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## *Financial Report*

# *St. Anne General Hospital*

*September 30, 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 \_\_\_\_\_

**MAR 24 1999**

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September 30, 1998 and 1997

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**FINANCIAL SECTION**



Bourgeois Bennett

## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners,  
Hospital Service District No. 2,  
Lafourche Parish, Louisiana.

We have audited the accompanying balance sheets of St. Anne General Hospital (Hospital Service District No. 2 of the Parish of Lafourche, State of Louisiana), a component unit of the Lafourche Parish Council, as of September 30, 1998 and 1997, and the related statements of operations, changes in fund balances, and cash flows for the years then ended. 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.

Except as discussed in the following paragraph, 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 audits 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.

Governmental Accounting Standards Board Technical Bulletin 98-1, Disclosures about Year 2000 Issues, requires disclosure of certain matters regarding the year 2000 issue. St. Anne General Hospital has included such disclosures in Note 12. 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. Accordingly, insufficient audit evidence exists to support St. Anne General Hospital's disclosures with respect to the year 2000 issue made in Note 12. Further, we do not provide assurance that St. Anne General Hospital is or will be year 2000 ready, that St. Anne General Hospital's year 2000 remediation efforts will be successful in whole or in part, or that parties with which St. Anne General Hospital does business will be year 2000 ready.

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In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the general purpose financial statements referred above present fairly, in all material respects, the financial position of St. Anne General Hospital as of September 30, 1998 and 1997, and the results of its operations, changes in its fund balances, and its 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 December 5, 1998, on our consideration of St. Anne General Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts.

Our audits were performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information contained in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audits 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.

*Bougeois Bennett, L.L.C.*

Certified Public Accountants.

New Orleans, La.,  
December 5, 1998.

## BALANCE SHEETS

### St. Anne General Hospital

September 30, 1998 and 1997

#### ASSETS

	<u>1998</u>	<u>1997</u>
<b>Current</b>		
Cash and cash equivalents	\$ 1,142,043	\$ 1,434,638
Receivables, net of estimated uncollectibles and allowances (1998 - \$4,694,005; 1997 - \$4,156,223)	3,618,478	3,800,714
Assets whose use is limited and required for current debt service	100,000	90,000
Estimated third-party payor settlements - Medicare and Medicaid	-	65,296
Inventories	485,789	482,118
Prepaid expenses	85,081	60,033
Other	19,451	4,454
<b>Total current assets</b>	<u>5,450,842</u>	<u>5,937,253</u>
<b>Assets Whose Use Is Limited</b>		
Board-Designated Plant, Equipment and Expansion Fund	5,601,037	4,385,612
Debt Service Fund	268,723	238,828
Unamortized bond issue costs	2,150	2,777
	<u>5,871,910</u>	<u>4,627,217</u>
Less assets whose use is limited and required for current debt service	<u>(100,000)</u>	<u>(90,000)</u>
<b>Total assets whose use is limited</b>	<u>5,771,910</u>	<u>4,537,217</u>
<b>Property and Equipment</b>		
Construction in progress	446,302	18,347
Land and improvements	100,215	100,215
Buildings	7,997,699	8,033,139
Equipment	7,370,621	6,836,750
Capital lease equipment	788,638	645,474
	<u>16,703,475</u>	<u>15,633,925</u>
Less accumulated depreciation	<u>(11,751,449)</u>	<u>(11,005,890)</u>
<b>Net book value</b>	<u>4,952,026</u>	<u>4,628,035</u>
<b>Other</b>		
Investment in Bayou Labs, L.L.C.	<u>310,000</u>	<u>-</u>
<b>Total assets</b>	<u>\$ 16,484,778</u>	<u>\$ 15,102,505</u>

See notes to financial statements.

