

**LAFOURCHE PARISH HOSPITAL
SERVICE DISTRICT NO. 2
d/b/a
ST. ANNE GENERAL HOSPITAL
RACELAND, LOUISIANA**

**Management's Discussion and Analysis
and
Audit of Financial Statements**

September 30, 2003

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 4.28.04

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LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a
ST. ANNE GENERAL HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of St. Anne General Hospital'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 September 30, 2003. Please read it in conjunction with the financial statements in this report.

Financial Highlights

- During the year, the Hospital's total operating revenues decreased approximately \$575,000 from the prior year.
- The Hospital had a decrease in operating expenses of \$2,107,276.
- The Hospital reduced long-term bonds by \$260,000.
- The Hospital received reimbursement of Uncompensated Care under the State's Medicaid Program in the amount of \$143,691.

Required Financial Statements

The 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 Sheet includes all of the Hospital's assets and liabilities and provides 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 year 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.

Financial Analysis of the Hospital

The Balance Sheet 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Net Assets

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

TABLE 1
Condensed Balance Sheets
(In thousands)

	September 30,		Dollar Change	Percentage Change
	2003	2002		
Total Current Assets	\$ 8,492	\$ 8,183	\$ 309	3.78 %
Capital Assets - Net	6,030	6,493	(463)	(7.13)
Other Assets, Including Board- Designated Investments	<u>5,319</u>	<u>5,312</u>	<u>7</u>	<u>0.13</u>
 Total Assets	 <u>\$ 19,841</u>	 <u>\$ 19,988</u>	 <u>\$ (147)</u>	 <u>(0.74) %</u>
 Current Liabilities	 \$ 2,415	 \$ 2,417	 \$ (2)	 (0.08) %
Long-Term Debt Outstanding and Other Long-Term Liabilities	<u>3,265</u>	<u>3,525</u>	<u>(260)</u>	<u>(7.38)</u>
 Total Liabilities	 5,680	 5,942	 (262)	 (4.41)
 Net Assets	 <u>14,161</u>	 <u>14,046</u>	 <u>115</u>	 <u>0.82</u>
 Total Liabilities and Net Assets	 <u>\$ 19,841</u>	 <u>\$ 19,988</u>	 <u>\$ (147)</u>	 <u>(0.74) %</u>

As can be seen in Table 1, total assets for fiscal year 2003 decreased by approximately \$147,000 to approximately \$19,841,000. The fiscal year 2002 saw total assets decrease by \$1,868,042. The change in total net assets in 2002 resulted primarily from operating losses in that year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary of Revenue, Expenses and Changes in Net Assets

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

	Years Ended	
	September 30,	
	2003	2002
Net Patient Service Revenues	\$ 20,539	\$ 21,436
Other Revenue, Net	<u>918</u>	<u>594</u>
Total Revenues	<u>21,457</u>	<u>22,030</u>
Salaries and Wages	9,002	9,524
Supplies and Other	4,488	4,674
Provision for Bad Debts	718	2,275
Purchased Services	4,158	4,035
Depreciation and Amortization	1,067	1,120
Employee Benefits	<u>2,101</u>	<u>2,013</u>
Total Operating Expenses	<u>21,534</u>	<u>23,641</u>
Loss From Operations	(77)	(1,611)
Non-Operating Revenue	<u>192</u>	<u>255</u>
Excess of Revenues over Expenses	115	(1,356)
Net Assets – Beginning of Year	<u>14,046</u>	<u>15,402</u>
Net Assets – End of Year	<u>\$ 14,161</u>	<u>\$ 14,046</u>

Sources of Revenue

Operating Revenue

During fiscal year 2003, 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 adjustment. Other Operating Revenue is primarily comprised of reimbursement for Uncompensated Care under the State's Medicaid program and reimbursement from Medicare under the cost reporting system. This year's increase of over \$300,000 is primarily due to the recording of a prior year's Medicare cost report.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 3 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended September 30, 2003 and 2002. The large decrease in HMO/PPO was primarily because of the filing of bankruptcy by the Oath.

TABLE 3
Payor Mix by Percentage

	Years Ended September 30,	
	2003	2002
Blue Cross	8 %	7 %
Medicare	46	40
HMO/PPO	18	28
Medicaid	10	8
Private	6	4
Commercial	<u>12</u>	<u>13</u>
Total Patient Revenues	<u>100 %</u>	<u>100 %</u>

Operating and Financial Performance

The following summarizes the Hospital's Statements of Revenue, Expenses and Changes in Net Assets between 2003 and 2002:

Overall activity at the Hospital, as measured by combined acute patient and psychiatric patient discharges, increased to 1,932 discharges in 2003 from 1,924 discharges in 2002. Combined patient days increased from 7,453 in 2002 to 7,603 in 2003. As a result, the average length of stay for acute care patients was 3.1 days and psychiatric patients 7.0 days. Outpatient visits decreased from 25,133 in 2002 to 23,516 in 2003.

Total net patient service revenue decreased \$897,490 in 2003 mostly because of the decrease in outpatient visits.

Salaries decreased by \$522,271 from the prior year. This decrease is a direct result of number of employees, in particular, doctors at the clinics.

The cost of supplies and materials decreased by \$186,338 particularly for patient medical supplies and pharmacy drugs.

Depreciation expense exceeded the investment of capital back into the Hospital. Interest expenses decreased by \$21,406 for the year as a direct result of the reduced costs of borrowing monies and a reduced balance in principal.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Provision for bad debts decreased \$1,556,365 over prior year due to the mix of patient accounts receivable, and the writing off of the Oath in the previous year.

Nonoperating income consists of Ad Valorem taxes received for maintenance and operation of the hospital and interest earnings on funds. Non-Operating income decreased from the prior year due to the fact that interest income on investments was lower in the current year than in the previous year.

