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## *Financial Report*

# *St. Anne General Hospital*

*September 30, 1999*

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Release Date MAR 22 2000

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September 30, 1999 and 1998

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**FINANCIAL SECTION**



Bourgeois Bennett

## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners,  
Hospital Service District No. 2,  
Lafourche Parish, Louisiana.

We have audited the accompanying balance sheets of St. Anne General Hospital (Hospital Service District No. 2 of the Parish of Lafourche, State of Louisiana), a component unit of the Lafourche Parish Council, as of September 30, 1999 and 1998, and the related statements of operations, changes in fund balances, and cash flows for the years then ended. These general-purpose financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards 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 audits 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 general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of St. Anne General Hospital as of September 30, 1999 and 1998, and the results of its operations, changes in its fund balances, and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 1999, on our consideration of St. Anne General Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts.

Our audits were performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The supplementary information contained in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements of St. Anne General Hospital. Such information has been subjected to the auditing procedures applied in the audits of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

New Orleans, La.,  
December 8, 1999.

## BALANCE SHEETS

### St. Anne General Hospital

September 30, 1999 and 1998

#### ASSETS

	<u>1999</u>	<u>1998</u>
<b>Current</b>		
Cash and cash equivalents	\$ 1,018,923	\$ 1,142,043
Patient accounts receivable, net of estimated uncollectibles and allowances (1999 - \$4,493,605; 1998 - \$4,694,005)	3,647,342	3,618,478
Assets whose use is limited and required for current debt service	105,000	100,000
Inventories	483,715	485,789
Prepaid expenses	73,522	85,081
Other	46,164	19,451
	<u>5,374,666</u>	<u>5,450,842</u>
<b>Assets Whose Use Is Limited</b>		
Board-Designated Plant, Equipment and Expansion Fund	6,354,631	5,601,037
Debt Service Fund	298,434	268,723
Unamortized bond issue costs	1,522	2,150
	<u>6,654,587</u>	<u>5,871,910</u>
Less assets whose use is limited and required for current debt service	<u>(105,000)</u>	<u>(100,000)</u>
	<u>6,549,587</u>	<u>5,771,910</u>
<b>Property and Equipment</b>		
Construction in progress	31,748	446,302
Land and improvements	331,176	100,215
Buildings	8,480,264	7,997,699
Equipment	7,981,033	7,370,621
Capital lease equipment	641,874	788,638
	<u>17,466,095</u>	<u>16,703,475</u>
Less accumulated depreciation	<u>(12,556,593)</u>	<u>(11,751,449)</u>
	<u>4,909,502</u>	<u>4,952,026</u>
<b>Other</b>		
Investment in Bayou Labs, L.L.C.	<u>446,302</u>	<u>310,000</u>
	<u>\$ 17,280,057</u>	<u>\$ 16,484,778</u>

See notes to financial statements.

**LIABILITIES AND FUND BALANCES**

	<u>1999</u>	<u>1998</u>
<b>Current</b>		
Current maturities of bonds payable from assets whose use is limited	\$ 105,000	\$ 100,000
Current maturities of capital lease obligations	110,434	139,748
Accounts payable	377,262	660,868
Accrued expenses	1,113,824	557,691
Estimated third-party payor settlements - Medicare and Medicaid	<u>430,010</u>	<u>355,564</u>
Total current liabilities	<u>2,136,530</u>	<u>1,813,871</u>
 <b>Long-Term Debt, net of current maturities</b>		
Bonds payable	230,000	335,000
Capital lease obligations	<u>190,553</u>	<u>300,986</u>
Total long-term debt	<u>420,553</u>	<u>635,986</u>
 <b>Contingencies</b> (Note 10)	 -	 -
Total liabilities	<u>2,557,083</u>	<u>2,449,857</u>
 <b>Fund Balances</b>		
Operating	7,764,085	7,430,412
Board-Designated Plant, Equipment and Expansion Fund	6,660,456	6,335,788
Designated for debt retirement - 1977 Sinking Fund	<u>298,433</u>	<u>268,721</u>
Total fund balances	<u>14,722,974</u>	<u>14,034,921</u>
Total liabilities and fund balances	<u>\$ 17,280,057</u>	<u>\$ 16,484,778</u>

