

EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA

FINANCIAL STATEMENTS

MARCH 31, 2004 AND 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audit 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.

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EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA

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Pricewaterhouse & Nottorville

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Accounting Office in New Orleans, Louisiana
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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
East Ascension Parish Hospital Service District
of Ascension Parish, Louisiana
Covington, Louisiana

We have audited the accompanying financial statements of the East Ascension Parish Hospital Service District of Ascension Parish, Louisiana, a component unit of the Ascension Parish Council, as of and for the years ended March 31, 2004 and 2003, as listed in the table of contents. These 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.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the East Ascension Parish Hospital Service District of Ascension Parish, Louisiana as of March 31, 2004 and 2003, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the East Ascension Parish Hospital Service District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of April 1, 2001.

The Management's Discussion and Analysis on pages 1 through 6 is not a required part of the basic financial statements but is supplementary 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 supplementary information. However, we did not audit the information and express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 23, 2004 on our consideration of East Ascension Parish Hospital Service District'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.

Donaldsonville, Louisiana
September 21, 2004



LAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2004

This section of Hospital's annual financial report presents our discussion and analysis of the Hospital's financial performance during the fiscal year that ended on March 31, 2004. Please read it in conjunction with the transmittal letter at the front of this report and the Hospital's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Hospital's total assets increased by \$3 million over the course of this year's operations.
- During the year, the Hospital's revenues were \$1,117,488 less than the \$9.5 million in expenses. The Hospital generated \$9.13 million in net charges for services and other nonoperating income.
- The net patient service revenue decreased \$2.1 million to \$8.2 million from the prior year's net patient service revenue of \$10.3 million.
- The Hospital has net assets of \$9.1 million as of March 31, 2004.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts—management's discussion and analysis (this section), and the basic financial statements. The basic financial statements include government-wide financial statements that provide both long-term and short-term information about the Hospital's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes are followed by additional reports as required by Governmental Accounting Standards. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-1 summarizes the major features of the Hospital's financial statements, including the portion of the Hospital's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure of contents of each of the statements.

EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

MAY 31, 2024

**Figure A-1
Major Features of Hospital's Government Financial Statements**

	Government-wide Statements
Scope	Entire Hospital government (except fiduciary funds) and the Hospital's component units
Required financial statements	<ul style="list-style-type: none">• Statement of net assets• Statement of activities
Accounting basis and measurement focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the Hospital as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Hospital's net assets and how they have changed. Net assets—the difference between the Hospital's assets and liabilities—is one way to measure the Hospital's financial health, or position.

- Over time, increases or decreases in the Hospital's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Hospital you need to consider additional nonfinancial factors such as the quality of service provided to patients and the condition of the Hospital's building and equipment.

RANT ASCENSION PARISH HOSPITAL SERVICE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2004

FINANCIAL ANALYSIS OF THE HOSPITAL AS A WHOLE

Net assets. The Hospital's net assets decreased between fiscal years 2003 and 2004 to approximately \$9.3 million. (See Table A-1.)

Table A-1
Hospital's Net Assets
(in millions of dollars)

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Current and other assets	<u>\$ 11,297,185</u>	<u>\$ 7,395,500</u>
Capital assets	<u>1,492,894</u>	<u>3,004,506</u>
Total assets	<u>\$ 12,790,079</u>	<u>\$ 10,399,996</u>
Current liabilities	<u>\$ 4,998,601</u>	<u>\$ 821,170</u>
Total liabilities	<u>\$ 4,998,601</u>	<u>\$ 821,170</u>
Net assets		
Unrestricted	<u>\$9,391,444</u>	<u>\$ 19,498,793</u>
Total net assets	<u>\$9,391,444</u>	<u>\$ 19,498,793</u>

Net assets of the Hospital's governmental activities decreased 11 percent to approximately \$9.3 million.

EAST ACONCAGON PARISH HOSPITAL SERVICE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2004

Changes in net assets The Hospital's total revenues decreased by 22 percent to \$8.4 million (See Table A-1). Approximately 98 percent of the Hospital's revenues comes from net patient services.

