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

FINANCIAL REPORT

YEARS ENDED SEPTEMBER 30, 1985 AND 1987

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or reviewer, 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 JAN 2 1988

TABLE OF CONTENTS

	PAGE
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>3-3</b>
<b>FINANCIAL STATEMENTS</b>	
Balance sheets	3
Statements of operations	4
Statements of changes in fund balances	5
Statements of cash flows	6
Notes to financial statements	7-16
<b>SUPPLEMENTAL INFORMATION</b>	
Schedule of net patient revenue	18
Schedule of inpatient revenue	18
Schedule of outpatient revenue	20
Schedule of other operating income	20
Schedule of hospital health care revenue	21
Schedule of professional expenses	22
Schedule of general and administrative expenses	23
Schedule of commissions, meetings attended and compensation	24
<b>Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u></b>	<b>25-26</b>
<b>Schedule of prior and current audit findings and management's corrective action plan</b>	<b>27-28</b>

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CERTIFIED PUBLIC ACCOUNTANTS

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## INTENTIONAL ABUSIONS' NOTICE

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

We have audited the accompanying general purpose 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, 1998 and 1997, as listed in the table of contents. These general purpose financial statements are the responsibility of the hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the following paragraph, we conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, Disclosures about Year 2000 Issues, requires disclosure of certain matters regarding the year 2000 issue. Hospital Service District No. 2 has included such disclosures in Note 5. Because of the unprecedented nature of the year 2000 issue, its effects and the progress of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support Hospital Service District No. 2's disclosures with respect to the year 2000 issue made in Note 5. Further, we do not provide assurance that Hospital Service District No. 2 is or will be year 2000 ready. That Hospital District No. 2's year 2000 remediation efforts will be successful in whole or in part, or that periods with which Hospital Service District No. 2 does business will be year 2000 ready.

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In our opinion, except for the effects on the September 30, 1998 financial statements of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the general purpose financial statements referred to above present fairly in all material respects, the financial position of Hospital Service District No. 2, as of September 30, 1998 and 1999, 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 our report dated November 13, 1998, 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.

Our audit was performed for the purpose of forming an opinion on the general purpose 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 general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

## **Kolder, Champagne, Slaven & Rainey, L.L.C**

Certified Public Accountants

Brown Bridge, Louisiana  
November 13, 1998

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

BALANCE SHEETS  
SEPTEMBER 30, 1966 AND 1967

ASSETS

	1966	1967
<b>CURRENT ASSETS</b>		
Cash	\$ 104,207	\$ 218,789
Quantification of deposits	740,593	154,144
Accounts receivable - patients less of provision for doubtful accounts	1,746,381	1,517,288
Due from decommitment	88,880	176,259
Investments	183,731	144,444
Accrued interest receivable	24,574	478
Prepaid expenses	28,590	14,828
	<u>2,826,856</u>	<u>2,226,512</u>
<b>ASSETS whose use is limited</b>		
For plant maintenance and replacement -		
Cash	443,150	154,483
Quantification of deposits	<u>1,735,450</u>	<u>2,058,363</u>
	<u>2,178,600</u>	<u>2,212,846</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Buildings	719,130	719,130
Building improvements	506,497	469,580
Fixed equipment	748,263	748,263
Movable equipment	454,254	454,264
Automobiles	18,748	18,748
Land improvements	18,469	14,400
Land	<u>24,515</u>	<u>24,754</u>
	<u>2,489,916</u>	<u>2,387,379</u>
<b>Less accumulated depreciation</b>	<u>(1,055,554)</u>	<u>(1,503,382)</u>
	143,362	78,715
<b>Construction in progress</b>	<u>54,483</u>	<u>-</u>
	<u>1,988,145</u>	<u>178,725</u>
<b>Total assets</b>	<u>\$ 3,815,001</u>	<u>\$ 2,505,151</u>

