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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, 1999 AND 1998

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 1-26-00.

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Balance sheets	3
Statements of operations	4
Statements of changes in fund balance	5
Statements of cash flows	6
Notes to financial statements	7-16
SUPPLEMENTAL INFORMATION	
Year 2000 Issue (unaudited)	18
Schedules of net patient revenue	19
Schedules of in-patient revenue	20
Schedules of out-patient revenue	21
Schedules of other operating income	21
Schedules of behavioral health unit revenue	22
Schedules of professional expenses	23
Schedules of general and administrative expenses	24
Schedules of commissioners, meetings attended and compensation	25
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>	26-27
Schedule of prior and current audit findings and management's corrective action plan	28

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INDEPENDENT AUDITORS' REPORT

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, 1999 and 1998, 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 general purpose financial statements based on our audits.

We conducted our audits 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. 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 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 audits provide a reasonable basis for our opinion.

In our opinion, the general purpose 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, a component unit of the St. Martin Parish Police Jury, as of September 30, 1999 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 our report dated November 17, 1999, 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 year 2000 supplemental information on page 18 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not

audit the information and do not express an opinion on it. In addition, we do not provide assurance that Hospital Service District No. 2 is or will become year 2000 compliant, that the Hospital's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Hospital does business are or will become year 2000 compliant.

The other supplemental information (pp. 19-28) is presented for purposes of additional analysis. 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, LLC

Certified Public Accountants

Breaux Bridge, Louisiana
November 17, 1999

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

BALANCE SHEETS
SEPTEMBER 30, 1999 AND 1998

ASSETS

	<u>1999</u>	<u>1998</u>
Current assets		
Cash	\$ 128,353	\$ 106,227
Certificates of deposit	652,069	763,593
Accounts receivable - patients (net of provision for doubtful accounts)	1,579,542	1,791,381
Due from intermediaries	-	80,000
Inventories	197,258	153,711
Accrued interest receivable	19,561	24,174
Prepaid expenses	<u>14,280</u>	<u>20,590</u>
Total current assets	<u>2,591,063</u>	<u>2,939,676</u>
 Assets whose use is limited		
For plant maintenance and replacement -		
Cash	116,247	443,135
Certificates of deposit	<u>1,214,159</u>	<u>1,316,632</u>
Total assets whose use is limited	<u>1,330,406</u>	<u>1,759,767</u>
 Property, plant and equipment, net	<u>1,785,349</u>	<u>1,388,390</u>
 Total assets	<u>\$ 5,706,818</u>	<u>\$ 6,087,833</u>

LIABILITIES AND FUND BALANCE

	1999	1998
Current liabilities		
Payable from restricted assets -		
Current maturities of long-term debt	\$ 75,000	\$ 70,000
Accounts payable	300,666	287,569
Accrued wages and related withholdings	64,983	72,422
Due to intermediaries	2,017	-
Medicare payable	-	71,974
Contracts payable	169,885	74,178
Retainage payable	15,382	55,508
Accrued compensated absences	81,044	73,641
Total current liabilities	708,977	705,292
Long-term debt, net of current maturities	2,075,000	2,150,000
Total liabilities	2,783,977	2,855,292
Fund balance:		
Donated capital	81,704	81,704
Plant maintenance and replacement	1,255,406	1,689,767
Operating fund	1,585,731	1,461,070
Total fund balance	2,922,841	3,232,541
Total liabilities and fund balance	\$ 5,706,818	\$ 6,087,833

