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HOSPITAL SERVICE DISTRICT NO. 2
 Parish of St. Martin
 State of Louisiana
 Breau Bridge, Louisiana

FINANCIAL REPORT

YEARS ENDED SEPTEMBER 30, 1987 AND 1988

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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: MAR 04 1998

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KOLDER, CHAMPAGNE, SLAVEN & RAINEY, LLC

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INDEPENDENT AUDITOR'S REPORT

REPORT OF THE
INDEPENDENT AUDITOR
ON THE FINANCIAL STATEMENTS
OF THE HOSPITAL SERVICE DISTRICT NO. 2
PARISH OF ST. MARTIN, LOUISIANA

FOR THE YEARS ENDED
SEPTEMBER 30, 1997
AND
1998

REPORT OF THE
INDEPENDENT AUDITOR
ON THE FINANCIAL STATEMENTS
OF THE HOSPITAL SERVICE DISTRICT NO. 2
PARISH OF ST. MARTIN, LOUISIANA

Board of Commissioners
Hospital Service District No. 2
Parish of St. Martin, State of Louisiana
Brennan Bridge, Louisiana

We have audited the accompanying financial statements of the Hospital Service District No. 2, Parish of St. Martin, State of Louisiana, a component unit of the St. Martin Parish Police Jury, as of and for the years ended, September 30, 1997 and 1998, as listed in the table of contents. Those financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on those financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards, and 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital Service District No. 2, Parish of St. Martin, State of Louisiana, as of September 30, 1997 and 1998, and the results of its operations and cash flows for the years then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated November 14, 1997, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as "Supplemental Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Hospital Service District No. 2. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Kolder, Champagne, Haven & Rainey, LLC

Certified Public Accountants

Broussard Bridge, Louisiana
November 28, 2027

HOSPITAL SERVICE DISTRICT NO. 3
Parish of St. Martin
STATE OF LOUISIANA
BALANCE SHEET
SEPTEMBER 30, 1999 AND 1998

ASSETS

	<u>1999</u>	<u>1998</u>
CURRENT ASSETS		
Cash and certificates of deposit	\$ 750,804	\$ 868,328
accounts receivable - patients	5,567,388	5,195,350
Due from intermediaries	176,227	147,883
inventories	148,484	138,280
accrued interest receivable	476	884
Prepaid expenses	<u>16,822</u>	<u>16,132</u>
total current assets	<u>6,628,822</u>	<u>6,642,323</u>
PROPERTY, PLANT AND EQUIPMENT		
Buildings	158,132	158,132
Building improvements	467,580	-
Fixed equipment	788,153	788,153
Movable equipment	482,155	687,883
Automobiles	18,748	18,748
Land improvements	<u>18,482</u>	<u>18,482</u>
	2,032,271	1,709,488
Less accumulated depreciation	<u>1,324,382</u>	<u>1,382,518</u>
	717,889	326,970
Land	<u>34,738</u>	<u>34,738</u>
	<u>752,718</u>	<u>361,708</u>
ASSETS WHOSE USE IS LIMITED		
For plant maintenance and replacement - cash and certificates of deposit	<u>2,314,814</u>	<u>258,871</u>
TOTAL ASSETS	<u>9,696,354</u>	<u>8,393,232</u>

LIABILITIES AND FUND BALANCE

	<u>1991</u>	<u>1990</u>
CURRENT LIABILITIES		
Accounts payable	\$ 188,370	\$ 228,400
Accrued wages and related withholdings	88,870	28,274
Accrued compensated absences	43,283	58,429
Current portion of long-term debt	45,000	-
Retainage payable	<u>18,322</u>	<u>-</u>
Total current liabilities	483,845	315,103
LONG-TERM DEBT, less current portion	2,320,800	-
FUND BALANCE	<u>2,842,878</u>	<u>2,320,818</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>35,449,351</u>	<u>42,448,321</u>

See independent auditor's report and notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 2
Parish of St. Martin
State of Louisiana

