

**Hospital Service District Number One
of the Parish of LaSalle, State of Louisiana
A Component Unit of the LaSalle Parish Police Jury
Cibola, Louisiana**

**General Purpose Financial Statements
As of and For the Years Ended
September 30, 1993 and 1992**

Under provisions of State law, this report is a public document. Copy of the report has been submitted to the entity and/or other appropriate public officials. The report is available for public inspection at the State House office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4-21-94

Hospital Service District Number One
of the Parish of Lafourche, State of Louisiana
A Component Unit of the Lafourche Parish Police Jury
Ole, Louisiana

General Purpose Financial Statements

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Independent Auditors' Report

Board of Commissioners
Hospital Service District Number One
of the Parish of Lafaille, State of Louisiana
A Component Unit of the Lafaille Parish Police Jury
Cibola, Louisiana

We have audited the accompanying general-purpose financial statements of the Hospital Service District Number One of the Parish of Lafaille, State of Louisiana, (the District), a component unit of the Lafaille Parish Police Jury, as of and for the years ended September 30, 2003 and 2002. These general-purpose financial statements are the responsibility of management. Our responsibility is to express an opinion on these general-purpose 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 of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the accounts 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the District as of September 30, 2003 and 2002, and the results of its operations and the cash flows of the proprietary type funds for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 3, 2004, on our consideration of the District'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.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying supplemental information as of and for the year ended September 30, 2003 listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana

March 3, 2004

Hospital Service District Number One
of the Parish of Lafourche, State of Louisiana
A Component Unit of the Lafourche Parish Police-Jury
Orla, Louisiana

GENERAL-PURPOSE FINANCIAL STATEMENTS

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LA SALLE, STATE OF LOUISIANA
A Component Unit of the LaSalle Parish Police Jury
CMA, Louisiana

ALL PROPRIETARY FUND FUNDS
COMBINED BALANCE SHEETS
September 30, 2001 and 2000

ASSETS	Enterprise Funds	
	2001	2000
CURRENT ASSETS		
Cash and cash equivalents		
Cash, checking	\$ 38,858	\$ 45,141
Certificates of deposit	124,330	801,187
Total cash and cash equivalents	163,188	846,328
Receivables		
Patient services, net of allowance of \$955,841 and \$2,001,320	1,584,455	2,105,347
Estimated third-party payer settlements	419,414	837,881
Disproportionate Share Pool Payments	1,189,989	490,885
Interest	15,045	10,813
Rent	0	270
Miscellaneous	281	281
Supplies	100,097	100,848
Prepaid expenses	26,285	17,817
Assets whose use is limited		
By agreement with third party payors for capital improvements and funded depreciation	0	54,807
Under revenue bond agreement		
Revenue bond and interest sinking account	114,324	106,519
Revenue bond reserve account	504,718	118,013
Depreciation and contingency fund	24,802	14,807
Total assets whose use is limited	253,844	289,146
Total current assets	1,817,260	4,403,424
PROPERTY, PLANT AND EQUIPMENT		
Land	4,810	4,810
Land improvements	47,471	86,068
Buildings	1,840,804	1,820,518
Equipment, furniture and fixtures	2,718,330	2,480,881
Less accumulated depreciation	(3,838,092)	(3,405,475)
Total property, plant and equipment, net of accumulated depreciation	774,123	601,802
TOTAL ASSETS	\$ 4,811,452	\$ 5,005,246

See accompanying notes to the financial statements.

Statement A

LIABILITIES AND EQUITY	Enterprise Funds	
	2000	1999
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 217,888	\$ 81,738
Salaries payable	82,047	54,428
Accrued expense	582,666	171,581
Current portion of capital leases	54,891	88,478
Accrued vacation payable	87,562	52,588
Total current liabilities payable from unrestricted assets	794,154	448,813
Payable from assets whose use is limited		
Revenue bonds payable	85,000	60,000
Accrued bond interest payable	24,822	27,271
Total current liabilities payable from restricted assets	109,822	87,271
Total current liabilities	903,976	536,084
NONCURRENT LIABILITIES		
Revenue bonds payable	470,000	500,000
Capital leases	27,488	92,898
Total noncurrent liabilities	497,488	592,898
Total liabilities	1,401,464	1,128,982
EQUITY		
Contributed capital	1,087,733	1,087,733
Retained earnings:		
Reserved for revenue bond:		
Sinking amount	114,554	120,578
Reserve account	184,710	170,073
Depreciation and capital improvement	24,813	14,607
Unreserved	1,059,212	1,056,288
Total retained earnings	1,218,929	1,111,566
Total equity	2,306,662	2,199,299
TOTAL LIABILITIES AND EQUITY	\$ 2,808,126	\$ 2,328,281

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
 PARISH OF LABALLE, STATE OF LOUISIANA
 A Component Unit of the Laballe Parish Police Jury
 One, Louisiana

ALL PROPRIETARY TYPE FUNDS
 COMBINED STATEMENTS OF REVENUES, EXPENSES,
 AND CHANGES IN RELATED FUNDINGS
 For the Years Ended September 30, 2000 and 1999

