

THE VERMILLION COMMUNITY HEALTH NETWORK, INC.

FINANCIAL REPORT

APRIL 30, 2004

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

Release Date 11-10-04

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CERTIFIED PUBLIC ACCOUNTANTS

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ACCOUNTANTS' COMPILATION REPORT

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Members of American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants

*A Professional Accounting Corporation

To the Board of Directors
The Vermilion Community Health Network, Inc.
Abbeville, Louisiana

We have compiled the accompanying statement of financial position of The Vermilion Community Health Network, Inc. (a nonprofit organization) as of April 30, 2004 and the related statements of activities and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

In accordance with the Louisiana Governmental Audit Guide and the provision of state law, we issued a report dated October 11, 2004, on the results of our agreed-upon procedures.

Broussard, Poché, Lewis & Breaux, L.L.P.

Crowley, Louisiana
October 11, 2004

THE VERMILION COMMUNITY HEALTH NETWORK, INC.

STATEMENT OF FINANCIAL POSITION
April 30, 2004
See Accompanying Notes and Accountants' Report

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	5,694
Accounts receivable		5,000

Total current assets \$ 10,694

PROPERTY AND EQUIPMENT

Office equipment	\$	11,178
Less accumulated depreciation		(4,268)

Total property, plant and equipment \$ 6,910

Total assets \$ 17,604

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Payroll liabilities	\$	3,336
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NET ASSETS

Temporarily restricted		14,268
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Total liabilities and net assets \$ 17,604

THE VERMILION COMMUNITY HEALTH NETWORK, INC.

STATEMENT OF ACTIVITIES
 For the Year Ended April 30, 2004
 See Accompanying Notes and Accountants' Report

	Unrestricted	Temporarily Restricted	Total
Revenues and reclassifications:			
Member revenue	\$ 20,000	\$ -	\$ 20,000
Grant revenue	-	169,409	169,409
Net assets released from restrictions:			
Satisfaction of purpose restrictions	201,791	(201,791)	-
Total revenues and reclassifications	\$ 221,791	\$ (32,382)	\$ 189,409
Expenses:			
Grant programs:			
Salaries	\$ 125,500	\$ -	\$ 125,500
Payroll taxes and fringe benefits	37,401	-	37,401
Contract labor	23,354	-	23,354
Advertisement	8,065	-	8,065
Pharmacy system	7,715	-	7,715
Office supplies	5,731	-	5,731
Training	4,764	-	4,764
Travel	5,649	-	5,649
Depreciation	3,612	-	3,612
Total expenses	\$ 221,791	\$ -	\$ 221,791
Change in net assets	\$ -	\$ (32,382)	\$ (32,382)
Net assets, beginning of year	-	46,650	46,650
Net assets, end of year	\$ -	\$ 14,268	\$ 14,268

THE VERMILION COMMUNITY HEALTH NETWORK, INC.

STATEMENT OF CASH FLOWS
For the Year Ended April 30, 2004
See Accompanying Notes and Accountants' Report

CASH FLOW FROM OPERATING ACTIVITIES	
Change in net assets	\$ (32,382)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	3,612
Increase in accounts receivable	(5,000)
Increase in payroll liabilities	487
Decrease in accounts payable	(3,825)
Net cash used by operating activities	<u>\$ (37,108)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	(2,045)
Net decrease in cash and cash equivalents	<u>\$ (39,153)</u>
Cash and cash equivalents at beginning of year	44,847
Cash and cash equivalents at end of year	<u><u>\$ 5,694</u></u>

THE VERMILION COMMUNITY HEALTH NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS

See Accountants' Compilation Report

Note 1. Summary of Significant Accounting Policies

Organization and nature of activities:

The Vermilion Community Health Network, Inc. ("the Network") is a nonprofit corporation organized under the laws of the State of Louisiana. The Corporation is a parish wide community health network for the Parish of Vermilion, State of Louisiana consisting of a membership of the Vermillion Parish Hospital Service District #1, the Vermillion Parish Hospital Service District #2, the Vermillion Parish Hospital District #3, and the Vermillion Parish Police Jury. The objective of the Network is to engage in business development activities that will increase access to health care services and improve the economic stability of providers, to develop a comprehensive Prescription Drug Program that will improve access to pharmaceuticals for the uninsured and underinsured residents of the parish, and to improve access to health care services by expanding clinical capacity to provide primary care to the uninsured.