Capital Assets

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

TABLE 4
Capital Assets
(In Thousands)

	September 30,		Dollar Change	Percentage Change
	2003	2002		
Building and Improvements	\$ 10,184	\$ 10,151	\$ 33	- %
Equipment	10,740	10,620	120	1.1
Construction in Progress	<u>544</u>	<u>118</u>	<u>426</u>	<u>361.0</u>
Subtotal	21,468	20,889	579	2.80 %
Less: Accumulated Depreciation and Amortization	15,779	14,737	1,042	7.1
Land	<u>341</u>	<u>341</u>	<u>-</u>	<u>-</u>
Net Property, Plant and Equipment	<u>\$ 6,030</u>	<u>\$ 6,493</u>	<u>\$ (463)</u>	<u>(0.74) %</u>

Net property, plant and equipment has decreased for the year ended September 30, 2003, as Depreciation and Amortization exceeded the investment of capital back into the Hospital.

Construction in Progress is for the new Emergency Room expected to be completed in the first quarter of 2004.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-Term Debt

At September 30, 2003, the Hospital had \$3,265,000 in long-term debt compared to \$3,525,000 at September 30, 2002. This decrease of \$260,000 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 financial statements. No new long-term debt was incurred in the current year.

Contacting 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 at 985-537-6841 or visit our website at www.stannegeneral.com.



LAPORTE SEHRT
ROMIG HAND
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Commissioners
Lafourche Parish Hospital Service District No. 2
d/b/a **St. Anne General Hospital**
Raceland, Louisiana

Independent Auditor's Report

We have audited the accompanying financial statements of **LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2, d/b/a ST. ANNE GENERAL HOSPITAL**, a component unit of the Lafourche Parish Council, as of and for the year ended September 30, 2003, as listed in the table of contents. These financial statements are the responsibility of **LAFOURCHE PARISH SERVICE DISTRICT NO. 2, d/b/a ST. ANNE GENERAL HOSPITAL'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.

As stated in Note O to the financial statements, effective October 1, 2002, **LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2, d/b/a ST. ANNE GENERAL HOSPITAL** adopted Governmental 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*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2, d/b/a ST. ANNE GENERAL HOSPITAL** as of September 30, 2003, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2004 on our consideration of **LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2, d/b/a ST. ANNE GENERAL 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.

Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied limited procedures, consisting primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.



A Professional Accounting Corporation

January 9, 2004

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a
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BALANCE SHEET
September 30, 2003

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 1,831,007
Assets Whose Use is Limited	260,000
Patient Accounts Receivable, Net of Estimated Uncollectibles of \$2,227,877	4,759,139
Inventory Supplies - at Cost	535,138
Prepaid Expenses	101,349
Other	285,746
Estimated Third Party Payor Settlements	<u>720,000</u>
 Total Current Assets	 <u>8,492,379</u>

ASSETS WHOSE USE IS LIMITED

Board-Designated Plant, Equipment, and Expansion Fund	5,022,774
Under Indenture Agreement	<u>172,853</u>
	5,195,627

Less: Amounts Required to Meet Current Obligations (260,000)

Noncurrent Assets Whose Use is Limited 4,935,627

CAPITAL ASSETS, NET 6,030,253

OTHER ASSETS

Investment in Bayou Labs of Louisiana	319,426
Unamortized Bond Issue Costs	<u>64,242</u>
 Total Other Assets	 <u>383,668</u>

Total Assets \$ 19,841,927

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

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Current Maturities of Bonds Payable	\$ 260,000
Accounts Payable	714,710
Accrued Expenses	<u>1,441,216</u>
Total Current Liabilities	<u>2,415,926</u>

LONG-TERM LIABILITIES, NET OF CURRENT MATURITIES

Bonds Payable	<u>3,265,000</u>
Total Long-Term Liabilities	<u>3,265,000</u>

NET ASSETS

Unrestricted Net Assets	11,482,895
Invested in Capital Assets, Net of Related Debt	2,505,253
Restricted Net Assets	<u>172,853</u>
Total Net Assets	<u>14,161,001</u>

Total Liabilities and Net Assets \$ 19,841,927

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2

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STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For The Year Ended September 30, 2003

NET PATIENT SERVICE REVENUE	\$ 20,538,596
OTHER OPERATING REVENUE	918,018
Total Revenues	<u>21,456,614</u>
OPERATING EXPENSES	
Salaries and Wages	9,001,631
Employee Benefits	2,100,919
Purchased Services	4,157,841
Supplies and Other	4,432,903
Depreciation and Amortization	1,066,904
Provision for Bad Debts	718,244
Other Operating Expenses	<u>55,210</u>
Total Expenses	<u>21,533,652</u>
Loss from Operations	<u>(77,038)</u>
NON-OPERATING REVENUES	
Investment in Earnings of LLC	10,000
Gain on Sale of Auto	2,699
Investment Income - Plant Fund	56,562
Interest Revenue - Operating Fund	21,893
Interest Revenue - Debt Service Fund	30,613
Interest Expense	(47,768)
Tax Proceeds - Operating Fund	<u>117,857</u>
Non-Operating Revenues	<u>191,856</u>
EXCESS OF REVENUES OVER EXPENSES	114,818
NET ASSETS AT BEGINNING OF YEAR	<u>14,046,183</u>
NET ASSETS AT END OF YEAR	<u>\$ 14,161,001</u>

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

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2

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STATEMENT OF CASH FLOWS
For The Year Ended September 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts From Patients and Third-Party Payors	\$ 19,882,577
Payments To Suppliers	(8,366,672)
Payments To Employees	<u>(11,042,083)</u>
Net Cash Provided By Operating Activities	<u>473,822</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Ad Valorem Taxes	<u>117,857</u>
Net Cash Provided By Non-Capital Financing Activities	<u>117,857</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	129,837
Distributions of Earnings from Bayou Labs of Louisiana	200,000
Increase in Assets Whose Use is Limited	<u>(202,123)</u>
Net Cash Provided by Investing Activities	<u>127,714</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING	
ACTIVITIES	
Purchases of Capital Assets	(172,862)
Interest Paid on Debt Obligations	(68,538)
Capital Expenditures Related to Construction in Progress	(426,091)
Proceeds from Disposal of Asset	2,699
Repayment of Bonds	(260,000)
Payment of Capital Lease Obligations	<u>(59,321)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(984,113)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(264,720)</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,095,727</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,831,007</u>

