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MINNEDOSSAL HOSPITAL
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2000 AND 2001

COMMISSIONERS

- W. D. East, Jr., D.V.M., Chairman
- Samuel G. Galt
- Larry M. Hickey
- C. G. Farnes, M.D.
- William E. Hood

HOSPITAL ADMINISTRATOR

A. D. Richardson

ASSISTANT ADMINISTRATOR

Clayton Jones, Jr.

Under provisions of state law this report is a public document. A copy of the report has been submitted to the attorney and other appropriate public officials. The report is available for public inspection at the Dakota Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3-31-01

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HOOD MEMORIAL HOSPITAL

SEPTEMBER 30, 2015

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REPORT OF INDEPENDENT AUDITORS

Board of Commissioners
Hood Memorial Hospital
Hospital Service District No. 2 of
Tangipahoa Parish, Louisiana

We have audited the accompanying balance sheets of Hood Memorial Hospital (the Hospital - Hospital Service District No. 2 of Tangipahoa Parish a component unit of Tangipahoa Parish, Louisiana) as of September 30, 2003 and 2002, and the related statements of revenues, expenses, and fund balances, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and in accordance with the standards for financial audits contained in Government Auditing Standards - (1994 Revision), issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hood Memorial Hospital at September 30, 2003 and 2002, and the results of its operations 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 a report dated February 23, 2004, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.



James B. Douglas, Ltd.
Certified Public Accountants

February 23, 2004

BALANCE SHEETS

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HOOD MEMORIAL HOSPITAL

	SEPTEMBER 30	
	2007	2006
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,088,477	\$ 1,603,694
Patient accounts receivable, less allowances for uncollectible accounts (2007 and 2006 - \$250,000)	1,396,349	1,708,609
Accounts due from Medicare and Medicaid intermediaries	699,428	699,680
Investments	699,300	183,408
Prepaid expenses and other debits	27,411	28,291
TOTAL CURRENT ASSETS	<u>3,349,965</u>	<u>4,223,682</u>
ASSETS WHOSE USE IS LIMITED		
Board designated funds:		
Investments	2,267,929	2,263,713
Accrued interest receivable	1,892	4,151
	<u>2,269,821</u>	<u>2,267,864</u>
PROPERTY AND EQUIPMENT, net	<u>2,495,680</u>	<u>2,481,898</u>
TOTALS	<u>8,115,536</u>	<u>8,983,344</u>
LIABILITIES AND FUND BALANCES		
CURRENT LIABILITIES		
Trade accounts payable	126,836	197,508
Employee compensation payable	130,845	180,226
Reserve for estimated claims	25,800	173,880
Accounts due to Medicare and Medicaid intermediaries	600,884	683,328
TOTAL CURRENT LIABILITIES	<u>884,365</u>	<u>1,234,942</u>
FUND BALANCES	<u>7,231,171</u>	<u>7,698,791</u>
TOTALS	<u>8,115,536</u>	<u>8,983,344</u>

See notes to financial statements

STATEMENTS OF REVENUE, EXPENSES, AND FUND BALANCES

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HOKID MEMORIAL HOSPITAL

	YEAR ENDED SEPTEMBER 30	
	2000	2001
REVENUE		
Inpatient service revenue	\$ 1,071,664	\$ 1,091,605
Other revenue	91,063	96,175
TOTAL REVENUE	<u>1,162,727</u>	<u>1,187,780</u>
EXPENSES		
Nursing services	1,081,750	1,275,990
Other professional services	1,288,888	1,378,348
General services	544,174	521,689
Food and administrative services	1,370,203	1,343,654
Real estate	814,558	814,814
Depreciation and amortization	221,100	248,108
TOTAL EXPENSES	<u>5,300,573</u>	<u>5,277,323</u>
INCOME (LOSS) FROM OPERATIONS	<u>(4,137,846)</u>	<u>(4,089,543)</u>
INVESTMENT (INCOME) (LOSS) AND OTHER NON-OPERATING EXPENSES		
Investment income	198,098	111,120
Grant	37,135	-
Unrealized (loss) gain on investments	(211,581)	(1,628)
Loss on disposal of assets	-	(21,690)
	<u>123,652</u>	<u>(12,198)</u>
INVESTING (EXPENSES) OVER EXPENSES (REVENUE)	<u>(4,014,194)</u>	<u>(4,001,741)</u>
FUND BALANCE, Beginning of year	<u>7,098,750</u>	<u>8,008,704</u>
FUND BALANCE, End of year	<u>3,084,556</u>	<u>4,006,963</u>