**STATEMENTS OF OPERATIONS****St. Anne General Hospital**

For the years ended September 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
<b>Revenues</b>		
Net patient service revenues	\$ 19,227,562	\$ 17,685,594
Other operating revenues	412,026	263,371
<b>Total revenues</b>	<u>19,639,588</u>	<u>17,948,965</u>
<b>Expenses</b>		
Salaries and wages	7,972,343	7,240,943
Professional services	3,762,547	3,355,290
Supplies and other expenses	5,442,058	4,814,827
Interest	29,383	22,455
Provision for bad debts	1,587,728	1,487,601
Provision for depreciation	818,242	810,424
<b>Total expenses</b>	<u>19,612,301</u>	<u>17,731,540</u>
<b>Operating income</b>	<u>27,287</u>	<u>217,425</u>
<b>Nonoperating Income (Expense)</b>		
Income on investments whose use is limited:		
By Board for capital improvements	258,071	257,879
Debt service	13,517	12,022
Gain (loss) on disposition of assets	(4,020)	1,191
Equity in earnings of Bayou Labs, L.L.C.	126,302	-
Other investment income	55,918	54,686
Tax proceeds for maintenance and operations	91,873	89,344
Taxes dedicated for debt service	136,537	146,604
Bond interest and agent fees	(20,342)	(25,746)
Unrestricted gifts	2,910	2,000
<b>Nonoperating income, net</b>	<u>660,766</u>	<u>537,980</u>
<b>Excess Of Revenues Over Expenses</b>	<u>\$ 688,053</u>	<u>\$ 755,405</u>

See notes to financial statements.



**STATEMENTS OF CHANGES IN FUND BALANCES**

**St. Anne General Hospital**

For the years ended September 30, 1999 and 1998

	Operating Fund	Board - Designated Plant, Equipment And Expansion Fund	Designated For Debt Retirement - 1977 Sinking Fund	Totals
<b>Balances, September 30, 1997</b>	\$ 7,044,501	\$ 6,009,173	\$ 225,842	\$ 13,279,516
Excess of revenues over expenses for the year ended September 30, 1998	385,911	236,615	132,879	755,405
Retirement of bonds	-	90,000	(90,000)	-
<b>Balances, September 30, 1998</b>	7,430,412	6,335,788	268,721	14,034,921
Excess of revenues over expenses for the year ended September 30, 1999	333,673	224,668	129,712	688,053
Retirement of bonds	-	100,000	(100,000)	-
<b>Balances, September 30, 1999</b>	<u>\$ 7,764,085</u>	<u>\$ 6,660,456</u>	<u>\$ 298,433</u>	<u>\$ 14,722,974</u>

See notes to financial statements.

**STATEMENTS OF CASH FLOWS****St. Anne General Hospital**

For the years ended September 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
<b>Cash Flows From Operating Activities</b>		
Operating income	\$ 27,287	\$ 217,425
Interest expense considered capital financing	29,383	22,455
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	818,242	810,424
Bond issue cost amortization	628	627
Decrease (increase) in assets:		
Net receivables	(28,864)	182,236
Estimated third-party payor settlements	-	65,296
Inventories	2,074	(3,671)
Prepaid expenses	11,559	(25,048)
Other current assets	(26,713)	(14,997)
Increase (decrease) in liabilities:		
Accounts payable	(283,606)	296,728
Accrued expenses	556,133	(66,232)
Estimated third-party payor settlements	74,446	314,620
Net cash provided by operating activities	<u>1,180,569</u>	<u>1,799,863</u>
<b>Cash Flows From Noncapital Financing Activities</b>		
Ad valorem taxes	228,410	235,948
Other	2,910	2,000
Net cash provided by noncapital financing activities	<u>231,320</u>	<u>237,948</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Principal payments of bonds payable	(100,000)	(90,000)
Principal payments under capital lease obligations	(139,747)	(145,512)
Purchase of property and equipment	(784,238)	(817,777)
Interest paid on long-term debt	(49,725)	(48,201)
Proceeds on disposition of asset	4,500	1,191
Net cash used in capital and related financing activities	<u>(1,069,210)</u>	<u>(1,100,299)</u>

