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HOSPITAL SERVICE DISTRICT NO. 1  
PARISH OF POINTE COUPEE AND AFFILIATE  
STATE OF LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
AND  
BASIC FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED  
OCTOBER 31, 2003, 2002, AND 2001

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

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Hospital Service District No. 1 of the Parish of Pointe Coupee and Affiliate  
Management's Discussion and Analysis  
Of the Basic Financial Statements  
Years ended October 31 2003, and 2002

This section of the Health Service District's annual financial report presents background information and management's analysis of the District's financial performance during the fiscal year that ended on October 31, 2003. Please read it in conjunction with the financial statements in this report.

### **Financial Highlights**

- The District's total assets increased by approximately \$153,659, or approximately .72%.
- During the year, the District's net operating revenues decreased approximately \$59,066 or .50% to \$11,645,549 from the prior year while expenses increased approximately \$868,929 or 6.83%. The District had a profit from operations of approximately \$13,348 which compares to a profit of \$705,483 the previous year.
- The District received revenues for Uncompensated Costs Reimbursement in the amount of \$875,157 compared to \$1,030,134 the previous year.
- The District received sales tax revenues of approximately \$1,430,479 compared to \$1,567,002 the previous year.
- The District made \$830,596 in capital acquisitions for the fiscal year and purchased a tract of land for \$220,000.

### **Required Financial Statements**

The Basic Financial Statements of the District report information about the District using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The Balance Sheets include all of the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statements of Revenue, Expenses and Changes in net Assets. This statement measures improvements in the District's operations over the past two years and can be used to determine whether the District has been able to recover all of its costs through its patient service revenue and other revenue sources. The final required financial statement is the Statements of Cash Flows. The primary purpose of this statement is to provide information about the District's cash from operations, investing and financing activities, and to provide answers to such questions as where did cash come from, what was cash used for and what was the change in cash balance during the reporting period.

### **Financial Analysis of the Health Services District**

The Balance Sheets and the Statements of Revenue, Expenses, and Changes in Net Assets report information about the Health Services District's activities. These two statements report the net assets of the District and changes in them. Increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

Hospital Service District No. 1 of the Parish of Pointe Coupee and Affiliate  
Management's Discussion and Analysis (Continued)

**Net Assets**

A summary of the District's Balance Sheets are presented in Table 1 below:

**TABLE 1**  
**Condensed Balance Sheets**

	<u>2003</u>	<u>2002</u>	<u>\$ Change</u>	<u>% Change</u>
Total current assets	\$ 3,533,045	\$ 5,165,075	\$ (1,632,030)	-31.60%
Capital assets - net	10,059,529	9,759,801	299,728	3.07%
Other assets	<u>7,943,686</u>	<u>6,457,725</u>	<u>1,485,961</u>	<u>23.01%</u>
 Total Assets	 \$ <u>21,536,260</u>	 \$ <u>21,382,601</u>	 \$ <u>153,659</u>	 <u>0.72%</u>
 Current liabilities	 \$ 903,938	 \$ 785,545	 \$ 118,393	 15.07%
Long-term liabilities	993,649	996,645	(2,996)	-0.30%
Net assets	<u>19,638,673</u>	<u>19,600,411</u>	<u>38,262</u>	<u>0.20%</u>
 Total Liabilities and Net Assets	 \$ <u>21,536,260</u>	 \$ <u>21,382,601</u>	 \$ <u>153,659</u>	 <u>0.72%</u>

As can be seen in Table 1, total assets increased by \$153,659 to \$21,536,260 in fiscal year 2003, up from \$21,382,601 in fiscal year 2002. The change in total net assets resulted from a net operating gain for the current year.

**Summary of Revenue, Expenses and Changes in Net Assets**

The following table presents a summary of the District's historical revenues and expenses for each of the fiscal years ended October 31, 2003 and 2002.

Hospital Service District No. 1 of the Parish of Pointe Coupee and Affiliate  
Management's Discussion and Analysis (Continued)

**TABLE 2**  
**Condensed Statements of Revenue, Expenses and**  
**Changes in Net Assets**

	<u>2003</u>	<u>2002</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Revenue:</b>				
Net patient service revenue	\$ 11,645,549	\$ 11,704,615	\$ (59,066)	-0.50%
Sales tax revenue	1,430,479	1,567,002	(136,523)	-8.71%
Grant income	212,722	-0-	212,722	100.00%
Gain (loss) on disposal of equipment	-0-	(44,152)	44,152	-100.00%
Other	<u>315,617</u>	<u>200,108</u>	<u>115,509</u>	<u>57.72%</u>
 Total revenue	 <u>\$ 13,604,367</u>	 <u>\$ 13,427,573</u>	 <u>\$ 176,794</u>	 <u>\$ 1.32%</u>
<b>Expenses:</b>				
Salaries and benefits	\$ 6,192,150	\$ 5,681,727	\$ 510,423	\$ 8.98%
Medical supplies and drugs	1,126,396	1,096,268	30,128	2.75%
Insurance	300,672	280,448	20,224	7.21%
Professional fees	1,862,052	1,451,014	411,038	28.33%
Depreciation	750,868	786,364	(35,496)	-4.51%
Interest expense	68,644	48,827	19,817	40.59%
Provision for bad debt	1,495,718	1,593,914	(98,196)	-6.16%
Other expenses	<u>1,794,519</u>	<u>1,783,528</u>	<u>10,991</u>	<u>0.62%</u>
 Total expenses	 <u>13,591,019</u>	 <u>12,722,090</u>	 <u>868,929</u>	 <u>6.83%</u>
 Operating income (loss)	 <u>13,348</u>	 <u>705,483</u>	 <u>(692,135)</u>	 <u>-98.11%</u>
<b>Nonoperating income (loss):</b>				
Income on investments whose use is limited	30,704	50,931	(20,227)	-39.71%
Other investment income	85,410	118,615	(33,205)	-27.99%
Payments to Police Jury	<u>(91,200)</u>	<u>(91,200)</u>	<u>-0-</u>	<u>0.00%</u>
 Nonoperating income, net	 <u>24,914</u>	 <u>78,346</u>	 <u>(53,432)</u>	 <u>-68.20%</u>
 Excess of revenues over (expenses)	 38,262	 783,829	 (745,567)	 -95.12%
 Net assets at beginning of year	 <u>19,600,411</u>	 <u>18,816,582</u>	 <u>783,829</u>	 <u>4.17%</u>
 Net assets at end of year	 <u>\$ 19,638,673</u>	 <u>\$ 19,600,411</u>	 <u>\$ 38,262</u>	 <u>0.20%</u>

Hospital Service District No. 1 of the Parish of Pointe Coupee and Affiliate  
Management's Discussion and Analysis (Continued)

**Sources of Revenue**

**Operating Revenue**

During fiscal year 2003, the Hospital derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payers, who receive care in the Hospital's facilities. Reimbursement for the Medicare and Medicaid programs and the third-party payers is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes interest income, cafeteria sales, and revenue from services provided to physicians, rental income and other miscellaneous services.

Table 3 presents the relative percentages of gross charges billed for patient services by payer for the fiscal years ended October 31, 2003 and 2002.

**TABLE 3  
Payer Mix by Percentage**

	2003	2002
Medicare	42.50%	43.20%
Medicaid	18.00%	16.30%
Commercial Insurance	30.20%	30.70%
Self Pay	9.30%	9.80%

**Non-operating Income**

The District holds designated and restricted funds in its Balance Sheets that are invested primarily in the Louisiana Asset Management Pool. These investments were \$8,397,426 in total that earned \$95,898 interest income.

**Operating and Financial Performance**

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

Overall activity at the Hospital, as measured by patient admissions, increased 8.5% to 1,331 in 2003 from 1,231 in 2002. Patient days increased 15.4% to 4,013 in 2003 from 3,476 in 2002. Average length of stay increased to 3.02 in 2003 from 2.82 in 2002.

**Operating and Financial Performance**

Total net patient service revenue increased by approximately \$315,246 or 2.9%. The change is attributed to an increase in hospice services as well as an increase in patient census.

Gross accounts receivable have increased by \$31,730 for the hospital and \$180,255 for Home Health / Hospice. Average days in hospital accounts receivable have decreased to 66 in 2003 from 71 in 2002. The Hospital continues to exert every effort to assist patients in finding funding sources for health care.

Hospital Service District No. 1 of the Parish of Pointe Coupee and Affiliate  
Management's Discussion and Analysis (Continued)

**Operating and Financial Performance (Continued)**

Salaries increased by approximately \$401,292 over the prior year. This was mainly due to a merit increase of 3.5% given to all employees. Benefits increased by \$72,327 over the previous year mainly due to the increase in health insurance premiums.

The costs of medical supplies increased by \$56,337 over the previous year due to the increase in inpatient and emergency room volume.

Medical professional fees increased by approximately \$66,152 due to an increase in hospitalists services.

Provision for bad debts decreased by approximately \$98,196.

Other expenses increased slightly due to inflation and increased patient volumes.

**Capital Assets**

During fiscal year 2003, the District invested approximately \$830,596 in capital assets included in Table 4 below.

