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HOSPITAL SERVICE DISTRICT NO. 3
d/b/a GUEYDAN GUEST MEMORIAL HOME
Vermilion, Louisiana

Financial Report

Year Ended March 31, 2004

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 9-22-04

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Hospital Service District No. 3
Parish of Vermilion, State of Louisiana
d/b/a Gueydan Memorial Guest Home
Gueydan, Louisiana

We have audited the accompanying financial statements of the Hospital Service District No. 3, Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home, a component unit of the Vermilion Parish Police Jury, as of and for the year ended March 31, 2004. These financial statements are the responsibility of the Hospital Service District No. 3's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hospital Service District No. 3, Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home, as of March 31, 2004, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the basic financial statements, the Hospital Service District No. 3, Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, Statement No. 37, Basic Financial Statements – And Management's Discussion and Analysis – For State and Local Governments: Omnibus, Statement No. 38, Certain Financial Statement Disclosures. This results in a change in the format and content of the basic financial statements.

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In accordance with Government Auditing Standards, we have also issued a report dated August 13, 2004 on our consideration of the Hospital Service Districts No. 3's, Parish of Vermilion, State of Louisiana, d\b\ a Gueydan Memorial Guest Home, 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.

The Hospital Service District No. 3, Parish of Vermilion, State of Louisiana, d\b\ a Gueydan Memorial Guest Home, has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The financial information for the preceding year, which is included for comparative purposes, was taken from the financial report issued by the predecessor auditor in which they expressed an unqualified opinion on the financial statements of the Hospital Service District No. 3, Parish of Vermilion, State of Louisiana, d\b\ a Gueydan Memorial Guest Home.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
August 13, 2004

FINANCIAL STATEMENTS

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME

Statement of Net Assets
March 31, 2004 and 2003

	2004	2003
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 322,441	\$ 589,908
Certificates of deposit	903,058	1,253,699
Receivables:		
Patient, net of uncollectible provisions of \$50,075	282,769	265,083
Ad valorem tax, net of uncollectible provisions of \$2,393	442	1,842
Accrued interest receivable	4,927	12,192
Inventories	29,908	23,791
Prepaid expenses	65,927	55,193
Total current assets		
Restricted assets (restricted to debt retirement):		
Cash and cash equivalents	61,578	46,696
Property, plant and equipment, net of accumulated depreciation		
	2,375,512	2,014,571
Total assets	4,046,562	4,262,975
LIABILITIES		
Current liabilities:		
Accounts payable	166,848	141,525
Retainage payable	16,536	34,809
Accrued interest payable	5,465	6,360
Accrued salaries and expenses	100,394	88,394
Other payables	12,810	12,690
Payable from restricted assets:		
Current maturities of debt	105,000	100,000
Total current liabilities	407,053	383,778
Noncurrent liabilities:		
General obligation bonds payable	505,000	610,000
Total current and noncurrent liabilities	912,053	993,778
NET ASSETS		
Investment in capital assets, net of related debt	1,765,512	1,304,571
Restricted for debt service	140,706	142,449
Unrestricted	1,228,291	1,822,177
Total net assets	\$ 3,134,509	\$3,269,197

The accompanying notes are an integral part of this statement.

HOSPITAL SERVICE DISTRICT NO. 3
 PARISH OF VERMILION, STATE OF LOUISIANA
 D/B/A GUEYDAN MEMORIAL GUEST HOME

Comparative Statement of Revenues, Expenses, and Changes in Net Assets
 For the Years Ended March 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Operating revenues:		
Net patient revenue	\$2,693,647	\$3,159,682
Operating expenses:		
General and administrative	984,704	838,131
Nursing services	744,654	687,996
Housekeeping	100,800	120,289
Dietary	282,299	266,381
Plant operations	335,262	325,268
Laundry	104,908	90,896
Patient activity	47,466	47,983
Consultants	10,626	21,066
Medicare SNF and outpatient	372,513	830,218
Total operating expenses	<u>2,983,232</u>	<u>3,228,228</u>
(Loss) income from operations	<u>(289,585)</u>	<u>(68,546)</u>
Non-operating revenues (expenses):		
Ad valorem tax	140,767	147,605
Intergovernmental transfer fees	4,663	345,073
Interest revenue	22,111	36,671
Donations	4,525	2,742
Miscellaneous	20,099	19,128
Interest expense	(37,268)	(42,193)
Total non-operating revenues (expenses)	<u>154,897</u>	<u>509,026</u>
Net (loss) income	(134,688)	440,480
Net assets, beginning	<u>3,269,197</u>	<u>2,828,717</u>
Net assets, ending	<u>\$3,134,509</u>	<u>\$3,269,197</u>

The accompanying notes are an integral part of this statement.