**Exhibit D  
(Continued)**

	1999	1998
<b>Cash Flows From Investing Activities</b>		
Increase in investment in Bayou Labs, L.L.C.	(10,000)	(310,000)
Interest on investments	327,506	324,586
Increase in assets whose use is limited	(783,305)	(1,244,693)
Net cash used in investing activities	(465,799)	(1,230,107)
<b>Net Decrease In Cash and Cash Equivalents</b>	(123,120)	(292,595)
<b>Cash and Cash Equivalents</b>		
Beginning of year	1,142,043	1,434,638
End of year	\$ 1,018,923	\$ 1,142,043
<b>Supplemental Schedule of Non-Cash Capital and Related Financing Activities</b>		
Acquisition of equipment through capital leases	\$ -	\$ 317,264

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS****St. Anne General Hospital**

September 30, 1999 and 1998

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****a) Reporting Entity**

The Hospital is owned and operated by Hospital Service District No. 2 of the Parish of Lafourche, State of Louisiana (a nonprofit corporation organized by the Lafourche Parish Council). The Lafourche Parish Council appoints members to the Hospital Board of Commissioners, which in turn exercises control over all administrative functions with respect to the operation of the Hospital.

Based on the significant control that the Lafourche Parish Council (the Parish) possesses, the Hospital is deemed to be a component unit of the Parish. The accompanying component unit financial statements present information only as to the transactions of the Hospital and do not present information on the Parish Council, or the other governmental units that comprise the primary government reporting entity.

**b) Use of Estimates**

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

**c) Proprietary Fund Accounting**

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**d) Accounting Standards**

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.

**e) Cash Equivalents**

For the purpose of the statements of cash flows, cash equivalents include cash on hand and cash in banks. Short-term certificates of deposit are considered to be investments rather than cash equivalents for purposes of these financial statements.

**f) Investments**

Investments which comprise a portion of the Board-Designated Plant, Equipment and Expansion Fund, are carried at fair value. Interest and gains and losses, both realized and unrealized, on investments are included in nonoperating income when earned.

**g) Inventories**

Inventories are valued at the lower of cost (first-in, first-out method) or market.

**h) Property and Equipment**

The Hospital records all property and equipment acquisitions at cost. Depreciation on property and equipment is provided for on a straight-line basis over their estimated useful lives, which range from 4 to 20 years. Depreciation expense includes amortization of capital lease equipment totaling \$128,375 and \$115,426 for the years ended September 30, 1999 and 1998, respectively. Accumulated amortization on capital lease equipment was \$387,328 and \$380,465 as of September 30, 1999 and 1998, respectively. When the related capital lease obligation is paid, the asset is reclassified from capital lease equipment to equipment.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i) Employee Vacation Benefits**

Employee vacation benefits are accrued and expensed in the period earned by the employee.

**j) Board-Designated Fund**

The Hospital accounts for its plant and equipment, related debt, and funds designated by the Board for future expansion in a separate fund, entitled The St. Anne General Hospital Plant, Equipment and Expansion Fund.

**k) Income and Expense Classifications**

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenues and expenses within the statement of operations. Peripheral or incidental transactions are reported as nonoperating revenue and expense.

**l) Revenue**

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The Hospital has an agreement with a not-for-profit corporation which established and operates a Behavioral Health Unit at the Hospital. The agreement had an original term of four years beginning April 1, 1992 and continues under successive one-year renewal options, however it can be terminated within 90 days if the Unit is not profitable. Under the agreement, the Hospital makes available a minimum number of beds in a separate wing, and provides billing, collection and other services for the Unit. The not-for-profit corporation pays all costs of staffing the Unit and provides related clinical and other administrative services. The Hospital charges the patients for the psychiatric services rendered and pays a fixed fee per reimbursed patient day to the not-for-profit corporation.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**m) Property Tax Revenue**

The Hospital receives special ad valorem taxes levied on property within the territorial boundaries of the Hospital Service District, which are accounted for as nonoperating revenue on an accrual basis as of the date the taxes are levied each year. Some of these tax receipts are dedicated for interest and principal retirement of the public improvement bonds which are more fully described in Note 7. The remainder of these tax receipts is available for the maintenance and operation of the Hospital.

