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Tri-Ward General Hospital and Clinic
Financial Statements
and
Independent Auditors' Report
Years Ended December 31, 1999, 1998 and 1997

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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 MAY 3 1 2000

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Bernice, Louisiana

We have audited the accompanying general purpose financial statements of Tri-Ward General Hospital and Clinic, a component unit of the Union Parish Police Jury, Bernice, Louisiana, as of and for the years ended December 31, 1999, 1998 and 1997, listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Tri-Ward General Hospital and Clinic as of December 31, 1999, 1998 and 1997, and the results of its operations and cash flows for the years then ended, in conformity with generally accepted accounting principles applicable to government entities.

In accordance with Government Auditing Standards, we have also issued a report dated April 3, 2000, on our consideration of the District's internal control structure and on its compliance with laws and regulations.

Our audits were performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information 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. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Lester, Miller & Wells

Certified Public Accountants

April 3, 2000

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Balance Sheets - Restricted and Unrestricted Funds
December 31, 1999, 1998 and 1997

ASSETS	1999	1998	1997
Current assets:			
Cash and cash equivalents (Note 3)	\$ 413,118	\$ 275,906	\$ 431,364
Accounts receivable less estimated uncollectibles (Note 5)	415,784	275,631	213,295
Inventory	109,722	124,093	114,447
Prepaid expenses	<u>61,674</u>	<u>28,396</u>	<u>40,133</u>
Total current assets	<u>1,000,298</u>	<u>704,026</u>	<u>799,239</u>
Property, plant and equipment, less accumulated depreciation (Note 6)	352,875	407,831	395,279
Investments (Note 4)	<u>130,839</u>	<u>119,650</u>	<u>74,816</u>
Total assets	<u>\$ 1,484,012</u>	<u>\$ 1,231,507</u>	<u>\$ 1,269,334</u>
LIABILITIES AND FUND BALANCE			
Current liabilities:			
Accounts payable	\$ 40,305	\$ 32,629	\$ 37,399
Accrued expenses and withholdings payable (Note 7)	78,690	68,085	75,403
Current installments of long-term debt	<u>2,094</u>	<u>2,431</u>	<u>2,139</u>
Total current liabilities	<u>121,089</u>	<u>103,145</u>	<u>114,941</u>
Long-term debt	<u>4,057</u>	<u>6,151</u>	<u>8,718</u>
Total liabilities	<u>125,146</u>	<u>109,296</u>	<u>123,659</u>
Fund balance:			
Unrestricted (including unrealized gains on available for-sale securities of \$116,004, \$104,816 and \$59,982 in 1999, 1998 and 1997, respectively)	<u>1,358,866</u>	<u>1,122,211</u>	<u>1,145,675</u>
Total fund balance	<u>1,358,866</u>	<u>1,122,211</u>	<u>1,145,675</u>
Total liabilities and fund balance	<u>\$ 1,484,012</u>	<u>\$ 1,231,507</u>	<u>\$ 1,269,334</u>

See accompanying notes to financial statements.

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Statements of Operations - Unrestricted Fund
Years Ended December 31, 1999, 1998 and 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Revenue:			
Net patient service revenue	\$ 2,199,200	\$ 1,806,091	\$ 1,786,872
Grant revenue (Note 15)	-0-	74,200	75,000
Property tax revenue (Note 11)	168,312	105,192	179,819
Gain/Loss on equipment disposal	100	-0-	(7,318)
Other revenue	<u>251,642</u>	<u>234,139</u>	<u>238,074</u>
Total revenue	<u>2,619,254</u>	<u>2,219,622</u>	<u>2,272,447</u>
Expenses:			
Salaries and benefits	1,022,704	1,056,706	1,130,658
Medical supplies and drugs	244,728	195,240	203,549
Professional and contract services	556,341	476,848	263,943
Other expenses	274,011	254,978	252,287
Insurance	5,962	44,355	53,672
Leases	35,810	38,459	47,732
Interest	515	681	738
Depreciation	94,117	90,528	75,153
Provision for bad debts	<u>171,971</u>	<u>145,284</u>	<u>67,652</u>
Total expenses	<u>2,406,159</u>	<u>2,303,079</u>	<u>2,095,384</u>
Operating income (loss)	213,095	(83,457)	177,063
Nonoperating income			
Interest income	<u>12,372</u>	<u>15,159</u>	<u>13,368</u>
Excess of revenues over expenses	225,467	(68,298)	190,431
Change in unrealized gains on securities	<u>11,188</u>	<u>44,834</u>	<u>24,608</u>
Increase (decrease) in unrestricted fund balance	<u>\$ 236,655</u>	<u>\$ (23,464)</u>	<u>\$ 215,039</u>

See accompanying notes to financial statements.