**LIABILITIES AND FUND BALANCES**

	<u>1998</u>	<u>1997</u>
<b>Current</b>		
Current maturities of bonds payable from assets whose use is limited	\$ 100,000	\$ 90,000
Current maturities of capital lease obligations	139,748	135,709
Accounts payable	660,868	364,140
Accrued expenses	557,691	623,923
Estimated third-party payor settlements - Medicare and Medicaid	<u>355,564</u>	<u>40,944</u>
Total current liabilities	<u>1,813,871</u>	<u>1,254,716</u>
 <b>Long-Term Debt</b> , net of current maturities		
Bonds payable	335,000	435,000
Capital lease obligations	<u>300,986</u>	<u>133,273</u>
Total long-term debt	<u>635,986</u>	<u>568,273</u>
 <b>Commitments and Contingencies</b> (Notes 10, 11 and 12)	 <u>-</u>	 <u>-</u>
Total liabilities	<u>2,449,857</u>	<u>1,822,989</u>
 <b>Fund Balances</b>		
Operating	7,430,412	7,044,501
Board - Designated Plant, Equipment and Expansion Fund	6,335,788	6,009,173
Designated for debt retirement - 1977 Sinking Fund	<u>268,721</u>	<u>225,842</u>
Total fund balances	<u>14,034,921</u>	<u>13,279,516</u>
Total liabilities and fund balances	<u>\$ 16,484,778</u>	<u>\$ 15,102,505</u>

**STATEMENTS OF OPERATIONS****St. Anne General Hospital**

For the years ended September 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
<b>Revenues</b>		
Net patient service revenues	\$ 17,685,594	\$ 17,505,862
Other operating revenues	<u>263,371</u>	<u>281,650</u>
Total revenues	<u>17,948,965</u>	<u>17,787,512</u>
<b>Expenses</b>		
Salaries and wages	7,240,943	6,367,953
Professional services	3,282,673	3,479,479
Supplies and other expenses	4,887,444	4,645,061
Interest	22,455	30,496
Provision for bad debts	1,487,601	1,705,796
Provision for depreciation	<u>810,424</u>	<u>733,276</u>
Total expenses	<u>17,731,540</u>	<u>16,962,061</u>
Operating income	<u>217,425</u>	<u>825,451</u>
<b>Nonoperating Income (Expense)</b>		
Income on investments whose use is limited:		
By Board for capital improvements	257,879	192,538
Debt service	12,022	10,566
Gain on disposition of assets	1,191	880
Other investment income	54,686	49,721
Tax proceeds for maintenance and operations	89,344	91,560
Taxes dedicated for debt service	146,604	139,751
Bond interest and agent fees	(25,746)	(30,685)
Unrestricted gifts	<u>2,000</u>	<u>2,000</u>
Nonoperating income, net	<u>537,980</u>	<u>456,331</u>
<b>Excess Of Revenues Over Expenses</b>	<u>\$ 755,405</u>	<u>\$ 1,281,782</u>

See notes to financial statements.

STATEMENTS OF CHANGES IN FUND BALANCES

## St. Anne General Hospital

For the years ended September 30, 1998 and 1997

	Operating Fund	Board - Designated Plant Equipment And Expansion Fund	Designated For Debt Retirement - 1977 Sinking Fund	Totals
<b>Balances, September 30, 1996</b>	\$ 6,045,272	\$ 5,761,251	\$ 191,211	\$ 11,997,734
Excess of revenues over expenses for the year ended September 30, 1997	999,229	162,922	119,631	1,281,782
Retirement of bonds	-	85,000	(85,000)	-
<b>Balances, September 30, 1997</b>	7,044,501	6,009,173	225,842	13,279,516
Excess of revenues over expenses for the year ended September 30, 1998	385,911	236,615	132,879	755,405
Retirement of bonds	-	90,000	(90,000)	-
<b>Balances, September 30, 1998</b>	<u>\$ 7,430,412</u>	<u>\$ 6,335,788</u>	<u>\$ 268,721</u>	<u>\$ 14,034,921</u>

See notes to financial statements.

**STATEMENTS OF CASH FLOWS****St. Anne General Hospital**

For the years ended September 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
<b>Cash Flows From Operating Activities</b>		
Operating income	\$ 217,425	\$ 825,451
Interest expense considered capital financing	22,455	30,496
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	810,424	733,276
Bond issue cost amortization	627	628
Decrease (increase) in assets:		
Net receivables	182,236	459,682
Estimated third-party payor settlements	65,296	88,370
Inventories	(3,671)	5,481
Prepaid expenses	(25,048)	1,115
Other current assets	(14,997)	67,234
Increase (decrease) in liabilities:		
Accounts payable	296,728	(94,936)
Accrued expenses	(66,232)	(60,842)
Estimated third-party payor settlements	314,620	(408,237)
Net cash provided by operating activities	<u>1,799,863</u>	<u>1,647,718</u>
<b>Cash Flows From Noncapital Financing Activities</b>		
Ad valorem taxes	235,948	231,311
Other	2,000	2,000
Net cash provided by noncapital financing activities	<u>237,948</u>	<u>233,311</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Principal payments of bonds and notes payable	(90,000)	(85,000)
Principal payments under capital lease obligations	(145,512)	(169,114)
Purchase of property and equipment	(817,777)	(516,535)
Interest paid on long-term debt	(48,201)	(61,181)
Proceeds on disposition of asset	1,191	880
Net cash used in capital and related financing activities	<u>(1,100,299)</u>	<u>(830,950)</u>