Statement B

	Enterprise Funds	
	1999	2000
OPERATING REVENUES		
Net patient service revenues	\$ 5,087,000	\$ 6,000,044
Contributions from Ambulance Service District	84,000	75,000
State of Louisiana, Depreciation/State Pool Payments	677,000	490,000
Vending machine commissions	3,000	3,400
Rental income	9,740	9,875
Cafeteria sales	78,700	10,300
Property taxes	100,000	110,000
Other	200,000	10,000
Total revenues	<u>6,279,440</u>	<u>7,000,619</u>
OPERATING EXPENSES		
Daily patient services	640,000	650,000
Nursing services	1,800,000	1,900,000
Other professional services	1,000,000	1,100,000
General services	700,000	600,000
Administrative and fiscal services	700,000	600,000
Employee benefits	800,000	700,000
Depreciation	100,000	100,000
Provision for bad debts	800,000	800,000
Interest expense	40,000	20,000
Total expenses	<u>7,060,000</u>	<u>6,980,000</u>
OPERATING INCOME (LOSS)	<u>(780,560)</u>	<u>20,619</u>
NONOPERATING REVENUES (EXPENSES)		
Grant revenue	10,000	0
Interest revenue:		
Invested assets	20,000	10,000
Assets held-in-use in limited	12,000	0,000
Total nonoperating revenues (expenses)	<u>42,000</u>	<u>10,000</u>
NET INCOME	<u>(738,560)</u>	<u>10,619</u>
RETAINED EARNINGS, BEGINNING OF YEAR	<u>2,110,000</u>	<u>1,990,000</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 1,371,440</u>	<u>\$ 2,000,619</u>

See accompanying notes to the financial statements.

HOSPITAL SERVICE CONTRACT NUMBER ONE OF THE
PARISH OF LA SALLE, STATE OF LOUISIANA
A Component Unit of the LaSalle Parish Police Jury
Orla, Louisiana

ALL PROPRIETARY TYPE FUNDS
COMBINED STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2001 and 2000

Statement C

	Categories Funds	
	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) from operations	\$ 118,133	\$ 888,123
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Provision for bad debts	890,580	890,518
Depreciation expense	170,591	167,598
Interest paid on capital and related financing activities	40,350	29,857
(Increase) decrease in:		
Accounts receivable, patient services	(268,188)	(718,188)
Accounts receivable, third party payor settlements	218,447	(887,670)
Accounts receivable, Disproportionate Share-Pool Payments	(890,004)	70,886
Supplies	(50,548)	(54,373)
Prepaid expenses	(18,764)	(7,877)
Other	278	(18,433)
Increase (decrease) in:		
Accounts payable, trade	(898,181)	210,213
Salaries payable	27,807	23,337
Accrued expenses	199,875	112,981
Total adjustments	132,488	28,491
Net cash provided by (used in) operating activities	\$ 250,621	\$ 916,614

(Continued)

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
 PARISH OF LABALLE, STATE OF LOUISIANA
 A Component Unit of the Laballe Parish Police-Jury
 Olla, Louisiana

ALL PROPRIETARY TYPE FUNDS
 COMBINED STATEMENTS OF CASH FLOWS
 For the Years Ended September 30, 2000 and 2001

Statement 0

	Enterprise Funds	
	2001	2000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of property, plant and equipment	\$ (51,940)	\$ (58,100)
Other revenues	11,841	0
Capital lease obligations:		
Principal	(28,000)	(28,140)
Hospital revenue bonds:		
Principal	(80,000)	(80,000)
Interest	(43,000)	(23,900)
Compensated absences	8,071	18,011
Net cash used in capital and related financing activities	<u>(193,069)</u>	<u>(182,129)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (Increase) in restricted assets	41,600	(21,470)
Interest received	10,500	28,837
Net cash provided by investing activities	<u>52,100</u>	<u>7,367</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(140,969)	(174,762)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	248,328	423,090
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 107,359	\$ 248,328

(Continued)

See accompanying notes to the financial statements.

**Hospital Service District Number One of the
Parish of LaSalle, State of Louisiana
A Component Unit of the LaSalle Parish Police Jury**

**Notes to the General Purpose Financial Statements
For the Years Ended September 30, 2003 and 2002**

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**Hospital Service District Number One of the
Parish of LaSalle, State of Louisiana
A Component Unit of the LaSalle Parish Police Jury
Notes to the General-Purpose Financial Statements
For the Years Ended September 30, 2003 and 2002**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: The Hospital Service District Number One of the Parish of LaSalle, State of Louisiana, (the District), was created by the LaSalle Parish Police Jury, and operates Hardaway Medical Center through its Board of Commissioners. Hardaway Medical Center is a 41-bed hospital located in Olla, Louisiana, providing health care services to residents of Olla and the surrounding communities. In addition, the District provides office space on a rental basis to several physicians who serve patients of the hospital.

The District is governed by a Board of Commissioners composed of five members. Mr. Paul Mathews, Administrator of the Hospital, serves as secretary and treasurer of the Board.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body establishing governmental accounting and financial reporting principles. The most significant of the Hospital Service District's accounting policies are described below.