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Statements of Changes in Fund Balance - Restricted and Unrestricted Funds
Years Ended December 31, 1999, 1998 and 1997

	Unrestricted	Restricted
Fund balance, December 31, 1996	\$ <u>930,636</u>	\$ <u>12,001</u>
Excess of expenses over revenues	190,431	-0-
Transfer from restricted to unrestricted	-0-	(12,001)
Change in unrealized gains on securities	<u>24,608</u>	<u>-0-</u>
	<u>215,039</u>	<u>(12,001)</u>
Fund balance, December 31, 1997	<u>1,145,675</u>	<u>-0-</u>
Excess of revenues over expenses	(68,298)	-0-
Change in unrealized gains on securities	<u>44,834</u>	<u>-0-</u>
	<u>(23,464)</u>	<u>-0-</u>
Fund balance, December 31, 1998	<u>1,122,211</u>	<u>-0-</u>
Excess of revenues over expenses	225,467	-0-
Change in unrealized gains on securities	<u>11,188</u>	<u>-0-</u>
	<u>236,655</u>	
Fund balance, December 31, 1999	\$ <u>1,358,866</u>	\$ <u>-0-</u>
Composition of Fund Balance at December 31, 1999:		
Accumulated excess of revenues over expenses	\$ <u>1,358,866</u>	
Total unrestricted fund balance	\$ <u>1,358,866</u>	

See accompanying notes to financial statements.

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Statements of Cash Flows - Restricted and Unrestricted Funds
Years Ended December 31, 1999, 1998 and 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Cash flows from operating activities:			
Operating income (loss)	\$ 213,095	\$ (83,457)	\$ 177,063
Interest expense considered capital financing activity	515	681	738
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for bad debt	171,971	145,284	67,652
Depreciation	94,117	90,528	75,153
(Gain) loss on disposal of assets	(100)	-0-	7,318
Changes in:			
Accounts receivable (net)	(298,737)	(195,753)	(92,372)
Third party payor	(13,387)	(11,867)	(3,158)
Inventory	14,371	(9,646)	(16,792)
Prepaid expenses	(33,278)	11,737	(10,361)
Accounts payable	7,676	(4,770)	(23,192)
Accrued expenses and withholdings payable	10,605	(7,318)	(2,653)
Unearned rents	<u>-0-</u>	<u>-0-</u>	<u>(1,333)</u>
Net cash provided (used) by operating activities	<u>166,848</u>	<u>(64,581)</u>	<u>178,063</u>
Cash flows from investing activities:			
Investment income	<u>12,372</u>	<u>15,159</u>	<u>13,368</u>
Net cash provided by investing activities	<u>12,372</u>	<u>15,159</u>	<u>13,368</u>
Cash flows from non capital financing activities:			
Unexpended grant and interest	<u>-0-</u>	<u>-0-</u>	<u>(12,001)</u>
Net cash provided (used) by non capital financing activities	<u>-0-</u>	<u>-0-</u>	<u>(12,001)</u>
Cash flows from capital and related financing activities:			
Sale of capital assets	1,411	-0-	6,221
Acquisition of capital assets	(40,473)	(103,080)	(25,140)
Payments on long-term debt	(2,431)	(2,275)	(1,758)
Interest expense on long-term debt	<u>(515)</u>	<u>(681)</u>	<u>(738)</u>
Net cash provided (used) by capital and related financing activities	<u>\$ (42,008)</u>	<u>\$ (106,036)</u>	<u>\$ (21,415)</u>

See accompanying notes to financial statements.

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Statements of Cash Flows - Restricted and Unrestricted Funds (Continued)
Years Ended December 31, 1999, 1998 and 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Net increase (decrease) in cash and cash equivalents	\$ 137,212	\$ (155,458)	\$ 158,015
Cash and cash equivalents, beginning of year	<u>275,906</u>	<u>431,364</u>	<u>273,349</u>
Cash and cash equivalents, end of year	<u>\$ 413,118</u>	<u>\$ 275,906</u>	<u>\$ 431,364</u>
Supplemental disclosures of cash flow information:			
<i>Cash paid during the period for:</i>			
Interest	<u>\$ 515</u>	<u>\$ 681</u>	<u>\$ 738</u>
Unrealized gains recorded to investments and fund balance	<u>\$ 11,188</u>	<u>\$ 44,834</u>	<u>\$ 24,608</u>
Equipment acquisition under capital lease	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,426</u>

See accompanying notes to financial statements.