LIABILITIES AND FUND BALANCE

	<u>1998</u>	<u>1997</u>
<b>Current Liabilities</b>		
Payable to the state -		
California State Lottery -		
California State Lottery of 1999-2000 0001	\$ 50,000	\$ 65,000
Accounts payable	287,548	284,348
Accrued wages and related withholdings	71,422	65,970
Medicare payable	21,278	-
Unearned payables	24,278	-
Retainage payable	50,500	28,872
Accrued compensated absences	<u>72,811</u>	<u>82,292</u>
<b>Total Current Liabilities</b>	<u>788,237</u>	<u>697,582</u>
Long-term debt, net of current maturities	<u>2,158,800</u>	<u>2,158,800</u>
<b>Total Liabilities</b>	<u>2,947,037</u>	<u>2,856,382</u>
<b>Fund Balances:</b>		
Restricted capital	81,704	81,704
Plant maintenance and replacement	1,704,712	1,511,454
Operating fund	<u>1,551,878</u>	<u>563,158</u>
<b>Total Fund Balances</b>	<u>3,338,294</u>	<u>3,156,316</u>
<b>Total Liabilities and Fund Balances</b>	<u>6,285,331</u>	<u>6,012,698</u>

The accompanying notes are an integral part of these statements.

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

STATEMENTS OF OPERATIONS  
YEARS ENDING SEPTEMBER 30, 1998 AND 1997

	1998	1997
Operating revenues		
Net patient revenues	\$ 4,488,414	\$ 4,498,783
Other revenues	<u>548,736</u>	<u>728,323</u>
<b>Total operating revenues</b>	<b><u>5,037,150</u></b>	<b><u>5,227,106</u></b>
Operating expenses		
Professional	3,327,486	3,443,589
Behavioral health unit	89,823	89,640
Medical and administrative	1,473,745	1,488,382
Depreciation	88,273	61,571
Provision for bad debts	<u>356,528</u>	<u>471,332</u>
<b>Total operating expenses</b>	<b><u>5,305,855</u></b>	<b><u>5,514,522</u></b>
Operating income (loss)	(268,705)	712,584
Nonoperating income		
Interest income	124,864	124,826
Interest expense	(89,343)	(104,380)
Grant revenue	4,898	25,000
Miscellaneous revenue	3,318	36
Property tax revenue	325,747	328,239
Loss on sale of assets	<u>-</u>	<u>(17,588)</u>
<b>Total nonoperating income</b>	<b><u>389,484</u></b>	<b><u>367,504</u></b>
Excess of revenues over expenses	<u>\$ 368,479</u>	<u>\$ 477,108</u>

The accompanying notes are an integral part of these statements.

SEATING SERVICE CONTRACT NO. 1  
 PERIOD OF 60 MONTHS  
 FROM 1/1/1961

STATEMENT OF CHANGES IN NET ASSETS  
 FROM BOOK PERIODS IN 1961 AND 1962

	Capital Contributed	State Reserve and Surplus	Operating Profit	Total
Year Balance, December 31, 1960	\$ 65,700	\$ 25,071	\$ 1,094,027	\$ 1,184,800
Books of records and expenses Transferred from operations responsible income	-	180,272	271,710	452,042
	-	520,200	25,000	595,400
Fixed assets purchased	-	1170,000	471,000	-
Equity transfer	-	2,120,000	2,000,000	-
Year Balance, December 31, 1961	\$ 65,700	\$ 2,314,800	\$ 3,045,337	\$ 5,425,837
Books of records and expenses Transferred from operations responsible income	-	180,272	271,710	452,042
	-	520,200	25,000	595,400
Fixed assets purchased	-	1,150,000	720,000	-
Equity transfer	-	180,000	45,000	-
Year Balance, December 31, 1962	\$ 65,700	\$ 3,125,072	\$ 4,086,047	\$ 6,276,819

The accompanying notes are an integral part of these statements.



