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**St. Helena Parish Hospital  
Service District No. 1  
A Component Unit of the  
St. Helena Parish Police Jury  
Greensburg, Louisiana  
October 31, 2003**

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

Release Date 5.5.04

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December 15, 2003

**Independent Auditor's Report**

The Board of Commissioners  
St. Helena Parish Hospital Service District No. 1  
Greensburg, Louisiana

Commissioners:

We have audited the accompanying general-purpose financial statements of

**St. Helena Parish Hospital Service District No. 1  
Greensburg, Louisiana**

a component unit of the St. Helena Parish Police Jury, Greensburg, Louisiana, as of and for the years ended October 31, 2003 and 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of St. Helena Parish Hospital Service District No. 1's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The general purpose financial statements include certain assets to which the District does not have title and corresponding expenses which affect these financial statements. If such items had been recorded in accordance with accounting principles generally accepted in the United States of America, property and plant would be reduced by \$673,340 and \$748,632, fund balance by \$673,340 and \$748,632, and, depreciation expense by \$75,292, for 2003 and 2002, respectively.

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the general purpose financial statements referred to in the table of contents do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of St. Helena Parish Hospital Service District No. 1, Greensburg, Louisiana as of October 31, 2003 and 2002, or the results of its operations or its cash flows for the years then ended.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2003, on our consideration of St. Helena Parish Hospital Service District No. 1'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.

Yours truly,

*Hawthorn, Weymouth & Canall, L.L.P.*

**St. Helena Parish Hospital Service District No. 1**  
**Balance Sheets**  
**October 31, 2003 and 2002**

**A s s e t s**

|  | <u>2003</u>      | <u>2002</u>      |
|--|------------------|------------------|
| <b>Current Assets</b>  |                  |                  |
| Cash and cash equivalents  | \$750,744        | \$578,884        |
| Patient accounts receivable (net of estimated uncollectibles<br>of \$98,750 for 2003 and \$250,450 for 2002) | 65,834           | 107,336          |
| Estimated third-party settlements  | 422,243          | 1,260,873        |
| Accounts receivable - other  | 261,706          | 272,733          |
| Supplies inventory   | 272,363          | 263,137          |
| Prepaid expenses   | <u>52,754</u>    | <u>31,212</u>    |
| <u>Total current assets</u>  | <u>1,825,644</u> | <u>2,556,857</u> |
| <b>Assets Limited As to Use</b>  |                  |                  |
| Under indenture agreement  | <u>70,272</u>    | <u>61,933</u>    |
| <u>Noncurrent assets limited as to use</u>   | <u>70,272</u>    | <u>61,933</u>    |
| <b>Property, Plant and Equipment</b>   |                  |                  |
| Net of accumulated depreciation and amortization<br>of \$3,566,701 for 2003 and \$3,237,200 for 2002         | 2,233,836        | 2,500,916        |
| <u>Total assets</u>  | <u>4,129,752</u> | <u>5,077,024</u> |

The accompanying notes are an integral part of these statements.

## Liabilities and Fund Balance (Deficit)

|  | <u>2003</u>        | <u>2002</u>      |
|--|--------------------|------------------|
| <b>Current Liabilities</b>                             |                    |                  |
| Current maturities of mortgage and notes payable       | \$166,791          | \$71,156         |
| Current maturities of bond payable                     | 22,460             | 21,341           |
| Line of credit   |                    | 250,030          |
| Certificate of Indebtedness                            | 300,000            |                  |
| Current portion of obligations under capital leases    | 99,343             | 91,647           |
| Accounts payable                                       | 683,343            | 800,512          |
| Accrued liabilities                                    | 2,195,441          | 2,025,192        |
| Deferred revenue - uncompensated care                  | <u>551,816</u>     | <u>581,454</u>   |
| <br>   |                    |                  |
| <u>Total current liabilities</u>                       | <u>4,019,194</u>   | <u>3,841,332</u> |
| <br>   |                    |                  |
| <b>Long-Term Debt</b>                                  |                    |                  |
| Mortgage and notes payable, less current maturities    | 754,778            | 775,211          |
| Bonds payable, less current maturities                 | 279,128            | 300,443          |
| Obligations under capital leases, less current portion | <u>223,904</u>     | <u>333,767</u>   |
|  | <u>1,257,810</u>   | <u>1,409,421</u> |
| <br>   |                    |                  |
| <u>Total liabilities</u>                               | <u>5,277,004</u>   | <u>5,250,753</u> |
| <br>   |                    |                  |
| <b>Fund Balance (Deficit)</b>                          |                    |                  |
| Undesignated   | (1,623,453)        | (735,506)        |
| Restricted from prior bond indenture                   |                    | 85,576           |
| Contributed capital                                    | <u>476,201</u>     | <u>476,201</u>   |
| <br>   |                    |                  |
| <u>Total fund balance (deficit)</u>                    | <u>(1,147,252)</u> | <u>(173,729)</u> |
| <br>   |                    |                  |
| <u>Total liabilities and fund balance (deficit)</u>    | <u>4,129,752</u>   | <u>5,077,024</u> |