**TABLE 4  
Capital Assets**

	September 30, <u>2003</u>	September 30, <u>2002</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 1,409,454	\$ 1,189,454	\$ 220,000	18.50%
Land improvements	115,738	115,738	-0-	0.00%
Buildings and fixed equipment	11,804,158	11,004,968	799,190	7.26%
Moveable equipment	4,770,258	4,574,382	195,876	4.28%
Construction in progress	<u>139,488</u>	<u>303,958</u>	<u>(164,470)</u>	<u>-54.11%</u>
 Total	 18,239,096	 17,188,500	 1,050,596	 6.11%
Less: accumulated depreciation	<u>8,179,567</u>	<u>7,428,699</u>	<u>750,868</u>	<u>10.11%</u>
Net property, plant, and equipment	 \$ <u>10,059,529</u>	 \$ <u>9,759,801</u>	 \$ <u>299,728</u>	 <u>3.07%</u>

Net property, plant and equipment have decreased because depreciation expense exceeded acquisitions.

**Contacting the Health Services District's Financial Manager**

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Health service district's finances and to demonstrate the accountability for the money it receives. If you have questions about this report or need additional financial information, contact Hospital Administration.

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Commissioners  
Hospital Service District No. 1  
Of the Parish of Pointe Coupee, State of Louisiana  
New Roads, LA

We have audited the accompanying basic financial statements of the Hospital Service District No. 1, Parish of Pointe Coupee, (the "District"), a component unit of the Avoyelles Parish Police Jury, as of and for the years ended October 31, 2003, 2002, and 2001, as listed in the foregoing table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audits. We did not audit the financial statements of Maison Pointe Coupee Apartments, the "Affiliate", which represent 8.66 percent and 1.45 percent, respectively, of the assets and revenues of the District. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Affiliate, is based on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 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 audits and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital Service District No. 1, of the Parish of Pointe Coupee and its affiliate, as of October 31, 2003, 2002 and 2001, and the respective changes in financial position and cash flows 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 a report dated March 9, 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 audits.



Board of Commissioners  
Hospital Service District No. 1  
Of the Parish of Pointe Coupee, State of Louisiana  
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Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As discussed in Note 2 to the financial statements, effective November 1, 2002, the District changed its accounting policy related to financial statement presentation to comply with the provisions of Statement No. 34 of the Governmental Accounting Standards Board.

Management's discussion and analysis on pages "i" through "v" is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Certified Public Accountants

March 9, 2004

Hospital Service District No. 1  
Of the Parish of Pointe Coupee and Affiliate  
Combined Balance Sheets  
October 31, 2003, 2002, and 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
<u>Assets</u>			
Current assets:			
Cash and cash equivalents (Note 3)	\$ 1,109,250	\$ 2,867,615	\$ 2,081,656
Assets limited as to use - required for current liabilities (Note 4)	-0-	-0-	22,137
Patient accounts receivable, net of estimated uncollectibles (Note 5)	1,726,922	1,611,230	1,264,377
Estimated third-party payor settlements	50,970	174,210	315,323
Other receivables	256,400	137,141	271,332
Inventory	302,741	304,214	287,172
Prepaid expenses	<u>86,762</u>	<u>70,665</u>	<u>57,788</u>
 Total current assets	 3,533,045	 5,165,075	 4,299,785
 Assets limited as to use (Note 4)	 1,266,002	 1,244,109	 1,396,504
 Property, plant and equipment, net (Note 6)	 10,059,529	 9,759,801	 9,031,581
Other assets:			
Investments	6,274,513	4,801,389	4,707,655
LHA investment	<u>403,171</u>	<u>412,227</u>	<u>415,778</u>
 Total assets	 \$ <u>21,536,260</u>	 \$ <u>21,382,601</u>	 \$ <u>19,851,303</u>
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Accounts payable	\$ 378,313	\$ 91,623	\$ 413,379
Accrued expenses and withholdings payable (Note 8)	494,993	666,240	597,263
Unearned grant revenue	27,218	24,494	24,079
Current maturities of long-term debt (Note 10)	<u>3,414</u>	<u>3,188</u>	<u>-0-</u>
 Total current liabilities	 903,938	 785,545	 1,034,721
 Long-term debt, net of current maturities (Note 10)	 <u>993,649</u>	 <u>996,645</u>	 <u>-0-</u>
 Total liabilities	 \$ <u>1,897,587</u>	 \$ <u>1,782,190</u>	 \$ <u>1,034,721</u>

See accompanying notes to financial statements.

Hospital Service District No. 1  
 Of the Parish of Pointe Coupee and Affiliate  
 Combined Balance Sheets (Continued)  
 October 31, 2003, 2002, and 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	\$ 9,065,880	\$ 8,763,156	\$ 9,031,581
Restricted net assets	-0-	-0-	22,137
Unrestricted net assets	<u>10,572,793</u>	<u>10,837,255</u>	<u>9,762,864</u>
Total net assets	<u>19,638,673</u>	<u>19,600,411</u>	<u>18,816,582</u>
Total liabilities and net assets	\$ <u>21,536,260</u>	\$ <u>21,382,601</u>	\$ <u>19,851,303</u>

See accompanying notes to financial statements.

Hospital Service District No. 1  
Of the Parish of Pointe Coupee and Affiliate  
Combined Statements of Revenue, Expenses, and Changes in Net Assets  
Years Ended October 31, 2003, 2002, and 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Revenue:			
Net patient service revenue	\$ 11,645,549	\$ 11,704,615	\$ 11,368,454
Sales tax revenue	1,430,479	1,567,002	1,646,804
Grant income	212,722	-0-	8,830
Gain (loss) on disposal of equipment	-0-	(44,152)	5,570
Other	<u>315,617</u>	<u>200,108</u>	<u>126,352</u>
 Total revenue	 <u>13,604,367</u>	 <u>13,427,573</u>	 <u>13,156,010</u>
 Expenses:			
Salaries and benefits	6,192,150	5,681,727	5,281,430
Medical supplies and drugs	1,126,396	1,096,268	929,320
Insurance	300,672	280,448	205,757
Professional fees	1,862,052	1,451,014	1,768,269
Depreciation	750,868	786,364	804,051
Interest expense	68,644	48,827	-0-
Provision for bad debt	1,495,718	1,593,914	1,728,141
Other expenses	<u>1,794,519</u>	<u>1,783,528</u>	<u>1,549,178</u>
 Total expenses	 <u>13,591,019</u>	 <u>12,722,090</u>	 <u>12,266,146</u>
 Operating income (loss)	 <u>13,348</u>	 <u>705,483</u>	 <u>889,864</u>
 Nonoperating income (loss):			
Income on investments whose use is limited	30,704	50,931	107,532
Other investment income	85,410	118,615	245,851
Payments to Police Jury	<u>(91,200)</u>	<u>(91,200)</u>	<u>(91,200)</u>
 Nonoperating income, net	 <u>24,914</u>	 <u>78,346</u>	 <u>262,183</u>
 Excess of revenues over (expenses)	 38,262	 783,829	 1,152,047
 Net assets at beginning of year	 <u>19,600,411</u>	 <u>18,816,582</u>	 <u>17,664,535</u>
 Net assets at end of year	 \$ <u>19,638,673</u>	 \$ <u>19,600,411</u>	 \$ <u>18,816,582</u>

See accompanying notes to financial statements.

Hospital Service District No. 1  
Of the Parish of Pointe Coupee and Affiliate  
Combined Statements of Cash Flows  
Years Ended October 31, 2003, 2002, and 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Cash flow from operating activities:			
Cash receipts from patients and third-party payors	\$ 11,999,662	\$ 11,806,674	\$ 11,662,158
Cash payments to employees and for employee-related cost	(6,363,397)	(5,612,750)	(5,247,877)
Cash payments for other operating expenses	<u>(4,811,573)</u>	<u>(4,940,796)</u>	<u>(4,233,664)</u>
Net cash provided (used) by operating activities	<u>824,692</u>	<u>1,253,128</u>	<u>2,180,617</u>
Cash flows from investing activities:			
LHA Insurance Trust	9,056	3,550	47,442
Income on investments whose use is limited	30,704	50,931	107,532
Other investment income	85,410	118,615	245,851
Assets limited as to use	(21,893)	152,395	1,480,815
Unrestricted investment	<u>(1,473,124)</u>	<u>(93,734)</u>	<u>(1,828,408)</u>
Net cash provided (used) by investing activities	<u>(1,369,847)</u>	<u>231,757</u>	<u>53,232</u>
Cash flows from non-capital financing activities:			
Payments to Police Jury	<u>(91,200)</u>	<u>(91,200)</u>	<u>(91,200)</u>
Net cash provided (used) by non-capital financing activities	<u>(91,200)</u>	<u>(91,200)</u>	<u>(91,200)</u>
Cash flows from capital and related financing activities:			
Purchases of property, plant, and equipment	(1,050,597)	(1,602,977)	(1,005,213)
Proceeds from sales of capital assets	-0-	44,245	5,570
Proceeds from long-term debt	-0-	999,833	-0-
Principal payments on long-term debt	(2,769)	-0-	-0-
Interest paid on long-term debt	<u>(68,644)</u>	<u>(48,827)</u>	<u>-0-</u>
Net cash provided (used) by capital and related financing activities	<u>(1,122,010)</u>	<u>(607,726)</u>	<u>(999,643)</u>
Net increase (decrease) in cash and cash equivalents	(1,758,365)	785,959	1,143,006
Cash and cash equivalents, beginning of year	<u>2,867,615</u>	<u>2,081,656</u>	<u>938,650</u>
Cash and cash equivalents, end of year	\$ <u>1,109,250</u>	\$ <u>2,867,615</u>	\$ <u>2,081,656</u>

See accompanying notes to financial statements.

