

**HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER

FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 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 7-13-05

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MANAGEMENT'S DISCUSSION AND ANALYSIS

**HOSPITAL SERVICE DISTRICT NO. 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2004**

This section of the annual financial report of Hospital Service District No. 1 of the Parish of Plaquemines (d/b/a Plaquemines Medical Center) (the "Center"), presents background information and management's analysis of the Center's financial performance during the fiscal year that ended on December 31, 2004. Please read it in conjunction with the financial statements in this report.

Financial Highlights

- The Center's total assets increased by approximately \$1,280,000, or approximately 28 %, primarily due to unexpended funds received from the special millage passed in 2002.
- During the year, the Center's total operating revenue increased approximately \$67,000 or 2%, to \$2,463,891 from the prior year while expenses increased \$258,000, or 10% to \$2,837,294. The Center had loss from operations of \$416,095, which is approximately 16% of total operating revenue. This compares to the prior fiscal year's loss from operations of approximately \$182,170, or 7% of operating revenue.
- The Center received approximately \$1,425,584 and \$1,393,015 in 2004 and 2003, respectively, in ad valorem tax revenue for the operations of the facility.
- During the fiscal year, the Center made capital investments for a total of approximately \$22,000.

Required Financial Statements

The Basic Financial Statements of the Center report information about the Center using Governmental Accounting Standards Board ("GASB") accounting principles. These Statements offer short-term and long-term financial information about its activities. The balance sheets include all of the Center's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the Center's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Center, and assessing the liquidity and financial flexibility of the Center. All of the current year's revenues and expenses are accounted for in the statement of revenue and expenses. This statement measures changes in the Center's operations over the past year and can be used to determine whether the Center has been able to recover all of its costs through its patient service revenue and other

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
December 31, 2004**

Required Financial Statements (Continued)

revenue sources. The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Center's cash from operations, investing, and financing and to provide answers to questions such as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the Hospital

The balance sheet and the statement of revenue and expenses report information about the Center's activities. These two statements report the net assets of the Center and changes in them. Increases or decreases in the Center's net assets are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors, such as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting, should also be considered.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
December 31, 2004**

Net Assets

**TABLE 1
Condensed Balance Sheets**

December 31

	<u>2004</u>	<u>2003</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Total current assets	\$ 1,877,637	\$ 1,725,439	\$ 152,198	8.82%
Capital assets - net	167,409	190,506	(23,097)	12.12%
Assets limited to use	<u>3,841,091</u>	<u>2,645,164</u>	<u>1,195,927</u>	45.21%
Total assets	<u>\$ 5,886,137</u>	<u>\$ 4,561,109</u>	<u>\$ 1,325,028</u>	29.05%
Current liabilities	\$ 579,547	\$ 451,398	\$ 128,149	22.11%
Long-term debt outstanding other long-term liabilities	<u>225,000</u>	<u>225,000</u>	-	0.00%
Total liabilities	804,547	676,398	128,149	15.92%
Net assets				
Restricted net assets	3,837,978	2,641,532	1,196,446	45.29%
Unrestricted net assets	<u>1,243,612</u>	<u>1,243,179</u>	<u>433</u>	0.00%
Total liabilities and net assets	<u>\$ 5,886,137</u>	<u>\$ 4,561,109</u>	<u>\$ 1,325,028</u>	29.05%

As can be seen in Table 1, total assets increased by approximately \$1,325,028 to \$5,886,137 in fiscal year 2004, from approximately \$4,561,109 in fiscal year 2003. The change in total net assets is primarily due to the excess of revenues over expenses in fiscal year 2004.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
December 31, 2004**

Summary of Revenue, Expenses, and Changes in Net Assets

The following table presents a summary of the Center's revenues and expenses for each of the fiscal years ended December 31, 2004 and 2003:

**TABLE 2
Condensed Statements of Revenue, Expenses,
And Changes in Net Assets**

	Year ended December 31		Dollar Change	Percent Change
	2004	2003		
Revenue:				
Net patient service revenue	\$ 943,365	\$ 885,662	\$ 57,703	6.52%
Advalorem tax revenue	1,425,584	1,393,015	32,569	2.33%
Other	94,942	118,459	(23,517)	19.85%
Total operating revenue	2,463,891	2,397,136	66,755	
Expenses:				
Salaries & employee benefits	1,159,498	938,612	220,886	23.53%
Supplies, contract services, equipment, and fees	1,025,107	817,210	207,897	25.43%
Other operating expenses	391,643	496,288	(104,645)	21.09%
Depreciation	45,054	48,069	(3,015)	6.27%
Provision for bad debt	258,684	279,127	(20,443)	7.32%
Total operating expenses	2,879,986	2,579,306	300,680	11.66%
Operating loss	(416,095)	(182,170)	(233,925)	128.41%
Investment income	13,553	4,396	9,157	208.30%
Excess of revenue & investment income over expenses	(402,542)	(177,774)	(224,768)	126.43%
Special millage Advalorem tax revenue	1,599,421	1,574,574	24,847	1.57%
Net assets - beginning of year	3,884,711	2,487,911	1,396,800	56.14%
Net assets - end of year	\$ 5,081,590	\$ 3,884,711	\$ 1,196,879	30.81%

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
December 31, 2004**

Sources of Revenue

Operating Revenue

During fiscal years 2004 and 2003, the center derived the majority, approximately 57% and 58%, respectively, of its total operating revenue from Ad valorem tax revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payors. Reimbursement for the Medicare and Medicaid programs and the third-party payors is based upon established rates and contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance.

Investment Income

The Center holds designated and restricted funds that are invested primarily in money market funds. These investments had a total return of \$10,298 and \$4,396 during fiscal years 2004 and 2003, respectively.

Operating and Financial Performance

The following summarizes the Center's statements of revenue, expenses, and changes in net assets between 2004 and 2003:

Overall activity at the Center, as measured by patient-visits and procedures performed, decreased 13 % to 16,187 visits and procedures in 2004 from 18,396 visits and procedures in 2003. Net patient service revenue per patient visit/procedure improved 21% to \$58.27 per patient visit/procedure in 2004 from \$48.14 per patient visit/procedure in 2003.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
December 31, 2004**

**TABLE 3
Patient visits and Procedures Statistical Data**

	Year ended December 31	
	<u>2004</u>	<u>2003</u>
Clinic Visits	7,082	8,958
Workers Compensation Patients	567	854
WIC Client Visits	3,083	3,599
Immunizations	137	199
Kid Med	63	-
Labatory Procedures	3,393	2,950
X-Ray	1,862	1,836
	<u>16,187</u>	<u>18,396</u>

Salaries and related benefits expense increased \$220,886 or 24 %, to \$1,159,498 in 2004 from \$938,612 in 2003. As a percentage of operating revenue, salary expense was approximately 48% and 39% for the fiscal years ended December 31, 2004 and 2003, respectively. This increase was due to additional administrative staff required at the facility due to the termination of the prior third party administrator contract. Also there was a significant increase in the employer contribution percentage required for the State of Louisiana Parochial Employee Retirement System, which the Center participates.

Supplies, contract services, equipment, and fees increased \$207,886 or 25%, from the prior year. This increase was primarily a result of the termination of the Center's previous medical director requiring the Center be staffed by physicians obtained through a third party contract.

Other operating expenses decrease approximately \$104,645 from prior year, which represents 16% of operating revenue, consistent with the prior-year percentage.

Depreciation expense remained relatively flat compared to the prior year.

Total operating expenses increased by \$300,000 for the year ended December 31, 2004, for the reasons discussed above.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
December 31, 2004**

Operating and Financial Performance (Continued)

Investment income consists of interest earnings on funds placed in interest bearing accounts. Total investment income increased from the prior year due to greater amounts being on deposit in interest bearing accounts.

Assets Limited as to Use

At December 31, 2004 the Center had approximately \$3,841,000 of assets limited as to use. The source of these funds is a special millage passed by the voters of Plaquemines Parish designated for starting new programs, offer additional services and for capital expenditures related to equipment acquisitions and facility renovations. In 2005 the Board of Directors approved the architectural plans on the facility renovation. After completion of the required bid process it is anticipated that renovations to the facility will begin in late 2005 or early 2006.

Contacting the Center's Financial Manager

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Center's finances and to demonstrate the Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Center administration.