STATEMENTS OF OPERATIONS
YEAR ENDED SEPTEMBER 30, 1977 AND 1976

	<u>1977</u>	<u>1976</u>
Net Patient Revenue	\$4,099,700	\$4,337,678
Other Revenue	<u>708,325</u>	<u>681,916</u>
	<u>\$4,808,025</u>	<u>\$5,019,594</u>
OPERATING EXPENSES		
Professional	3,043,989	3,437,678
Behavioral health care	888,800	980,380
General and administrative	3,400,980	3,075,706
Depreciation	82,171	70,887
Provision for bad debts	<u>621,830</u>	<u>388,217</u>
Total operating expenses	<u>7,897,870</u>	<u>7,952,868</u>
INCOME FROM OPERATIONS	309,344	180,586
NONOPERATING INCOME	<u>347,858</u>	<u>181,324</u>
NET INCOME	\$ 657,202	\$ 361,910

See independent auditor's report and notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 2
 Cities of St. Louis
 State of Missouri

STATEMENTS OF CHANGES IN FUND BALANCE
 YEAR ENDED SEPTEMBER 30, 1987 AND 1986

	FUND BALANCE, September 30, 1986	DONATED CAPITAL	PLANT		Operating Fund	Total
			Maintenance and Replacement	Equipment		
FUND BALANCE, September 30, 1986	880,704	-	8 325,263	-	81,734,326	83,000,893
INCOME OF FUNDS OTHER THAN THE FUND	-	-	(71,814)	-	378,332	306,518
INCOME (LOSS) FROM OPERATIONS	-	-	123,437	-	57,485	181,324
NONOPERATING INCOME	-	-	(22,282)	-	27,228	-
FUND BALANCE, September 30, 1987	880,704	-	8 326,614	-	82,169,971	83,497,289
INCOME OF FUNDS OTHER THAN THE FUND	-	-	(82,371)	-	370,725	288,354
INCOME (LOSS) FROM OPERATIONS	-	-	123,218	-	28,688	151,906
NONOPERATING INCOME	-	-	(222,822)	-	473,008	-
FUND BALANCE, September 30, 1988	880,704	-	8 326,451	-	82,644,634	83,971,789

See independent auditor's report and notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 2
 Parish of St. Martin
 State of Louisiana

STATEMENTS OF CASH FLOWS
 YEARS ENDED SEPTEMBER 30, 1997 AND 1998

	1997	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from patients and third party payors	\$ 4,244,250	\$ 3,822,004
Interest received	124,314	17,324
Grant payments received	489,924	344,444
Cash paid for supplies and other expenses	(2,543,480)	(2,596,254)
Cash paid to employees	(2,248,230)	(2,087,246)
Grant receipts	35,000	80,714
Net revenues tax receipts	104,289	112,368
Donations	35	34
Interest paid	(114,323)	-
Net cash provided by operating activities	\$ 668,235	\$ 48,222
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(473,424)	(17,180)
Cash provided by assets whose use is limited	(2,328,474)	(14,240)
Net cash used by investing activities	\$ (2,801,898)	\$ (31,420)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	2,280,800	-
Principle payment	(165,800)	-
Net cash provided by financing activities	\$ 2,115,000	\$ -
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	481,437	16,802
CASH AND CASH EQUIVALENTS, beginning of year	344,128	327,326
CASH AND CASH EQUIVALENTS, end of year	\$ 825,565	\$ 344,128

See Independent auditor's report and notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 2
Parish of St. Martin
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1997 AND 1998

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the Hospital's significant accounting policies:

Method of Accounting

Assets, liabilities, revenues and expenses are recorded on the accrual basis of accounting.

Accounts Receivable

Accounts receivable are shown net of provision for doubtful accounts of \$854,648 and \$201,691 as September 30, 1997 and 1998, respectively.

Inventory

Inventory is stated at the lower of cost or market, with cost determined by the first-in, first-out (FIFO) method.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Hospital considers all cash and certificates of deposits, except assets whose use is limited as cash equivalents.