Hospital Service District No. 1  
Of the Parish of Pointe Coupee and Affiliate  
Combined Statements of Cash Flows (Continued)  
Years Ended October 31, 2003, 2002, and 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	\$ <u>68,644</u>	\$ <u>48,827</u>	\$ <u>-0-</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ 13,348	\$ 705,483	\$ 889,864
Interest expense considered capital financing activity	68,644	48,827	-0-
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	750,868	786,364	804,052
Provision for bad debts	1,495,718	1,593,913	1,728,141
(Gain) loss on disposal of assets	-0-	44,152	(5,570)
(Increase) decrease in:			
Net patient accounts receivable	(1,611,410)	(1,940,767)	(1,290,923)
Estimated third-party payor settlements	123,240	141,113	(114,638)
Other receivables	(119,259)	134,191	(215,635)
Sales tax receivable	-0-	-0-	108,832
Inventory	1,473	(17,044)	(18,305)
Prepaid expenses	(16,097)	(12,877)	7,045
Increase (decrease) in:			
Accounts payable	286,690	(321,756)	173,111
Accrued expenses and withholdings payable	(171,247)	68,977	33,553
Unearned grant revenue	2,724	415	24,079
Health insurance reserves	<u>-0-</u>	<u>22,137</u>	<u>57,011</u>
Net cash provided (used) by operating activities	\$ <u>824,692</u>	\$ <u>1,253,128</u>	\$ <u>2,180,617</u>

See accompanying notes to financial statements.

Hospital Service District No. 1  
Of the Parish of Pointe Coupee and Affiliate  
Notes to Combined Financial Statements  
Years Ended October 31, 2003, 2002, and 2001

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Pointe Coupee Hospital Service District No. 1 (referred to herein as "Pointe Coupee General Hospital" or the "District") was created by an ordinance of the Pointe Coupee Parish Police Jury on June 5, 1979. The District's area includes all of Pointe Coupee Parish, Louisiana.

The District is a political subdivision of the Pointe Coupee Parish Police Jury whose jurors are elected officials. Its nine Commissioners are appointed by the Pointe Coupee Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Pointe Coupee Parish Police Jury is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the Pointe Coupee Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

An affiliate, Hospital Service District No. 1 of Pointe Coupee, Louisiana, Inc. (dba Maison Pointe Coupee Apartments) was incorporated as a Louisiana nonprofit corporation on July 21, 1999.

Nature of Business

The District provides outpatient, emergency and inpatient acute hospital services, as well as home health care services. It also provides services to the parish ambulance service, health unit, mental health unit, substance abuse unit and the Council on Aging. Its affiliate began providing elderly housing to local residents on April 5, 2002.

Consolidated Financial Statements

The accompanying consolidated financial statements include the accounts of the Hospital Service District No. 1, Parish of Pointe Coupee as of and for the years ended October 31, 2003, 2002, and 2001, as well as Maison Pointe Coupee Apartments where accounts are included as of and for the years ended December 31, 2003 and 2002. The District has control of its affiliate through common board members. All intercompany transactions and balances have been eliminated.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of significant accounting policies.

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Hospital Service District No. 1  
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Years Ended October 31, 2003, 2002, and 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Method of Accounting

The District uses the accrual method of accounting. 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. Hospital accounting and reporting procedures conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the Louisiana Governmental Audit Guide, the AICPA Audit and Accounting Guide - Health Care Organizations, published by the American Institute of Certified Public Accountants, and standards set by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

On November 1, 2002, the Hospital adopted the provisions of Statement No. 34 (Statement 34) of GASB, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Statement 34 established standards for external financial reporting for all state and local governmental entities, which include a balance sheet, a statement of revenue, expenses and changes in net assets; and a direct method statement of cash flows. It requires the classification of net assets into three components – invested capital assets, net of related debt; restricted and unrestricted. These classifications are defined as follows:

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

The adoption of Statement 34 resulted in the previously reported unrestricted fund balance amount being classified to conform to the above net asset classifications. Additionally, the Hospital restated the 2002 and 2001 statements of cash flow to conform to the direct method of reporting cash receipts and disbursements.

Income Taxes

The entity is a political subdivision and exempt from taxation.



Hospital Service District No. 1  
Of the Parish of Pointe Coupee and Affiliate  
Notes to Combined Financial Statements  
Years Ended October 31, 2003, 2002, and 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit Risk

The District provides medical care primarily to Pointe Coupee Parish residents and grants credit to patients, substantially all of whom are local residents.

The District's estimate of collectibility is based on an evaluation of historical collections compared to gross revenues to establish an allowance for uncollectible accounts.

Significant Concentration of Economic Dependence

The District has an economic dependence on a small number of staff physicians who admit over 90% of the District's patients. Revenues from Medicare and Medicaid are significant. Accordingly, changes in federal or state legislation or interpretations of rules have a significant impact on the District.

Inventory

Inventory is valued at the lower of cost or market value. Cost is determined by the first-in, first-out method.

Property, Plant, and Equipment

Property, plant, and equipment is recorded at cost for purchased assets or at fair market value on the date of any donation. The District uses straight-line depreciation for financial reporting and third-party reimbursement. The following estimated useful lives are generally used.

Buildings and Improvements	25 to 40 years
Machinery and Equipment	5 to 20 years
Furniture and Fixtures	5 to 15 years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations when incurred.

The cost of assets retired or otherwise disposed of and related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

Assets Limited as to Use

Assets limited as to use is composed of assets set aside by the Board of Commissioners for future capital improvements and for third-party payor contingencies over which the Board retains control and may, at its discretion, subsequently use for other purposes. Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets.

Hospital Service District No. 1  
Of the Parish of Pointe Coupee and Affiliate  
Notes to Combined Financial Statements  
Years Ended October 31, 2003, 2002, and 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Doubtful Accounts

The District establishes an estimated allowance for doubtful accounts which determines estimated collectibility based upon an aging of accounts receivable.

Changes in Reporting Classification

The classification of certain prior year amounts have been changed to reflect consistent reporting when compared to current year balances.

Charity Care

The District 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 District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists primarily of deposits in checking and money market accounts with original maturities of 90 days or less. As of October 31, 2002, cash accounts of \$1,996,186, were covered by Federal Depository Insurance and/or secured by a pledge of Federal and Louisiana debt securities. The remaining balance of \$866,000, was unsecured. At October 31, 2003 and 2001, all cash accounts were secured.

NOTE 4 - ASSETS LIMITED AS TO USE

Assets limited as to use are summarized below. Investments are stated at cost that approximates market.

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Limited by board for capital improvements	\$ 865,981	\$ 856,406	\$ 840,555
Limited by board for third-party payor contingencies	335,689	331,777	325,300
Limited by board for debt repayment	27,266	24,542	24,126
Limited by agreement - health insurance	-0-	-0-	22,137
Limited by board for elderly housing project	<u>37,066</u>	<u>31,384</u>	<u>206,523</u>
	1,266,002	1,244,109	1,418,641
Less assets for current use	<u>-0-</u>	<u>-0-</u>	<u>(22,137)</u>
Total	<u>\$ 1,266,002</u>	<u>\$ 1,244,109</u>	<u>\$ 1,396,504</u>

Hospital Service District No. 1  
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**NOTE 5 - PATIENT ACCOUNTS RECEIVABLE**

A summary of patient accounts receivable is presented below.

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Hospital patient receivables	\$ 2,130,634	\$ 2,184,525	\$ 1,848,467
Home Health patient receivables	262,617	156,374	130,269
Hospice patient receivables	<u>162,518</u>	<u>62,530</u>	<u>-0-</u>
	2,555,769	2,403,429	1,978,736
Less estimated uncollectibles	<u>828,847</u>	<u>792,199</u>	<u>714,359</u>
Total patient accounts receivable	\$ <u>1,726,922</u>	\$ <u>1,611,230</u>	\$ <u>1,264,377</u>

**NOTE 6 - PROPERTY, PLANT AND EQUIPMENT**

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended October 31, 2003.

	October 31, <u>2002</u>	<u>Additions</u>	<u>Deductions</u>	October 31, <u>2003</u>
Land	\$ 1,189,454	\$ 220,000	\$ -0-	\$ 1,409,454
Land improvements	115,738	-0-	-0-	115,738
Buildings & improvements	11,004,968	799,190	-0-	11,804,158
Equipment	4,574,382	195,876	-0-	4,770,258
Work in process	<u>303,958</u>	<u>524,888</u>	<u>689,358</u>	<u>139,488</u>
Total	17,188,500	1,739,954	689,358	18,239,096
Accumulated depreciation	<u>7,428,699</u>	<u>750,868</u>	<u>-0-</u>	<u>8,179,567</u>
Net property, plant and equipment	\$ <u>9,759,801</u>	\$ <u>989,086</u>	\$ <u>689,358</u>	\$ <u>10,059,529</u>

Hospital Service District No. 1  
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NOTE 6 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended October 31, 2002.