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

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2

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STATEMENT OF CASH FLOWS (Continued)

For The Year Ended September 30, 2003

**RECONCILIATION LOSS FROM OPERATIONS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Loss From Operations	\$ (77,038)
Adjustments to Reconcile Loss from Operations to Net Cash Provided by Operating Activities	
Amortization of Bond Costs	4,848
Depreciation	1,062,056
Provision for Bad Debts	718,244
(Increase) in Net Accounts Receivable	(526,874)
(Increase) in Estimated Third-Party Payor Settlements	(1,001,797)
(Increase) in Other Current Assets	(103,955)
Decrease in Inventory	31,496
Decrease in Prepaid Expenses	27,090
Increase in Accounts Payable	267,606
Increase in Accrued Expenses	<u>72,146</u>
Net Cash Provided By Operating Activities	<u>\$ 473,822</u>

**SUPPLEMENTAL DISCLOSURES OF NON-CASH
FINANCING AND INVESTING ACTIVITIES**

Equity Earnings in Bayou Labs Investment	<u>\$ 10,000</u>
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The accompanying notes are an integral part of these financial statements.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2

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**ST. ANNE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS**

NOTE A

DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2, d/b/a ST. ANNE GENERAL HOSPITAL (Hospital), is an acute care facility created pursuant to Louisiana Revised Statutes.

The administration of the Hospital is governed by a Board of Commissioners consisting of five members appointed by the Lafourche Parish Council in accordance with the terms of office set forth in Louisiana Revised Statute 46:1053 and in Section 24:300 (C) of Sub-Chapter "G" of the Code of Ordinance of the Lafourche Parish Council.

As the governing authority of the parish, for reporting purposes, the Lafourche Parish Council is the financial reporting entity for Lafourche Parish. The financial reporting entity consists of (a) the primary government (Council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the 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.

GASB Statement No. 14 established criteria for determining which component units should be considered part of the reporting entity for financial reporting purposes. The 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 Council to impose its will on that organization and/or
 - b. The potentials for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the Council does not appoint a voting majority but is fiscally dependent on the Council.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

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**ST. ANNE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS**

NOTE A

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

REPORTING ENTITY (Continued)

Because the Council appoints all of the members of the Hospital's governing board and has the ability to impose its will on the Hospital, the Hospital was determined to be a component unit of the Lafourche Parish Council. The accompanying general purpose financial statements present information only on the funds maintained by the Hospital and do not present information on the police jury, the general government services provided by that government unit, or the other governmental units that comprise the financial reporting entity.

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 Governmental Accounting Standards Board (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 a maturity 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.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2
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NOTES TO FINANCIAL STATEMENTS

NOTE A

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

NET ASSETS

Net assets represent the difference between assets and liabilities. Net asset classifications are defined as follows:

Net Assets Invested in Capital Assets, Net of Related Debt - Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds.

Restricted Net Assets - Net assets are reported as restricted when there are limitations imposed on their use either through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets - This component of net assets consists of constraints placed on net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt," as described above.

The Hospital first applies restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted net assets are available.

COSTS OF BORROWING

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Interest earned on these same borrowed funds, before the funds are spent on the construction of the capital assets, is also capitalized.

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.

USE OF ESTIMATES

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

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2

d/b/a

**ST. ANNE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS**

NOTE A

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

NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. 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.

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 risk of loss.

COMPENSATED ABSENCES

Employees of the Hospital are entitled to paid time off depending on their length of service and other factors. Accrued compensated absences included as a component of Accrued Salaries and Benefits on the Hospital's Balance Sheet was \$226,608 as of September 30, 2003.

STATEMENT OF REVENUES, 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 operating revenues and expenses. Peripheral or incidental transactions are reported as other income and expense.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a
ST. ANNE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

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

Outpatient services were paid via cost reimbursement methodologies, fee schedule limitations, or cost/fee blending methodologies before August 1, 2000. After August 1, 2000, cost-based and cost/fee blending reimbursed services are paid at predetermined outpatient rates, subject to certain stop-loss provisions referred to by Medicare as the transitional corridor. The transitional corridor will limit potential reductions in reimbursement caused by the implementation of the outpatient prospective payment system through 2003. Cost reimbursed outpatient services were paid at a tentative rate, with final settlement determined after submission of annual cost reports by the Hospital and audits performed thereof by the Medicare fiscal intermediary. Outpatient services subject to the outpatient prospective payment system are not subject to cost report settlement with several exceptions, and without regard to the transitional corridor.

The Hospital's Medicare Cost Reports have been audited by the Medicare Fiscal Intermediary through September 30, 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 September 30, 1999.

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

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a
ST. ANNE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

NOTE B

NET PATIENT SERVICE REVENUE (Continued)

Since the Hospital serves a disproportionate share of low-income patients, it qualifies for Medicaid Disproportionate Share reimbursements. Medicaid Disproportionate Share reimbursements of \$300,000 were accrued in the year ended September 30, 2003. Of this total, \$225,000 was deferred so that the income is recognized in accordance with the State of Louisiana's fiscal year of July 1st through June 30th. This amount is subject to audit by the State of Louisiana. It is possible that settlement amounts may arise as a result of such an audit; however, management cannot reasonably estimate a liability at the date of the report.

NOTE C

CONCENTRATIONS OF CREDIT RISK

The Hospital is located in Raceland, Louisiana. The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows as of September 30, 2003:

Medicare	21.46 %
Medicaid	10.16
Commercial	35.94
Private Pay Patients	<u>32.44</u>
	<u>100.00 %</u>

NOTE D

CHARITY CARE

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Hospital maintains records to identify and monitor the level of charity care it provides to all of its qualifying patients. These records include the amount of charges foregone for services and supplies furnished under its charity care policy.

For the year ended September 30, 2003, charges excluded from revenue under the Hospital's charity care policy totaled \$11,552.