HOSPITAL SERVICES CONTRACT NO. 2  
 Parish of St. Martin  
 State of Louisiana

STATEMENT OF CASH FLOW  
 YEARS ENDED SEPTEMBER 30, 1998 AND 1997

	1998	1997
<b>Cash flow from operating activities</b>		
Cash received from patients and third party payors		
Less payments received	\$ 4,750,114	\$ 4,044,707
Cash paid for supplies and other expenses	(88,330)	(88,804)
Cash paid to employees	(5,486,410)	(5,745,125)
Net cash provided by (used by) operating activities	<u>(924,526)</u>	<u>(169,822)</u>
<b>Cash flow from noncapital financing activities</b>		
Interest received	131,648	131,644
Grant receipts	4,838	15,080
Miscellaneous receipts	3,318	36
Refundable tax receipts	<u>(22,187)</u>	<u>(22,188)</u>
Net cash provided by noncapital financing activities	<u>117,417</u>	<u>124,572</u>
<b>Cash flows from capital and related financing activities</b>		
Proceeds from long-term debt	-	2,358,880
Principal payments	(81,828)	(81,288)
Interest paid	<u>(81,832)</u>	<u>(118,288)</u>
Net cash provided by (used by) capital and related financing activities	<u>(163,680)</u>	<u>2,159,304</u>
<b>Cash flows from investing activities</b>		
Purchase of equipment	(738,988)	(673,824)
Increase of investments	(3,860,421)	(864,236)
Proceeds from sales and maturities of investments	296,933	374,887
Cash provided by assets whose use is limited	<u>(275,552)</u>	<u>(1,133,173)</u>
Net cash used by investing activities	<u>(447,028)</u>	<u>(1,436,346)</u>
Increase (decrease) in cash and cash equivalents	(254,737)	213,708
Cash and cash equivalents, beginning of year	<u>816,782</u>	<u>603,074</u>
Cash and cash equivalents, end of year	<u>\$ 562,045</u>	<u>\$ 816,782</u>

The accompanying notes are an integral part of these statements.

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

Notes to Financial Statements

111 Summary of Significant Accounting Policies

A. Reporting Entity

Hospital Service District No. 2 was created in October, 1989, by the Police Jury of St. Martin Parish, Louisiana, to operate, control, and manage matters concerning the parish's health care functions. The Police Jurors appoint the Board of Commissioners of the Hospital. For this reason, the Hospital is considered to be a component unit of the St. Martin Parish Police Jury, St. Martin Parish, Louisiana.

B. 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 revenues and expenses during the reporting period. Actual results could differ from these estimates.

C. Proprietary Fund Accounting

The Hospital utilizes the proprietary fund method of accounting whereby revenues and expenses are recorded on the accrual basis. Substantially all revenues and expenses are subject to accrual.

D. CASH ON HAND

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. Interest costs incurred for the year ended September 30, 1998 were \$132,480 of which 295,363 was charged to expense and 162,117 was capitalized.

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less, except assets whose use is limited.

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

Notes to Financial Statements (continued)

F. Accounts Receivable

Accounts receivable are shown net of provision for doubtful accounts of \$449,137 and \$654,445 at September 30, 1998 and 1997, respectively.

G. Inventories

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

H. Income Taxes

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

I. Accounting Standards

Pursuant to Government Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

J. Risk Management

The Hospital is exposed to various risks of loss from torts; thefts of, damage to, and destruction of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage. Physicians working at the Hospital are insured against malpractice as discussed in Note 7.

K. Charity Care

The Hospital's charity care was \$660,000 for 1998 and 1997.

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

Notes to Financial Statements (continued)

1. Unpaid Accumulated Vacation, Sick Pay, and Compensated Absences

Vacation time is accumulated based on the number of years of service with the Hospital and whether classified as full-time or part-time. Employees are required to use 75% of the hours earned in a calendar year. Hours accumulated in excess of 368 hours will automatically convert to sick time. Sick time may be accumulated with no maximum. Accrued compensated absences at September 30, 1998 and 1997 was 273,643 and 243,283 respectively.

H. Ad Valorem Taxes

The Hospital received approximately 5 percent in 1998 and 5 percent in 1997 of its financial support from ad valorem taxes. Current taxes are received beginning in October of each year and become delinquent after January 31 of the following year.

K. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Hospital as an extension of formal budgetary integration in the fund.

(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.

