

Statements of Changes in Fund Balance - Restricted and Unrestricted Funds

Statements of Cash Flows - Restricted and Unrestricted Funds

	Notes to Financial Statements
S	Supplemental Information
	Statements of Patient Statistics
	Statements of Net Patient Service Revenue
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(dependent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements in Accordance with <u>Government Auditing Standards</u>
	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

Bobby G. Lester, CPA John S. Wells, CPA Robert G. Miller, CPA Paul A. Delaney, CPA

Paul G. Mathews, CPA Melanie I. Sarver, CPA

LESTER, MILLER & WELLS

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

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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.

Members

American Institute of CPA's Society of Louisiana CPA's

Mailing Address: P.O. Box 8758 Alexandria, LA 71306-1758

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.

Leta, Mille: 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

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ASSETS	<u>1999</u>	<u>1998</u>	<u>1997</u>
Current assets: Cash and cash equivalents (Note 3) Accounts receivable less estimated uncollectibles (Note 5) Inventory Prepaid expenses	\$ 413,118 415,784 109,722 61,674	\$ 275,906 275,631 124,093 28,396	\$ 431,364 213,295 114,447 40,133
Total current assets	1,000,298	704,026	799,239
Property, plant and equipment, less accumulated depreciation (Note 6) Investments (Note 4)	352,875 <u>130,839</u>	407,831 <u>119,650</u>	395,279 74,816
Total assets	\$ <u>1.484.012</u>	\$ <u>1.231.507</u>	\$ <u>1,269,334</u>
LIABILITIES AND FUND BALANCE			

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Current liabilities: Accounts payable Accrued expenses and withholdings payable (Note 7)	\$ 40,305 78,600	\$ 32,629	\$ 37,399 75,400
Current installments of long-term debt	78,690 <u>2,094</u>	68,085 2,431	75,403 2,139
Total current liabilities	121,089	103,145	114,941
Long-term debt	4,057	6,151	8,718
Total liabilities	125,146	109,296	123,659
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)	1,358,866	1,122,211	1,145,675
Total fund balance	<u>1,358,866</u>	1,122,211	1,145,675
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. -2-

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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

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	<u>1999</u>	1998	<u>1997</u>
Revenue: Net patient service revenue Grant revenue (Note 15) Property tax revenue (Note 11) Gain/Loss on equipment disposal Other revenue	\$ 2,199,200 -0- 168,312 100 	\$ 1,806,091 74,200 105,192 -0- 234,139	\$ 1,786,872 75,000 179,819 (7,318) 238,074
Total revenue	2,619,254	2,219,622	2,272,447
Expenses: Salaries and benefits Medical supplies and drugs Professional and contract services Other expenses Insurance Leases Interest Depreciation Provision for bad debts	1,022,704 244,728 556,341 274,011 5,962 35,810 515 94,117 171,971	1,056,706 195,240 476,848 254,978 44,355 38,459 681 90,528 145,284	$1,130,658 \\ 203,549 \\ 263,943 \\ 252,287 \\ 53,672 \\ 47,732 \\ 738 \\ 75,153 \\ 67,652 \\ \end{array}$
Total expenses	2,406,159	_2,303,079	2,095,384
Operating income (loss)	213,095	(83,457)	177,063
Nonoperating income Interest income	<u>12,372</u>	15,159	13,368
Excess of revenues over expenses	225,467	(68,298)	190,431
Change in unrealized gains on securities	11,188	44,834	24,608
Increase (decrease) in unrestricted fund balance	\$ <u>236.655</u>	\$ <u>(23.464</u>)	\$ <u>215,039</u>

See accompanying notes to financial statements. -3-

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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

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	Unrestricted	Restricted
Fund balance, December 31, 1996	\$ <u>930,636</u>	\$ <u>12,001</u>
Excess of expenses over revenues Transfer from restricted to unrestricted Change in unrealized gains on securities	190,431 -0- 24,608 215,039	-0- (12,001) <u>-0-</u> (12,001)
Fund balance, December 31, 1997		-0-
Excess of revenues over expenses Change in unrealized gains on securities	(68,298) 44,834 (23,464)	-0- -0- -0-
Fund balance, December 31, 1998	1, <u>122,211</u>	-0-
Excess of revenues over expenses	225,467	-0-

Change in unrealized gains on securities

Fund balance, December 31, 1999

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Composition of Fund Balance at December 31, 1999:

Accumulated excess of revenues over expenses

Total unrestricted fund balance

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\$<u>1.358.866</u>

See accompanying notes to financial statements. -4-

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>	1997
Cash flows from operating activities: Operating income (loss)	\$ 213,095	\$ (83,457)	\$ 177,063
Interest expense considered capital financing activity Adjustments to reconcile net income to	515	681	738
net cash provided by operating activities: Provision for bad debt Depreciation (Gain) loss on disposal of assets	171,971 94,117 (100)	145,284 90,528 -0-	67,652 75,153 7,318
Changes in: Accounts receivable (net) Third party payor Inventory Prepaid expenses Accounts payable Accrued expenses and withholdings payable Unearned rents	(298,737) (13,387) 14,371 (33,278) 7,676 10,605 -0-	(195,753) (11,867) (9,646) 11,737 (4,770) (7,318) -0-	(92,372) (3,158) (16,792) (10,361) (23,192) (2,653) (1,333)
Net cash provided (used) by operating activities	166,848	(64,581)	<u> 178,063</u>
Cash flows from investing activities: Investment income	12,372	15,159	13,368
Net cash provided by investing activities	12,372	15,159	13,368
Cash flows from non capital financing activities: Unexpended grant and interest	0	-0-	(12,001)
Net cash provided (used) by non capital financing activities	-0-	<u> </u>	(12.001)
Cash flows from capital and related financing activities: Sale of capital assets Acquisition of capital assets Payments on long-term debt Interest expense on long-term debt	1,411 (40,473) (2,431) (515)	-0- (103,080) (2,275) (681)	6,221 (25,140) (1,758) (738)
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. -5-

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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	275,906	431,364	273,349
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:			
Cash paid during the period for: 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. -6-

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

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.

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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.

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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>		19	98	19	997
Petty cash Checking Investment account Total	\$ 183 229 \$413	· .		505 53,151 22,250 75,906		505 215,707 215,152 431,364

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

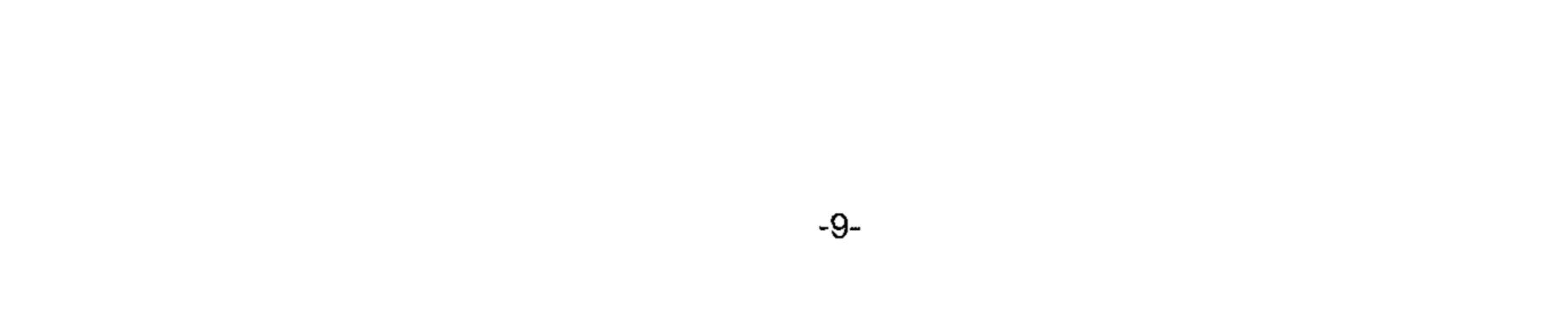
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The District considers certificates of deposit with original maturities in excess of 90 days to be temporary cash investments.

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

	Fair Value			
	<u>Shares</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Consolidated Natural Gas Exxon Corporation Warner Lambert Total market value Less: carrying value, at cost	11 400 1200	\$ 714 32,046 <u>98,079</u> 130,839 (14,834)	\$	\$ 666 24,475 <u>49,675</u> 74,816 <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.