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Hospital Service District Number 1 of Plaquemines
Parish, Louisiana
Port Sulphur, Louisiana

We have audited the accompanying balance sheet of the Hospital Service District Number 1 of Plaquemines Parish, Louisiana, d/b/a Plaquemines Medical Center (the Center), a component unit of the Plaquemines Parish Government as of December 31, 2004 and the related statements of revenues and expenses, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position, results of operations and cash flows of the Center as of and for the year ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages i through vii are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Camnetar & Co., CPAs

a professional accounting corporation

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2005 on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Camnetar & Co.

Camnetar & Co., CPAs

a professional accounting corporation

Gretna, Louisiana

June 24, 2005

FINANCIAL STATEMENTS

**HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER
BALANCE SHEET
December 31, 2004**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 16,659
Ad valorem tax revenue receivable	1,425,276
Patient accounts receivable, net of estimated uncollectibles of \$1,325,656	321,324
Prepaid expenses	20,980
Inventories	<u>93,398</u>
 Total current assets	 1,877,637

ASSETS LIMITED AS TO USE

Ad valorem tax receivable	1,619,910
Cash and cash equivalents	1,609,425
Certificates of deposit	254,009
Due from unrestricted assets	<u>357,747</u>
 Total assets limited as to use	 3,841,091

Property and equipment, net of accumulated depreciation of \$775,153	<u>167,409</u>
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TOTAL ASSETS \$ 5,886,137

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 105,638
Due to restricted assets	357,747
Accrued expenses	<u>116,162</u>
 Total current liabilities	 579,547

Advances from Plaquemines Parish	225,000
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NET ASSETS

Undesignated - unrestricted	1,243,612
Restricted	<u>3,837,978</u>
 Total net assets	 <u>5,081,590</u>

TOTAL LIABILITIES AND NET ASSETS \$ 5,886,137

The accompanying notes are an integral part of this statement.

**HOSPITAL SERVICE DISTRICT NUMBER 1
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STATEMENT OF REVENUES AND EXPENSES
For The Year Ended December 31, 2004**

	<u>2004</u>
OPERATING REVENUES	
Net patient service revenue	\$ 943,365
WIC program	49,554
Other operating revenue	<u>45,388</u>
Total operating revenue	<u>1,038,307</u>
OPERATING EXPENSES	
Salaries and related expenses	1,159,498
Professional fess	75,426
Provision for bad debts	258,684
Medical supplies	161,320
Contract labor	496,440
Travel and seminars	4,460
Repairs and maintenance	43,315
Purchased services	366,119
Depreciation and amortization	45,054
Utilities and telephone	71,662
Insurance	95,030
Administrative expense	94,516
Community Outreach	7,034
Other	<u>1,428</u>
Total operating expenses	<u>2,879,986</u>
OPERATING INCOME (LOSS)	(1,841,679)
NON-OPERATING REVENUE	
Ad valorem tax revenue	3,025,005
Investment income	<u>13,553</u>
Total non-operating revenue	<u>3,038,558</u>
EXCESSES OF REVENUE OVER EXPENSES	\$ <u>1,196,879</u>

The accompanying notes are an integral part of this statement.

**HOSPITAL SERVICE DISTRICT NUMBER 1
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STATEMENT OF CHANGES IN NET ASSETS
For The Year Ended December 31, 2004**

	<u>Restricted</u>	<u>Unrestricted</u>
Net Assets at December 31, 2003	\$ 2,641,532	\$ 1,243,179
Assets purchases - restrictions released	(21,957)	21,957
Excess (Deficiency) of revenue over expenses	<u>1,218,403</u>	<u>(21,524)</u>
Net Assets at December 31, 2004	<u>\$ 3,837,978</u>	<u>\$ 1,243,612</u>

The accompanying notes are an integral part of this statement.

