

HOSPITAL SERVICE DISTRICT NO. 1

Parish of Vermilion
State of Louisiana
Kaplan, Louisiana

Financial Report

Years Ended September 30, 2003 and 2002

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Hospital Service District No. 1
Parish of Vermilion, State of Louisiana
Kaplan, Louisiana

We have audited the accompanying general purpose financial statements of the Hospital Service District No. 1, Parish of Vermilion, State of Louisiana, a component unit of the Vermilion Parish Police Jury, as of and for the years ended September 30, 2003 and 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

We conducted our audits in accordance with 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 audits to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Hospital Service District No. 1, Parish of Vermilion, State of Louisiana, as of September 30, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Member of:
American Institute of
Certified Public Accountants

Society of Louisiana
Certified Public Accountants

In accordance with *Government Auditing Standards*, we have also issued a report dated December 9, 2002, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, grants and contracts.

Darnall, Sikes & Frederick

A Corporation of Certified Public Accountants

Eunice, Louisiana
December 9, 2003

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Balance Sheets
September 30, 2003 and 2002

ASSETS

	2003	2002
CURRENT ASSETS		
Cash	\$ 634,025	\$ 284,445
Certificates of deposit	3,500,000	2,500,000
Accounts receivable - patients, net	1,576,144	1,607,259
Sales tax receivable	139,224	156,290
Other receivables	40,598	48,524
Estimated third-party payor settlements	63,909	162,409
Inventory	207,129	201,513
Accrued interest receivable	32,755	20,715
Prepaid expenses	33,404	65,399
Total current assets	6,227,188	5,046,554
ASSETS WHOSE USE IS LIMITED BY THE BOARD FOR CAPITAL IMPROVEMENTS		
Cash	292,943	367,246
Certificates of deposit	757,900	557,650
	1,050,843	924,896
PROPERTY, PLANT, AND EQUIPMENT		
Land	58,893	70,203
Depreciable assets	4,936,359	4,806,367
	4,995,252	4,876,570
Less accumulated depreciation	3,611,033	3,551,181
	1,384,219	1,325,389
TOTAL ASSETS	\$ 8,662,250	\$ 7,296,839

LIABILITIES AND FUND BALANCE

	2003	2002
CURRENT LIABILITIES		
Accounts payable	\$ 427,154	\$ 445,975
Current portion of obligation under capital lease	-	3,558
Accrued wages payable	55,550	48,663
Accrued vacation payable	35,216	42,869
Other payables	101	6,070
Estimated third-party payor settlements	372,084	230,982
Total current liabilities	890,105	778,117
FUND BALANCE	7,772,145	6,518,722
TOTAL LIABILITIES AND FUND BALANCE	\$ 8,662,250	\$ 7,296,839

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Statements of Income
Years Ended September 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
OPERATING REVENUE		
Net patient service revenue	\$ 7,545,078	\$ 7,746,916
Other revenue	<u>993,079</u>	<u>1,020,687</u>
	<u>8,538,157</u>	<u>8,767,603</u>
OPERATING EXPENSES		
Professional	5,534,640	5,302,000
General and administrative	1,927,697	1,713,397
Depreciation	211,467	201,679
Provision for bad debts	<u>931,190</u>	<u>972,770</u>
	<u>8,604,994</u>	<u>8,189,846</u>
INCOME (LOSS) FROM OPERATIONS	(66,837)	577,757
NONOPERATING INCOME	<u>1,320,260</u>	<u>1,271,739</u>
NET INCOME	<u>\$ 1,253,423</u>	<u>\$ 1,849,496</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Statements of Changes in Fund Balance
Years Ended September 30, 2003 and 2002

