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

FINANCIAL REPORT

YEARS ENDED SEPTEMBER 30, 1962 AND 1961

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 3-10-63

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Hospital Service District No. 2
Parish of St. Martin, State of Louisiana
Breaux 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, 2003 and 2002, 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 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 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 audits provide 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, 2003 and 2002, 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 21, 2003, 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. 17-18) is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Hospital Service District No. 2, Parish of St. Martin, State of Louisiana. 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.

Kolder, Champagne, Slaven & Company, LLC

Certified Public Accountants

Brazos Bridge, Louisiana
November 21, 2003

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

BALANCE SHEETS
 SEPTEMBER 30, 2001 AND 2000

ASSETS

| | <u>2001</u> | <u>2000</u> |
|---|---------------------|---------------------|
| Current assets | | |
| Cash | \$ 1,209,204 | \$ 1,209,863 |
| Certificates of deposit | 300,044 | 308,426 |
| Accounts receivable - patients (net of provision for doubtful accounts) | 2,080,189 | 2,943,828 |
| Other receivable | 5,000 | - |
| Ad valorem taxes receivable (net of allowance) | 133 | 1,823 |
| Due from intermediaries - medical | 394,061 | 440,833 |
| Due from intermediaries - medical - allowance | - | (18,089) |
| Due from intermediaries - medical | 34,719 | 38,897 |
| Due from intermediaries - medical - allowance | (24,719) | (38,897) |
| Inventory | 235,719 | 235,343 |
| Prepaid expenses | <u>15,162</u> | <u>13,120</u> |
| Total current assets | <u>4,981,306</u> | <u>4,733,000</u> |
| | | |
| Assets whose use is limited | | |
| For plant maintenance and replacement - Cash | <u>364,000</u> | <u>378,445</u> |
| Total assets whose use is limited | <u>364,000</u> | <u>378,445</u> |
| | | |
| Property, plant and equipment, net | <u>2,991,508</u> | <u>2,941,343</u> |
| | | |
| Total assets | <u>\$ 8,336,814</u> | <u>\$ 8,052,788</u> |

LIABILITIES AND FUND BALANCE

| | <u>2000</u> | <u>2001</u> |
|---|---------------------|---------------------|
| Current liabilities: | | |
| Payable from restricted assets - | | |
| Current maturities of long-term debt | \$ 111,000 | \$ 141,000 |
| Accounts payable | 341,077 | 234,790 |
| Accrued wages and related withholdings | 11,004 | 96,567 |
| Accrued interest payable | 5,410 | - |
| Accrued compensated absences | 110,139 | 100,108 |
| Due to intermediaries - nonfund | <u>14,021</u> | <u>130,212</u> |
| Total current liabilities | <u>612,641</u> | <u>698,677</u> |
| | | |
| Long-term debt, net of current maturities | <u>1,799,000</u> | <u>2,140,000</u> |
| Total liabilities | <u>2,478,641</u> | <u>2,838,677</u> |
| | | |
| Fund balances: | | |
| Donated capital | 173,317 | 173,317 |
| Plant maintenance and replacement | 92,889 | 96,444 |
| Operating fund | <u>4,280,788</u> | <u>3,763,717</u> |
| Total fund balances | <u>4,546,994</u> | <u>3,813,478</u> |
| | | |
| Total liabilities and fund balance | <u>\$ 2,180,514</u> | <u>\$ 2,470,792</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, 2003 AND 2002

| | <u>2003</u> | <u>2002</u> |
|---|---------------------|-------------------|
| Operating revenues | | |
| Net patient revenue | \$ 3,115,345 | \$ 4,129,370 |
| Other revenue | <u>85,665</u> | <u>85,864</u> |
| Total operating revenues | <u>3,201,010</u> | <u>4,215,234</u> |
| Operating expenses | | |
| Professional | 4,207,483 | 3,816,824 |
| General and administrative | 1,797,878 | 1,541,834 |
| Depreciation | 242,760 | 227,288 |
| Provision for bad debts | <u>1,832,483</u> | <u>861,883</u> |
| Total operating expenses | <u>7,980,573</u> | <u>6,447,829</u> |
| Operating income (loss) | <u>820,437</u> | <u>767,405</u> |
| Nonoperating income (expense) | | |
| Interest income | 47,493 | 26,728 |
| Interest expense | (128,282) | (116,000) |
| Grant revenue | 13,552 | 3,208 |
| Miscellaneous revenue | - | 883 |
| Miscellaneous expense | (24,178) | (26,795) |
| Property tax revenue | 189,792 | 186,699 |
| Gain on sale of assets | <u>808</u> | <u>-</u> |
| Total nonoperating income | <u>295,348</u> | <u>175,613</u> |
| Excess of revenues over expenses | <u>\$ 1,115,785</u> | <u>\$ 943,018</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 CHANGES IN FUNDS BALANCE
YEARS ENDED SEPTEMBER 30, 2003 AND 2002