See notes to financial statements

STATEMENTS OF CASH FLOWS

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BROOK MEMORIAL HOSPITAL

	YEAR ENDED SEPTEMBER 30	
	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ (493,218)	\$ (483,610)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	271,000	249,108
Loss on disposal of assets	-	25,000
Changes in -		
Accounts receivable	192,360	383,508
Other assets	(1,043)	65,298
Accounts payable	(123,867)	204,718
Reserves	(158,000)	60,000
Accrued expenses	188,117	16,853
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(453,811)</u>	<u>594,867</u>
CASH FLOWS FROM CAPITAL ACTIVITIES:		
Purchase of property and equipment	(61,854)	(281,028)
CASH FLOWS FROM NON-CASH FINANCING ACTIVITIES:		
Grants	22,783	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	79,740	187,397
Matured investments	1,800,000	158,000
Purchase of investments	(7,850,918)	(183,000)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(5,971,178)</u>	<u>162,397</u>
NET INCREASE (DECREASE) IN CASH	(6,401,901)	174,214
Cash at beginning of year	1,693,684	1,519,470
CASH AT END OF YEAR	<u>1,291,783</u>	<u>1,693,684</u>

See notes to financial statements

HOOD MEMORIAL HOSPITAL**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Hood Memorial Hospital (the Hospital) is a nonprofit organization created by the Tangipahoa Parish Police Jury (as Hospital Service District No. 1 of Tangipahoa Parish, Louisiana), on November 17, 1968 (re-created on October 19, 1982) under the provisions of Chapter 10 of Title 48 of the Louisiana Revised Statutes of 1950 and is exempt from Federal and state income taxes. The governing authority of the District is the Tangipahoa Parish Police Jury and accordingly, appoints members to the Hospital Board. The Board exercises all administrative functions with respect to the operation and management of the Hospital. The Hospital reports in accordance with the American Institute of Certified Public Accountants' (AICPA) "Audits of Providers of Health Care Services" and, as a governmental entity, also provides certain disclosures required by the Governmental Accounting Standards Board. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates. Significant accounting policies used by the Hospital in preparing and presenting its financial statements are summarized below.

Cash: Cash includes amounts whose use is limited by board designation.

Inventory: Inventory is valued at the most recent invoice price. This method approximates the lower of cost (first-in, first-out method) or market.

Assets whose use is limited: Assets whose use is limited include assets set aside by the Board of Commissioners for future capital improvements (over which the Board retains control and may at its discretion subsequently use for other purposes).

Investments: The Hospital reports in accordance with Governmental Accounting Standards Board Statement No. 30 (GASB 30) "Accounting and Financial Reporting for Certain Investments and for External Investments Pools" and, accordingly, investments are carried at fair value in the balance sheet and all investment income, including changes in the fair value of investments is recognized in the statements of revenues and expenses.

Property and equipment: Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method as follows:

Buildings and land improvements	10-40 years
Fixed equipment	5-20 years
Major movable equipment	3-20 years

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

HOOD MEMORIAL HOSPITAL

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The Hospital derives a significant amount (approximately 74% for the year ended September 30, 2003 and 79% for the year ended September 30, 2002) of its net patient service revenues from patients covered by the Medicare and Medicaid programs.

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

Free care: The Hospital did not provide free care during the years ended September 30, 2003 and 2002.

Self-insured medical claims: The Hospital is self-insured for employee medical claims up to predetermined stop-loss amounts. Claims in excess of the stop-loss amounts are insured through a commercial insurance carrier. Management reviews its best estimate of probable claim amounts incurred but not reported based on its previous loss experience.

