

**ST. CHARLES PARISH HOSPITAL  
SERVICE DISTRICT**

**July 31, 2002**

**Audits of Financial Statements**

**July 31, 2002  
and  
July 31, 2001**



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## MANAGEMENT: DISCUSSION AND ANALYSIS

This section of St. Charles Parish Hospital Service District's (the Hospital) annual financial report presents background information and management's analysis of the Hospital's financial performance during the fiscal year that ended July 31, 2002. Please read it in conjunction with the financial statements in this report.

### Financial Highlights

- The Hospital's total assets decreased by approximately \$1,288,000 due to increased estimated uncollectibles and allowances and a decrease in limited assets by Board for construction.
- During the year, the Hospital's total operating revenues increased \$623,927 from prior year. The Hospital had an increase in operating expenses of \$1,609,862.
- The Hospital reduced long-term bonds and certificates of indebtedness by \$1,790,000.
- The Hospital received reimbursement of Uncompensated Care under the State's Medicaid Program in the amount of \$5,296,523.
- The Hospital had its major managed care provider declare bankruptcy

### Required Financial Statements

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

## MANAGEMENT: DISCUSSION AND ANALYSIS

### Financial Analysis of the Hospital

The Balance Sheets and the Statement of Revenue, Expenses, and Changes in Net Assets report information about the Hospital's activities. These two statements report the net assets of the Hospital and changes in them. Increases or decreases in the Hospital's net assets are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

#### *Net Assets*

A Summary of the Hospital's Balance Sheet are presented in Table 1 below:

**TABLE 1**  
**Condensed Balance Sheets**  
**(in thousands)**

	July 31,		Dollar Change	Percentage Change
	2002	2001		
Total Current Assets	\$ 3,841	\$ 4,175	\$ (335)	(8.01) %
Capital Assets – Net	15,192	15,690	(497)	(3.17)
Other Assets, Including Board-Designated Investments	<u>86</u>	<u>542</u>	<u>(456)</u>	<u>(84.11)</u>
Total Assets	<u>\$ 19,119</u>	<u>\$ 20,407</u>	<u>\$ (1,288)</u>	<u>(6.31) %</u>
Current Liabilities	\$ 9,068	\$ 8,409	\$ 659	7.83 %
Long-Term Debt Outstanding and Other Long-Term Liabilities	<u>8,560</u>	<u>10,136</u>	<u>(1,576)</u>	<u>(15.55)</u>
Total Liabilities	17,628	18,545	(917)	(4.94)
Fund Balance	<u>1,491</u>	<u>1,862</u>	<u>(371)</u>	<u>(19.94)</u>
Total Liabilities and Fund Balance	<u>\$ 19,119</u>	<u>\$ 20,407</u>	<u>\$ (1,288)</u>	<u>(6.31) %</u>

As can be seen in Table 1, total assets decreased by \$1,288,348 to \$19,119,075 in fiscal year 2002. The fiscal year 2001 saw total assets increase by \$114,787. The change in total net assets results primarily from non-operating interest expense and operating losses in the current year.

## MANAGEMENT: DISCUSSION AND ANALYSIS

### *Summary of Revenue, Expenses and Changes in Net Assets*

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

	Years Ended	
	March 31,	
	2002	2001
Net Patient Service Revenue	\$ 14,353	\$ 13,855
Other Revenue, Net	<u>5,891</u>	<u>5,765</u>
Total Operating Revenue	<u>20,244</u>	<u>19,620</u>
Salaries and Employee Benefits	9,092	8,063
Supplies and Other	5,589	5,789
Provision for Bad Debts	3,061	2,787
Purchased Services	2,865	2,645
Depreciation and Amortization	1,338	1,230
Employee Benefits	<u>1,126</u>	<u>948</u>
Total Operating Expenses	<u>23,071</u>	<u>21,462</u>
Loss From Operations	(2,827)	(1,842)
Nonoperating Income	<u>2,456</u>	<u>2,305</u>
Expenses in Excess of Revenues	(371)	463
Fund Balance – Beginning of Year	<u>1,862</u>	<u>1,399</u>
Fund Balance – End of Year	<u>\$ 1,491</u>	<u>\$ 1,862</u>

### *Sources of Revenue*

#### *Operating Revenue*

During fiscal year 2002, the Hospital derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payors, who receive care in the Hospital's facilities. Reimbursement for the Medicare and Medicaid programs and the third-party payors is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other Operating Revenue is primarily comprised of reimbursement for Uncompensated Care under the State's Medicaid program.

## MANAGEMENT: DISCUSSION AND ANALYSIS

Table 3 present the relative percentages of gross charges billed for patient services by payor for the fiscal years ended July 31, 2002 and 2001.

**TABLE 3**  
**Payor Mix by Percentage**

	Year Ended July 31,	
	<u>2002</u>	<u>2001</u>
Managed Care	21%	19%
Medicare	14	20
Medicare HMO	20	20
Medicaid	13	11
Self-Pay and Other	<u>32</u>	<u>30</u>
Total Patient Revenues	<u>100%</u>	<u>100%</u>

### *Nonoperating Income*

The Hospital holds designated and restricted funds in its Balance Sheets that are invested primarily in money market funds. These investments earned \$36,946 during the year 2002. These earnings were less than earning in prior years due to changes in interest rates and market conditions of the economy.

### **Operating and Financial Performance**

The following summarizes the Hospital's Statements of Revenue, Expenses and Changes in Net Assets between 2002 and 2001:

Overall activity at the Hospital, as measured by combined acute patient and psychiatric patient discharges, increased to 1,922 discharges in 2002 from 1,827 discharges in 2001. Combined patient days increased from 9,625 in 2001 to 10,015 in 2002. As a result, the average length of stay for acute care patients was 4.4 days and psychiatric patients 6.8 days.

Total net patient service revenue increased \$497,845 in 2002 although the average length of stay for acute care patients remained very near the same in 2002 as compared to 2001. The increase in net patient service revenues is directly related to an increase in outpatient revenues during 2002.

During fiscal year 2002, the Hospital's major managed care provider declared bankruptcy. The receivables directly related to services covered by this company amount to approximately \$1,100,000 and remain as part of the Hospital's accounts receivable at this time. Management has focused resources on reducing the unbilled and billed balances in all other patient accounts receivable. As a result, days in accounts receivable decreased from 63 days to 61 days.

## MANAGEMENT: DISCUSSION AND ANALYSIS

Salaries increased by \$1,029,109 from the prior year. This increase is a direct result of required market adjustments in salaries for the year to remain competitive in the industry. Employee benefits have also increased primarily due to the increased usage of the Hospital's self-insured medical insurance plan.

The cost of supplies and materials was reduced by \$199,931 particularly for patient medical supplies and pharmacy drugs. This reduction occurred due to a change in buying groups and taking advantage of available volume discounts.

Depreciation expense exceeded the investment of capital back into the Hospital compared to the prior year. Interest expenses decreased by \$166,195 for the year ended July 31, 2002 as a direct result of the reduced costs of borrowing monies.

Provision for bad debts increased \$274,444 over prior year due to the mix of patient accounts receivable.