Income tax exemption:

The Network is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Basis of presentation:

The Network has adopted Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Network is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the statement, the Network does not use fund accounting.

Cash and cash equivalents:

For the purpose of the statement of cash flows, the Network considers all investments with an original maturity of three months or less to be cash equivalents.

Accounts receivable:

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants and others. The allowance for doubtful accounts at April 30, 2004 was \$-0-.

Property and equipment:

The Network records all property and equipment acquisitions at cost. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets.

THE VERMILLION COMMUNITY HEALTH NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS

See Accountants' Compilation Report

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 and disclosures. Accordingly, actual results could differ from those estimates.

Revenue recognition:

The Network records grants and other contributions of cash and other assets as temporarily restricted if they are received with donor stipulations that limit the use of donated assets. When the donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Advertising:

Advertising costs are expensed as incurred. Advertising expense was \$8,065 for the year ended April 30, 2004.

Note 2. Property and Equipment

A summary of property and equipment is as follows:

	<u>2004</u>
Office equipment	\$11,178
Less: Accumulated depreciation	<u>(4,268)</u>
Net property, plant, and equipment	<u>\$ 6,910</u>

Depreciation expense for the year ended April 30, 2004 was \$3,612.

Note 3. Temporarily Restricted Net Assets

Temporarily restricted net assets consist solely of grant revenue for the rural health outreach and rural network development program.

Note 4. Grant Revenue

The Network has been awarded a project grant from the Department of Health and Human Services, Health Resources & Services Administration, for the purpose of expanding access to, coordinating, restraining the cost of, and improving the quality of essential health services, including preventative and emergency services, through the development of integrated health care delivery systems or networks in rural areas and regions. This project grant is made up of federal funds for a period of three years in amounts of \$197,340 for April 30, 2003, \$169,409 for April 30, 2004, and \$187,735 for April 30, 2005.

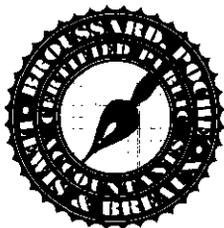
THE VERMILLION COMMUNITY HEALTH NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS

See Accountants' Compilation Report

Note 5. Concentration Risks

The Network is subject to risks resulting from certain geographic and revenue concentrations. The area served is Parish of Vermillion, State of Louisiana. Substantially all of the revenue received by the Network is derived from federal funded grants.



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**INDEPENDENT ACCOUNTANTS' REPORT ON
 APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors
 The Vermillion Community Health Network, Inc.
 Abbeville, Louisiana

We have performed the procedures included in the *Louisiana Government Audit Guide* and enumerated below, which were agreed to by the management of The Vermillion Community Health Network, Inc., Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about The Vermillion Community Health Network, Inc.'s compliance with certain laws and regulations during the year ended April 30, 2004 included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representations regarding the sufficiency of the procedures described below for the purpose for which this report had been requested or for any other purpose.

Federal, State, and Local Awards

1. Determine the amount of Federal, state, and local award expenditures for the fiscal year, by grant and grant year.

The Vermillion Community Health Network, Inc.'s Federal award expenditures for all Federal programs for the fiscal year follow:

<u>Federal Grant Name</u>	<u>Grant Year</u>	<u>CFDA No.</u>	<u>Amount</u>
Rural Health Outreach and Rural Network Development Program	April 30, 2004	93.912	\$198,179

2. For each Federal, state, and local award, we randomly selected 6 disbursements from each award administered during the period under examination, provided that no more than 30 disbursements would be selected.
3. For the items selected in procedure 2, we traced the six disbursements to supporting documentation as to proper amount and payee.

Five of the disbursements were for the proper amount and made to the correct payee. One disbursement (check no. 1285), was made to the proper payee, however exceeded the supporting documentation by \$22.26. The documentation submitted included some personal expenses on the receipt that were not subtracted when reimbursement check was made and a duplicate receipt being reimbursed.

4. For the items selected in procedure 2, we determined if the six disbursements were properly coded to the correct fund and general ledger account.

All payments were coded to proper account and fund.

To the Board of Directors
The Vermillion Community Health Network, Inc.

5. For the items selected in procedure 2, we determined whether the six disbursements received approval from the proper authorities.