Interest expense payable from operating revenues of the Hospital is shown as an operating expense. Interest expense on public improvement bonds supported by tax revenues is shown as a nonoperating expense, since the tax revenues provided for payment of the interest are classified as nonoperating revenue.

**n) 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.

**o) Risk Management**

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

**p) Reclassifications**

Certain items in the September 30, 1998 financial statements have been reclassified to conform to current year classifications. Such reclassifications had no effect on previously reported excess of revenue over expenses or total fund balance.

**Note 2 - CASH AND INVESTMENTS**

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States, certificates of deposit of state or national banks having their principal office in Louisiana or any other federally insured investment.

State law also requires that deposits of all political subdivisions be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision or with an unaffiliated bank or trust company for the account of the political subdivision.

During the years ended September 30, 1999 and 1998, the Hospital's investments consisted principally of certificates of deposit. Collateral pledged to secure Hospital deposits in excess of FDIC insurance included primarily U.S. Government obligations and obligations guaranteed by the U.S. Government which were held by unaffiliated banks in the Hospital's name.

**Note 3 - CHARITY CARE**

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics.

The following information measures the level of charity care provided during the years ended September 30, 1999 and 1998.

	<u>1999</u>	<u>1998</u>
Charges foregone, based on established rates	<u>\$5,584</u>	<u>\$114,449</u>
Estimated costs and expenses incurred to provide charity care	<u>\$5,000</u>	<u>\$98,000</u>
Equivalent percentage of charity care patients to all patients served	<u>.03%</u>	<u>0.64%</u>



**Note 4 - NET PATIENT SERVICE REVENUE**

The Hospital provides medical services to government payment program beneficiaries and has agreements with other third-party payors that provide for payments at amounts different from its established rates. (For the years ended September 30, 1999 and 1998, approximately 40% and 50%, respectively, were derived from services furnished to Medicare and Medicaid program beneficiaries). 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 amount from patients, third-party payors and others for services rendered.

Retroactive settlements are provided for in some of the government payment programs outlined above, based upon annual cost reports; such settlements are estimated and recorded primarily as amounts due to such programs in the financial statements. The difference between these estimates and final determination of amounts to be received based on audits by fiscal intermediaries is reported as an adjustment to net patient revenue when such determinations are made. Management believes that the effect of any such adjustments that may be made to cost reports subject to review at September 30, 1999 will not be material to the Hospital's financial position or results of operations.

The Hospital is unable to predict the future course of Federal, state and local regulation or legislation including Medicare and Medicaid statutes and regulations. Future changes could have a material adverse effect on the future financial results of the Hospital.

**Note 5 - ASSETS WHOSE USE IS LIMITED**

The following is a summary of the components of assets whose use is limited:

	1999	1998
Board-Designated Plant, Equipment and Expansion Fund (established October 1, 1975):		
Cash	\$ 24,820	\$ 24,389
Certificates of deposit	4,729,037	5,457,671
FHLMC discount notes (due in 1 year)	1,506,785	-
Interest receivable	93,934	118,818
Other	55	159
Totals	\$6,354,631	\$5,601,037

**Note 5 - ASSETS WHOSE USE IS LIMITED (Continued)**

	<u>1999</u>	<u>1998</u>
Debt Service Fund:		
Public Improvement Bonds, Series 1977:		
Cash	\$ 13,122	\$ 10,813
Certificate of deposit	284,922	257,469
Interest receivable	<u>390</u>	<u>441</u>
Totals	<u>\$298,434</u>	<u>\$268,723</u>

**Note 6 - INVESTMENT IN LIMITED LIABILITY COMPANY**

On October 29, 1997, St. Anne General Hospital and two other hospitals (members) entered into a limited liability company operating agreement and formed Bayou Labs, L.L.C. ("the L.L.C."). The L.L.C. elected to be taxed as a partnership and to operate at all times in such a way as to be classified as a cooperative hospital service organization under Section 501(c) of the Internal Revenue Code. The purpose of the L.L.C. is to own and operate a cardiac catheterization laboratory for the exclusive use of inpatients and outpatients of the members. The laboratory, which is located at St. Anne General Hospital, was placed in service in October 1998. As of September 30, 1999, St. Anne General Hospital has invested \$320,000 in the limited liability company which was used primarily for the purchase of the catheterization equipment. The Hospital accounts for its investment in the L.L.C. under the equity method of accounting.