	October 31, <u>2001</u>	<u>Additions</u>	<u>Deductions</u>	October 31, <u>2002</u>
Land	\$ 1,272,849	\$ 5,000	\$ 88,395	\$ 1,189,454
Land improvements	115,738	-0-	-0-	115,738
Buildings & improvements	8,962,637	2,042,331	-0-	11,004,968
Equipment	4,435,721	138,661	-0-	4,574,382
Work in process	<u>886,971</u>	<u>1,285,709</u>	<u>1,868,722</u>	<u>303,958</u>
Total	15,673,916	3,471,701	1,957,117	17,188,500
Accumulated depreciation	<u>6,642,335</u>	<u>786,364</u>	<u>-0-</u>	<u>7,428,699</u>
Net property, plant and equipment	\$ <u>9,031,581</u>	\$ <u>2,685,337</u>	\$ <u>1,957,117</u>	\$ <u>9,759,801</u>

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended October 31, 2001.

	October 31, <u>2000</u>	<u>Additions</u>	<u>Deductions</u>	October 31, <u>2001</u>
Land	\$ 1,272,849	\$ -0-	\$ -0-	\$ 1,272,849
Land improvements	115,738	-0-	-0-	115,738
Buildings & improvements	8,749,291	213,346	-0-	8,962,637
Equipment	4,317,224	118,497	-0-	4,435,721
Work in process	<u>213,601</u>	<u>673,370</u>	<u>-0-</u>	<u>886,971</u>
Total	14,668,703	1,005,213	-0-	15,673,916
Accumulated depreciation	<u>5,838,284</u>	<u>804,051</u>	<u>-0-</u>	<u>6,642,335</u>
Net property, plant and equipment	\$ <u>8,830,419</u>	\$ <u>201,162</u>	\$ <u>-0-</u>	\$ <u>9,031,581</u>

Hospital Service District No. 1  
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NOTE 7 - INVESTMENTS (including Limited Use)

Investments are classified as Held-to-Maturity securities and are therefore reported at amortized cost of any premium or discount as market declines are deemed temporary.

	<u>Amortized Cost</u>	<u>Fair Value</u>
An analysis of security types at October 31, 2003 follows:		
Louisiana Asset Management Pool, Inc.	\$ <u>7,476,183</u>	\$ <u>7,476,183</u>
An analysis of security types at October 31, 2002 follows:		
Louisiana Asset Management Pool, Inc.	\$ <u>5,845,687</u>	\$ <u>5,845,687</u>
An analysis of security types at October 31, 2001 follows:		
Louisiana Asset Management Pool, Inc.	\$ <u>5,731,567</u>	\$ <u>5,731,567</u>

NOTE 8 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

A summary of accrued expenses follows:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Salaries and wages	\$ 87,472	\$ 262,935	\$ 225,346
Compensated absences	303,857	284,087	275,197
Payroll taxes and withholdings	88,984	71,455	96,720
Other accrued expenses	<u>14,680</u>	<u>47,763</u>	<u>-0-</u>
Total accrued expenses	\$ <u>494,993</u>	\$ <u>666,240</u>	\$ <u>597,263</u>

NOTE 9 - COMPENSATED ABSENCES

Upon completion of six months of employment, employees are eligible for paid time off (PTO). The amount in which each employee is entitled varies depending upon the job classification, length of service, number of hours worked each week and other factors. A maximum of 200 hours may be carried over from year to year. Any excess must be paid or used by January 31, of a subsequent year. Vested PTO time has been recorded as a liability in the accompanying financial statements at the payroll rates in effect at the balance sheet date.

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**NOTE 10 - LONG-TERM DEBT**

The following is a summary of long-term debt at October 31:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Notes payable with United States Department of Agriculture, at a rate of 6.875% due November 1, 2003, secured by two parcels of land owned by the District, payable in 359 monthly payments of \$5,952 with balloon payment due September 30, 2032	\$ <u>997,063</u>	\$ <u>999,833</u>	\$ <u>-0-</u>
Total long-term debt	997,063	999,833	-0-
Less current maturities of long-term debt	<u>(3,414)</u>	<u>(3,188)</u>	<u>-0-</u>
Long-term debt, net of current maturities	\$ <u>993,649</u>	\$ <u>996,645</u>	\$ <u>-0-</u>

Scheduled principal repayments on long-term debt over the next five years are as follows:

<u>Years Ending October 31,</u>	<u>Amount</u>
2004	\$ 3,410
2005	3,652
2006	3,912
2007	4,189
2008	4,486
Thereafter	<u>974,000</u>
Total	\$ <u>993,649</u>

**NOTE 11 - PENSION PLAN**

The District participates in the Parochial Employees' Retirement System (a contributory, governmental and multi-employer plan). Although the plan is obligated to the District's employees under a defined benefit formula, the District is obligated to the plan for a defined contribution amount (7.75% of gross wages after December 31, 1996). Employees also contribute 9.5% of salary to the plan. The District's pension plan expenses were \$388,913, \$349,479, and \$329,157 in 2003, 2002, and 2001, respectively.

There is no age exclusion for participation in the pension plan. An employee is vested after 7 years of service. Withdrawal from the plan prior to the 7 years results in refund of only the employee contribution, without interest.

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Of the Parish of Pointe Coupee and Affiliate  
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NOTE 12 - CHARITY CARE

The District 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 services statistics. The following information measures the level of charity care provided during the years ended October 31, 2003, 2002, and 2001.

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Charges foregone, based on established rates	\$ 289,604	\$ 199,517	\$ 218,113
Estimated costs and expenses incurred to provide charity care	\$ 182,942	\$ 119,810	\$ 157,176
Equivalent percentage of charity care patients to all patients served	1.6%	1.2%	1.3%

NOTE 13 - NET PATIENT SERVICE REVENUE

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

**Medicare** - Inpatient acute 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 outpatient services related to Medicare beneficiaries are paid based on a cost reimbursement methodology.

The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the District. Home health is reimbursed based upon a prospectively determined rate per episode. The District's Medicare cost reports have been examined by the Medicare fiscal intermediary through October 31, 1999. The intermediary may reopen and further adjust any year within three years of the date of a Notice of Program Reimbursement.

**Medicaid** - Medicaid inpatient services are reimbursed based on a prospectively determined per diem rate. Most Medicaid outpatient services are reimbursed under a cost reimbursement methodology. The District is reimbursed at a tentative rate for cost based services with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through October 31, 1998.

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**NOTE 13 - NET PATIENT SERVICE REVENUE (Continued)**

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

The District receives a substantial portion of its charges from the Medicare and Medicaid programs at discounted rates. A summary of gross Medicare and Medicaid charges for the years ended October 31, 2003, 2002, and 2001 follows:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Medicare and Medicaid gross patient charges	\$ 9,945,907	\$ 9,550,436	\$ 7,770,444
Contractual adjustments	<u>(4,346,887)</u>	<u>(3,202,913)</u>	<u>(3,091,386)</u>
Program patient service revenue	\$ <u>5,599,020</u>	\$ <u>6,347,523</u>	\$ <u>4,679,058</u>
Percent of total patient gross charges	<u>56%</u>	<u>58%</u>	<u>48%</u>
Percent of total net patient revenues	<u>48%</u>	<u>54%</u>	<u>41%</u>

**NOTE 14 - PROFESSIONAL LIABILITY RISK**

The District participates in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide professional medical liability coverage to health care providers. The fund provides for \$400,000 of coverage per occurrence above the first \$100,000 per occurrence for which the District is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of settlement for professional liability to \$100,000 per occurrence and limiting the PCF's exposure to \$400,000 per occurrence. Defense costs are not included in these amounts.

The District's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are redetermined utilizing actual losses of the District. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are pro-rated to member hospitals. The District has included these allocations and equity in the trust in its financial statements.

**NOTE 15 - WORKMEN'S COMPENSATION**

The District participates in the Louisiana Hospital Association Self-Insurance Workmen's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may



Hospital Service District No. 1  
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NOTE 15 - WORKMEN'S COMPENSATION (Continued)

be assessed its pro-rata share of the resulting deficit. It is not possible to estimate the amount, if any, of additional assessments. The trust fund presumes to be a "Grantor Trust" and accordingly, income and expenses are pro-rated to member hospitals. The District has included these allocations and equity in the trust in its financial statements.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

The District evaluates contingencies based upon the best available evidence. The District believes that no allowance for loss contingencies is considered necessary. To the extent that resolution of contingencies results in amounts which vary from the District's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

**Governmental Third-Party Reimbursement Programs** - The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of those programs. The amount of such adjustments cannot be determined.

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, privacy, 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.