	<u>Donated Capital</u>	<u>Operating Fund</u>	<u>Total</u>
FUND BALANCE, September 30, 2001	69,482	4,599,744	4,669,226
Net income	<u>-</u>	<u>1,849,496</u>	<u>1,849,496</u>
FUND BALANCE, September 30, 2002	69,482	6,449,240	6,518,722
Net income	<u>-</u>	<u>1,253,423</u>	<u>1,253,423</u>
FUND BALANCE, September 30, 2003	<u>\$ 69,482</u>	<u>\$ 7,702,663</u>	<u>\$ 7,772,145</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Statements of Cash Flows
Years Ended September 30, 2003 and 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,253,423	\$ 1,849,496
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	211,467	201,679
Gain on sale of equipment	(15,905)	(25,790)
Change in assets and liabilities:		
Accounts receivable - patients	31,115	(335,948)
Estimated third party payor settlements	239,602	149,839
Other receivables	24,992	(32,214)
Inventories	(5,616)	(41,745)
Accrued interest receivable	(12,040)	(9,563)
Prepaid expenses	31,995	(10,057)
Accounts payable	(18,821)	(23,489)
Other payables and accrued expenses	(6,735)	4,125
Net cash provided by operating activities	1,733,477	1,726,333
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(281,642)	(132,878)
Proceeds from sale of equipment	27,250	50,000
Purchase of certificates of deposit	(1,000,000)	(1,300,000)
Net transfer to restricted funds	(125,947)	(317,614)
Net cash used by investing activities	(1,380,339)	(1,700,492)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on bond payable	-	(150,000)
Payments on capital lease obligation	(3,558)	(4,833)
Net cash used by financing activities	(3,558)	(154,833)
NET CHANGE IN CASH AND CASH EQUIVALENTS	349,580	(128,992)
CASH AND CASH EQUIVALENTS, beginning of year	284,445	413,437
CASH AND CASH EQUIVALENTS, end of year	\$ 634,025	\$ 284,445
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 162	\$ 4,497

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Hospital Service District No. 1 (referred to as the "Hospital") is a component unit of the Vermilion Parish Police Jury, the governing body of the parish and the government body with oversight authority.

Nature of Business

The Hospital provides a variety of healthcare services including: 1) in-patient services such as acute, psychiatric and skilled nursing; 2) out-patient services such as diagnostic and therapeutic ancillaries, emergency room, and physician specialty clinics; and 3) other services.

Method of Accounting

The Hospital utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual method. The Hospital accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the *Louisiana Governmental Audit Guide*, and the *Audit and Accounting Guide – Health Care Organizations*, published by the American Institute of Certified Public Accountants, and standards established by the Governmental Accounting Standards Board (GASB), which is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Accounts Receivable

The Hospital uses the allowance method to account for uncollectible accounts receivable.

Inventory

Inventory is stated at the lower of cost or market, with cost determined by the first-in, first-out, (FIFO) method.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Hospital considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant, and Equipment

Purchased fixed assets are stated at cost and donated fixed assets are stated at fair market value at the time of donation. Depreciation is computed on the double declining balance method for assets purchased prior to January 1, 1970, and on the straight-line method for assets purchased after January 1, 1970. The estimated useful lives, as recommended by the American Hospital Association, are as follows:

Buildings and Improvements	15-50 years
Equipment	5-20 years

Income Taxes

The Hospital has been ruled exempt from federal and state income taxes, therefore, no provision for income taxes is necessary.

Net Patient Service 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.

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 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.

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).

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The Hospital's policy allows full-time employees to carry forward annual leave beyond the fiscal year end. Full-time employees earn a maximum of 10 to 20 days of annual leave per year based upon the employee's length of service. Accordingly, annual leave has been accrued as a liability in the financial statements at the current pay rate of the employee in effect as of the balance sheet date.

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. Such reclassification had no effect on previously reported net income.

NOTE 2 CASH AND INTEREST-BEARING DEPOSITS

Under state laws, the Hospital may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Hospital may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 2003, the Hospital has cash and interest-bearing deposits, including certificates of deposit, (book balances) totaling \$5,183,693.

