Hospital Service District Number One of The Parish of LaSalle, State of Louisiana
Olla, Louisiana

General-Purpose Financial Statements
September 30, 1999

Hospital Service District Number One of The
Parish of LaSalle, State of Louisiana
Olla, Louisiana

General-Purpose Financial Statements
September 30, 1999

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Independent Auditors' Report

Board of Commissioners
Hospital Service District Number One
of the Parish of LaSalle
State of Louisiana
Olla, Louisiana

We have audited the accompanying GENERAL-PURPOSE FINANCIAL STATEMENTS of the Hospital Service District Number One of the Parish of LaSalle, State of Louisiana, a general-purpose of LaSalle Parish Police Jury, as of and for the year ended September 30, 1999. These general-purpose financial statements are the responsibility of the Board of Commissioners of the Hospital Service District. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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. Those standards require that we plan and perform the audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Hospital Service District Number One of the Parish of LaSalle, state of Louisiana, as of September 30, 1999, and the results of its operations and the cash flows of the proprietary fund types for the year then ended, in conformity with generally accepted accounting principles.

The accompanying general-purpose financial statements have been prepared assuming that the Hospital Service District Number One of the Parish of LaSalle, State of Louisiana, will continue as a going concern. As discussed in Note 13 to the general-purpose financial statements, the Hospital Service District is experiencing liquidity problems resulting from several factors. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 13. The general-purpose financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Board of Commissioners
Hospital Service District Number One
of the Parish of LaSalle
State of Louisiana
Olla, Louisiana

In accordance with Government Auditing Standards, we have also issued our report dated February 3, 2000, on our consideration of the Hospital Service District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the result of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying SUPPLEMENTAL INFORMATION SCHEDULES listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements of the Hospital Service District Number One of the Parish of LaSalle, state of Louisiana. 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 presented in all material respects in relation to the general-purpose financial statements taken as a whole.

Als, the accompanying OTHER INFORMATION as listed in the table of contents, is presented for purposes of additional analysis and is not a rquired part of the general-purpose financial statements. Such informaion has not been subject to the auditing procedures applied in the audit of the general-purpose financial statements and, accordingly, we express no opinion on it.

Allen Green + Company

ALLEN, GREEN & COMPANY, LLP

Monroe, Louisiana
February 3, 2000

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LaSALLE , STATE OF LOUISIANA
Olla, Louisiana

ALL FUND TYPES AND ACCOUNT GROUPS
COMBINED BALANCE SHEET
September 30, 1999

ASSETS

	Proprietary Funds - Enterprise
Cash and cash equivalents	
Cash, checking	$ 65,619
Certificates of deposit	100,409
Receivables	
Patient services, net of allowances of $2,960,685	1,793,789
Estimated third-party payor settlements	324,212
Interest	841
Rent	800
Miscellaneous	166
Supplies	94,365
Prepaid expenses	13,555
Assets whose use is limited	
Under revenue bond agreement	
Revenue bond and interest sinking account	113,810
Revenue bond reserve account	100,016
Depreciation and contigency fund	4,432
Property, plant and equipment	
Land	4,615
Land improvements	39,359
Buildings	1,590,508
Equipment, furniture and fixtures	2,079,792
Accumulated depreciation	(3,066,509)
TOTAL ASSETS	$ 3,259,779

(Continued)

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LaSALLE, STATE OF LOUISIANA
Olla, Louisiana

ALL FUND TYPES AND ACCOUNT GROUPS
COMBINED BALANCE SHEET
September 30, 1999

Statement A

		Proprietary Funds - Enterprise
LIABILITIES, EQUITY AND OTHER CREDITS		
Liabilities		
Accounts payable	$	422,618
Salaries payable		74,503
Current portion of capital lease		19,069
Accrued vacation payable		39,096
Payable from assets whose use is limited		
Revenue bonds payable		765,000
Accrued bond interest payable		35,068
Total liabilities	$	1,355,354
Equity and other credits		
Contributed capital	$	1,067,738
Retained earnings:		
Reserved for revenue bond:		
Sinking account		113,810
Reserve account		100,016
Depreciation and capital improvement		4,432
Unreserved		618,429
Total equity and other credits	$	1,904,425
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	$	3,259,779

(Concluded)

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LaSALLE , STATE OF LOUISIANA
Olla, Louisiana

ALL PROPRIETARY FUNDS
COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
Year Ended September 30, 1999

Statement B

		Enterprise Funds
OPERATING REVENUES		
Net patient service revenues	$	6,024,620
Contributions from Ambulance Service District		76,555
State of Louisiana, Emergency Services grant		0
State of Louisiana, Disproportionate Share Pool Payments		271,061
Vending machine commissions		1,701
Rentals, physicians' offices		6,200
Cafeteria sales		15,275
Total revenues	$	6,395,412
OPERATING EXPENSES		
Daily patient services	$	838,659
Nursing services		1,853,964
Other professional services		1,503,530
General services		591,851
Administrative and fiscal services		410,059
Employee benefits		280,037
Depreciation		115,362
Provision for bad debts		1,426,379
Interest expense		38,464
Total expenditures	$	7,058,305
OPERATING INCOME (LOSS)	$	(662,893)
NONOPERATING REVENUES (EXPENSES)		
Interest revenue:		
Unrestricted assets	$	7,763
Assets whose use is limited		8,160
Other		37,942
Total nonoperating revenues (expenses)	$	53,865
INCOME (LOSS) BEFORE OPERATING TRANSFERS	$	(609,028)

(Continued)

See accompanying notes to the financial statements.

