

WEST JEFFERSON SERVICE CORPORATION**FINANCIAL STATEMENTS****December 31, 2003**

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

Release Date 8-4-04

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REBOWE & COMPANY

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INDEPENDENT AUDITOR'S REPORT

Board of Directors West Jefferson Service Corporation

We have audited the accompanying statement of net assets of West Jefferson Service Corporation (the "Service Corporation", a component unit of a political subdivision of Jefferson Parish, Louisiana) as of December 31, 2003 and the related statements of revenues, expenses and changes in net assets and of cash flows for the year then ended. These financial statements are the responsibility of the Service Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Service Corporation's 50% joint venture investments in West Jefferson MRI, LLC and West Jefferson Surgery Center, LLC, whose financial statements reflect total equity of \$772,709 and \$1,978,564, respectively, as of December 31, 2003 and net income of \$1,776,871 and \$2,609,385, respectively, for the year then ended. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the investment in West Jefferson MRI, LLC and West Jefferson Surgery Center, LLC is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 audit provides 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 Service Corporation as of December 31, 2003 and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis listed in the Table of Contents is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2004 on our consideration of the Service Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Rebowe & Company

March 3, 2004

WEST JEFFERSON SERVICE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
December 31, 2003

The Management's Discussion and Analysis ("MD&A") offers the readers of the West Jefferson Service Corporation's ("Service Corporation") financial statements this narrative overview and analysis of the financial activities of the Service Corporation for the year ended December 31, 2003. The information presented here should be considered in conjunction with the accompanying financial statements and the notes to the financial statements.

OVERVIEW

The Service Corporation has been organized as a nonprofit corporation established to operate exclusively for the support and benefit of West Jefferson Medical Center ("Medical Center"); carry out the goals, objectives, and purposes of the Medical Center; and develop and facilitate various health service activities, including joint venture activities, for the benefit of the Medical Center, as authorized by Louisiana Statutes and Regulations.

During the year ending December 31, 2003, total net assets decreased by \$4,161,973 due primarily to the donation of land and buildings to the Medical Center as discussed below. During the year ending December 31, 2002, total net assets decreased by \$759,487.

Additionally, during 2003, the Service Corporation acquired several parcels of land and a building, which are adjacent to the Medical Center's main campus. The total cost of the properties acquired during 2003 was \$225,176. The Service Corporation plans to donate these parcels of land and the building to the Medical Center. The acquisition of these properties will enable the Medical Center to grow as needed to meet the future healthcare needs of the community.

The Service Corporation and Omega Claims Services, Inc. ("Omega") on June 30, 2003 entered into a Business Referral Agreement with another third-party administrator ("TPA"). The Agreement provides for Omega to refer their clients to such TPA and cease its operations. In return, Omega would be compensated for the referrals as retained.

The Service Corporation has remained debt free, other than normal accounts payable. All other assets and liabilities remain consistent with the prior year.

BUSINESS OPERATIONS

The Service Corporation generates most of its operating revenues from leasing equipment and from rental income. For the year ending December 31, 2003, operating revenues decreased \$416,197, which was primarily due to a decrease in the number of physician groups provided services by the Service Corporation. Additionally, the Service Corporation generates most of its operating expenses from indigent care, depreciation, legal fees and the services provided to physician groups. For the year ending December 31, 2003, operating expenses decreased \$753,266 from 2002, which was a result of a reduction of personnel expenses primarily related to Omega ceasing operations on June 30, 2003. Also included in 2003 operating expenses was \$313,818 in depreciation expense and \$1,007,111 of indigent care the Service Corporation paid on behalf of the Medical Center for healthcare provided to indigent patients.

WEST JEFFERSON SERVICE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
December 31, 2003

The Service Corporation generates most of its non-operating revenues from its joint venture investments in related limited liability companies. For the year ending December 31, 2003, investment income increased \$1,394,592. The increase in investment income was primarily due to an increase in investment income on joint venture investments in West Jefferson MRI, LLC and West Jefferson Surgery Center, LLC. In addition, \$5,152,798 in properties was donated to the Medical Center by the Service Corporation in 2003.