Inspection of documentation supporting each of the six selected disbursements indicated approvals from the Network Director and two signatures of the executive board on the checks.

6. For the items selected in procedure 2: For federal awards, we determined whether the disbursements complied with the applicable specific program compliance requirements summarized in the *Compliance Supplement* (or contained in the grant agreement, if the program is not included in the *Compliance Supplement*) and for state and local awards, we determined whether the disbursements complied with the grant agreement, relating to:

Activities allowed or un-allowed:

We reviewed the previously listed disbursements for types of services allowed or not allowed and all disbursements meet the goals of the program except for the items identified in procedure 3.

Eligibility:

We reviewed the previously listed disbursements for eligibility requirements and all were eligible except for the items identified in procedure 3.

Reporting:

We reviewed the previously listed disbursements for reporting requirements, and all meet the reporting requirements except for the items identified in procedure 3.

7. For the programs selected for testing in item (2) that had been closed out during the period under review, we compared the close-out report, when required, with the entity's financial records to determine whether the amounts agree.

There were no Federal programs closed out in the period under review.

Meetings

8. We examined evidence indicating that agendas for meetings recorded in the minutes book was posted as an open meeting as required by LSA-RS 42:1 through 42:12 (the open meetings law).

The Vermillion Community Health Network, Inc. is only required to post a notice of each meeting and the accompanying agenda on the door of the Vermillion Community Health Network, Inc.'s office building. Management has asserted that such documents were properly posted.

Comprehensive Budget

9. For all grants exceeding five thousand dollars, we determined that each applicable federal, state, or local grantor agency was provided with a comprehensive budget of those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance.

The Vermillion Community Health Network, Inc. provided a comprehensive budget to the applicable Federal grantor agency for the program mentioned previously. This budget specified the anticipated uses of the funds and the estimated duration of the project.

To the Board of Directors
The Vermillion Community Health Network, Inc.

Prior Comments and Recommendations

10. We reviewed any prior-year suggestions, recommendations, and/or comments to determine the extent to which such matters have been resolved.

In the agreed-upon procedures engagement for the year ended April 30, 2003, we reported that the Network did not properly post a notice of each meeting and the accompanying agenda on the door of the Vermillion Community Health Network, Inc.'s office building. Management has resolved this issue in the current year by properly posting a notice of each meeting and the accompanying agenda.

Other Matters

11. During the course of our engagement, we observed that the pay period beginning and ending dates, and the date the check is written for the pay period has fluctuated. We also observed that starting with the July 2004 payrolls, the executive director's payroll check has been clearing the bank account prior to the payroll ending date as shown in the accounting system. The policy for pay period beginning and ending dates and the check date should be consistent from pay period to pay period. Payroll checks should not be released until a designated time after the pay period ending date.

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of The Vermillion Community Health Network, Inc. and the Legislative Auditor (State of Louisiana), and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Broussard, Poche, Lewis & Breaux, L.L.P.

Crowley, Louisiana
October 11, 2004

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Quasi-public Entities)

June 25, 2004 (Date Transmitted)

The Vermillion Community Health Network, Inc.
118 N. Hospital Drive
Abbeville, LA 70510
Broussard, Poche, Lewis & Breaux, LLP (Auditors)

In connection with your compilation of our financial statements as of April 30, 2004 and for the period then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulation and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of (date of completion/representation).

Federal, State, and Local Awards

We have detailed for you the amount of Federal, state and local award expenditures for the fiscal year, by grant and grant year.

Yes No

All transactions relating to federal, state, and local grants have been properly recorded within our accounting records and reported to the appropriate state, federal, and grantor officials.

Yes No

The reports filed with federal, state, and local agencies are properly supported by books of original entry and supporting documentation.

Yes No

We have complied with all applicable specific requirements of all federal, state, and local programs we administer, to include matters contained in the Compliance Supplement, matters contained in the grant awards, eligibility requirements, activities allowed and unallowed, and reporting and budget requirements.

Yes No

Open Meetings

Our meetings, as they relate to public funds, have been posted as an open meeting as required by LSA-RS 42:1 through 42:12 (the open meetings law).

Yes No

Budget

For each federal, state, and local grant we have filed with the appropriate grantor agency a comprehensive budget for those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance

Yes No

Prior Year Comments

We have resolved all prior-year recommendations and/or comments.