New accounting pronouncements: GASB issued GASB Statement No. 34 (GASB 34), "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus", and GASB Statement No. 38, "Certain Financial Statement Prior Conditions" which establish financial reporting standards for state and local governments. These statements establish that the financial statements should consist of management's discussion and analysis (MD&A) to provide an analytical overview of the entity's financial activities, basic financial statements, and required supplementary data (RSD) as required by other GASB statements. These statements are required to be adopted October 1, 2003 for the Hospital.

2. CASH AND INVESTMENTS

The composition of assets whose use is limited (board-designated funds) as September 30, 2003 and 2002 is set forth below:

	2003	2002
Certificates of deposit	\$ 1,676,000	\$ 1,908,000
U.S. Government agency obligations	716,928	300,000
Cash equivalents	3,000	711
Accrued interest (accrual value)	3,952	6,321
Total carrying value (at fair value)	<u>2,399,880</u>	<u>2,215,032</u>

Louisiana state statutes authorize the Hospital to invest in obligations of the U. S. Treasury and other Federal agencies, certificates of deposit of state banks and national banks having their principal office in the State of Louisiana, guaranteed investment contracts issued by a financial institution having one of the two highest rating categories published by Standard & Poor's or Moody's, and mutual or trust funds registered with the Securities and Exchange Commission (provided the underlying investments of these funds meet certain restrictions). Statutes also require that all of the deposits of the Hospital be protected by insurance or collateral. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance.

As of September 30, 2003, the balances reported by banks for cash and certificates of deposit totaled \$2,793,994. Of the \$2,793,994, \$800,000 was covered by federal depository insurance and \$1,993,994 was collateralized with securities held by the pledging bank in the Hospital's name.

ROOD MEMORIAL HOSPITAL

2. CASH AND INVESTMENTS - CONTINUED

The Hospital's investments are categorized to give an indication of the level of risk assumed at year end. Category (a) is intended to include investments that are insured or registered or for which the securities are held by the Hospital or its agent in the Hospital's name. Category (b) includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Hospital's name. Category (c) includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the Hospital's name. Balances at September 30, 2003 are as follows:

Security Type	Credit Risk Category		
	a	b	c
U. S. Government agency obligations	\$ -	\$ 716,928	\$ -
Certificates of deposit	200,000	1,458,000	-
Cash equivalents	-	1,000	-
Total investments	200,000	2,175,928	-

3. NET PATIENT SERVICE REVENUE

Prior to April 1, 2003, service rendered to most Medicare program beneficiaries was paid at prospectively determined rates based on fee schedules which varied according to a patient classification system based on clinical, diagnostic and other factors. Certain outpatient services and defined capital costs related to Medicare beneficiaries were paid based on a cost reimbursement methodology under which the Hospital was paid at a relative rate with final settlement determined after submission of cost reports by the Hospital and audit thereof by the fiscal intermediary. Effective August 1, 2000, the Hospital is reimbursed for outpatient services under the ambulatory payment classification (APC) based on prospectively determined rates.

Effective April 1, 2003, for Medicare purposes, the Hospital was certified as a Critical Access Hospital which changed the reimbursement methodology. Inpatient acute care services rendered to Medicare program beneficiaries are paid on a cost reimbursement methodology. Inpatient non-acute services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a relative rate with final settlement determined after submission of annual cost reports by the Hospital and audit thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under a Medicare program and the appropriateness of their admissions are subject to an independent review by a peer review organization under contract with the Hospital. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2003.

Inpatient services rendered to Medicaid program beneficiaries are reimbursed at a pre-determined daily rate (currently \$295 per day). Outpatient services are reimbursed at cost less 17%. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 1999.

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

4. GROUP ANNUITY CONTRACT

Under the terms of a group annuity contract entered into between American United Life Insurance Company and the Louisiana Hospital Association, eligible employees of the Hospital may enter into an agreement with the Company to contribute 7% of their gross salary to a group annuity contract. The Hospital is then obligated to reimburse 3% to the contract (including overtime salary). Once the contributions are made, the Hospital has no further liability.