Following is a summary of financial position and results of operations of Bayou Labs, L.L.C. as of and for the years ended September 30, 1999 and 1998:

	<u>1999</u>	<u>1998</u>
Current assets	\$ 515,607	\$134,081
Property, plant and equipment	<u>862,393</u>	<u>795,919</u>
Total assets	<u>\$1,378,000</u>	<u>\$930,000</u>
Current liabilities	\$ 39,095	\$ -
Limited liability company equity	<u>1,338,905</u>	<u>930,000</u>
Total liabilities and limited liability company equity	<u>\$1,378,000</u>	<u>\$930,000</u>

**Note 6 - INVESTMENT IN LIMITED LIABILITY COMPANY (Continued)**

	1999	1998
Fees	\$697,281	\$ -
Net income	\$378,905	\$ -

**Note 7 - LONG-TERM DEBT**

**Public Improvement Bonds** - During 1977, the Hospital Service District issued public improvement bonds totaling \$1,500,000 to finance expansion of the hospital. Interest payments and principal retirements of the bonds are funded through special ad valorem taxes levied on property within the boundaries of the Hospital Service District. The bonds are callable by the District at face amount plus accrued interest in inverse order of their maturity on any interest payment date after ten years from their date of original issuance.

The following is a summary of bonds payable:

	1999	1998
Public Improvement Bonds, Series 1977, 4.5% to 5.6% due serially to 2002, with annual principal installments ranging from \$105,000 to \$120,000	\$335,000	\$ 435,000
Less current maturities	(105,000)	(100,000)
Net bonds payable	\$230,000	\$ 335,000

Interest expense on bonds payable for the years ended September 30, 1999 and 1998 totaled \$20,240 and \$25,560, respectively. Aggregate maturities of bonds payable at September 30, 1999 are as follows:

<u>Year Ending September 30,</u>	
2000	\$105,000
2001	110,000
2002	120,000
Total	\$335,000

**Note 7 - LONG-TERM DEBT (Continued)**

**Capital Lease Obligations** - The Hospital acquired equipment under the provisions of various long-term leases. For financial reporting purposes, minimum lease payments relating to the equipment have been capitalized.

The following is a summary of capitalized lease obligations:

	<u>1999</u>	<u>1998</u>
Capitalized lease obligation, discounted at a rate of 7.23%, due in monthly installments of \$2,847 to February 1999	\$ -	\$11,218
Capitalized lease obligation, discounted at a rate of 7.98%, due in monthly installments of \$1,409 to February 2000	6,907	22,576
Capitalized lease obligation, discounted at a rate of 9.47%, due in monthly installments of \$1,138 to February 2000	4,463	17,041
Capitalized lease obligation, discounted at a rate of 7.76%, due in monthly installments of \$4,032 to July 2000	38,923	82,438
Capitalized lease obligation, discounted at a rate of 5.35%, due in monthly installments of \$3,724 to July 2003	154,565	189,948
Capitalized lease obligation, discounted at a rate of 6.51%, due in monthly installments of \$2,367 to July 2003	<u>96,129</u>	<u>117,513</u>
	300,987	440,734
Less current maturities	<u>(110,434)</u>	<u>(139,748)</u>
Net capitalized lease obligations	<u>\$ 190,553</u>	<u>\$ 300,986</u>

**Note 7 - LONG-TERM DEBT (Continued)**

Interest expense on capital lease obligations for the years ended September 30, 1999 and 1998 totaled \$23,783 and \$18,457, respectively. The future minimum lease payments due as a result of these noncancellable capital leases together with the present value of the minimum lease payments as of September 30, 1999 are as follows:

<u>Year Ending</u> <u>September 30,</u>	
2000	\$125,009
2001	73,092
2002	73,092
2003	<u>60,910</u>
Total minimum lease payments	332,103
Amount representing imputed interest	<u>(31,116)</u>
Present value of capital lease obligations	<u>\$300,987</u>

**Note 8 - EMPLOYEE RETIREMENT PLAN**

The Hospital has a defined contribution pension plan which covers substantially all full-time employees who choose to participate 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 contributions to the plan for the years ended September 30, 1999 and 1998 were \$380,558 and \$309,520, respectively.