**Medicaid Uncompensated Cost** - The District received interim amounts of \$875,157, \$1,030,134 and \$948,628 for Medicaid and self-pay uncompensated care services for the years ended October 31, 2003, 2002, and 2001, respectively. The interim amounts received are based upon uncompensated cost incurred in previous years. Current regulations require retroactive audit of the claimed uncompensated cost and comparison to the interim amounts paid by Medicaid in each fiscal year. Any overpayments will be recouped by Medicaid and the District has not made any provisions for such recoupments. Management contends interim amounts paid reasonably estimate final settlement. To the extent Management's estimates differ from actual results, the differences will be used to adjust income for the period when differences arise.

**Professional Liability Risk** - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

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NOTE 16 - COMMITMENTS AND CONTINGENCIES (Continued)

**Workmen's Compensation Risk** - The District participates in the Louisiana Hospital Association Self-Insurance Workmen's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. Accordingly, the District is contingently liable for assessments by the Louisiana Hospital Association Trust Fund.

**Hill-Burton Uncompensated Service and Community Service Obligations** - As a result of the Police Jury receiving a federal Hill-Burton program grant, the Hospital is required to provide a reasonable volume of uncompensated services (determined by a formula provided by the Federal government) to patients who are unable to pay for their medical care. Additionally, the grant requires the District to provide certain community services. During 1992, the District received certification under the Public Facility Compliance Alternative (PFC). This certification allows the facility to operate its own free or reduced cost care program, without compliance reviews. During 1999, the District met its uncompensated services obligation under the Public Facility Compliance Alternative. Additionally, the District is obligated to provide community service.

**Bonne Sante' Center Obligation** - The Board of Commissioners of Pointe Coupee Parish Health Service District No. 1, with consent from the District Attorney's office, approved payments to the Pointe Coupee Parish Police Jury for reimbursement of the Bonne Sante' Center's expenditures. These payments are evaluated on a year to year basis. The District paid \$99,912, \$110,179, and \$92,416 for Bonne Sante' Center's expenditures in 2003, 2002 and 2001, respectively.

**Payments to Police Jury** - During 2003, 2002 and 2001, the Hospital transferred \$91,200, \$91,200, and \$91,200, respectively, to the Police Jury for the District's portion of 911 service. These transfers were funded from interest income.

**Litigation and Other Matters** - Various claims in the ordinary course of business are pending against the District. In the opinion of management and counsel, insurance is sufficient to cover adverse legal determinations in those cases where a liability can be measured.

NOTE 17 - BOARD OF COMMISSIONERS

The following schedule presents a list of the members of the Board of Commissioners of Pointe Coupee General Hospital at October 31, 2003.

Mr. Mix Vosburg, Chairman  
Mr. Chris Battley  
Mr. James Boulanger  
Dr. Donald Doucet, M.D.  
Mr. Don A. Ewing, Secretary  
Mr. Nick Cicero  
Mr. Maurice Picard, Vice Chairman  
Dr. Carl McLemore  
Ms. Juliet Williams

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NOTE 17 - BOARD OF COMMISSIONERS (Continued)

These commissioners serve the District without compensation, per diem or reimbursement of expense, except actual cash out-of-pocket expenses incurred in the performance of their duties.

NOTE 18 - OPERATING LEASES

Leases that do not meet the criteria for capitalization are classified as operating leases with related rental charged to operations as incurred. The following is a schedule by year of future minimum lease payments under operating leases as of October 31, 2003, that have initial or remaining lease terms in excess of one year.

<u>Years Ending October 31,</u>	<u>Amount</u>
2004	\$ 30,698
2005	23,582
2006	<u>18,326</u>
Total minimum lease payments	\$ <u>72,606</u>

NOTE 19 - PRIOR PERIOD ADJUSTMENT

The accompanying financial statements for 2002 have been restated to consolidate the books of Maison Pointe Coupee Apartments with the District's books. The effect of the restatement was to increase net income for 2002 by \$3,792.

NOTE 20 - RELATED PARTY

The District has engaged in transactions with Innis Community Health Center, Inc. Therefore, the District has an economic interest in this entity. Those transactions consist of a note receivable in the amount of \$70,814, \$58,895, and \$176,017 and various expenses in the amount of \$29,456, \$21,489, and \$8,138 for October 31, 2003, 2002, and 2001, respectively.

NOTE 21 - SALES TAX

On September 29, 1984, a 1% sales tax was renewed by the citizens of the parish for an indefinite term. The resolution provides that 50% of such tax shall be dedicated to the District. Those tax revenues are distributed to the parish Council on Aging (\$5,250 per month) and the parish Coroner's Office (\$3,950 per month). The remaining tax revenues are designated by the District to be distributed to hospital operations.

The citizens of the parish approved an additional .25% sales tax for the hospital's operations that remains in effect through May 3, 2007.

**SUPPLEMENTARY INFORMATION**

Hospital Service District No. 1  
Of the Parish of Pointe Coupee and Affiliate  
Schedules of Net Patient Service Revenue  
Years Ended October 31, 2003, 2002, and 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Routine services:			
Adult and pediatric	\$ <u>1,065,394</u>	\$ <u>820,743</u>	\$ <u>689,145</u>
Other professional services:			
Operating room	317,848	338,823	445,055
Recovery room	440	990	3,410
Anesthesiology	163,096	143,301	161,794
Radiology	3,293,541	3,215,296	2,894,392
Laboratory	3,133,234	2,992,087	3,007,407
Cardio pulmonary	1,706,864	1,670,779	1,616,140
Physical therapy	956,596	810,799	837,923
Occupational therapy	134,903	129,987	105,807
Speech therapy	102,295	82,545	35,220
Medical supply	586,959	617,519	646,798
Pharmacy	1,161,942	1,077,570	825,602
Emergency service	3,287,683	2,920,032	3,484,272
Hospice	581,584	223,172	-0-
Home health	<u>1,340,636</u>	<u>1,387,768</u>	<u>1,410,201</u>
Total other professional services	<u>16,767,621</u>	<u>15,610,668</u>	<u>15,474,021</u>
Total patient service revenue	<u>17,833,015</u>	<u>16,431,411</u>	<u>16,163,166</u>
Deductions from revenue:			
Medicare & Medicaid contractual adjustments	5,222,044	4,233,046	4,040,013
Uncompensated care reimbursement	(875,157)	(1,030,134)	(948,628)
Employee discounts	23,400	24,107	21,248
Uncompensated services	289,604	199,517	218,113
Other	<u>1,527,575</u>	<u>1,300,260</u>	<u>1,463,966</u>
Total deductions from revenue	<u>6,187,466</u>	<u>4,726,796</u>	<u>4,794,712</u>
Net patient service revenue	\$ <u>11,645,549</u>	\$ <u>11,704,615</u>	\$ <u>11,368,454</u>

Hospital Service District No. 1  
 Of the Parish of Pointe Coupee and Affiliate  
 Schedules of Other Revenue  
 Years Ended October 31, 2003, 2002, and 2001

	<u>2003</u>		<u>2002</u>		<u>2001</u>
Rent	\$ 279,501	\$	161,466	\$	98,416
Medical record abstracts	37		-0-		143
Cafeteria	29,341		27,797		25,453
Donation	814		2,352		2,340
Miscellaneous revenue	<u>5,924</u>		<u>8,493</u>		<u>-0-</u>
 Total other revenue	 \$ <u>315,617</u>	\$	 <u>200,108</u>	\$	 <u>126,352</u>

Hospital Service District No. 1  
Of the Parish of Pointe Coupee and Affiliate  
Schedules of Expenses – Salaries and Benefits  
Years Ended October 31, 2003, 2002, and 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>Salaries:</b>			
Administration	\$ 887,547	\$ 786,105	\$ 692,066
Plant operations and maintenance	197,696	187,442	190,904
Laundry	26,745	21,151	14,982
Housekeeping	207,692	198,762	180,398
Dietary and cafeteria	151,451	150,036	149,351
Nursing administration	69,126	65,929	67,288
Medical records	123,688	123,186	128,790
Nursing services	1,011,797	917,200	842,298
Central supply	58,361	56,051	55,402
Operating room	83,631	97,657	117,096
Radiology	373,923	337,625	298,642
Laboratory	445,376	427,314	408,712
Cardio pulmonary	175,146	167,647	156,518
Pharmacy	88,494	76,061	72,687
Emergency room	415,408	450,720	446,359
Home health	665,596	671,389	681,611
Clinic	38,752	38,106	40,237
Hospice	<u>315,603</u>	<u>133,149</u>	<u>7,870</u>
Total salaries	<u>5,336,032</u>	<u>4,905,530</u>	<u>4,551,211</u>
<b>Benefits:</b>			
Employee benefits	509,452	456,648	436,374
Hospitalization insurance	<u>346,666</u>	<u>319,549</u>	<u>293,845</u>
Total benefits	<u>856,118</u>	<u>776,197</u>	<u>730,219</u>
Total salaries and benefits	<u>\$ 6,192,150</u>	<u>\$ 5,681,727</u>	<u>\$ 5,281,430</u>

Hospital Service District No. 1  
 Of the Parish of Pointe Coupee and Affiliate  
 Schedules of Expenses – Medical Supplies and Drugs  
 Years Ended October 31, 2003, 2002, and 2001