A. 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 at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits

HOSPITAL SERVICE DISTRICT NO. 2  
PARISH OF St. Martin  
STATE of Louisiana

Notes to Financial Statements (continued)

charged by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 1995. The 1995 audit resulted in the Hospital recording a payable of \$71,916. The Hospital's Medicare cost report for the years ended September 30, 1998 and 1997 indicated a receivable of \$18,300 and \$93,000, respectively.

F. Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at 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, 1995. The Hospital's Medicaid cost report for the year ended September 30, 1998 and 1997 indicates a receivable of \$23,500 and \$93,176, respectively.

13) Cash and Certificates of Deposit

Under state law, the Hospital may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Hospital may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. As September 30, 1998 and 1997, the Hospital had cash and interest-bearing deposits (bank balances) totaling \$1,378,887 and \$1,085,738, respectively.

These deposits are stated at cost, which approximates market. Under state law, these deposits for the resulting bank balances must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The following is a summary of deposit balances (bank balances) as September 30, 1998 and 1997, and the related federal insurance on pledged securities:

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

NOTE TO FINANCIAL STATEMENTS (CONTINUED)

	<u>1998</u>	<u>1997</u>
Bank balances	\$1,554,421	\$1,965,429
Federal deposit insurance	\$ 290,134	\$ 301,429
Pledged securities (Category 3)	<u>2,264,732</u>	<u>2,611,330</u>
Total federal insurance and pledged securities	<u>\$2,544,555</u>	<u>\$2,967,788</u>

Pledged securities in Category 3 includes uninsured or unregistered investments for which the securities are held by the broker or issuer, or by its trust department or agent, but not in the Hospital's name. Even though the pledged securities are considered unregistered (Category 3) Louisiana Revised Statute 26:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten (10) days of being notified by the Hospital that the fiscal agent has failed to pay deposited funds upon demand.

(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.

(5) Long-Term Debt

The following is a summary of long-term debt transactions of the Hospital for the years ended September 30, 1998, and 1997.

	<u>1998</u>	<u>1997</u>
Long-term debt, beginning of year	\$2,283,000	\$ -
Debt assumed	-	2,504,000
Debt retired	<u>(65,000)</u>	<u>(18,000)</u>
Long-term debt, end of year	<u>\$2,218,000</u>	<u>\$2,283,000</u>

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

Name of Financial Statements contained

Long-term debt at September 30, 1999 is comprised of the following:

	<u>1999</u>	<u>1997</u>
General obligation bonds dated		
November 1, 1996; original issue		
of \$2,250,000 payable in annual		
installments of \$50,000 to \$100,000		
beginning in March, 1997; interest		
paid semiannually at rate of 5.55%		
per B.M. Final maturity in March		
2016; secured by ad valorem taxes.	\$2,250,000	\$2,250,000
Less current portion	<u>(70,000)</u>	<u>(80,000)</u>
	\$2,180,000	\$2,170,000

Scheduled principal repayments on long-term debt are as follows:

Year Ending	Long-Term
September 30,	1999
1999	\$ 70,000
2000	75,000
2001	80,000
2002	85,000
2003	90,000
2004-2006	550,000
2007-2008	700,000
2014-2016	<u>200,000</u>
	\$2,220,000

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

Notes to Financial Statements (continued)

(K) Property and Equipment

A summary of property and equipment at September 30, 1998 and 1997, follows:

	<u>1998</u>	<u>1997</u>
Land	\$ 24,726	\$ 24,726
Land improvements	10,800	10,480
Buildings	319,132	319,132
Building improvements	601,647	609,880
Fixed equipment	748,253	748,253
Vehicle equipment	454,368	452,155
Automobile	18,748	18,748
	<u>2,495,674</u>	<u>2,493,974</u>
Less accumulated depreciation	<u>13,413,554</u>	<u>13,355,891</u>
construction in progress	493,769	708,726
Property and equipment, net	<u>\$ 1,575,889</u>	<u>\$ 754,715</u>

Property and equipment are stated at cost or estimated cost if actual cost is not available. Estimated costs are based on fair market value. Estimated amounts are immaterial in relation to total 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, 1998 and 1997 was \$89,373 and \$42,371 respectively.