Nonoperating income consists of Ad Valorem taxes received for maintenance and operation of the hospital and debt services and interest earnings on funds. Nonoperating income increased from the prior year due to the fact that the cost to borrow money was lower in the current year than in the previous year monies.

### Capital Assets

The Hospital's capital assets activities are included in Table 4 below:

**TABLE 4**  
**Capital Assets**  
**(In Thousands)**

	July 31,		Dollar Change	Percentage Change
	2002	2001		
Building and Improvements	\$ 14,768	\$ 14,746	\$ 22	.01 %
Equipment	10,608	9,881	727	7.36
Vehicles	<u>367</u>	<u>354</u>	<u>13</u>	<u>3.67</u>
Subtotal	25,743	24,981	762	3.05
Less Accumulated Depreciation and Amortization	10,930	9,671	1,259	13.01
Land	<u>380</u>	<u>380</u>	<u>-</u>	<u>-</u>
Net Property, Plant and Equipment	<u>\$ 15,193</u>	<u>\$ 15,690</u>	<u>\$ (497)</u>	<u>(3.17) %</u>

Net property, plant and equipment has decreased, for the year ended July 31, 2002, as Depreciation and Amortization exceeded the investment of capital back into the Hospital.



## **MANAGEMENT: DISCUSSION AND ANALYSIS**

### **Long-Term Debt**

At year-end, the Hospital had \$12,870,000 in short-term and long-term debt. This has decreased by \$1,665,000 in fiscal year 2002, which was the amount of principal payments on outstanding debt for the fiscal year. More detailed information about the Hospital's long-term liabilities is presented in the notes to basic financial statements. No new long-term debt was incurred in the current year.

### **Contracting the Hospital's Financial Manager**

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

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

Independent Auditor's Report

We have audited the accompanying general purpose financial statements of **ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT** (Hospital), a component unit of the St. Charles Parish Council, as of and for the years ended July 31, 2002 and 2001, 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 **ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT** as of July 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note A to the general purpose financial statements, effective August 1, 2001, the Hospital adopted Government Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and No. 38, *Certain Financial Statement Note Disclosures*.

The management's discussion and analysis on pages i through vi are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have issued our report dated April 15, 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.

A handwritten signature in black ink, reading "Sabate, Leibel, Long & Neal". The signature is written in a cursive, flowing style.

A Professional Accounting Corporation

April 15, 2003

**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT  
BALANCE SHEETS**

**ASSETS**

	July 31,	
	2002	2001
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 57,216	\$ 4,298
Accounts Receivable (Net of Estimated Uncollectibles and Allowances of \$3,423,068 for 2002 and \$3,023,677 for 2001)	1,748,655	2,244,219
Other Receivables	-	27,535
Assets Whose Use is Limited	1,243,596	1,210,726
Inventory	708,649	609,170
Prepaid Expenses	82,546	79,336
	<u>3,840,662</u>	<u>4,175,284</u>
<b>ASSETS WHOSE USE IS LIMITED</b>		
By Board for Indenture Reserves	1,243,596	1,210,726
By Board for Construction	804	456,941
	<u>1,244,400</u>	<u>1,667,667</u>
Less: Amounts Required to Meet Current Obligations	1,243,596	1,210,726
	<u>804</u>	<u>456,941</u>
	<u>15,192,209</u>	<u>15,689,798</u>
<b>PROPERTY, PLANT AND EQUIPMENT, NET</b>		
<b>OTHER ASSETS</b>		
Goodwill	85,000	85,000
Deposits	400	400
	<u>85,400</u>	<u>85,400</u>
	<u>\$ 19,119,075</u>	<u>\$ 20,407,423</u>

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

## LIABILITIES AND FUND BALANCE

	July 31,	
	<u>2002</u>	<u>2001</u>
<b>CURRENT LIABILITIES</b>		
Current Maturities of Bonds and Certificates of Indebtedness	\$ 5,290,000	\$ 5,165,000
Accounts Payable	1,916,301	1,598,874
Estimated Third-Party Settlements	345,409	442,755
Accrued Salaries and Benefits	1,003,039	836,979
Accrued Interest Payable	294,772	332,953
Notes Payable	74,813	29,547
Cash Overdraft	139,526	-
Other Accrued Expenses	4,142	3,104
	<u>9,068,002</u>	<u>8,409,212</u>
Total Current Liabilities		
<b>LONG-TERM LIABILITIES</b>		
Bonds and Certificates of Indebtedness	7,580,000	9,370,000
Estimated Retroactive Adjustments - Third-Party Payors	750,000	750,000
Notes Payable	229,925	15,646
	<u>8,559,925</u>	<u>10,135,646</u>
Total Long-Term Liabilities		
<b>FUND BALANCE</b>	<u>1,491,148</u>	<u>1,862,565</u>
Total Liabilities and Fund Balance	<u>\$ 19,119,075</u>	<u>\$ 20,407,423</u>

**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT  
STATEMENTS OF OPERATIONS**

	For The Years Ended	
	July 31,	
	<u>2002</u>	<u>2001</u>
<b>NET PATIENT SERVICE REVENUE</b>	\$ 14,352,946	\$ 13,855,101
<b>OTHER OPERATING REVENUE</b>	<u>5,890,992</u>	<u>5,764,910</u>
Total Revenue	<u>20,243,938</u>	<u>19,620,011</u>
<b>OPERATING EXPENSES</b>		
Salaries and Wages	9,092,267	8,063,158
Supplies and Other	5,589,071	5,789,002
Provision for Bad Debts	3,061,123	2,786,679
Purchased Services	2,864,545	2,644,617
Depreciation and Amortization	1,338,346	1,230,345
Employee Benefits	<u>1,125,964</u>	<u>947,653</u>
Total Expenses	<u>23,071,316</u>	<u>21,461,454</u>
Loss from Operations	<u>(2,827,378)</u>	<u>(1,841,443)</u>
<b>NON-OPERATING INCOME (EXPENSE)</b>		
Ad Valorem Taxes - Maintenance	1,662,948	1,705,232
Ad Valorem Taxes - Debt Service	1,549,180	1,474,644
Interest Expense	(754,556)	(920,751)
Interest Income	36,946	71,696
Deficiency in Net Assets - Services Corporation	<u>(38,557)</u>	<u>(26,142)</u>
Non-Operating Gains, Net	<u>2,455,961</u>	<u>2,304,679</u>
<b>(EXPENSES IN EXCESS OF REVENUES)</b>		
<b>REVENUES IN EXCESS OF EXPENSES</b>	<u>\$ (371,417)</u>	<u>\$ 463,236</u>

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

**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT  
STATEMENTS OF CHANGES IN FUND BALANCE**

	For The Years Ended	
	July 31,	
	2002	2001
<b>BALANCE, Beginning of Year</b>	\$ 1,862,565	\$ 1,399,329
(Expenses in Excess of Revenues) Revenues In Excess of Expenses	(371,417)	463,236
<b>BALANCE, End of Year</b>	\$ 1,491,148	\$ 1,862,565