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 1999, 1998 and 1997

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Hospital Service District Wards 3, 4 and 10 of the Parish of Union, State of Louisiana (referred to as "the District") was created by an ordinance of the Union Parish Police Jury on July 11, 1967, and is referred to as *Tri-Ward General Hospital and Clinic*.

The District is a political subdivision of the Union Parish Police Jury whose jurors are elected officials. Its commissioners are appointed by the Union Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Union Parish Policy Jury is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the Union Parish Policy Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

Nature of Business

The District provides outpatient, emergency, and inpatient acute hospital services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Method of Accounting

The District uses the accrual method of accounting. Revenue is reported when earned, net of the provision for contractual adjustments based upon each payor's agreement with the District. Hospital accounting and reporting procedures conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the Louisiana Governmental Audit Guide, the AICPA Audits of Providers of Health Care Services, published by the American Institute of Certified Public Accountants, and standards set by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Income Taxes

The entity is a political subdivision and exempt from taxation.

Credit Risk and Uncollectible Accounts

The District provides medical care primarily to Union Parish residents and grants credit to patients, substantially all of whom are local residents.

The Hospital's estimate of collectibility is based on evaluation of historical collections compared to gross charges and an analysis of aged accounts receivable to establish an allowance for uncollectible accounts.

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 1999, 1998 and 1997

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Concentration of Economic Dependence

The District has an economic dependence on a small number of staff physicians. Two physicians admit over 90% of the Hospital's patients.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Inventory

Inventories are stated at the lower of cost or market value. Cost is determined by the first-in, first-out method.

Changes in Reporting Classification

The classification of certain prior year amounts has been changed to reflect consistent reporting when compared to current year balances. The financial statement format has been changed to reflect changes in the AICPA Audit and Accounting Guide - Health Care Organizations, issued May 1, 1998.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost for purchased assets or, if applicable, at fair market value on the date of donation. The District uses straight-line depreciation for financial reporting and third party reimbursement. The following estimated useful lives are generally used:

Buildings	15 to 40 years
Machinery and Equipment	5 to 20 years
Furniture and Fixtures	5 to 15 years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations when incurred.

The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently.

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 1999, 1998 and 1997

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist primarily of deposits in checking, money market and certificates of deposits with original maturities of 90 days or less. The following is a summary of cash and cash equivalents:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Petty cash	\$ 505	\$ 505	\$ 505
Checking	183,315	53,151	215,707
Investment account	<u>229,298</u>	<u>222,250</u>	<u>215,152</u>
Total	<u>\$ 413,118</u>	<u>\$ 275,906</u>	<u>\$ 431,364</u>

One hundred thousand dollars of the above amount is covered by federal depository insurance. The remaining balances on December 31, 1999, 1998 and 1997, with the exception of petty cash, are covered by collateral held by the pledging financial institution's trust departments in the District's name.

NOTE 4 - INVESTMENTS

The District considers certificates of deposit with original maturities in excess of 90 days to be temporary cash investments.

Investments in marketable equity securities at December 31 were as follows:

	Shares	-----Fair Value-----		
		<u>1999</u>	<u>1998</u>	<u>1997</u>
Consolidated Natural Gas	11	\$ 714	\$ 589	\$ 666
Exxon Corporation	400	32,046	29,083	24,475
Warner Lambert	1200	<u>98,079</u>	<u>89,978</u>	<u>49,675</u>
Total market value		130,839	119,650	74,816
Less: carrying value, at cost		<u>(14,834)</u>	<u>(14,834)</u>	<u>(14,834)</u>
Unrealized gain		<u>\$ 116,005</u>	<u>\$ 104,816</u>	<u>\$ 59,982</u>

As of January 1, 1995, the District recorded these registered securities under the provisions of the FASB Statement No. 115. These securities are classified as available for sale and are therefore recorded at fair value and unrealized gains are recognized as a component of fund equity. Fair values are based upon quoted market prices. Warner Lambert had a two for one stock split on May 17, 1996. Exxon had a two for one stock split on April 11, 1997. Warner Lambert had a three for one stock split on May 26, 1998.

