6012

ST. TAMMANY PARISH HOSPITAL DEFINED CONTRIBUTION PLAN

December 31, 2003

Audits of Financial Statements

December 31, 2003
and
December 31, 2002

CONTENTS

LAPORTE SEHRT
ROMIG HAND
CERTIFIED PUBLIC ACCOUNTANTS

The Pension Administrative Committee
St. Tammany Parish Hospital
Defined Contribution Plan

Independent Auditors' Report

We have audited the accompanying statement of net assets available for benefits of **ST. TAMMANY PARISH HOSPITAL DEFINED CONTRIBUTION PLAN** as of December 31, 2003, and the related statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based our audit. The financial statements of **ST. TAMMANY PARISH HOSPITAL DEFINED CONTRIBUTION PLAN** for the year ended December 31, 2002, were audited by other auditors whose report, dated May 26, 2003, expressed an unqualified opinion on those statements.

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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2003, and the changes in its net assets available for benefits for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated June 4, 2004, on our consideration of **ST. TAMMANY PARISH HOSPITAL DEFINED CONTRIBUTION PLAN's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

LaPorte, Sehrt, Romig & Hand

A Professional Accounting Corporation

June 4, 2004

110 Veterans Memorial Boulevard, Suite 200, Metairie, LA 70005-4958 • 504.835.5522 • Fax 504.835.5535
5100 Village Walk, Suite 202, Covington, LA 70433-4012 • 985.892.5850 • Fax 985.892.5956
WWW.LAPORTE.COM

ST. TAMMANY PARISH HOSPITAL
DEFINED CONTRIBUTION PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31, 2003	December 31, 2002
ASSETS		
Investments at Estimated Fair Value	$ 20,692,251	$ 15,499,728
NET ASSETS		
Net Assets Available for Benefits	$ 20,692,251	$ 15,499,728

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH HOSPITAL
DEFINED CONTRIBUTION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	For the Years Ended December 31, 2003	2002
ADDITIONS TO NET ASSETS ATTRIBUTED TO		
Investment Income:		
Net Appreciation In Fair Value of Investments	$ 3,671,698	$ -
Contributions:		
Employer's	2,533,673	2,231,578
TOTAL ADDITIONS	6,205,371	2,231,578
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO		
Net Depreciation in Fair Value of Investments	-	1,444,130
Benefits Paid to Participants	1,012,848	675,068
TOTAL DEDUCTIONS	1,012,848	2,119,198
NET INCREASE	5,192,523	112,380
NET ASSETS AVAILABLE FOR BENEFITS BEGINNING OF YEAR	15,499,728	15,387,348
END OF YEAR	$ 20,692,251	$ 15,499,728

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH HOSPTIAL
DEFINED CONTRIBUTION PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE A

DESCRIPTION OF THE PLAN

The following description of the **ST. TAMMANY PARISH HOSPITAL DEFINED CONTRIBUTION PLAN** provides only general information. Participants should refer to the Plan agreement and the Summary Plan Description of the Plan, which is made available to all participants, for a complete description of the Plan's provisions.

GENERAL

The Plan is a noncontributory, defined contribution pension plan covering all eligible full-time and part-time employees (1,168 and 980 at December 31, 2003 and 2002, respectively) of St. Tammany Parish Hospital Service District No. 1 (the Hospital). The Plan and Trust of which it is a part are intended to satisfy all of the requirements for a qualified retirement plan under the appropriate provisions of the Internal Revenue Code (IRC) and similar state tax laws.

Hospital service districts in Louisiana are authorized under Louisiana Revised Statute 46:1068 to establish and maintain actuarially sound pension and retirement systems making contributions from hospital service district funds. They may make contracts of insurance with any insurance company legally authorized to do business in Louisiana and may enter into other contracts and trust agreements with banks, which are incidental to creating and maintaining an actuarially sound pension and retirement system.

The Plan is classified as a governmental plan and is not subject to Title I of the Employee Retirement Income Security Act of 1974 (ERISA). The Plan, accordingly, does not file Form 5500, which was developed by the Internal Revenue Service, Department of Labor, and the Pension Benefit Guaranty Corporation to satisfy the reporting requirements of the IRS and ERISA.

ELIGIBILITY

Employees of the Hospital who have completed the minimum requirement of one year of service are eligible to participate in the Plan. An employee is credited with one year of service for each twelve consecutive months in which the participant has completed 1,000 or more hours of service with the employer.

CONTRIBUTIONS

The Plan requires employer contributions equal to 6% of the aggregate compensation of all participants. Contributions are remitted to the trustee and are invested in accordance with the provisions of the Plan. Participants direct the investment of contributions on their behalf into various investment options offered by the Plan.