Fleet and Equipment

Fleet and equipment are stated at cost. Depreciation is computed using the straight-line method, over the useful life as recommended by the American Hospital Association. Depreciation expense for the years ended September 30, 1997 and 1998 was \$62,171 and \$79,667, respectively.

Land

The land for the Hospital site is stated at cost.

Tax-exempt Status

The Hospital is a non-profit Hospital Service District as described in Section 511(c)(1) of the Internal Revenue Code and is exempt from Federal income taxes on related income pursuant to Section 501(c)(3) of the Code.

HOSPITAL SERVICE DISTRICT NO. 3
Parish of St. Martin
STATE OF LOUISIANA

NOTE TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1997 AND 1996

NOTE 2 NET PATIENT SERVICE REVENUE

The hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. 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. 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 Hospital is reimbursed for cost reimbursable items on a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 1996. The Hospital's Medicare cost report for the year ended September 30, 1997 and 1996 indicates a receivable of \$43,056 and \$45,281, respectively.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed on a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 1996. The Hospital's Medicaid cost report for the year ended September 30, 1997 and 1996 indicates a receivable of \$10,173 and \$76,716, respectively.

NOTE 3 CASH AND CERTIFICATES OF DEPOSIT

The bank balances of cash and certificates of deposit is covered by Federal depositors insurance or by collateral held by the Hospital's fiscal agent in the Hospital's name.

At September 30, 1997 and 1996, Gary Memorial Hospital had cash and certificates of deposit totaling \$1,086,779 and \$886,808 respectively.

MEMORIAL HOSPITAL DISTRICT NO. 3
Parish of St. Martin
State of Louisiana

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1997 AND 1996

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the retailing bank balances) must be secured by Federal Deposit Insurance or the pledge of securities owned by the financial agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the financial agent. These securities are held in the name of the pledging financial agent bank or a holding or custodial bank that is mutually acceptable to both parties. The following is a summary of deposit balances (bank balances) at September 30, 1997 and 1996, and the related federal insurance and pledged securities:

	<u>1997</u>	<u>1996</u>
Bank balances	\$2,965,407	\$ 568,128
	-----	-----
Federal insurance	351,403	\$ 270,943
Pledged securities (Category 3)	<u>2,372,913</u>	<u>2,477,093</u>
Total	<u>\$5,725,800</u>	<u>\$5,343,414</u>
	-----	-----

Pledged securities in Category 3 includes uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust departments or agent, but not in Mary Memorial Hospital's name. Even though the pledged securities are considered uncollateralized (Category 3) Louisiana Revised Statute 18:1209 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten (10) days of being notified by Mary Memorial Hospital that the financial agent has failed to pay deposited funds upon demand.

NOTE 4 ASSETS WHOSE USE IS LIMITED

Assets whose use is limited consist of cash and certificates of deposit whose use has been limited by the Hospital's Board of Commissioners or parish ordinance for bond redemption. The balance remaining after payoff of the bonds is approved for use in Operations and Maintenance.

HOSPITAL SERVICE DISTRICT NO. 2
Parish of St. Martin
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1997 AND 1996

NOTE B COMPENSATED ABSENCE

Accrued compensated absences consist of the portion of accumulated vacation not used at year end. The amount accrued at September 30, 1997 and 1996 was \$63,383 and \$68,428 respectively.

NOTE C LONG-TERM DEBT

	<u>1997</u>	<u>1996</u>
General obligation bonds: dated November 1, 1995. Original issue of \$2,300,000; payable in annual installments of \$65,000 to \$165,000 beginning in March, 1997; interest paid semiannually at rates of 8.00% to 8.5%. Final maturity in March, 2014; secured by ad valorem taxes	\$1,380,000	\$ -
Less current portion	<u>60,000</u>	<u>-</u>
	\$1,320,000	\$ -
	*****	*****

Securities of long-term debt are as follows:

	<u>1997</u>	<u>1996</u>
1998	\$ -	\$ -
1999	70,000	-
2000	70,000	-
2001	80,000	-
2002	80,000	-
2003-2014	<u>1,810,000</u>	<u>-</u>
	\$1,910,000	\$ -
	*****	*****

HOSPITAL SERVICE DISTRICT NO. 2
PARISH OF ST. MARTIN
State of Louisiana

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1997 AND 1996

NOTE 7 STATEMENTS OF CASH FLOWS

Below is the supplemental schedule required to be presented when statements of cash flows are presented.