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 1999, 1998 and 1997

NOTE 5 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Patients	\$ 667,824	\$ 401,552	\$ 323,678
Other - BCRH	13,715	21,844	18,004
Estimated third party settlement	<u>41,226</u>	<u>27,839</u>	<u>9,344</u>
	722,765	451,235	351,026
Estimated uncollectibles	<u>(306,981)</u>	<u>(175,604)</u>	<u>(137,731)</u>
Total	<u>\$ 415,784</u>	<u>\$ 275,631</u>	<u>\$ 213,295</u>

The District generates a substantial portion of its charges from the Medicare and Medicaid programs at discounted rates. A summary of gross Medicare and Medicaid charges for the years ended December 31, 1999, 1998 and 1997 follows:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Medicare patients	\$ 1,205,226	\$ 1,083,262	\$ 967,655
Medicaid patients	<u>189,635</u>	<u>117,614</u>	<u>111,505</u>
Total	<u>\$ 1,394,861</u>	<u>\$ 1,200,876</u>	<u>\$ 1,079,160</u>
Percent of all patients	<u>54%</u>	<u>55%</u>	<u>54%</u>

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended December 31, 1999:

	December 31, <u>1998</u>	<u>ASSET COST</u>		December 31, <u>1999</u>
		Additions	Deletions	
Land	\$ 23,454	\$ -0-	\$ -0-	\$ 23,454
Land improvements	6,767	-0-	-0-	6,767
Buildings	418,918	1,850	-0-	420,768
Fixed equipment	246,364	1,570	-0-	247,934
Major moveable equipment	688,215	37,053	(1,311)	723,957
Minor equipment	<u>1,177</u>	<u>-0-</u>	<u>-0-</u>	<u>1,177</u>
Total	<u>\$ 1,384,895</u>	<u>\$ 40,473</u>	<u>\$ (1,311)</u>	<u>\$ 1,424,057</u>

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 1999, 1998 and 1997

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	December 31, <u>1998</u>	ACCUMULATED DEPRECIATION		December 31, <u>1999</u>
		Additions	Deletions	
Land improvements	\$ 3,145	\$ 445	\$ -0-	\$ 3,590
Buildings	295,690	17,628	-0-	313,318
Fixed equipment	199,757	10,475	-0-	210,232
Major moveable equipment	<u>478,472</u>	<u>65,570</u>	<u>-0-</u>	<u>544,042</u>
Total	<u>\$ 977,064</u>	<u>\$ 94,118</u>	<u>\$ -0-</u>	<u>\$ 1,071,182</u>

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended December 31, 1998:

	December 31, <u>1997</u>	ASSET COST		December 31, <u>1998</u>
		Additions	Deletions	
Land	\$ 23,454	\$ -0-	\$ -0-	\$ 23,454
Land improvements	6,767	-0-	-0-	6,767
Buildings	421,618	-0-	2,700	418,918
Fixed equipment	244,322	3,270	1,228	246,364
Major moveable equipment	589,028	99,810	623	688,215
Minor equipment	<u>1,177</u>	<u>-0-</u>	<u>-0-</u>	<u>1,177</u>
Total	<u>\$ 1,286,366</u>	<u>\$ 103,080</u>	<u>\$ 4,551</u>	<u>\$ 1,384,895</u>

	December 31, <u>1997</u>	ACCUMULATED DEPRECIATION		December 31, <u>1998</u>
		Additions	Deletions	
Land improvements	\$ 2,700	\$ 445	\$ -0-	\$ 3,145
Buildings	283,118	17,778	5,206	295,690
Fixed equipment	190,664	10,321	1,228	199,757
Major moveable equipment	<u>414,605</u>	<u>64,490</u>	<u>623</u>	<u>478,472</u>
Total	<u>\$ 891,087</u>	<u>\$ 93,034</u>	<u>\$ 7,057</u>	<u>\$ 977,064</u>

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 1999, 1998 and 1997

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended December 31, 1997:

	December 31, 1996	ASSET COST		December 31, 1997
		Additions	Deletions	
Land	\$ 23,454	\$ -0-	\$ -0-	\$ 23,454
Land improvements	6,767	-0-	-0-	6,767
Buildings	421,618	-0-	-0-	421,618
Fixed equipment	244,322	-0-	-0-	244,322
Major moveable equipment	620,750	27,566	59,288	589,028
Minor equipment	1,177	-0-	-0-	1,177
Total	<u>\$ 1,318,088</u>	<u>\$ 27,566</u>	<u>\$ 59,288</u>	<u>\$ 1,286,366</u>