These deposits are stated at cost, which approximates market. Under state laws, the deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at September 30, 2003, are as follows:

Bank balances	<u>\$ 5,318,766</u>
At September 30, 2003, the deposits are secured as follows:	
Federal deposit insurance	\$ 300,416
Pledged securities (category 3)	<u>5,648,545</u>
Total	<u>\$ 5,948,961</u>

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Notes to Financial Statements

NOTE 2 CASH AND INTEREST-BEARING DEPOSITS (Continued)

Pledged securities in Category 3 includes uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Hospital's name. Even though the pledged securities are considered uncollateralized (Category 3), Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Hospital that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 CERTIFICATES OF DEPOSIT

The Hospital held the following certificates of deposit at September 30, 2003:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>
<u>Current Assets:</u>			
Vermilion Bank & Trust Co.	\$ 250,000	1.66%	10/14/03
	250,000	1.66%	10/01/03
	200,000	2.00%	01/29/04
	200,000	1.60%	02/07/04
	200,000	1.66%	10/25/03
	200,000	1.66%	10/29/03
	200,000	1.66%	11/08/03
	150,000	1.20%	12/19/03
	100,000	1.66%	10/01/03
	50,000	1.25%	03/15/04
	<u>50,000</u>	1.25%	03/26/04
	<u>1,850,000</u>		
Kaplan State Bank	350,000	1.35%	12/14/03
	250,000	1.50%	10/25/03
	200,000	1.65%	02/01/04
	200,000	1.65%	02/01/04
	200,000	1.65%	02/21/04
	200,000	1.50%	10/30/03
	200,000	1.65%	11/13/03
	<u>50,000</u>	1.25%	03/17/04
	<u>1,650,000</u>		
	<u>\$ 3,500,000</u>		
<u>Assets whose use is limited:</u>			
Kaplan State Bank	<u>\$ 150,000</u>	1.51%	11/02/03
Vermilion Bank & Trust Co.	7,900	1.66%	11/01/03
	200,000	2.00%	01/23/04
	200,000	1.60%	01/30/04
	<u>200,000</u>	1.65%	02/25/04
	<u>607,900</u>		
	<u>\$ 757,900</u>		

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Notes to Financial Statements

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable are shown net of provision for doubtful accounts of \$481,008 and \$358,300 at September 30, 2003 and 2002, respectively, and contractual allowances of \$531,381 and \$857,758 for 2003 and 2002, respectively.

NOTE 5 ASSETS WHOSE USE IS LIMITED

Assets whose use is limited consists of funds designated by the Board of Directors to be used for capital asset acquisitions and improvements.

NOTE 6 PROPERTY, PLANT, AND EQUIPMENT

The following is a summary of property, plant, and equipment and related accumulated depreciation for the year ended September 30, 2003 and 2002:

	2003		
	Cost	Accumulated Depreciation	Book Value
Land	\$ 58,893	\$ -	\$ 58,893
Buildings and improvements	1,732,536	1,142,381	590,155
Equipment	<u>3,203,823</u>	<u>2,468,652</u>	<u>735,171</u>
	<u>\$ 4,995,252</u>	<u>\$ 3,611,033</u>	<u>\$ 1,384,219</u>
	2002		
	Cost	Accumulated Depreciation	Book Value
Land	\$ 70,203	\$ -	\$ 70,203
Buildings and improvements	1,730,986	1,107,378	623,608
Equipment	3,061,381	2,437,036	624,345
Equipment under capital lease obligations	<u>14,000</u>	<u>6,767</u>	<u>7,233</u>
	<u>\$ 4,876,570</u>	<u>\$ 3,551,181</u>	<u>\$ 1,325,389</u>

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Notes to Financial Statements

NOTE 7 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. A summary of the payment arrangements with major third-party payors follows:

Medicare

In-patient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

In-patient nonacute services, certain out-patient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2000.

Medicaid

In-patient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 2000.

Commercial

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.