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME

Comparative Statement of Cash Flows
For the Years Ended March 31, 2004 and 2003

	2004	2003
Cash flows from operating activities:		
Revenue collected	\$ 2,675,963	\$ 3,256,781
Payments to employees and suppliers	(2,837,081)	(3,107,301)
Other receipts	<u>36,552</u>	<u>374,463</u>
Net cash (used) provided by operating activities	<u>(124,566)</u>	<u>523,943</u>
 Cash flows from noncapital and related financing activities:		
Ad valorem tax receipts	<u>142,165</u>	<u>147,224</u>
Net cash provided by noncapital and investing activities	<u>142,165</u>	<u>147,224</u>
 Cash flows from capital and related financing activities:		
Purchases of property and equipment	(505,671)	(267,084)
Principal paid on debt	(100,000)	(90,000)
Interest paid	<u>(37,268)</u>	<u>(42,193)</u>
Net cash used by capital and related financing activities	<u>(642,939)</u>	<u>(399,277)</u>
 Cash flows from investing activities:		
Interest on certificates of deposits	22,111	36,671
Maturity of certificates of deposits	1,253,700	1,318,526
Purchase of certificates of deposits	<u>(903,058)</u>	<u>(1,253,700)</u>
Net cash provided by investing activities	<u>372,753</u>	<u>101,497</u>
 Net (decrease) increase in cash and cash equivalents	<u>(252,587)</u>	<u>373,387</u>
 Cash and cash equivalents, beginning of period	<u>636,604</u>	<u>263,217</u>
 Cash and cash equivalents, end of period	<u>\$ 384,017</u>	<u>\$ 636,604</u>

(continued)

HOSPITAL SERVICE DISTRICT NO.3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME

Comparative Statement of Cash Flows (continued)
For the Years Ended March 31, 2004 and 2003

	2004	2003
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (289,585)	\$ (68,546)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	144,728	135,551
Intergovernmental transfer fees	4,663	345,073
Donations	4,525	2,742
Miscellaneous	20,100	19,128
Changes in current assets and liabilities:		
(Increase) decrease in accounts receivable, net	(17,686)	97,100
(Increase) in prepaid expenses	(10,734)	(10,154)
Decrease in accrued interest receivable	7,265	7,519
(Increase) decrease in inventory	(6,117)	100
Increase (decrease) in accounts payable	25,323	(27,783)
(Decrease) increase in retainage payable	(18,273)	15,932
Increase in accrued expense and other payables	11,225	7,281
Net cash (used) provided by operating activities	\$ (124,566)	\$ 523,943
Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:		
Cash and cash equivalents, beginning of period -		
Cash and cash equivalents - unrestricted	\$ 589,908	\$ 235,423
Cash and cash equivalents - restricted	46,696	27,794
Total cash and cash equivalents	636,604	263,217
Cash and cash equivalents, end of period -		
Cash and cash equivalents - unrestricted	322,441	589,908
Cash and cash equivalents - restricted	61,578	46,696
Total cash and cash equivalents	384,019	636,604
Net (decrease) increase	\$ (252,585)	\$ 373,387

The accompanying notes are an integral part of this statement.

HOSPITAL SERVICE DISTRICT NO. 3
Parish of Vermilion, State of Louisiana
d/b/a Gueydan Memorial Guest Home
Gueydan, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

The Hospital Service District No. 3, Parish of Vermilion, State of Louisiana (District) is a political subdivision of the state created by an ordinance adopted by the Vermilion Parish Police Jury on November 19, 1988. The geographical limits of the District coincide with those of Ward No. 8 of Vermilion Parish. Members of the Board of Commissioners are appointed by the Vermilion Parish Police Jury. The District is operating under the name Gueydan Memorial Guest Home. It operates a 66-bed nursing home that cares for primarily the elderly located in Southwest Louisiana.