**Note 9 - CONCENTRATION OF CREDIT RISK**

The Hospital grants credit for health care services rendered to patients who reside primarily in Lafourche Parish, Louisiana.

**Note 10 - 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.

**NET PATIENT SERVICE REVENUES****St. Anne General Hospital**

For the years ended September 30, 1999 and 1998

	1999	1998
<b>Daily Patient Services</b>		
Ambulatory care	\$ 176,045	\$ 158,735
Behavioral health unit	3,626,915	3,849,792
Cardiac catheterization laboratory	982,769	-
Intensive care	301,280	261,630
Medical and surgical unit	1,096,864	1,088,638
Newborn nursery	119,910	106,415
Skilled nursing facilities	195,520	222,835
Lockport Medical Clinic	416,202	579,670
St. Anne Medical Clinic	292,067	29,450
St. Anne Surgical Clinic	753,191	-
	<u>7,960,763</u>	<u>6,297,165</u>
<b>Other Nursing Services</b>		
Ambulatory surgery	725,685	673,640
Central service and supply	4,466,698	4,380,789
Delivery and labor rooms	106,835	103,250
Emergency services	1,412,366	1,350,818
Home health services	429,015	1,720,861
Operating room	1,320,121	1,288,126
	<u>8,460,720</u>	<u>9,517,484</u>
<b>Other Professional Services</b>		
Anesthesiology	705,174	684,305
Cardiopulmonary	2,759,990	2,488,385
Laboratory	3,840,137	3,520,351
Pharmacy	3,679,436	3,643,240
Physical therapy	96,009	85,937
Radiology	2,675,322	2,717,163
	<u>13,756,068</u>	<u>13,139,381</u>
Gross patient service revenues	<u>30,177,551</u>	<u>28,954,030</u>
<b>Allowances and Uncollectible Amounts</b>		
Administrative adjustments	(4,754,175)	(3,167,004)
Charity allowances	(5,584)	(114,449)
Medicare and Medicaid contractual allowances	(6,190,230)	(7,986,983)
	<u>(10,949,989)</u>	<u>(11,268,436)</u>
Net patient service revenues	<u>\$ 19,227,562</u>	<u>\$ 17,685,594</u>

## OPERATING EXPENSES

### St. Anne General Hospital

For the years ended September 30, 1999 and 1998

	1999			
	Salaries and Wages	Professional Services	Supplies and Other Expenses	Totals
<b>Nursing Services</b>				
Administrative office	\$ 194,940	\$ -	\$ 1,652	\$ 196,592
Ambulatory surgery	11,974	-	-	11,974
Cardiac catheterization laboratory	56,390	698,181	66,027	820,598
Central services and supply	88,816	-	739,008	827,824
Delivery and labor rooms	261,451	-	9,948	271,399
Emergency services	398,065	615,447	8,143	1,021,655
Home health services	310,302	41,100	47,125	398,527
Intensive care	393,688	-	5,462	399,150
Medical and surgical unit	924,839	15,240	57,512	997,591
Newborn nursery	165,930	-	2,700	168,630
Operating room	550,095	31,646	98,431	680,172
Skilled nursing facilities	215,182	-	5,025	220,207
Specialized nursing assignment plan	18,850	-	-	18,850
Lockport Medical Clinic	273,720	11,721	24,790	310,231
St. Anne Medical Clinic	360,296	-	28,193	388,489
St. Anne Surgical Clinic	576,182	-	27,530	603,712
	<u>4,800,720</u>	<u>1,413,335</u>	<u>1,121,546</u>	<u>\$ 7,335,601</u>
<b>Other Professional Services</b>				
Anesthesiology	219,683	32,152	4,897	\$ 256,732
Behavioral health	-	1,590,814	11,129	1,601,943
Cardiopulmonary	287,045	16,595	94,494	398,134
Cardiovascular	-	-	180	180
Environmental services	48,559	-	86	48,645
Infection control	15,072	-	118	15,190
Laboratory	351,076	269,327	389,132	1,009,535
Health information service	163,747	-	8,734	172,481
Pharmacy	161,086	-	519,095	680,181
Physical therapy	-	48,005	335	48,340
Radiology	270,436	106,894	106,094	483,424
	<u>1,516,704</u>	<u>2,063,787</u>	<u>1,134,294</u>	<u>\$ 4,714,785</u>