Yes No

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you

documentation relating to the federal, state, and local grants, to include the applicable laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We will also disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance which may occur up to the date of your report.

<u>Michael J. Beitzel</u>	Secretary	<u>Michael J. Beckard</u>	Date	<u>7/14/04</u>
<u>Gregory R. Hensler</u>	Treasurer		Date	
<u>Gregory R. Hensler</u>	President	<u>Gregory R. Hensler</u>	Date	

RESOLUTION OF THE VERMILION COMMUNITY HEALTH NETWORK
EXECUTIVE BOARD

A quorum of the Vermilion Community Health Network Executive Board on the 13th of October, 2004, adopted the following resolution:

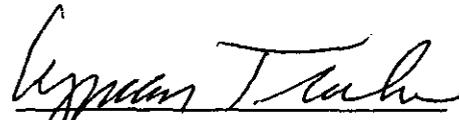
RESOLVED that the Louisiana Attestation Questionnaire (For Attestation Engagements of Quasi-Public Entities) was completed by the staff of the Vermilion Community Health Network.

The Questionnaire was reviewed by the Vermilion Community Health Network Executive Board members on July 14, 2004 and was found to be correct.


Craig Robert Hensgens, Chairman


Ray Landry, Vice-Chairman


Mike Bertrand, Secretary


Lyman Trahan, Past Chairman

CERTIFICATE

I, Margaret Jackson, certify that I am the Executive Director of the Vermilion Community Health Network and that the above and foregoing is a true and correct extract of the resolution of the Executive Board of this corporation adopted on the 13th day of October 2004 by a quorum vote and that the resolution has not been rescinded or revoked.

Abbeville, Louisiana this 13 day of October, 2004


Margaret Jackson, Executive Director

THE VERMILLION COMMUNITY HEALTH NETWORK, INC.

SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended April 30, 2004

Section I: Findings in reference to Agreed-upon procedures

Meetings

Finding: The Vermillion Community Health Network, Inc. is only required to post a notice of each meeting and the accompanying agenda on the door of the Vermillion Community Health Network, Inc.'s office building. Management has asserted that such documents were not properly posted.

Action taken: The Vermillion Community Health Network, Inc. began posting a notice of each meeting and the accompanying agenda on the door of the Vermillion Community Health Network Inc.'s office building prior to the meeting dates.

Section II: Management Letter

The prior year's report did not include a management letter.

This schedule has been prepared by management.

THE VERMILION COMMUNITY HEALTH NETWORK, INC.

118 N Hospital Dr
Abbeville, LA 70510

October 11, 2004

Legislative Auditor
State of Louisiana
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

The Vermilion Community Health Network, Inc. respectfully submits the following corrective action plan for the year ended April 30, 2004.

Name and address of independent public accounting firm:

Broussard, Poche', Lewis & Breaux, L.L.P.
Certified Public Accountants
P.O. Drawer 307
Crowley, Louisiana 70527

Compilation/Attestation Period: May 1, 2003 through April 30, 2004.

The findings from the April 30, 2004 Attestation Report are discussed below. The findings are numbered consistently with the numbers assigned in the Attestation Report.

#3 Proper amount of disbursement

Finding: One disbursement selected for testing was found to be made for \$22.26 more than the supporting documentation submitted. The documentation submitted included some personal expenses on the receipt that were not subtracted when the reimbursement check was made and a duplicate receipt that was reimbursed.

Response: This oversight error at the time has been corrected by the employee reimbursing the Network the \$22.26. The sequence of check signing review has been revised to allow for additional controls.

Responsible party: Margaret Jackson, Director

#11 Other Matters

Finding: During the course of our engagement, we observed that the pay period beginning and ending dates, and the date the check is written for the pay period has fluctuated. We also observed that starting with the July 2004 payroll; the executive director's payroll check has been clearing the bank account prior to the payroll ending date as shown in the accounting system. The policy for pay period beginning and ending dates and the check date should be consistent from pay period to pay period. Payroll checks should not be released until a designated time after the pay period ending date.

Response: Procedures are now in place to ensure that clerical entries in accounting software reflect actual payroll handling and the paycheck dates will be consistently dated and released.

Responsible party: Margaret Jackson, Director