the difference between the assets available and the related payable.

(5) **Long-term Debt**

The following is a summary of long-term debt transactions of the Hospital for the years ended September 30, 2014, and 2013:

	<u>2014</u>	<u>2013</u>
Long-term debt, beginning of year	\$2,073,000	\$2,158,000
Debt assumed	175,000	-
Debt retired	<u>(108,000)</u>	<u>(15,000)</u>
Long-term debt, end of year	<u>\$2,140,000</u>	<u>\$2,073,000</u>

HOSPITAL SERVICE DISTRICT NO. 2
Parish of St. Martin
State of Louisiana

Notes to Financial Statements (continued)

Long-term debt as September 30, 2011 and 2010 is comprised of the following:

	<u>2011</u>	<u>2010</u>
General Obligation bonds, dated November 1, 1996; original issue of \$2,100,000; payable in annual installments of \$65,000 to \$100,000 beginning in March, 1997; interest paid semi-annually at rates of 5.125% to 8.00%. Final maturity in March, 2026; secured by ad valorem taxes.	\$1,095,000	\$2,075,000
General Obligation bonds, dated December 1, 2009; original issue of \$175,000; payable in annual installments of \$20,000 to \$25,000 beginning in March, 2010; interest paid semi-annually at 5.25%. Final maturity in March, 2028; secured by ad valorem taxes.	155,000	-
Total	2,100,000	2,075,000
Less current portion	(185,000)	(180,000)
	<u>\$1,915,000</u>	<u>\$1,895,000</u>

Scheduled principal payments on long-term debt, including interest payments of \$951,736, are as follows:

Year Ending September 30,	<u>Long-Term Debt</u>
2012	\$ 221,000
2013	238,000
2014	254,838
2015	272,568
2016	290,211
2017 - 2011	1,021,111
2012 - 2016	<u>892,880</u>
	<u>\$1,980,708</u>

HOSPITAL SERVICE DISTRICT NO. 2
Parish of St. Martin
State of Louisiana

Notes to Financial Statements (continued)

69 Property and Equipment

A summary of property and equipment at September 30, 2001 and 2000, follows:

	<u>2001</u>	<u>2000</u>
Land	\$ 24,726	\$ 24,726
Land improvements	151,611	148,484
Buildings	919,132	919,132
Building improvements	1,980,318	1,044,669
Fixed equipment	600,478	948,079
Movable equipment	444,423	552,241
Automobiles	18,348	18,748
	3,607,436	3,641,059
Less accumulated depreciation	(1,218,753)	(1,603,988)
	2,388,683	1,412,099
Construction in progress	6,450	1,351,806
Property and equipment, net	<u>\$2,395,133</u>	<u>\$2,763,905</u>

Property and equipment are stated at cost or estimated cost if actual cost is not available. Estimated costs are based on fair market value. Estimated amounts are incremental in relation to total cost. Infrastructure assets are not included in property and equipment. Depreciation is computed using the straight-line method, over the useful life as recommended by the American Hospital Association. Depreciation expense for the years ended September 30, 2001 and 2000 was \$229,464 and \$124,596 respectively. The estimated useful lives are as follows:

Land Improvements	5-25 years
Buildings & Building Improvements	18-40 years
Fixed Equipment	5-25 years
Movable Equipment	5-25 years

HOSPITAL SERVICE DISTRICT NO. 3
Parish of St. Martin
State of Louisiana

Notes to Financial Statements (continued)

(7) Commitments and Contingencies

A. Construction Contracts

As of September 30, 2001 and 2000, the Hospital had the following commitments with respect to unfunded capital projects, net of retainages payable:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
2001		
Renovations to Outpatient Emergency Areas	\$ 0	12-31-04
2000		
ECM (Energy Conservation Measurements)	\$ 0	11-10-00
Renovations to Outpatient Emergency Areas	\$ 0	11-10-00
Parking Lot & Site Improvements-Phase 2	\$ 0	08-11-00

B. Contracts

In March, 1999, the Hospital entered into a hospital emergency care agreement with Correct Care, Inc. This agreement provides that Correct Care shall provide physicians to the Hospital for emergency care coverage twenty-four (24) hours per day, 365 days per year. These physicians must be licensed to practice medicine and be insured against malpractice. The Hospital provides all necessary supplies and equipment and compensates these physicians on an hourly basis. The initial term of this agreement was for a twelve (12) month period. After this term, the agreement will automatically be extended for twelve (12) month terms until termination.