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LaSALLE , STATE OF LOUISIANA
Olla, Louisiana

ALL PROPRIETARY FUNDS
COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
Year Ended September 30, 1999

Statement B

	Enterprise Funds
TRANSFERS FROM (TO) OTHER FUNDS	
Operating transfers from other funds	$ 10,689
Operating transfers to other funds	(10,689)
Total transfers from (to) other funds	$ 0
NET INCOME	$ (609,028)
RETAINED EARNINGS, BEGINNING	$ 1,445,715
RETAINED EARNINGS, ENDING	$ 836,687

(Concluded)

See accompanying notes to the financial statements.

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LaSALLE , STATE OF LOUISIANA
Olla, Louisiana

ALL PROPRIETARY FUNDS
COMBINED STATEMENT OF CASH FLOWS
Year Ended September 30, 1999

Statement C

	Total
CASH FLOWS FROM OPERATING ACTIVITIES	
Income (loss) from operations	$ (657,697)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Provision for bad debts	1,426,379
Depreciation expense	110,166
Interest paid on capital and related financing activities	38,464
(Increase) decrease in:	
Accounts receivable, patients	(1,403,679)
Accounts receivable, third-party payors	(77,987)
Supplies	(618)
Prepaid expenses	16,975
Other	388
Increase (decrease) in:	
Accounts payable, trade	148,879
Salaries payable	(5,922)
Other revenues	37,943
Total adjustments	290,988
Net cash provided by (used in) operating activities	(366,709)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from (to) other funds	$ 0
Net cash provided by (used in) noncapital financing activities	0

(Continued)

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LaSALLE , STATE OF LOUISIANA
Olla, Louisiana

ALL PROPRIETARY FUNDS
COMBINED STATEMENT OF CASH FLOWS
Year Ended September 30, 1999

Statement C

	Total
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of property, plant and equipment	$ (50,896)
Capital lease obligations:	
Principal	(7,085)
Hospital revenue bonds:	
Principal	(50,000)
Interest	(40,750)
Net cash used in capital and related financing activities	(148,731)
CASH FLOWS FROM INVESTING ACTIVITIES	
Decrease (increase) in restricted assets	100,000
Interest received	15,923
Decrease (increase) in certificates of deposit	221,211
Net cash provided by investing activities	337,134
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(178,306)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	562,592
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 384,286

(Concluded)

See accompanying notes to financial statements.

Notes to the General-Purpose Financial Statements
September 30, 1999

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Hospital Service District Number One of The
Parish of LaSalle, State of Louisiana
Olla, Louisiana

Notes to the General-Purpose Financial Statements
September 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Hospital Service District Number One of the Parish of LaSalle, state of Louisiana (District), was created by the LaSalle Parish Police Jury, and operates Hardtner Medical Center through its Board of Commissioners. Hardtner Medical Center is a 41-bed hospital located in Olla, Louisiana, serving Olla and the surrounding community. In addition, the District provides office space to several physicians on a rental basis.

The district is governed by a Board of Commissioners composed of five members. David A. Hamner, Administrator of the Hospital, serves as secretary and treasurer of the Board.

Board members who served during the fiscal year and the amount of compensation received by each are presented below in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

Mr. Lee Richardel, Chairman	$ 480
Mrs. Irma Terral, Vice-Chairman	480
Mr. M. L. Barksdale	480
Mr. G. F. Tannehill (October 1998 - June 1999)	360
Mr. Benny Zeagler	480
Mr. Joe Wilson (June 1999 - present)	120
	$2,400

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body establishing governmental accounting and financial reporting principles. The more significant of the Hospital Service District's accounting policies are described below.

A. REPORTING ENTITY

The Hospital Service District Number One is a general-purpose of the LaSalle Parish Police Jury, the reporting entity. The LaSalle Parish Police Jury is the governing authority of the Parish of LaSalle, Louisiana, and is governed by a board of police jurors elected by the public. Under the provisions granted by the Louisiana statutes, the police jury created the Hospital Service District Number One and appoints the members of its Board of Commissioners. The accompanying financial statements present information only on the funds maintained by the Hospital Service District Number One of the Parish of LaSalle and do not present information on the LaSalle Parish Police Jury, the general government services provided by the LaSalle Parish Police Jury, or other governmental units that comprise the financial reporting entities.

B. FUND ACCOUNTING

The accounts of the District are organized on the basis of funds each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The funds presented in the financial statements are described as follows:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. FUND ACCOUNTING (Continued)

Enterprise Funds

The enterprise funds are proprietary fund types that account for activities similar to those found in the private sector, where the determination of net income is necessary and useful to sound financial administration.

Operations and Maintenance Enterprise Fund

The District provides various services to the doctors of the Hospital through the use of this fund. In an effort to retain doctors for the Hospital, the District provides buildings for the doctors' use. The doctors are charged a monthly rent for use of these buildings.