**Exhibit D  
(Continued)**

	<u>1998</u>	<u>1997</u>
<b>Cash Flows From Investing Activities</b>		
Investment in Bayou Labs, L.L.C.	(310,000)	-
Interest on investments	324,586	252,825
Increase in assets whose use is limited	<u>(1,244,693)</u>	<u>(496,711)</u>
Net cash used in investing activities	<u>(1,230,107)</u>	<u>(243,886)</u>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	(292,595)	806,193
<b>Cash and Cash Equivalents</b>		
Beginning of year	<u>1,434,638</u>	<u>628,445</u>
End of year	<u>\$ 1,142,043</u>	<u>\$ 1,434,638</u>
<b>Supplemental Schedule of Non-Cash Capital and Related Financing Activities</b>		
Acquisition of equipment through capital leases	<u>\$ 317,264</u>	<u>\$ -</u>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**St. Anne General Hospital**

September 30, 1998 and 1997

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Reporting Entity**

The Hospital is owned and operated by Hospital Service District No. 2 of the Parish of Lafourche, State of Louisiana (a nonprofit corporation organized by the Lafourche Parish Council). The Lafourche Parish Council appoints members to the Hospital Board of Commissioners, which in turn exercises control over all administrative functions with respect to the operation of the Hospital.

Based on the significant control that the Lafourche Parish Council (the Parish) possesses, the Hospital is deemed to be a component unit of the Parish. The accompanying component unit financial statements present information only as to the transactions of the Hospital and do not present information on the Parish Council, or the other governmental units that comprise the primary government reporting entity.

**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.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**d) Accounting Standards**

Pursuant to Governmental 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.

**e) Board-Designated Fund**

The Hospital accounts for its plant and equipment, related debt, and funds designated by the Board for future expansion in a separate fund, entitled The St. Anne General Hospital Plant, Equipment and Expansion Fund.

**f) Revenue**

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.

On April 1, 1992, the Hospital entered into an agreement with a not-for-profit corporation to establish and operate a Behavioral Health Unit at the Hospital. The agreement is for a term of four years with successive one year renewal options, however it can be terminated within 90 days if the Unit is not profitable. Under the agreement, the Hospital makes available a minimum number of beds in a separate wing, and provides billing, collection and other services for the Unit. The not-for-profit corporation pays all costs of staffing the Unit and provides related clinical and other administrative services. The Hospital charges the patients for the psychiatric services rendered and pays a fixed fee per reimbursed patient day to the not-for-profit corporation.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**g) Charity Care**

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

**h) Inventories**

Inventories are valued at the lower of cost (first-in, first-out method) or market.

**i) Property and Equipment**

The Hospital records all property and equipment acquisitions at cost. Depreciation on property and equipment is provided for on a straight-line basis over their estimated useful lives, which range from 4 to 20 years. Depreciation expense includes amortization of capital lease equipment totaling \$115,426 and \$129,095 for the years ended September 30, 1998 and 1997, respectively. Accumulated amortization on capital lease equipment was \$380,465 and \$411,720 as of September 30, 1998 and 1997, respectively. When the related capital lease obligation is paid, the asset is reclassified from capital lease equipment to equipment.

**j) Employee Vacation Benefits**

Employee vacation benefits are accrued and expensed in the period earned by the employee.

**k) Income and Expense Classifications**

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 within the statement of operations. Peripheral or incidental transactions are reported as nonoperating revenue and expense.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**l) Property Tax Revenue**

The Hospital receives special ad valorem taxes levied on property within the territorial boundaries of the Hospital Service District, which are accounted for as nonoperating revenue on an accrual basis as of the date the taxes are levied each year. Some of these tax receipts are dedicated for interest and principal retirement of the public improvement bonds which are more fully described in Note 7. The remainder of these tax receipts are available for the maintenance and operation of the Hospital.