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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>
Estimated uncollectibles	722,765	451,235	351,026
	<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:

1000	1998	1997
TMUU	IMMA	1 4 4 7

	1999	1220	1991
Medicare patients Medicaid patients	\$ 1,205,226 <u>189,635</u>	\$ 1,083,262 <u>117,614</u>	\$ 967,655 111,505
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:

		ASSET	COST	
	December 31, 1998	Additions	Deletions	December 31,
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	1,177	0-	-0-	1.177
Total	\$ <u>1.384.895</u>	\$ <u>40.473</u>	\$ <u>(1.311</u>)	\$ <u>1.424.057</u>

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NOTE 6 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	ACCUMULATED DEPRECIATION								
	December 1998	-	Additi	ons	Deletic	ons		nber 31, <u>999</u>	
Land improvements Buildings Fixed equipment Major moveable equipment	19	3,145 95,690 99,757 78,472	\$	445 17,628 10,475 65,570	\$	-0- -0- -0- -0-	\$ 	3,590 313,318 210,232 <u>544,042</u>	
Total	\$ <u>9</u> 7	<u>7.064</u>	\$	<u>94,118</u>	\$	<u>-0-</u>	\$	1 <u>.071.182</u>	

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

	Dee	anah an 94	ASSET COST				December 24	
	Dec	ember 31, 1997	Add	litions	De	letions		ember 31, 1998
Land Land improvements Buildings Fixed equipment Major moveable equipment Minor equipment	\$	23,454 6,767 421,618 244,322 589,028 1,177	\$ 	-0- -0- -0- 3,270 99,810 -0-	\$	-0- -0- 2,700 1,228 623 <u>-0-</u>	\$	23,454 6,767 418,918 246,364 688,215 1,177
Total	\$	1,286,366	\$ <u>1(</u>	<u>)3.080</u>	\$	<u>4.551</u>	\$ <u>_1</u>	.384.895

	A Deservices 21	December 21		
	December 31, 	Additions	Deletions	December 31, <u>1998</u>
Land improvements Buildings Fixed equipment Major moveable equipment	\$ 2,700 283,118 190,664 414,605	\$ 445 17,778 10,321 64,490	\$-0- 5,206 1,228 623	\$3,145 295,690 199,757 478,472
Total	\$ <u>891.087</u>	\$ <u>93.034</u>	\$ <u>7.057</u>	\$ <u>977.064</u>

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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:

	•	1		ASSET COST				December 31,	
	Deci	ember 31, 1996	Ado	litions	Del	etions		1997	
Land Land improvements Buildings Fixed equipment Major moveable equipment Minor equipment	\$	23,454 6,767 421,618 244,322 620,750 1,177	\$	-0- -0- -0- 27,566 <u>0-</u>	\$	-0- -0- -0- 59,288 -0-	\$	23,454 6,767 421,618 244,322 589,028 1,177	
Total	\$	<u>1,318,088</u>	\$	<u>27.566</u>	\$	<u>59.288</u>	\$ <u>_1</u>	<u>.286.366</u>	

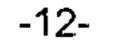
	ACCUMULATED DEPRECIATION							
		mber 31, 1996	Ad	ditions	Del	etions		mber 31, 1997
Land improvements Buildings Fixed equipment Major moveable equipment	\$	2,255 264,643 180,204 414,581	\$	445 18,475 10,460 45,773	\$	-0- -0- -0- 45,749	\$ 	2,700 283,118 190,664 414,605
Total	\$	<u>861,683</u>	\$	<u>75.153</u>	\$	<u>45.749</u>	\$	891.087

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:

	<u>1999</u>	1998	<u>1997</u>
Accrued payroll taxes State and federal income taxes payable State unemployment tax payable Accrued vacation & holiday Accrued payroll	\$2,533 1,473 1,500 39,852 <u>33,332</u>	\$ 2,254 1,250 1,594 33,282 <u>29,705</u>	\$ 1,985 1,419 1,563 40,976 <u>29,460</u>
Total	\$ <u>78.690</u>	\$ <u>68.085</u>	\$ <u>75.403</u>



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:

7.0 percent mortgage note, due February 2003,	<u>199</u>	9	19	998	19	97
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.	397	<u> 1,245</u>	2,044
Total	6,151	8,582	10,857
Less: Current maturities	<u>(2,094</u>)	(2,431)	(2,139)
Long-term maturities	\$ <u>4.057</u>	\$ <u>6.151</u>	\$ <u>8.718</u>

A table of total debt service requirements follows:

Fiscal Year	Principal	Interest	Total
2000	\$ 2,094	\$ 355	\$ 2,449
2001	1,820	226	2,046
2002	1,951	95	2,046
2003	286	2	288
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:

<u>Medicare</u> - 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

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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.