Concession Enterprise Fund

In order to control the collections and reduce costs, the District engages an outside vending company to handle the concessions. All activities of the concession fund are conducted by an outside agency who pays the District a stated percentage of gross collections.

Hardtner Medical Center Enterprise Fund

This fund accounts for the operations of the Medical Center. Its purpose is to provide needed health care services to persons within the district.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Enterprise Funds

The enterprise funds are reported on the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The Hospital has elected pursuant to GASB Statement No. 20, to apply all GASB pronouncements and only FASB pronouncements issued before November 30, 1989. Patient service revenue, etc., are recognized as follows:

Net Patient Service Revenue

Net patient service revenue is patient revenue reported at Hardtner Medical Center's (Hospital's) established rates less contractual adjustments, charity allowances and policy discounts. Retroactive adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Enterprise Funds (Continued)

Net Patient Service Revenue (Continued)

The Hospital has agreements with third-party payors that provide for reimbursement to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

Medicare Inpatient 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. Outpatient services and defined capital costs related to Medicare beneficiaries are paid based upon a cost reimbursement method. The Hospital is paid for outpatient cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits by the Medicare fiscal intermediary. Cost reports through September 30, 1996 have been settled. Reports for September 30, 1997 and 1998 are still in the process of being reviewed.

Medicaid Inpatient services rendered to Medicaid program beneficiaries are reimbursed on prospectively determined rates. Outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon 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 Medical fiscal intermediary through September 30, 1994. The reviews for 1995, 1996 1997 and 1998 are in progress.

The state Medicaid Program made partial interim payments based on cost report figures without considering per-discharge limitations and incentive payments pending approval of this payment plan by the Health Care Financing Administration. The state of Louisiana recently settled cost reports for prior years after reaching agreement with the federal government regarding reimbursement methodology and upon appropriations of funds by the state legislature. The Medicaid cost reports for 1995, 1996 and 1997 and 1998, are under review. However, due to budget restraints, the Louisiana Department of Health and Hospitals has not made a commitment to budget and fund the payments for these cost reports, making collection uncertain. The unpaid balance on these four cost reports is $222,585. Any difference between the amounts estimated to be due or payable on final audit will be included in contractual adjustments to revenues in the year settled. The determination of the amounts to be received and their payments occurred after the date of this report but before it was issued.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Enterprise Funds (Continued)

Net Patient Service Revenue (Continued)

Blue Cross Inpatient services rendered to Blue Cross subscribers are reimbursed at an all-inclusive per diem rate. The prospectively determined per diem rates are not subject to retroactive adjustments.

Civilian Health and Medical Program of the Uniformed Services (Champus) Inpatient and outpatient services rendered are reimbursed on the same basis used by Medicare.

Charity Title VI (Hill-Burton) of the Public Health Act Regulations required hospitals to provide free care to patients who were unable to pay.

Hardtner Medical Center completed its twenty-year obligation of providing free care under Hill-Burton. A policy for providing continuing charity care for future years has not been established.

Net patient service revenue Following is a summary of contractual and other adjustments to arrive at net patient service revenues:

Gross patient service revenue	$8,211,824
Less contractual adjustments:	
Medicare	1,603,555
Medicaid	405,281
Other third parties	178,368
Total contractual adjustments	2,187,204
Net patient service revenue	$6,024,620

Contributions. Contributions from the LaSalle Parish Ambulance Service District for operation of the ambulances are treated as operating revenues. Unrestricted donations are treated as nonoperating revenues when received.

D. BUDGET PRACTICES

The District maintains only enterprise funds in its accounting system and is not subject to the Local Budget Act or the requirements of generally accepted accounting principles that require budget to actual comparisons. Therefore, budget to actual comparisons, usually found in the financial statements of governmental entities, are not included in these statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ENCUMBRANCES

The District does not use a formal system of encumbrance accounting.

F. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits and interest-bearing demand deposits, and time deposit accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less.

The District deposits its funds in fiscal agent banks organized under the laws of the state of Louisiana, or the laws of the United States.

Cash and cash equivalents also include amounts whose use is limited by board designation or agreements with third-party payors in accordance with Statement Number 9 of the Governmental Accounting Standards Board. See Note 4.

G. INVESTMENTS

Investments are bank certificates of deposit that are valued at cost which approximates market. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

H. SUPPLIES

Inventories of supplies and minor equipment are valued at lower of cost (first-in, first-out) or latest invoice price.

I. ASSETS WHOSE USE IS LIMITED

Assets whose use is limited include funds set aside in accordance with agreements with third-party payors and funds held in accordance with the provisions of a revenue bond agreement.

J. PROPERTY, PLANT AND EQUIPMENT

Property and equipment acquisitions are recorded at cost. Property and equipment donated for hospital operations are valued at their fair market value on the date received, with the exception of the site of the Hospital which is carried at no value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. PROPERTY, PLANT AND EQUIPMENT (Continued)

Excluding the value of the Hospital site understates the assets of the Hospital, but not by a significant amount. All exhaustible property and equipment are shown in the accompanying balance sheet at their original costs, less accumulated depreciation. Depreciation is recorded on the straight-line method over the estimated useful lives, as follows:

Land improvements	12-29 years
Buildings	16-40 years
Fixed equipment	5-20 years
Major moveable equipment	3-20 years

K. LONG-TERM DEBT

Long-term liabilities expected to be financed from proprietary fund operations, Hardtner Medical Center, are accounted for in the enterprise fund.

L. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS

At September 30, 1999, the District has deposits (book balances) totaling $384,286 as follows:

Demand deposit	$283,577
Petty cash	300
Certificates of deposit	100,409
Total	$384,286

NOTE 2 - DEPOSITS (Continued)

Total deposits consist of the following balances on Statement A - Combined Balance Sheet, as of September 30, 1999:

Cash and cash equivalents	$166,028
Under revenue bond agreement	
Revenue bond and interest sinking account	113,810
Revenue bond reserve account	100,016
Depreciation and contingency fund	4,432
Total	$384,286

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 pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At year-end, the District's carrying amount of deposits was $384,286 and the bank balance was $400,680. Of the bank balance, $181,164 was covered by federal depository insurance or by collateral held by the District's agent in the District's name (GASB Category 1). The remaining balance, $219,516 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name (GASB Category 3).

These deposits are considered uncollateralized (Category 3) under the provisions of GASB Statement 3. However, 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 District that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 - ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable - patients, include unpaid amounts billed to discharged patients and third-party payors such as insurance companies and the fiscal intermediaries of the Social Security Administration on behalf of patients eligible for benefits under Title XVIII and XIX of the Social Security Act. Also included are unbilled charges for those patients not discharged at September 30, 1999.

A summary of transactions in the allowance for doubtful accounts and contractual adjustments of the Hospital follows:

Balance at beginning of period	$ 1,870,825
Provision for estimated losses on uncollected accounts and contractual adjustments	3,572,386
Accounts charged to allowance	(2,514,469)
Collections	31,943
Balance at end of period	$ 2,960,685

Hospital Service District Number One of The
Parish of LaSalle, State of Louisiana
Olla, Louisiana

Notes to the General-Purpose Financial Statements
September 30, 1999

NOTE 4 - ASSETS WHOSE USE IS LIMITED

The Hospital decreased its capital improvement and funded depreciation accounts approximately $132,000. This money was transferred to the operating fund.

The Hospital is required to make monthly deposits into the following funds under the FHA loan agreement:

	1999	
	Monthly	Balance
Revenue bond and interest sinking account	$7,781	$113,810
Revenue bond reserve account	-	100,016
Depreciation and contingency fund	770	4,432
Total assets whose use is limited	$8,551	$218,258

These monies are in interest-bearing accounts and are included in the balance sheet as assets whose use is limited. There is a required amount of $99,000 maintained in the revenue reserve account. Payments into the depreciation fund shall continue and are to be used only for replacement and repairs. Revenue bond and interest sinking funds are used to make annual principal and interest payments. All required deposits to these funds have been made.

NOTE 5 - CONTINGENCIES

Self-Insured The Hospital pays Louisiana Unemployment Compensation Tax under the Louisiana Employment Security Law. The tax is normally assessed at the rate of four to five percent of the first $8,500 of each employee's wages. However, the Hospital has elected to pay on an experience-rating method whereby actual compensation payments to qualifying employees are assessed.

NOTE 6 - PENSION PLAN

Employees of the Hardtner Medical Center are covered by the Federal Social Security System. The Hospital provides administrative assistance to its employees who participate in a salary reduction plan under Section 403(b) of the Internal Revenue Code. However, the Hospital does not contribute to the plan.

Hospital Service District Number One of The
Parish of LaSalle, State of Louisiana
Olla, Louisiana

Notes to the General-Purpose Financial Statements
September 30, 1999

NOTE 7 - PROPERTY AND EQUIPMENT

The changes in property, plant and equipment are as follows:

	Balance October 1, 1998	Additions	Deletions	Balance September 30, 1999
Land	$ 4,615	$ -	$ -	$ 4,615
Land improvements	39,359	-	-	39,359
Buildings	1,590,508	-	-	1,590,508
Equipment, furniture and fixtures	2,028,896	50,896	-	2,079,792
Total	3,663,378	50,896	-	3,714,274
Less accumulated depreciation:				
Land improvements	37,820	393	-	38,213
Buildings	1,142,149	43,662	-	1,185,811
Equipment, furniture and fixtures	1,771,178	71,307	-	1,842,485
Total	2,951,147	115,362	-	3,066,509
Property, plant and equipment, net	$ 712,231	$(64,466)	$ -	$ 647,765

NOTE 8 - LONG-TERM DEBT

Funding for a 1981 expansion program at the Hospital was provided by the issuance of $1,376,000 revenue bonds and $348,000 from earnings accumulated by the Hospital. The bonds bear interest at five percent per annum and are payable over a period of 40 years. They were acquired by the Farmers Home Administration and are secured by a pledge of income, revenues and receipts derived by the Hospital.