NOTE E

CASH AND INVESTMENTS

Louisiana state law allows all political subdivisions to invest excess funds in various obligations, including but not limited to, the following: obligations of the United States Treasury, federal agencies, and United States government instrumentalities; direct security repurchase agreements of the foregoing; time certificates of deposit of any bank domiciled or having a branch office in Louisiana; and the Louisiana Asset Management Pool (LAMP). State law also requires that deposits and investments of all political subdivisions be fully collateralized at all times.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a
ST. ANNE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

NOTE E
CASH AND INVESTMENTS (Continued)

There are three categories of credit risk that apply to the Hospital's cash and investments:

1. Insured or registered or for which the deposits and/or securities are held by the Hospital or the Hospital's agent in the Hospital's name;
2. Uninsured and unregistered for which the deposits and/or securities are held by the counterparty's trust department or its agent in the Hospital's name; or
3. Uninsured and unregistered investments for which the deposits and/or securities are held by the counterparty, or by its trust department or agent, but not in the Hospital's name.

At September 30, 2003, the Hospitals held the following deposits and investments subject to collateralization:

	Bank Balances Categorized by Credit Risk Category			Total	Carrying Amount
	(1)	(2)	(3)		
Cash and Cash Equivalents, Certificates of Deposit and Accrued Interest	\$ 541,362	\$ -	\$ 3,439,934	\$ 3,981,296	\$ 3,627,386
Receivable	-	-	954,763	954,763	954,763
Repurchase Agreements	-	-	-	-	-
Totals	<u>\$ 541,362</u>	<u>\$ -</u>	<u>\$ 4,394,697</u>	<u>\$ 4,936,059</u>	<u>\$ 4,582,149</u>

At September 30, 2003, the Hospital's bank balance of \$4,394,697 was collateralized by insurance and uninsured/unregistered investments held by agent banks, but not in the Hospital's name, in the amount of \$5,105,776.

The Hospital also has funds on deposit with the Louisiana Asset Management Pool (LAMP). As of September 30, 2003, these assets totaled \$2,444,485. LAMP is a local government investment pool. In accordance with GASB Codification Section I50.126, the investment in LAMP at September 30, 2003, is not categorized in the three risk categories provided by GASB Codification Section I50.125 because the investment is in the pool of funds and, therefore, not evidenced by securities that exist in physical or book entry form.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a
ST. ANNE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

NOTE E

CASH AND INVESTMENTS (Continued)

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary object of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

At September 30, 2003, deposits and investments are shown on the Balance Sheet as follows:

Reported Amount of Deposits	\$ 4,582,149
Reported Amount of Investments	<u>2,444,485</u>
Total	<u>\$ 7,026,634</u>
Classified as:	
Current Assets – Cash	\$ 1,831,007
Assets Whose Use is Limited	
Board-Designated Plant, Equipment and Expansion Fund	5,022,774
Under Indenture Agreement	<u>172,853</u>
Total	<u>\$ 7,026,634</u>

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a
ST. ANNE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

NOTE F

ASSETS WHOSE USE IS LIMITED

The following is a summary of the components of assets limited as to use as of September 30, 2003:

Board-Designated Plant, Equipment, and Expansion Fund (Established October 1, 1975):		
Cash	\$	185,533
Louisiana Asset Management Pool		2,444,485
Certificates of Deposit		1,433,512
Repurchase Agreements		954,763
Interest Receivable		<u>4,481</u>
Total		<u>\$ 5,022,774</u>
Under Indenture Agreements:		
Public Improvement Bonds, Series 1977:		
Cash	\$	11,745
Certificate of Deposit		60,315
Interest Receivable		<u>137</u>
		72,197
Hospital Revenue Bonds, Series 2000:		
Cash		<u>100,656</u>
Total		<u>\$ 172,853</u>

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a
ST. ANNE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

NOTE G

CAPITAL ASSETS

Capital asset activity as of and for the year ended September 30, 2003 is as follows:

	September 30, 2002	Additions	Transfers And Disposals	September 30, 2003
Capital Assets, Not Being Depreciated				
Land	\$ 31,523	\$ -	\$ -	\$ 31,523
Construction in Progress	117,821	426,091	-	543,912
Total Capital Assets Not Being Depreciated	<u>149,344</u>	<u>426,091</u>	<u>-</u>	<u>575,435</u>
Capital Assets, Being Depreciated:				
Land Improvements	309,253	-	-	309,253
Buildings	9,372,625	-	-	9,372,625
Equipment	11,398,822	172,863	(19,923)	11,551,762
Total Capital Assets Being Depreciated	<u>21,080,700</u>	<u>172,863</u>	<u>(19,923)</u>	<u>21,233,640</u>
Less Accumulated Depreciation for:				
Land Improvements	112,234	17,889	-	130,123
Buildings	6,673,477	400,907	-	7,074,384
Equipment	7,950,978	643,260	(19,923)	8,574,315
Total Accumulated Depreciation	<u>14,736,689</u>	<u>1,062,056</u>	<u>(19,923)</u>	<u>15,778,822</u>
Total Capital Assets, Being Depreciated, Net	<u>6,344,011</u>	<u>(889,193)</u>	<u>-</u>	<u>5,454,818</u>
Organization Capital Assets, Net	<u>\$ 6,493,355</u>	<u>\$ (463,102)</u>	<u>\$ -</u>	<u>\$ 6,030,253</u>

Plant and equipment acquisitions are recorded at cost. The Hospital's policy is to record acquisitions over \$500. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed on the straight-line method.