In September, 1999, the Hospital entered into an acute rehabilitation unit services agreement with National Rehab Partners, Inc. (NRP). This agreement provides that NRP shall design, manage and staff the Foltz Unit twenty-four (24) hours per day, 365 days per year. The Hospital shall provide all necessary supplies and equipment, and compensate this staff on a monthly basis. The initial term of this agreement is for a twelve (12) month period. After this term, the agreement will automatically be extended for twelve (12) month terms unless notice of termination is given. This agreement was terminated and NRP is now used on an as needed basis.

HOSPITAL SERVICE DISTRICT NO. 2
Parish of St. Martin
State of Louisiana

Notes to Financial Statements (continued)

In November, 1998, the Hospital entered into an agreement with Delta Healthcare, Inc. In this agreement, Delta is to provide its experience, skills, supervisions, and certain personnel in the management and operation of the Hospital. The initial term of this agreement is for a five (5) year period. This agreement can then be extended for successive five (5) year terms unless terminated. This agreement was terminated in March, 2000.

In August, 2000, the Hospital entered into a joint venture with Lafayette General Medical Center, Inc. (LGMCI). This joint venture provides that LGMCI shall provide management services and related resources designed to infuse medical personnel and services into St. Martin Parish. The Hospital will continue the operation of its acute care general hospital without requiring capital infusion and/or operating contributions from LGMCI. The initial term of this agreement is for a five (5) year period beginning November 8, 2000. The agreement can be extended for successive five (5) year terms.

C. Litigation

At September 30, 2001, the Hospital is involved in three lawsuits. However, management feels that all of these are covered by insurance, and therefore, there should be no additional liability to the Hospital.

(F) Statement of Cash Flows

Below is the supplemental schedule required to be presented when statements of cash flows are presented.

Reconciliation of net income to net cash provided by operating activities:

	<u>2001</u>	<u>2000</u>
Operating Income (Loss)	\$58,161	\$281,210

HOSPITAL SERVICE DISTRICT NO. 2
Parish of St. Martin
State of Louisiana

Notes to Financial Statements (continued)

<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>		
Depreciation	278,468	(34,386)
<i>Change in assets and liabilities:</i>		
Accounts receivable – patients	(83,358)	(512,186)
Due from intermedicare	(26,685)	(399,277)
Inventory	(9,323)	(34,157)
Prepaid expenses	888	(1,554)
Accounts payable	(238,081)	249,225
Accrued wages and related withholdings	1,264	14,889
Medicare payable	(172,782)	132,782
Contracts payable	4,459	(368,833)
Retainage payable	(91,611)	33,538
Accrued compensated absences	4,834	14,882
Due to intermedicare	—————	(2,872)
	<u>(612,489)</u>	<u>(183,236)</u>
 Net cash used by operating activities	 <u>(322,119)</u>	 <u>(585,949)</u>

SUPPLEMENTAL INFORMATION

HOSPITAL SERVICE DISTRICT NO. 2
Parish of St. Martin
State of Louisiana

SCHEDULE OF NET PATIENT REVENUE
YEARS ENDED SEPTEMBER 30, 2001 AND 2000

	2001	2000
Patient revenue		
In-patient revenue	\$ 2,571,070	\$ 2,608,529
Out-patient revenue	4,899,208	4,471,383
Rehabilitation unit revenue	<u>1,051,096</u>	<u>1,077,512</u>
	<u>8,521,374</u>	<u>8,157,424</u>
 Deductions from patient revenue		
Contractual allowances - current	1,331,384	1,014,902
Contractual allowances - prior	-	172,783
Discounts	<u>218</u>	<u>641</u>
	<u>1,331,602</u>	<u>1,188,326</u>
 Net Patient Revenue	<u>\$ 7,189,772</u>	<u>\$ 6,969,098</u>