A. REPORTING ENTITY: The District is a component unit of the LaSalle Parish Police Jury, the reporting entity. The LaSalle Parish Police Jury is the governing authority of the parish of LaSalle, Louisiana, and is governed by a board of police jurors elected by the public. Under the provisions granted by the Louisiana statutes, the police jury created the District and appoints the members of its Board of Commissioners. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the LaSalle Parish Police Jury, or other governmental units that comprise the financial reporting entity.

B. FUND ACCOUNTING: The accounts of the District are organized on the basis of funds each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. The funds presented in the financial statements are described as follows:

Enterprise Funds: The following enterprise funds are proprietary fund types that account for activities similar to those found in the private sector, where the determination of net income is necessary and useful to sound financial administration:

Operations and Maintenance: The District provides various services to the doctors of the District through the use of this fund. In an effort to retain doctors, the District provides buildings for the doctors' use. The doctors are charged a monthly rent for use of these buildings.

Concessions: In order to control the collections and reduce costs, the District engages an outside vending company to handle the concessions. All activities of the concessions fund are conducted by an outside agency who pays the District a stated percentage of gross collections.

Hardaway Medical Center: This fund accounts for the operations of the Medical Center. Its purpose is to provide needed health care services to persons within the district.

**Hospital Service District Number One of the
Parish of Lafourche, State of Louisiana
A Component Unit of the Lafourche Parish Police Jury**

**Notes to the General-Purpose Financial Statements
For the Years Ended September 30, 2003 and 2002**

C. MEASUREMENT BASIS AND BASIS OF ACCOUNTING

Enterprise Funds The enterprise funds are reported on the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred. With this measurement basis, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The District has elected pursuant to GASB Statement No. 26, to apply all GASB pronouncements and only FASB pronouncements issued before November 30, 1989. Patient service revenue, etc., are recognized as follows:

Net Patient Service Revenue Net patient service revenue is patient revenue reported at Hardina Medical Center's established rates less contractual adjustments and policy discounts. Retroactive adjustments arising under reimbursement agreements with third-party payors 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 District has agreements with third-party payors that provide for reimbursement to the District at amounts different than its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the District's established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

Medicare Inpatient care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain inpatient services and defined capital costs related to Medicare beneficiaries are paid based upon a cost reimbursement method. The District is paid for outpatient cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits by the Medicare fiscal intermediary. Cost reports through September 30, 2002, have been audited. The report for September 30, 2003 was filed on March 1, 2004.

Medicaid Inpatient services rendered to Medicaid program beneficiaries are reimbursed on prospectively determined rates. Most inpatient services rendered to Medicaid program beneficiaries are reimbursed based upon a cost reimbursement methodology. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits done by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 2002.

The state Medicaid/Program made partial interim payments based on cost report figures without considering post-discharge limitations and incentive payments pending approval of this payment plan by the Health Care Financing Administration. The state of Louisiana recently audited cost reports for prior years after reaching agreement with the federal government regarding reimbursement methodology and upon appropriation of funds by the state legislature.

Blue Cross Inpatient services rendered to Blue Cross subscribers are reimbursed at an all-inclusive daily per diem rate. The prospectively determined per diem rates are not subject to retroactive adjustments.

**Hospital Service District Number One of the
Parish of Lafaille, State of Louisiana
A Component Unit of the Lafaille Parish Police Jury**

**Notes to the General-Purpose Financial Statements
For the Years Ended September 30, 2003 and 2002**

Chronic Health and Medical Program of the Self-funded Services (Chronic) Inpatient and outpatient services rendered are reimbursed on the same basis used by Medicare.

Charity: Title VI (Hill-Burton) of the Public Health Act Regulations required hospitals to provide free care to patients who were unable to pay for the years ended September 30.

Hennepin Medical Center completed its twenty-year obligation of providing free care under Hill-Burton. A policy for providing continuing charity care for future years has not been established.

Net patient service revenues: Following is a summary of contractual and other adjustments to arrive at net patient service revenues for the years ended September 30:

	<u>2003</u>	<u>2002</u>
Gross patient service revenue	\$ 8,830,415	\$ 11,762,540
Less contractual adjustments:		
Medicare	(2,048,989)	(3,331,312)
Medicaid	(798,967)	(1,338,288)
Other third parties	(125,833)	(443,718)
Total contractual adjustments	<u>(2,973,789)</u>	<u>(4,983,302)</u>
Net patient service revenue	<u>\$ 5,856,626</u>	<u>\$ 6,779,238</u>

Approximately fifty-five to sixty percent of the net patient service revenue comes from Medicare and Medicaid billings.

Ad Valorem Taxes are susceptible to accrual.

Contributions: Contributions from the Lafaille Parish Ambulance Service District for operation of the ambulances are treated as operating revenues. Unrestricted donations are treated as nonoperating revenues when received.

D. BUDGET PRACTICES: The District maintains only enterprise funds in its accounting system and is not subject to the Louisiana Local Government Budget Act or the requirements of accounting principles generally accepted in the United States of America that require budget to actual comparisons. Therefore, budget to actual comparisons, usually found in the financial statements of governmental entities, are not included in these statements.