<u>Medicaid</u> - 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.

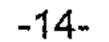
NOTE 11 - PROPERTY TAX REVENUE

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.



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>	1998	<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.

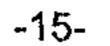
Further, in order to continue receiving reimbursement from the Medicare program, the District entered into an agreement with a government agent allowing the agent access to the District's Medicare patient medical records for purposes of making medical necessity and appropriate level of care determinations. 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.



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.

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SUPPLEMENTAL INFORMATION

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·	<u>1999</u>	<u>1998</u>	1997
Number of Hospital Patient Days Medicare Medicaid Other	726 83 74	600 25 32	625 32 62
Total	<u> </u>	<u> </u>	<u>719</u>
Number of Hospital Patient Discharges Medicare Medicaid Other	192 31 <u>35</u>	155 12 25	152 9 21
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

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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

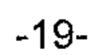
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	<u>1999</u>	<u>1999</u> <u>1998</u>	
Daily patient services:			
Room and board	\$ <u>163,188</u>	\$ <u>103,658</u>	\$ <u>113,840</u>
Total daily patient services	<u> 163,188</u>	103,658	113,840
Other professional services:			
Radiology Inpatient Outpatient	40,025 76,912	29,791 81,746	17,811 54,378
Total radiology	116,937	111.537	<u> </u>
Laboratory Inpatient Outpatient	114,065 274,792	96,222 <u>305,854</u>	78,757 <u>275,104</u>
Total laboratory	388,857	402,076	<u> 353,861</u>
Blood Inpatient Outpatient	4,664 5,228	4,057 4,435	4,761 6,639
Total blood	9,892	8,492	<u>11,400</u>
IV solutions Inpatient Outpatient	85,205 430	40,489 456	43,148 261
Total IV solutions	<u> </u>	40,945	43,409
Oxygen Inpatient Outpatient	210,901 <u>43,713</u>	134,228 <u>30,032</u>	111,234 <u>14,627</u>
Total oxygen	254,614	164,260	125,861
EKG Inpatient Outpatient	8,272 21,480	7,844 <u>22,467</u>	7,040 23,525
Total EKG	\$ <u>29,752</u>	\$ <u>30,311</u>	\$ <u>30,565</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 Net Patient Service Revenue (Continued) Years Ended December 31, 1999, 1998 and 1997

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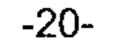
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	<u>1999</u>	<u>1998</u>	1997
Medical supply Inpatient Outpatient	\$ 93,791 94,821	\$ 98,973 70,007	\$ 111,437 <u>66,526</u>
Total medical supply	<u> 188,612</u>	<u> 168,980</u>	
Pharmacy Inpatient Outpatient	219,412 394,993	144,410 400,023	145,845 <u>387,738</u>
Total pharmacy	614,405	544,433	533,583
Clinic/Rural Health Clinic Physician services Ancillary income	394,986 9,194	372,891 <u>10,366</u>	370,031 <u>11,957</u>
Total Clinic/Rural Health Clinic	404,180	383,257	<u>381,988</u>
Emergency room Inpatient Outpatient	11,013 290,305	3,788 <u>153,717</u>	4,060 <u>103,426</u>
Total emergency room	301,318	157,505	107,486
Monitor Inpatient Outpatient	11,798 5,037	28,539 7,727	31,447 8,623
Total monitor	<u> </u>	36,266	40,070
Total other professional services	2,411,037	2,048,062	<u>1,878,375</u>
Gross patient service revenue	2,574,225	2,151,720	1,992,215
Deductions from revenue	375,025	345,629	205,343
Net patient service revenue	\$ <u>2,199,200</u>	\$ <u>1,806,091</u>	\$ <u>1.786.872</u>



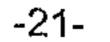
Hospital Service District Wards 3, 4 and 10 of the Parish of Union, State of Louisiana Tri-Ward General Hospital and Clinic Hospital Unrestricted Fund Statements of Deductions from Revenue Years Ended December 31, 1999, 1998 and 1997

	1999	<u>1998</u>	1997
Medicare and Medicaid contractual adjustments Administrative and other adjustments Rehab adjustments Medicaid Disproportionate Share	\$ 301,482 22,371 115,228 (64,056)	\$280,887 7,692 117,285 (60,235)	\$ 187,621 8,956 124,011 _ <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



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	16,974	16,345	16,936
Total other revenue	\$ <u>251.642</u>	\$ <u>234.139</u>	\$ <u>238.074</u>