The Hospital receives a substantial portion of its revenues from the Medicare and Medicaid programs at discounted rates. During the years ended September 30, 2003 and 2002, the following revenues were obtained from these programs:

	2003	2002
Medicare and Medicaid gross patient charges	\$ 8,723,380	\$ 8,320,141
Contractual adjustments	<u>3,885,751</u>	<u>3,426,020</u>
Net Medicare and Medicaid patient service revenue	<u>\$ 4,837,629</u>	<u>\$ 4,894,121</u>
Percent of Medicare and Medicaid net service revenue to total net patient service revenue	<u>64%</u>	<u>63%</u>

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Notes to Financial Statements

NOTE 8 REVENUE RECOGNITION - PROPERTY TAX

The Hospital receives funds from a property tax which was adopted by the voters of Vermilion Parish. The parish tax is levied each year by the Vermilion Parish Tax Assessor on November 15 based upon the assessed value on the previous January 1 of all real and business personal property within the Parish. The assessed value of the property on the tax rolls as of January 1, 2002 was approximately \$49 million.

The tax becomes due on November 15 and is considered delinquent if not paid by December 31. Most of the property tax revenues are collected during the months of December, January, and February. During May of the subsequent year, properties with delinquent taxes are advertised for auction by the Parish Sheriff. The auction is normally scheduled for June or July. It is at this time a lien is placed on the property. Properties not sold at the auction are adjudicated to the State of Louisiana.

After considering tax exemptions, the net amount of property taxes received by the Hospital was \$337,497 and \$373,883 as of September 30, 2003 and 2002, respectively.

NOTE 9 SALES TAX REVENUE

A one percent sales tax proposition was approved by voters for a 10-year period effective April 1, 2001. Proceeds of this sales tax are dedicated towards the costs associated with operating, maintaining, and improving the facilities of the Hospital related to providing emergency medical service. Revenue for the years ended September 30, 2003 and 2002 was \$848,781 and \$781,757, respectively.

NOTE 10 JOINT VENTURE AGREEMENT

The Hospital entered into a joint venture agreement with Acadian Homecare, Inc., a Louisiana corporation, for the purpose of managing a branch office in Kaplan, Louisiana to provide out-patient home health services. This agreement provides the Hospital a 33% interest in the profits and losses and/or liabilities that result from the venture, provided however that the Hospital's liability for said losses shall not exceed the sum of its capital contributions and the aggregate distributions received by the Hospital under the joint venture. The joint venture is making quarterly distributions to the Hospital for its respective share of the profits. Revenue derived by the Hospital from the joint venture totaled \$59,932 and \$70,974 for the years ended September 30, 2003 and 2002, respectively. The joint venture also pays the Hospital \$1,000 per month to lease Hospital owned facilities and equipment utilized by the branch office.

NOTE 11 PENSION PLAN

The Hospital has a compulsory defined contribution pension plan covering all employees. Employee and employer each contributed four and one half percent of annual pay. Total pension expense for the Hospital for the years ended September 30, 2003 and 2002 was \$94,504 and \$97,247, respectively.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Notes to Financial Statements

NOTE 12 EMPLOYEE BENEFIT TRUST FUND

The Hospital has a self-insurance program for employee health benefits. The plan is self-funded from the Hospital and employee contributions and benefit payments are made, pursuant to the plan provisions, from the portion of these contributions which have been placed in the Benefit Trust Account. The self-insurance program is underwritten.

The Benefit Trust Account is an irrevocable trust, and can be used only to pay claims and employee benefit insurance premiums. The Fund is accounted for as a separate entity and, accordingly, is not reflected in these financial statements.

At September 30, 2003, the plan's benefit obligation totaled \$42,246 and the available funds in the Benefit Trust Account totaled \$27,942.

NOTE 13 OPERATING LEASES

The Hospital leases specialized equipment under noncancelable operating leases with five-year terms. The following is a schedule of annual future minimum lease payments as of September 30, 2003:

2004	\$ 157,320
2005	125,702
2006	123,406
2007	117,120
2008	<u>66,500</u>
	<u>\$ 590,048</u>

Rent expense under these leases totaled \$145,769 and \$53,312 for the years ended September 30, 2003 and 2002, respectively.

NOTE 14 CONTINGENT LIABILITIES

Various malpractice suits are pending against the Hospital. These suits have been turned over to the Hospital's insurance carrier. The Hospital is fully insured should any loss be incurred, therefore, no liability is shown in these financial statements.