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 ENDED SEPTEMBER 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
Operating revenue		
Net patient revenue	\$ 4,218,171	\$ 4,665,416
Other revenue	<u>549,627</u>	<u>548,736</u>
Total operating revenue	<u>4,767,798</u>	<u>5,214,152</u>
Operating expenses		
Professional	3,116,731	3,327,406
Behavioral health unit	-	99,021
General and administrative	1,533,072	1,473,765
Depreciation	92,868	89,273
Provision for bad debts	<u>704,043</u>	<u>350,608</u>
Total operating expenses	<u>5,446,714</u>	<u>5,340,073</u>
Operating loss	<u>(678,916)</u>	<u>(125,921)</u>
Nonoperating income		
Interest income	111,036	156,964
Interest expense	(64,827)	(95,363)
Grant revenue	-	4,898
Miscellaneous revenue	-	3,318
Property tax revenue	<u>323,007</u>	<u>325,767</u>
Total nonoperating income	<u>369,216</u>	<u>395,584</u>
Excess (deficiency) of revenues over expenses	<u>\$ (309,700)</u>	<u>\$ 269,663</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 CHANGES IN FUND BALANCE
YEARS ENDED SEPTEMBER 30, 1999 AND 1998

	Donated Capital	Plant Maintenance and Replacement	Operating Fund	Total
Fund balance, September 30, 1997	\$ 81,704	\$ 2,314,824	\$ 566,350	\$ 2,962,878
Excess of revenues over expenses	-	(89,273)	(36,648)	(125,921)
Loss from operations	-	336,849	58,735	395,584
Nonoperating income	-	(738,948)	738,948	-
Fixed assets purchased	-	(133,685)	133,685	-
Equity transfer	-	-	-	-
Fund balance, September 30, 1998	\$ 81,704	\$ 1,689,767	\$ 1,461,070	\$ 3,232,541
Excess of revenues over expenses	-	(92,868)	(586,048)	(678,916)
Loss from operations	-	328,609	40,607	369,216
Nonoperating income	-	(489,827)	489,827	-
Fixed assets purchased	-	(180,275)	180,275	-
Equity transfer	-	-	-	-
Fund balance, September 30, 1999	\$ 81,704	\$ 1,255,406	\$ 1,585,731	\$ 2,922,841

The accompanying notes are an integral part of these statements.

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

STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
Cash flows from operating activities		
Cash received from patients and third party payers	\$ 3,818,670	\$ 4,252,714
Lease payments received	449,508	488,291
Cash paid for supplies and other expenses	(2,168,587)	(2,284,422)
Cash paid to employees	<u>(2,432,352)</u>	<u>(2,480,914)</u>
Net cash used by operating activities	<u>(332,761)</u>	<u>(24,331)</u>
Cash flows from noncapital financing activities		
Interest received	115,649	133,468
Grant receipts	-	4,898
Miscellaneous receipts	-	3,318
Ad valorem tax receipts	<u>323,007</u>	<u>325,767</u>
Net cash provided by noncapital financing activities	<u>438,656</u>	<u>467,451</u>
Cash flows from capital and related financing activities		
Principal payment	(70,000)	(65,000)
Interest paid	<u>(64,827)</u>	<u>(95,363)</u>
Net cash used by capital and related financing activities	<u>(134,827)</u>	<u>(160,363)</u>
Cash flows from investing activities		
Purchase of equipment	(489,827)	(738,948)
Purchase of investments	(36,953)	(1,000,421)
Proceeds from sales and maturities of investments	148,477	390,993
Cash provided by assets whose use is limited	<u>429,361</u>	<u>555,057</u>
Net cash provided by (used by) investing activities	<u>51,058</u>	<u>(793,319)</u>
 Increase (decrease) in cash and cash equivalents	 22,126	 (510,562)
Cash and cash equivalents, beginning of year	<u>106,227</u>	<u>616,789</u>
Cash and cash equivalents, end of year	<u>\$ 128,353</u>	<u>\$ 106,227</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

(1) Summary of Significant Accounting Policies

A. Reporting Entity

Hospital Service District No. 2 was created in October, 1969, by the Parish Police Jury of St. Martin Parish, Louisiana, to operate, control, and manage matters concerning the parish's health care functions. The Parish Police Jury appoints 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 those estimates.