**St. Helena Parish Hospital Service District No. 1**  
**Statements of Revenue and Expenses**  
**Years Ended October 31, 2003 and 2002**

|   | <u>2003</u>        | <u>2002</u>      |
|---|--------------------|------------------|
| <b>Revenue</b>  |                    |                  |
| Net patient service revenue   | \$7,111,185        | \$6,770,608      |
| Other operating revenue   | <u>316,968</u>     | <u>381,795</u>   |
| <u>Total revenue</u>  | <u>7,428,153</u>   | <u>7,152,403</u> |
| <b>Expenses</b>   |                    |                  |
| Salaries  | 3,611,164          | 3,441,638        |
| Outside services  | 1,384,947          | 1,247,403        |
| Supplies and other  | 832,019            | 831,594          |
| General and administrative  | 1,725,800          | 1,708,721        |
| Provision for bad debts   | 616,243            | 511,088          |
| Interest  | 49,439             | 59,815           |
| Depreciation and amortization   | <u>309,433</u>     | <u>278,477</u>   |
| <u>Total expenses</u>   | <u>8,529,045</u>   | <u>8,078,736</u> |
| <u>Operating income (loss)</u>  | <u>(1,100,892)</u> | <u>(926,333)</u> |
| <b>Other Revenue</b>  |                    |                  |
| Interest  | 12,540             | 16,272           |
| Federal Grant - substance abuse   | 55,040             | 40,564           |
| Other   | <u>74,024</u>      | <u>41,175</u>    |
|   | <u>141,604</u>     | <u>98,011</u>    |
| <b>Excess of Revenue Over (Under) Expenses<br/>from Continuing Operations (Note 18)</b> | <u>(959,288)</u>   | <u>(828,322)</u> |
| <b>Loss on discontinued operations</b>  | <u>14,235</u>      | <u>7,771</u>     |
| <b>Excess of Revenue (Under) Expenses</b>   | <u>(973,523)</u>   | <u>(836,093)</u> |

The accompanying notes are an integral part of these statements.

**St. Helena Parish Hospital Service District No. 1**  
**Statements of Changes in Fund Balance (Deficit)**  
**Years Ended October 31, 2003 and 2002**

|                                       | 2003                            |  | 2002                            |  |
|---------------------------------------|---------------------------------|--|---------------------------------|--|
|                                       | Undesignated<br>Fund<br>Balance | Restricted<br>From Prior<br>Bond Indenture | Undesignated<br>Fund<br>Balance | Restricted<br>From Prior<br>Bond Indenture |
| <b>Balance (deficit)</b>              |                                 |  |                                 |  |
| Beginning of year                     | (735,506)                       | 85,576                                     | 100,587                         | 85,579                                     |
| <b>Additions</b>                      |                                 |  |                                 |  |
| Revenue over (under) expenses         | (973,523)                       |  | (836,093)                       |  |
| Transfer from restricted funds        | 85,576                          | (85,576)                                   |                                 |  |
|                                       | _____                           | _____                                      | _____                           | _____                                      |
| <b>Balance (deficit), end of year</b> | <u>(1,623,453)</u>              | <u>-0-</u>                                 | <u>(735,506)</u>                | <u>85,576</u>                              |

The accompanying notes are an integral part of these statements.



**St. Helena Parish Hospital Service District No. 1**  
**Statements of Cash Flows**  
**Years Ended October 31, 2003 and 2002**

|   | <u>2003</u>     | <u>2002</u>      |
|---|-----------------|------------------|
| <b>Operating and Gains Activities</b>   |                 |                  |
| Excess of Revenue over (under) expenses   | (\$973,523)     | (\$836,093)      |
| Adjustments to reconcile excess of revenue over (under) expenses to net cash provided by operating activities |                 |                  |
| Depreciation and amortization   | 329,501         | 298,712          |
| Changes in operating assets and liabilities   |                 |                  |
| (Increase) decrease in accounts receivable  | 891,159         | (270,398)        |
| (Increase) decrease in supplies inventory   | (9,226)         | (13,360)         |
| (Increase) decrease in prepaid expenses   | (21,542)        | (20,681)         |
| Increase (decrease) in accounts payable   | (117,169)       | 179,772          |
| Increase (decrease) in accrued liabilities  | 170,249         | 899,464          |
| Increase (decrease) in deferred revenue   | <u>(29,638)</u> | <u>165,735</u>   |
| <u>Net cash provided by operating activities</u>  | <u>239,811</u>  | <u>403,151</u>   |
| <b>Investing Activities</b>   |                 |                  |
| Purchases of property, plant and equipment  | (62,421)        | (82,480)         |
| Change in assets limited as to use  | <u>(8,339)</u>  | <u>(6,806)</u>   |
| <u>Net cash provided by (used in) investing activities</u>  | <u>(70,760)</u> | <u>(89,286)</u>  |
| <b>Financing Activities</b>   |                 |                  |
| Proceeds from Certificate of Indebtedness   | 300,000         |                  |
| Principal payment on notes  | (174,827)       | (154,949)        |
| Principal payment on bonds  | (20,197)        | (24,104)         |
| Principal payment on capital leases   | (102,167)       | (60,237)         |
| <u>Net cash provided by (used in) financing activities</u>  | <u>2,809</u>    | <u>(239,290)</u> |
| <b>Net Increase in Cash and Cash Equivalents</b>  | 171,860         | 74,575           |
| <b>Cash and Cash Equivalents, beginning of year</b>   | <u>578,884</u>  | <u>504,309</u>   |
| <b>Cash and Cash Equivalents, end of year</b>   | <u>750,744</u>  | <u>578,884</u>   |