The following is a summary of long-term debt principal transactions for the year ended September 30, 1999:

	Revenue Bonds
Balance, beginning of year	$815,000
Redeemed	50,000
Balance, end of year	$765,000

Hospital Service District Number One of The
Parish of LaSalle, State of Louisiana
Olla, Louisiana

Notes to the General-Purpose Financial Statements
September 30, 1999

NOTE 8 - LONG-TERM DEBT (Continued)

Scheduled annual debt service requirements are as follows:

Year Ending September 30	Revenue Bonds
2000	$ 93,250
2001	90,500
2002	92,750
2003	89,750
2004	91,750
2005-2010	557,000
Total payments	1,015,000
Less amount representing interest	(250,000)
Total principal outstanding	$ 765,000

Bond principal and interest payable in the next fiscal year are $55,000 and $38,250, respectively.

NOTE 9 - CAPITAL LEASE OBLIGATIONS

The District is obligated under a lease for computer equipment which is accounted for as a capital lease. Assets under capital lease totaled $24,867 at September 30, 1999, and accumulated depreciation on these assets totaled $13,665. The following is a schedule of future minimum lease payments.

Year Ending September 30,	Lease Payments
2000	$ 8,525
2001	8,525
2002	3,551
Total minimum lease payments	20,601
Less amounts representing interest	1,532
Present value of net minimum lease payments	$19,069

NOTE 10 - INCOME TAXES

The Hospital Service District is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

NOTE 11 - CASH FLOWS STATEMENT

For the purpose of the statement of cash flows, the Hospital Service District considers the following accounts with a maturity of three months or less as cash and cash equivalents:

Cash and cash equivalents	$166,028
Assets whose use is limited under revenue bond agreement	
Revenue bond and interest-sinking account	113,810
Revenue bond reserve account	100,016
Depreciation and contingency fund	4,432
Total cash and cash equivalents	$384,286

NOTE 12 - BEHAVIORAL HEALTH UNIT

The Hospital established a Behavioral Health Unit (BHU) in 1996 and operates the BHU with the assistance of a third-party management company. The BHU provides programs for the treatment of emotional problems and psychiatric disorders and operates out of a ten-bed wing in the Hospital.

Carter Integrated Services (CIS) operated the BHU under the terms of a contract entered into by both parties effective August 25, 1998 and revised July 27, 1999. Under this contract, management services and all staff are provided by CIS. The Hospital pays to CIS a management fee of $400 per patient day. This contract is for a term of three years and is cancelable by either party with a 90-day notice.

NOTE 13 - GOING CONCERN

There are concerns about the Hospital's liquidity and the ability to remain a going concern based on the factors discussed below.

LaSalle Parish, particularly the western portion of the parish in and around Olla, has experienced economic distress over the last few years. One of the parish's main employers was forced to close a portion of its operations in the area in December 1997, causing many of the citizens who utilize the Hospital to become unemployed. This has caused collection problems for the Hospital's self-pay and deductible portion of the accounts receivables, which comprise approximately 10-15% of total accounts receivables. The parish's economic conditions is only one factor in the increase in accounts receivable. Another cause of increasing accounts receivables is delinquent diagnoses which have not been billed.

This increase in the carrying amount of receivables has been coupled with annual operating losses in eight of the last nine years. These operating losses can be, at least, partially attributed to occupancy rates which have fallen annually for the last ten to twelve years. A further strain on liquidity is caused by the lack of commitment by the Louisiana Department of Health and Hospitals to budget and fund the amounts due to state hospitals resulting from services provided under Medicare and Medicaid as determined in the Hospital's cost reports.

NOTE 13 - GOING CONCERN (Continued)

When combined, these factors have forced the Hospital to rely on reserves built up and held in investments in order to fund operations. In addition to revenues generated by operations, the Hospital relies to some extent on annual funding received from the Louisiana Department of Health and Hospitals. Uncertainties exist about the availability of this funding in future years which could compound the problem faced by the Hospital and force the Hospital to dig into these reserves even deeper.

Management has formulated some strategic initiatives in order to combat these problems which include but are not limited to:

- The Hospital has revised outpatient charges. This should improve revenues and profitability, but the cash flow may not be realized for several months.

- The old management contract covering the Behavioral Health Unit (BHU) was renegotiated in July 1999 with the management company. Projections are that the BHU should become more profitable under the current arrangement. The BHU was responsible for a $259,000 receivable from Medicare on the September 30, 1999 cost report.

- The Hospital is planning to conduct a feasibility study to apply for Critical Access Hospital (CAH) designation. The state of Louisiana has a $6,500 grant available for the funding of this study. Should the Hospital meet all of the criteria for CAH, the Hospital will be placed on a cost reimbursement basis by Medicare. This would exempt the Hospital from the DRG payments and the upcoming outpatient payment reductions.

- The state of Louisiana is compensating small rural hospitals for a portion (70%) of their uncompensated care provided to Medicaid and other uninsured patients recipients. These payments are authorized under the "Rural Hospital Preservation Act." Another $349,660 was released in October which will relieve some of the cash flow problem.

  This amount is calculated in October based on amounts from the prior-year cost reports.

NOTE 14 - SUBSEQUENT EVENTS

In November 1999, the voters of the parish passed a five-year ad valorem tax millage with a renewal option to be used for operations and maintenance of the Hospital. This tax should raise approximately $120,000 annually for the Hospital.

In October 1999, the Hospital received funding of $349,660 from the state for their uncompensated costs. See Note 13.