HOSPITAL SERVICE DISTRICT NO. 3

Parish of St. Bernard

State of Louisiana

SCHEDULES OF IN-PATIENT REVENUE
 YEARS ENDED SEPTEMBER 30, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
Routine Services		
Room and board	\$ 842,299	\$ 848,721
Special Services		
Blood administration	18,118	12,968
Central supply room	159,672	143,204
Electrocardiology	24,942	21,286
Emergency room physician	74,838	75,314
Emergency room	29,828	38,483
Heart monitor	2,245	1,472
Inhalation therapy	313,948	428,609
Laboratory	222,642	268,888
Observation room	315	1,200
Occupational therapy	9,181	-
Operating room	11,546	13,187
Pharmacy	173,164	643,023
Physical therapy	53,296	36,177
Radiology	78,881	38,264
Speech therapy	2,871	-
Special procedures	58,343	80,680
	<u>\$ 1,575,170</u>	<u>\$ 1,806,529</u>

HOSPITAL SERVICE DISTRICT NO. 2
Parish of St. Martin
State of Louisiana

SCHEDULES OF INPATIENT REVENUE
YEARS ENDED SEPTEMBER 30, 2004 AND 2003

	2004	2003
Blood substitution	\$ 2,790	\$ 3,334
Dental supply	271,149	184,945
Electrocardiology	42,989	43,349
Emergency room physician	1,299,545	1,347,333
Emergency room	413,428	408,076
Intubation therapy	56,549	66,511
Laboratory	1,107,609	1,033,134
Labor monitor	16,528	17,465
Observation room	3,875	13,883
Occupational therapy	19,807	-
Operating room	37,472	41,229
Pharmacy	212,837	204,329
Physical therapy	188,589	183,178
Radiology	61,847	265,497
Special procedures	289,781	323,172
Speech therapy	24,362	-
	<u>\$ 4,899,284</u>	<u>\$ 4,473,500</u>

SCHEDULES OF OTHER OPERATING INCOME
YEARS ENDED SEPTEMBER 30, 2004 AND 2003

	2004	2003
Equipment and vending machine sales	\$ 3,822	\$ 7,111
Sale of medical records	6,393	8,126
Recovery of bad debts	22,609	29,149
Lower payments	8,738	4,100
	<u>\$ 39,562</u>	<u>\$ 78,586</u>

HOSPITAL SERVICE DISTRICT NO. 3
Parish of St. Martin
State of Louisiana

SCHEDULE OF REHABILITATION UNIT REVENUE
YEARS ENDED SEPTEMBER 30, 2001 AND 2000

	2001	2000
Baseline Services		
Room and board	\$ 652,880	\$ 696,628
Special Services		
Blood administration	363	-
Central supply room	15,083	14,081
Electrocardiography	1,871	1,218
Emergency room physician	-	586
Inhalation therapy	19,071	22,793
Laboratory	24,359	27,125
Pharmacy	48,350	68,858
Physical therapy	140,887	158,827
Occupational therapy	148,258	148,825
Radiology	3,898	8,557
Speech therapy	51,583	154,348
Ultrasound	5,322	2,128
	\$ 1,683,086	\$ 1,473,812

HOSPITAL SERVICE DISTRICT NO. 3
 Parish of St. Martin
 State of Louisiana

SCHEDULE OF PROFESSIONAL EXPENSES
 YEARS ENDED SEPTEMBER 30, 2001 AND 2000

	2001		2000	
	Personal Services	Supplies & Other Expenses	Personal Services	Supplies & Other Expenses
Blood administration	\$ 600	11,960	1,000	9,650
Central supply	-	115,407	-	179,858
Electrocardiology	-	4,150	-	499
Emergency room physicians	703,400	-	712,684	-
Emergency room	213,882	20,170	222,156	3,770
Heart monitor	-	3,489	-	3,880
Inhalation therapy	-	188,290	-	204,130
Laboratory	184,697	281,064	184,640	249,367
Medical records	24,730	13,171	24,654	23,608
Nuclear medicine	-	271,548	-	271,600
Nursing service	933,835	111,254	854,697	30,777
Operating room	3,600	3,880	3,600	377
Pharmacy	69,856	285,117	92,090	268,983
Radiology	113,332	61,498	113,627	61,498
	<u>\$ 2,091,447</u>	<u>\$ 1,300,614</u>	<u>\$ 1,981,418</u>	<u>\$ 1,713,600</u>