E. ENCUMBRANCES: The District does not use a formal system of encumbrance accounting.

F. CASH AND CASH EQUIVALENTS Cash includes amounts in demand deposits and interest-bearing demand deposits, and time deposit accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less.

**Hospital Service District Number One of the
Parish of Lafaille, State of Louisiana
A Component Unit of the Lafaille Parish Police Jury**

**Notes to the General Purpose Financial Statements
For the Years Ended September 30, 2003 and 2002**

The District deposits its funds in fiscal agent banks organized under the laws of the state of Louisiana, or the laws of the United States of America.

G. INVESTMENTS Investments are bank certificates of deposit that are valued at cost which approximates market. If the original maturities of investments exceed 90-days, they are classified as investments; however, if the original maturities are 90-days or less, they are classified as cash-equivalents.

H. SUPPLIES AND INVENTORY Inventories of supplies and minor equipment are valued at lower-of-cost (first-in, first-out) or least invoice price. During the year ended September 30, 2003, the District terminated a pharmacy contract with McKesson and purchased the pharmacy inventory.

I. ASSETS WHOSE USE IS LIMITED Assets whose use is limited include funds set aside in accordance with agreements with third-party payers and funds held in accordance with the provisions of a revenue bond agreement.

J. PROPERTY, PLANT AND EQUIPMENT Property and equipment acquisitions are recorded at cost. Property and equipment donated for the District's operations are valued at their fair market value on the date received.

All depreciable property and equipment are shown in the accompanying balance sheet at their original costs, less accumulated depreciation. Depreciation is recorded on the straight-line method over the estimated useful lives, as follows:

Land improvements	12-20 years
Buildings	16-40 years
Fixed equipment	3-20 years
Major movable equipment	3-20 years

K. LONG-TERM DEBT Long-term liabilities expected to be financed from proprietary fund operations, Shadron Medical Center, are accounted for in the enterprise fund.

L. USE OF ESTIMATES The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 - DEPOSITS At September 30, 2003 and 2002, the District had deposits (book balances) as follows:

	2003	2002
Demand deposit	\$169,525	\$181,859
Party cash	300	300
Certificates of deposit	<u>324,358</u>	<u>266,314</u>
Total	<u>\$494,183</u>	<u>\$448,473</u>

**Hospital Service District Number One of the
Parish of Lafourche, State of Louisiana
A Component Unit of the Lafourche Parish Police Jury**

**Notes to the General-Purpose Financial Statements
For the Years Ended September 30, 2003 and 2002**

Total deposits consist of the following balances on Statement A - Combined Balance Sheet, as of September 30, 2003 and 2002:

	<u>2003</u>	<u>2002</u>
Cash and cash equivalents	\$144,139	\$448,708
Assets whose use is limited under revenue bond agreement with third-party payors for capital improvements and funded depreciation	0	14,987
Revenue bond and interest sinking account	114,324	120,538
Revenue bond reserve account	109,718	110,073
Depreciation and contingency fund	<u>14,987</u>	<u>14,987</u>
Total	<u>\$144,029</u>	<u>\$240,585</u>

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

At September 30, 2003, the District's carrying amount of deposits was \$414,073 and the bank balance was \$441,146. Of the bank balance, \$271,494 was covered by federal depository insurance or by collateral held by the District's agent in the District's name (GAASB Category 1). The remaining balance, \$169,648 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name (GAASB Category 2).

These deposits are considered uncollateralized (Category 3) under the provisions of GAASB Statement 3. However, Louisiana Revised Statute 29:1129 imposes a statutory requirement on the custodial bank to advertise and call the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 - ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DUBIOUSLY ACCOUNTS: Accounts receivable -patients, include unpaid amounts billed to discharged patients and third-party payors such as insurance companies and the fiscal intermediaries of the Social Security Administration on behalf of patients eligible for benefits under Title XVII and XIX of the Social Security Act. Also included are unbilled charges for those patients not discharged at September 30, 2003.

NOTE 4 - ASSETS WHOSE USE IS LIMITED: In accordance with Medicare regulations, the District has limited the use of the following assets for capital improvement and funded depreciation. These funds are kept on deposit with local banks as shown at September 30, 2003 and 2002:

	<u>Rate</u>	<u>2003</u>	<u>2002</u>
Bank of Jones	7%	30	<u>\$24,581</u>

**Hospital Service District Number One of the
Parish of LaSalle, State of Louisiana
A Component Unit of the LaSalle Parish Police Jury**

**Notes to the General Purpose Financial Statements
For the Years Ended September 30, 2003 and 2002**

The District closed its capital improvement and funded depreciation account during the year ended September 30, 2003, because they are no longer required to hold these funds separately.

The District is required to make monthly deposits into the following funds under the Farmers Home Administration loan agreement:

	Monthly	September 30,	
		2002	2003
Revenue bond and interest sinking account	\$7,342	\$114,224	\$120,576
Revenue bond reserve account	0	104,719	110,973
Depreciation and contingency fund	778	24,912	14,607
Subtotal	8,120	243,855	246,156
Total assets whose use is limited	8,120	243,855	246,156

These monies are in interest-bearing accounts and are included in the balance sheet as assets whose use is limited. There is a required amount of \$99,000 maintained in the revenue bond reserve account. Payments into the depreciation and contingency fund shall continue and are to be used only for replacement and repairs. The revenue bond reserve account is used to make annual principal and interest payments. All required deposits to these funds have been made. Some of the deposits were made after year end.