(L) Commitments and Contingencies

A. Leasing Issues

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

The initial term of this lease is one (1) year commencing February 1, 1995, 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. On November 3, 1997, the lease was further extended to September 30, 1998. Future revenues payable for the year ended September 30, 1998 were \$454,080 including housekeeping, dietary and lab services revenues.



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

Notes to Financial Statements (continued)

The Hospital is leasing a modular building under an operating lease. The initial term of this lease is one (1) year expiring in 1987, 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, 1986 and 1985, are \$5,313 and \$5,883 respectively. Minimum future rental payments under this leasehold operating lease are \$8,124 for the year ending September 30, 1988 and \$1,480 for the year ending September 30, 1989.

B. CONSTRUCTION CONTRACTS

As of September 30, 1986 and 1987, the Hospital had the following commitments with respect to unfinished capital projects:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
<u>1986</u>		
<u>Additions and Alterations/</u>		
Administration and Lab Renov.	485,568	12-31-86
Generator Replacement	413,118	10-31-86
<u>1987</u>		
Roof - Hospital	251,350	03-31-88

C. EMPLOYERS

In March, 1985, the Hospital entered into a hospital emergency care agreement with The South Group, Inc. This agreement provides that South Group provide physicians to the Hospital for emergency care coverage twenty-four (24) hours per day, 365 days per year. These physicians must be licensed to practice medicine and be licensed against malpractice. The Hospital provides all necessary supplies and equipment and compensates these physicians on an hourly basis.

The initial term of this agreement was for a twelve (12) month period. After this term, the agreement will automatically be extended for twelve (12) month terms unless notice of termination is given.

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

Notes to Financial Statements (continued)

18) Statement 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>1998</u>	<u>1997</u>
Operating income (loss)	\$ (128,921)	\$ 389,384
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	89,373	87,371
Change in assets and liabilities:		
Accounts receivable - patients	(273,883)	(225,248)
Due from intermeditation	96,229	(25,274)
Inventory	(5,247)	18,774
Prepaid expenses	(3,491)	11,349
Accounts payable	3,271	54,388
Contracts payable	74,179	-
Accrued wages and related withholdings	8,552	18,896
Accrued compensated absences	18,359	8,454
Retainage payable	38,488	18,832
Due to intermeditation	(2,873)	-
	<u>103,228</u>	<u>128,588</u>
Net cash provided by (used by) operating activities	<u>\$ 104,307</u>	<u>\$ 108,634</u>

19) Impact of Year 2000 on Computer Programs (Revised)

The Year 2000 issue is the result of computer programs being written using two digits rather than four to define the application year. Any of the Hospital's computer programs that have time sensitive software may recognize a date using "99" as the year 1999 rather than the year 2000. This could result in a system failure or miscalculations causing disruption of

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

Notes to Financial Statements (continued)

operations, including, among other things, a temporary inability to process transactions, or engage in similar normal business activities.

The Hospital is utilizing both internal and external resources to identify and test the systems for Year 2000 compliance. To date, a preliminary assessment of the impact of this issue has not been completed. Consequently, management has not assessed the Year 2000 compliance expense and related potential effect on the Hospital's earnings.

#### SUPPLEMENTAL INFORMATION

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

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

	<u>1996</u>	<u>1997</u>
<b>Patient revenue</b>		
In-patient revenue	\$ 2,224,559	\$ 1,126,189
Out-patient revenue	3,558,338	3,795,505
Behavioral Health and Services	<u>284,826</u>	<u>3,135,091</u>
	<u>3,447,723</u>	<u>3,624,472</u>
<b>Reductions from patient revenue</b>		
Contractual allowances - current	1,140,380	965,631
Contractual allowances - prior	31,804	-
Discounts	<u>4,426</u>	<u>138</u>
	<u>1,176,610</u>	<u>965,769</u>
<b>Net Patient Revenue</b>	<u>\$ 2,271,113</u>	<u>\$ 2,658,703</u>