Interest expense payable from operating revenues of the Hospital is shown as an operating expense. Interest expense on public improvement bonds supported by tax revenues is shown as a nonoperating expense, since the tax revenues provided for payment of the interest are classified as nonoperating revenue.

**m) Cash Equivalents**

For the purpose of the statements of cash flows, cash equivalents include cash on hand and cash in banks. Short-term certificates of deposit are considered to be investments rather than cash equivalents for purposes of these financial statements.

**n) Risk Management**

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health 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.

**o) Reclassifications**

Certain items in the September 30, 1997 financial statements have been reclassified to conform to current year classifications. Such reclassifications had no effect on previously reported excess of revenue over expenses or total fund balance.

**Note 2 - CASH AND INVESTMENTS**

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States, certificates of deposit of state or national banks having their principal office in Louisiana or any other federally insured investment.

State law also requires that deposits of all political subdivisions be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision or with an unaffiliated bank or trust company for the account of the political subdivision.

During the years ended September 30, 1998 and 1997, the Hospital's investments consisted principally of certificates of deposit. Collateral pledged to secure Hospital deposits in excess of FDIC insurance included primarily U.S. Government obligations and obligations guaranteed by the U.S. Government which were held by unaffiliated banks in the Hospital's name.

**Note 3 - CHARITY CARE**

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics.

The following information measures the level of charity care provided during the years ended September 30, 1998 and 1997.

	<u>1998</u>	<u>1997</u>
Charges foregone, based on established rates	<u>\$114,449</u>	<u>\$423,470</u>
Estimated costs and expenses incurred to provide charity care	<u>\$98,000</u>	<u>\$360,000</u>
Equivalent percentage of charity care patients to all patients served	<u>0.64%</u>	<u>2.49%</u>

**Note 4 - NET PATIENT SERVICE REVENUE**

The Hospital provides medical services to government payment program beneficiaries and has agreements with other third-party payors that provide for payments at amounts different from its established rates. (For the years ended September 30, 1998 and 1997, approximately 60% and 50%, respectively, were derived from services furnished to Medicare and Medicaid program beneficiaries). Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amount from patients, third-party payors and others for services rendered.

Retroactive settlements are provided for in some of the government payment programs outlined above, based upon annual cost reports; such settlements are estimated and recorded primarily as amounts due to such programs in the financial statements. The difference between these estimates and final determination of amounts to be received based on audits by fiscal intermediaries is reported as an adjustment to net patient revenue when such determinations are made. Management believes that the effect of any such adjustments that may be made to cost reports subject to review at September 30, 1998 will not be material to the Hospital's financial position or results of operations.

The Hospital is unable to predict the future course of Federal, state and local regulation or legislation including Medicare and Medicaid statutes and regulations. Future changes could have a material adverse effect on the future financial results of the Hospital.

**Note 5 - ASSETS WHOSE USE IS LIMITED**

The following is a summary of the components of assets whose use is limited:

	<u>1998</u>	<u>1997</u>
Board-Designated Plant, Equipment and Expansion Fund (established October 1, 1975):		
Cash	\$ 24,389	\$ 15,989
Certificates of deposit	5,457,671	4,277,143
Interest receivable	118,818	89,726
Other	<u>159</u>	<u>2,754</u>
Totals	<u>\$5,601,037</u>	<u>\$4,385,612</u>

**Note 5 - ASSETS WHOSE USE IS LIMITED (Continued)**

Debt Service Fund:		
Public Improvement Bonds, Series 1977:		
Cash	\$ 10,813	\$ 18,549
Certificate of deposit	257,469	219,972
Interest receivable	<u>441</u>	<u>307</u>
Totals	<u>\$268,723</u>	<u>\$238,828</u>

**Note 6 - INVESTMENT IN LIMITED LIABILITY COMPANY**

On October 29, 1997, St. Anne General Hospital and two other hospitals (members) entered into a limited liability company operating agreement and formed Bayou Labs, L.L.C. The LLC elected to be taxed as a partnership and to operate at all times in such a way as to be classified as a cooperative hospital service organization under Section 501(c) of the Internal Revenue Code. The purpose of the LLC is to own and operate a cardiac catheterization laboratory for the exclusive use of inpatients and outpatients of the members. The laboratory which is located at St. Anne General Hospital, was placed in service in October 1998. As of September 30, 1998, St. Anne General Hospital has invested \$310,000 in the limited liability company which was used for the purchase of the catheterization equipment.