WEST JEFFERSON SERVICE CORPORATION
STATEMENT OF NET ASSETS
December 31, 2003

ASSETS

Current Assets

Cash and cash equivalents	\$ 818,440
Accounts receivable	112,746
Prepaid expenses	<u>130,917</u>

Total Current Assets 1,062,103

Investments, at fair value 4,036,831

Property, plant and equipment, net 1,178,294

Other assets 1,377,637

Total Assets 7,654,865

LIABILITIES

Current Liabilities

Accounts payable and accrued expenses	44,264
Due to Medical Center, net	<u>17,916</u>

Total Liabilities 62,180

NET ASSETS

Invested in Capital Assets	1,178,294
Unrestricted	<u>6,414,391</u>

Total Net Assets \$ 7,592,685

See accompanying notes to financial statements.

WEST JEFFERSON SERVICE CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year Ended December 31, 2003

OPERATING REVENUES:	
Charges for services	\$ 1,167,569
Lease and rental income	<u>610,850</u>
 Total Operating Revenues	 <u>1,778,419</u>
 OPERATING EXPENSES:	
Personnel costs	793,110
Maintenance operations and contractual services	806,238
Materials and supplies	127,068
Depreciation expense	<u>313,818</u>
 Total Operating Expenses	 <u>2,040,234</u>
 Operating Loss	 <u>(261,815)</u>
 NON-OPERATING REVENUE (EXPENSES):	
Investment income	2,222,290
Interest income	37,461
Donation of properties to Medical Center	(5,152,798)
Allocation of indigent care expenses	<u>(1,007,111)</u>
 Total Non-Operating Expenses	 <u>(3,900,158)</u>
 Decrease in Net Assets	 <u>(4,161,973)</u>
 NET ASSETS, December 31, 2002:	
Balance, as previously reported	11,837,274
Balance, prior period adjustment - error due to 2002 joint venture investment expenses not recorded	<u>(82,616)</u>
Balance, as restated	<u>11,754,658</u>
 NET ASSETS, DECEMBER 31, 2003	 <u>\$ 7,592,685</u>

See accompanying notes to financial statements.

WEST JEFFERSON SERVICES CORPORATION
STATEMENT OF CASH FLOWS
Year Ended December 31, 2003

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 1,856,231
Cash paid for operational expenses	(1,010,407)
Cash paid for personnel costs	(797,277)
Cash paid to suppliers	<u>(127,068)</u>
<i>Net Cash Flows from Operating Activities</i>	<u>(78,521)</u>
CASH FLOWS FROM CAPITAL AND RELATED OTHER ACTIVITIES:	
Purchase of land and building	(225,176)
Payment of indigent care expenses	<u>(1,007,111)</u>
<i>Net Cash Flows from Capital and Related Other Activities</i>	<u>(1,232,287)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Redemption of certificate of deposit	100,000
Proceeds from the sale of investments	33,231
Proceeds from joint venture income	1,542,745
Purchase of investment in joint ventures	(2,000)
Receipt of interest income	<u>37,461</u>
<i>Net Cash Flows from Investing Activities</i>	<u>1,711,437</u>
NET INCREASE IN CASH	400,629
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2002	<u>417,811</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2003	<u>\$ 818,440</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating loss	\$ (261,815)
Add: Depreciation expense	313,818
(Increase) decrease in current assets:	
Accounts receivable	122,330
Prepaid expenses	(29,134)
Increase (decrease) in current liabilities:	
Accounts payable and accrued expenses	11,791
Due to West Jefferson Medical Center	<u>(235,511)</u>
<i>Net cash flows from operating activities</i>	<u>\$ (78,521)</u>

See accompanying notes to financial statements.

WEST JEFFERSON SERVICE CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

West Jefferson Service Corporation (the "Service Corporation") operates under the jurisdiction of the Parish Council of Jefferson Parish. The Service Corporation is under the management of a Board of Directors appointed by the Board of Directors of West Jefferson Medical Center, (the "Medical Center") and its primary purpose is to support the activities of the Medical Center.

Until it entered into a Business Referral Agreement on June 30, 2003 and ceased operations, the Service Corporation provided management consulting services to its wholly-owned subsidiary, Omega Claims Services, Inc. (a claims administration service). See Footnote 9. In addition, the Service Corporation is the leasing agent for various medical office buildings owned by the Medical Center.

The Service Corporation is exempt from Federal and State income taxes.