RECONCILIATION OF NET INCOME to net cash provided by operating activities:

	<u>1997</u>	<u>1996</u>
Net income (loss)	\$ 457,338	\$ 384,435
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	82,371	73,487
Loss on sale of assets	27,538	-
Change in assets and liabilities:		
Accounts receivable - patients	(122,898)	(142,820)
Due from intermediaries	(28,338)	(188,288)
INVENTORY	(8,174)	13,458
Increased interest receivable	(14)	148
Prepaid expenses	(1,500)	11,828
Accounts payable	54,398	(31,528)
Increased wages and related withholdings	10,898	13,188
Accrued compensated absences	4,884	8,385
Retainage payable	18,828	-
Due to intermediaries	-	(12,788)
	<u>138,823</u>	<u>(318,718)</u>
Net cash provided by operating activities	\$ 496,161	\$ 66,717

NOTE 8 COMMERCIAL LEASES

The Hospital has entered a commercial lease agreement with another hospital, located in Lafayette Parish. The terms of the lease provide for a monthly revenue for the space leased, revenues for housekeeping and dietary contracted services, and revenues for lab and x-ray services provided on an as needed basis.

HOSPITAL SERVICE DISTRICT NO. 2
Parish of St. Martin
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1997 AND 1996

The initial term of this lease is one (1) year commencing February 1, 1996, with two (2) options for extensions of the term, each option for one (1) additional one (1) year period, for a total possible term of three (3) years. Future minimum rentals for the year ending September 30, 1996 are \$207,000 excluding housekeeping, dietary and lab services revenues.

The Hospital is leasing a modular building under an operating lease. The initial term of this lease is one (1) year expiring in 1997, with the option for extensions of the term, each option for one (1) additional one (1) year period. Rental expense for the years ended September 30, 1997 and 1996, are \$5,000 and \$4,810 respectively. Maximum future rental payments under this cancellable operating lease are \$5,134 for the year ending September 30, 1998.

NOTE 8 LITIGATION

The Hospital is a defendant in a lawsuit. Because the suit is in the early stages, it is not possible to estimate the potential exposure of the hospital with accuracy. The Hospital is vigorously defending the case and a favorable outcome is clearly possible.

HOSPITAL SERVICE DISTRICT NO. 2
 WARDEN OF ST. MARY'S
 STATE OF LOUISIANA

SCHEDULE OF NET PATIENT REVENUE
 YEARS ENDED SEPTEMBER 30, 1987 AND 1988

	<u>1987</u>	<u>1988</u>
PATIENT REVENUE		
In-patient revenue	\$1,116,168	\$ 888,960
Out-patient revenue	2,718,333	3,477,589
Behavioral Health Unit Revenue	<u>3,518,243</u>	<u>3,438,338</u>
	<u>5,352,744</u>	<u>5,704,887</u>
DEDUCTIONS FROM PATIENT REVENUE		
Contractual allowances	966,833	1,479,344
Discounts	<u>138</u>	<u>268</u>
	<u>966,971</u>	<u>1,479,612</u>
Net Patient Revenue	<u>\$4,385,773</u>	<u>\$4,225,275</u>

HOSPITAL SERVICE DISTRICT NO. 2
Parish of St. Martin
State of Louisiana

SCHEDULE OF IN-PATIENT REVENUE
YEARS ENDED SEPTEMBER 30, 1987 AND 1986

	<u>1987</u>	<u>1986</u>
Routine Services		
Room and Board	\$ 143,887	\$124,371
Special Services		
Blood administration	4,181	3,837
Central supply room	147,388	132,490
Electrocardiology	14,136	15,588
Emergency room physician	48,535	38,331
Emergency room	8,742	8,968
Immunization therapy	237,422	178,288
Laboratory	124,729	132,527
Nuclear medicine	18,888	18,882
Hotter monitor	885	5,189
Observation room	2,144	2,022
Operating room	4,034	3,884
Oxygenation	244	322
Pharmacy	242,828	224,222
Physical therapy	72	-
Radiology	38,448	38,592
Special procedures	<u>7,322</u>	<u>8,122</u>
	\$1,116,168	\$888,565
	*****	*****