1998			
Salaries and Wages	Professional Services	Supplies and Other Expenses	Totals
\$ 107,663	\$ -	\$ 845	\$ 108,508
10,370	-	-	10,370
12,769	-	9,439	22,208
93,696	-	665,498	759,194
279,311	-	8,739	288,050
419,752	664,617	8,429	1,092,798
700,230	51,150	126,250	877,630
390,666	-	3,914	394,580
900,812	16,395	50,115	967,322
139,748	-	1,865	141,613
481,653	14,400	57,436	553,489
244,317	-	4,477	248,794
13,356	-	-	13,356
408,259	19,770	29,014	457,043
71,551	-	14,316	85,867
-	-	-	-
<u>4,274,153</u>	<u>766,332</u>	<u>980,337</u>	<u>\$ 6,020,822</u>
213,852	34,454	2,575	\$ 250,881
-	1,632,721	12,913	1,645,634
275,386	-	67,110	342,496
-	-	90	90
41,145	-	74	41,219
14,115	-	106	14,221
326,805	287,866	340,525	955,196
161,858	-	12,111	173,969
152,876	-	473,318	626,194
-	42,968	287	43,255
245,021	90,603	122,482	458,106
<u>1,431,058</u>	<u>2,088,612</u>	<u>1,031,591</u>	<u>\$ 4,551,261</u>

	1999			
	Salaries and Wages	Professional Services	Supplies and Other Expenses	Totals
<b>Administrative Services</b>				
Accreditation fees	-	5,054	-	\$ 5,054
Advertising	-	-	38,789	38,789
Collection expense	-	-	29,285	29,285
Communications	-	-	68,827	68,827
Ducs and subscriptions	-	-	36,010	36,010
Employee insurance	-	-	390,586	390,586
Executive office	275,887	50,400	13,603	339,890
Insurance	-	-	337,935	337,935
Leases	-	-	32,663	32,663
Pensions	-	-	380,558	380,558
Professional fees	-	78,538	-	78,538
Postage	-	-	62,670	62,670
Public relations	-	34,176	50,395	84,571
Purchasing	25,530	-	1,120	26,650
Quality management	220,402	-	43,299	263,701
Taxes and licenses	-	-	570,804	570,804
Travel and seminars	-	-	65,498	65,498
	<u>521,819</u>	<u>168,168</u>	<u>2,122,042</u>	<u>\$ 2,812,029</u>
<b>General Services</b>				
Dietary	282,324	-	247,215	\$ 529,539
Housekeeping	155,603	-	57,840	213,443
Laundry and linen	63,608	-	14,799	78,407
Plant operations and maintenance	197,721	3,204	292,354	493,279
Security	-	114,053	278	114,331
Utilities	-	-	330,337	330,337
	<u>699,256</u>	<u>117,257</u>	<u>942,823</u>	<u>\$ 1,759,336</u>
<b>Fiscal Services</b>				
Accounting	119,100	-	3,415	\$ 122,515
Business office	296,036	-	45,666	341,702
Data processing	18,708	-	72,272	90,980
	<u>433,844</u>	<u>-</u>	<u>121,353</u>	<u>\$ 555,197</u>
<b>Totals</b>	<u>\$ 7,972,343</u>	<u>\$ 3,762,547</u>	<u>\$ 5,442,058</u>	