| | Funds | | | |
|---|--------------------|-----------------------------------|---------------------|---------------------|
| | Donated Capital | Maintenance and Development | Operating Funds | Total |
| Fund balance, September 30, 2001 | \$ 175,257 | \$ 22,823 | \$ 3,113,310 | \$ 3,309,390 |
| Excess (deficiency) of revenues over expenses | | | | |
| Income (loss) from operations | - | (122,288) | 552,317 | 329,669 |
| Nonoperating income (loss) | - | 347,473 | (198,811) | 279,618 |
| Fund assets purchased | - | (5,493) | 4,461 | - |
| Equity transfer | - | (141,424) | 141,414 | - |
| Fund balance, September 30, 2002 | \$ 175,257 | \$ 36,445 | \$ 3,090,317 | \$ 3,301,699 |
| Excess (deficiency) of revenues over expenses | | | | |
| Loss from operations | - | (242,795) | 143,899 | (98,896) |
| Nonoperating income | - | 345,782 | (99,324) | 246,418 |
| Fund assets purchased | - | (282,724) | 292,724 | - |
| Equity transfer | - | 345,252 | (143,267) | - |
| Fund balance, September 30, 2003 | <u>\$ 175,257</u> | <u>\$ 31,698</u> | <u>\$ 4,383,799</u> | <u>\$ 4,590,644</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 CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2006 AND 2005

| | <u>2006</u> | <u>2005</u> |
|--|---------------------|---------------------|
| Cash flows from operating activities | | |
| Cash received from patients and their party payers | \$ 6,793,231 | \$ 3,791,871 |
| Less: payments received | (6,875) | (3,853) |
| Cash paid for supplies and other expenses | (2,870,458) | (2,868,122) |
| Cash paid to employees | (7,136,155) | (3,868,826) |
| | <u> </u> | <u> </u> |
| Net cash provided by operating activities | <u> </u> | <u> </u> |
| Cash flows from noncapital financing activities | | |
| Interest received | 47,493 | 16,278 |
| Grant receipts | 1,311 | 1,288 |
| Miscellaneous receipts | - | 682 |
| Miscellaneous expenses | (24,179) | (36,795) |
| Ad valuation tax receipts | 387,668 | 348,828 |
| | <u> </u> | <u> </u> |
| Net cash provided by noncapital financing activities | <u> </u> | <u> </u> |
| Cash flows from capital and related financing activities | | |
| Proceeds from long-term debt | - | 218,000 |
| Principal payments | (243,000) | (193,000) |
| Interest paid | (218,702) | (118,000) |
| | <u> </u> | <u> </u> |
| Net cash provided (used) by capital and related financing activities | <u> </u> | <u> </u> |
| Cash flows from investing activities | | |
| Purchase of equipment | (291,922) | (4,891) |
| Purchase of investments | (5,628) | (8,507) |
| Cash used by assets whose use is limited | (26,222) | (73,129) |
| | <u> </u> | <u> </u> |
| Net cash used by investing activities | <u> </u> | <u> </u> |
| Increase in cash and cash equivalents | <u> </u> | <u> </u> |
| Cash and cash equivalents, beginning of year | <u>1,059,282</u> | <u>788,121</u> |
| Cash and cash equivalents, end of year | <u>\$ 1,125,128</u> | <u>\$ 1,029,881</u> |

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 1969, 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 revenues and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual.

D. Costs of Borrowing

Interest costs 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 years ended September 30, 2003 and 2002 were \$128,200 and \$115,000 respectively. All costs were charged to expense.

E. Cash 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 \$311,513 and \$748,285 at September 30, 2003 and 2002, respectively.

G. Inventories

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 504(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 513(a) of the Code.

I. Accounting Standards

Pursuant to Government Accounting Standards Board (GASB) Statement No. 28, *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 torts; 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 T.

K. Charity Care

The Hospital's charity care was immaterial for 2003 and 2002.