HOSPITAL SERVICE DISTRICT NO. 3
 Parish of St. Martin
 State of Louisiana

SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
 YEARS ENDED SEPTEMBER 30, 2001 AND 2000

	2001		2000	
	Personal Services	Supplies & Other Expenses	Personal Services	Supplies & Other Expenses
Administrative	\$ 306,269	\$ 243,549	\$ 306,327	\$ 401,854
Credit and collections	-	21,802	-	52,094
Dietary	106,858	31,708	111,289	37,676
Employee benefits	-	76,627	-	66,227
Insurance	131,660	22,240	111,836	23,177
Interest	-	31,419	-	84,292
Laundry and linen	-	23,299	-	21,941
Maintenance	38,096	371,026	34,297	189,311
Telephone and communications	-	41,187	-	37,133
	<u>\$ 682,883</u>	<u>\$ 831,021</u>	<u>\$ 652,849</u>	<u>\$ 891,558</u>

HOSPITAL SERVICE DISTRICT NO. 1
 Parish of St. Martin
 State of Louisiana

SCHEDULES OF COMMISSIONERS, MEETINGS ATTENDED AND COMPENSATION
 YEARS ENDED SEPTEMBER 30, 2001 AND 2000

Name of Commissioner	2001		2000	
	Meetings		Meetings	
	Attended	Compensation	Attended	Compensation
Billy Guibby	3	\$ -	-	\$ -
Lawrence Jacobs, Jr.	9	\$ -	10	\$ -
Robert Laville	11	\$ -	10	\$ -
Kenneth LaRocca	8	\$ -	15	\$ -
John B. Martin	11	\$ 400	12	\$ 400
Paul Mills, Jr.	10	\$ -	12	\$ 300

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MEMBER OF AMERICAN
CERTIFIED PUBLIC ACCOUNTANTS

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

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Board of Commissioners
Hospital Service District No. 2
Parish of St. Martin, State of Louisiana
Breton Bridge, Louisiana

We have audited the general purpose financial statements of the Hospital Service District No. 2, Parish of St. Martin, State of Louisiana, as of and for the year ended September 30, 2001, and have based our report thereon dated November 16, 2001. 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hospital Service District No. 2's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Hospital Service District No. 2's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. A reportable condition is described in the accompanying schedule of prior and current audit findings and management's corrective action plan as item 03-1.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider Item 11-1 to be a material weakness.

This report is intended solely for the information and use of management, others within the organization, the Board of Commissioners, and the Parish Government and is not intended to be and should not be used by anyone other than these specified parties.

Kofler, Champagne, Slaven & Company, LLC

Certified Public Accountants

Baton Rouge, Louisiana
November 16, 2005

HOSPITAL SERVICE DISTRICT NO. 3
Parish of St. Martin
State of Louisiana

Schedule of Prior and Current Audit Findings and
Management's Corrective Action Plan
Year Ended September 30, 2001

I. Prior Year Findings:

Compliance:

There were no findings that were required to be reported under the above.

Internal Control Over Financial Reporting:

Item 08-1: Inadequate Segregation of Accounting Functions

Finding:

Due to the small number of employees, the Hospital did not have adequate segregation of functions within the accounting system.

Status:

Unresolved. See Item 01-1.

Management Letter Items

There were no findings that were required to be reported under the above.

II. Current Year Findings and Management's Corrective Action Plan:

Compliance:

There are no findings that are required to be reported under the above.

Internal Control Over Financial Reporting:

Item 01-1: Inadequate Segregation of Accounting Functions

Finding:

Due to the small number of employees, the Hospital did not have adequate segregation of functions within the accounting system.

Management's Corrective Action Plan:

Mr. Dorian Dupuis, CEO has determined that it is not cost effective to achieve complete segregation of duties within the accounting department. No plan is considered necessary.

(Continued)

HOSPITAL SERVICES DISTRICT NO. 3
Parish of St. Martin
State of Louisiana

Schedule of Prior and Current Audit Findings and
Management's Corrective Action Plan (Continued)
Year Ended September 30, 2001

Management Action Items

There are no Findings that are required to be reported under the above.