PARTICIPANTS INVESTMENT OPTIONS

Investment options available to participants include five "lifestyle" funds, one guaranteed interest account, seven bonds funds, nine growth and income funds, fifteen growth funds and eighteen aggressive growth funds.

VESTING

Employer contributions on behalf of participants are 100% vested after five years of credited service.

NOTE A

DESCRIPTION OF THE PLAN (Continued)

PARTICIPANT ACCOUNTS

Income earned on investments and the net realized and unrealized appreciation in estimated fair value of investments are allocated to participants' accounts in the ratio of each participant's adjusted beginning balance to the adjusted beginning balance for all participants. The adjusted beginning balance is defined as the account balance at the beginning of the period less withdrawals, distributions, forfeitures and other payments made during the period.

Upon retirement, death, or disability, the participant is entitled to receive the value of his or her account within 60 days after the close of the plan year in which the event occurred. The participant may elect to receive the vested portion of the account in a lump-sum distribution or in periodic payments. Terminated employees receive benefits no later than 60 days after the end of the first plan year after the break in service occurs.

FORFEITURES

Forfeitures of terminated employees' non-vested account balances are applied as a reduction of employer contributions. During 2003 and 2002, employer contributions were reduced by $170,229 and $102,303, respectively, from forfeited non-vested accounts. At December 31, 2003 and 2002, forfeited non-vested accounts totaled $298,225 and $183,162, respectively, which may be used to reduce future employer contributions.

NOTE B

SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with standards established by the Governmental Accounting Standards Board (GASB).

BASIS OF ACCOUNTING

The financial statements of the **ST. TAMMANY PARISH HOSPITAL DEFINED CONTRIBUTION PLAN** (Plan) have been prepared on the accrual basis of accounting. Employer contributions are recognized in the period in which the employee is compensated for services performed. Benefits are recognized when due and payable in accordance with the terms of the plan. Interest and dividend income is recognized when earned.

INVESTMENTS

The Plan's investments are held by the Plan's trustee, Manulife Financial (Manulife). Under the terms of the trust agreement, the trustee administers the investment transactions of the Plan on behalf of the participants and has discretionary authority over the Plan's assets, which can include investing in the trustee's administered accounts. The investments and changes therein are reported at fair value as determined by the trustee.

NOTE B

SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS (Continued)

All investments in 2003 and 2002 consisted of either Manulife deposit administration contacts (guaranteed investments contracts or GICs) or Manulife pooled separate accounts, with investment options ("sub accounts"). The accounts are managed and administered by the trustee and related entities. As administrator, the trustee is responsible for calculating the per unit market value of the respective funds' net assets. Under the terms of the prospectuses, the Plan can divest itself of the investments by reselling them to the respective fund daily at a unit price equal to the per unit interest of the market value of the funds' net assets. The investments in these funds are stated at the Plan's pro rata interest in the market value of the funds' net assets.

INVESTMENT VALUATION AND INCOME

Investments in insurance company pooled separate accounts are reported at the value reported to the Plan by the insurance company, which represents approximate fair value. Investments in guaranteed investment contracts are reported at contract value as determined by the insurance company if the contract is fully benefit responsive or otherwise at fair value. The guaranteed investment contracts are reported at estimated fair value by Manulife. Investments in pooled separate accounts are valued utilizing quoted market prices.

Purchases and sales of investments are recorded on a trade-date basis. Investment income is primarily comprised of realized and unrealized appreciation and depreciation of the fair value of the investments.

PAYMENT OF BENEFITS

Benefits are recorded when paid. Amounts allocated to participants who have elected to withdraw but have not yet been paid totaled $17,353 and $14,810 at December 31, 2003 and 2002, respectively.

ADMINISTRATIVE EXPENSES

St. Tammany Parish Hospital (The Plan Sponsor) bears most of the administrative costs of the Plan. The Trustee fees that are borne by the Plan are treated as an investment expense and are deducted from investment earnings allocated to the participants' accounts.

USE OF ESTIMATES

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, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

ST. TAMMANY PARISH HOSPTIAL
DEFINED CONTRIBUTION PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE C

INVESTMENTS

The following table presents the fair value of the participant-directed investments in this plan. Single investments representing more than 5% of the Plan's net assets are separately identified.