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

**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT  
STATEMENTS OF CASH FLOWS**

	For The Years Ended July 31,	
	2002	2001
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Revenue Collected	\$ 17,705,914	\$ 16,560,811
Cash Payments to Employees and for Employee-Related Costs	(10,052,171)	(8,972,945)
Cash Payments for Operating Expenses	(8,195,660)	(9,198,890)
Net Cash Used In Operating Activities	(541,917)	(1,611,024)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Ad Valorem Taxes - Maintenance	1,662,948	1,705,232
Ad Valorem Taxes - Debt Service	1,549,180	1,474,644
Net Cash Provided by Noncapital Financing Activities	3,212,128	3,179,876
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of Property, Plant and Equipment	(840,757)	(794,544)
Proceeds from Issuance of Certificates of Indebtedness	3,500,000	4,800,000
Principal Payments on General Obligation Bonds	(1,145,000)	(1,080,000)
Principal Payments on Certificates of Indebtedness	(4,020,000)	(2,970,000)
Interest Paid on Debt Obligations	(792,737)	(952,657)
Proceeds from Issuance of Notes Payable	259,509	-
Principal Payments on Notes Payable	(54,902)	(30,344)
Proceeds from Issuance of Capital Lease Obligations	58,408	-
Principal Payments Under Capital Lease Obligations	(3,470)	(300,485)
Net Cash Used in Capital and Related Financing Activities	(3,038,949)	(1,328,030)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Income	36,946	71,696
Deficiency in Net Assets - Services Corporation	(38,557)	(26,142)
Cash Withdrawn from (Invested in) Assets Whose Use is Limited	423,267	(282,078)
Net Cash Provided by (Used in) Investing Activities	421,656	(236,524)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	52,918	4,298
<b>CASH AND CASH EQUIVALENTS - BEGINNING OP YEAR</b>	4,298	-
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 57,216	\$ 4,298

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



**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT**  
**STATEMENTS OF CASH FLOWS (Continued)**

	For The Years Ended	
	July 31,	
	2002	2001
<b>RECONCILIATION OF LOSS FROM OPERATIONS</b>		
<b>TO NET CASH USED IN OPERATIONS</b>		
Operating Loss	\$ (2,827,378)	\$ (1,841,443)
Interest Expense Considered Capital Financing Activity		
Cash Provided by Operating Activities:		
Depreciation and Amortization	1,338,346	1,230,345
Provision for Doubtful Accounts	3,061,123	2,786,679
Estimated Retroactive Adjustment - Third-Party Payor	-	750,000
Changes In:		
Increase in Accounts Receivable	(2,565,559)	(3,031,665)
(Increase) Decrease in Inventory	(99,479)	62,980
Increase in Prepaid Expenses	(3,210)	(54,671)
(Decrease) Increase in Estimated Third Party Payor Settlements	(97,346)	78,489
Decrease (Increase) in Other Receivables	27,535	(27,535)
Increase (Decrease) in Accounts Payable	317,427	(1,287,265)
Increase in Accrued Salaries and Benefits	166,060	37,866
Increase (Decrease) in Cash Overdraft	139,526	(315,772)
Increase in Other Accrued Expenses	1,038	968
Net Cash Used In Operating Activities	\$ (541,917)	\$ (1,611,024)

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

**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE A**

**DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**REPORTING ENTITY**

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

**ST. CHARLES HOSPITAL SERVICES CORPORATION** (Corporation) is a not-for-profit entity providing clinical services to inmates at the parish jail. Although the Corporation is legally separate from the Hospital, the Corporation is reported as if it were a part of the Hospital due to their having the same governing body as the Hospital. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, the operations of the Corporation, for the year ended July 31, 2002 and for the period from its inception of March 21, 2001 through July 31, 2001, have been blended into the Hospital's financial statements.

**ACCOUNTING STANDARDS**

The financial statements of the Hospital have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Pursuant to GASB Statement No. 20, *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 or contradict GASB pronouncements.

**CASH AND CASH EQUIVALENTS**

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

**ASSETS WHOSE USE IS LIMITED**

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

**INVENTORY**

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

**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE A**

**DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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. The Corporation also uses the accrual method.

**INVESTMENTS**

Trading securities, if any, which include any security held for near-term sale, are carried at fair market value. Gains and losses on trading securities, both realized and unrealized, are included in non-operating income.

Available-for-sale securities, if any, which include any security for which the Hospital has no immediate plan to sell, but which may be sold in the future, are carried at fair value. Realized gains and losses, based on the specific identification method, are included in non-operating income. Unrealized gains and losses are recorded in fund balance. Premiums and discounts are amortized and accreted, respectively, to interest income using the interest method over the period of maturity.

Held-to-maturity securities, if any, which include any debt security for which the Hospital has the positive intent and ability to hold until maturity, are carried at historical cost adjusted for amortization of premiums and accretion of discounts. Premiums and discounts are amortized and accreted, respectively, to interest income using the interest method over the period to maturity.

Interest and dividends on investments in debt and equity securities are included in non-operating income when earned.

**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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**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 are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

**NON-DIRECT RESPONSE ADVERTISING**

The Hospital expenses advertising costs as incurred.

**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE A**

**DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**RISK MANAGEMENT**

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

The Hospital is a member of two separate trust funds established by the Louisiana Hospital Association that encompasses self-insurance of (1) Hospital professional liability and comprehensive general liability and (2) Statutory workers' compensation. The Hospital continues to carry commercial insurance for all other risks of loss.

**STATEMENTS OF OPERATIONS**

For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as other income and expense.

**TRADE RECEIVABLES**

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

**NOTE B**

**NET PATIENT SERVICE REVENUE**

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

Medicare – Inpatient and outpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient non-acute services 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 July 31, 1999.

Medicaid – Inpatient care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per day. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through July 31, 1999.

**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE B**

**NET PATIENT SERVICE REVENUE (Continued)**

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

**NOTE C**

**CONCENTRATIONS OF CREDIT RISK**

The Hospital grants credit without collateral to its patients, most of whom are residents of St. Charles Parish and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows as of July 31, 2002 and 2001:

	<u>2002</u>	<u>2001</u>
Medicare	36%	41%
Medicaid	16%	13%
Commercial	24%	17%
Private Pay Patients	<u>24%</u>	<u>29%</u>
	<u>100%</u>	<u>100%</u>

**NOTE D**

**CHARITY CARE/HILL-BURTON UNCOMPENSATED SERVICE AND COMMUNITY SERVICE OBLIGATIONS**

The Hospital does not provide for charity care upon the admission of a patient. It is only after services have been provided, and a patient claims that he cannot make payment on his account that the Hospital may consider forgiveness of the debt under its charity policy.

As a result of the Parish receiving a federal Hill-Burton Program Grant, the Hospital is required to provide a volume of uncompensated services to patients who are unable to pay for their medical care. As of July 31, 2002, the Hospital had yet to fulfill its requirement for free care. This deficit must be reduced through providing uncompensated services to indigent patients through its year ended July 31, 2003. Additionally, the grant requires the Hospital to provide certain community services.

For the years ended July 31, 2002 and 2001, the Hospital wrote off a combined \$951,995 and \$494,269, respectively, of free care against gross revenue.

**NOTE E**

**BANK DEPOSITS**

Cash deposits with financial institutions, which include cash balances whose use is limited or restricted, amounted to \$872,951 and \$1,667,667 as of July 31, 2002 and 2001. These balances were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the Hospital's name.