The total cost of all services decreased approximately \$1 million or 11 percent.

Governmental Activities

Revenues for the Hospital's governmental activities decreased 22 percent, while total expenses decreased 11 percent.

The Acconagon Hospital experienced a net loss in the revenue as witnessed by the decrease in total patient income for the year March 2004 by approximately \$2,669,666. The Hospital reimbursement from Medicare changed as of April 1, 2003 to an 80% cost and 20% DRG reimbursement, from the previous 100% cost reimbursement, which meant lower payments on some patients. Also, the Board invested in bonds at a high rate of interest that matured and could not replace these funds at the same rate, hence the \$187,872 decrease in income on investments.

The Board had decreased the overhead of the Hospital as witnessed by the decrease in expenses of \$1 million or 11%.

Table A-2
Changes in Hospital's Net Assets

	Governmental Activities	
	2004	2003
Revenues		
Net patient services	\$8,248,984	\$10,918,133
Other	68,662	52,073
Nonoperating	113,736	383,084
Total revenues	\$8,431,382	11,753,290
Expenses		
Operating expenses	\$,734,573	10,663,890
Nonoperating expenses	-	541
Total expenses	\$,734,573	10,664,431
Increase (decrease) in net assets	\$ (1,317,660)	\$ 108,759

EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2004

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2004, the Hospital had invested \$1,692,894 in capital assets. (See Table A-3.)

Table A-3
Hospital's Capital Assets
(net of depreciation)

	Governmental Activities	
	2004	2003
Land	\$ 70,000	\$ 70,000
Land improvements	181,445	181,445
Buildings and improvements	8,922,110	8,920,114
Equipment	4,610,835	4,779,318
Total capital assets	13,884,215	13,851,298
Accumulated depreciation	(12,191,321)	(9,998,777)
Net Capital Assets	<u>\$ 1,692,894</u>	<u>\$ 3,852,521</u>

CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Hospital's financial activities and demonstrate the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Michael Nolan, Chief Executive Officer 613 East Worthing Road, Gonzales, LA 70051.

EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA
Gretna, Louisiana

STATEMENTS OF NET ASSETS
MARCH 31, 2004 AND 2003

<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 4,124,980	\$ 847,104
Investments	2,652,983	4,208,990
Patient accounts receivable, (net of estimated uncollectibles of \$498,187 and \$333,187, respectively)	1,075,223	1,114,942
Inventory, at lower of cost (first-in, first-out) or market	162,512	178,128
Estimated third-party payor settlements	-	218,978
Other current assets	71,184	111,186
Total current assets	<u>7,886,882</u>	<u>6,707,328</u>
<u>ASSETS LIMITED AS TO USE</u>		
Internally designated	<u>3,814,664</u>	<u>615,812</u>
<u>PROPERTY AND EQUIPMENT - net</u>		
	<u>3,492,804</u>	<u>3,834,516</u>
Total assets	<u>\$ 14,994,350</u>	<u>\$ 11,230,892</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 145,215	\$ 374,319
Accrued expenses	434,827	447,831
Estimated third-party payor settlements	4,304,783	-
Total current liabilities	<u>4,884,825</u>	<u>822,150</u>
<u>NET ASSETS</u>		
Unrestricted	<u>9,791,244</u>	<u>10,408,742</u>
Total liabilities and net assets	<u>\$ 14,190,899</u>	<u>\$ 11,230,892</u>

The accompanying notes are an integral part of these statements.



EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA
Covington, Louisiana

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDING MARCH 31, 1994 AND 1993