The accompanying notes are an integral part of these statements.

**St. Helena Parish Hospital Service District No. 1**  
**Statements of Cash Flows**  
**Years Ended October 31, 2003 and 2002**

|   | <u>2003</u>     | <u>2002</u>       |
|---|-----------------|-------------------|
| <b>Supplemental Schedule of Noncash Activities</b>      |                 |                   |
| Capital lease obligation                                |                 | \$475,582         |
| Fixed asset financed                                    |                 | 99,540            |
| Refinanced Line of Credit to Note Payable               | <u>250,303</u>  | <u>          </u> |
|   | <u>250,303</u>  | <u>575,122</u>    |
| <b>Supplemental Disclosure of Cash Flow Information</b> |                 |                   |
| Cash paid during the year for interest                  | <u>\$67,271</u> | <u>\$76,209</u>   |

The accompanying notes are an integral part of these statements.

**St. Helena Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2003 and 2002**

**Note 1-Summary of Significant Accounting Policies**

A. Report Issued Under Separate Cover

The St. Helena Parish Hospital Service District No. 1's component unit financial statements are an integral part of the St. Helena Parish Police Jury's comprehensive annual financial report. This report has been issued under separate cover for the St. Helena Parish Hospital Service District No. 1, and should not be used for any other purpose.

B. Financial Reporting Entity

On December 29, 1962, the St. Helena Parish Police Jury passed a resolution creating the St. Helena Parish Hospital Service District No. 1 (hereinafter sometimes called the "District") under the authority of Article 6, Section 19, of the 1974 Louisiana Constitution and Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950, as amended. The District is composed of all the territory situated within the Parish of St. Helena, Louisiana.

The governing authority of the District consists of a board of six (6) commissioners, all of whom are qualified electors of the Parish of St. Helena, Louisiana. The Commissioners serve without pay, per diem, or reimbursement of expense, except actual cash out-of-pocket expenses incurred in the performance of their duties.

The public purpose of the District is to secure, provide for, and protect the public health and welfare by the treatment of human ailments through the acquisition and construction of projects as authorized by Chapter 10 of Title 46 of the 1974 Louisiana Constitution, and the financing and refinancing of indebtedness to acquire, construct, renovate, improve hospitals, clinics, laboratories, a nursing home, and any other facility, building or structure which may be of use and benefit in the teaching, training or practice of medical science and treatment of human ailments, or for such other facilities as the District shall find useful in the study of, or research in, or treatment of illness or infirmities, all as is more fully set out in said Chapter 10 of Title 46 of the 1974 Louisiana Constitution. The District also operates a 72 bed nursing home and a 24 unit apartment for the elderly and handicap.

C. Basis of Presentation

The accounts of the District are organized on the basis of a fund which is considered a separate accounting entity. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenses. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The fund is classified as follows.

**St. Helena Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2003 and 2002**

**Note 1-Summary of Significant Accounting Policies (Continued)**

C. Basis of Presentation (Continued)

Enterprise Fund

Enterprise Funds are used to account for operations; (a) 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; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. Budgetary Accounting

The District's adopted budget meets the requirements of the Louisiana Local Government Budget Act as provided by Louisiana Revised Statutes 13:1301-1315.

E. Use of Estimates

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

F. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

G. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the District has been limited by donors to a specific time, period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the District in perpetuity. The District does not have any temporarily or permanently restricted net assets.

**St. Helena Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2003 and 2002**

**Note 1-Summary of Significant Accounting Policies (Continued)**

H. Deposits

The October 31, 2003, carrying amount of the District's deposits was \$821,016 and the bank balance was \$1,509,900, which was covered by federal depository insurance and/or by collateral held by the agents in the District's name. At October 31, 2002, the carrying amount of the District's deposits was \$640,817, and the bank balance was \$954,478, which was covered by federal depository insurance and/or by collateral held by the agents in the District's name.

I. Accounts Receivable

Accounts receivable from patients, insurance companies and third-party reimbursement contractual agencies are recorded at established charge rates. Certain third-party insured accounts (Medicare and Medicaid) are based on cost reimbursement agreements which generally result in the District collecting less than the established charge rates with the difference recorded as "contractual adjustments." Final determination of settlement is subject to review by appropriate authorities. Adequate allowances are provided for doubtful accounts and contractual adjustments. Doubtful accounts are written off against the allowance after adequate collection effort is exhausted and recorded as recoveries of bad debts if subsequently collected. Net operating revenue includes only those amounts established by management to be collectible.

J. Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

K. Assets Whose Use Is Limited

Assets limited as to use under terms of the bond indentures are classified as assets whose use is limited.

L. Inventories of Supplies

Supplies are valued at the lower of cost (first-in, first-out) or net realizable value.

**St. Helena Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2003 and 2002**

**Note 1-Summary of Significant Accounting Policies (Continued)**

M. Property, Plant and Equipment

Property, plant and equipment is stated at cost, except for assets donated to the District. Donated assets are recorded at the appraised value at the date of donation.

Depreciation is recorded on a straight-line basis over the useful lives of the assets. Equipment under capital leases is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements.

Maintenance, repairs, replacements and improvements of minor amounts are expensed. Major replacements and improvements are capitalized.

N. Costs of Borrowing

*Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. There was no interest capitalized during the years ended October 31, 2003 and 2002.*

O. Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

P. Advertising

Advertising costs are expensed as incurred. Advertising costs of \$9,558 and \$17,930 were expensed in 2003 and 2002, respectively.



**St. Helena Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2003 and 2002**

**Note 1-Summary of Significant Accounting Policies (Continued)**

Q. Paid Time Off

Paid time off (PTO) includes vacation and holiday pay. Accumulated unpaid PTO is accrued when incurred up to a maximum of 34 days. Employees earn and vest in PTO leave according to years of service as follows:

| <u>Years of Service</u> | <u>Full-Time Employees</u> |
|-------------------------|----------------------------|
| Over 5 years            | 2.39 days per month        |
| Less than 5 years       | 2.16 days per month        |

Sick pay is not vested.

R. Income Taxes

The District is exempt from income taxes under Internal Revenue Code Section 115.

S. Property Taxes

The Sheriff of St. Helena Parish, as provided by state law, is the official tax collector of property taxes levied by the parish and parish special districts.

The 2003 and 2002 property tax calendars were as follows:

|                             | <u>2003</u>       | <u>2002</u>        |
|-----------------------------|-------------------|--------------------|
| Millage rates adopted       | August 26, 2002   | September 17, 2001 |
| Tax bills mailed            | November 11, 2002 | October 29, 2001   |
| Due date                    | December 31, 2002 | December 31, 2001  |
| Certified delinquent notice | February 25, 2003 | March 8, 2002      |

Property taxes are recognized as revenue in the calendar year for which they are due. State law requires the sheriff to collect property taxes in the calendar year in which the assessment is made. After notice is given to the delinquent taxpayers, 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.

T. Reclassification

Certain reclassifications have been made to the 2002 financial statements to conform with classifications used in 2003. The reclassifications had no effect on fund balance or revenue over expenses.

**St. Helena Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2003 and 2002**

**Note 1-Summary of Significant Accounting Policies (Continued)**

U. Accounting Standards

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the District has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989.

V. Risk Management

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

**Note 2-Going Concern**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplates continuation of the District as a going concern. However, the District has sustained substantial operating losses in recent years. In addition, the District has used substantial amounts of working capital in its operations. Further, at October 31, 2003, current liabilities exceed current assets by \$2,193,550 and total liabilities exceed total assets by \$1,147,252. Management is in the process of reducing expenses and reviewing the possibility of obtaining long-term financing.

In view of these matters, realization of a major portion of the assets in the accompanying balance sheet is dependent upon continued operations of the company, which in turn is dependent upon the District's ability to meet its financing requirements, and the success of its future operations. Management believes that actions presently being taken to revise the District's operating and financial requirements provide the opportunity for the District to continue as a going concern.

**Note 3-Land and Building**

The title to the District's land and building on which the Hospital is located, is in the name of St. Helena Parish Police Jury. The effects are described in the auditor's report.



**St. Helena Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2003 and 2002**

**Note 4-Net Patient Service Revenue**

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

Medicare

Effective December 1, 1999, the District was certified as a Critical Access Hospital which changed the reimbursement methodology as follows. Inpatient acute care services rendered to Medicare program beneficiaries are paid on a cost reimbursement methodology. Inpatient nonacute services, certain outpatient services, and defined capital and medical education costs 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. The District's Medicare cost reports have been audited by the Medicare fiscal intermediary through October 31, 2000.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under 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 thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through October 31, 2000.