**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE F**

**ASSETS WHOSE USE IS LIMITED**

Assets whose use is limited that are required for obligations classified as current liabilities are reported in current assets. The composition of assets, whose use is limited at July 31, 2002 and 2001, is set forth in the following table. Investments are stated at fair value.

	July 31,	
	2002	2001
By Board for Construction		
Cash and Cash Equivalents	\$ 804	\$ 456,941
Under Indenture Agreements		
Cash and Cash Equivalents	419,724	385,096
Certificates of Deposit	823,872	825,630
	1,243,596	1,210,726
	\$ 1,244,400	\$ 1,667,667

**NOTE G**

**PROPERTY, PLANT AND EQUIPMENT**

Major classifications of property, plant and equipment for the years ended July 31, 2002 and 2001 is summarized below:

	2002	2001
Building and Improvements	\$ 14,767,732	\$ 14,746,020
Equipment	10,607,616	9,881,193
Vehicles	367,610	354,102
	25,742,958	24,981,315
Less: Accumulated Depreciation	10,930,346	9,671,114
Total Buildings and Equipment	14,812,612	15,310,201
Land	379,597	379,597
Property, Plant and Equipment, Net	\$ 15,192,209	\$ 15,689,798

Depreciation charged to income totaled \$1,338,346 and \$1,230,345 for the years ended July 31, 2002 and 2001.

Plant and equipment acquisitions are recorded at cost. The Hospital's policy is to record acquisitions over \$5,000. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed on the straight-line method.

**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE G**

**PROPERTY, PLANT AND EQUIPMENT**

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

Interest cost incurred on borrowed funds during the period of construction or the outright purchase of capital assets is capitalized as a component of the cost of acquiring those assets. Interest earned on these same borrowed funds offset the interest cost incurred and capitalized.

**NOTE H**

**BONDS AND CERTIFICATES OF INDEBTEDNESS**

On November 28, 1990, the Hospital adopted a resolution issuing \$1,470,000 of General Obligation Bonds, Series 1990 A, and \$280,000 of General Obligation Bonds (Taxable), Series 1990 B dated September 1, 1990, payable from the pledge of unlimited Ad Valorem taxes approved by an election held on May 5, 1990 for the purpose of expanding the Hospital facilities. The bonds mature in 2005. Interest is payable on September 1 and March 1, each year. The average interest rate is 7.75%. The balance owed on the bonds is \$670,000 at July 31, 2002, and was \$870,000 at July 31, 2001.

On April 22, 1992, the Hospital adopted a resolution issuing \$4,925,000 of General Obligation Bonds, Series 1992 A and \$1,200,000 of General Obligation Bonds (Taxable), Series 1992 B, payable from the pledge of unlimited Ad Valorem taxes approved by an election held April 11, 1992 for the purpose of expanding the Hospital facilities. The bonds mature in 2007. Interest is payable on September 1 and March 1, each year. The average interest rate is 7.10%. The balance owed on the bonds is \$3,430,000 at July 31, 2002, and was \$3,890,000 at July 31, 2001.

On January 28, 1998, the Hospital adopted a resolution issuing \$2,550,000 of Certificates of Indebtedness, Series 1999, dated March 10, 1998, payable from the pledge of limited Ad Valorem taxes approved by an election held November 15, 1997 for the purpose of constructing and/or improving hospital facilities and acquiring the necessary equipment and furnishings therefor, and for refunding the outstanding Certificates of Indebtedness, Series 1991. The bonds mature in 2006. Interest is payable on September 1, and March 1, each year. The average interest rate is 4.60%. The balance owed on the bonds is \$1,420,000 at July 31, 2002, and was \$1,725,000 at July 31, 2001.

On January 28, 1998, the Hospital adopted a resolution issuing \$4,565,000 of General Obligation Bonds, Series 1998, payable from the pledge of unlimited Ad Valorem taxes approved by an election held November 15, 1997 for the purpose of constructing and acquiring buildings, machinery and equipment, including both real and personal property, to be used in providing hospital facilities. The bonds mature in 2007. Interest is payable on September 1, and March 1, each year. The average interest rate is 5.125%. The balance owed on the bonds is \$2,765,000 at July 31, 2002, and was \$3,250,000 at July 31, 2001.

**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE H**

**BONDS AND CERTIFICATES OF INDEBTEDNESS (Continued)**

On January 8, 2001, the Hospital adopted a resolution issuing \$1,000,000 of Certificates of Indebtedness, Series 2001, payable from the pledge of revenues of said District for the purpose of paying the current expenses of the District for the calendar year 2001. The interest rate is 6%. The obligation was paid in full as of July 31, 2002. The balance owed on the obligation at July 31, 2001 was \$1,000,000.

On January 31, 2001, the Hospital adopted a resolution issuing \$1,700,000 of Certificates of Indebtedness, Series 2001, payable from the pledge of revenues of said District for the purpose of paying the current expenses of the District for the calendar year 2001. The bonds mature in 2002. The interest rate is 6%. The obligation was paid in full as of July 31, 2002. The balance owed on the obligation was \$1,700,000 as of July 31, 2001.

On March 28, 2001, the Hospital adopted a resolution issuing \$800,000 of Certificates of Indebtedness, Series 2001, payable from the pledge of revenues of said District for the purpose of paying the current expenses of the District for the calendar year 2001. The bonds mature in 2002. The interest rate is 6%. The obligation was paid in full as of July 31, 2002. The balance owed on the obligation was \$800,000 as of July 31, 2001.

On May 30, 2001, the Hospital adopted a resolution issuing \$1,300,000 of Certificates of Indebtedness, Series 2001, payable from the pledge of limited Ad Valorem taxes approved by an election held November 15, 1997, for the purpose of constructing and maintaining hospital facilities within said District. The bonds mature in March 2006. Interest is payable on March 1 and September 1, each year. The interest rate is 6%. The balance owed on the bonds is \$1,085,000 at July 31, 2002, and was \$1,300,000 at July 31, 2001.

On January 8, 2002, the Hospital adopted a resolution issuing \$3,500,000 of Certificates of Indebtedness, Series 2002, payable from the pledge of revenues of said District for the purpose of paying the current expenses of the District for the calendar year 2002. The bonds mature in 2003. The interest rate is 4.95%. The balance owed on the obligation is \$3,500,000 at July 31, 2002.

Scheduled principal repayments on long-term debt as of July 31, 2002, are as follows:

2003	\$ 5,290,000
2004	1,900,000
2005	2,010,000
2006	2,135,000
2007	<u>1,535,000</u>
	<u>\$ 12,870,000</u>



**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE I**

**NOTES PAYABLE**

During the year ended July 31, 2000, the Hospital borrowed funds for the acquisition of E. Banerjee, M.D., Professional Medical Corporation. The loan originated in the amount of \$85,000, and is repayable in 36 monthly installments totaling \$2,685, per month including interest at 8.5%. The loan is secured by a promissory note. The balance of the note at July 31, 2002 is \$15,648. The balance outstanding at July 31, 2001 was \$45,193.