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

Name to Financial Statements (continued)

L. Unpaid Accumulated Vacation, Sick Pay, and Compensated Absence

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 75% of the hours earned in a calendar year. Hours accumulated in excess of 360 hours will automatically convert to sick time. Sick time may be accumulated with no maximum. Accrued compensated absences at September 30, 2001 and 2002 were \$110,009 and \$108,188 respectively.

M. Ad Valorem Taxes

The Hospital received approximately 4 percent in both 2001 and 2002 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 receivables are shown net of allowance of \$1,194 and \$0,718 at September 30, 2001 and 2002, respectively.

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 Revenue

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

A. Medicare

Inpatient 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 audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2001. The Hospital's Medicare cost reports for the years ended September 30, 2001 and 2002 indicate a receivable of \$794,061 and \$180,158, respectively. Total cost reports outstanding indicate a receivable of \$794,061 and \$445,653 at September 30, 2001 and 2002. Of this receivable, \$0 and \$181,000 has been set aside as an allowance at September 30, 2001 and 2002, respectively.

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

Notes to Financial Statements (continued)

B. Medicaid

Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. Inpatient services are paid at prospectively determined rates per day. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audit thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 1999. The Hospital's Medicaid cost reports for the years ended September 30, 2003 and 2002 indicate a payable of \$34,651 and \$89,852, respectively. Total cost reports outstanding indicate a net payable of \$79,812 and \$61,608 at September 30, 2003 and 2002. Of the portion which is a receivable, \$34,739 and \$18,597 has been set aside as an allowance at September 30, 2003 and 2002, respectively.

(1) 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, 2003 and 2002, the Hospital had cash and interest-bearing deposits (bank balances) totaling \$2,058,158 and \$1,547,814, respectively.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the banking 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, 2003 and 2002, and the related federal insurance and pledged securities:

| | <u>2003</u> | <u>2002</u> |
|--|---------------------|---------------------|
| Bank balances | <u>\$ 2,218,274</u> | <u>\$ 1,536,867</u> |
| Federal deposit insurance | 375,380 | 567,636 |
| Pledged securities (Category 1) | <u>1,842,692</u> | <u>1,189,211</u> |
| Total federal insurance and pledged securities | <u>\$ 2,218,274</u> | <u>\$ 1,536,867</u> |

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

Notes to Financial Statements (continued)

Pledged securities in Category 3 include uninsured 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 26:1229 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 consist of cash whose use has been limited by the Hospital's Board of Commissioners or by parish ordinance for bond redemption. 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, 2003, and 2002.

| | 2003 | 2002 |
|-----------------------------------|---------------------|---------------------|
| Long-term debt, beginning of year | \$ 2,283,000 | \$ 2,174,000 |
| Debt assumed | - | 234,000 |
| Debt retired | (143,000) | (105,000) |
| Long-term debt, end of year | \$ 2,140,000 | \$ 2,283,000 |

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

Notes to Financial Statements (continued)

Long-term debt as September 30, 2003 and 2002 is comprised of the following:

| | <u>2003</u> | <u>2002</u> |
|---|----------------------------|----------------------------|
| <p><i>General Obligation bonds, dated November 1, 1995; original issue of \$2,150,000; payable in annual installments of \$15,000 to \$191,000 beginning in March 1997; interest paid semiannually at rates of 5.10% to 8.0%. Final maturity in March, 2016; secured by ad valorem taxes.</i></p> | \$ 1,820,000 | \$ 1,910,000 |
| <p><i>Certificates of Indebtedness, dated December 1, 2000; original issue of \$175,000; payable in annual installments of \$20,000 to \$25,000 beginning in March 2001; interest paid semiannually at 5.10%. Final maturity in March, 2008; secured by ad valorem taxes.</i></p> | 115,000 | 115,000 |
| <p><i>Certificates of Indebtedness, dated August 1, 2002; original issue of \$208,000; payable in annual installments of \$21,000 to \$45,000 beginning in March 2003; interest paid semiannually at 4.45%. Final maturity in March, 2008; secured by ad valorem taxes.</i></p> | <u>705,000</u> | <u>238,000</u> |
| Total | 2,140,000 | 2,181,000 |
| Less current portion | <u>(152,000)</u> | <u>(143,000)</u> |
| Long-term portion | <u>\$ 1,988,000</u> | <u>\$ 2,140,000</u> |