	<u>2003</u>		<u>2002</u>		<u>2001</u>
Nursing services	\$ 30,019	\$	26,276	\$	24,741
Operating room	8,902		11,135		13,422
Anesthesiology	65		37		309
Radiology	86,546		93,783		89,936
Laboratory and blood	329,712		317,919		288,048
Cardio pulmonary	50,108		52,844		39,492
Physical therapy	9,746		7,890		11,359
Central supply	135,385		170,949		175,222
Pharmacy	360,319		323,249		242,159
Emergency room	28,131		38,401		26,676
Home health	35,190		26,569		15,942
Hospice	<u>52,273</u>		<u>27,216</u>		<u>2,014</u>
 Total medical supplies and drugs	 \$ <u>1,126,396</u>	\$	 <u>1,096,268</u>	\$	 <u>929,320</u>



Hospital Service District No. 1  
 Of the Parish of Pointe Coupee and Affiliate  
 Schedules of Expenses – Professional Fees  
 Years Ended October 31, 2003, 2002, and 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Nursing services	\$ 104,231	\$ 56,792	\$ 844
Operating room	65	-0-	92
Anesthesiology	97,659	98,930	124,720
Radiology	312,794	152,187	132,371
Laboratory and blood	231,182	198,963	226,323
Physical therapy	534,457	455,208	429,181
Cardio pulmonary	67,430	73,841	61,962
Pharmacy	1,102	895	1,363
Hospice	155,232	34,127	1,250
Emergency room	226,783	211,662	635,893
Ambulance	20,986	20,189	31,226
Home health	110,131	143,606	117,762
Physican clinic	<u>-0-</u>	<u>4,614</u>	<u>5,282</u>
 Total professional fees	 \$ <u>1,862,052</u>	 \$ <u>1,451,014</u>	 \$ <u>1,768,269</u>

Hospital Service District No. 1  
 Of the Parish of Pointe Coupee and Affiliate  
 Schedules of Expenses – Other Expenses  
 Years Ended October 31, 2003, 2002, and 2001

	<u>2003</u>		<u>2002</u>		<u>2001</u>
Purchased services	\$ 419,179	\$	364,842	\$	298,199
Medical specialist	18,390		9,360		2,400
Collection fees	26,968		35,046		37,420
Supplies	275,094		239,603		235,599
Repairs and maintenance	246,970		191,180		162,917
Utilities	216,946		205,633		228,022
Telephone	54,174		51,921		53,995
Travel	114,705		118,612		105,465
Rentals	98,428		81,641		63,044
Advertising	34,644		20,225		19,411
Dues and subscriptions	63,565		93,075		81,860
Management fees	-0-		-0-		72,640
Bonne Sante'	99,912		110,179		92,416
Miscellaneous	<u>125,544</u>		<u>262,211</u>		<u>95,790</u>
 Total other expenses	 \$ <u>1,794,519</u>	\$	 <u>1,783,528</u>	\$	 <u>1,549,178</u>

Hospital Service District No. 1  
Of the Parish of Pointe Coupee and Affiliate  
Combining Balance Sheets  
October 31, 2003

	<u>Pointe Coupee General Hospital</u>	<u>Maison Pointe Coupee Apartments</u>	<u>Eliminating Entries</u>	<u>Combined</u>
<u>Assets</u>				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 1,099,332	\$ 9,918	\$ -0-	\$ 1,109,250
Patient accounts receivable, net of estimated uncollectibles (Note 5)	1,726,922	-0-	-0-	1,726,922
Estimated third-party payor settlements	50,970	-0-	-0-	50,970
Other receivables	256,400	-0-	-0-	256,400
Inventory	302,741	-0-	-0-	302,741
Prepaid expenses	<u>86,762</u>	<u>-0-</u>	<u>-0-</u>	<u>86,762</u>
 Total current assets	 3,523,127	 9,918	 -0-	 3,533,045
 Assets limited as to use (Note 4)	 1,228,936	 37,066	 -0-	 1,266,002
 Property, plant and equipment, net (Note 6)	 8,262,454	 1,797,075	 -0-	 10,059,529
Other assets:				
Investments	6,274,513	-0-	-0-	6,274,513
LHA investment	<u>403,171</u>	<u>-0-</u>	<u>-0-</u>	<u>403,171</u>
 Total assets	 \$ <u>19,692,201</u>	 \$ <u>1,844,059</u>	 \$ <u>-0-</u>	 \$ <u>21,536,260</u>
<u>Liabilities and Net Assets</u>				
Current liabilities:				
Accounts payable	\$ 372,324	\$ 5,989	\$ -0-	\$ 378,313
Accrued expenses and withholdings payable (Note 8)	484,748	10,245	-0-	494,993
Unearned grant revenue	27,218	-0-	-0-	27,218
Current maturities of long-term debt (Note 10)	<u>-0-</u>	<u>3,414</u>	<u>-0-</u>	<u>3,414</u>
 Total current liabilities	 \$ 884,290	 \$ 19,648	 \$ -0-	 \$ 903,938

Hospital Service District No. 1  
Of the Parish of Pointe Coupee and Affiliate  
Combining Balance Sheets (Continued)  
October 31, 2003

	Pointe Coupee General <u>Hospital</u>	Maison Pointe Coupee <u>Apartments</u>	Eliminating <u>Entries</u>	<u>Combined</u>
Long-term debt, net of current maturities (Note 10)	\$ <u>-0-</u>	\$ <u>993,649</u>	\$ <u>-0-</u>	\$ <u>993,649</u>
Total liabilities	<u>884,290</u>	<u>1,013,297</u>	<u>-0-</u>	<u>1,897,587</u>
Net assets:				
Invested in capital assets, net of related debt	8,262,454	803,426	-0-	9,065,880
Restricted net assets	-0-	-0-	-0-	-0-
Unrestricted net assets	<u>10,545,457</u>	<u>27,336</u>	<u>-0-</u>	<u>10,572,793</u>
Total net assets	<u>18,807,911</u>	<u>830,762</u>	<u>-0-</u>	<u>19,638,673</u>
Total liabilities and net assets	\$ <u>19,692,201</u>	\$ <u>1,844,059</u>	\$ <u>-0-</u>	\$ <u>21,536,260</u>

Hospital Service District No. 1  
Of the Parish of Pointe Coupee and Affiliate  
Combining Balance Sheets  
October 31, 2002

	<u>Pointe Coupee General Hospital</u>	<u>Maison Pointe Coupee Apartments</u>	<u>Eliminating Entries</u>	<u>Combined</u>
<u>Assets</u>				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 2,862,185	\$ 5,430	\$ -0-	\$ 2,867,615
Patient accounts receivable, net of estimated uncollectibles (Note 5)	1,611,230	-0-	-0-	1,611,230
Estimated third-party payor settlements	174,210	-0-	-0-	174,210
Other receivables	137,141	-0-	-0-	137,141
Inventory	304,214	-0-	-0-	304,214
Prepaid expenses	<u>70,665</u>	<u>-0-</u>	<u>-0-</u>	<u>70,665</u>
 Total current assets	 5,159,645	 5,430	 -0-	 5,165,075
 Assets limited as to use (Note 4)	 1,234,630	 9,479	 -0-	 1,244,109
 Property, plant and equipment, net (Note 6)	 7,922,361	 1,837,440	 -0-	 9,759,801
Other assets:				
Investments	4,801,389	-0-	-0-	4,801,389
LHA investment	<u>412,227</u>	<u>-0-</u>	<u>-0-</u>	<u>412,227</u>
 Total assets	 \$ <u>19,530,252</u>	 \$ <u>1,852,349</u>	 \$ <u>-0-</u>	 \$ <u>21,382,601</u>
<u>Liabilities and Net Assets</u>				
Current liabilities:				
Accounts payable	\$ 88,806	\$ 2,817	\$ -0-	\$ 91,623
Accrued expenses and withholdings payable (Note 8)	657,559	8,681	-0-	666,240
Unearned grant revenue	24,494	-0-	-0-	24,494
Current maturities of long-term debt (Note 10)	<u>-0-</u>	<u>3,188</u>	<u>-0-</u>	<u>3,188</u>
 Total current liabilities	 \$ 770,859	 \$ 14,686	 \$ -0-	 \$ 785,545

Hospital Service District No. 1  
Of the Parish of Pointe Coupee and Affiliate  
Combining Balance Sheets (Continued)  
October 31, 2002

	Pointe Coupee General <u>Hospital</u>	Maison Pointe Coupee <u>Apartments</u>	Eliminating <u>Entries</u>	<u>Combined</u>
Long-term debt, net of current maturities (Note 10)	\$ <u>-0-</u>	\$ <u>996,645</u>	\$ <u>-0-</u>	\$ <u>996,645</u>
Total liabilities	<u>770,859</u>	<u>1,011,331</u>	<u>-0-</u>	<u>1,782,190</u>
Net assets:				
Invested in capital assets, net of related debt	7,922,361	840,795	-0-	8,763,156
Restricted net assets	-0-	-0-	-0-	-0-
Unrestricted net assets	<u>10,837,032</u>	<u>223</u>	<u>-0-</u>	<u>10,837,255</u>
Total net assets	<u>18,759,393</u>	<u>841,018</u>	<u>-0-</u>	<u>19,600,411</u>
Total liabilities and net assets	\$ <u>19,530,252</u>	\$ <u>1,852,349</u>	\$ <u>-0-</u>	\$ <u>21,382,601</u>