**Note 7 - LONG-TERM DEBT**

**Public Improvement Bonds** - During 1977, the Hospital Service District issued public improvement bonds totaling \$1,500,000 to finance expansion of the hospital. Interest payments and principal retirements of the bonds are funded through special ad valorem taxes levied on property within the boundaries of the Hospital Service District. The bonds are callable by the District at face amount plus accrued interest in inverse order of their maturity on any interest payment date after ten years from their date of original issuance.

**Note 7 - LONG-TERM DEBT (Continued)**

The following is a summary of bonds payable:

	1998	1997
Public Improvement Bonds, Series 1977, 4.5% to 5.6% due serially to 2002, with annual principal installments ranging from \$100,000 to \$120,000	\$ 435,000	\$525,000
Less current maturities	<u>(100,000)</u>	<u>(90,000)</u>
Net bonds payable	<u>\$ 335,000</u>	<u>\$435,000</u>

Interest expense on bonds payable for the years ended September 30, 1998 and 1997 totaled \$25,560 and \$30,460, respectively. Aggregate maturities of bonds payable at September 30, 1998 are as follows:

Year Ending <u>September 30,</u>	
1999	\$100,000
2000	105,000
2001	110,000
2002	<u>120,000</u>
Total	<u>\$435,000</u>

**Capital Lease Obligations** - The Hospital acquired equipment under the provisions of various long-term leases. For financial reporting purposes, minimum lease payments relating to the equipment have been capitalized.

**Note 7 - LONG-TERM DEBT (Continued)**

The following is a summary of capitalized lease obligations:

	<u>1998</u>	<u>1997</u>
Capitalized lease obligation, discounted at a rate of 6%, due in monthly installments of \$1,424 to June 1998	\$ -	\$ 15,203
Capitalized lease obligation, discounted at a rate of 5.64%, due in monthly installments of \$1,910 to September 1998	-	22,229
Capitalized lease obligation, discounted at a rate of 7.23%, due in monthly installments of \$2,847 to February 1999	11,218	43,303
Capitalized lease obligation, discounted at a rate of 7.98%, due in monthly installments of \$1,409 to February 2000	22,576	37,047
Capitalized lease obligation, discounted at a rate of 9.47%, due in monthly installments of \$1,138 to February 2000	17,041	28,485
Capitalized lease obligation, discounted at a rate of 7.76%, due in monthly installments of \$4,032 to July 2000	82,438	122,715
Capitalized lease obligation, discounted at a rate of 5.35%, due in monthly installments of \$3,724 to July 2003	189,948	-

Note 7 - LONG-TERM DEBT (Continued)

	<u>1998</u>	<u>1997</u>
Capitalized lease obligation, discounted at a rate of 6.51%, due in monthly installments of \$2,367 to July 2003	<u>117,513</u>	<u>-</u>
	440,734	268,982
Less current maturities	<u>(139,748)</u>	<u>(135,709)</u>
Net capitalized lease obligations	<u>\$ 300,986</u>	<u>\$ 133,273</u>

Interest expense on capital lease obligations for the years ended September 30, 1998 and 1997 totaled \$18,457 and \$27,551, respectively. The future minimum lease payments due as a result of these noncancellable capital leases together with the present value of the minimum lease payments as of September 30, 1998 are as follows:

<u>Year Ending September 30,</u>	
1999	\$163,428
2000	125,008
2001	73,092
2002	73,092
2003	<u>60,910</u>
Total minimum lease payments	495,530
Amount representing imputed interest	<u>(54,796)</u>
Present value of capital lease obligations	<u>\$440,734</u>

**Note 8 - EMPLOYEE RETIREMENT PLAN**

The Hospital has a defined contribution pension plan which covers substantially all full-time employees who choose to participate after they have met certain eligibility requirements. The Hospital contributes 7% of a participant's base hourly wage, up to a maximum of 80 hours in a two-week payroll period. Contributions are not made for overtime, differentials, or call pay earned by participants. The Hospital's contributions to the plan for the years ended September 30, 1998 and 1997 were \$309,520 and \$260,869, respectively.

**Note 9 - CONCENTRATION OF CREDIT RISK**

The Hospital grants credit for health care services rendered to patients who reside primarily in Lafourche Parish, Louisiana.