The Service Corporation's financial statements are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America and also provides certain disclosures required by the Governmental Accounting Standards Board.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 result could differ from those estimates. Significant accounting policies followed by the Service Corporation in its financial statements are summarized below.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

Accounts Receivable

Accounts receivable represent amounts invoiced for telephone and billing services provided to physicians groups. No allowance for uncollectible accounts was established as management considers all accounts receivable to be collectible.

Investments

The Service Corporation reports in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" and accordingly, investments are carried at fair value in the statement of net assets and all investment income,

WEST JEFFERSON SERVICE CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES (CONTINUED)

including changes in the fair value of investments is recognized in the statement of revenues and expenses and changes in net assets.

Property, Plant and Equipment

Property, plant and equipment is stated at acquisition cost, net of accumulated depreciation, calculated on the straight-line basis over estimated useful lives ranging from 3-25 years.

Lease and Rental Income

Lease and rental income include fees earned as a commission and rental fees on leased buildings and imaging equipment.

Investment Income

Investment income represents the Service Corporation's share of earnings and distributions received from medical related joint ventures, which are accounted for using the equity method of accounting.

NOTE 2 - TRANSACTION WITH AFFILIATES

The Service Corporation purchase services from the Medical Center, including certain ancillary services, occupancy, personnel costs and equipment rentals. Billings for these services provided by the Medical Center were \$1,074,051 in 2003, of which \$63,934 is payable to the Medical Center as of December 31, 2003. The Medical Center also paid the Service Corporation fees of \$154,385 in 2003 for managing its professional office buildings of which \$46,018 is an accounts receivable as of December 31, 2003 from the Medical Center.

Effective January 1, 2000, the Medical Center entered into a lease with the Service Corporation to lease imaging equipment. For the year ending December 31, 2003, the amount paid to the Service Corporation related to this lease was \$386,490.

For the year ending December 31, 2003, the Service Corporation funded \$1,007,111 to the Medical Center for indigent care.

For the year ended December 31, 2003, the Service Corporation performed accounting services for the West Jefferson Surgery Center, LLC in the amount of \$5,100.

WEST JEFFERSON SERVICE CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2003

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Service Corporation maintains its cash in bank deposit accounts at high credit quality financial institutions. The balances, at times, may exceed federally insured limits. At December 31, 2003, the Service Corporation's uninsured cash balances totaled \$592,400.

NOTE 4 - INVESTMENTS

The Service Corporation's investments are categorized below to give an indication of the level of risk assumed at December 31, 2003. Category (a) includes investments that are insured or registered or for which the securities are held by the Service Corporation or its agent in the Service Corporation's name. The investment in Category (b) includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Service Corporation's name. Category (c) includes uninsured and unregistered investment cuts for which the securities are held by the counterparty or by its trust department or agent, but not in the Service Corporation's name. Balances at December 31, 2003 are as follows:

	<u>(a)</u>	<u>(b)</u>	<u>(c)</u>	<u>Amount</u>
U.S. Government and Federal Agencies' securities	\$ -	\$ 4,036,831	\$ -	\$ 4,036,831
Total investments	<u>\$ -</u>	<u>\$ 4,036,831</u>	<u>\$ -</u>	<u>\$ 4,036,831</u>

NOTE 5 - PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment at December 31, 2003 consist of:

Land and land improvements	\$ 352,254
Buildings	441,155
MRI equipment	1,586,298
Movable and other equipment	<u>1,582,831</u>
Total, at cost	3,962,538
Less - Accumulated depreciation	<u>(2,784,244)</u>
Property, plant and equipment, net	<u>\$ 1,178,294</u>

Additions to property, plant and equipment for the year ended December 31, 2003 were primarily for land and a building totaling \$225,176. Depreciation expense was \$313,818 for the year ending December 31, 2003.

The Service Corporation's Board of Directors approved a resolution in December 2002 to authorize the Service Corporation to donate approximately \$5.1 million of land and buildings to the Medical Center for the Avenue "B" Expansion Project, a Child Care Education Center and Ground Level Parking Phase II. This donation was made in 2003.

WEST JEFFERSON SERVICE CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2003

NOTE 6 - INVESTMENT IN LIMITED LIABILITY COMPANIES

The Service Corporation is a member of four limited liability companies, West Jefferson MRI, LLC ("MRI"), West Jefferson Surgery Center, LLC ("Surgery Center"), West Jefferson CT Scan, LLC ("CT Scan") and West Jefferson Sleep Center, LLC ("Sleep Center").