HOSPITAL FINANCIAL STATEMENT NO. 3

PARISH OF DC. MATTHEW

State of Louisiana

SCHEDULE OF IN-PATIENT SERVICES

BASED ENDED SEPTEMBER 30, 1988 AND 1987

	1988	1987
<b>Basic Services</b>		
Room and board	\$ 247,946	\$ 143,487
<b>Special Services</b>		
Blood administration	7,873	4,181
Central supply room	251,577	147,264
Electrocardiology	18,480	51,184
Emergency room physician	60,370	40,375
Emergency room	14,340	8,740
Intensification therapy	479,843	277,407
Laboratory	224,832	124,720
Medical medicine	43,413	24,249
Medical nursing	2,848	886
Observation room	4,357	2,144
Operating room	4,843	4,024
Orthopedics	333	264
Pharmacy	542,328	343,416
Physical therapy	-	75
Radiology	44,440	38,488
Special procedures	4,480	7,280
	<u>\$ 2,274,320</u>	<u>\$ 1,176,187</u>

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

SCHEDULE OF OUT-PATIENT SERVICES  
 YEARS ENDED SEPTEMBER 30, 1958 AND 1957

	1958	1957
Blood administration	\$ 4,184	\$ 3,350
Central supply	228,188	208,888
Electrocardiology	45,784	45,454
Emergency room physician	878,545	761,731
Emergency room	228,848	228,818
Inhalation therapy	88,868	71,842
Laboratory	1,226,200	892,581
Nuclear medicine	128,262	98,504
Radio monitor	34,480	31,500
Observation room	22,475	18,628
Operating room	37,378	32,138
Otolaryngology	33,825	33,517
Pharmacy	221,084	221,623
Radiology	286,748	245,898
Special procedures	4,528	3,818
Sleep study	282	1,158
	<u>\$ 3,358,832</u>	<u>\$ 2,728,823</u>

SCHEDULE OF OTHER OPERATIONS INCOME  
 YEARS ENDED SEPTEMBER 30, 1958 AND 1957

	1958	1957
Calculators and vending machine sales	\$ 28,573	\$ 28,254
Sale of medical records	4,178	4,238
Recovery of bad debts	43,628	11,898
Other payments	<u>828,021</u>	<u>828,823</u>
	<u>\$ 844,300</u>	<u>\$ 773,213</u>

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

SCHEDULE OF HOSPITAL HEALTH UNIT BUDGET  
 YEAR ENDING SEPTEMBER 30, 1966 AND 1967

	<u>1966</u>	<u>1967</u>
Medical Services		
Room and board	\$ 127,800	\$ 2,377,400
Special Services		
Central supply room	1,968	4,557
Inhalation therapy	284	7,388
Laboratory	3,714	33,649
Pharmacy	8,189	26,019
Psych Service	47,475	598,548
Physic Seminars	3,866	28,906
Radiology	1,528	7,373
X-ray	252	808
Diagrams	1,406	3,978
Emergency room physician fees	<u>128</u>	<u>128</u>
	<u>\$ 229,828</u>	<u>\$ 3,318,051</u>



HOSPITAL SERVICE REPORT NO. 2  
 FELLOWSHIP CENTER  
 YEAR OF ESTABLISHMENT

SCHEDULE OF PROFESSIONAL EXPENSES  
 YEARS ENDING DECEMBER 31, 1966 AND 1967

	1966		1967	
	PERSONAL SERVICES	SUPPLIES & OTHER EXPENSES	PERSONAL SERVICES	SUPPLIES & OTHER EXPENSES
Hospital administration	\$ 863	\$ 12,089	\$ 1,294	\$ 6,890
Office supply	824	160,584	2,262	154,688
Electrocardiography	-	2,823	-	7,768
Emergency room supplies	628,474	-	628,623	-
Emergency room	275,571	-	244,630	-
Medical supplies	-	3,840	-	3,850
Radioisotope therapy	25,785	632,521	24,751	64,338
Diagnosis	188,248	284,221	123,687	245,141
Medical records	22,288	24,724	22,283	20,480
Medical education	-	183,721	-	183,727
Medical research	272,874	24,899	225,285	27,842
Operating room	9,847	2,129	20,247	2,422
Pharmacy	20,845	227,744	40,712	129,734
Pathology	121,841	70,890	183,711	70,845
	<u>\$ 1,311,211</u>	<u>\$ 1,320,111</u>	<u>\$ 1,714,715</u>	<u>\$ 1,024,214</u>