**Note 10 - COMMITMENTS**

In 1967, the Hospital received a grant of \$1,100,000 under the Federal Hill-Burton Act for construction of an addition to the Hospital building. The acceptance of this grant requires the Hospital to provide a reasonable amount of charity care to indigent patients.

The Hospital agreed with the Louisiana Hill-Burton Agency to provide charity care of \$36,910 and \$257,478 for the years ended September 30, 1998 and 1997, respectively. Management believes that the Hospital has met its obligation.

**Note 11 - CONTINGENCIES**

The Hospital carries professional liability insurance for medical malpractice losses up to \$100,000. It is a member of the Louisiana Patients' Compensation Fund, which provides coverage for any such losses in excess of \$100,000 up to the \$500,000 statutory maximum of awards for such damages in Louisiana. The Hospital is a defendant in several lawsuits. Management of the Hospital believes, however, that no probable losses have been incurred as a result of these claims, and no provision has been made in the financial statements for any liability that might be incurred from their ultimate resolution.

**Note 11 - CONTINGENCIES (Continued)**

The healthcare industry is subject to numerous laws and regulations of Federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

**Note 12 - YEAR 2000 ISSUE**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the hospital's operations as early as fiscal year 1999.

St. Anne General Hospital 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.

- The Hospital has formed a committee to address the year 2000 issue. As a result, testing has been performed on most patient related systems. Individual department managers have been charged with assessing and performing remedial activities within their departments. Also, the Hospital is a subscriber to the MDB Information Network database. Year 2000 information relating to equipment is in this database and used by the Hospital to supplement the year 2000 readiness initiative.

**Note 12 - YEAR 2000 ISSUE (Continued)**

- The Hospital pays monthly support to CPSI for the hospital information system excluding payroll and the home health computer system. A letter is on file claiming that the CPSI system is year 2000 ready. Automatic Data Processing provides payroll service to the hospital and the year 2000 upgrade has been performed. Documentation is also on file regarding Year 2000 readiness for the Lewis Computer System (home health department).

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 is or will be Year 2000 ready, that the Hospital's remediation efforts will be successful in whole or in part, or that parties with whom the Hospital does business will be year 2000 ready.

**SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS**

**NET PATIENT SERVICE REVENUES****St. Anne General Hospital**

For the years ended September 30, 1998 and 1997

	1998	1997
<b>Daily Patient Services</b>		
Ambulatory care	\$ 158,735	\$ 145,105
Behavioral Health Unit	3,849,792	4,005,819
Intensive care	261,630	298,680
Lockport clinic	579,670	83,397
Medical surgical clinic	29,450	-
Medical and Surgical Unit #3	1,088,638	1,030,117
Newborn nursery	106,415	91,095
Skilled nursing facilities	222,835	200,695
	<u>6,297,165</u>	<u>5,854,908</u>
<b>Other Nursing Services</b>		
Ambulatory surgery	673,640	616,379
Central service and supply	4,380,789	4,129,466
Delivery and labor rooms	103,250	84,925
Emergency services	1,350,818	1,181,919
Home health services	1,720,861	2,300,075
Operating room	1,288,126	1,247,588
	<u>9,517,484</u>	<u>9,560,352</u>
<b>Other Professional Services</b>		
Anesthesiology	684,305	609,158
Cardiopulmonary	2,488,385	2,377,901
Laboratory	3,520,351	3,312,025
Pharmacy	3,643,240	3,540,478
Physical therapy	85,937	82,446
Radiology	2,717,163	2,473,839
	<u>13,139,381</u>	<u>12,395,847</u>
Gross patient service revenues	<u>28,954,030</u>	<u>27,811,107</u>
<b>Allowances and Uncollectible Amounts</b>		
Administrative adjustments	(3,167,004)	(2,022,435)
Charity allowances	(114,449)	(423,470)
Medicare and Medicaid contractual allowances	(7,986,983)	(7,859,340)
	<u>(11,268,436)</u>	<u>(10,305,245)</u>
Net patient service revenues	<u>\$ 17,685,594</u>	<u>\$ 17,505,862</u>