NOTE 8 - CONTINGENCIES The District evaluates contingencies based upon the best available evidence. The District believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the District's estimates, future earnings will be changed or credited.

Third-Party Government-Based Expenses Cost reimbursements are subject to examination by agencies administering the programs. Effective October 1, 1993, the Medicare program discontinued its cost-based reimbursement system for inpatient services. Under the program, the District receives a fixed fee for each patient, which is determined by the government. The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as erroneous changes in interpretations applying statutes, regulations, and general instructions of those programs. The amount of such adjustments cannot be determined.

Federal and state budget constraints are increasing the time period taken to pay Medicare and Medicaid claims and the Medicaid program is delaying payment of year-end statements.

The health care 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

**Hospital Service District Number One of the
Parish of Lafourche, State of Louisiana
A Component Unit of the Lafourche Parish Police Jury**

**Notes to the General Purpose Financial Statements
For the Years Ended September 30, 2003 and 2002**

concerning possible violations of local and state 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 District is in compliance with local and state 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 voluntary or unwarranted at this time.

Self-Insurance The District became partially self-insured for employees' group and health insurance coverage on June 1, 2002. Claims are funded through employee contributions and operating funds of the District. The District maintains stop-loss coverage with an insurance company for claims in excess of \$25,000 per claim for each employee. All known claims filed and an estimate of incurred but not reported claims based on experience of the District are made and accrued as necessary in the financial statements. The estimate of incurred but not reported claims as September 30, 2003 and 2002, was not material; therefore, no accrual was made.

Litigation The District is a defendant in several lawsuits. Management and legal counsel for the District believe that the potential claims against the District not covered by insurance would not materially affect the District's combined financial position.

NOTE 4 - PENSION PLAN Employees of the Harbor Medical Center are covered by the Federal Social Security System. The Hospital provides administrative assistance to its employees who participate in a salary reduction plan under Section 408(a) of the Internal Revenue Code. However, the District does not contribute to the plan.

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT The balances and changes in property, plant and equipment as of and for the year ended September 30, 2003 are as follows:

	Balance Beginning	Additions	Deletions	Balance Ending
Land	\$ 4,815	\$ 0	0	\$ 4,815
Land improvements	39,359	8,132	0	47,491
Buildings	1,602,719	66,887	0	1,669,606
Equipment, furniture and fixtures	2,450,951	264,248	0	2,715,200
Total	4,997,844	339,267	0	5,337,111
Less accumulated depreciation:				
Land improvements	39,359	0	0	39,359
Buildings	1,316,719	66,887	0	1,383,606
Equipment, furniture and fixtures	2,009,247	122,848	0	2,132,095
Total	3,465,325	189,735	0	3,655,060
Property, plant and equipment, net	\$ 1,532,519	\$ 149,532	0	\$ 1,682,051

**Hospital Service District Number One of the
Parish of LaSalle, State of Louisiana
A Component Unit of the LaSalle Parish Police Jury**

**Notes to the General-Purpose Financial Statements
For the Years Ended September 30, 2003 and 2002**

The balances and changes in property, plant and equipment as of and for the year ended September 30, 2002 are as follows:

	Balance			Balance Ending
	Beginning	Additions	Deletions	
Land	\$ 4,615	\$ 0	\$ 0	\$ 4,615
Land improvements	39,359	0	0	39,359
Buildings	1,398,588	11,811	0	1,410,399
Equipment, furniture and fixtures	2,424,880	46,151	.0	2,471,031
Total	<u>4,868,242</u>	<u>58,062</u>	<u>.0</u>	<u>4,926,304</u>
Less accumulated depreciation:				
Land improvements	38,000	239	0	38,239
Buildings	1,373,957	44,313	0	1,418,270
Equipment, furniture and fixtures	1,223,628	112,482	.0	1,336,110
Total	<u>3,335,585</u>	<u>157,034</u>	<u>.0</u>	<u>3,492,619</u>
Property, plant and equipment, net	<u>\$ 1,532,657</u>	<u>\$40,028</u>	<u>\$0</u>	<u>\$ 1,572,685</u>

NOTE 8 - LONG-TERM DEBT Funding for a 1987 expansion program was provided by the issuance of \$1,316,000 revenue bonds and \$140,000 from earnings accumulated by the District. The bonds bear interest at five percent per annum and are payable over a period of 30 years. They were acquired by the Farmers Home Administration and are secured by a pledge of income, revenues and receipts derived by the District.