**HOSPITAL SERVICE DISTRICT NUMBER 1
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STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2004**

CASH FLOWS FROM OPERATING ACTIVITIES	
Revenue collected	\$ 926,242
Cash payments to employees and for employee-related costs	(1,130,211)
Cash payments for operating expenses	<u>(1,653,782)</u>
Net cash used in operating activities	(1,857,751)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Ad valorem taxes	1,393,323
Ad valorem taxes - 2002 millage	<u>1,554,085</u>
Net cash provided by non-capital financing activities	2,947,408
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets (property, plant and equipment)	<u>(21,957)</u>
Net cash used in capital and related financing activities	(21,957)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>13,553</u>
Net cash provided by investing activities	<u>13,553</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,081,253
CASH AND CASH EQUIVALENTS, beginning of year	<u>544,831</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,626,084</u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ (1,841,679)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation and amortization	45,054
Changes in operating assets and liabilities	
Accounts receivable	(112,065)
Prepaid expenses	(8,080)
Insurance deposit	(4,009)
Inventories	(609)
Accounts payable and accrued expenses	<u>63,637</u>
Net cash used in operating activities	<u>\$ (1,857,751)</u>

The accompanying notes are an integral part of this statement.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2004**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES**

Organization - Hospital Service District Number 1 of Plaquemines Parish, Louisiana d/b/a Plaquemines Medical Center (the Center) is organized under powers granted to parishes in the Louisiana Revised Statutes and is exempt from Federal and State income taxes. All corporate powers are vested in a Board of Commissioners appointed by the Plaquemines Parish Council. Prior to January 1, 1990, the Center operated as Plaquemines Parish General Hospital (the Hospital). Effective July 7, 1998, Plaquemines Parish Home Health Agency, a component of the Center, ceased operations.

Basis of Accounting – The Center utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis.

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 Center has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Use of Estimates – The preparation of financial statements in conformity with GAAP 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.

Income Taxes – The Center is a governmental entity under Section 517 of the Internal Revenue Code and is therefore exempt from Federal income taxes.

Cash and Cash Equivalents – Cash and cash equivalents, for cash flow statement purposes, include investments in highly liquid debt instruments with maturities of three months or less, including amounts whose use is limited by board designation.

Inventories – Inventories are valued at the lower of cost, determined using the first-in, first-out method, or market.

Property and Equipment – Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 15 years.

Charity Care – The Center does not have a formal charity care policy, nor does it maintain detailed records of the amount of charity care it provides.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2004**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)**

Operating Revenues and Expenses

The Hospital's statement of revenues, expenses and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Hospital's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs

NOTE 2 – CASH AND CASH EQUIVALENTS

At December 31, 2004, the Center has cash equivalents (book balances) totaling \$1,593,500 as follows:

Demand Deposits	\$ 16,220
Money Market Accounts	<u>1,609,864</u>
Total	<u>\$ 1,626,084</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledged securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must, at all times, equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Restricted cash includes balances for bond indebtedness and escrow accounts.

At December 31, 2004, the Center had \$1,928,483 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$3,860,641 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

NOTE 3 – RESTRICTED NET ASSETS

The temporarily restricted fund balance at December 31, 2004 represents the unexpended portion of the Ad Valorem tax revenue along with the Ad Valorem tax receivable in the amount of \$3,841,091 levied for the specific purpose of starting new programs, offer additional services and for capital expenditures related to equipment acquisitions and facility renovations.

As discussed in Note 7 the Center has \$250,000 of certificates of deposit pledged to the Louisiana Patient Compensation Fund to satisfy any malpractice claims.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2004**

NOTE 3 – RESTRICTED NET ASSETS (Continued)

During 2004 the restricted funds advanced the unrestricted funds of the Center \$357,747 to continue operations. The advance was repaid in 2005.

The Hospital first applies restricted resources when expenditure is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE 4 – EMPLOYEE RETIREMENT

Plan Description – Substantially all employees of the Center are members of the Parochial Employees' Retirement System of Louisiana (System), a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All participating employees of the Center are members of Plan A.

All permanent employees working at least 28 hours per week who are paid from funds of the Center are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of creditable service. However, for those employees who were members of the supplemental-plan-only before January 1, 1980, the benefit is equal to one percent of final average salary plus \$24 for each year of supplemental-plan-only service earned before January 1, 1980, plus 3 percent of final-average salary for each year of service credited after the revision date. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619 or by calling (225) 928-1361.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2004

NOTE 4 – EMPLOYEE RETIREMENT (Continued)

Funding Policy – Under Plan A, members are required by state statute to contribute 9.25 percent of their annual covered salary, and the Center is required to contribute at an actuarially determined rate. The current rate is 12.75 percent of annual covered payroll. Contributions to the System include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Parish are established and may be amended by state statute. As provide by Louisiana Revised Statute 11:103, the employer contributions are determined by an actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