	December 31, 1996	ACCUMULATED DEPRECIATION		December 31, 1997
		Additions	Deletions	
Land improvements	\$ 2,255	\$ 445	\$ -0-	\$ 2,700
Buildings	264,643	18,475	-0-	283,118
Fixed equipment	180,204	10,460	-0-	190,664
Major moveable equipment	414,581	45,773	45,749	414,605
Total	<u>\$ 861,683</u>	<u>\$ 75,153</u>	<u>\$ 45,749</u>	<u>\$ 891,087</u>

Property, plant and equipment includes fully depreciated assets which are still in service in the amounts of \$436,103, \$399,817 and \$375,353 for 1999, 1998, and 1997, respectively.

NOTE 7 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

Accrued expenses and withholdings payable at December 31, 1999, 1998, and 1997, consist of the following:

	1999	1998	1997
Accrued payroll taxes	\$ 2,533	\$ 2,254	\$ 1,985
State and federal income taxes payable	1,473	1,250	1,419
State unemployment tax payable	1,500	1,594	1,563
Accrued vacation & holiday	39,852	33,282	40,976
Accrued payroll	<u>33,332</u>	<u>29,705</u>	<u>29,460</u>
Total	<u>\$ 78,690</u>	<u>\$ 68,085</u>	<u>\$ 75,403</u>

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 1999, 1998 and 1997

NOTE 8 - COMPENSATED ABSENCES

Employees of the District are entitled to paid vacation and sick days depending on job classification, length of service and other factors. It is impracticable to estimate the amount of accrued compensation for future unvested sick days and, accordingly, no liability has been recorded in the accompanying financial statements. However, vested vacation and paid days off have been recorded as a liability in the accompanying financial statements at employee earning rates in effect at the balance sheet date.

NOTE 9 - NOTE AND LEASE PAYABLE

The following is a summary of notes and leases payable at December 31, 1999, 1998 and 1997:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
7.0 percent mortgage note, due February 2003, collateralized by a mortgage on property and house.	\$ 5,754	\$ 7,337	\$ 8,813
6.0 percent lease payable, due August 2000, collateralized by EKG machine with a book value of 2,368.	<u>397</u>	<u>1,245</u>	<u>2,044</u>
Total	6,151	8,582	10,857
Less: Current maturities	<u>(2,094)</u>	<u>(2,431)</u>	<u>(2,139)</u>
Long-term maturities	<u>\$ 4,057</u>	<u>\$ 6,151</u>	<u>\$ 8,718</u>

A table of total debt service requirements follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 2,094	\$ 355	\$ 2,449
2001	1,820	226	2,046
2002	1,951	95	2,046
2003	<u>286</u>	<u>2</u>	<u>288</u>
Total	<u>\$ 6,151</u>	<u>\$ 678</u>	<u>\$ 6,829</u>

NOTE 10 - NET PATIENT SERVICE REVENUE

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain outpatient services related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's classification of patients under the Medicare program and the appropriateness of their

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 1999, 1998 and 1997

NOTE 10 - NET PATIENT SERVICE REVENUE (Continued)

admission are subject to an independent review by a peer review organization under contract with the District. The District's Medicare cost reports have been audited by the Medicare fiscal intermediary through December 31, 1997.

Medicaid - Until July 1, 1994, inpatient services were reimbursed based upon the lesser of reasonable costs (subject to certain limits) or charges to the patient. As of July 1, 1994, the program reimbursement is based upon a prospectively determined per diem rate. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through December 31, 1995.

The District has entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment under these agreements include discounts from established charges and prospectively determined daily rates.

NOTE 11 - PROPERTY TAX REVENUE

Assets whose use is limited consist of property taxes that have been collected for maintenance and operation of the facility. The taxes are collected by the Union Parish Sheriff's office for an 8% collection fee. Property tax notices are mailed by November 15 each year and are due by December 31. The special maintenance and operation millage is a ten-year tax assessed on all taxable property within the District at the rate of 10.45 mills. The 5.11 mills, which expired December 31, 1995, has been renewed for the period 1996 through 2005. The 5.34 mills, which expired in 1991, has been renewed for the period 1992 through 2001.