FOOTING, SERVICE CONTRACT NO. 1  
 Parish of St. Martin  
 State of Louisiana

SUMMARY OF GENERAL AND ADMINISTRATIVE EXPENSES  
 FROM FISCAL YEAR 1958 TO, 1958 AND 1957

	1958		1957	
	PERSONAL	PROPERTY	PERSONAL	PROPERTY
	EXPENSE	EXPENSE	EXPENSE	EXPENSE
Administration	\$ 280,189	\$ 485,849	\$ 288,708	\$ 245,880
Crypts and casketaria	-	14,700	-	15,774
DIARY	123,844	58,890	124,000	70,578
EMPLOYEE BENEFIT	-	121,284	-	169,889
EMPLOYING	124,864	12,888	120,700	14,880
Insurance	-	154,833	-	188,264
PROPERTY AND EQUIP.	-	30,884	-	38,128
PROFITABLE	21,425	146,891	20,890	114,148
Telephone and communications	-	20,721	-	23,281
	<u>\$ 500,522</u>	<u>\$ 882,734</u>	<u>\$ 414,508</u>	<u>\$ 694,504</u>

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

SCHEDULE OF COMMISSIONERS, MEETINGS ATTENDED AND COMPENSATION  
 YEARS ENDING DECEMBER 30, 1996 AND 1997

Name of Commissioner	1996		1997	
	Meetings Attended	Compensation	Meetings Attended	Compensation
Lawrence Jacobs, Jr.	12	\$ -	18	\$ -
Robert Saville	12	\$ -	18	\$ -
Joseph Labiano	9	\$ -	9	\$ -
John S. Martin	12	\$ 488	11	\$ 488
Fred Billo, Jr.	9	\$ 408	9	\$ 408

**KOLDER, CHAMPAGNE, SLAVEN & RAINEY, LLC**  
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**REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

We have audited the general purpose financial statements of the Hospital Service District No. 2, Parish of St. Martin, State of Louisiana as of and for the year ended September 30, 1998, and have issued our report thereon dated November 13, 1998, which was qualified because insufficient audit evidence exists to support Hospital Service District No. 2's disclosures with respect to the year 2000 issue. Except as discussed in the preceding sentence, 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 general purpose 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 no 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 general purpose 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 weaknesses in the internal control over financial reporting that might be material weaknesses. A material weakness is a

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AND CAPITAL DEVELOPMENT  
MEMPHIS, TENNESSEE

condition in which the design or operation of one or more of the internal control components does not reduce to a reasonably low level the risk that misstatements in accounts that would be material in relation to the general purpose 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.

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.

## **Kolder, Champagne, Slaven & Rainey, LLC**

Certified Public Accountants

Breaux Bridge, Louisiana  
November 23, 1998

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

Schedule of Prior and Current Audit Findings and  
Management's Corrective Action Plan  
Year Ended September 30, 1999

2. Prior Year Findings:

Compliance

There are no findings that are required to be reported under the above.

Internal Control Over Financial Reporting

There are no findings that are required to be reported under the above.

Management Letter Items

Item 20-1 - Price List

Finding:

The Hospital's price list for all services/procedures/products was not updated on a regular basis to reflect current prices.

Status:

Substantially resolved. The unenclosed portion of this item at September 30, 1999 is immaterial to be mentioned as a management letter item.

Item 20-2 - Cafeteria Plan Rates

Finding:

The Hospital included employee's cafeteria wages in computing FICA taxes.

Status:

Resolved. The Hospital has filed the appropriate amended payroll tax returns.

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

Schedule of Prior and Current HACO Findings and  
Management's Corrective Action Plan (continued)

Item 82-3 - Bed Date Mails - 8/12

Findings:

The Hospital did not have a qualification system for writing off bed dates.

Status:

Resolved. The Hospital has developed a written system for writing off bed dates.

II. Current Year Findings and Management's Corrective Action Plan:

There are no findings that are required to be reported.