Hospital Service District No. 1  
Of the Parish of Pointe Coupee and Affiliate  
Combining Statements of Revenue, Expenses, and Changes in Net Assets  
Year Ended October 31, 2003

	Pointe Coupee General Hospital	Maison Pointe Coupee Apartments	Eliminating Entries	Combined
<b>Revenue:</b>				
Net patient service revenue	\$ 11,645,549	\$ -0-	\$ -0-	\$ 11,645,549
Sales tax revenue	1,430,479	-0-	-0-	1,430,479
Grant income	212,722	-0-	-0-	212,722
Gain (loss) on disposal of equipment	-0-	-0-	-0-	-0-
Other	<u>117,321</u>	<u>198,296</u>	<u>-0-</u>	<u>315,617</u>
 Total revenue	 <u>13,406,071</u>	 <u>198,296</u>	 <u>-0-</u>	 <u>13,604,367</u>
 <b>Expenses:</b>				
Salaries and benefits	6,154,740	37,410	-0-	6,192,150
Medical supplies and drugs	1,126,396	-0-	-0-	1,126,396
Insurance	290,366	10,306	-0-	300,672
Professional fees	1,862,052	-0-	-0-	1,862,052
Depreciation	707,047	43,821	-0-	750,868
Interest expense	-0-	68,644	-0-	68,644
Provision for bad debt	1,495,718	-0-	-0-	1,495,718
Other expenses	<u>1,746,148</u>	<u>48,371</u>	<u>-0-</u>	<u>1,794,519</u>
 Total expenses	 <u>13,382,467</u>	 <u>208,552</u>	 <u>-0-</u>	 <u>13,591,019</u>
 Operating income (loss)	 <u>23,604</u>	 <u>(10,256)</u>	 <u>-0-</u>	 <u>13,348</u>
 <b>Nonoperating income (loss):</b>				
Income on investments whose use is limited	30,704	-0-	-0-	30,704
Other investment income	85,410	-0-	-0-	85,410
Payments to Police Jury	<u>(91,200)</u>	<u>-0-</u>	<u>-0-</u>	<u>(91,200)</u>
 Nonoperating income, net	 <u>24,914</u>	 <u>-0-</u>	 <u>-0-</u>	 <u>24,914</u>
 Excess of revenues over (expenses)	 48,518	 (10,256)	 -0-	 38,262
 Net assets at beginning of year	 <u>18,759,393</u>	 <u>841,018</u>	 <u>-0-</u>	 <u>19,600,411</u>
 Net assets at end of year	 \$ <u>18,807,911</u>	 \$ <u>830,762</u>	 \$ <u>-0-</u>	 \$ <u>19,638,673</u>

Hospital Service District No. 1  
Of the Parish of Pointe Coupee and Affiliate  
Combining Statements of Revenue, Expenses, and Changes in Net Assets  
Year Ended October 31, 2002

	Pointe Coupee General Hospital	Maison Pointe Coupee Apartments	Eliminating Entries	Combined
<b>Revenue:</b>				
Net patient service revenue	\$ 11,704,615	\$ -0-	\$ -0-	\$ 11,704,615
Sales tax revenue	1,567,002	-0-	-0-	1,567,002
Grant income	-0-	-0-	-0-	-0-
Gain (loss) on disposal of equipment	(44,152)	-0-	-0-	(44,152)
Other	<u>129,079</u>	<u>71,029</u>	<u>-0-</u>	<u>200,108</u>
 Total revenue	 <u>13,356,544</u>	 <u>71,029</u>	 <u>-0-</u>	 <u>13,427,573</u>
 <b>Expenses:</b>				
Salaries and benefits	5,677,162	4,565	-0-	5,681,727
Medical supplies and drugs	1,096,268	-0-	-0-	1,096,268
Insurance	278,591	1,857	-0-	280,448
Professional fees	1,451,014	-0-	-0-	1,451,014
Depreciation	775,437	10,927	-0-	786,364
Interest expense	29,681	19,146	-0-	48,827
Provision for bad debt	1,593,914	-0-	-0-	1,593,914
Other expenses	<u>1,742,150</u>	<u>41,378</u>	<u>-0-</u>	<u>1,783,528</u>
 Total expenses	 <u>12,644,217</u>	 <u>77,873</u>	 <u>-0-</u>	 <u>12,722,090</u>
 Operating income (loss)	 <u>712,327</u>	 <u>(6,844)</u>	 <u>-0-</u>	 <u>705,483</u>
 <b>Nonoperating income (loss):</b>				
Income on investments whose use is limited	50,931	-0-	-0-	50,931
Other investment income	118,615	-0-	-0-	118,615
Payments to Police Jury	<u>(91,200)</u>	<u>-0-</u>	<u>-0-</u>	<u>(91,200)</u>
 Nonoperating income, net	 <u>78,346</u>	 <u>-0-</u>	 <u>-0-</u>	 <u>78,346</u>
 Excess of revenues over (expenses)	 790,673	 (6,844)	 -0-	 783,829
 Net assets at beginning of year	 18,816,582	 -0-	 -0-	 18,816,582
Contributed Capital - Maison Pointe Coupee	<u>(847,862)</u>	<u>847,862</u>	<u>-0-</u>	<u>-0-</u>
 Net assets at end of year	 \$ <u>18,759,393</u>	 \$ <u>841,018</u>	 \$ <u>-0-</u>	 \$ <u>19,600,411</u>



Hospital Service District No.1  
Of the Parish of Pointe Coupee and Affiliate  
Combining Statements of Operations by Service Component  
Year Ended October 31, 2003

	-----District Summary-----								
	Hospital	COA*	Mental Health	Health Unit	Substance Abuse	Inns	Elderly Housing	District**	Total
<b>Revenue:</b>									
Net patient service revenue	\$ 11,645,549	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 11,645,549
Sales tax revenue	953,985	68,250	-0-	47,400	-0-	-0-	-0-	360,844	1,430,479
Grant income	212,722	-0-	-0-	-0-	-0-	-0-	-0-	-0-	212,722
Gain (loss) on disposal of equipment	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Other	47,111	-0-	-0-	-0-	-0-	-0-	198,296	70,210	315,617
<b>Total revenue</b>	<u>12,859,367</u>	<u>68,250</u>	<u>-0-</u>	<u>47,400</u>	<u>-0-</u>	<u>-0-</u>	<u>198,296</u>	<u>431,054</u>	<u>13,604,367</u>
<b>Expenses:</b>									
Salaries and benefits	6,099,667	-0-	-0-	29,886	-0-	2,265	37,410	22,922	6,192,150
Medical supplies and drugs	1,126,396	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,126,396
Insurance	290,366	-0-	-0-	-0-	-0-	-0-	10,306	-0-	300,672
Professional fees	1,862,052	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,862,052
Depreciation	609,362	1,138	7,728	746	10,981	13,961	43,821	63,131	750,868
Interest expense	-0-	-0-	-0-	-0-	-0-	-0-	68,644	-0-	68,644
Provision for bad debt	1,495,718	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,495,718
Other expenses	1,365,442	73,626	1,165	14,722	100,734	13,230	73,010	152,590	1,794,519
<b>Total expenses</b>	<u>12,849,003</u>	<u>74,764</u>	<u>8,893</u>	<u>45,354</u>	<u>111,715</u>	<u>29,456</u>	<u>233,191</u>	<u>238,643</u>	<u>13,591,019</u>
<b>Operating income (loss)</b>	<u>10,364</u>	<u>(6,514)</u>	<u>(8,893)</u>	<u>2,046</u>	<u>(111,715)</u>	<u>(29,456)</u>	<u>(34,895)</u>	<u>192,411</u>	<u>13,348</u>
<b>Nonoperating income (loss):</b>									
Income on investments whose use is limited	30,704	-0-	-0-	-0-	-0-	-0-	-0-	-0-	30,704
Other investment income	85,410	-0-	-0-	-0-	-0-	-0-	-0-	-0-	85,410
Payments to Police Jury	(91,200)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(91,200)
<b>Nonoperating income, net</b>	<u>24,914</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>24,914</u>
<b>Excess of revenues over (expenses)</b>	<u>\$ 35,278</u>	<u>\$ (6,514)</u>	<u>\$ (8,893)</u>	<u>\$ 2,046</u>	<u>\$ (111,715)</u>	<u>\$ (29,456)</u>	<u>\$ (34,895)</u>	<u>\$ 192,411</u>	<u>\$ 38,262</u>

\* Council on Aging

\*\* Remaining non-hospital activities of the District

Hospital Service District No.1  
Of the Parish of Pointe Coupee and Affiliate  
Combining Statements of Operations by Service Component  
Year Ended October 31, 2002