**Schedule 2  
(Continued)**

1998

Salaries and Wages	Professional Services	Supplies and Other Expenses	Totals
-	14,231	-	\$ 14,231
-	-	26,147	26,147
-	-	29,722	29,722
-	-	55,035	55,035
-	-	34,839	34,839
-	-	270,952	270,952
251,017	50,400	33,548	334,965
-	-	298,832	298,832
-	-	40,995	40,995
-	-	309,520	309,520
-	58,501	-	58,501
-	-	42,255	42,255
-	263,611	50,770	314,381
24,843	-	593	25,436
171,547	-	32,313	203,860
-	-	533,101	533,101
-	-	63,708	63,708
<u>447,407</u>	<u>386,743</u>	<u>1,822,330</u>	<u>\$ 2,656,480</u>
265,146	-	262,326	\$ 527,472
142,762	-	45,349	188,111
65,854	-	11,169	77,023
189,065	4,204	256,095	449,364
-	109,399	401	109,800
-	-	307,899	307,899
<u>662,827</u>	<u>113,603</u>	<u>883,239</u>	<u>\$ 1,659,669</u>
116,479	-	3,263	\$ 119,742
291,425	-	34,324	325,749
17,594	-	59,743	77,337
<u>425,498</u>	<u>-</u>	<u>97,330</u>	<u>\$ 522,828</u>
<u>\$ 7,240,943</u>	<u>\$ 3,355,290</u>	<u>\$ 4,814,827</u>	

**SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS**



Bourgeois Bennett

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

To the Board of Commissioners,  
Hospital Service District No. 2,  
Lafourche Parish, Louisiana.

We have audited the general-purpose financial statements of St. Anne General Hospital (Hospital Service District No. 2, Parish of Lafourche, State of Louisiana), a component unit of the Lafourche Parish Council, as of and for the year ended September 30, 1999, and have issued our report thereon dated December 8, 1999. We conducted our audit in accordance with generally accepted auditing standards 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 general-purpose financial statements are free of material misstatement, we performed tests of the Hospital's compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hospital's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. 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 general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses.

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

*Bougeois Bennett, L.L.C.*

Certified Public Accountants.

New Orleans, La.,  
December 8, 1999.

## SCHEDULE OF FINDINGS

### **St. Anne General Hospital**

For the year ended September 30, 1999

#### **Section I - Summary of Auditor's Report**

a) Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified?                   \_\_ yes    X no
- Reportable condition(s) identified that are  
not considered to be material weakness                   \_\_ yes    X none reported

Noncompliance material to financial statements noted?    \_\_ yes    X no

b) Federal Awards

St. Anne General Hospital did not receive any Federal awards during the year ended September 30, 1999.

#### **Section II - Financial Statement Findings**

No financial statement findings were noted during the audit of the general-purpose financial statements for the year ended September 30, 1999.

#### **Section III - Federal Award Findings and Questioned Costs**

Not applicable.

**REPORTS BY MANAGEMENT**



## **SCHEDULE OF PRIOR YEAR FINDINGS**

### **St. Anne General Hospital**

For the year ended September 30, 1999

#### **Section I - Internal Control and Compliance Material to the Financial Statements**

##### **Internal Control**

No material weaknesses were noted during the audit for the year ended September 30, 1998. No reportable conditions were reported during the audit for the year ended September 30, 1998.

##### **Compliance**

No compliance findings material to the financial statements were noted during the audit for the year ended September 30, 1998.

#### **Section II - Internal Control and Compliance Material to Federal Awards**

St. Anne General Hospital did not receive any Federal awards during the year ended September 30, 1998.

#### **Section III - Management Letter**

A management letter was not issued in connection with the audit for the year ended September 30, 1998.

## MANAGEMENT'S CORRECTIVE ACTION PLAN

### **St. Anne General Hospital**

For the year ended September 30, 1999

#### **Section I - Internal Control and Compliance Material to the Financial Statements**

##### **Internal Control**

No material weaknesses were noted during the audit for the year ended September 30, 1999. No reportable conditions were reported during the audit for the year ended September 30, 1999.

##### **Compliance**

No compliance findings material to the general-purpose financial statements were noted during the audit for the year ended September 30, 1999.

#### **Section II - Internal Control and Compliance Material to Federal Awards**

St. Anne General Hospital did not receive any Federal awards during the year ended September 30, 1999.

#### **Section III - Management Letter**

A management letter was not issued in connection with the audit for the year ended September 30, 1999.