The following is a summary of long-term debt principal transactions for the year ended September 30:

	Revenue Bonds	
	2003	2002
Balance, beginning of year	\$225,000	\$215,000
Redeemed	<u>60,000</u>	<u>60,000</u>
Balance, end of year	<u>\$165,000</u>	<u>\$155,000</u>

Scheduled annual debt service requirements are as follows:

Years Ending September 30,	Principal	Interest	Total
2004	\$ 81,000	\$ 28,750	\$ 111,750
2005	61,000	23,500	84,500
2006	70,000	20,250	90,250
2007	51,000	16,750	67,750
2008	80,000	13,500	93,500
2009-2010	180,000	13,200	193,200
Total	<u>\$523,000</u>	<u>\$115,750</u>	<u>\$638,750</u>

**Hospital Service District Number One of the
Parish of Lafaille, State of Louisiana
A Component Unit of the Lafaille Parish Police Jury**

**Notes to the General-Purpose Financial Statements
For the Years Ended September 30, 2003 and 2002**

NOTE 9 - CAPITAL LEASE OBLIGATIONS The District records items under capital leases as an asset and an obligation in the accompanying financial statements. The following is an analysis of equipment under capital leases:

Item	September 30,	
	2003	2002
X-ray system	\$275,200	\$275,200
Ultrasound equipment	75,000	75,000
Total	\$350,200	\$350,200

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of September 30, 2003:

Years ending September 30,	X-Ray System	Ultrasound Equipment	Total
2004	\$42,965	\$17,357	\$ 60,322
2005	38,358	4,791	43,149
Total minimum lease payments	81,323	22,148	103,471
Less amounts representing interest	5,792	826	6,618
Present value of net minimum lease payments	\$75,531	\$21,322	\$ 96,853

NOTE 10 - INCOME TAXES The District is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

NOTE 11 - BEHAVIORAL HEALTH UNIT The District established a Behavioral Health Unit (BHU) in 1999 and operates the BHU with the assistance of a third-party management company. The BHU provides programs for the treatment of emotional problems and psychiatric disorders and operates out of a ten-bed wing in the Hospital.

Carter Integrated Services (CIS) operated the BHU under the terms of a contract entered into by both parties effective August 23, 1998 and revised July 27, 1999 and renewed August 23, 2001. Under this contract, management services and all staff are provided by CIS. The District pays to CIS a management fee of \$400 per patient day excluding inpatient days of care. This contract is for a term of three years and is cancellable by either party with a 90-day notice. The District canceled this contract after September 30, 2003.

NOTE 12 - AD VALOREM TAX The District levies taxes on real and business personal property located within Lafaille Parish boundaries. Property taxes are levied by the District on property values assessed by the Lafaille Parish Tax Assessor and approved by the State of Louisiana Tax Commission.

The Lafaille Parish Sheriff's Office bills and collects property taxes for the District. Collections are remitted to the District monthly.

**Hospital Service District Number One of the
Parish of Lafaille, State of Louisiana
A Component Unit of the Lafaille Parish Police Jury**

**Notes to the General Purpose Financial Statements
For the Years Ended September 30, 2003 and 2002**

Property Tax Calendar

Millage rates adopted	September 8, 2003
Lien date	September 8, 2003
Tax bills mailed	On or about November 7, 2003
Total taxes due date	December 31, 2003
Lien date	January 1, 2004
Penalties and interest are added	January 31, 2004
Tax sale - 2003 delinquent property	May 2004

Assessed values are established by the Lafaille Parish Tax Assessor each year on a uniform basis at the following rates of assessed value to fair market value.

10% land	17% machinery
10% residential improvements	17% commercial improvements
15% industrial improvements	27% public service properties, excluding land

A revaluation of all property is required after 1978 to be completed no less than every four years. The last revaluation was completed for the roll of January 1, 2002. Total gross assessed value was \$15,578,756 in calendar year 2003. Louisiana state law exempts the first \$7,500 of assessed value of a taxpayer's primary residence from parish property taxes. This homestead exemption was \$3,241,772 of the assessed value in calendar year 2003.

State law requires the sheriff to collect property taxes in the calendar year in which the assessment is made. Property taxes become delinquent January 1 of the following year. If taxes are not paid by the due date, taxes bear interest at the rate of 1.25% per month until the taxes are paid. After notice is given to the delinquent taxpayer, the sheriff is required by the Constitution of the State of Louisiana to sell the least quantity of property necessary to settle the taxes and interest owed.

All property taxes are recorded in the municipal fund on the basis explained in Note 1. Revenues in this fund are recognized in the accounting period in which they become measurable and when there exists an enforceable legal claim. The District considers January 1, 2004, the lien date, as the date that an enforceable legal claim exists. Estimated uncollectible taxes are those taxes based on past experience which will not be collected in the subsequent year and are primarily due to subsequent adjustments to the tax roll.

Historically, virtually all ad valorem taxes receivable were collected since they are secured by property. Therefore, there is no allowance for uncollectible taxes.