SUPPLEMENTAL INFORMATION SCHEDULES

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LaSALLE , STATE OF LOUISIANA
Olla, Louisiana

ALL ENTERPRISE FUNDS
COMBINING BALANCE SHEET
September 30, 1999

Schedule 1

	Operations And Maintenance	Concession	Hardtner Medical Center	Totals
ASSETS				
Cash and cash equivalents				
Cash, checking	$ 1,893	$ 1,114	$ 62,612	$ 65,619
Certificates of deposit	0	0	100,409	100,409
Receivables				
Patient services, net of allowances of $2,960,685	0	0	1,793,789	1,793,789
Estimated third-party payor settlements	0	0	324,212	324,212
Interest	0	0	841	841
Rent	800	0	0	800
Miscellaneous	0	166	0	166
Supplies	0	0	94,365	94,365
Prepaid expenses	606	0	12,949	13,555
Assets whose use is limited				
Under revenue bond agreement				
Revenue bond and interest sinking account	0	0	113,810	113,810
Revenue bond reserve account	0	0	100,016	100,016
Depreciation and contigency fund	0	0	4,432	4,432
Property, plant and equipment				
Land	0	0	4,615	4,615
Land improvements	3,847	0	35,512	39,359
Buildings	162,707	0	1,427,801	1,590,508
Equipment, furniture and fixtures	13,553	0	2,066,239	2,079,792
Accumulated depreciation	(142,326)	0	(2,924,183)	(3,066,509)
TOTAL ASSETS	$ 41,080	$ 1,280	$ 3,217,419	$ 3,259,779

(Continued)

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LaSALLE, STATE OF LOUISIANA
Olla, Louisiana

ALL ENTERPRISE FUNDS
COMBINING BALANCE SHEET
September 30, 1999

Schedule 1

LIABILITIES, EQUITY AND OTHER CREDITS

	Operations And Maintenance	Concessions	Hartdner Medical Center	Totals
Liabilities				
Accounts payable	$ 602	$ 0	$ 422,016	$ 422,618
Salaries payable	0	0	74,503	74,503
Current portion of capital lease	0	0	19,069	19,069
Accrued vacation payable	0	0	39,096	39,096
Payable from assets whose use is limited				
Revenue bonds payable	0	0	765,000	765,000
Accrued bond interest payable	0	0	35,068	35,068
Total liabilities	$ 602	$ 0	$ 1,354,752	$ 1,355,354
Equity and other credits				
Contributed capital	$ 0	$ 0	$ 1,067,738	$ 1,067,738
Retained earnings:				
Reserved for revenue bond:				
Sinking account	0	0	113,810	113,810
Reserve account	0	0	100,016	100,016
Depreciation and capital improvement	0	0	4,432	4,432
Unreserved	40,478	1,280	576,671	618,429
Total equity and other credits	$ 40,478	$ 1,280	$ 1,862,667	$ 1,904,425
TOTAL LIABILITIES, EQUITY AND OTHER CREDIT	$ 41,080	$ 1,280	$ 3,217,419	$ 3,259,779

(Concluded)

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LaSALLE , STATE OF LOUISIANA
Olla, Louisiana

ALL ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
Year Ended September 30, 1999

Schedule 2

	Operations And Maintenance	Concession	Hardtner Medical Center	Total
OPERATING REVENUES				
Net patient service revenues	$ 0	$ 0	$ 6,024,620	$ 6,024,620
Contributions from Ambulance Service District	0	0	76,555	76,555
State of Louisiana, Emergency Services grant	0	0	0	0
State of Louisiana, Disproportionate Share Pool Payments	0	0	271,061	271,061
Vending machine commissions	0	1,701	0	1,701
Rentals, physicians' offices	6,200	0	0	6,200
Cafeteria sales	0	0	15,275	15,275
Total revenues	$ 6,200	$ 1,701	$ 6,387,511	$ 6,395,412
OPERATING EXPENSES				
Daily patient services	$ 0	$ 0	$ 838,659	$ 838,659
Nursing services	0	0	1,853,964	1,853,964
Other professional services	0	0	1,503,530	1,503,530
General services	13,701	0	578,150	591,851
Administrative and fiscal services	0	0	410,059	410,059
Employee benefits	0	0	280,037	280,037
Depreciation	5,196	0	110,166	115,362
Provision for bad debts	0	0	1,426,379	1,426,379
Interest expense	0	0	38,464	38,464
Total expenditures	$ 18,897	$ 0	$ 7,039,408	$ 7,058,305
OPERATING INCOME (LOSS)	$ (12,697)	$ 1,701	$ (651,897)	$ (662,893)
NONOPERATING REVENUES (EXPENSES)				
Interest revenue:				
Unrestricted assets	$ 0	$ 0	$ 7,763	$ 7,763
Assets whose use is limited	0	0	8,160	8,160
Other	6,941	0	31,001	37,942
Total nonoperating revenues (expenses)	$ 6,941	$ 0	$ 46,924	$ 53,865
INCOME (LOSS) BEFORE OPERATING TRANSFERS	$ (5,756)	$ 1,701	$ (604,973)	$ (609,028)

(Continued)