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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

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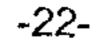
	<u>1999</u>	<u>1998</u>	<u>1997</u>
Administration Plant maintenance Housekeeping Nursing administration Medical records Nursing services Radiology Laboratory EKG and EEG Pharmacy Rural Health Clinic Emergency room	\$ 165,463 24,513 17,686 93,532 24,842 279,972 50,619 92,212 1,940 45,060 44,267 44,074		\$ 126,303 20,164 16,526 83,942 21,960 284,027 44,675 80,882 1,719 39,273 222,789 29,357
Total salaries	<u> 884,180 </u>	903,047	971,617
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FICA/LUC Health/life insurance Workers' compensation	72,981 65,543 	76,324 69,774 7,561	76,802 72,331 9,908
Total benefits	138,524	153,659	159.041
Total salaries and benefits	\$ <u>1,022,704</u>	\$ <u>1.056.706</u>	\$ <u>1.130.658</u>

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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

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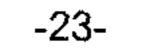
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	<u>1999</u>	<u>1998</u>	<u>1997</u>
Nursing services Radiology Laboratory Blood Respiratory therapy EKG Pharmacy Rural Health Clinic Emergency room Monitor supplies	\$22,059 6,458 25,387 5,946 6,690 739 170,500 5,706 678 565	6,291 21,683 5,828 4,365 693 128,836 4,110 972	\$26,499 6,098 19,043 6,597 4,744 645 133,593 5,192 967 171
Total medical supplies and drugs	\$ <u>244.728</u>	\$ <u>195.240</u>	\$ <u>203.549</u>



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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

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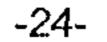
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	<u>1999</u>	<u>1998</u>	<u>1997</u>	
Nursing Radiology Laboratory Cardiovascular Rural Health Clinic Emergency room	\$ 1,193 17,786 22,577 1,200 257,310 256,275	\$	\$ 123 1,663 26,577 1,500 22,034 212,046	
Total medical, professional and contract services	\$ <u>556,341</u>	\$ <u>476.848</u>	\$ <u>263.943</u>	

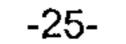


Hospital Service District Wards 3, 4 and 10 of the Parish of Union, State of Louisiana Tri-Ward General Hospital and Clinic Hospital Unrestricted Fund Statements of Expenses - Other Years Ended December 31, 1999, 1998 and 1997

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	<u>1999</u>		<u>1998</u>		<u>1997</u>
Consulting and purchased services - non medical Accounting and legal Non medical supplies Repairs and maintenance Utilities Telephone Travel Rentals Training Promotion and advertising Licensing and publications Miscellaneous Tax assessor fees	\$	$65,746 \\ 22,699 \\ 55,321 \\ 31,945 \\ 45,163 \\ 13,364 \\ 3,373 \\ 5,943 \\ 1,583 \\ 2,343 \\ 13,898 \\ 8,289 \\ 4,344 $	\$	$48,350 \\ 20,612 \\ 46,976 \\ 30,798 \\ 46,785 \\ 13,325 \\ 2,841 \\ 8,002 \\ 3,188 \\ 1,831 \\ 17,170 \\ 10,390 \\ 4,710 $	\$ 38,528 19,828 49,068 26,323 46,979 10,867 2,609 8,044 1,787 1,836 19,573 8,048 18,797
Total other expenses	\$	274.011	\$	<u>254,978</u>	\$ <u>252,287</u>



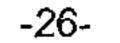
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 Hospital Service District Wards 3, 4 and 10 of the Parish of Union, State of Louisiana Tri-Ward General Hospital and Clinic Hospital Unrestricted Fund Statements of Per Diem and Other Compensation Paid to Board Members Years Ended December 31, 1999,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

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	1999	<u>1999</u>		1998		<u>1997</u>	
Board Members:							
Oda Rockett Isaac Payne Clifton McIntosh Melvin Stone	\$ 	400 480 360 480	\$	360 440 480 480	\$	80 480 480 480	
Totals	\$	<u>1.720</u>	\$	<u>1.760</u>	\$	<u>1.520</u>	



Bobby G. Lester, CPA John S. Wells, CPA Robert G. Miller, CPA Paul A. Delaney, CPA

Paul G. Mathews, CPA Melanie I. Sarver, CPA

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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.

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

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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.

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Lesta, Milla : Wills

Certified Public Accountants

April 3, 2000

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