During the year ended July 31, 2002, the Hospital borrowed funds for the acquisition of equipment. The loan originated in the amount of \$259,509, and is repayable in 60 monthly installments totaling \$5,245 per month, including interest at 7.75%. The loan is secured by equipment. The balance of the note at July 31, 2002 is \$234,152.

During the year ended July 31, 2002, the Hospital borrowed funds for the acquisition of computer equipment under capital lease. The amount of equipment acquired totaled \$58,408, and is repayable in 60 monthly installments totaling \$1,464 per month, including interest at 9.80%. The loan is secured by equipment. Amortization charged to income totaled \$5,841 for the year ending July 31, 2002. The balance on the note at July 31, 2002 is \$54,939.

Scheduled maturities of these loans, as of July 31, 2002, are as follows:

2003	\$	74,813
2004		64,150
2005		69,613
2006		71,823
2007		<u>24,339</u>
		<u>\$ 304,738</u>

**NOTE J**

**PENSIONS**

Substantially all employees of the Hospital are members of the Parochial Employees' Retirement System of Louisiana (System), a cost sharing, multiple-employer public employee retirement system, controlled and administered by a separate board of trustees.

The System provides retirement and disability benefits, annual costs of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by state statute. The Parochial Employees' Retirement System of Louisiana issues a publicly available financial report that includes financial information and required supplementary information for the System. That report may be obtained by writing to Thomas B. Sims, CFA, Administrative Director, P.O. Box 14619, Baton Rouge, LA 70898-4619, or by calling 225-928-1361.

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

**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE J**

**PENSIONS (Continued)**

Retirement contributions totaled \$517,303 and \$425,337 for the years ended July 31, 2002 and 2001, respectively.

**NOTE K**

**INCOME TAXES**

The Hospital is a governmental unit which has registered as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code, and is exempt from Federal income taxes on related income pursuant to Section 501(a) of the Code.

**NOTE L**

**COMMITMENTS**

**CAPITAL LEASES**

The Hospital is lessee of medical equipment under capital lease originally expiring in April, 2006. The assets associated with these capital leases are recorded at the lower of the present value of the minimum lease payments or fair value of the asset. The assets are depreciated over the lower of their related lease terms or their estimated productive lives. Depreciation of assets under leases is included in depreciation expense for the years ended July 31, 2002 and 2001.

**OPERATING LEASES**

The Hospital also leases, on a month-to-month basis, medical and office equipment under operating lease agreements. Lease expense totaled \$132,145 and \$230,645 for the years ended July 31, 2002 and 2001.

**PURCHASE AGREEMENTS**

The Hospital entered into a contract with Baxter Healthcare to purchase infusion equipment. The term of the equipment is three years, through the year ending July 31, 2003, with an annual purchase commitment of \$365 for 2003.

During the fiscal year ended July 31, 2002, the Hospital entered into a long-term purchase contract with Beckman Coulter for the purchase of equipment and reagents. The term of the contract is five years, through the year ending July 31, 2007, and it requires the Hospital to purchase annual minimum supplies of \$11,134.

**EMPLOYMENT CONTRACTS**

The Hospital has an employment contract with its CEO. The term of the contract extends through 2003. The Hospital is contractually obligated to pay this contract as follows:

Year Ended  
July 31,

2003

\$ 135,480

**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE L**

**COMMITMENTS (Continued)**

**MANAGEMENT CONTRACTS**

The Hospital has a management contract with Efficient Management Company, Inc. with terms through May 2005 to manage the Hospital's psychiatric unit. The Hospital is contractually obligated to pay this company an annual total of at least \$120,000, but not more than \$520,000, as dictated by certain revenue factors.

**DEFERRED COMPENSATION PLAN**

The Hospital offers to its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all Hospital employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants and their beneficiaries, and the benefits may not be diverted to any other use.

It is the opinion of Hospital management that the Hospital has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

**NOTE N**

**RECLASSIFICATIONS**

Certain reclassifications of previously reported amounts have been made to conform with the 2002 presentation. Such reclassifications had no effect on fund balances.

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

Independent Auditor's Report  
on Supplementary Information

Our report on our audit of the general purpose financial statements of **ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT** for the years ended July 31, 2002 and 2001 appears on page 1. The audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information shown on pages 19 - 34 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. 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.



A Professional Accounting Corporation

April 15, 2003

**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT  
SCHEDULES OF NET PATIENT SERVICE REVENUES**

	For The Years Ended	
	July 31,	
	2002	2001
<b>PATIENT SERVICE REVENUES</b>		
Laboratory	\$ 4,966,066	\$ 3,884,250
Psychiatric Unit	3,505,517	2,961,825
Emergency Room	3,433,168	3,016,145
Pharmacy	2,931,510	3,054,459
Radiology	2,050,358	1,700,255
Operating Room	1,689,727	1,530,414
Routine Med/Surg	1,612,572	1,423,105
Ambulance	1,454,696	1,369,810
CT Scanner	1,397,612	1,111,337
ICU	941,500	956,806
Central Supply	920,665	859,923
Inhalation Therapy	708,286	821,527
Rehabilitation	534,512	439,388
Anesthesia	476,906	621,330
MRI	462,510	448,405
EKG	292,399	258,872
Pediatric Corner	215,673	-
Dialysis	197,120	177,100
Cardiac	174,481	182,879
Recovery Room	167,993	155,764
Same Day Surgery	125,301	80,495
Blood Bank	106,689	46,768
Occupational Therapy	66,070	68,717
Special Procedures	56,661	174,208
Oncology	49,818	121,000
Speech Therapy	49,325	36,600
Work Rehab/Industrial Outreach	23,508	15,286
Neurology	21,057	13,792
Parish Jail Clinic	40	100,572
Pain Management	-	100
	28,631,740	25,631,132
Total	28,631,740	25,631,132
Less: Contractual Adjustments	14,278,794	11,776,031
Net Patient Service Revenue	\$ 14,352,946	\$ 13,855,101

See independent auditor's report on supplementary information.

**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT  
SCHEDULES OF OTHER OPERATING REVENUES**

	For The Years Ended July 31,	
	2002	2001
<b>OTHER OPERATING REVENUE</b>		
Disproportionate Share Revenue	\$ 5,296,523	\$ 5,306,219
Other	441,910	312,323
Cafeteria Sales	102,220	94,295
Rental Income	50,339	52,073
Total Other Operating Revenue	\$ 5,890,992	\$ 5,764,910

See independent auditor's report on supplementary information.

**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT  
SCHEDULES OF OPERATING EXPENSES - IN TOTAL BY DEPARTMENT**

	For The Years Ended	
	July 31,	
	2002	2001
<b>NURSING SERVICES</b>		
Med/Surg	\$ 1,059,702	\$ 945,376
Intensive Care Unit	638,961	606,638
	1,698,663	1,552,014
<b>OTHER PROFESSIONAL SERVICES</b>		
Psychiatric Unit	1,837,948	1,760,356
Emergency Room	1,730,555	1,617,452
Surgical Services	1,104,759	1,180,911
Laboratory	1,124,133	1,103,487
Radiology	1,185,345	1,013,081
Pharmacy	681,866	854,146
EMS	760,559	683,248
Rehab Services	494,725	456,104
Anesthesia	380,308	355,030
Respiratory Care	281,186	289,099
House Supervisors	218,833	215,106
Home Health	191,138	-
Dialysis	124,290	122,290
POU	101,650	100,395
Jail Clinic	11,952	96,464
Cardiac Rehab	89,174	79,154
East Bank Clinic	23,327	25,230
IV/Oncology	21,645	22,770
	10,363,393	9,974,323

See independent auditor's report on supplementary information.