NOTE 12 - PROFESSIONAL LIABILITY RISK

The District participates in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to health care providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the District is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of settlement for professional liability to \$500,000 per occurrence. The constitutionality of this legislation has not been tested by the courts, although the Louisiana Supreme Court has decided that this limit does not apply in cases of strict liability.

The District's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability and worker's compensation. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are redetermined utilizing actual losses of the District. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The District has included these allocations of equity in the trust in its financial statements as prepaid insurance and insurance expense or a reduction thereof. Any return of equity reduces the prepaid balance.

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 1999, 1998 and 1997

NOTE 13 - BUSINESS AND CREDIT CONCENTRATIONS

The District grants credit to patients, substantially all of whom are local residents, under terms requiring timely repayment. The District generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, Blue Cross, and commercial insurance policies).

The mix of gross receivables from patients and third-party payors at December 31 was as follows:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Medicare and Medicaid	39%	41%	36%
Commercial Insurance	24%	14%	8%
Patients	36%	38%	46%
Contract	1%	7%	10%

NOTE 14 - COMMITMENTS AND CONTINGENCIES

The District evaluates contingencies based upon the best available evidence. The District believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the District's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

Third Party Cost-Based Charges (Note 5) - The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

Further, in order to continue receiving reimbursement from the Medicare program, the District entered into an agreement with a government agent allowing the agent access to the District's Medicare patient medical records for purposes of making medical necessity and appropriate level of care determinations. The agent has the ability to deny reimbursement for Medicare patient claims which have already been paid to the District. The amount of such adjustments cannot reasonably be determined.

Professional Liability Risk (Note 12) - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

Worker's Compensation Risk - The District carries worker's compensation insurance through the Louisiana Hospital Association Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any.

Accordingly, the District is contingently liable for assessments by the Louisiana Hospital Association Trust Fund. The District has included these allocations of equity in the trust in its financial statements as prepaid insurance and insurance expense or a reduction thereof. Any return of equity reduces the prepaid balance.

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 1999, 1998 and 1997

NOTE 15 - GRANT REVENUE

The District was awarded emergency room operational grants under Act 810 of the State of Louisiana for \$25,000 during 1997. A Rural Health Transition Grant was awarded in 1996 for \$50,000 of which \$12,000 was received but unexpended at December 31, 1996. The unexpended amount is shown as temporarily restricted fund balance. The remaining \$38,000 was received in 1997 and the whole \$50,000 recorded in revenue in 1997. A Telemedicine Grant was awarded in 1998 for \$74,200, of which \$69,735 was received at December 31, 1998. The entire amount of the grant was recognized as income in 1998 because the District purchased the equipment the grant was intended for prior to receiving the grant money and was then reimbursed by the grantor after providing documentation that the equipment was purchased.

NOTE 16 - RECLASSIFICATION

The accompanying financial statements for 1998 have been restated due to a change in classification.

SUPPLEMENTAL INFORMATION

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Statements of Patient Statistics
Years Ended December 31, 1999, 1998 and 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Number of Hospital Patient Days			
Medicare	726	600	625
Medicaid	83	25	32
Other	<u>74</u>	<u>32</u>	<u>62</u>
Total	<u>883</u>	<u>657</u>	<u>719</u>
Number of Hospital Patient Discharges			
Medicare	192	155	152
Medicaid	31	12	9
Other	<u>35</u>	<u>25</u>	<u>21</u>
Total	<u>258</u>	<u>192</u>	<u>182</u>
Average Number of Days of a Hospital Patient Stay:			
Medicare	3.78	3.87	4.11
Medicaid	2.68	2.08	3.56
Other	2.11	1.28	2.95
Overall	3.42	3.42	3.95
Number of Emergency Room Visits	1,467	1,243	1,015