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

**St. Helena Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2003 and 2002**

**Note 5-Assets Whose Use Is Limited**

Assets whose use is limited that are required for obligations classified as current liabilities are reported in current assets. The composition of assets whose use is limited at October 31, 2003 and 2002, is set forth in the following table.

|                           | <u>2003</u>     | <u>2002</u>     |
|---------------------------|-----------------|-----------------|
| Under indenture agreement |                 |                 |
| Cash                      | <u>\$70,272</u> | <u>\$61,933</u> |

**Note 6-Property, Plant and Equipment**

A summary of property, plant and equipment at October 31, 2003 and 2002 is as follows:

|  | <u>2003</u>      | <u>2002</u>      |
|--|------------------|------------------|
| Land   |                  |                  |
| Hospital                                       | \$166,565        | \$166,565        |
| Morgan Hills                                   | 36,000           | 36,000           |
| Buildings                                      |                  |                  |
| Hospital                                       | 2,092,909        | 2,093,460        |
| Morgan Hills                                   | 767,077          | 767,077          |
| Nursing Home                                   | 1,098,370        | 1,098,370        |
| Equipment                                      | 1,141,874        | 1,078,902        |
| Equipment under capital leases                 | <u>497,742</u>   | <u>497,742</u>   |
|  | 5,800,537        | 1,576,644        |
| Less accumulated depreciation and amortization | <u>3,566,701</u> | <u>3,237,200</u> |
| Property, plant and equipment, net             | <u>2,233,836</u> | <u>2,500,916</u> |

Depreciation expense for the years ended October 31, 2003 and 2002, was \$329,501 and \$298,712, respectively. Accumulated amortization for equipment under capital lease obligations was \$208,653 and \$109,103 at October 31, 2003 and 2002, respectively.

**Note 7-Line of Credit**

The District had a \$500,000 line of credit with the Bank of Greensburg, of which \$250,030 has been drawn as of October 31, 2002, with an interest rate of 8%, secured by ad valorem taxes.

**Note 8-Certificate of Indebtedness**

The district has a \$500,000 Certificate of Indebtedness with the Bank of Greensburg, of which \$300,000 has been drawn as of October 31, 2003 with an interest rate of 6%, secured by a pledge of all revenues accruing to the District.

**St. Helena Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2003 and 2002**

**Note 9-Mortgage and Notes Payable**

Mortgage and notes payable consist of the following:

|  | <u>2003</u>    | <u>2002</u>    |
|--|----------------|----------------|
| Note payable to Bank of Greensburg due on demand with interest at 8%. Note is secured by ad valorem taxes.   | \$137,657      | \$18,300       |
| Note payable to Hill-Rom Company at 8.5% payable in 24 monthly installments of \$4,525. Note is secured by equipment.  | 26,487         | 68,216         |
| Mortgage payable to Farmers Home Administration with interest ranging from 1% to 8.75% for 50 years with a monthly payment of \$1,646. Note is secured by the Morgan Hills apartments. | <u>757,425</u> | <u>759,851</u> |
|  | 921,569        | 846,367        |
| Less current maturities  | <u>166,791</u> | <u>71,156</u>  |
| Mortgage and notes payable less current maturities   | <u>754,778</u> | <u>775,211</u> |

Maturities of long-term debt for the next five years ending October 31, are as follows:

|      |           |
|------|-----------|
| 2004 | \$166,791 |
| 2005 | \$2,888   |
| 2006 | 3,151     |
| 2007 | 3,438     |
| 2008 | 3,751     |

**St. Helena Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2003 and 2002**

**Note 10-Bonds Payable**

Bonds payable consist of the following:

|   | <u>2003</u> | <u>2002</u> |
|---|-------------|-------------|
| Hospital Revenue Bonds of \$467,000 requiring monthly installments of \$3,115 (principal and interest) for 20 years at an annualized rate of 5.125%. Bonds are secured by the land and building of the hospital and by a pledge of all operating revenue. | \$301,588   | \$321,784   |

As required by the bond agreement, the District was required to establish three separate accounts: Sinking Fund, Reserve Fund and Contingency Fund. The Sinking Fund is required to have an amount sufficient to pay promptly and fully the principal and interest on the bonds. The Reserve Fund must have an amount paid to it equal to 10% of the amount paid to the Sinking Fund each month. The amount shall continue until the Reserve Fund has accumulated a sum equal to the combined principal and interest falling due in any year on the bonds. The Contingency Fund shall have deposited \$170 per month to cover depreciation, additions, improvements and replacements necessary to properly operate the District. These amounts have been classified as assets whose use is limited.

|  |                |                |
|--|----------------|----------------|
|  | <u>301,588</u> | <u>321,784</u> |
| Less current maturity of bonds payable | <u>22,460</u>  | <u>21,341</u>  |
| Bond payable less current maturities   | <u>279,128</u> | <u>300,443</u> |

Bond maturities for each of the next five years ending October 31, are as follows:

|      | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------|------------------|-----------------|--------------|
| 2004 | \$22,460         | \$14,919        | \$37,379     |
| 2005 | 23,639           | 13,740          | 37,379       |
| 2006 | 24,879           | 12,500          | 37,379       |
| 2007 | 26,185           | 11,194          | 37,379       |
| 2008 | 27,559           | 9,820           | 37,379       |

**St. Helena Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2003 and 2002**

**Note 11-Deferred Revenue**

The District receives uncompensated cost rendered to Medicaid and uninsured patients, commonly referred to as disproportionate share payments. The payment is subject to audit by the Louisiana Department of Health and Hospitals. The coverage of the payment is recognized into revenue over the states fiscal year from July 1 to June 30.