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LaSALLE , STATE OF LOUISIANA
Olla, Louisiana

ALL ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
Year Ended September 30, 1999

Schedule 2

	Operations And Maintenance	Concession	Hardtner Medical Center	Total
TRANSFERS FROM (TO) OTHER FUNDS				
Operating transfers from other funds	$ 0	$ 0	$ 10,689	$ 10,689
Operating transfers to other funds	0	(10,689)	0	(10,689)
Total transfers from (to) other funds	$ 0	$ (10,689)	$ 10,689	$ 0
NET INCOME	$ (5,756)	$ (8,988)	$ (594,284)	$ (609,028)
RETAINED EARNINGS, BEGINNING	$ 46,234	$ 10,268	$ 1,389,213	$ 1,445,715
RETAINED EARNINGS, ENDING	$ 40,478	$ 1,280	$ 794,929	$ 836,687

(Concluded)

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LaSALLE , STATE OF LOUISIANA
Olla, Louisiana

ALL ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended September 30, 1999

Schedule 3

	Operations And Maintenance	Concession	Hardtner Medical Center	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) from operations	$ (12,697)	$ 1,701	$ (651,897)	$ (662,893)
Adjustments to reconcile net income (loss) to *net cash provided by (used in) operating activities:*				
Provision for bad debts	0	0	1,426,379	1,426,379
Depreciation expense	5,196	0	110,166	115,362
Interest paid on capital and		0		
related financing activities	0	0	38,464	38,464
(Increase) decrease in:				
Accounts receivable, patients	0	0	(1,403,679)	(1,403,679)
Accounts receivable, third-party payors	0	0	(77,987)	(77,987)
Supplies	0	0	(618)	(618)
Prepaid expenses	92	0	16,883	16,975
Other	400	(12)	0	388
Increase (decrease) in:				
Accounts payable, trade	(70)	0	148,950	148,880
Salaries payable	0	0	(5,922)	(5,922)
Other revenues	6,941	0	31,001	37,942
Total adjustments	$ 12,559	$ (12)	$ 283,637	296,184
Net cash provided by (used in) operating activities	(138)	1,689	(368,260)	(366,709)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from (to) other funds	$ 0	$ (10,689)	$ 10,689	$ 0
Net cash provided by (used in) noncapital financing activities	0	(10,689)	10,689	0

(Continued)

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LaSALLE , STATE OF LOUISIANA
Olla, Louisiana

ALL ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended September 30, 1999

Schedule 3

	Operations And Maintenance	Concession	Hardtner *Medical* Center	Total
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of property, plant and equipment	$ 0	$ 0	$ (50,896)	$ (50,896)
Capital lease obligations:				
Principal	0	0	(7,085)	(7,085)
Hospital revenue bonds:				
Principal	0	0	(50,000)	(50,000)
Interest	0	0	(40,750)	(40,750)
Net cash used in capital and related financing activities	0	0	(148,731)	(148,731)
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (increase) in restricted assets	0	0	100,000	100,000
Interest received	0	0	15,923	15,923
Decrease (increase) in certificates of deposit	0	0	221,211	221,211
Net cash provided by investing activities	0	0	337,134	337,134
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(138)	(9,000)	(169,168)	(178,306)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,031	10,114	550,447	562,592
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,893	$ 1,114	$ 381,279	$ 384,286

(Concluded)

Other Reports Required By
Government Auditing Standards

The report following this page is a report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards, issued by the Comptroller General of the United States. The section of the report on compliance is based solely on the audit of the general-purpose financial statements and presents, where applicable, compliance matters that would be material to the general-purpose financial statements. The section of the report on internal control over financial reporting is, likewise, based solely on the audit of the general-purpose financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses.

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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Board of Commissioners
Hospital Service District Number One
of the Parish of LaSalle, State of Louisiana
Olla, Louisiana

We have audited the financial statements of the Hospital Service District Number One of the Parish of LaSalle, State of Louisiana, as of and for the year ended September 30, 1999, and have issued our report thereon dated February 3, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance
As part of obtaining reasonable assurance about whether Hospital Service District Number One of the Parish of LaSalle'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 Hospital Service District Number One of the Parish of LaSalle'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 that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Management Letter Items
However, we noted other matters involving financial operations which we have reported to management of the District in a separate letter dated February 3, 2000 included later in this report.

Board of Commissioners
Hospital Service District Number One
of the Parish of LaSalle, State of Louisiana
Olla, Louisiana

This report is intended solely for the information and use of the Board of Commissioners, management, and the Legislative Auditor of the state of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties.

Allen, Green & Company

ALLEN, GREEN & COMPANY, LLP

Monroe, Louisiana
February 3, 2000

OTHER INFORMATION

Hospital Service District Number One of the
Parish of LaSalle, State of Louisiana
Olla, Louisiana

Summary Schedule of Prior Audit Findings
As of and for the Year Ended September 30, 1999

Finding reference # and title: **98-F1** **Inadequate Separation of Duties**

Finding initially reported: Fiscal year ended September 30, 1996.

Condition: Employees in the business office perform overlapping accounting procedures in several areas including accounts payable, cash, accounts receivable, and revenue posting transactions.