-----District Summary-----

	Hospital	COA*	Mental Health	Health Unit	Substance Abuse	Innis	Elderly Housing	District**	Total
<b>Revenue:</b>									
Net patient service revenue	\$ 11,704,615	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 11,704,615
Sales tax revenue	1,053,380	63,000	-0-	47,400	-0-	-0-	-0-	403,222	1,567,002
Grant income	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Gain (loss) on disposal of equipment	(44,152)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(44,152)
Other	56,319	-0-	-0-	-0-	-0-	-0-	71,029	72,760	200,108
<b>Total revenue</b>	<b>12,770,162</b>	<b>63,000</b>	<b>-0-</b>	<b>47,400</b>	<b>-0-</b>	<b>-0-</b>	<b>71,029</b>	<b>475,982</b>	<b>13,427,573</b>
<b>Expenses:</b>									
Salaries and benefits	5,624,866	-0-	-0-	30,228	-0-	-0-	4,565	22,068	5,681,727
Medical supplies and drugs	1,096,268	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,096,268
Insurance	278,591	-0-	-0-	-0-	-0-	-0-	1,857	-0-	280,448
Professional fees	1,451,014	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,451,014
Depreciation	681,571	1,254	7,728	746	6,583	13,961	10,927	63,594	786,364
Interest expense	29,681	-0-	-0-	-0-	-0-	-0-	19,146	-0-	48,827
Provision for bad debt	1,593,914	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,593,914
Other expenses	1,262,657	68,327	1,298	21,086	110,419	7,525	80,185	232,031	1,783,528
<b>Total expenses</b>	<b>12,018,562</b>	<b>69,581</b>	<b>9,026</b>	<b>52,060</b>	<b>117,002</b>	<b>21,486</b>	<b>116,680</b>	<b>317,693</b>	<b>12,722,090</b>
<b>Operating income (loss)</b>	<b>751,600</b>	<b>(6,581)</b>	<b>(9,026)</b>	<b>(4,660)</b>	<b>(117,002)</b>	<b>(21,486)</b>	<b>(45,651)</b>	<b>158,289</b>	<b>705,483</b>
<b>Nonoperating income (loss):</b>									
Income on investments whose use is limited	50,931	-0-	-0-	-0-	-0-	-0-	-0-	-0-	50,931
Other investment income	118,615	-0-	-0-	-0-	-0-	-0-	-0-	-0-	118,615
Payments to Police Jury	(91,200)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(91,200)
<b>Nonoperating income, net</b>	<b>78,346</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>78,346</b>
<b>Excess of revenues over (expenses)</b>	<b>\$ 829,946</b>	<b>\$ (6,581)</b>	<b>\$ (9,026)</b>	<b>\$ (4,660)</b>	<b>\$ (117,002)</b>	<b>\$ (21,486)</b>	<b>\$ (45,651)</b>	<b>\$ 158,289</b>	<b>\$ 783,829</b>

\* Council on Aging

\*\* Remaining non-hospital activities of the District

Hospital Service District No.1  
Of the Parish of Pointe Coupee and Affiliate  
Combining Statements of Operations by Service Component  
Year Ended October 31, 2001

	Hospital	COA*	Mental Health	Health Unit	Substance Abuse	Innis	Elderly Housing	District**	Total
-----District Summary-----									
Revenue:									
Net patient service revenue	\$ 11,368,454	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 11,368,454
Sales tax revenue	1,110,675	63,000	-0-	45,900	-0-	-0-	-0-	427,229	1,646,804
Grant income	8,830	-0-	-0-	-0-	-0-	-0-	-0-	-0-	8,830
Gain (loss) on disposal of equipment	5,570	-0-	-0-	-0-	-0-	-0-	-0-	-0-	5,570
Other	49,086	-0-	-0-	-0-	-0-	-0-	-0-	77,266	126,352
Total revenue	<u>12,542,615</u>	<u>63,000</u>	<u>-0-</u>	<u>45,900</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>504,495</u>	<u>13,156,010</u>
Expenses:									
Salaries and benefits	5,227,427	-0-	-0-	32,485	-0-	-0-	-0-	21,518	5,281,430
Medical supplies and drugs	929,320	-0-	-0-	-0-	-0-	-0-	-0-	-0-	929,320
Insurance	205,757	-0-	-0-	-0-	-0-	-0-	-0-	-0-	205,757
Professional fees	1,768,269	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,768,269
Depreciation	719,809	1,828	7,728	787	5,013	8,138	-0-	60,748	804,051
Provision for bad debt	1,728,141	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,728,141
Other expenses	1,279,299	66,789	-0-	14,609	93,420	-0-	-0-	95,061	1,549,178
Total expenses	<u>11,858,022</u>	<u>68,617</u>	<u>7,728</u>	<u>47,881</u>	<u>98,433</u>	<u>8,138</u>	<u>-0-</u>	<u>177,327</u>	<u>12,266,146</u>
Operating income (loss)	<u>684,593</u>	<u>(5,617)</u>	<u>(7,728)</u>	<u>(1,981)</u>	<u>(98,433)</u>	<u>(8,138)</u>	<u>-0-</u>	<u>327,168</u>	<u>889,864</u>
Nonoperating income (loss):									
Income on investments whose use is limited	107,532	-0-	-0-	-0-	-0-	-0-	-0-	-0-	107,532
Other investment income	245,851	-0-	-0-	-0-	-0-	-0-	-0-	-0-	245,851
Payments to Police Jury	(91,200)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(91,200)
Nonoperating income, net	<u>262,183</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>262,183</u>
Excess of revenues over (expenses)	\$ <u>946,776</u>	\$ <u>(5,617)</u>	\$ <u>(7,728)</u>	\$ <u>(1,981)</u>	\$ <u>(98,433)</u>	\$ <u>(8,138)</u>	\$ <u>-0-</u>	\$ <u>327,168</u>	\$ <u>1,152,047</u>

\* Council on Aging

\*\* Remaining non-hospital activities of the District

Bobby G. Lester, CPA  
John S. Wells, CPA  
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners  
Hospital Service District No. 1  
Of the Parish of Pointe Coupee, State of Louisiana  
New Roads, LA

We have audited the basic financial statements of the Hospital Service District No. 1, Parish of Pointe Coupee, (the "District" or the "Hospital") for the years ended October 31, 2003, 2002 and 2001 and have issued our report thereon dated March 9, 2004. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the basic financial statements. Reportable conditions are described in the accompanying schedule.

Board of Commissioners  
Hospital Service District No. 1  
Of the Parish of Pointe Coupee, State of Louisiana  
Page Two

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

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

*Lester, Miller & Wells*

Certified Public Accountants

March 9, 2004

POINTE COUPEE PARISH HOSPITAL SERVICE DISTRICT NO. 1  
AUDITORS' COMMENTS AND RECOMMENDATIONS  
FOR THE TWELVE MONTHS ENDED OCTOBER 31, 2003

**October 31, 2001**

None

**October 31, 2002**

**Compliance**

**Finding:** The District's deposits with one financial institution exceeded the FDIC and pledged securities by \$866,000 on October 31, 2002. Louisiana Revised Statutes requires all deposits to be fully secured.

**Recommendation:** We recommend the District monitor its deposits with financial institutions on a monthly basis to insure that they do not exceed the FDIC and pledged securities amount.

**Management's Response:** The Hospital received the uncompensated care check for the amount of \$1,022,943 on 10/30/02. The funds were deposited in the bank that day. The bank pledged securities the following week to cover this amount.

**Resolution:** This matter has been resolved.

**October 31, 2003**

**Compliance**

**Finding:** In performing a compliance test on the District's 1099s, we noted that a 1099 was not issued to all attorneys.

**Recommendation:** In order to be in compliance with IRS regulations, a 1099 should be issued to all attorneys regardless of the amount paid to the attorney.

**Management's Response:** Management will insure that all attorneys will receive 1099's.

**Material Weaknesses**

**Finding:** When reviewing various expenditures and the related contracts, we noted that no contract existed with Dr. Doucet, as well as differences between contracts and invoices with Southern Medical, Alliance Imaging, PC Physical Therapy, and Speech, Language and Stuttering.

**Recommendation:** We recommend the District have current signed copies of all contracts and that these contracts are what the invoices agree with.

**Management's Response:** Management will insure that a written contract with Dr. Doucet will be executed. Management will investigate any differences existing between invoiced payments and contracted payments with the aforementioned entities.

POINTE COUPEE PARISH HOSPITAL SERVICE DISTRICT NO. 1  
AUDITORS' COMMENTS AND RECOMMENDATIONS  
FOR THE TWELVE MONTHS ENDED OCTOBER 31, 2003

October 31, 2003 (Continued)

**Finding:** Upon review of other receivables, we noted two receivables with physicians that did not have documentation verifying the agreement on the part of the physician to repay these loans.

**Recommendation:** All loans or guarantees to physicians should be in writing.

**Management's Response:** Management will document in writing the loan agreements with the physicians.

**Finding:** Upon inquiry as to Hospice and Home Health accounts receivable, we noted a lack of controls and procedures. No accounts receivable subsidiary ledger that agrees with the general ledger existed at 10/31/03.

**Recommendation:** Since these departments are not located on the main campus, they are more susceptible to possible misappropriation. A detailed patient subsidiary that agrees with the general ledger should be maintained.

**Management's Response:** Management feels that the Hospice and non-Medicare Home Health subsidiary ledgers adequately document the general ledger balances. Management will work with Home Health personnel to improve reporting of the Medicare accounts receivable.