	December 31, 2003	December 31, 2002
Manulife Financial Group Annuity Contract No. 51744		
Sub-Accounts within Manulife Established or Maintained Pooled Separate Accounts:		
Manulife Lifestyle Fund – Conservative Portfolio	$ 805,148	$ 803,526 *
Manulife Lifestyle Fund – Moderate Portfolio	7,666,351 *	5,674,995 *
Manulife Lifestyle Fund – Balanced Portfolio	3,474,391 *	2,777,884 *
Manulife Lifestyle Fund – Growth Portfolio	4,494,731 *	3,345,668 *
Manulife Lifestyle Fund – Aggressive Portfolio	2,284,321 *	1,558,592 *
Other Manulife Sub Account Funds	1,925,770	1,335,735
Manulife Guaranteed Interest Contracts	41,539	3,328
	$ 20,692,251	$ 15,499,728

* - Represents an individual investment option totaling more than 5% of the Plan's net assets in the respective year.

A summary of net realized and unrealized appreciation (depreciation) in fair value of investments follows for the years ended December 31, 2003 and 2002:

	December 31, 2003	December 31, 2002
Manulife Financial Group Annuity Contract No. 51744		
Sub-Accounts within Manulife Established or Maintained Pooled Separate Accounts:		
Manulife Lifestyle Fund – Conservative Portfolio	$ 79,460	$ 18,469
Manulife Lifestyle Fund – Moderate Portfolio	1,141,941	(113,071)
Manulife Lifestyle Fund – Balanced Portfolio	681,123	(238,941)
Manulife Lifestyle Fund – Growth Portfolio	936,993	(558,618)
Manulife Lifestyle Fund – Aggressive Portfolio	523,188	(366,936)
Other Manulife Sub Account Funds	307,724	(185,033)
Manulife Guaranteed Interest Contracts	1,269	-
	$ 3,671,698	$ (1,444,130)

NOTE C
INVESTMENTS (Continued)

The Plan's investments are categorized to give an indication of the level of risk assumed by the entity at year-end; that is, the risk associated with the exposure to a potential loss from unauthorized transfer of a financial instrument. Category 1 includes investments that are insured or registered or for which the securities are held by the Plan or its agent in the Plan's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Plan's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its department or agent but not in the Plan's name. As of December 31, 2003, all of the Plan's investments are identified as Category 2.

NOTE D
PLAN TERMINATION

Although the Plan Sponsor has not expressed any intent to do so, the Plan Sponsor has the right to modify, suspend, or discontinue contributions to the Plan at any time, and such action shall not be deemed to be a termination of the Plan. The Plan Sponsor also has the right to terminate the Plan subject to the provisions of ERISA.

In the event the plan terminates, the balance in each participant's or retired participant's account shall immediately become fully vested and nonforfeitable. Each participant, retired participant, or beneficiary shall be entitled to receive any amounts then credited to his or her account.

NOTE E
INCOME TAX STATUS

The Internal Revenue Service has ruled that the Plan qualifies under Section 401(a) of the Internal Revenue Code (IRC) and is, therefore, not subject to tax under present income tax law. Once qualified, the Plan is required to operate in conformity with the IRC to maintain its qualification. The Pension Administrative Committee is not aware of any course of action or series of events that have occurred that might adversely affect the Plan's qualified status.

NOTE F
RELATED PARTY TRANSACTIONS

Plan investments include units of funds managed by Manulife. Manulife is the trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions.

ST. TAMMANY PARISH HOSPTIAL
DEFINED CONTRIBUTION PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE G

NEW PRONOUNCEMENTS

Effective January 1, 2004, the Plan will be required to implement the provisions of GASB Statement Number 34, *Basic Financial Statement and Management's Discussion an Analysis for State and Local Governments* and related standards. This new standard will not change the financial reporting or note disclosures required by GASB Statement No. 25, but will require the inclusion of a management discussion and analysis as supplementary information.

LaPorte Sehrt
Romig Hand
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMANED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Pension Administrative Committee
St. Tammany Parish Hospital Defined Contribution Plan

We have audited the financial statements of **ST TAMMANY PARISH HOSPITAL DEFINED CONTRIBUTION PLAN** (the Plan), as of and for the year ended December 31, 2003, and have issued our report thereon dated June 4, 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 Plan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which would 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 Plan'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.

110 Veterans Memorial Boulevard, Suite 200, Metairie, LA 70005-4958 • 504.835.5522 • Fax 504.835.5535
5100 Village Walk, Suite 202, Covington, LA 70433-4012 • 985.892.5850 • Fax 985.892.5956
WWW.LAPORTE.COM
RSM McGladrey Network

This report is intended solely for the information and use of the Pension Administrative Committee, management, and the State of Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

LaPorte, Sehrt, Romig & Hand

A Professional Accounting Corporation

June 4, 2004