In the normal course of business, there could be various outstanding contingent liabilities such as, but not limited to, the following:

- Lawsuits alleging negligence in care
- Environmental pollution
- Violation of regulatory body's rules and regulations
- Violation of federal and/or state laws

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Notes to Financial Statements

NOTE 14 CONTINGENT LIABILITIES (Continued)

No accrual for potential contingent liabilities, such as, but not limited to, those described above, are reflected in the accompanying financial statements. No such liabilities have been asserted, and, therefore, no estimate of loss, if any, is determinable.

Third Party Cost-Based Revenues - Cost reimbursements are subject to examination by agencies administering the Medicare and Medicaid programs. The Medicare program has discontinued its cost-based reimbursement system for in-patient services. Currently, the Hospital receives a fixed fee for each patient as determined by the government using the patient's diagnosis. The Hospital is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of those programs. The amount of such adjustments cannot be readily determined.

NOTE 15 CONCENTRATION OF CREDIT RISK

The Hospital, located in Kaplan, Louisiana, grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements in which payment collection is significantly certain.

ADDITIONAL INFORMATION



(A Corporation of Certified Public Accountants)

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

Board of Commissioners
Hospital Service District No. 1
Parish of Vermilion, State of Louisiana
Kaplan, Louisiana

Our report on our audits of the general purpose financial statements of the Hospital Service District No. 1, Parish of Vermilion, State of Louisiana, a component unit of the Vermilion Parish Police Jury, for the years ended September 30, 2003 and 2002, appears on pages 1 and 2. These audits were conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying information on pages 19 through 25 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 audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Darnall, Sikes & Frederick

A Corporation of Certified Public Accountants

Eunice, Louisiana
December 9, 2003

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HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Schedules of Net Patient Service Revenue
Years Ended September 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
IN-PATIENT SERVICE REVENUE	\$ 7,210,060	\$ 7,099,841
OUT-PATIENT SERVICE REVENUE	<u>4,962,353</u>	<u>4,863,993</u>
	<u>12,172,413</u>	<u>11,963,834</u>
DEDUCTIONS FROM PATIENT SERVICE REVENUE		
Contractual allowances	4,155,453	3,705,258
Discounts	<u>471,882</u>	<u>511,660</u>
	<u>4,627,335</u>	<u>4,216,918</u>
Net Patient Service Revenue	<u>\$ 7,545,078</u>	<u>\$ 7,746,916</u>

See independent auditor's report on additional information.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Schedules of In-Patient Service Revenue
Years Ended September 30, 2003 and 2002

	2003	2002
ROUTINE SERVICES		
Room and board	\$ 1,079,823	\$ 1,152,475
SPECIAL SERVICES		
Anesthesiology	76,940	81,168
Blood administration	38,675	26,415
Electrocardiology	37,673	38,337
Emergency room	159,571	136,608
Intravenous therapy	152,011	195,905
Laboratory	367,373	368,103
Medical and surgical	168,270	199,438
Nuclear medicine	136,587	119,933
Operating room	123,951	142,367
Pharmacy	726,389	715,071
Physical therapy	2,650	3,090
Psychiatric	3,370,032	3,273,204
Radiology	105,862	89,149
Recovery room	21,480	25,400
Respiratory therapy	579,993	462,647
Ultrasound	62,780	70,531
	\$ 7,210,060	\$ 7,099,841

See independent auditor's report on additional information.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Schedules of Out-Patient Service Revenue
Years Ended September 30, 2003 and 2002

	2003	2002
Anesthesiology	\$ 90,302	\$ 75,834
Blood administration	6,351	5,345
Clinic	302,833	281,429
Emergency room	898,852	881,671
Electrocardiology	62,949	74,034
Intravenous therapy	34,105	40,756
Laboratory	1,119,743	1,111,460
Medical and surgical	126,367	165,655
Medical staff - weekend physician	448,700	492,216
Nuclear medicine	265,471	245,468
Operating room	394,360	351,017
Nursing home	3,734	4,491
Pharmacy	234,061	272,459
Radiology	580,388	475,081
Recovery room	66,640	76,440
Rehabilitation	105,849	131,231
Respiratory therapy	70,330	54,931
Ultrasound	151,318	124,475
	\$ 4,962,353	\$ 4,863,993