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

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a
ST. ANNE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

NOTE H
LONG-TERM DEBT

The following table summarizes the Hospital's outstanding debt:

	<u>September 30,</u> <u>2002</u>	<u>Borrowings</u>	<u>Payments</u>	<u>September 30,</u> <u>2003</u>	<u>Due Within</u> <u>One Year</u>
Hospital Revenue Bond, Series 2000 variable rate, due in 16 annual principal installments beginning July 1, 2002 and ending July 1, 2017	<u>\$ 3,785,000</u>	<u>\$ -</u>	<u>\$ (260,000)</u>	<u>\$ 3,525,000</u>	<u>\$ 260,000</u>
	<u>\$ 3,785,000</u>	<u>\$ -</u>	<u>\$ (260,000)</u>	<u>\$ 3,525,000</u>	<u>\$ 260,000</u>

On July 12, 2000, the Hospital Service District issued the Hospital Revenue Bond, Series 2000 of Lafourche Parish Hospital Service District No. 2 of the Parish of Lafourche, State of Louisiana in the amount of \$4,000,000 payable to Louisiana Public Facilities Authority (Authority). Under an agreement, the Authority has loaned the Hospital Service District a portion of the proceeds received from its sale of Louisiana Public Facilities Authority Equipment and Capital Facilities Pooled Loan Program Revenue Bonds, Series 2000 (Authority Bonds). The Hospital Service District intends to utilize the loan proceeds to organize and construct additions and improvements to the Hospital including, but not limited to, telemetry equipment, labor and delivery room renovations, physician-employee office space, and emergency room renovations.

The Hospital Revenue Bond is payable as to principal and interest solely by a pledge of income, revenue and receipts to be derived from the operation of the Hospital, subject only to prior payment of reasonable and necessary expenses of operating and maintaining the Hospital. Interest on the unpaid principal balance of the Hospital Revenue Bond is to be paid at the rate borne by the Authority Bonds, which varies and currently is estimated to be 1.59%. Interest expense on bonds payable for the year ended September 30, 2003 totaled \$46,179.

In addition to interest on the Hospital Revenue Bond, the Hospital will pay quarterly, a letter of credit fee and a remarketing fee which aggregate approximately 1.365% per annum of the total of the outstanding principal balance owed by the Authority to its bondholders plus a reserve for interest for 106 days at 12%.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a
ST. ANNE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

NOTE H
LONG-TERM DEBT (Continued)

The annual requirements to amortize bonds payable at September 30, 2003 including interest estimated using rates in effect at that date are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2004	\$ 260,000	\$ 51,914	\$ 311,914
2005	265,000	47,700	312,700
2006	260,000	43,566	303,566
2007	260,000	39,432	299,432
2008	260,000	35,298	295,298
2009 - 2013	1,305,000	114,242	1,419,242
2014 - 2017	<u>915,000</u>	<u>18,844</u>	<u>933,844</u>
Totals	<u>\$ 3,525,000</u>	<u>\$ 350,996</u>	<u>\$ 3,875,996</u>

NOTE I
RENTAL INCOME UNDER OPERATING LEASES separate

The Hospital leases a building and furnishings to a limited liability company, which operates St. Anne Rehabilitation Hospital on the Hospital's premises. As of September 30, 2003, the cost and accumulated depreciation of the building and furnishings was \$810,987 and \$49,023, respectively. Future minimum rentals under this operating lease are follows:

<u>Year Ending September 30,</u>	
2004	\$ 180,000
2005	180,000
2006	180,000
2007	180,000
2008	150,000
2009	<u>150,000</u>
Totals	<u>\$ 1,020,000</u>

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a
ST. ANNE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

NOTE I

RENTAL INCOME UNDER OPERATING LEASES (Continued)

The Hospital also has a contract to provide ancillary and support services during the term, or any extended term, of the lease. The Hospital will receive 65% of its customary billed charges for ancillary services provided and \$38 per patient day, with a minimum fee of \$7,500 per month for support services provided.

NOTE J

EMPLOYEE RETIREMENT PLAN

The Hospital has a defined contribution pension plan, which covers substantially all full-time employees after they have met certain eligibility requirements. The Hospital contributes 7% of a participant's base hourly wage, up to a maximum of 80 hours in a two-week payroll period. Contributions are not made for overtime, differentials, or call pay earned by participants. The Hospital's contribution to the plan for the year ended September 30, 2003 was \$380,310.

NOTE K

INCOME TAXES

The Hospital is a governmental unit, 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 was the lessee of various medical equipment under two capital leases. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the 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 capital leases is included in depreciation expense for the year ended September 30, 2003. During the year ended September 30, 2003, both lease obligations were repaid in full.

• **Operating Leases**

The Hospital also leases medical equipment and medical office space under cancelable operating lease agreements. The total rent expense for the year ended September 30, 2003, for equipment leased under operating leases was \$229,140.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a
ST. ANNE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

NOTE L

COMMITMENTS (Continued)

- **Construction Contracts**

The Hospital has construction contracts with architectural firms and construction contractors for various Hospital additions and improvements. The payment of these construction contracts will be made with the proceeds of the bond issuance noted in Note H of these financial statements.

- **Employment Agreements**

The Hospital has employment contracts with several physicians and staffing agencies that have 30, 60, or 90 day notices. There is one contract with JSM Anesthesia Services that expires in 2004.

NOTE M

CONTINGENCIES

The Hospital carries professional liability insurance for medical malpractice losses up to \$100,000. It is a member of the Louisiana Patients' Compensation Fund, which provides coverage for any such losses in excess of \$100,000 up to the \$500,000 statutory maximum of awards for such damages in Louisiana. The Hospital is a defendant in several lawsuits. Management of the Hospital believes, however, that no probable losses have been incurred as a result of these claims, and no provision has been made in the financial statements for any liability that might be incurred from their ultimate resolution.

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participating requirements; reimbursement for patient services; and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a
ST. ANNE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

NOTE N

INVESTMENT IN CATH LAB

During the year ended June 30, 1999, the Hospital fulfilled its obligation in meeting its capital contribution requirement to a limited liability corporation (LLC), operating under the name of Bayou Labs of Louisiana, LLC. The members of the LLC include the Hospital, Lady of the Sea General Hospital and Alton Ochsner Foundation. The Hospital holds a one-third interest in the LLC. During the year ended September 30, 2003, the Hospital recorded a \$10,000 gain from the LLC. The investment is accounted for under the equity method. The LLC is a calendar year entity, whose books and records are subject to audit. Audited financial statements that coincide with the Hospital's year-end are not available; therefore, the reported value of the Hospital's investment is based upon the December 31, 2002 audit.