**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT**  
**SCHEDULES OF OPERATING EXPENSES - IN TOTAL BY DEPARTMENT (Continued)**

	For The Years Ended	
	July 31,	
	2002	2001
<b>GENERAL SERVICES</b>		
Plant Operations	853,611	841,671
Food Service	513,754	480,072
Houskeeping	490,750	408,533
Medical Records (Health Information Management)	309,550	287,546
Admitting	302,850	246,690
Materials Management	247,252	171,629
Quality Management	76,480	81,412
	2,794,247	2,517,553
<b>FISCAL SERVICES</b>		
Business Services	501,612	500,617
Data Processing	204,271	223,862
Accounting	188,465	116,061
	894,348	840,540
<b>ADMINISTRATIVE SERVICES</b>		
Administration	1,854,529	1,826,876
Professional Development	706,770	359,967
Human Resources	148,600	160,850
Marketing/Patient Relations	80,428	105,395
Education	100,052	80,327
Volunteer Services	30,817	26,585
	2,921,196	2,560,000
	18,671,847	17,444,430
<b>DEPRECIATION AND AMORTIZATION</b>	1,338,346	1,230,345
<b>PROVISION FOR BAD DEBTS</b>	3,061,123	2,786,679
	\$ 23,071,316	\$ 21,461,454

See independent auditor's report on supplementary information.



**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT  
SCHEDULES OF SALARIES BY DEPARTMENT**

	For The Years Ended	
	July 31,	
	2002	2001
<b>NURSING SERVICES</b>		
Med/Surg	\$ 701,340	\$ 690,987
Intensive Care Unit	495,053	476,671
	1,196,393	1,167,658
<b>OTHER PROFESSIONAL SERVICES</b>		
Psychiatric Unit	1,025,159	834,210
Radiology	606,816	475,469
Emergency Room	582,217	536,398
EMS	565,465	501,659
Laboratory	464,071	415,056
Surgical Services	435,945	403,403
Rehab Services	380,840	363,317
Anesthesia	245,752	225,656
Respiratory Care	229,879	217,301
House Supervisors	193,244	191,776
Pharmacy	160,058	127,115
Home Health	113,017	-
Dialysis	95,173	89,632
POU	84,295	85,000
Cardiac Rehab	71,304	64,782
IV/Oncology	17,702	17,046
Jail Clinic	11,801	85,207
	5,282,738	4,633,027

See independent auditor's report on supplementary information.

**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT  
SCHEDULES OF SALARIES BY DEPARTMENT (Continued)**

	For The Years Ended	
	July 31,	
	<u>2002</u>	<u>2001</u>
<b>GENERAL SERVICES</b>		
Admitting	251,460	208,191
Medical Records (Health Information Management)	250,925	219,131
Housekeeping	230,781	201,529
Food Service	219,270	190,675
Plant Operations	156,853	147,223
Materials Management	109,831	89,306
Quality Management	61,090	64,705
	<u>1,280,210</u>	<u>1,120,760</u>
<b>FISCAL SERVICES</b>		
Business Services	289,634	299,979
Accounting	159,857	98,554
Data Processing	113,092	103,542
	<u>562,583</u>	<u>502,075</u>
<b>ADMINISTRATIVE SERVICES</b>		
Professional Development	307,466	202,006
Administration	285,475	240,452
Human Resources	81,742	98,691
Education	70,474	63,723
Volunteer Services	25,186	21,761
Marketing/Patient Relations	-	13,005
	<u>770,343</u>	<u>639,638</u>
	<u>\$ 9,092,267</u>	<u>\$ 8,063,158</u>

See independent auditor's report on supplementary information.

**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT  
SCHEDULES OF EMPLOYEE BENEFITS BY DEPARTMENT**

	For The Years Ended	
	July 31,	
	<u>2002</u>	<u>2001</u>
<b>NURSING SERVICES</b>		
Med/Surg	\$ 89,115	\$ 82,828
Intensive Care Unit	<u>61,754</u>	<u>56,509</u>
	<u>150,869</u>	<u>139,337</u>
<b>OTHER PROFESSIONAL SERVICES</b>		
Psychiatric Unit	127,358	100,130
Radiology	75,028	57,896
Emergency Room	72,036	63,850
EMS	67,379	60,497
Laboratory	57,094	50,649
Surgical Services	56,705	47,922
Rehab Services	53,475	43,354
Anesthesia	29,887	26,830
Respiratory Care	28,945	25,789
House Supervisors	25,198	22,890
Pharmacy	21,400	15,080
Dialysis	11,681	10,647
POU	10,523	10,253
Cardiac Rehab	8,673	7,781
IV/Oncology	2,173	2,046
Jail Clinic	<u>-</u>	<u>10,090</u>
	<u>647,555</u>	<u>555,704</u>

See independent auditor's report on supplementary information.

**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT**  
**SCHEDULES OF EMPLOYEE BENEFITS BY DEPARTMENT (Continued)**

	For The Years Ended	
	July 31,	
	2002	2001
<b>GENERAL SERVICES</b>		
Medical Records (Health Information Management)	31,925	26,044
Admitting	29,868	24,158
Housekeeping	28,133	24,041
Food Service	26,875	22,580
Plant Operations	19,840	17,546
Materials Management	13,096	10,382
Quality Management	7,729	7,672
	157,466	132,423
<b>FISCAL SERVICES</b>		
Business Services	37,275	36,575
Accounting	19,422	10,998
Data Processing	13,531	12,282
	70,228	59,855
<b>ADMINISTRATIVE SERVICES</b>		
Professional Development	37,179	24,567
Administration	35,196	12,718
Education	13,550	7,379
Human Resources	10,405	11,475
Volunteer Services	3,516	2,607
Marketing/Patient Relations	-	1,588
	99,846	60,334
	\$ 1,125,964	\$ 947,653

See independent auditor's report on supplementary information.

**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT  
SCHEDULES OF PURCHASED SERVICES BY DEPARTMENT**

	For The Years Ended	
	July 31,	
	2002	2001
<b>NURSING SERVICES</b>		
Med/Surg	\$ 150,304	\$ 32,840
Intensive Care Unit	25,144	17,229
	175,448	50,069
<b>OTHER PROFESSIONAL SERVICES</b>		
Emergency Room	972,094	940,219
Psychiatric Unit	621,459	766,000
Anesthesia	76,850	77,632
Home Health	68,144	-
Radiology	51,882	37,630
Rehab Services	41,861	30,416
Surgical Services	30,000	30,585
East Bank Clinic	4,351	1,080
Laboratory	3,000	3,000
EMS	760	360
POU	652	-
	1,871,053	1,886,922
<b>GENERAL SERVICES</b>		
Housekeeping	37,957	31,924
Food Service	14,325	14,680
Materials Management	5,096	5,626
Plant Operations	4,236	761
Medical Records (Health Information Management)	190	-
Quality Management	-	5,255
	61,804	58,246

See independent auditor's report on supplementary information.