The accounting and reporting policies of the Hospital Service District No. 3 conform to accounting principles generally accepted in the United States of America as applicable to governments. Such accounting and reporting procedures also conform to the requirements of the industry audit guide, Audits of State and Local Governmental Units.

A. Reporting Entity

As the governing authority of the parish, for reporting purposes, the Vermilion Parish Police Jury is the financial reporting entity for Vermilion Parish. The financial reporting entity consists of (a) the primary government (Police Jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 and No. 39 established criteria for determining which component units should be considered part of the Vermilion Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body,
and;
 - a. The ability of the police jury to impose its will on that organization and/or;
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.

HOSPITAL SERVICE DISTRICT NO. 3
Parish of Vermilion, State of Louisiana
d/b/a Gueydan Memorial Guest Home
Guedyan, Louisiana

Notes to Financial Statements (Continued)

3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury appoints the District's governing body, Hospital Service District No. 3 was determined to be a component unit of the Vermilion Parish Police Jury, the financial reporting entity. The accompanying component unit financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting.

B. Basis of Presentation

The accompanying basic financial statements of the District have been prepared in conformity with governmental accounting principles generally accepted in the United States of America and, as a governmental entity provides certain disclosures required by the Governmental Accounting Standards Board. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, "Basic Financial Statements and Management's Discussion and Analysis—for State and Local Governments", issued in June 1999. As a result, an entirely new financial presentation format has been implemented.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred, regardless of the timing of the related cash flows.

C. Cash and Interest-Bearing Deposits

Cash and interest-bearing deposits include amounts in demand deposits, interest-bearing demand deposits, and time deposits. They are stated at cost, which approximates market. See Note (2) for other GASB No. 3 Disclosures.

HOSPITAL SERVICE DISTRICT NO. 3
Parish of Vermilion, State of Louisiana
d/b/a Gueydan Memorial Guest Home
Guedyan, Louisiana

Notes to Financial Statements (Continued)

D. Net Patient Service Revenues

The District has agreements with a third-party payer, which includes government programs which the District is paid based upon established charges, the cost of providing services, predetermined diagnosis rates, fixed per diem rates or discounts from established charges. Revenues are recorded at estimated amounts due from patients and third-party payers for the services provided.

Net patient service revenue is reported at estimated amounts realizable from patients, the third-party payer, and other for services rendered. The District provides care to patients even though they are covered by contractual payment arrangements that do not pay full charges or may lack inadequate insurance. As a result, the District is exposed to credit risks. The District manages such risks by providing appropriate allowances. The allowances are evaluated on a regular basis and are based upon management's periodic review of the collectibility of the accounts considering historical experience, the nature and volume of the accounts and the agreement with the prospective third-party payer.

E. Certificates of Deposit

Certificates of deposit are limited by Louisiana Revised Statute (R.S.) 33:2955 and the District's certificates of deposit. If the original maturities of certificates of deposit exceed 90 days, they are classified as certificates of deposit; however, if the original maturities are 90 or fewer days, they are classified as cash equivalents.

F. Inventory

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

G. Prepaid Expense

The District records prepayments, such as insurance, as an asset on the balance sheet and systematically recognizes an expense ratably over the term of the prepayment.

H. Property, plant and equipment

Property, plant and equipment are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income. The District maintains a threshold level of \$500 or more for capitalizing fixed assets.

HOSPITAL SERVICE DISTRICT NO. 3
 Parish of Vermilion, State of Louisiana
 d/b/a Gueydan Memorial Guest Home
 Gueydan, Louisiana

Notes to Financial Statements (Continued)

Depreciation of all exhaustible fixed assets used by the enterprise funds is charged as an expense against operations; and accumulated depreciation is reported on the balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Land	N/A
Building	20-30
Furniture and fixtures	3-20
Capitalized interest	30
Land and building improvements	10-15
Start-up costs	2

The recognition of depreciation begins upon placement of the asset into useful operation.