**Note 12-Capital Leases - Equipment**

The District leases various equipment, with a net book value of \$289,089 in 2003 and \$388,637 in 2002, under a capital lease which expires in 2007. Assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset and the assets are depreciated over their estimated useful lives. Depreciation of assets under capital leases is included in depreciation expense.

Future minimum lease payments under the capital lease were as follows:

|  |                |
|--|----------------|
| 2004   | \$106,249      |
| 2005   | 106,249        |
| 2006   | 106,249        |
| 2007   | <u>17,719</u>  |
| Total minimum lease payments                             | 336,466        |
| Less amount representing interest                        | <u>13,219</u>  |
|  | 323,247        |
| Less current portion of obligations under capital leases | <u>99,343</u>  |
| Obligations under capital leases, less current portion   | <u>223,904</u> |

**Note 13-Operating Leases**

The District leases various medical equipment under operating leases which began in 2000 and expire in 2007. Rent expense was \$250,675 in 2003 and \$237,379 in 2002. Minimum future rental payments under non-cancelable operating leases are as follows:

|      |         |
|------|---------|
| 2004 | 225,290 |
| 2005 | 174,508 |
| 2006 | 92,695  |
| 2007 | 54,020  |

**St. Helena Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2003 and 2002**

**Note 14-Restricted From Prior Bond Indenture**

A portion of the Districts ad valorem taxes received are restricted to pay the debt on the General Obligation Hospital Public Improvement Bonds. The Bonds were paid in full in 2001. The remaining balance was used for its intended purpose. Therefore, the balance was transferred to unrestricted for the year ended October 31, 2003.

**Note 15-Pension Plan**

The District adopted a 403(b) defined contribution plan for the year ended October 31, 2002. Contributions are matched based on years of service not to exceed 6%. Contributions to the plan totaled \$74,569 in 2003, and \$100,038 in 2002.

**Note 16-Self-Funded Insurance**

The District provides health insurance to its employees through a self-funded insurance plan. The plan, which is administered by a third party, has a stop loss insurance agreement to limit its losses on individual claims. The amount of stop loss per individual is \$35,000 per plan year. The aggregate stop loss for the plan year is \$1,000,000. Claims are accrued based upon the aggregate liability for the reported claims incurred and an estimated liability for claims incurred but not reported. These liabilities are not discounted.

**Note 17-Medical Malpractice Claims**

The District has medical malpractice insurance up to \$100,000 through the Louisiana Hospital Association Trust Fund and an additional \$400,000 through the Patients Compensation Fund. Under current Louisiana law, its liability is limited to the statutory maximum of \$500,000.



**St. Helena Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2003 and 2002**

**Note 18-Morgan Hills**

In 2003 the voters of St. Helena Parish approved the sale of Morgan Hills. Although the District has obtained a purchase agreement for the property, the sale has not been executed at this time due to a lien on the property. As such, the operating results of the component were reported as discontinued operations for this year. The assets and liabilities to be disposed of comprise of the following at October 31, 2003.

|                  |                |
|------------------|----------------|
| Assets           |                |
| Cash             | \$64,010       |
| Fixed Assets-Net | <u>532,349</u> |
|                  | <u>596,359</u> |
| Liabilities      |                |
| Payables         | 9,986          |
| Note Payable     | <u>757,425</u> |
|                  | <u>767,411</u> |

**Note 19-Contingent Liabilities**

The District is a defendant in a lawsuit as a result of an arbitration award against St. Helena Congregate Facility, Inc. A judgement was rendered against the District on May 16, 2002 in the amount of \$38,710, together with legal interest from March 11, 1996 until paid. The District currently has the matter on appeal with the Louisiana Court of Appeal, First Circuit. Outside counsel for the District believes that it is possible the Court of Appeal will overturn the adverse ruling by the trial judge. The District will vigorously defend its position.

The District is also a litigate in various other lawsuits. Management of the District, on the advice of legal counsel, believes that such proceedings and contingencies will not have a material effect on the District.

The Internal Revenue Service (IRS) has assessed the District \$2.8 million for failure to make payroll deposits of approximately \$1.6 million plus \$1.2 million in interest and penalties. The District periodically assesses the liabilities and contingencies in connection with this matter, based upon the latest information available. The District has accrued approximately \$1,850,000 included in accrued liabilities in the accompanying financial statements for 2003. An additional amount of \$950,000 in interest and penalties has not been accrued due to the uncertainty related to the probable outcome. Based on the District's current financial condition, the IRS has determined the amount assessed is currently not collectible. The IRS may reactivate this case anytime within 10 years from November 21,

**St. Helena Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2003 and 2002**

**Note 19-Contingent Liabilities (continued)**

2003 based on changes in the District's financial condition. Any unpaid balance after 10 years will be considered uncollectible by the IRS and will be written off. As additional information becomes available, the District will adjust its assessment and estimates of such liabilities accordingly. The District intends to submit an offer in compromise to the IRS, in 2004, to settle the debt for less than the recorded amount.