	<u>1994</u>	<u>1993</u>
<u>REVENUE</u>		
Net patient service revenue	\$ 8,240,804	\$ 18,338,153
Other revenue	60,465	52,073
Total revenue	<u>8,301,269</u>	<u>18,390,226</u>
<u>EXPENSES</u>		
Salaries	4,134,864	4,448,976
Employee benefits	794,036	832,609
Rent/leases	281,129	488,827
Medical and other supplies	1,056,822	1,318,745
Purchased auxiliary	381,821	625,475
Contract fees	744,889	822,000
Professional fees	68,540	52,859
Physician fees	658,552	773,241
Provision for uncollectible accounts	4,211	8,204
Travel	78,988	60,838
Insurance	187,443	177,859
Utilities	458,148	466,848
Repairs	348,542	411,839
Other	88,492	123,907
Depreciation expense	414,518	387,852
Total expenses	<u>9,574,771</u>	<u>18,982,860</u>
<u>OPERATING LOSS</u>	<u>(1,273,502)</u>	<u>(174,634)</u>
<u>NONOPERATING INCOME (EXPENSE)</u>		
Income on investments limited as to use		
By agreements with third-party payors for funded depreciation	368,932	214,684
Under bond agreements - tax revenues	159	13
Other investment income	6,445	148,387
Interest expense	-	-
Loss on disposition of assets	-	(543)
Total nonoperating income	<u>375,536</u>	<u>363,021</u>
Increase (decrease) in net assets	(1,117,466)	89,795
<u>NET ASSETS</u>		
Balance, beginning of year	<u>10,468,712</u>	<u>18,318,917</u>
Balance, end of year	<u>\$ 9,291,246</u>	<u>\$ 18,408,712</u>

The accompanying notes are an integral part of these statements.



EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA
Covington, Louisiana

STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2004 AND 2003

	2004	2003
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
<u>ADMISSIONS</u>		
Cash received from patients and other third-party payors	\$ 12,844,173	\$ 9,295,078
Cash paid to employees and suppliers	(9,317,378)	(10,047,914)
Other receipts from operations	68,462	12,071
Net cash provided by operating activities and gains	3,595,257	(740,765)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(71,817)	(810,490)
Purchases of investments	1,112,854	(1,814,749)
Net change in assets whose use is limited	(1,155,812)	1,454,255
Interest received on investments	286,811	284,408
Net cash used in investing activities	(581,063)	1,817,424
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	3,014,194	917,659
<u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u>	847,516	514,856
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	\$ 4,024,980	\$ 847,516

The accompanying notes are an integral part of these statements.

EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA
Covington, Louisiana

STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
<u>RECONCILIATION OF REVENUE AND GAINS IN EXCESS</u>		
<u>DEFICIT OF EXPENSES PROVIDED BY OPERATING</u>		
<u>ACTIVITIES AND GAINS</u>		
Loss from operations	\$ (1,251,204)	\$ (274,664)
Adjustments to reconcile revenue and gains in excess (deficit)		
of expenses to net cash used in operating activities		
and gains:		
Depreciation	484,528	347,882
Provision for uncollectible accounts	4,211	8,184
Changes in operating assets and liabilities:		
Patient accounts in receivables	77,588	(32,528)
Estimated third-party payer settlements	4,125,761	(1,611,355)
Inventory	54,018	4,887
Other current assets	(8,454)	(4,995)
Accounts payable	(268,084)	158,798
Accounts receivable payable	(28,223)	65,272
	<u>\$ 3,187,668</u>	<u>\$ (768,767)</u>
Net cash used in operating activities and gains		

The accompanying notes are an integral part of these statements.

EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA

Louisiana, Louisiana

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

East Ascension Parish Hospital Service District, d/b/a Ascension Hospital (the Hospital) is a not-for-profit acute care 34 bed hospital with emphasis on being a long-term care hospital. The Hospital was approved by the Ascension Parish Police Jury, and is a political subdivision organized under the State of Louisiana laws. The Hospital has a Board of Commissioners who are appointed by the Parish Council, formerly known as the Police Jury.

Basis of Presentation

The accounting policies of the Hospital conform to accounting principles generally accepted in the United States of America as applicable to governments. The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses, including depreciation, are recorded when a liability is incurred, regardless of the timing of related cash flows.

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 26, *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.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The financial statements include a Management Discussion and Analysis (MD&A) section providing an analysis of the Hospital's overall financial position and results of operations.

Reporting Entity

As the governing authority of the parish, for reporting purposes, the Ascension Parish Council is the financial reporting entity for Ascension Parish. The financial reporting entity consists of (a) the primary government (council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.



EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA

Capitola, Louisiana

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reporting Entity (continued)

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Ascension Parish Council for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the council to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the council.
2. Organizations for which the council does not appoint a voting majority, but are financially dependent on the council.
3. Organizations for which the reporting entity financial statements would be misleading if those of the organization is not included because of the nature or significance of the relationship.

Because the council appoints all members to the Hospital's Board of Commissioners, the Hospital was determined to be a component unit of the Ascension Parish Council, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Hospital and do not present information on the council, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

Measurement Focus, Basis of Accounting

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Hospital gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.



EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA
Gretna, Louisiana

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Patient Accounts Receivable

Patient accounts receivable are reported at their outstanding unpaid balance adjusted for any write-offs and the allowance for doubtful accounts. Interest income is not accrued on any unpaid balances.

Accounts are considered past due at the time that the balance is 30 days delinquent. Accounts are written off when no payment has been received on the account for 120 days.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for doubtful accounts charged to earnings. Losses are charged against the allowance when management believes the uncollectibility of an account is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for doubtful accounts is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the accounts in light of historical experience, the nature and volume of the accounts, and the agreements with the respective third-party payors.

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. Payment arrangements include prospectively determined rates per discharge, retrofunded cost, discounted charges, and per diem payments.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered, and adjusted in future periods as final settlements are determined.

Investments and Investment Income

Investments are measured at fair value in the balance sheet. Fair value was determined using quoted market prices. Investment income includes interest earned, realized gains and losses and unrealized gains and losses. Investment income is reported as nonoperating income.

Statement of Revenues and Expenses of General Fund

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenues and expenses. Peripheral or incidental transactions are reported as nonoperating income.



EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA
Covington, Louisiana

NOTES TO FINANCIAL STATEMENTS

Assets Limited as to Use

Assets limited as to use may include assets set aside by the Board of Commissioners for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes and assets set aside in accordance with agreements with third-party payors.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Property and equipment donated for hospital operations are recorded at fair value at the date of receipt and are included as a transfer to the general fund balance when the assets are placed in service.

Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. The buildings and improvements are being depreciated over 10 to 40 years, land improvements over 20 years, and equipment over 5 to 20 years. Maintenance and repairs are charged to expense, and improvements are capitalized. Gains and losses from sales or retirements are recognized in the period of disposition.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less, excluding amounts whose use is limited by board designation, other arrangements under trust agreements, or with third-party payors.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Risk Management

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; access and contamination; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits.

The Hospital is a member of a separate trust fund established by the Louisiana Hospital Association that encompasses self-insurance of statutory workers' compensation. The Hospital continues to carry commercial insurance for all other risks of loss. The management of the trust fund for statutory workers' compensation has complete control over the rate setting process.

EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA
Monroe, Louisiana

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Risk Management (continued)

The Hospital is self-insured for employee medical benefits. The uninsured annual risk retention per covered employee is \$33,000. The Hospital has purchased commercial insurance, subject to a lifetime maximum benefit per covered employee of \$5,000,000 for claims in excess of \$33,000. The Hospital's coverage includes an stop-loss provision that limits its liability for a plan year. Amounts payable to the plan are based on estimates of the amount necessary to pay prior and current-year claims. A liability for claims is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount is reasonably estimable. The amount of that liability at March 31, 2004 and 2003 is \$24,860.

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.

2. CASH AND CASH EQUIVALENTS

Under state law, the Hospital may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. The Hospital had cash and cash equivalents (bank balances) totaling \$4,124,990 and \$247,114 at March 31, 2004 and 2003, respectively.

These deposits are stated at cost, which approximates market value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance and/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. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually agreeable to both parties.

At March 31, 2004, the Hospital had \$1,039,103 in deposits (collateral bank balances). These deposits were fully secured from risk by \$100,000 of federal deposit insurance and \$8,189,124 of pledged securities held by the custodial bank, in the name of the Hospital (GAAP Category 2).



EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA
Covington, Louisiana

NOTES TO FINANCIAL STATEMENTS

2. CASH AND CASH EQUIVALENTS (continued)

Included in cash and cash equivalents on the balance sheet at March 31, 2004 and 2003, are the following:

	2004	2003
Cash on hand	\$ 440	\$ 448
Demand deposits	4,324,860	897,878
	\$ 4,324,900	\$ 897,318

3. INVESTMENTS

The Hospital may invest in bonds, debentures, and other investments which are fully guaranteed by the United States government.

At March 31, 2004, the investments of the Hospital consisted of US government securities. The securities are held by the broker-dealer but not in the name of the Hospital (GAAP Category 3).

Investment income at March 31, 2004 consists of the following:

	3/31/04	3/31/03
Interest Income	\$ 180,118	\$ 259,378
Unrealized Gains/Losses	(54,384)	100,648
	\$ 125,734	\$ 359,026

4. 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. Due to uncertainties in the settlement process with third-party payors, however, it is at least reasonably possible that management's estimate of the outcome will change during the next year. That amount cannot be estimated. A summary of the payment arrangements with major third-party payors follows:



EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA
Gretna, Louisiana

NOTES TO FINANCIAL STATEMENTS

4. NET PATIENT SERVICE REVENUES (continued)

Medicare

The Hospital is exempt from the Prospective Payments System, which is based on clinical, diagnostic, and other factors. As such, inpatient services rendered to Medicare program beneficiaries are reimbursed under a cost reimbursement methodology subject to a TEFLA limitation. The reimbursement is the lower of either a set rate per discharge along with additional payments for capital/gross through costs and approved adjustments for length of stay variations. Most hospital outpatient services are reimbursed on a cost basis subject to a lower of cost or charge limitation. Exceptions to this are Laboratory, Radiology and Ambulatory Surgical Services which are reimbursed on a fixed fee schedule or a blend of cost and fixed fee schedule. The Hospital is reimbursed at a blended rate with final settlement determined after submission of annual cost reports by the Hospital and audit thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through March 31, 1998, as the date of this report.

Medicaid

The Hospital is reimbursed for inpatient services to Medicaid beneficiaries on a Prospective Payment System. Outpatient services to Medicaid beneficiaries are reimbursed on a cost basis, subject to a lower of cost or charge limitation, except for Laboratory and outpatient surgery which are reimbursed according to a fee schedule. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through March 31, 1998 as the date of this report.

Other

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.



EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA

Covington, Louisiana

NOTES TO FINANCIAL STATEMENTS

3. ASSETS LIMITED AS TO USE

Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets. The composition of assets limited as to use at March 31, 2004 and 2003, is set forth in the following table. Investments are stated at cost which approximates market value.

	2004	2003
Internally designated		
Cash and cash equivalents	\$ 22,734	\$ 3
Certificates of deposit	1,711,810	653,049
	<u>\$ 2,833,844</u>	<u>\$ 653,052</u>

6. PROPERTY AND EQUIPMENT

A summary of property and equipment at March 31, 2004 and 2003, follows:

	2004	2003
Land	\$ 70,000	\$ 70,000
Land improvements	181,448	181,448
Buildings and improvements	8,923,133	8,850,314
Equipment	4,410,836	4,339,338
	<u>13,585,217</u>	<u>13,441,099</u>
Less accumulated depreciation	18,011,341	16,198,173
Property and equipment - net	<u>\$ 5,573,876</u>	<u>\$ 7,242,926</u>

Depreciation expense for the years ended March 31, 2004 and 2003 amounted to \$414,318 and \$387,883, respectively.

7. CONCENTRATIONS OF CREDIT RISK

The main campus of the Hospital is located in Covington, with an additional unit located in Baton Rouge, Louisiana. The Hospital grants credit without personal collateral to its patients, most of whom are Louisiana residents. Revenue from patients and third-party payers were as follows:

	2004	2003
Medicare	94.0%	87.3%
Medicaid	0.0%	1.4%
Commercial insurance	1.0%	2.3%
Private Pay	0.0%	8.4%
	<u>100.0%</u>	<u>100.0%</u>



EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA
Covington, Louisiana

NOTES TO FINANCIAL STATEMENTS

8. COMMITMENTS

Leases that do not meet criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred.