C. Proprietary Fund Accounting

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

D. 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. Interest costs incurred for the year ended September 30, 1999 were \$127,080 of which \$64,827 was charged to expense and \$62,253 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. 2
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 \$539,857 and \$449,127 at September 30, 1999 and 1998, 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(a) 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 interruption; 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 in any of the three preceding years. There have been no significant reductions in insurance coverage during the current fiscal year. Physicians working at the Hospital are insured against malpractice as discussed in Note 7.

K. Charity Care

The Hospital's charity care was immaterial for 1999 and 1998.

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

Notes to Financial Statements (continued)

L. 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 360 hours will automatically convert to sick time. Sick time may be accumulated with no maximum. Accrued compensated absences at September 30, 1999 and 1998 were \$81,044 and \$73,641 respectively.

M. Ad Valorem Taxes

The Hospital received approximately 4 percent in 1999 and 5 percent in 1998 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.

N. 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.

O. Prior Year Reclassification

Certain previously reported amounts have been reclassified to enhance comparability with 1999 report classifications.

(2) Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payers 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 thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 1996.

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

Notes to Financial Statements (continued)

The 1995 audit resulted in the Hospital recording a payable of \$71,974. The Hospital's Medicare cost report for the year ended September 30, 1999 indicates a payable of \$93,398, and for the year ended September 30, 1998, a receivable of \$56,500.

B. 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, 1994. The Hospital's Medicaid cost report for the year ended September 30, 1999 and 1998 indicates a receivable of \$91,381 and \$23,500, respectively.

(3) 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. At September 30, 1999 and 1998, the Hospital had cash and interest-bearing deposits (book balances) totaling \$2,110,828 and \$2,629,587, respectively.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent 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) at September 30, 1999 and 1998, and the related federal insurance and pledged securities:

	<u>1999</u>	<u>1998</u>
Bank balances	<u>\$2,047,769</u>	<u>\$2,556,831</u>
Federal deposit insurance	\$ 320,219	\$ 292,118
Pledged securities (Category 3)	<u>1,727,550</u>	<u>2,264,713</u>
Total federal insurance and pledged securities	<u>\$2,047,769</u>	<u>\$2,556,831</u>

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

Notes to Financial Statements (continued)

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 department or agent, but not in the Hospital's name. Even though the pledged securities are considered uncollateralized (Category 3), Louisiana Revised Statute 39:1229 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, 1999, and 1998.

	<u>1999</u>	<u>1998</u>
Long-term debt, beginning of year	\$2,220,000	\$2,285,000
Debt assumed	-	-
Debt retired	<u>(70,000)</u>	<u>(65,000)</u>
Long-term debt, end of year	<u>\$2,150,000</u>	<u>\$2,220,000</u>

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

Notes to Financial Statements (continued)

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

	<u>1999</u>	<u>1998</u>
General Obligation bonds; dated November 1, 1996; original issue of \$2,350,000; payable in annual installments of \$65,000 to \$105,000 beginning in March, 1997; interest paid semiannually at rates of 5.35% to 8.0%. Final maturity in March, 2016; secured by ad valorem taxes.	\$2,150,000	\$2,220,000
Less current portion	<u>(75,000)</u>	<u>(70,000)</u>
	<u>\$2,075,000</u>	<u>\$2,150,000</u>

Scheduled principal repayments on long-term debt, including interest payments of \$1,158,041, are as follows:

<u>Year Ending September 30,</u>	<u>Long-Term Debt</u>
2000	\$ 196,280
2001	195,080
2002	193,480
2003	191,480
2004	189,318
2005-2009	956,149
2010-2014	985,656
2015-2016	<u>400,598</u>
	<u>\$3,308,041</u>

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

Notes to Financial Statements (continued)

(6) Property and Equipment

A summary of property and equipment at September 30, 1999 and 1998, follows:

	<u>1999</u>	<u>1998</u>
Land	\$ 24,726	\$ 24,726
Land improvements	10,403	10,403
Buildings	319,132	319,132
Building improvements	1,034,573	501,647
Fixed equipment	768,903	768,253
Movable equipment	496,914	454,354
Automobile	<u>18,748</u>	<u>18,748</u>
	2,673,399	2,097,263
Less accumulated depreciation	<u>(1,501,391)</u>	<u>(1,413,554)</u>
	1,172,008	683,709
Construction in progress	<u>613,341</u>	<u>704,681</u>
Property and equipment, net	<u>\$ 1,785,349</u>	<u>\$ 1,388,390</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. Infrastructure assets are not included in property and equipment. 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, 1999 and 1998 was \$92,868 and \$89,273 respectively.