**Note 20-Concentration of Credit Risk**

The District is located in Greensburg, Louisiana and grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. Revenue from patients and third-party payors was as follows:

|                           | <u>2003</u> | <u>2002</u> |
|---------------------------|-------------|-------------|
| Medicare and Medicaid     | 74%         | 69%         |
| Commercial and Blue Cross | 15%         | 15%         |
| Private pay               | <u>11%</u>  | <u>16%</u>  |
|                           | <u>100%</u> | <u>100%</u> |

**Note 21-Pronouncements Issued Not Yet Adopted**

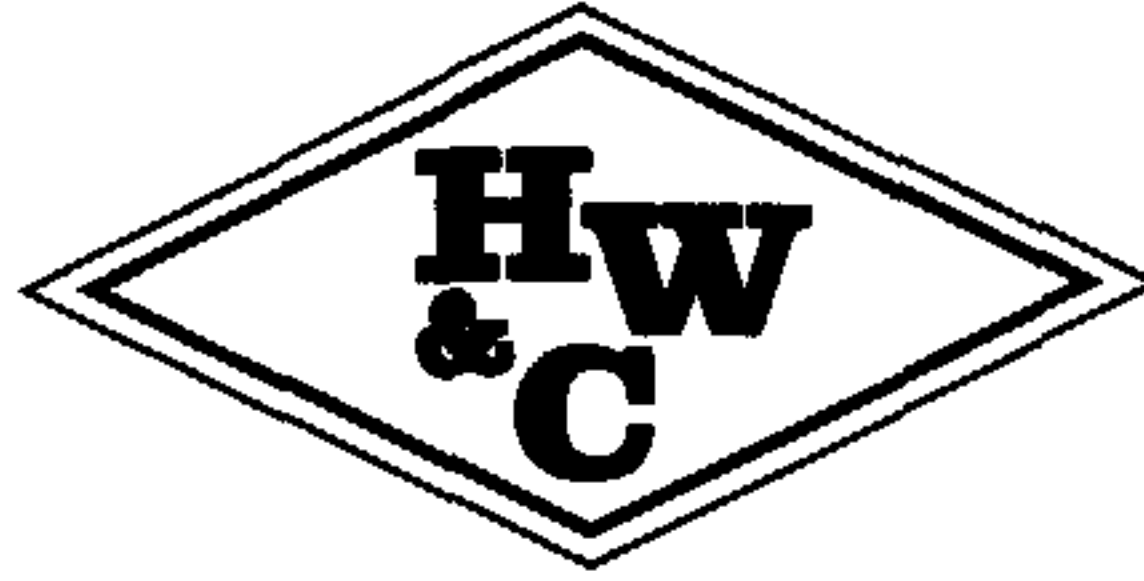
Government Accounting Standards Board (GASB) Standard 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments", is initially phased in for fiscal years beginning after June 15, 2001. Based upon its revenues, the Hospital will be required to implement GASB 34 in the period beginning after October 31, 2003 (fiscal year ending October 31, 2004). Hospitals are identified in GASB 34 as special purpose governments required only to implement applicable portions of the statement. The pronouncement will require that the Hospital's financial statements be introduced by a narrative prepared by Management, titled "Management's Discussion and Analysis" (known as MD&A), as well as additional disclosures and presentation of the statement of cash flow using the direct method. MD&A will present an analytical overview of the Hospital's financial activities and will include selected required supplementary information.



**Supplementary Information**

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

J. CHARLES PARKER, C.P.A.  
LOUIS C. McKNIGHT, III, C.P.A.  
ANTHONY J. CRISTINA, III, C.P.A.  
CHARLES R. PEVEY, JR., C.P.A.  
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CERTIFIED PUBLIC ACCOUNTANTS

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(225) 923-3000 • FAX (225) 923-3008

December 15, 2003

**Independent Auditor's Report  
on Supplementary Information**

The Board of Commissioners  
St. Helena Parish Hospital Service District No. 1  
Greensburg, Louisiana

Commissioners:

Our report on our audits of the general purpose financial statements of St. Helena Parish Hospital Service District No. 1, a component unit of St. Helena Parish Police Jury for 2003 and 2002 appears on page 3. The audits were conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements. For reasons stated in the third paragraph of our report on page 4, we expressed an opinion that the general financial statements of St. Helena Parish Hospital Service District No. 1 do not fairly present financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. Therefore, we do not express an opinion on the following additional information.