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Hospital Unrestricted Fund
Statements of Net Patient Service Revenue
Years Ended December 31, 1999, 1998 and 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Daily patient services:			
Room and board	\$ <u>163,188</u>	\$ <u>103,658</u>	\$ <u>113,840</u>
Total daily patient services	<u>163,188</u>	<u>103,658</u>	<u>113,840</u>
Other professional services:			
Radiology			
Inpatient	40,025	29,791	17,811
Outpatient	<u>76,912</u>	<u>81,746</u>	<u>54,378</u>
Total radiology	<u>116,937</u>	<u>111,537</u>	<u>72,189</u>
Laboratory			
Inpatient	114,065	96,222	78,757
Outpatient	<u>274,792</u>	<u>305,854</u>	<u>275,104</u>
Total laboratory	<u>388,857</u>	<u>402,076</u>	<u>353,861</u>
Blood			
Inpatient	4,664	4,057	4,761
Outpatient	<u>5,228</u>	<u>4,435</u>	<u>6,639</u>
Total blood	<u>9,892</u>	<u>8,492</u>	<u>11,400</u>
IV solutions			
Inpatient	85,205	40,489	43,148
Outpatient	<u>430</u>	<u>456</u>	<u>261</u>
Total IV solutions	<u>85,635</u>	<u>40,945</u>	<u>43,409</u>
Oxygen			
Inpatient	210,901	134,228	111,234
Outpatient	<u>43,713</u>	<u>30,032</u>	<u>14,627</u>
Total oxygen	<u>254,614</u>	<u>164,260</u>	<u>125,861</u>
EKG			
Inpatient	8,272	7,844	7,040
Outpatient	<u>21,480</u>	<u>22,467</u>	<u>23,525</u>
Total EKG	<u>\$ 29,752</u>	<u>\$ 30,311</u>	<u>\$ 30,565</u>

(Continued)

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Hospital Unrestricted Fund
Statements of Net Patient Service Revenue (Continued)
Years Ended December 31, 1999, 1998 and 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Medical supply			
Inpatient	\$ 93,791	\$ 98,973	\$ 111,437
Outpatient	<u>94,821</u>	<u>70,007</u>	<u>66,526</u>
Total medical supply	<u>188,612</u>	<u>168,980</u>	<u>177,963</u>
Pharmacy			
Inpatient	219,412	144,410	145,845
Outpatient	<u>394,993</u>	<u>400,023</u>	<u>387,738</u>
Total pharmacy	<u>614,405</u>	<u>544,433</u>	<u>533,583</u>
Clinic/Rural Health Clinic			
Physician services	394,986	372,891	370,031
Ancillary income	<u>9,194</u>	<u>10,366</u>	<u>11,957</u>
Total Clinic/Rural Health Clinic	<u>404,180</u>	<u>383,257</u>	<u>381,988</u>
Emergency room			
Inpatient	11,013	3,788	4,060
Outpatient	<u>290,305</u>	<u>153,717</u>	<u>103,426</u>
Total emergency room	<u>301,318</u>	<u>157,505</u>	<u>107,486</u>
Monitor			
Inpatient	11,798	28,539	31,447
Outpatient	<u>5,037</u>	<u>7,727</u>	<u>8,623</u>
Total monitor	<u>16,835</u>	<u>36,266</u>	<u>40,070</u>
Total other professional services	<u>2,411,037</u>	<u>2,048,062</u>	<u>1,878,375</u>
Gross patient service revenue	2,574,225	2,151,720	1,992,215
Deductions from revenue	<u>375,025</u>	<u>345,629</u>	<u>205,343</u>
Net patient service revenue	<u>\$ 2,199,200</u>	<u>\$ 1,806,091</u>	<u>\$ 1,786,872</u>

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Hospital Unrestricted Fund
Statements of Deductions from Revenue
Years Ended December 31, 1999, 1998 and 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Medicare and Medicaid contractual adjustments	\$ 301,482	\$ 280,887	\$ 187,621
Administrative and other adjustments	22,371	7,692	8,956
Rehab adjustments	115,228	117,285	124,011
Medicaid Disproportionate Share	<u>(64,056)</u>	<u>(60,235)</u>	<u>(115,245)</u>
 Total deductions from revenue	 <u>\$ 375,025</u>	 <u>\$ 345,629</u>	 <u>\$ 205,343</u>

Statements of Other Revenue
Years Ended December 31, 1999, 1998 and 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Rehab dietary	\$ -0-	\$ -0-	\$ 41
Vending machine	60	60	(794)
Medical records	171	480	291
Contributions	3,254	1,164	11,518
Discounts taken	11,141	7,857	7,703
Rental income	220,042	208,233	202,379
Miscellaneous revenue	<u>16,974</u>	<u>16,345</u>	<u>16,936</u>
 Total other revenue	 <u>\$ 251,642</u>	 <u>\$ 234,139</u>	 <u>\$ 238,074</u>