**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT**  
**SCHEDULES OF PURCHASED SERVICES BY DEPARTMENT (Continued)**

	For The Years Ended July 31,	
	2002	2001
<b>FISCAL SERVICES</b>		
Business Services	20,705	24,895
Data Processing	4,584	5,055
Accounting	-	377
	25,289	30,327
 <b>ADMINISTRATIVE SERVICES</b>		
Administration	651,489	569,937
Professional Development	77,862	49,116
Education	1,600	-
	730,951	619,053
	\$ 2,864,545	\$ 2,644,617

See independent auditor's report on supplementary information.

**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT  
SCHEDULES OF SUPPLIES AND OTHER EXPENSES BY DEPARTMENT**

	For The Years Ended	
	July 31,	
	2002	2001
<b>NURSING SERVICES</b>		
Med/Surg	\$ 118,943	\$ 138,721
Intensive Care Unit	57,010	56,229
	175,953	194,950
<b>OTHER PROFESSIONAL SERVICES</b>		
Laboratory	599,968	634,782
Surgical Services	582,109	699,001
Pharmacy	500,408	711,951
Radiology	451,619	442,086
EMS	126,955	120,732
Emergency Room	104,208	76,985
Psychiatric Unit	63,972	60,016
Anesthesia	27,819	24,912
Respiratory Care	22,362	46,009
East Bank Clinic	18,976	24,150
Rehab Services	18,549	19,017
Dialysis	17,436	22,011
Home Health	9,977	-
Cardiac Rehab	9,197	6,591
POU	6,180	5,142
IV/Oncology	1,770	3,678
House Supervisors	391	440
Jail Clinic	151	1,167
	2,562,047	2,898,670

See independent auditor's report on supplementary information.

**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT**  
**SCHEDULES OF SUPPLIES AND OTHER EXPENSES BY DEPARTMENT (Continued)**

	For The Years Ended	
	July 31,	
	2002	2001
<b>GENERAL SERVICES</b>		
Plant Operations	672,682	676,141
Food Service	253,284	252,137
Housekeeping	193,879	151,039
Materials Management	119,229	66,315
Medical Records (Health Information Management)	26,510	42,371
Admitting	21,522	14,341.00
Quality Management	7,661	3,780
	1,294,767	1,206,124
<b>FISCAL SERVICES</b>		
Business Services	153,998	139,168
Data Processing	73,064	102,983
Accounting	9,186	6,129.00
	236,248	248,280
<b>ADMINISTRATIVE SERVICES</b>		
Administration	882,369	1,003,769
Professional Development	284,263	84,278
Marketing/Patient Relations	80,428	90,802
Human Resources	56,453	50,684
Education	14,428	9,225
Volunteer Services	2,115	2,220
	1,320,056	1,240,978
	\$ 5,589,071	\$ 5,789,002

See independent auditor's report on supplementary information.



**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT  
SCHEDULE OF BONDS AND CERTIFICATES OF INDEBTEDNESS**

	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds		Outstanding
						Authorized	Retired	
Certificates of Indebtedness, Series 1998	4.45% to 4.75%					<u>\$ 2,550,000</u>	<u>\$ 1,130,000</u>	<u>\$ 1,420,000</u>
		9/1/2002	\$ 33,476					
		3/1/2003	33,476	3/1/2003	\$ 325,000			
		9/1/2003	25,920					
		3/1/2004	25,920	3/1/2004	345,000			
		9/1/2004	17,812					
		3/1/2005	17,812	3/1/2005	365,000			
		9/1/2005	9,144					
		3/1/2006	9,144	3/1/2006	385,000			
Certificate of Indebtedness, Series 2001	6.00%	3/1/2002	65,866	3/1/2002	1,000,000	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>-</u>
Certificate of Indebtedness, Series 2001	6.00%	3/1/2002	108,709	3/1/2002	1,700,000	<u>\$ 1,700,000</u>	<u>\$ 1,700,000</u>	<u>-</u>
Certificate of Indebtedness, Series 2001	6.00%	3/1/2002	45,533	3/1/2002	800,000	<u>\$ 800,000</u>	<u>\$ 800,000</u>	<u>-</u>
Certificate of Indebtedness, Series 2001	6.00%	9/1/2002	32,550					1,085,000
		3/1/2003	32,550	3/1/2003	250,000			
		9/1/2003	25,050					
		3/1/2004	25,050	3/1/2004	265,000			
		9/1/2004	17,100					
		3/1/2005	17,100	3/1/2005	275,000			
		9/1/2005	8,850					
		3/1/2006	8,850	3/1/2006	295,000			
Certificate of Indebtedness, Series 2002	4.95%	2/1/2003	189,613	2/1/2003	3,500,000	<u>\$ 3,500,000</u>	<u>\$ -</u>	<u>\$ 3,500,000</u>

See independent auditor's report on supplementary information.

**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT  
SCHEDULE OF BONDS AND CERTIFICATES OF INDEBTEDNESS**

	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds			
						Authorized	Issued	Retired	Outstanding
General Obligation Bonds, Series 1990 A	6.50% to 6.70%	9/1/2002	18,459			\$ 1,470,000	\$ 1,470,000	\$ 915,000	\$ 555,000
		3/1/2003	18,459	3/1/2003	175,000				
		9/1/2003	12,684						
		3/1/2004	12,684	3/1/2004	185,000				
		9/1/2004	6,532						
		3/1/2005	6,532	3/1/2005	195,000				
General Obligation Bonds, Series 1990 B	9.00%	9/1/2002	5,175			\$ 280,000	\$ 280,000	\$ 165,000	115,000
		3/1/2003	5,175	3/1/2003	35,000				
		9/1/2003	3,600						
		3/1/2004	3,600	3/1/2004	40,000				
		9/1/2004	1,800						
		3/1/2005	1,800	3/1/2005	40,000				
General Obligation Bonds, Series 1992 A	4.00% to 5.20%	9/1/2002	66,155			\$ 4,925,000	\$ 4,925,000	\$ 2,290,000	2,635,000
		3/1/2003	66,155	3/1/2003	390,000				
		9/1/2003	55,430						
		3/1/2004	55,430	3/1/2004	410,000				
		9/1/2004	43,950						
		3/1/2005	43,950	3/1/2005	440,000				
		9/1/2005	31,300						
		3/1/2006	31,300	3/1/2006	680,000				
		9/1/2006	14,300						
		3/1/2007	14,300	3/1/2007	715,000				

See independent auditor's report on supplementary information.