See independent auditor's report on additional information.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Schedules of Other Revenue
Years Ended September 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cafeteria sales	\$ 56,580	\$ 58,563
Recovery of bad debt	77,031	123,217
Medicare TOPS/Incentive	132,331	59,797
Bed lease income	87,000	90,000
Rural coalition income	486,712	512,065
Joint venture income	71,932	82,974
Other income	<u>81,493</u>	<u>94,071</u>
	<u>\$ 993,079</u>	<u>\$ 1,020,687</u>

See independent auditor's report on additional information.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Schedules of Professional Expenses
Years Ended September 30, 2003 and 2002

	2003			2002		
	Salaries	Professional fees, Supplies and Direct Expenses	Total	Salaries	Professional fees, Supplies and Direct Expenses	Total
Anesthesia	\$ -	\$ 254,047	\$ 254,047	\$ -	\$ 191,234	\$ 191,234
Blood bank	-	33,895	33,895	-	22,481	22,481
Electrocardiology	-	339	339	-	875	875
Emergency room	240,970	575,643	816,613	222,906	559,943	782,849
Ambulance	-	9,998	9,998	-	6,500	6,500
Home health	-	2,894	2,894	-	2,792	2,792
Intravenous therapy	-	3,740	3,740	-	5,096	5,096
Laboratory	180,776	414,850	595,626	160,081	372,360	532,441
Medical and surgical	20,928	137,093	158,021	20,917	149,072	169,989
Medical records	62,755	88,389	151,144	62,887	59,697	122,584
Medical staff	-	2,200	2,200	-	1,934	1,934
Nuclear medicine	-	226,157	226,157	-	230,379	230,379
Nursing service	557,172	35,143	592,315	497,346	37,292	534,638
Operating room	107,931	21,870	129,801	103,585	36,021	139,606
Pharmacy	94,166	253,643	347,809	75,996	272,765	348,761
Physical therapy	-	9,234	9,234	-	7,246	7,246
Primary care clinic	192,595	27,988	220,583	171,902	31,840	203,742
Psychiatric	-	1,530,294	1,530,294	-	1,593,207	1,593,207
Radiology	233,555	69,305	302,860	193,165	74,043	267,208
Recovery room	8,872	-	8,872	16,172	-	16,172
Respiratory therapy	21	136,567	136,588	26	121,560	121,586
Speech therapy	-	1,610	1,610	-	680	680
	<u>\$ 1,699,741</u>	<u>\$ 3,834,899</u>	<u>\$ 5,534,640</u>	<u>\$ 1,524,983</u>	<u>\$ 3,777,017</u>	<u>\$ 5,302,000</u>

See independent auditor's report on additional information.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Schedules of General and Administrative Expenses
Years Ended September 30, 2003 and 2002

	2003			2002		
	Salaries	Professional fees, Supplies and Direct Expenses	Total	Salaries	Professional fees, Supplies and Direct Expenses	Total
Administrative	\$ 94,229	\$ 12,636	\$ 106,865	\$ 92,874	\$ 36,677	\$ 129,551
Administrative - fiscal	31,368	40,614	71,982	31,032	49,750	80,782
Administrative - other	-	63,924	63,924	-	45,194	45,194
Business office	130,041	19,840	149,881	120,580	20,883	141,463
Credit and collections	-	7,580	7,580	-	13,560	13,560
Data processing	41,599	16,272	57,871	41,122	18,433	59,555
Dietary	97,206	123,536	220,742	103,049	120,048	223,097
Dues and subscriptions	-	51,800	51,800	-	30,701	30,701
Employee benefits	-	416,178	416,178	-	313,388	313,388
Housekeeping	88,737	29,132	117,869	82,634	29,021	111,655
Insurance	-	122,629	122,629	-	84,533	84,533
Laundry	-	33,638	33,638	-	31,432	31,432
Linen	-	3,911	3,911	-	2,715	2,715
Personnel	-	1,497	1,497	-	858	858
Plant operations	85,109	265,101	350,210	73,957	222,500	296,457
Printing and duplicating	-	22,304	22,304	-	17,842	17,842
Supplies, processing and distribution	44,771	4,854	49,625	42,865	11,464	54,329
Telephone and communications	-	79,191	79,191	-	76,285	76,285
	<u>\$ 613,060</u>	<u>\$ 1,314,637</u>	<u>\$ 1,927,697</u>	<u>\$ 588,113</u>	<u>\$ 1,125,284</u>	<u>\$ 1,713,397</u>