HOSPITAL SERVICE DISTRICT NO. 2
 Parish of St. Charles
 State of Louisiana

SCHEDULE OF OLD-PATIENT REVENUE
 YEARS ENDED SEPTEMBER 30, 1997 AND 1996

	<u>1997</u>	<u>1996</u>
Blood administration	\$ 5,393	\$ 7,085
Central supply	209,899	198,155
Electrocardiology	95,834	37,884
Emergency room physician	761,723	653,527
Emergency room	224,815	224,987
Isolation therapy	71,442	57,933
Laboratory	682,591	637,802
Nuclear medicine	98,808	113,331
Ballist monitor	11,505	20,133
Observation room	14,628	13,679
Operating room	12,378	12,400
Orthopedics	22,577	11,548
Pharmacy	221,823	183,717
Radiology	185,894	216,525
Special procedures	7,818	6,384
Sleep study	1,228	-
	<u>\$2,700,323</u>	<u>\$2,477,969</u>
	*****	*****

SCHEDULE OF OTHER OPERATING INCOME
 YEARS ENDED SEPTEMBER 30, 1997 AND 1996

	<u>1997</u>	<u>1996</u>
Cafeteria and vending machine sales	\$ 18,844	\$ 37,273
Sale of medical records	4,355	1,315
Recovery of bad debts	27,880	14,689
Lease payments	<u>488,524</u>	<u>765,624</u>
	<u>\$ 629,603</u>	<u>\$ 929,101</u>
	*****	*****

HOSPITAL SERVICE DISTRICT NO. 2
 Parish of St. Martin
 State of Louisiana

SCHEDULE OF HOSPITAL HEALTH UNIT REVENUE
 YEARS ENDED SEPTEMBER 30, 1997 AND 1996

	<u>1997</u>	<u>1996</u>
Baseline Services		
Room and board	\$1,377,600	\$1,980,000
Special services		
Central supply room	6,507	9,817
Tuberculosis therapy	1,240	8,280
Laboratory	31,869	37,060
Pharmacy	55,815	104,810
Speech service	388,848	880,878
psych consultants	28,500	32,344
Radiology	7,873	9,339
EEG	810	672
Ultrasound	1,979	1,188
Emergency room physician fees	104	-
Transportation fee	-	347
	<u>\$2,210,841</u>	<u>\$2,480,818</u>
	*****	*****

HOSPITAL SERVICE DISTRICT NO. 2
Parish of St. Martin
State of Louisiana

SCHEDULE OF PROFESSIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 1957 AND 1956

	1957		1956	
	Personal Services	Supplies & Other Expenses	Personal Services	Supplies & Other Expenses
Bioid administration	\$ 3,288	\$ 5,880	\$ 3,288	\$ 13,025
Central supply	3,022	112,688	888	108,487
Electrocardiology	-	7,758	-	3,782
Emergency room physicians	812,823	-	588,994	-
Emergency room	244,428	-	221,285	-
Radio medicine	-	2,888	-	4,026
Inhalation therapy	54,757	82,328	28,887	104,728
Laboratory	122,887	288,281	128,228	242,482
Medical records	22,282	28,488	21,224	28,285
Nuclear medicine	-	122,757	-	108,528
Nursing service	812,288	27,042	482,888	28,428
Operating room	28,288	2,822	2,222	2,288
Pharmacy	88,272	122,728	88,887	112,288
Radiology	222,781	72,442	82,888	88,228
	<u>\$1,724,722</u>	<u>\$888,828</u>	<u>\$1,822,887</u>	<u>\$722,272</u>
	*****	*****	*****	*****