I. Advertising Expense

Advertising costs, which are principally included in general and administrative expense, are expensed as incurred. Advertising expense was \$2,949 and \$6,359 for the years ended March 31, 2004 and 2003, respectively.

J. Compensated Absences

All full-time employees with one full year of continuous employment with the District earn up to a maximum of 10 days of paid time off. A maximum of 20 days may be carried forward to the succeeding fiscal year.

K. Capitalized Interest

The District capitalizes net interest cost and interest earned as part of cost of construction when material.

L. Statement of Revenue, Expenses and Changes in Net Assets

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

HOSPITAL SERVICE DISTRICT NO. 3
Parish of Vermilion, State of Louisiana
d/b/a Gueydan Memorial Guest Home
Guedyan, Louisiana

Notes to Financial Statements (Continued)

M. Use of Estimates

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

N. Reclassifications

Certain accounts in the prior year financial information have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

O. Change in Accounting Principle

Effective March 31, 2004, the District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. GASB 34 established standards for external financial reporting for all state and local governmental entities, which included a balance sheet or statement of net assets, a statement of revenues, expenditures and changes in net assets, and a statement of cash flows utilizing the direct method of presentation. The statement requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- a. Invested in capital assets, net of related debt – capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted – constraints placed on net assets use imposed by external creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- c. Unrestricted – net assets that do not meet the criteria for “invested in capital assets, net of related debt” or “restricted”.

HOSPITAL SERVICE DISTRICT NO. 3
 Parish of Vermilion, State of Louisiana
 d/b/a Gueydan Memorial Guest Home
 Guedyan, Louisiana

Notes to Financial Statements (Continued)

(2) Cash and Interest-Bearing Deposits

Under state law, the District 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 District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At March 31, 2004, the District has cash and interest-bearing deposits (book balances) totaling \$1,287,077, as follows:

	2004
Demand deposits	\$ 246,098
Savings and certificates of deposits	1,040,979
Total	\$1,287,077

These deposits are stated at cost, which approximates market. Under state law, these deposits, (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at March 31, 2004, are secured as follows:

Bank balances	\$1,307,644
Federal deposit insurance	500,000
Pledged securities (category 3)	807,644
Total	\$1,307,644

Pledged securities in Category 3 includes 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 District's name. Even though the pledged securities are considered uncollateralized (Category 3) Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Sheriff that the fiscal agent has failed to pay deposited funds upon demand.

See Note (1)C for other GASB No. 3 disclosures.

HOSPITAL SERVICE DISTRICT NO. 3
Parish of Vermilion, State of Louisiana
d/b/a Gueydan Memorial Guest Home
Guedyan, Louisiana

Notes to Financial Statements (Continued)

(3) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on November 15 and are actually billed to the taxpayers in December. Billed taxes due by December 31, become delinquent on January 1 of the following year.

Tax revenues are recognized in the year billed.

The taxes are based on assessed values determined by the Tax Assessor of Vermilion Parish and are collected by the Sheriff. The taxes are remitted to the District net of deductions for the pension fund contributions.

For the year ended March 31, 2004, taxes of 7.0 mills were levied on property with net assessed valuations totaling \$20,109,480 and were dedicated to paying debt incurred by the District.

Total taxes levied for the years ending March 31, 2004 and 2003 totaled \$140,767 and \$147,605, respectively. Taxes receivable at March 31, 2004 amounted to \$2,835.

(4) Property, Plant and Equipment

Property, Plant and Equipment activity for the year ended March 31, 2004 was as follows:

<u>Governmental activities:</u>	<u>Balance</u> <u>6/30/2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2004</u>
Land	\$ 41,000	\$ -	\$ -	\$ 41,000
Building	2,430,982	-	-	2,430,982
Furniture and fixtures	587,024	192,897	-	807,794
Start-up costs	56,201	-	-	56,201
Capitalized interest	73,839	-	-	73,839
Land and building improvements	113,690	312,772	-	426,462
Construction in progress	<u>27,873</u>	<u>-</u>	<u>(27,873)</u>	<u>-</u>
	3,330,609	505,669	(27,873)	3,836,278
Less: accumulated depreciation	<u>(1,316,038)</u>	<u>(144,728)</u>	<u>-</u>	<u>(1,460,766)</u>
Property, Plant and Equipment, net	<u>\$2,014,571</u>	<u>\$ 360,941</u>	<u>\$ (27,873)</u>	<u>\$2,375,512</u>

Depreciation expense for the year ended March 31, 2004 was \$144,728.