See independent auditor's report on additional information.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Schedules of Nonoperating Income
Years Ended September 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Interest	\$ 71,816	\$ 63,473
Millage income	337,497	373,883
Miscellaneous	30,355	4,420
Rent	7,552	15,152
Sales tax income	848,781	781,757
Sale of medical records	4,988	3,949
Vending machines	3,366	3,315
Gain on disposal of assets	<u>15,905</u>	<u>25,790</u>
	<u>\$ 1,320,260</u>	<u>\$ 1,271,739</u>

See independent auditor's report on additional information.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Schedule of Commissioners, Meetings Attended and Compensation
Year Ended September 30, 2003

<u>Name of Commissioner</u>	<u>Meetings Attended</u>	<u>Compensation</u>
Tom Baudoin	12	\$600
Ivan Bourque	13	\$650
Ronald Menard	12	\$600
Clarence Francis	13	\$650
Winnie Broussard	12	\$600
Del Dean David	11	\$550
Lori Winch	10	\$500
Dr. Bola	5	\$250

See independent auditor's report on additional information.

INTERNAL CONTROL AND COMPLIANCE



(A Corporation of Certified Public Accountants)

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

The Board of Commissioners
Hospital Service District No. 1
Parish of Vermilion, State of Louisiana
Kaplan, Louisiana

We have audited the general purpose financial statements of Hospital Service District No. 1, Parish of Vermilion, State of Louisiana, a component unit of the Vermilion Parish Police Jury, as of and for the year ended September 30, 2003, and have issued our report thereon dated December 9, 2003. 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 Hospital's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is 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

Eugene H. Darnall, CPA, Retired 1990
Paula D. Bihm, CPA, Deceased 2002

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Eugene H. Darnall, III, CPA
Stephanie M. HigginBotham, CPA
John P. Armato, CPA
Jennifer S. Ziegler, CPA, CFP™
Chris A. Miller, CPA, CVA
Stephen R. Dischler, MBA, CPA
Steven G. Moosa, CPA

Erich G. Loewer, Jr. CPA, CVA

Kathleen T. Darnall, CPA
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Raegan D. Maggio, CPA
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Barbara A. Clark, CPA
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Michelle B. Borrello, CPA
Jeremy C. Meaux, CPA
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Barbara Ann Watts, CPA
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Certified Public Accountants

Society of Louisiana
Certified Public Accountants

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 operation that we consider to be material weaknesses.

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

Dannall, Sikes & Frederick

A Corporation of Certified Public Accountants

Eunice, Louisiana
December 9, 2003

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Schedule of Prior Year Findings
Year Ended September 30, 2003

This section is not applicable.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Schedule of Findings and Questioned Costs
Year Ended September 30, 2003

Part I Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report

An unqualified opinion has been issued on the Hospital's financial statements as of and for the year ended September 30, 2003.

Reportable Conditions - Financial Reporting

There were no reportable conditions in internal control noted during the audit of the financial statements.

Material Noncompliance - Financial reporting

There were no instances of noncompliance noted during the audit.

FEDERAL AWARDS

This section is not applicable.

Management Letter

This section is not applicable.

Part II Findings Relating to an Audit in Accordance with *Government Auditing Standards*

This section is not applicable.

Part III Findings and Questioned Costs Relating to Federal Programs

This section is not applicable.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Management Corrective Action Plan
Year Ended September 30, 2003

This section is not applicable.