## OPERATING EXPENSES

### St. Anne General Hospital

For the years ended September 30, 1998 and 1997

	1998			Totals
	Salaries and Wages	Professional Services	Supplies and Other Expenses	
<b>Nursing Services</b>				
Administrative office	\$ 107,663		\$ 845	\$ 108,508
Ambulatory surgery	10,370			10,370
Central services and supply	93,696		665,498	759,194
Delivery and labor room	279,311		8,739	288,050
Emergency service	419,752	\$ 664,617	8,429	1,092,798
Home health services	700,230	51,150	126,250	877,630
Intensive care	390,666		3,914	394,580
Medical and surgical	900,812	16,395	50,115	967,322
Newborn nursery	139,748		1,865	141,613
Operating room	481,653	14,400	57,436	553,489
Cath lab	12,769		9,439	22,208
Physician's office	408,259	19,770	29,014	457,043
Medical surgical clinic	71,551		14,316	85,867
Skilled nursing facilities	244,317		4,477	248,794
Specialized nursing assignment plan	13,356			13,356
	<u>4,274,153</u>	<u>766,332</u>	<u>980,337</u>	<u>\$ 6,020,822</u>
<b>Other Professional Services</b>				
Anesthesiology	213,852	34,454	2,575	\$ 250,881
Behavioral health		1,632,721	12,913	1,645,634
Cardiopulmonary	275,386		67,110	342,496
Cardiovascular			90	90
Environmental services	41,145		74	41,219
Infection control	14,115		106	14,221
Laboratory	326,805	287,866	340,525	955,196
Health information service	161,858		12,111	173,969
Pharmacy	152,876		473,318	626,194
Physical therapy		42,968	287	43,255
Radiology	245,021	90,603	122,482	458,106
	<u>1,431,058</u>	<u>2,088,612</u>	<u>1,031,591</u>	<u>\$ 4,551,261</u>

1997			
Salaries and Wages	Professional Services	Supplies and Other Expenses	Totals
\$ 101,326		\$ 1,862	\$ 103,188
13,718			13,718
100,987		607,980	708,967
269,371		8,032	277,403
354,306	\$ 660,740	6,587	1,021,633
682,293	55,502	138,448	876,243
376,946		4,038	380,984
895,625	13,184	42,794	951,603
131,079		1,045	132,124
453,975	76,800	38,971	569,746
			-
53,539	4,273	8,986	66,798
			-
233,262		2,697	235,959
6,080			6,080
<u>3,672,507</u>	<u>810,499</u>	<u>861,440</u>	<u>\$ 5,344,446</u>
204,634	12,376	2,728	\$ 219,738
	2,033,973	21,366	2,055,339
263,280		59,902	323,182
		262	262
27,273			27,273
15,984		77	16,061
318,433	287,943	308,146	914,522
138,850		9,996	148,846
146,288		461,443	607,731
	41,223		41,223
226,447	86,612	117,429	430,488
<u>1,341,189</u>	<u>2,462,127</u>	<u>981,349</u>	<u>\$ 4,784,665</u>

	1998			
	Salaries and Wages	Professional Services	Supplies and Other Expenses	Totals
<b>Administrative Services</b>				
Accreditation fees			14,231	\$ 14,231
Advertising			26,147	26,147
Collection expense			29,722	29,722
Communications			55,035	55,035
Dues and subscriptions			34,839	34,839
Employee insurance			270,952	270,952
Executive office	251,017	50,400	33,548	334,965
Insurance			298,832	298,832
Leases			40,995	40,995
Pensions			309,520	309,520
Quality management	171,547		32,313	203,860
Professional fees		263,726	58,501	322,227
Postage			42,255	42,255
Public relations			50,655	50,655
Purchasing	24,843		593	25,436
Taxes and licenses			533,101	533,101
Travel and seminars			63,708	63,708
	<u>447,407</u>	<u>314,126</u>	<u>1,894,947</u>	<u>\$ 2,656,480</u>
<b>General Services</b>				
Dietary	265,146		262,326	\$ 527,472
Housekeeping	142,762		45,349	188,111
Laundry and linen	65,854		11,169	77,023
Plant operations and maintenance	189,065	4,204	256,095	449,364
Security		109,399	401	109,800
Utilities			307,899	307,899
	<u>662,827</u>	<u>113,603</u>	<u>883,239</u>	<u>\$ 1,659,669</u>
<b>Fiscal Services</b>				
Accounting	116,479		3,263	\$ 119,742
Business office	291,425		34,324	325,749
Data processing	17,594		59,743	77,337
	<u>425,498</u>		<u>97,330</u>	<u>\$ 522,828</u>
<b>Totals</b>	<u>\$ 7,240,943</u>	<u>\$ 3,282,673</u>	<u>\$ 4,887,444</u>	