HOSPITAL SERVICE DISTRICT NO. 3
 Parish of Vermilion, State of Louisiana
 d/b/a Gueydan Memorial Guest Home
 Guedyan, Louisiana

Notes to Financial Statements (Continued)

(5) Changes in Long-Term Debt

The following is a summary of long-term debt for the year ended March 31, 2004:

Long-term bonds payable, April 1, 2003	\$ 710,000
Long-term bonds issued	-
Long-term bonds retired	<u>(100,000)</u>
Long-term bonds payable, March 31, 2004	<u>\$ 610,000</u>

Bonds payable at March 31, 2004, are comprised of the following individual issues:

General Obligation Bonds (G.O. Bonds):

\$1,090,000 General Obligation Refunding Bonds, Series 1997, due in annual installments of \$20,000 to \$140,000 through February 1, 2009; at an interest rate of 5.375% (to be retired from the proceeds of ad valorem taxes).	<u>\$ 610,000</u>
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The bonds are due as follows:

<u>Year Ending March 31,</u>	<u>Principal payments</u>	<u>Interest payments</u>
2004	\$ 105,000	\$ 32,788
2006	115,000	27,144
2007	120,000	20,963
2008	130,000	14,513
2009	<u>140,000</u>	<u>7,525</u>
Totals	<u>\$ 610,000</u>	<u>\$ 102,933</u>

HOSPITAL SERVICE DISTRICT NO. 3
 Parish of Vermilion, State of Louisiana
 d/b/a Gueydan Memorial Guest Home
 Guedyan, Louisiana

Notes to Financial Statements (Continued)

(6) Patient Revenues

Patient revenues for the years ended March 31, 2004 and 2003 consisted of the following:

	2004	2003
Medicaid revenue	\$1,920,279	\$1,868,810
Private pay revenue	78,306	117,113
Medicare revenue	806,088	1,213,975
Medicare contractual adjustment	(111,026)	(40,216)
Net Medicare revenue	695,062	1,173,759
Total patient revenues, net	\$2,693,647	\$3,159,682

Revenues for the years ended March 31, 2004 and 2003 from Medicare programs accounted for approximately 26% and 37%, respectively, of the District's net patient revenues. Revenues from Medicaid programs accounted for 73% and 59%, of net patient revenues for each of the years ending March 31, 2004 and 2003.

(7) Pension Plan

The District established a simple plan under Section 408(p) of the Internal Revenue Code. The plan became effective March 1, 2001 and provides for employees of the District to make salary reduction contributions in each calendar year to the simple IRA established by each employee who meets eligibility requirements. All employees of the District are eligible to participate under the plan except employees who are not reasonably expected to earn \$5,000 during the plan year for which the contribution is to be made. The District agreed to provide matching contributions for the 2004 and 2003 plan years in the amount of the participant's elective deferral not in excess of 3% of such participant's compensation and not to exceed \$6,500. The District made contributions of \$22,216 and \$18,503 for the years ended March 31, 2004 and 2003, respectively.

(8) Concentrations of Credit Risk

At March 31, 2004 and 2003, substantially all of patient receivables and revenues were due from the Medicare and Medicaid programs.

HOSPITAL SERVICE DISTRICT NO. 3
Parish of Vermilion, State of Louisiana
d/b/a Gueydan Memorial Guest Home
Guedyan, Louisiana

Notes to Financial Statements (Continued)

(9) Custody Asset and Liability

The District maintains a bank account for their residents as a service to them. The related assets and liabilities of \$15,828 and \$12,187 for the years ended March 31, 2004 and 2003, respectively, are not included in this report due to its custodial nature.

(10) Contingent Liabilities

Compensated Absences. The District is contingently liable for compensated absences. Compensated absences are nonvesting and are not paid in the event of termination of employment. Accrued compensated absences were \$34,892 and \$34,009 for the years ended March 31, 2004 and 2003, respectively.