**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT  
SCHEDULE OF BONDS AND CERTIFICATES OF INDEBTEDNESS**

Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds			
					Authorized	Issued	Retired	
8.00% to 9.00%					<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>	<u>\$ 405,000</u>	<u>795,000</u>
	General Obligation Bonds, Series 1992 B							
		9/1/2002	31,800					
		3/1/2003	31,800	3/1/2003	110,000			
		9/1/2003	27,400					
		3/1/2004	27,400	3/1/2004	125,000			
		9/1/2004	22,400					
		3/1/2005	22,400	3/1/2005	140,000			
		9/1/2005	16,800					
		3/1/2006	16,800	3/1/2006	195,000			
	9/1/2006	9,000						
	3/1/2007	9,000	3/1/2007	225,000				
					<u>\$ 4,565,000</u>	<u>\$ 4,565,000</u>	<u>\$ 1,800,000</u>	<u>2,765,000</u>
4.125% to 5.125%								
General Obligation Bonds, Series 1998								
	9/1/2002	57,028						
	3/1/2003	57,028	3/1/2003	505,000				
	9/1/2003	46,612						
	3/1/2004	46,612	3/1/2004	530,000				
	9/1/2004	35,681						
	3/1/2005	35,681	3/1/2005	555,000				
	9/1/2005	24,234						
	3/1/2006	24,234	3/1/2006	580,000				
	9/1/2006	12,272						
	3/1/2007	12,272	3/1/2007	595,000				
	Total Interest	<u>\$ 1,614,641</u>				Total Principal		<u>\$ 12,870,000</u>
	Due Within One Year	678,899				Due Within One Year		\$ 5,290,000
	Long-Term	<u>935,742</u>				Long-Term		<u>7,580,000</u>
	Total	<u>\$ 1,614,641</u>				Total		<u>\$ 12,870,000</u>

See independent auditor's report on supplementary information.

**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT**  
**SCHEDULE OF BOARD OF COMMISSIONERS**  
**For The Year Ended July 31, 2002**

	<u>Number of Meetings Attended</u>	<u>Total Per Diem Paid</u>
Thomas Cheramie	12	\$ 480
Betty Portera	9	\$ 360
Kathleen Landry	11	\$ 440
Thomas D. Lorio	13	\$ 520
Kenyatta Weber	10	\$ 400

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

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

We have audited the general purpose financial statements of **ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT** (Hospital) as of and for the year ended July 31, 2002, and have issued our report thereon dated April 15, 2003. 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 Hospital'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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as item 2002-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hospital'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 one 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 the Hospital's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

The reportable condition is described in the accompanying schedule of findings and questioned costs as items 2002-2.

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 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 believe the reportable conditions described above are material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners, management and the Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties.



A Professional Accounting Corporation

April 15, 2003

**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT  
SCHEDULE OF CURRENT AUDIT FINDINGS  
For the Year Ended July 31, 2002**

**COMPLIANCE WITH LAWS AND REGULATIONS**

Finding 2002-1

*Condition:* The Hospital was unable to file its annual audit in accordance with LSA-RS 24:514, 33:463, and/or 39:92.

*Recommendation:* The primary cause of the untimely filing was the discovery of alleged fraud by an employee within the Hospital's Payroll Department. Upon discovery, all action needed to complete the audit was postponed until after a full investigation was made and provided to the St. Charles Parish District Attorney and Sheriff's Office. Further delays were created due to scheduling conflicts with the Independent Auditor given their role in the investigation. The Legislative Auditor's office was kept abreast of the events of the alleged fraud during the Hospital's investigation and the effect that this would have on the filing of the audit. There is no recommendation for curing this late filing.

*Current Status:* The audit reports are being filed under the timeframe with which the Legislative Auditor's office was notified.

**INTERNAL CONTROLS OVER FINANCIAL REPORTING**

Finding 2002-2

*Condition:* Within the audit report for the year ended July 31, 2000, it was recommended that the Accounting Department of the Hospital be restructured and that additional employees be hired to enhance the internal controls of the Hospital. During the year ended July 31, 2001, one bookkeeper was hired and certain restructurings were represented as having taken place. During the year ended July 31, 2002, an additional employee was hired to take over the payroll processing function. During the audit for the year ended July 31, 2002, but subsequent to year-end, it was discovered that an employee working within the Accounting Department was using their role within Payroll processing to commit fraud. This employee was in the process of being removed from the Payroll processing function due to the additional resource hired during the year ended July 31, 2002. The employee was terminated from employment and an investigation began. The investigative procedures that followed the initial discovery, indicates alleged fraud against the Hospital by this individual over the past seven years.

**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT  
SCHEDULE OF CURRENT AUDIT FINDINGS (Continued)  
For the Year Ended July 31, 2002**

**INTERNAL CONTROLS OVER FINANCIAL REPORTING (Continued)**

*Recommendation:* We recommend the following:

- That the Hospital contact its software vendor with regards to an update to its Payroll system that would include firewalls and password protection devices that would limit access to various functions within the processing of payroll. With this upgrade, we further recommend:
  - That employees within the Human Resource Department be excluded from having access to the Payroll Processing function.
  - That only those employees within the Human Resource department will have access to the Employee Master files.
  - That only the CFO and her assistant bookkeeper have access to the Bank Reconciliation. Also distribution of the Check Registers will be limited to these two individuals.
  - That the ability to print paychecks will be limited to the Director of Human Resource and the CFO.
  - That the processing of the bi-weekly payroll be limited to the one individual hired for that purpose, and that this person be excluded from access to the employee master file, the check register, the bank reconciliation and the signature stamp
- That the signature plate used for payroll be locked, with control of said lock maintained by the CFO.
- That management generate a formal procedure for distribution of mail. All correspondence from the Internal Revenue Service should be forwarded to the Administrator for further distribution to the CFO.
- That all employees be required to take annual vacations and that their responsibilities be assumed by another employee during their absence.

*Current Status:* The Hospital has purchased the most current release of the payroll component to its software. The Hospital performed its due diligence and insured that the upgraded software has a firewall and provides for limited access to various components through the use of passwords. A meeting was held with the software vendor upon installation of the upgrade to inform them of the above suggested restrictions which were subsequently put into effect. Presently, the Hospital is running parallel payroll systems to insure that the new software is performing as prescribed. The CFO is monitoring the use of the signature stamp and will take control as soon as the Hospital relies completely on the new payroll software. This timing is necessary as a new printer will be used in conjunction with the Hospital relying solely on the new software. The Administrator is in the process of redirecting the delivery of mail so that all correspondence from the Internal Revenue Service is first delivered to him. Finally, Management is in the process of updating its policy on mandatory vacations and the shifting of job responsibilities during vacations.



**ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the Year Ended July 31, 2002**

**INTERNAL CONTROLS OVER FINANCIAL REPORTING**

Finding 2001-1

*Condition:* It was noted that general ledger cash accounts were not being reconciled timely.

*Recommendation:* It was recommended that the Accounting Department of the Hospital be restructured and the addition of one bookkeeper be considered to enhance the Hospital's accounting controls. The Hospital should ensure that its accounting controls are designed to ensure that transactions are executed in accordance with management's authorization, are accurately recorded to permit timely and accurate preparation of financial statements and to maintain accountability of assets. The Hospital should design procedures to ensure that access to assets is only permitted in accordance with management's general or specific authorization, and controls to compare the quoted asset balances periodically with actual asset balances and to investigate any differences.

*Current Status:* The Hospital has reorganized its Accounting Department, hired a bookkeeper, and have consulted on the establishment of a structured format so that the deposit component of the reconciliation process is performed daily. Management has now established the procedures for insuring that all cash accounts are reconciled to the general ledger in accordance with the monthly reporting process.