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

Notes to Financial Statements (continued)

Scheduled principal payments on long-term debt, including interest payments of \$751,288 and \$870,488, at September 30, 2000 and 2001, respectively are as follows:

| Year Ending September 30, | 2000 | 2001 |
|------------------------------|--------------------|--------------------|
| 2001 | \$ - | \$ 561,781 |
| 2004 | 180,129 | 208,129 |
| 2005 | 158,576 | 158,576 |
| 2006 | 282,348 | 282,349 |
| 2007 | 261,629 | 263,629 |
| 2008 | 281,560 | - |
| 2008-2012 | - | 1,848,189 |
| 2008-2013 | 980,818 | - |
| 2012-2018 | - | 798,715 |
| 2014-2018 | 680,609 | - |
| | <u>\$2,891,298</u> | <u>\$3,113,680</u> |

(6) **Property and Equipment**

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

| | 2000 | 2001 |
|-------------------------------|---------------------|---------------------|
| Land | \$ 24,726 | \$ 24,726 |
| Land improvements | 131,611 | 131,611 |
| Buildings | 319,132 | 319,132 |
| Building improvements | 1,980,218 | 1,980,218 |
| Fixed equipment | 1,132,848 | 869,478 |
| Movable equipment | 451,375 | 451,375 |
| Automobile | 11,267 | 18,748 |
| | <u>4,001,477</u> | <u>3,818,286</u> |
| Less accumulated depreciation | (1,686,162) | (1,478,842) |
| Property and equipment, net | <u>\$ 2,315,315</u> | <u>\$ 2,339,444</u> |

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

Notes to Financial Statements (continued)

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 immaterial 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, 2000 and 2002 was \$242,760 and \$217,380 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 |

(7) Commitments and Contingencies

A. Contracts

In March 1999, the Hospital entered into a hospital emergency care agreement with Corcost Care, Inc. This agreement provides that Corcost Care shall provide physicians to the Hospital for emergency care coverage twenty-four (24) hours per day, all 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 August 2004, the Hospital entered into a management agreement with Lafayette General Medical Center, Inc. (LGMCI). This agreement 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 6, 2004. This agreement can be extended for successive five (5) year terms. Beginning December 1, 2005, the Hospital pays LGMCI \$10,000 per month for management fees.

In October, 2002, the Hospital entered into an agreement with Acton Medical Staffing for respiratory therapy. This agreement provides that Acton Medical Staffing shall provide respiratory therapists/technicians twenty-four (24) hours per day, seven (7) days a week. The Hospital shall provide all necessary supplies and equipment, and compensate the staff. The initial term of this agreement is for a 36 month period, and will renew automatically for one (1) year periods until notice of termination is given.

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

Notes to Financial Statements (continued)

B. Litigation

At September 30, 2003, the Hospital is involved in one lawsuit. However, management feels that this case is covered by insurance; therefore, there should be no additional liability to the Hospital.

(B) 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>2003</u> | <u>2002</u> |
|--|-------------------|-------------------|
| Operating income | \$ 280,338 | \$ 225,048 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation | \$ 243,768 | \$ 227,268 |
| Change in assets and liabilities: | | |
| Accounts receivable – patients | 263,119 | (128,728) |
| Due to/from intermediaries | (194,872) | (15,476) |
| Inventories | 3,810 | (24,865) |
| Prepaid expenses | (2,811) | 1,829 |
| Accounts payable | 102,314 | (71,867) |
| Accrued wages and related withholdings | (81,966) | 66,348 |
| Contracts payable | - | (4,458) |
| Accrued compensated absences | 18,531 | (12) |
| | <u>364,348</u> | <u>(1,876)</u> |
| Net cash provided by operating activities | <u>\$ 644,686</u> | <u>\$ 223,172</u> |

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

Notes to Financial Statements (continued)

(9) New Reporting Model

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." This Statement establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in all prior years will be affected. The Hospital is required to implement this standard for the fiscal year ending September 30, 2004. The Hospital has not yet determined the full impact that adoption of GASB Statement 34 will have on the financial statements.