**Schedule 2  
(Continued)**

1997			
Salaries and Wages	Professional Services	Supplies and Other Expenses	Totals
		4,955	\$ 4,955
		22,542	22,542
		27,948	27,948
		52,623	52,623
		29,503	29,503
		323,565	323,565
210,386	50,400	12,134	272,920
		314,347	314,347
		31,983	31,983
		260,869	260,869
64,051		25,590	89,641
	88,253	61,049	149,302
		38,940	38,940
40,338		62,246	102,584
37,003		1,761	38,764
		486,268	486,268
		66,095	66,095
<u>351,778</u>	<u>138,653</u>	<u>1,822,418</u>	<u>\$2,312,849</u>
240,924		236,191	\$ 477,115
126,790		39,696	166,486
63,337		11,809	75,146
159,775	3,174	258,098	421,047
12,877	65,026	111	78,014
		338,483	338,483
<u>603,703</u>	<u>68,200</u>	<u>884,388</u>	<u>\$1,556,291</u>
114,800		4,057	\$ 118,857
266,404		27,571	293,975
17,572		63,838	81,410
<u>398,776</u>		<u>95,466</u>	<u>\$ 494,242</u>
<u>\$6,367,953</u>	<u>\$3,479,479</u>	<u>\$ 4,645,061</u>	



Bourgeois Bennett

**REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED  
ON AN AUDIT OF THE GENERAL PURPOSE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners of  
Hospital Service District No. 2,  
Lafourche Parish, Louisiana.

We have audited the general purpose financial statements of St. Anne General Hospital (Hospital Service District No. 2, Parish of Lafourche, State of Louisiana), a component unit of the Lafourche Parish Council, as of and for the year ended September 30, 1998, and have issued our report thereon dated December 5, 1998, which was qualified because insufficient audit evidence exists to support St. Anne General Hospital's disclosures with respect to the year 2000 issue. Except as discussed in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the Hospital's compliance with certain provisions of laws, regulations and contracts, 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's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all 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 general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we considered to be material weaknesses.

This report is intended for the information of the Board of Commissioners, management of the Hospital, the State of Louisiana, and the Legislative Auditor for the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

New Orleans, La.,  
December 5, 1998.

## SCHEDULE OF FINDINGS

### **St. Anne General Hospital**

For the year ended September 30, 1998

#### **Section I - Summary of Auditor's Report**

##### a) Financial Statements

Type of auditor's report issued: qualified (Year 2000 Issue)

Internal control over financial reporting:

- Material weakness(es) identified?                     yes     no
- Reportable condition(s) identified that are  
not considered to be material weakness                     yes     none reported

Noncompliance material to financial statements noted?     yes     no

##### b) Federal Awards

For the year ended September 30, 1998, St. Anne General Hospital was not subject to OMB Circular A-133, Audits of States, Local Government and Non-Profit Organizations.

#### **Section II - Financial Statement Findings**

There were no financial statement findings required to be reported for the year ended September 30, 1998.

#### **Section III - Federal Award Findings and Questioned Costs**

Not applicable.

**REPORTS BY MANAGEMENT**

**SCHEDULE OF PRIOR YEAR FINDINGS**

**St. Anne General Hospital**

For the year ended September 30, 1998

**Section I - Internal Control and Compliance Material to the Financial Statements**

For the year ended September 30, 1997 there were no internal control or compliance issues reported or noted.

**Section II - Internal Control and Compliance Material to Federal Awards**

For the year ended September 30, 1997, St. Anne General Hospital was not subject to OMB Circular A-133, Audits of States, Local Government and Non-Profit Organizations.

**Section III - Management Letter**

Not applicable.

## **MANAGEMENT'S CORRECTIVE ACTION PLAN**

### **St. Anne General Hospital**

For the year ended September 30, 1998

#### **Section I - Internal Control and Compliance Material to the Financial Statements**

For the year ended September 30, 1998 there were no internal control or compliance issues reported or noted.

#### **Section II - Internal Control and Compliance Material to Federal Awards**

For the year ended September 30, 1998, St. Anne General Hospital was not subject to OMB Circular A-133, Audits of State, Local Government and Non-Profit Organizations.

#### **Section III - Management Letter**

Not applicable.