(7) Commitments and Contingencies

A. Operating Leases

The Hospital has agreed to a commercial lease agreement with another hospital, domiciled in Lafayette Parish. The terms of the lease provide for 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.

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 1, 1997, the lease was further extended to September 30, 1998. In September of 1999, this lease was cancelled and the other hospital removed its services from the previously leased area. Future minimum rentals for the years ended September 30, 1999 and 1998 were \$420,000 and \$456,000 respectively, excluding 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 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, 1999 and 1998, was \$4,662 and \$5,311 respectively. The lease was cancelled in August, 1999.

B. Construction Contracts

As of September 30, 1999 and 1998, 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>1999</u>		
Additions and Renovations/ Administration and Lab Areas	\$ 1,188	01-31-00
Renovations to Outpatient Emergency Areas	\$506,134	06-30-00
Parking Lot & Site Improvements	\$ 48,254	11-05-99
<u>1998</u>		
Additions and Renovations/ Administration and Lab Areas	\$ 85,966	12-31-98
Generator Replacement	\$ 13,116	10-31-98

C. Contracts

In March, 1995, the Hospital entered into a hospital emergency care agreement with The Gould Group, Inc. This agreement provides that Gould shall 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 insured 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. This agreement was terminated in March, 1999.

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

Notes to Financial Statements (continued)

In March, 1999, the Hospital entered into a hospital emergency care agreement with Correct Care, Inc. This agreement has terms similar to those noted above. 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) additional months.

In September, 1999, the Hospital entered into an acute rehabilitation unit services agreement with National Rehab Partners, Inc. (NRP). This agreement provides that NRP shall develop, manage and staff the Rehab Unit twenty-four (24) hours per day, 365 days per year. The Hospital shall provide all necessary supplies and equipment, and compensate this staff on a monthly basis. The initial term of this agreement is 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.

In November, 1998, the Hospital entered into an agreement with Brim Healthcare, Inc. In this agreement, Brim is to provide its experience, skills, supervision, and certain personnel in the management and operation of the Hospital. The initial term of this agreement is for a five (5) year period. The agreement can then be extended for successive five (5) year terms unless terminated.

(8) 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>1999</u>	<u>1998</u>
Operating income (loss)	\$(678,916)	\$(125,921)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	92,868	89,273
Change in assets and liabilities:		
Accounts receivable – patients	211,839	(273,993)
Due from intermediaries	80,000	96,229
Inventories	(43,547)	(9,247)
Prepaid expenses	6,310	(3,691)
Accounts payable	13,097	3,271
Contracts payable	95,707	74,178
Accrued wages and related withholdings	(7,439)	6,552

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

Notes to Financial Statements (continued)

Accrued compensated absences	7,403	10,358
Due to intermediaries	2,017	-
Retainage payable	(40,126)	36,686
Medicare payable	<u>(71,974)</u>	<u>71,974</u>
	<u>346,155</u>	<u>101,590</u>
Net cash used by operating activities	<u>\$ (332,761)</u>	<u>\$ (24,331)</u>

SUPPLEMENTAL INFORMATION

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

Year 2000 Issue (Unaudited)
SEPTEMBER 30, 1999

Impact of Year 2000 on Computer Programs (Unaudited)

The Year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Hospital Service District No. 2's computer programs that have time sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including among other things, a temporary inability to process transactions or engage in similar normal business activities.

The Hospital Service District No. 2 has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting Hospital operations and have identified such systems as being financial reporting and payroll.