The following is a schedule by year of future minimum lease payments under these arrangements as of March 31, 2004, that have initial or remaining terms in excess of one year.

Year Ending March 31	Minimum Payments
2005	\$ 286,897
2006	73,780
2007	16,128
	<hr/>
	\$ 376,805

On December 31, 2003 the Hospital was released from all lease obligations for a CT scanner and ultrasound equipment. The scanner was sold to another Hospital entity at selling price of \$58,500. Upon receipt of the money, the Hospital was also released from its obligation to Hibernia for all CD pledges and payments. The Hibernia CD was not renewed.

9. MANAGEMENT AGREEMENT

The Hospital is managed by a consulting firm under an agreement commencing on April 1, 2003 and terminating on March 31, 2004. The management fees for the year ended March 31, 2003 and 2004 are \$744,000 and \$822,000, respectively.



EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA
Covington, Louisiana

NOTES TO FINANCIAL STATEMENTS

11. SUBSEQUENT EVENT

In August 2002, the Centers for Medicare and Medicaid Services ("CMS") published final regulations establishing a prospective payment system for Medicare payments of long-term acute care hospitals ("LTACH-PPS"). The rule was revised in June 2003. The new LTACH-PPS will replace the reasonable cost-based payment system that is currently in effect. Under the LTACH-PPS, each discharged patient will be assigned to a distinct long-term care diagnosis-related group ("LTC-DRG"), and a long-term acute care hospital will generally be paid a pre-determined fixed amount applicable to the assigned LTC-DRG (adjusted for area wage differences). As required by Congress, payments to long-term acute care hospitals will be reduced by a percentage to maintain budget neutrality during the phase in period.

LTACH-PPS is being phased in over a five-year transition period, during which a long-term acute care hospital has the option to transition into the new system. A transitioning hospital's payment for each Medicare patient will be a blended amount consisting of set percentages of the LTC-DRG payment rate and the hospital's reasonable cost-based reimbursement. The LTC-DRG payment is 20% for a hospital's cost reporting period beginning on or after October 1, 2002, and will increase by 20% for each cost reporting period thereafter until the hospital's cost reporting period beginning on or after October 1, 2006, when the hospital will be paid solely on the basis of LTC-DRG payments. A long-term acute care hospital may elect to be paid solely on the basis of LTC-DRG payments (and not be subject to the transition periods) at the start of any of its cost reporting periods during the transition period. Ascension Hospital will transition into the new payment system at 20% of LTC-DRG and 80% of reasonable costs during the fiscal year starting April 1, 2003.

The LTACH-PPS regulations refined the criteria that must be met in order for a hospital to be classified as a long-term acute care hospital that is exempt from the prospective payment system applicable to short-term acute care hospitals. For cost reporting periods beginning on or after October 1, 2004, a long-term acute care hospital must have an average inpatient length of stay for Medicare patients (including both Medicare covered and non-covered days) of greater than 21 days. Previously, average lengths of stay were measured with respect to all patients.





Paschebentz & Nottarville

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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
East Assessor Parish Hospital Service District
of Assessor Parish, Louisiana
Greensboro, Louisiana

We have audited the financial statements of the East Assessor Parish Hospital Service District of Assessor Parish, Louisiana, component unit of the Assessor Parish Council, as of and for the years ended March 31, 2004 and 2003, and have issued our report thereon dated September 23, 2004. We conducted our audits 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 Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these 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'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 Commissioners and management. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 24:113, this report is distributed by the Legislative Auditor as a public document.

Denham Springs, Louisiana
September 23, 2004

Paschebentz & Nottarville

EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA
Gretna, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MARCH 31, 2004

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion of the financial statements of East Ascension Parish Hospital Service District.
2. No reportable conditions relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of East Ascension Parish Hospital Service District are reported in Part B of this Schedule.

B. FINDINGS-FINANCIAL STATEMENT AUDIT

None

EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA

Covington, Louisiana

SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
YEAR ENDED MARCH 31, 2001

A. FINDINGS-FINANCIAL STATEMENT AUDIT

None

B. COMPLIANCE WITH STATE LAWS AND REGULATIONS

None