HOOD MEMORIAL HOSPITAL

5. PROPERTY AND EQUIPMENT

A summary of property and equipment at September 30, 2003 and 2002 follows:

	2003	2002
Land	\$ 81,800	\$ 81,800
Land improvements - hospital	113,470	113,470
Land improvements - physician building	22,600	22,600
Hospital building	2,941,380	2,941,380
Building improvements - hospital	73,088	73,088
Physician building	623,528	623,528
Fixed equipment - hospital	173,898	173,898
Major movable equipment - hospital	2,494,328	2,433,647
Physician building - major movable equipment	8,122	8,122
	<u>6,181,134</u>	<u>6,279,643</u>
Accumulated depreciation	2,987,671	2,626,742
	<u>3,193,463</u>	<u>3,652,901</u>

6. MALPRACTICE INSURANCE

During 1976, the State of Louisiana enacted legislation that created a minimum limit of \$500,000 for each medical professional liability claim and established the Louisiana Patient Compensation Fund (State Insurance Fund) to provide professional liability insurance to participating health care providers. The Hospital participates in the State Insurance Fund, which provides up to \$400,000 coverage for settlement amounts in excess of \$100,000 per claim. The Hospital is insured through the Louisiana Hospital Association Trust Fund with respect to the fee \$180,000 of each claim.

7. GOVERNMENTAL REGULATIONS

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 participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse matters 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 expenditures for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse 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 action initiation or cessation at any time.

Legislation and regulation at all levels of government have affected and are likely to continue to affect the operation of the Hospital. Federal healthcare reform legislation proposals debated in Congress in recent years have included significant reductions in Medicare and Medicaid program reimbursement to hospitals and the promotion of a restructured delivery and payment system focusing on competition among providers based on price and quality, managed care, and stop-discounting or capitated payment arrangements with many, if not all, of the Hospital's principal payers. It is not possible at this time to determine the impact on the Hospital of government plans to reduce Medicare and Medicaid spending, government implementation of national and state healthcare reform or market-oriented delivery system and/or payment methodology changes. However, such changes could have an adverse impact on operating results, cash flows and estimated debt service coverage of the Hospital in future years.

HOAG MEMORIAL HOSPITAL

7. GOVERNMENTAL REGULATIONS - CONTINUED

The Health Insurance Portability and Accountability Act (HIPAA) was enacted August 21, 1996, to assure health insurance portability, reduce healthcare fraud and abuse, guarantee security and privacy of health information and enforce standards for health information. Organizations are required to be in compliance with certain HIPAA provisions beginning April 1, 2001. Organizations are subject to significant fines and penalties if found not to be compliant with the provisions outlined in the regulations. Management is in the process of evaluating the impact of this legislation on its operations including future financial commitments that will be required to comply with the legislation.

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

Board of Commissioners
Hood Memorial Hospital
Hospital Service District No. 2 of
Tangipahoa Parish, Louisiana

We have audited the financial statements of Hood Memorial Hospital (the Hospital – Hospital Service District No. 2 of Tangipahoa Parish, a component unit of Tangipahoa Parish, Louisiana) as of and for the year ended September 30, 2005, and have issued our report thereon dated February 23, 2006. 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 Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these 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 non-compliance that are required to be reported under Government Auditing Standards.

The prior year report had a finding that cash was not collateralized. This was corrected during the year ended September 30, 2005.

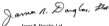
Internal Control Over Financial Reporting:

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 financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Hospital's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

The Hospital is not large enough to permit an adequate segregation of employee duties for effective internal accounting control over the purchasing (invoice approval, processing, and general ledger) and financial reporting (general ledger preparation, approval, and reconciliation) cycles.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily detect all reportable conditions and, accordingly, would not necessarily detect all reportable conditions that are also considered to be material weaknesses.

This report is intended for the information of the Board of Commissioners, management, and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.



James B. Douglas, Ltd.
Certified Public Accountants

February 15, 2004