Yours truly,

*Hawthorn, Waymouth & Carroll, L.L.P.*

**St. Helena Parish Hospital Service District No. 1**  
**Revenue**  
**Years Ended October 31, 2003 and 2002**

|  | <u>2003</u>          | <u>2002</u>          |
|--|----------------------|----------------------|
| <b>Patient Service Revenue</b>         |                      |                      |
| Patient rooms - Hospital               | \$248,443            | \$267,741            |
| Patient rooms - Nursing Home           | 2,205,689            | 2,012,330            |
| Observation rooms                      | 79,890               | 108,360              |
| Operating and emergency room           | 379,645              | 375,632              |
| Medical and surgical supplies          | 318,309              | 289,713              |
| Pharmacy                               | 299,835              | 237,079              |
| X-ray                                  | 603,645              | 418,035              |
| EKG                                    | 34,983               | 29,838               |
| Ultrasound                             | 50,488               | 35,725               |
| S.H.P. scan                            | 403,366              | 233,341              |
| Laboratory                             | 1,111,594            | 925,482              |
| Therapy                                | 450,588              | 460,162              |
| Doctor fees                            | 291,869              | 255,076              |
| Dietary                                | 31,087               | 33,740               |
| Cardiology                             | 115,550              | 47,588               |
| Swing bed                              | 89,047               | 20,537               |
| Ophthalmology                          | 9,308                | 11,376               |
| After hours clinic                     | 24,925               |                      |
| Uncompensated care                     | 857,362              | 746,280              |
| Intergovernmental funds                | <u>1,679</u>         | <u>474,323</u>       |
|  | 7,607,302            | 6,982,358            |
| Less deduction from revenue            | <u>496,117</u>       | <u>211,750</u>       |
| <br><u>Net patient service revenue</u> | <br><u>7,111,185</u> | <br><u>6,770,608</u> |
| <br><b>Other Operating Revenue</b>     |                      |                      |
| Ad Valorem Taxes                       | \$303,020            | \$362,314            |
| Miscellaneous                          | <u>13,948</u>        | <u>19,481</u>        |
|  | <u>316,968</u>       | <u>381,795</u>       |

**St Helena Parish Hospital Service District No. 1**  
**Operating Expenses**  
**Years Ended October 31, 2003 and 2002**

|                                   | <u>2003</u>      | <u>2002</u>      |
|-----------------------------------|------------------|------------------|
| <b>Supplies and Other</b>         |                  |                  |
| Food cost                         | \$143,715        | \$146,610        |
| Pharmacy                          | 97,374           | 81,665           |
| Medical supplies                  | 580,878          | 591,612          |
| Medical waste services            | <u>10,052</u>    | <u>11,707</u>    |
| <br>                              |                  |                  |
| <u>Total</u>                      | <u>832,019</u>   | <u>831,594</u>   |
| <br>                              |                  |                  |
| <b>General and Administrative</b> |                  |                  |
| Bank charges                      | \$30             | \$548            |
| Dues and subscriptions            | 13,946           | 16,294           |
| Education                         | 8,926            | 26,945           |
| Employee benefits                 | 112,931          | 130,700          |
| Gas                               | 36,340           | 44,281           |
| Group insurance                   | 284,687          | 288,063          |
| Insurance                         | 187,690          | 160,304          |
| Lease and rental expense          | 250,675          | 237,379          |
| Legal and professional            | 144,029          | 17,090           |
| Maintenance contracts             | 93,024           | 62,102           |
| Payroll taxes                     | 271,116          | 288,854          |
| Penalties and interest            | 6,587            | 122,171          |
| Postage                           | 13,387           | 13,411           |
| Repairs and maintenance           | 50,857           | 51,957           |
| Sewerage                          | 4,719            | 4,466            |
| Telephone                         | 74,978           | 53,728           |
| Travel                            | 18,394           | 14,885           |
| Utilities                         | 45,243           | 67,265           |
| Water                             | 4,431            | 4,495            |
| Advertising                       | 9,558            | 17,930           |
| Other                             | 53,301           | 42,244           |
| UCC assessment                    | <u>40,951</u>    | <u>43,609</u>    |
| <br>                              |                  |                  |
| <u>Total</u>                      | <u>1,725,800</u> | <u>1,708,721</u> |

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

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December 15, 2003

**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  
St. Helena Parish Hospital Service District No. 1  
Greensburg, Louisiana

Commissioners:

We have audited the financial statements of St. Helena Parish Hospital Service District No. 1 as of and for the year ended October 31, 2003, and have issued our report thereon dated December 15, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the St. Helena Parish Hospital Service District No. 1'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 which is described in the accompanying Schedule of Findings as item 03-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the St. Helena Parish Hospital Service District No. 1'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 St. Helena Parish Hospital Service District No. 1's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as 03-1.

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 misstatement 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. However, we believe that the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of the Board of Commissioners, management, Louisiana Legislative Auditor, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513 this report is distributed by the Legislative Auditor as a public document.

Yours truly,

*Hawthorne, Weymouth & Carroll, L.L.P.*

**St. Helena Parish Hospital Service District No. 1**  
**Schedule of Findings**  
**October 31, 2003**

Findings - Financial Statement Audit

03-1 Payroll Taxes

In November and December of 2002, the District did not make timely payments for payroll taxes as required by the Internal Revenue Service. Beginning January 2003 through October 2003 payroll tax deposits were made in a timely fashion. We recommend that payroll tax deposits continue to be made timely as required by the Internal Revenue Service. This finding is a repeat of prior year Finding 02-1.

*Management's Response*

The hospital will continue to make timely payroll tax deposits as required by the Internal Revenue Service.