- Both applications have been assessed, remediated, tested, and validated.

Remaining contracted amounts of \$-0- are committed to this project as of September 30, 1999.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Hospital Service District No. 2 is or will be Year 2000 ready, that the Hospital Service District No. 2's remediation efforts will be successful in whole or in part, or that parties with whom the Hospital Service District No. 2 does business will be Year 2000 ready. The Hospital Service District No. 2 is utilizing external resources to identify and test the systems for Year 2000 compliance.

HOSPITAL SERVICE DISTRICT NO. 2

Parish of St. Martin

State of Louisiana

SCHEDULES OF NET PATIENT REVENUE
YEARS ENDED SEPTEMBER 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
Patient revenue		
In-patient revenue	\$ 2,372,656	\$ 2,224,559
Out-patient revenue	3,978,783	3,558,332
Behavioral health unit revenue	-	204,826
	<u>6,351,439</u>	<u>5,987,717</u>
Deductions from patient revenue		
Contractual allowances - current	2,133,268	1,248,902
Contractual allowances - prior	-	71,974
Discounts	-	1,425
	<u>2,133,268</u>	<u>1,322,301</u>
Net Patient Revenue	<u>\$ 4,218,171</u>	<u>\$ 4,665,416</u>

HOSPITAL SERVICE DISTRICT NO. 2

Parish of St. Martin

State of Louisiana

SCHEDULES OF IN-PATIENT REVENUE
YEARS ENDED SEPTEMBER 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
Routine Services		
Room and board	\$ 544,466	\$ 247,906
Special Services		
Blood administration	4,839	7,973
Central supply room	228,647	251,577
Electrocardiology	24,994	18,480
Emergency room physician	81,060	69,239
Emergency room	20,084	16,262
Inhalation therapy	543,410	679,843
Laboratory	239,402	224,832
Nuclear medicine	-	41,013
Holter monitor	2,065	2,065
Observation room	4,473	4,357
Operating room	2,403	4,863
Orthopedics	-	331
Pharmacy	565,563	582,328
Physical therapy	292	-
Radiology	77,169	66,690
Special procedures	33,789	6,800
	<u>\$ 2,372,656</u>	<u>\$ 2,224,559</u>

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

SCHEDULES OF OUT-PATIENT REVENUE
YEARS ENDED SEPTEMBER 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
Blood administration	\$ 6,287	\$ 6,104
Central supply	223,605	228,103
Electrocardiology	62,782	46,704
Emergency room physician	1,177,057	978,545
Emergency room	452,414	359,943
Inhalation therapy	90,552	89,953
Laboratory	976,941	1,056,950
Holter monitor	21,535	16,680
Observation room	24,441	12,475
Operating room	13,347	17,279
Pharmacy	228,024	221,061
Radiology	541,479	366,749
Special procedures	160,319	157,426
Sleep study	-	360
	<u> </u>	<u> </u>
	<u>\$ 3,978,783</u>	<u>\$ 3,558,332</u>

SCHEDULES OF OTHER OPERATING INCOME
YEARS ENDED SEPTEMBER 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
Cafeteria and vending machine sales	\$ 12,434	\$ 10,573
Sale of medical records	5,025	6,176
Recovery of bad debts	82,660	43,696
Lease payments	449,508	488,291
	<u> </u>	<u> </u>
	<u>\$ 549,627</u>	<u>\$ 548,736</u>

HOSPITAL SERVICE DISTRICT NO. 2

Parish of St. Martin

State of Louisiana

SCHEDULES OF BEHAVIORAL HEALTH UNIT REVENUE
YEARS ENDED SEPTEMBER 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
Routine Services		
Room and board	\$ -	\$ 137,900
Special Services		
Central supply room	-	1,960
Inhalation therapy	-	391
Laboratory	-	3,716
Pharmacy	-	6,189
Psych service	-	47,475
Psych treatments	-	3,465
Radiology	-	1,538
EKG	-	252
Ultrasound	-	1,806
Emergency room physician fees	-	134
	<u> </u>	<u> </u>
	<u>\$ -</u>	<u>\$ 204,826</u>