Total payroll, covered payroll, employee contributions and Center contributions for the year ended December 31, 2004:

Total Payroll	\$	940,073
Covered payroll	\$	783,868
Employee contributions	\$	74,459
Center contributions	\$	92,104

NOTE 5 – AD VALOREM TAX REVENUES

The Hospital Service District levies an annual ad valorem tax on all property subject to taxation in the District. The tax is collected to defray the cost of the Center's operations and was 2.49 mills for 2004. Current taxes are received beginning in December of each year and become delinquent after January 31 of the following year. Taxes are reported as revenues in the period for which they are levied.

In November 2002 the voters of Plaquemines Parish voted to allow the Hospital Service District to levy up to 3.00 mills on all property subject to taxation in the District to be used for the purpose of starting new programs, offer additional services and for capital expenditures related to equipment acquisitions and facility renovations. The millage is set to expire in 2012. For the year ended December 31, 2004 the levy on this Millage were 2.83 mills.

**HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2004**

NOTE 6 – RELATED PARTY TRANSACTIONS

The Center owed the Plaquemines Parish Government \$225,000 at December 31, 2004. This amount represents funds advanced by the Parish Government to fund operating deficits experienced in prior years.

The Center's building and land as well as certain building improvements were built and purchased with funds provided by Plaquemines Parish, ownership of the land and building that house the Center is currently under review. (The Center has use of the facility without the payment of rent.) . The land and building is not presented in these financial statements but carried in the Plaquemines Parish General Fixed Asset Account Group.

The Center's building and land as well as certain building improvements were built and purchased with funds provided by Plaquemines Parish, ownership of the land and building that house the Center is currently under review. (The Center has use of the facility without the payment of rent.) . The land and building is not presented in these financial statements but carried in the Plaquemines Parish General Fixed Asset Account Group.

NOTE 7 – MALPRACTICE INSURANCE

During 1976, the State of Louisiana enacted legislation that created a statutory limit of \$500,000 for each medical professional liability claim and established the Louisiana Patient Compensation Fund (State Insurance Fund) to provide professional liability insurance to participating health care providers. The Center participates in the State Insurance Fund, which provides up to \$400,000 coverage for settlement amounts in excess of \$100,000 per claim. The Center has pledged \$250,000 in certificates of deposit to the Louisiana Patient Compensation Fund in order to cover any claims up to the \$100,000 deductible. All interest earned on the certificates remains with the Center.

NOTE 8 – CONCENTRATION OF CREDIT RISK

The Center grants credit without collateral to its patients, most of who are residents of Plaquemines Parish and who are insured under third-party payor agreements such as Medicare, Medicaid and Blue Cross. Any balances remaining after the third-party payors have completed their obligation are considered patient responsibility.

**HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2004**

NOTE 9 – AMOUNTS PAID TO GOVERNING BOARD MEMBERS

The Hospital Board of Commissioners received the following compensation from the Center for services as Commissioners during the year ended December 31, 2004:

Jimmy Cappiello	\$ 560
Wilfred Johnson	40
Anna Kennair	440
Bernadetta Walla	480
Paul Broussard	480
Leslie Chauvin	480
Mary Ann Braud	560
Donnie Boutwell	440
Norma Smith	<u>360</u>
	<u>\$ 3,840</u>

NOTE 10 – CAPITAL ASSETS

Capital assets and depreciation activities of and for the year ended December 31, 2004 is as follows:

	Balance <u>December 31, 2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>December 31, 2004</u>
Equipment at cost	\$ <u>920,605</u>	\$ <u>2,195</u>	\$ <u>-</u>	\$ <u>942,562</u>
Accumulated Depreciation	\$ <u>730,099</u>	\$ <u>45,054</u>	\$ <u>-</u>	\$ <u>775,153</u>

COMPLIANCE AND INTERNAL CONTROL SECTION

Camnetar & Co., CPAs
a professional accounting corporation
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504.362.2545 (Fax) 504.362.2663

Edward L. Camnetar, Jr., CPA
E. Faye Harris, CPA, MST
Orfelinda G. Richard, CPA

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

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

To the Board of Commissioners
Hospital Service District Number 1 of Plaquemines Parish, Louisiana

We have audited the financial statements of the Hospital Service District Number 1 of Plaquemines Parish, Louisiana d/b/a Plaquemines Medical Center as of and for the year ended December 31, 2004, and have issued our report thereon dated June 24, 2005. 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 Service District Number 1 of Plaquemines Parish, Louisiana d/b/a Plaquemines Medical Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with 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 Service District Number 1 of Plaquemines Parish, Louisiana d/b/a Plaquemines Medical Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the operations fund 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.