HOSPITAL SERVICE DISTRICT NO. 2
Parish of St. Martin
State of Louisiana

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
YEARS ENDED DECEMBER 31, 1997 AND 1998

	1997		1998	
	Personnel Expenses	Supplies & Other Expenses	Personnel Expenses	Supplies & Other Expenses
Administrative	\$268,188	\$248,400	\$288,818	\$213,388
Credit and collections	-	18,778	-	7,142
Dietary	104,088	78,578	100,848	88,981
Employee benefits	-	188,488	-	87,888
Housekeeping	122,708	14,088	118,887	37,508
Insurance	-	108,358	-	118,888
Laundry and linen	-	31,828	-	38,821
Maintenance	13,488	118,188	21,888	128,888
Telephone and communications	-	21,281	-	38,788
	<u>\$518,038</u>	<u>\$888,888</u>	<u>\$478,888</u>	<u>\$688,138</u>
	*****	*****	*****	*****

HOSPITAL SERVICE DISTRICT NO. 1
 Parish of St. Martin
 State of Louisiana

SCHEDULE OF NONOPERATING INCOME AND EXPENSES
 YEARS ENDED SEPTEMBER 30, 1937 AND 1936

	<u>1937</u>	<u>1936</u>
Interest income	\$ 13,538	\$ 17,616
State taxes	20,000	20,714
Property tax revenue	228,200	132,768
Contributions	15	36
Loss on sale of assets	<u>(17,000)</u>	<u>—</u>
	<u>\$344,714</u>	<u>\$181,124</u>

CENTRAL SERVICE DISTRICT NO. 2
 Board of St. Martin
 State of Louisiana

SCHEDULE OF COMMISSIONS, MEETINGS ATTENDED AND CONTRIBUTION
 FROM APRIL 1987 THROUGH SEPTEMBER 30, 1987 AND 1988

Name of Commission	1987		1988	
	Meetings Attended	Contributions	Meetings Attended	Contributions
Levander Jones, Jr.	10	\$ -	18	\$ -
Roberts, Leslie	50	\$ -	18	\$ -
Bernard Sabiane	8	\$ -	8	\$ -
Chris E. Martin	11	(440)	18	440
Paul Miller, Jr.	9	2500	18	2400

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

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Board of Commissioners
Hospital Service District No. 2
Parish of St. Martin, State of Louisiana
Newens Bridge, Louisiana

We have audited the financial statements of the Hospital Service District No. 2 as of and for the year ended September 30, 1997, and have issued our report thereon dated November 28, 1997. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Hospital Service District No. 2'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 do not indicate any instances of noncompliance that are required to be reported under Government Auditing Standards.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Hospital Service District No. 2's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Kalder, Champagne, Slaven & Rainey, LLC

Certified Public Accountants

Breaux Bridge, Louisiana
November 28, 2007

KOLDER, CHAMPAGNE, SLAVEN & RAINEY, LLC

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MANAGEMENT LETTER

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Board of Commissioners
Hospital Service District No. 2
Parish of St. Martin, State of Louisiana
Breaux Bridge, Louisiana

DURING OUR REVIEW OF THE FINANCIAL STATEMENTS OF THE HOSPITAL SERVICE DISTRICT NO. 2 as of and for the years ended September 30, 1997 and 1998, we noted certain areas in which improvements in your financial practices may be desirable. Therefore, the following improvements are recommended:

1. The price list for all services/procedures/products should be updated on a regular basis to reflect current prices.
2. A DESCRIPTION SHOULD be made as to whether the retirement plan wages of the Hospital are excluded from FICA. If appropriate, amended payroll tax returns should be filed.
3. A letter/written system needs to be developed for writing off bad debts.

We would like to express our appreciation to you and your office staff for the COOPERATION and assistance rendered to us in the performance of our audit. Should you have any questions or need assistance in implementing our recommendations please feel free to contact us.

Kolder, Champagne, Slaven & Rainey, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Breaux Bridge, Louisiana
November 28, 1997

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