SUPPLEMENTAL INFORMATION

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

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

| | <u>2001</u> | <u>2000</u> |
|----------------------------------|---------------------|---------------------|
| Patient revenue: | | |
| In-patient revenue | \$ 1,750,393 | \$ 1,699,300 |
| Out-patient revenue | 4,987,151 | 5,327,402 |
| Solely self revenue | <u>1,378,817</u> | <u>1,297,715</u> |
| | <u>8,096,361</u> | <u>8,324,417</u> |
| Deductions from patient revenue: | | |
| Contractual allowances - current | 922,402 | 1,314,900 |
| Contractual allowances - prior | (334,729) | - |
| Discounts | <u>21</u> | <u>168</u> |
| | <u>587,703</u> | <u>1,415,078</u> |
| Net Patient Revenue | <u>\$ 7,508,658</u> | <u>\$ 6,909,339</u> |

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

SCHEDULES OF IN-PATIENT REVENUE
YEARS ENDED SEPTEMBER 30, 2003 AND 2002

| | 2003 | 2002 |
|--------------------------|---------------------|---------------------|
| Routine Services | | |
| Room and board | \$ 480,975 | \$ 566,500 |
| Special Services | | |
| Blood administration | 10,969 | 9,715 |
| Central supply room | 107,118 | 130,349 |
| Electrocardiology | 31,840 | 22,908 |
| Emergency room physician | 65,206 | 67,897 |
| Emergency room | 36,878 | 27,883 |
| Heater monitor | 1,880 | 4,130 |
| Inhalative therapy | 248,819 | 213,694 |
| Laboratory | 234,342 | 261,809 |
| Observation room | 2,880 | 2,893 |
| Occupational therapy | 1,542 | 2,989 |
| Operating room | 890 | 6,768 |
| Pharmacy | 177,669 | 134,887 |
| Physical therapy | 9,120 | 14,482 |
| Radiology | 62,790 | 67,134 |
| Speech therapy | 4,148 | 3,696 |
| Special procedures | 21,483 | 28,138 |
| | <u>\$ 1,773,391</u> | <u>\$ 1,699,303</u> |

HOSPITAL SERVICE DETRACTIONS:
Parish of St. Martin
State of Louisiana

SCHEDULE OF OUTPATIENT REVENUE
YEARS ENDED SEPTEMBER 30, 2000 AND 1999

| | <u>2000</u> | <u>1999</u> |
|--------------------------|---------------------|---------------------|
| Blood administration | \$ 18,918 | \$ 1,888 |
| Central supply | 208,877 | 288,431 |
| Electrocardiology | 62,893 | 84,884 |
| Emergency room (sterile) | 1,228,230 | 1,488,214 |
| Emergency room | 375,299 | 603,787 |
| Isolation therapy | 35,337 | 38,349 |
| Laboratory | 1,472,521 | 1,488,833 |
| Infra monitor | 22,719 | 18,583 |
| Observation room | 7,723 | 13,288 |
| Occupational therapy | 45,836 | 41,836 |
| Operating room | 31,446 | 27,828 |
| Pharmacy | 243,848 | 248,887 |
| Physical therapy | 135,423 | 133,382 |
| Radiology | 645,384 | 688,227 |
| Special procedures | 197,787 | 215,888 |
| Speech therapy | 81,214 | 58,622 |
| | <u>\$ 4,987,133</u> | <u>\$ 5,127,622</u> |

SCHEDULE OF OTHER OPERATING INCOME
YEARS ENDED SEPTEMBER 30, 2000 AND 1999

| | <u>2000</u> | <u>1999</u> |
|------------------------------------|-------------------|------------------|
| Colony's and vending machine sales | \$ 4,500 | \$ 4,333 |
| Sale of medical records | 8,139 | 1,519 |
| Recovery of bad debts | 83,052 | 28,884 |
| Lease payments | <u>18,818</u> | <u>13,881</u> |
| | <u>\$ 114,509</u> | <u>\$ 48,617</u> |

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

SCHEDULES OF SWINGBED REVENUE
YEARS ENDED SEPTEMBER 30, 2005 AND 2002

| | <u>2005</u> | <u>2002</u> |
|--------------------------|---------------------|---------------------|
| Baseline Services | | |
| Room and board | \$ 411,822 | \$ 382,442 |
| Special Services | | |
| Blood administration | 680 | 375 |
| Central supply room | 63,596 | 65,123 |
| Electrocardiology | 2,693 | 2,794 |
| Emergency room physician | 972 | 972 |
| Hoist monitor | 298 | 295 |
| Inhalation therapy | 262,723 | 223,768 |
| Laboratory | 131,153 | 102,571 |
| Pharmacy | 191,333 | 168,099 |
| Physical therapy | 99,718 | 81,889 |
| Occupational therapy | 35,808 | 25,047 |
| Radiology | 23,244 | 18,132 |
| Speech therapy | 1,362 | 15,422 |
| Ultrasound | 7,818 | 5,185 |
| | <u>\$ 1,378,412</u> | <u>\$ 1,292,717</u> |