The following is a summary of authorized and levied (tax rate per \$1,000 assessed value) ad valorem tax:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
Parish-wide tax: Operations and maintenance	10	10	2004

**Hospital Services District Number One
of the Parish of Lafourche, State of Louisiana
A Component Unit of the Lafourche Parish Police Jury
Orla, Louisiana**



**Hospital Service District Number One
of the Parish of Lafourche, State of Louisiana
A Component Unit of the Lafourche Parish Police Jury
Orla, Louisiana**

SUPPLEMENTAL INFORMATION

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LABALLE, STATE OF LOUISIANA
A Component Unit of the LaSalle Parish Police Jury
CMA, Louisiana

ALL ENTERPRISE FUNDS
COMBINED BALANCE SHEETS
September 30, 2003

	Operations And		Hospital Medical	
	Maintenance	Construction	Central	Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents				
Cash, checking	\$ 1,657	\$ 91,475	\$ 22,526	\$ 115,658
Certificates of deposit	0	0	194,336	194,336
Total cash and cash equivalents	1,657	91,475	146,702	340,000
Receivables				
Patient services, net of allowances of \$200,871 and \$2,091,350	0	0	1,594,491	1,594,491
Estimated third-party payer settlements	0	0	418,414	418,414
Disproportionate Share Pool Payments	0	0	1,188,880	1,188,880
Interest	0	0	15,945	15,945
Rent	0	0	0	0
Miscellaneous	0	269	0	269
Supplies	0	0	190,897	190,897
Prepaid expenses	0	0	38,281	38,281
ASSETS WHOSE USE IS LIMITED				
Under revenue bond agreement				
Revenue bond and interest sinking account	0	0	194,336	194,336
Revenue bond reserve account	0	0	194,710	194,710
Depreciation and contingency fund	0	0	34,932	34,932
Total assets whose use is limited	0	0	394,008	394,008
Total current assets	1,657	11,724	3,801,702	3,815,083
PROPERTY, PLANT AND EQUIPMENT				
Land	0	0	4,678	4,678
Land improvements	3,847	0	43,824	47,671
Buildings	167,767	0	1,495,094	1,662,861
Equipment, furniture and fixtures	13,883	0	2,701,788	2,715,671
Less accumulated depreciation	(182,815)	0	(2,498,462)	(2,681,277)
Total property, plant and equipment, net of accumulated depreciation	27,482	0	736,982	764,464
TOTAL ASSETS	\$ 29,139	\$ 11,724	\$ 4,600,386	\$ 4,641,467

Schedule 1

LIABILITIES AND EQUITY

	Operations And		Harrison Medical	
	Maintenance	Compressor	Center	Total
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$	\$	\$	\$ 217,668
Salaries payable				83,047
Accrued expense				961,558
Current portion of capital leases				54,991
Accrued vacation payable				87,582
Total current liabilities payable from unrestricted assets				794,736
Payable from assets whose use is limited				
Revenue bonds payable				86,000
Accrued bond interest payable				34,521
Total current liabilities payable from restricted assets				86,521
Total current liabilities				881,257
NONCURRENT LIABILITIES				
Revenue bonds payable				470,000
Capital leases				37,488
Total noncurrent liabilities				507,488
Total liabilities				1,388,745
EQUITY				
Contributed capital				1,067,737
Retained earnings:				
Reserved for revenue bond				
Sinking account				114,334
Reserve account				104,710
Depreciation and capital improvement unreserved				34,692
	39,249	11,734	1,068,029	1,099,012
Total retained earnings	39,249	11,734	1,068,029	1,118,012
Total equity	39,249	11,734	1,068,029	1,118,012
TOTAL LIABILITIES AND EQUITY	\$	\$	\$	\$ 4,811,452

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LABALLE, STATE OF LOUISIANA
A Component Unit of the Laballe Parish Police Jury
ORA, Louisiana

ALL ENTERPRISE FUNDS
COMBINED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
For the Year Ended September 30, 2000

Schedule 2

	Operations And		Healthcare	Total
	Maintenance	Consumptions	Medical Center	
OPERATING REVENUES				
Net patient service revenues	\$ 0	\$ 0	\$ 1,897,501	\$ 1,897,501
Contributions from Ambulance Service District	0	0	\$4,280	\$4,280
State of Louisiana, Disproportionate Share Pool Payments	0	0	677,554	677,554
Working machine commissions	0	3,079	0	3,079
Rental income	5,742	0	0	5,742
Collette sales	0	0	18,199	18,199
Property taxes	0	0	130,867	130,867
Other	0	0	202,782	202,782
Total revenues	5,742	3,079	2,000,042	2,010,662
OPERATING EXPENSES				
Daily patient services	0	0	645,564	645,564
Nursing services	0	0	1,812,819	1,812,819
Other professional services	0	0	1,008,790	1,008,790
General services	6,579	0	188,604	195,183
Administrative and fiscal services	0	0	738,379	738,379
Employee benefits	0	0	578,264	578,264
Depreciation	6,579	0	182,616	179,199
Provision for bad debts	0	0	958,592	958,592
Interest expense	0	0	48,290	48,290
Total expenses	13,158	0	7,059,299	7,072,456
OPERATING INCOME (LOSS)	(7,416)	3,079	(50,257)	(78,132)
NONOPERATING REVENUES (EXPENSES)				
Grant revenue	0	0	11,641	11,641
Interest revenue				
Unrestricted assets	0	0	34,441	34,441
Assets whose use is limited	0	0	12,500	12,500
Total nonoperating revenues (expenses)	0	0	58,582	58,582
NET INCOME	(7,416)	3,079	42,825	43,443
RETAINED EXPENSES, BEGINNING OF YEAR	44,022	8,898	2,050,008	2,111,556
RETAINED EXPENSES, END OF YEAR	\$ 36,606	\$ 11,977	2,092,833	2,151,415