NOTE O

ACCOUNTING PRONOUNCEMENTS

Effective October 1, 2002, the Hospital adopted Governmental Accounting Standards Board Statement (GASBS) No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. GASBS No. 34 established standards for external financial reporting for all state and local entities. It requires the classification of net assets into three components, as described in Note A. The adoption of GASBS No. 34 had no effect on the financial statements except for the classification of net assets in accordance with the statement, the reclassification of interest income to non-operating revenue, the reclassification of interest expense to non-operating expenses, and the change from the indirect to the direct method of reporting cash flows from operating activities.

NOTE P

SUBSEQUENT EVENTS

Subsequent to year end, the Hospital purchased property in Lockport, Louisiana for \$325,000. The Hospital had previously been renting the property and using it as a clinic. The purchase was made in cash, so no debt was incurred in the transaction.



To the Board of Commissioners
Lafourche Parish Hospital Service District No. 2
d/b/a St. Anne General Hospital
Raceland, Louisiana

Independent Auditor's Report
on Supplementary Information

Our report on our audit of the financial statements of **LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2, d/b/a ST. ANNE GENERAL HOSPITAL** for the year ended September 30, 2003, appears on page 1. That audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information that follows on pages 23-33 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, has been subjected to the auditing procedures applied in the audit of the financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

A Professional Accounting Corporation

January 9, 2004

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LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a
ST. ANNE GENERAL HOSPITAL

SCHEDULE OF NET PATIENT SERVICE REVENUES
For The Year Ended September 30, 2003

PATIENT SERVICE REVENUES

Laboratory	\$ 5,185,459
Pharmacy	4,450,648
Obstetrics Clinic	2,973,007
Emergency Room	2,943,318
Psychiatric Unit	2,605,120
Central Supply	2,418,700
Cardio Pulmonary	2,312,927
Surgery	1,842,528
Third Floor Nursing	1,540,870
Radiology	1,311,399
Cat Scan	1,234,007
Medical Clinic	1,055,357
Ambulatory Surgery	1,002,074
Home Health	839,881
Anesthesia	781,677
EKG	677,881
Surgical Clinic	495,174
Intensive Care Unit	411,730
Bayou / Cath Laboratories	399,311
MRI	386,652
Ultrasound	265,336
Nuclear Medicine	255,609
Internal Medicine Clinic	237,891
Nursery	154,160
R/R	114,835
Physical Therapy	104,663
Labor / Delivery	99,375
Fourth Floor Nursing	86,800
Nursing/Speech Therapy	45,247
Pathway	24,850
EEG	24,225
Lockport Clinic	19,307
Ambulatory-Anesthesia	7,019
R/R Ambulatory Surgery	4,532
Skilled Nursing Facility (Room)	2,590
	<hr/>
Totals	36,314,159
Less: Contractual Adjustments	15,775,563
	<hr/>
Net Patient Service Revenue	<u>\$ 20,538,596</u>

See independent auditor's report on supplementary information.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2

d/b/a

ST. ANNE GENERAL HOSPITAL

SCHEDULE OF OTHER OPERATING REVENUE

For The Year Ended September 30, 2003

OTHER OPERATING REVENUE

Bad Debt Recovery	\$	218,139
Rental and Furnishing Income - Rehab Hospital		180,000
Miscellaneous Revenue		175,560
Miscellaneous Revenue - Rehab Hospital		108,478
Uncompensated Care		75,000
Cafeteria Revenue		71,861
Miscellaneous Revenue - Bayou Labs		46,412
Rental Income		21,849
Dietary		7,928
Rebates and Refunds		4,398
Vending Machine Revenue		3,574
Discounts		1,984
Golden Care Cafeteria Revenue		1,781
Cash Over/Short		<u>1,054</u>
Total Other Operating Revenue	\$	<u>918,018</u>

See independent auditor's report on supplementary information.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a
ST. ANNE GENERAL HOSPITAL

SCHEDULE OF OPERATING EXPENSES - IN TOTAL BY DEPARTMENT
For The Year Ended September 30, 2003

ACUTE AND ANCILLARY SERVICES	\$	1,239,280
Laboratory		1,202,362
Emergency Room		1,183,048
Nursing Services		878,918
Surgery		856,204
Pharmacy		751,377
Radiology		627,650
Cardio Pulmonary		587,378
Central Supply		391,263
Intensive Care Unit		363,544
Anesthesia		314,740
Health Information		289,255
Labor / Delivery		253,461
Nursing Supervision		222,967
Skilled Nursing Facility		211,483
Nursing Administration		126,272
Nursery		68,812
Flex Pool		52,847
Ambulatory Surgery		67,398
Physical Therapy		49,599
Third Floor Nursing		34,002
Neurology		49
Fourth Floor Nursing		<u>9,771,909</u>
Total Acute and Ancillary Services		
 PSYCHIATRIC		 1,444,376
Psychiatric Unit		129,273
Behavioral Health Unit Flex		<u>1,573,649</u>
Total Psychiatric		

See independent auditor's report on supplementary information.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2

d/b/a

ST. ANNE GENERAL HOSPITAL

SCHEDULE OF OPERATING EXPENSES - IN TOTAL BY DEPARTMENT
For The Year Ended September 30, 2003

CLINICS	1,714,538
Obstetrics Clinic	758,263
Medical Clinic	642,391
Surgical Clinic	203,039
Cath Laboratory	150,723
Internal Medicine Clinic	97,419
Lockport Clinic	25,173
Rehabilitation Hospital	
Total Clinic	<u>3,591,546</u>
	<u>559,617</u>
HOME HEALTH	
GENERAL SERVICES	736,788
Plant Operation / Maintenance	553,559
Dietary	246,006
Performance Improvement	199,634
Housekeeping	93,051
Laundry / Linen	92,146
Environmental Services	44,525
Purchasing	22,884
Infection Control	
Total General Services	<u>1,988,593</u>
FISCAL SERVICES	575,295
Business Office	179,832
Fiscal Service	15,488
Data Processing	
Total Fiscal Services	<u>770,615</u>
ADMINISTRATIVE SERVICES	848,725
Administrative Services	464,550
Administration	124,090
Security	
Total Administrative Services	<u>1,437,365</u>
Total Operating Expenses - In Total by Department	<u>\$ 19,693,294</u>
See independent auditor's report on supplementary information.	