HOSPITAL SERVICE DISTRICT NO. 2

Parish of St. Martin

State of Louisiana

SCHEDULES OF PROFESSIONAL EXPENSES
YEARS ENDED SEPTEMBER 30, 1999 AND 1998

	1999		1998	
	Personal Services	Supplies & Other Expenses	Personal Services	Supplies & Other Expenses
Blood administration	\$ 1,086	\$ 10,843	\$ 955	\$ 12,389
Central supply	3	104,937	814	140,506
Electrocardiology	-	1,898	-	3,013
Emergency room physicians	639,056	-	686,476	-
Emergency room	229,477	-	275,575	-
Holter monitor	-	4,880	-	3,840
Inhalation therapy	7,967	281,371	33,983	431,321
Laboratory	137,084	305,250	138,268	286,721
Medical records	33,994	23,807	32,393	24,724
Nuclear medicine	-	194,651	-	183,731
Nursing service	625,357	12,602	572,876	14,898
Operating room	3,428	1,020	8,049	1,126
Pharmacy	87,715	226,887	80,865	207,744
Radiology	115,705	67,713	117,041	70,098
	<u>\$ 1,880,872</u>	<u>\$ 1,235,859</u>	<u>\$ 1,947,295</u>	<u>\$ 1,380,111</u>

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

SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
 YEARS ENDED SEPTEMBER 30, 1999 AND 1998

	1999		1998	
	Personal Services	Supplies & Other Expenses	Personal Services	Supplies & Other Expenses
Administrative	\$ 286,007	\$ 529,262	\$ 280,199	\$ 405,849
Credit and collections	-	40,215	-	16,220
Dietary	107,620	55,301	112,846	59,840
Employee benefits	-	71,386	-	111,394
Housekeeping	133,856	11,858	134,055	11,888
Insurance	-	95,869	-	114,033
Laundry and linen	-	30,027	-	32,804
Maintenance	23,961	113,440	23,429	145,997
Telephone and communications	-	34,270	-	25,211
	<u>\$ 551,444</u>	<u>\$ 981,628</u>	<u>\$ 550,529</u>	<u>\$ 923,236</u>

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

SCHEDULES OF COMMISSIONERS, MEETINGS ATTENDED AND COMPENSATION
 YEARS ENDED SEPTEMBER 30, 1999 AND 1998

Name of Commissioner	1999		1998	
	Meetings Attended	Compensation	Meetings Attended	Compensation
Lawrence Jacobs, Jr.	10	\$ -	12	\$ -
Robert Laville	13	\$ -	12	\$ -
Kenneth LeBlanc	9	\$ -	8	\$ -
John E. Martin	14	\$ 480	12	\$ 480
Fred Mills, Jr.	12	\$ 480	9	\$ 400

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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
Breaux 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, 1999, and have issued our report thereon dated November 17, 1999. 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 Hospital Service District No. 2's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. A reportable condition is described in the accompanying schedule of prior and current audit findings and management's corrective action plan as item 99-1.

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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 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. 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. We believe that the reportable condition referred to above is a material weakness.

This report is intended solely for the information and use of management, others within the organization, and Parish Police Jury and is not intended to be and should not be used by anyone other than these specified parties.

Kolder, Champagne, Slaven & Rainey, LLC

Certified Public Accountants

Breaux Bridge, Louisiana
November 17, 1999

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

I. 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

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

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

Compliance

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

Internal Control Over Financial Reporting

Item 99-1 Inadequate Segregation of Accounting Functions

Finding:

Due to the small number of employees, the Hospital did not have adequate segregation of functions within the accounting system.

Management's Corrective Action Plan:

Management has determined that it is not cost effective to achieve complete segregation of duties within the accounting department. No plan is considered necessary.

Management Letters Items

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