**Hospital Service District Number One
of the Parish of Lafourche, State of Louisiana
A Component Unit of the Lafourche Parish Police Jury
Orla, Louisiana**



HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
 PARISH OF LABALLE, STATE OF LOUISIANA
 A Component Unit of the Laballe Parish Police Jury
 One, Louisiana

ALL ENTERPRISE FUNDS
 COMBINED STATEMENTS OF CASH FLOWS
 For the Year Ended September 30, 2003

	Operations		Hennepin	
	And		Medical	
	Maintenance	Construction	Center	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (cost) from operations	\$ 1,200	\$ 3,075	\$ (18,892)	\$ (17,692)
Adjustments to reconcile net income (cost) to net cash provided by (used) in operating activities:				
Provision for bad debts	0	0	850,881	850,881
Depreciation expense	8,175	0	182,510	174,385
Interest paid on capital and related financing activities	0	0	40,290	40,290
(Increase) decrease in:				
Accounts receivable, patient services	0	0	(288,180)	(288,180)
Accounts receivable, third-party payor settlements	0	0	218,447	218,447
Accounts receivable, Disproportionate Share Pool Payments	0	0	(588,804)	(588,804)
Supplies	0	0	(28,848)	(28,848)
Prepaid expenses	0	0	(18,744)	(18,744)
Other	275	0	0	275
Increase (decrease) in:				
Accounts payable, trade	0	0	(88,111)	(88,111)
Salaries payable	0	0	27,827	27,827
Accrued expense	0	0	188,575	188,575
Total adjustments	8,445	0	(710,243)	(701,798)
Net cash provided by (used) in operating activities	\$ 9,645	\$ 3,075	\$ (729,133)	\$ (726,413)

(Continued)

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LAZARRE, STATE OF LOUISIANA
A Component Unit of the Lake Charles Police Jury
One, Louisiana

ALL ENTERPRISE FUNDS
COMBINED STATEMENTS OF CASH FLOWS
For the Year Ended September 30, 2000

Schedule 3

	Operations And Maintenance	Commissions	Hardline Medical Center	Total
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
FINANCING ACTIVITIES				
Purchase of property, plant and equipment	\$ (13,188)	\$ 0	\$ (288,732)	\$ (301,920)
Other revenues	0	0	71,841	71,841
Capital lease obligations:				
Principal	0	0	(38,800)	(38,800)
Hospital revenue bonds:				
Principal	0	0	(88,000)	(88,000)
Interest	0	0	(43,000)	(43,000)
Compensated absences	0	0	8,076	8,076
	<u>13,188</u>	<u>0</u>	<u>(481,652)</u>	<u>(468,466)</u>
Net cash used in capital and related financing activities				
	<u>(13,188)</u>	<u>0</u>	<u>(481,652)</u>	<u>(494,840)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (increase) in restricted assets	0	0	45,000	45,000
Interest received	0	0	30,500	30,500
	<u>0</u>	<u>0</u>	<u>75,500</u>	<u>75,500</u>
Net cash provided by investing activities				
	<u>0</u>	<u>0</u>	<u>75,500</u>	<u>75,500</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(13,188)</u>	<u>0</u>	<u>(406,152)</u>	<u>(419,340)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>11,484</u>	<u>8,288</u>	<u>838,508</u>	<u>858,280</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 0</u>	<u>\$ 8,288</u>	<u>\$ 432,356</u>	<u>\$ 440,932</u>

(Continued)

**Hospital Service District Number One
of the Parish of Lafaille, State of Louisiana
A Component Unit of the Lafaille Parish Police Jury
006, Louisiana**

**Schedule of Compensation Paid Board Members
For the Year Ended September 30, 2003**

Schedule 4

Board members who served during the fiscal year and the amount of compensation received by each are presented below in compliance with House Concurrent Resolution No. 34 of the 1979 Session of the Louisiana Legislature.

Mr. Lee Richardel, Chairman	400
Mrs. Inna Torral, Vice Chairman	400
Mr. M. L. Barboisale	400
Mr. Benny Ziegler	100
Mr. Joe Wilson	400
Mr. Mike Dale	<u>150</u>
Total	<u>\$2,650</u>



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David L. Ann, CPA
District
1982 - 2000

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Board of Commissioners

Hospital Service District Number One

of the Parish of Lafaille, State of Louisiana

A Component Unit of the Lafaille Parish Police Jury

016, Louisiana

We have audited the general-purpose financial statements of the Hospital Service District Number One of the Parish of Lafaille, State of Louisiana, a component unit of the Lafaille Parish Police Jury, as of and for the years ended September 30, 2001 and 2002, and have issued our report thereon dated March 1, 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 of America.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with 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 noncompliance that is required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control 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 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 a material weakness.

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 used or should not be used by anyone other than those specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513 this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana

March 3, 2004