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a
ST. ANNE GENERAL HOSPITAL

SCHEDULE OF SALARIES BY DEPARTMENT
For The Year Ended September 30, 2003

<u>Department</u>	
Nursing Services	\$ 892,843
Psychiatric Unit	702,615
Medical Clinic	565,747
Surgery	556,240
Laboratory	429,078
Surgical Clinic	406,278
Emergency Room	384,406
Business Office	368,240
Radiology	345,737
Intensive Care Unit	315,785
Administration	298,428
Home Health	258,087
Cardio Pulmonary	249,987
Dietary	237,689
Nursing Supervision	220,601
Anesthesia	219,801
Plant Operation / Maintenance	219,634
Labor / Delivery	218,531
Obstetrics Clinic	205,667
Health Information	201,434
Pharmacy	187,335
Performance Improvement	177,477
Skilled Nursing Facility	174,666
Nursing Administration	165,906
Fiscal Service	144,182
Behavioral Health Unit Flex	118,762
Internal Medicine Clinic	118,350
Housekeeping	115,272
Nursery	91,958
Environmental Services	69,413
Flex Pool	64,461

See independent auditor's report on supplementary information.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a
ST. ANNE GENERAL HOSPITAL

SCHEDULE OF SALARIES BY DEPARTMENT (Continued)
For The Year Ended September 30, 2003

<u>Department</u>	
Laundry / Linens	62,187
Central Supply	57,760
Ambulatory Surgery	49,935
Lockport Clinic	40,431
Purchasing	29,050
Infection Control	21,106
Data Processing	10,358
Cath Laboratory	5,624
Administrative Services	<u>570</u>
Total Salaries by Department	<u>\$ 9,001,631</u>

See independent auditor's report on supplementary information.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a
ST. ANNE GENERAL HOSPITAL

SCHEDULE OF EMPLOYEE BENEFITS BY DEPARTMENT
For The Year Ended September 30, 2003

<u>Department</u>	
Nursing Services	\$ 209,559
Surgery	135,769
Psychiatric Unit	133,001
Laboratory	112,306
Business Office	105,194
Emergency Room	96,550
Medical Clinic	95,679
Administration	77,898
Cardio Pulmonary	72,061
Home Health	71,420
Dietary	68,539
Obstetrics Clinic	67,337
Intensive Care Unit	63,541
Radiology	63,241
Performance Improvement	60,796
Health Information	59,106
Labor / Delivery	57,321
Plant Operation / Maintenance	51,108
Surgical Clinic	48,304
Skilled Nursing Facility	44,088
Pharmacy	42,391
Nursing Administration	40,812
Housekeeping	37,976
Anesthesia	34,075
Nursing Supervision	32,860
Administrative Services	31,647
Fiscal Service	29,470
Nursery	24,340
Central Supply	23,099
Environmental Services	22,557
Laundry / Linens	17,658

See independent auditor's report on supplementary information.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2

d/b/a

ST. ANNE GENERAL HOSPITAL

SCHEDULE OF EMPLOYEE BENEFITS BY DEPARTMENT (Continued)

For The Year Ended September 30, 2003

<u>Department</u>	
Internal Medicine Clinic	15,695
Neurology	15,000
Purchasing	13,518
Behavioral Health Unit Flex	10,511
Flex Pool	4,351
Data Processing	3,688
Lockport Clinic	3,282
Ambulatory Surgery	2,912
Infection Control	1,778
Cath Laboratory	<u>481</u>
Total Employee Benefits by Department	<u>\$ 2,100,919</u>

See independent auditor's report on supplementary information.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a
ST. ANNE GENERAL HOSPITAL

SCHEDULE OF PURCHASED SERVICES BY DEPARTMENT
For The Year Ended September 30, 2003

Department	
Obstetrics Clinic	\$ 1,030,577
Emergency Room	690,218
Psychiatric Unit	544,470
Administrative Services	261,618
Radiology	252,059
Cardio Pulmonary	244,064
Laboratory	218,661
Home Health	189,193
Cath Laboratory	158,042
Security	123,490
Surgical Clinic	86,898
Plant Operation / Maintenance	68,244
Anesthesia	67,398
Physical Therapy	51,268
Business Office	40,019
Surgery	37,380
Administration	37,047
Health Information	24,499
Nursing Services	14,121
Neurology	9,816
Medical Clinic	4,426
Lockport Clinic	1,056
Internal Medicine Clinic	881
Rehabilitation Hospital	825
Pharmacy	610
Central Supply	579
Laundry / Linens	173
Dietary	120
Fiscal Service	89
	<u>\$ 4,157,841</u>
Total Purchased Services by Department	\$ 4,157,841

See independent auditor's report on supplementary information.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2

d/b/a

ST. ANNE GENERAL HOSPITAL

SCHEDULE OF SUPPLIES AND OTHER EXPENSES BY DEPARTMENT

For The Year Ended September 30, 2003

<u>Department</u>	
Pharmacy	\$ 625,868
Administrative Services	554,890
Central Supply	505,940
Laboratory	479,235
Plant Operation / Maintenance	456,230
Obstetrics Clinic	410,957
Dietary	247,211
Surgery	146,890
Surgical Clinic	100,911
Medical Clinic	92,411
Radiology	90,340
Psychiatric Unit	64,290
Cardio Pulmonary	61,538
Nursing Services	56,147
Lockport Clinic	52,650
Administration	50,844
Business Office	50,593
Third Floor Nursing	49,599
Housekeeping	46,386
Anesthesia	41,424
Home Health	40,917
Cath Laboratory	38,892
Emergency Room	31,188
Rehabilitation Hospital	24,348
Health Information	17,153
Internal Medicine Clinic	15,797
Labor / Delivery	13,403
Laundry / Linens	13,033
Intensive Care Unit	11,937
Nursery	9,974
Performance Improvement	7,733

See independent auditor's report on supplementary information.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2

d/b/a

ST. ANNE GENERAL HOSPITAL

**SCHEDULE OF SUPPLIES AND OTHER EXPENSES BY DEPARTMENT (Continued)
For The Year Ended September 30, 2003**

<u>Department</u>	
Fiscal Service	6,091
Neurology	4,881
Nursing Administration	4,765
Skilled Nursing Facility	4,213
Purchasing	1,957
Data Processing	1,442
Security	600
Environmental Services	176
Fourth Floor Nursing	<u>49</u>
 Total Supplies and Other Expenses by Department	 <u>\$ 4,432,903</u>

See independent auditor's report on supplementary information.