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Hospital Unrestricted Fund
Statements of Expenses - Salaries and Benefits
Years Ended December 31, 1999, 1998 and 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Administration	\$ 165,463	\$ 136,176	\$ 126,303
Plant maintenance	24,513	22,181	20,164
Housekeeping	17,686	17,115	16,526
Nursing administration	93,532	88,222	83,942
Medical records	24,842	22,605	21,960
Nursing services	279,972	284,177	284,027
Radiology	50,619	48,302	44,675
Laboratory	92,212	85,190	80,882
EKG and EEG	1,940	1,975	1,719
Pharmacy	45,060	42,245	39,273
Rural Health Clinic	44,267	116,460	222,789
Emergency room	<u>44,074</u>	<u>38,399</u>	<u>29,357</u>
Total salaries	<u>884,180</u>	<u>903,047</u>	<u>971,617</u>
FICA/LUC	72,981	76,324	76,802
Health/life insurance	65,543	69,774	72,331
Workers' compensation	<u>-0-</u>	<u>7,561</u>	<u>9,908</u>
Total benefits	<u>138,524</u>	<u>153,659</u>	<u>159,041</u>
Total salaries and benefits	<u>\$ 1,022,704</u>	<u>\$ 1,056,706</u>	<u>\$ 1,130,658</u>

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Hospital Unrestricted Fund
Statements of Expenses - Medical Supplies and Drugs
Years Ended December 31, 1999, 1998 and 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Nursing services	\$ 22,059	\$ 22,203	\$ 26,499
Radiology	6,458	6,291	6,098
Laboratory	25,387	21,683	19,043
Blood	5,946	5,828	6,597
Respiratory therapy	6,690	4,365	4,744
EKG	739	693	645
Pharmacy	170,500	128,836	133,593
Rural Health Clinic	5,706	4,110	5,192
Emergency room	678	972	967
Monitor supplies	<u>565</u>	<u>259</u>	<u>171</u>
 Total medical supplies and drugs	 \$ <u>244,728</u>	 \$ <u>195,240</u>	 \$ <u>203,549</u>

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Hospital Unrestricted Fund
Statements of Expenses - Medical, Professional and Contract Services
Years Ended December 31, 1999, 1998 and 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Nursing	\$ 1,193	\$ 196	\$ 123
Radiology	17,786	7,194	1,663
Laboratory	22,577	28,961	26,577
Cardiovascular	1,200	200	1,500
Rural Health Clinic	257,310	220,479	22,034
Emergency room	<u>256,275</u>	<u>219,818</u>	<u>212,046</u>
 Total medical, professional and contract services	 \$ <u>556,341</u>	 \$ <u>476,848</u>	 \$ <u>263,943</u>

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Hospital Unrestricted Fund
Statements of Expenses - Other
Years Ended December 31, 1999, 1998 and 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Consulting and purchased services - non medical	\$ 65,746	\$ 48,350	\$ 38,528
Accounting and legal	22,699	20,612	19,828
Non medical supplies	55,321	46,976	49,068
Repairs and maintenance	31,945	30,798	26,323
Utilities	45,163	46,785	46,979
Telephone	13,364	13,325	10,867
Travel	3,373	2,841	2,609
Rentals	5,943	8,002	8,044
Training	1,583	3,188	1,787
Promotion and advertising	2,343	1,831	1,836
Licensing and publications	13,898	17,170	19,573
Miscellaneous	8,289	10,390	8,048
Tax assessor fees	<u>4,344</u>	<u>4,710</u>	<u>18,797</u>
 Total other expenses	 \$ <u>274,011</u>	 \$ <u>254,978</u>	 \$ <u>252,287</u>

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Hospital Unrestricted Fund
Statements of Per Diem and
Other Compensation Paid to Board Members
Years Ended December 31, 1999, 1998 and 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Board Members:			
Oda Rockett	\$ 400	\$ 360	\$ 80
Isaac Payne	480	440	480
Clifton McIntosh	360	480	480
Melvin Stone	<u>480</u>	<u>480</u>	<u>480</u>
 Totals	 <u>\$ 1,720</u>	 <u>\$ 1,760</u>	 <u>\$ 1,520</u>

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Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of
General Purpose Financial Statements
in Accordance with
Government Auditing Standards

Board of Commissioners
Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Bernice, Louisiana

We have audited the general purpose financial statements of Tri-Ward General Hospital and Clinic (the "District") as of and for the years ended December 31, 1999, 1998, and 1997, and have issued our report thereon dated April 3, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Board of Commissioners
Tri-Ward General Hospital and Clinic
Page Two

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

Lester, Miller & Wells

Certified Public Accountants

April 3, 2000