Camnetar & Co., CPAs

a professional accounting corporation

However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Hospital Service District Number 1 of Plaquemines Parish, Louisiana d/b/a Plaquemines Medical Center, in a separate letter dated June 24, 2005.

This report is intended solely for the information and use of the Board of Commissioners of the Hospital Service District Number 1 of Plaquemines Parish, Louisiana d/b/a Plaquemines Medical Center's management and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Camnetar & Co.

Camnetar & Co., CPAs

a professional accounting corporation

Gretna, Louisiana

June 24, 2005

**HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended December 31, 2004**

We have audited the financial statements of the Hospital Service District Number 1 of Plaquemines Parish d/b/a Plaquemines Medical Center as of and for the year ended December 31, 2004 and have issued our report thereon dated June 24, 2005. 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. Our audit of the financial statements as of December 31, 2004 resulted in an unqualified opinion.

Section I – Summary of Auditor’s Reports

Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes No Reportable Conditions Yes No

Compliance

Compliance Material to Financial Statements Yes No

Federal Awards

None

Section II – Financial Statement Findings

A. Issues of Non Compliance

None

B. Reportable Conditions

None



June 28, 2004

Mr. Steve Theriot, CPA
Legislative Auditor
State of Louisiana
P O Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

The following outlines the action to be taken by the Plaquemines Medical Center (Hospital Service District No. 1 of Plaquemines Parish) regarding the "Schedule of Findings and Questioned Cost" addressed to you by our auditor, Camnetar & Co., CPAs (APAC), in their report dated June 24, 2004.

MANAGEMENT COMMENTS

2004-1 – Purchasing Policy

I agree with the finding and will request our board to allow me to seek whatever assistance I will need to implement a written purchasing policy.

2004-2 – Medical Billing

I agree with the comment and will ask our board to budget funds for the suggested training.

2004-3 – Contracts

I will bring this issue to the attention of our board and the District Attorney's office (our legal counsel) and strongly suggest we take immediate steps to have written contracts in place.

Chetta Mc Bride
Director of Administrative Services

**HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER
SCHEDULE OF PRIOR YEAR FINDINGS
For The Year Ended December 31, 2004**

Section I – Internal Control and Compliance Material to the Financial Statements

None

Section II – Internal Control and Compliance Material to Federal Awards

None

Section III – Management Letter

2003-1 – Purchasing Policy Recommendation to develop a comprehensive purchasing policy separate from the accounts payable function. (Partially resolved see 2004-1)

2003-2 – Accounts Receivable Recommendation to identify causes of excessive write offs.
(Resolved)

2003-3 – Contracts Recommendation to have written contracts for services.
(Unresolved see 2004-3)

2003-4 – Public Bid Law Recommendation for Center personnel to seek training on Public Bid Laws relative to Hospital Districts. (Resolved)

2003-5 – Millage Funds Recommendation to seek a legal opinion on the 2002 Millage Proposition (Resolved)

**HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER
MANAGEMENT'S CORRECTIVE ACTION PLAN
For The Year Ended December 31, 2004**

Section I – Internal Control and Compliance Material to the Financial Statements

None

Section II – Internal Control and Compliance Material to Federal Awards

None

Section III – Management Letter

2004-1 - Purchasing Policy Recommendation to develop written purchasing policy.

Management's Response:

Management agrees with finding and will seek Board permission to seek assistance in developing a written purchasing policy.

2004-2 – Medical Billing Recommendation to seek continuing education for medical billing personnel.

Management's Response:

Management agrees with finding and will ask the Board to approve funding for continuing education training.

2004-3 – Contracts Recommendation for written contracts with Health Care Providers.

Management's Response:

Management agrees and will seek guidance from the Board and the District Attorney's office for assistance in developing and/or reviewing proposed contracts.