Corrective Action Taken: The bank reconciliation and general ledger functions are performed jointly by the administrator and the bookkeeper and the daily deposit is now prepared by office personnel with no access to the accounting and reconciliation functions. This provides oversight of the deposits and checks on a daily basis.

MANAGEMENT LETTER ITEMS

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Management Letter

Board of Commissioners
Hospital Service District Number One
of the Parish of LaSalle
State of Louisiana
Olla, Louisiana

In planning and performing our audit of the general-purpose financial statements of the Hospital Service District Number One of the Parish of LaSalle, Olla, Louisiana for the year ended September 30, 1999, we considered the District's internal control structure to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect our report dated February 3, 2000, on the financial statements of the District. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

99-M1 Accounts Receivable

Comment: Accounts receivable have grown steadily over the past several years, part of which is related to the larger Medicare population. Also, there is a delay between the time a patient is discharged and the time that the bill is submitted to Medicare and payment received. This is a normal process an some increase in Medicare receivables is to be expected.

However, the Hospital is unable to submit a bill to third-party payers, and to patients, until a diagnosis is received from the attending physician. Gross receivables with diagnoses pending totaled $1,059,826 at September 30, 1999. It is our understanding that this balance has increased since the end of the fiscal year. This is not a new situation as the amount of receivables with diagnoses pending has grown over the years. If it is assumed that the Hospital collects 50% to 60% of this balance, cash flow can be significantly improved by speeding up this process.

Recommendation: We believe it is vital to the future of the Hospital that every effort be made to collect these receivables as quickly as possible. Collection efforts should be vigorously pursued.

Patient diagnoses are the responsibility of the attending physicians. **All of the doctors should be informed of the critical cash flow and encouraged to provide diagnoses on patients who have been discharged as soon as possible.**

Board Members
Hospital Service District Number One
of the Parish of LaSalle
Olla, Louisiana

Management's response: The Hospital has hired a new employee whose main objective will be to collect past-due accounts receivable. The Hospital will also schedule a meeting with the medical staff, the Board of Directors, the Hospital Administrator and a representative from the auditing firm for the purpose of resolving the accumulation of delinquent charts.

99-M2 Inadequate Separation of Duties

Comment: Due to a lack of personnel, employees in the business office perform overlapping accounting procedures related to the billing, accounts receivable and collection functions. This causes the Hospital to assume additional risks in summarizing, recording and reporting its financial information and safeguarding its assets. Separation of accounting duties has been shown to assist management in accounting for and safeguarding assets under its control and reducing errors and omissions.

Recommendation: Job descriptions and duties of the business office staff should be reviewed and changes made where possible to reassign incompatible duties.

Management's response: We will review job duties of the business office staff and reassign incompatible functions whenever possible.

* * * * *

Included immediately following this letter is a Status of Prior Management Letter Items. This information has not been audited by Allen, Green & Company, CPAs, LLP, and no opinion is expressed. However, we did follow-up on prior management letter items and performed procedures to assess the reasonableness of the Status of Prior Management Letter Items prepared by the auditee, and we would report, as a current-year management letter item when Allen, Green & Company, CPAs, LLP, concludes that the Status of Prior Management Letter Items materially misrepresents the status of any prior management letter item.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not reveal all weaknesses in policies and procedures that may exist.

This report is intended solely for the information and use of the Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Allen Green + Company

ALLEN, GREEN & COMPANY, LLP

Monroe, Louisiana
February 3, 2000

Hospital Service District Number One of the
Parish of LaSalle, State of Louisiana
Olla, Louisiana

Status of Prior Management Letter Items
September 30, 1999

Management item reference # and title: 98-M1 Accounts Receivable

Initially occurred: Year ended September 30, 1998.

Condition: Accounts receivable have grown steadily over the past several years. During the months after the close of the fiscal year, they increased substantially. Part of this growth is related to the larger Medicare population. There is a delay between the time a patient is discharged and the time that the bill is submitted to Medicare and paid. Therefore, some increase in Medicare receivables is to be expected.

This situation has reduced cash flow and caused the Hospital to draw on its cash reserves.

Management's response: The Hospital has made efforts to reduce the number of delinquent charts and in turn is decreasing the time span of the billing cycle.

Management item reference # and title: 98-M2 Computer Software

Initially occurred: Year ended September 30, 1998.

Condition: We have worked with several worksheets that have to be maintained throughout the year which are prepared manually. We believe a significant amount of time could be saved if these worksheets were kept on spreadsheets such as Lotus 123 or Microsoft Excel. Computer workstations and printers have come down considerably in price and would be a very good bargain for the Hospital due to increased speed and accuracy. These files can also be transmitted to us through the Internet and provide excellent file support and documentation. With a network interface card, some of these workstations could be connected to the AS400 thereby providing access to some of the files that can be downloaded.

Management's response: The Hospital has acquired a computer with Internet capabilities through a state grant including one year of Internet connection fee.

Management item reference # and title: 98-M3 Medical Records Software

Initially occurred: Year ended September 30, 1997.

Condition: We understand that you are considering getting proposals for the installation of computer software in medical records. This should improve the efficiency in that department and would enhance your efforts to speed up the billing process.

Management's response: Medical record software has been purchased and installed.