HOSPITAL SERVICES DISTRICT NO. 1
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 | \$ 2,042 | \$ 18,734 | \$ 711 | \$ 2,499 |
| Central supply | - | 140,732 | - | 231,090 |
| Endoscopy | - | 1,285 | - | 410 |
| Emergency room physicians | 798,334 | - | 331,040 | - |
| Emergency room | 284,349 | 28,661 | 289,136 | 18,840 |
| Filter monitor | - | 2,270 | - | 4,305 |
| Inhalation therapy | - | 247,294 | - | 284,178 |
| Laboratory | 178,281 | 128,883 | 178,442 | 136,560 |
| Medical records | 44,743 | 21,757 | 32,211 | 22,448 |
| Nuclear medicine | - | 228,080 | - | 236,930 |
| Nursing services | 948,027 | 98,162 | 828,497 | 93,130 |
| Operating room | 2,289 | 568 | 2,696 | 327 |
| Pharmacy | 102,483 | 123,186 | 78,648 | 107,407 |
| Rehabilitation | - | 192,888 | - | 178,293 |
| Radiology | 111,872 | 42,678 | 128,298 | 28,632 |
| | <u>\$ 1,812,358</u> | <u>\$ 1,685,006</u> | <u>\$ 1,267,701</u> | <u>\$ 1,248,493</u> |

HOSPITAL-SERVICE DISTRICT NO. 2
Parish of St. Landry
State of Louisiana

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
YEARS ENDED SEPTEMBER 30, 2003 AND 2002

| | 2003 | | 2002 | |
|------------------------------|-------------------|---------------------------|-------------------|---------------------------|
| | Personal Services | Supplies & Other Expenses | Personal Services | Supplies & Other Expenses |
| Administrative | \$ 492,928 | \$ 481,464 | \$ 326,983 | \$ 338,776 |
| Credit and collections | - | 31,560 | - | 29,764 |
| Dietary | 137,726 | 33,090 | 189,842 | 63,780 |
| Employee benefits | - | 13,885 | - | 106,479 |
| Housekeeping | 148,333 | 26,790 | 144,212 | 34,956 |
| Insurance | - | 148,411 | - | 141,136 |
| Laundry and linen | - | 33,480 | - | 31,648 |
| Maintenance | 49,002 | 184,999 | 33,986 | 163,111 |
| Telephone and communications | - | 46,107 | - | 43,856 |
| | <u>\$ 796,728</u> | <u>\$ 1,031,196</u> | <u>\$ 615,722</u> | <u>\$ 828,512</u> |

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

SCHEDULES OF COMMISSIONERS, MEETINGS ATTENDED AND COMPENSATION
 YEARS ENDED SEPTEMBER 30, 2001 AND 2002

| Name of Commissioner | 2001 | | 2002 | |
|----------------------|----------|--------------|----------|--------------|
| | Meetings | | Attended | Compensation |
| | Attended | Compensation | | |
| Billy Doherty | 7 | \$ - | 8 | \$ - |
| Lorenza Jacobs, Jr. | 12 | \$ - | 9 | \$ - |
| Robert Laville | 11 | \$ - | 11 | \$ - |
| John G. Martin | 12 | \$ 480 | 11 | \$ 480 |
| Fred Mills, Jr. | 8 | \$ - | 11 | \$ - |

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 03-1 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 those specified parties. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:113, this report is distributed by the Legislative Auditor as a public document.

Kolder, Champagne, Siroen & Company, LLC

Certified Public Accountants

Brown Bridge, Louisiana
November 21, 2005

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

Schedule of Prior and Current Audit Findings and
Management's Corrective Action Plan
Year Ended September 30, 2005

I. Prior Year Findings:

Compliance

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

Internal Control Over Financial Reporting

Item 02.1 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 03-1.

Management Letters Items

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

(continued)

HOSPITAL SERVICE DISTRICT NO. 2
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, 2003

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 81-1: 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. Gaston Dupuis, CEO has determined that it is not cost efficient to achieve complete segregation of duties within the accounting department. No plan is considered necessary.

Management Letters Items

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