Litigation. At June 30, 2004, the District was involved in one lawsuit. The exact amount of the potential loss is unknown and a reasonable estimate cannot be made at March 31, 2004. The District's management is of the opinion that a material unfavorable outcome should be substantially covered by insurance.

(11) Agreement of Collaboration

The District entered into a formal agreement of collaboration to provide \$145,000 to Iberia Comprehensive Community Health Center over a three year period to cover the operating losses of the Health Center. The Health Center will in turn provide two board of directors' seats to the District's representatives to ensure appropriate disbursement of the above stated funding. The District has made payments totaling \$110,000 as of March 31, 2003. The remaining \$35,000 payment that was due to be made in fiscal year ended March 31, 2003 was not made, due to an amendment to the original agreement. As a result of the amendment, the District will now provide the Health Center with a doctor.

(12) Intergovernmental Transfer Program

The District entered into a cooperative endeavor with the State of Louisiana and the Vermilion Parish Police Jury, as authorized by Act No. 143 of the First Extraordinary Session of the Louisiana Legislature of 2000 and Article VII, Section 14(c) of the Louisiana Constitution of 1974, as amended, in order for the Department of Health and Hospitals (DHH) to pay Medicaid Enhancement Pool payments to the District and to provide for funding of the State's Medicaid Trust Fund for the elderly. The agreements call for DHH to deposit the Enhancement Pool payments into the District's Account. The DHH transferred \$4,663 and \$345,073 to the Vermilion Parish Police Jury during the fiscal years ended March 31, 2004 and 2003, respectively. The Vermilion Parish Police Jury transferred to the District \$4,663 and \$345,073, in fiscal years ended March 31, 2004 and 2003, respectively.

HOSPITAL SERVICE DISTRICT NO. 3
Parish of Vermilion, State of Louisiana
d/b/a Gueydan Memorial Guest Home
Guedyan, Louisiana

Notes to Financial Statements (Continued)

(13) Compensation Paid Board of Commissioner

The schedule of compensation paid board of commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. The per diem paid to board members is included in the expenditures of the Enterprise Fund. Each member of the board receives \$80 for each day of attendance at meetings of the board. The schedule of compensation at March 31, 2004 and 2003 are as follows:

	<u>2004</u>	<u>2003</u>
Sean S. Gayle	\$ 960	\$ 960
Nelson Marceaux	800	800
Lester Forman	480	480
Flora Thompson	640	640
Larry Dugas	<u>960</u>	<u>960</u>
Total	<u>\$3,840</u>	<u>\$3,840</u>

COMPLIANCE AND INTERNAL CONTROL

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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

Board of Commissioners
Hospital Service District No. 3
Parish of Vermilion, State of Louisiana
d/b/a Gueydan Memorial Guest Home
Gueydan, Louisiana

We have audited the financial statements of the Hospital Service District No. 3, Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home (the District), a component unit of the Vermilion Parish Police Jury, as of and for the year ended March 31, 2004, and have issued our report thereon dated August 13, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying summary schedule of current and prior year audit findings and corrective action plan as Item 04-1 (IC).

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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 condition described above is a material weakness.

This report is intended solely for the information and use of the Board of Commissioners and management, and Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
August 13, 2004

HOSPITAL SERVICE DISTRICT NO.3
 PARISH OF VERMILION, STATE OF LOUISIANA
 D/B/A GUEYDAN MEMORIAL GUEST HOME

Summary Schedule of Current and Prior Year Audit Findings
 and Corrective Action Plan
 Year Ended March 31, 2004

Ref. No.	Fiscal Year Finding Initially Occurred	Description of finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
CURRENT YEAR (3/31/04) --						
<u>Internal Control:</u>						
04-1(IC)	Unknown	The District did not have adequate segregation of functions within the accounting system.	N/A	Based upon the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.	Craig Hensgens	3/31/2005
PRIOR YEAR (3/31/03)						
<u>Internal Control</u>						
03-1(IC)	3/31/2003	The District is not reconciling the accounts receivable subsidiary ledger to the general ledger on a monthly basis.	Yes	The District will begin reconciling the subsidiary ledger to the general ledger on a monthly basis	Craig Hensgens	3/31/2004