MRI was organized on January 23, 2001 in the State of Louisiana for the purpose of operating a free-standing magnetic resonance imaging (MRI) center in Marrero, Louisiana. Surgery Center was organized on May 26, 2000 in the State of Louisiana for the purpose of operating a free-standing ambulatory surgical care center. CT Scan was organized on September 12, 2003 in the State of Louisiana for the purpose of operating a diagnostic center offering Computerized Axial Tomography (CT) scanning. Sleep Center was organized on September 12, 2003 in the State of Louisiana for the purpose of operating a diagnostic center for sleep disorders.

The Service Corporation has a 50% interest in the above described limited liability companies and accounts for its 50% interest using the equity method. As of December 31, 2003, the CT Scan and Sleep Center have not commenced operations and the amount of investment in each is \$1,000.

The following information is a summary of the financial statements and operations of MRI and the Surgery Center for the year ended December 31, 2003:

West Jefferson MRI, LLC

Current Assets	\$ 1,164,894
Property and Equipment, Net	<u>9,823</u>
Total Assets	<u>1,174,717</u>
Current Liabilities	<u>402,008</u>
Total Liabilities	<u>402,008</u>
Equity	<u>\$ 772,709</u>
Operating Revenue	\$ 3,936,619
Net Income	<u>\$ 1,776,871</u>
Distributions	<u>\$ 1,619,900</u>

WEST JEFFERSON SERVICE CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2003

NOTE 6 - INVESTMENT IN LIMITED LIABILITY COMPANIES (CONTINUED)

West Jefferson Surgery Center, LLC

Current Assets	\$ 1,453,447
Property and Equipment, Net	942,991
Other Assets	<u>500,000</u>
 Total Assets	 <u>\$ 2,896,438</u>
 Current Liabilities	 243,314
Long-Term Debt	<u>674,560</u>
 Total Liabilities	 <u>917,874</u>
 Equity	 <u>\$ 1,978,564</u>
 Operating Revenue	 <u>\$ 7,114,688</u>
Net Income	<u>\$ 2,609,385</u>
Distributions	<u>\$ 1,465,590</u>

NOTE 7 - RELATED PARTY LEASES

The Service Corporation leases office space from the Medical Center. Both parties have not formally executed a document specifically setting forth the terms of the lease. The monthly rent for the Service Corporation is \$346 per month and rent expense for the year ending December 31, 2003 was \$4,147. In addition, there was rent expense paid by the Service Corporation's wholly-owned subsidiary, Omega Claims Services, Inc., during the year ending December 31, 2003 in the amount of \$12,515.

Total rent expense for the year ended December 31, 2003 was \$16,662.

NOTE 8 - PRIOR PERIOD ADJUSTMENT

Net assets for 2002 have been restated to correct an error resulting from start-up expenses that were recorded in the Surgery Center but not accounted for by the Service Corporation. The effect of this error decreased net assets for 2002 in the amount of \$82,616.

NOTE 9 - BUSINESS REFERRAL AGREEMENT

The Service Corporation and Omega Claims Services, Inc. ("Omega") on June 30, 2003 entered into a Business Referral Agreement with another third-party administrator ("TPA") of health care plans. The Agreement provides for Omega to refer their clients and in return be compensated for the referrals retained by the TPA. For the year ending December 31, 2003, Omega did not receive any compensation from such Agreement.

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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

Board of Directors West Jefferson Service Corporation

We have audited the financial statements of West Jefferson Service Corporation (the Service Corporation - a component unit of a political subdivision of Jefferson Parish, Louisiana) as of and for the year ended December 31, 2003, and have issued our report thereon dated March 3, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Service Corporation's financial statements are free of material misstatements, we performed tests of its compliance with certain provision 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*.

Finding

According to L.S.A. - RS42:4.1 et seq. (Open-Meetings Laws) it is the opinion of the Legislative Auditor that the Service Corporation is required to publicize to the public twenty-four (24) hours in advance of any Board meeting in which a quorum of the Board are present subject to appropriate statutory exceptions. The Service Corporation does not provide notification of such meetings.

Management's Response

Management disagrees that the Service Corporation violated the Open-Meeting law.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Service Corporation'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.

This report is intended solely for the information and use of the Board of Directors of the Service Corporation, the Service Corporation's management, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Rebowe & Company

March 3, 2004