LAPORTE SEHRT
ROMIG HAND
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S 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
Lafourche Parish Hospital Service District No. 2,
d/b/a St. Anne General Hospital
Raceland, Louisiana

We have audited the financial statements of **LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2, d/b/a ST. ANNE GENERAL HOSPITAL**, as of and for the year ended September 30, 2003, and have issued our report thereon dated January 9, 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 **LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2, d/b/a ST. ANNE GENERAL HOSPITAL**'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 **LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2, d/b/a ST. ANNE GENERAL HOSPITAL**'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of **LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2, d/b/a ST. ANNE GENERAL HOSPITAL**.

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RSM McGladrey Network
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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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

Metairie, Louisiana
January 9, 2004

ST. ANNE GENERAL HOSPITAL

**AUDIT OBSERVATIONS AND
RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2003**



LAPORTE SEHRT
ROMIG HAND
CERTIFIED PUBLIC ACCOUNTANTS

January 9, 2004

Board of Commissioners
St. Anne General Hospital

In planning and performing our audit of the financial statements of **ST. ANNE GENERAL HOSPITAL** for the year ended September 30, 2003, we considered its internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements, and not to provide assurance on the internal control. However, during our audit we became aware of matters that we consider opportunities for strengthening internal controls and operating efficiency. The paragraphs that follow summarize our comments and suggestions.

03-1 ACCOUNTS PAYABLE/CASH DISBURSEMENTS

We noted that there is no segregation of duties between the ability to create a vendor within the accounts payable system and the ability to post invoices to a vendor. As such, we recommend that management evaluate the feasibility of creating such segregation. Options to consider could include having someone other than the Accounts Payable clerk having the only authority to create a new vendor within the system. Another option is the maintenance of an approved vendor listing with a comparison of the files of paid vendors and those that are approved. To build the approved vendor listing, someone other than the Accounts Payable clerk would have the only rights to input a vendor. This segregation could reduce the opportunity for the Accounts Payable clerk to create a fictitious vendor and input fictitious invoices. This is also important since the Accounts Payable clerk maintains the blank check stock.

We also noted that there are situations where a vendor's invoice is greater than the purchase. In these situations, your Purchasing Manager reviews the difference and authorizes the adjustment. The reason offered for such an adjustment in favor of the vendor is that the Hospital's pricing list for that vendor had not been updated. We recommend that the ability to adjust an invoice be handled by someone other than your Purchasing Manager or Accounts Payable clerk. Purchasing should be active in contracting the price on the front end, but should not be allowed to adjust to an invoice after the purchase is made. By removing the ability of the Purchasing Manager and Accounts Payable clerk to adjust purchase order amounts, you reduce the risk of these two positions receiving kickbacks from vendors. You also are able to monitor the frequency that adjustments to vendors are made.

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03-2 PAYROLL

We noted that there are no barriers that would limit the access of your Payroll clerk and Human Resources director to each other's files. The system is currently designed where each individual has access to the same information, such as the ability to create an employee, their rate of pay, deductions, etc. If an employee is terminated by Human Resources, Payroll has the ability to modify that distinction back to an active employee. We recommend that the feasibility of building firewalls within the payroll system be explored so that the access of your Payroll clerk and your Human Resources director is limited to only those functions that apply to their job duties. With this limited access, the opportunity for each individual to create a fictitious employee or alter a rate of pay is reduced.

We appreciate the confidence you have placed in us by allowing us to serve **ST. ANNE GENERAL HOSPITAL**. If we can assist you in any way with the above, please do not hesitate to contact us.

Very truly yours,

LaPORTE, SEHRT, ROMIG & HAND



Gregory P. Romig
Certified Public Accountant



Neighbors Helping Neighbors 4608 Hwy. One Raceland, LA 70394-2623 (985) 537-6841 FAX (985) 537-4248

March 31, 2004

Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70802

Attention: Suzanne Elliott

Legislative Auditor:

RECEIVED
04 APR 22 PM 12:43

CORRECTIVE ACTION PLAN

The Lafourche Parish Hospital Service District No. 2 respectfully submits the following Corrective Action Plan for the year ended September 30, 2003 for the findings from the letter to management dated February 11, 2004.

AUDIT RECOMMENDATION – ACCOUNTS PAYABLE/CASH DISBURSEMENTS

Description of Recommendations:

1. Investigate the feasibility of segregating duties between the ability to create a vendor within the accounts payable system and the ability to post invoices to a vendor.
2. That the ability to adjust an invoice be handled by someone other than the Purchasing Manager or Accounts Payable Clerk.

Corrective Action Plan: The cost to benefit ratio of adding another layer of vendor creation separate and apart from those that post invoices to vendor accounts will be evaluated. The authority to adjust an invoice will be removed from the Purchasing Manager and Accounts Payable Clerk and will be assumed by someone within management.

AUDIT RECOMMENDATION – PAYROLL

Description of Recommendations:

1. Explore the feasibility of building firewalls within the payroll system so that the access of the Payroll clerk and Human Resources director is limited to only those functions that apply directly to their job.

Legislative Auditor
March 31, 2004
Page 2

Corrective Action Plan: The system will be analyzed to determine the possibility of building firewalls between the information that the Human Resource director controls and that information that the Payroll clerk has access to. In the meantime, management will continue its close monitoring of payroll journals for reasonableness.

Contact Person: Glenn Cedotal, Director of Accounting

Anticipated Completion Date: Corrective Action will begin in March 2004.

Sincerely,

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 2


Milton D. Bourgeois, Jr.
Chief Executive Officer