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**HOSPITAL SERVICE DISTRICT No. 1 OF
EAST BATON ROUGE PARISH, LOUISIANA
D/B/A LANE MEMORIAL HOSPITAL**

FINANCIAL STATEMENTS

JUNE 30, 1999 and 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 1-12-2000



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INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Hospital Service District No. 1 of
East Baton Rouge Parish, Louisiana
d/b/a Lane Memorial Hospital

We have audited the accompanying balance sheets of Hospital Service District No. 1 of East Baton Rouge Parish, Louisiana (d/b/a Lane Memorial Hospital), a component unit of the City-Parish of Baton Rouge, as of June 30, 1999 and 1998, and the related statements of operations, changes in fund balances, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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. 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 financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 1 of East Baton Rouge Parish, Louisiana (d/b/a Lane Memorial Hospital) as of June 30, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 1999, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Postlethwaite ; Netterville

Baton Rouge, Louisiana
September 23, 1999

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF THE GENERAL PURPOSE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Commissioners
Hospital Service District No. 1 of
East Baton Rouge Parish, Louisiana
d/b/a Lane Memorial Hospital

We have audited the financial statements of Hospital Service District No. 1 of East Baton Rouge Parish, Louisiana (*d/b/a Lane Memorial Hospital*), a component unit of the City-Parish of Baton Rouge, as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated September 23, 1999. 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 Hospital'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 the 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*. However, we noted certain immaterial instances of noncompliance that we have reported to the Board of Commissioners and management of Lane Memorial Hospital in a separate letter dated September 23, 1999.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Hospital's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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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This report is intended for the information of the Board of Commissioners, management of Lane Memorial Hospital, 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 parties. However, this report is a matter of public record, and its distribution is not limited.

Pestlethwaite & Netteville

Baton Rouge, Louisiana
September 23, 1999



**HOSPITAL SERVICE DISTRICT No. 1 OF
EAST BATON ROUGE PARISH, LOUISIANA
d/b/a LANE MEMORIAL HOSPITAL**

**BALANCE SHEETS
JUNE 30, 1999 AND 1998**

ASSETS

	<u>1999</u>	<u>1998</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 5,419,091	\$ 5,417,871
Certificates of deposit	2,750,000	3,250,000
Short-term investments	2,707,732	3,056,531
Assets limited as to use	611,660	595,377
Patient accounts receivable, net of allowances for doubtful accounts of \$1,326,652 in 1999 and \$1,710,237 in 1998	7,420,222	5,373,381
Estimated third-party payor settlements	350,274	333,737
Other receivables	85,123	173,516
Inventories	440,800	404,737
Other current assets	154,358	228,406
Total current assets	<u>19,939,260</u>	<u>18,833,556</u>
 <u>ASSETS LIMITED AS TO USE</u>		
Held by trustee in accordance with bond indentures	500,095	478,505
Internally designated for future capital improvements	2,142,667	2,313,372
Total assets limited as to use	<u>2,642,762</u>	<u>2,791,877</u>
Less: amounts required to meet current liabilities	(611,660)	(595,377)
Noncurrent assets limited as to use	<u>2,031,102</u>	<u>2,196,500</u>
 <u>PROPERTY AND EQUIPMENT, net</u>	 <u>26,008,456</u>	 <u>24,977,246</u>
 <u>OTHER ASSETS</u>		
Deferred financing costs	71,290	75,449
Total other assets	<u>71,290</u>	<u>75,449</u>
 TOTAL ASSETS	 <u>\$ 48,050,108</u>	 <u>\$ 46,082,751</u>

The accompanying notes are an integral part of these statements.



LIABILITIES AND FUND BALANCE

	<u>1999</u>	<u>1998</u>
<u>CURRENT LIABILITIES</u>		
Current maturities of long-term debt	\$ 450,000	\$ 425,000
Accounts payable	722,996	1,026,287
Other current payables	717,191	582,381
Estimated third-party payor settlements	1,253,132	825,000
Accrued expenses	847,243	807,534
Payroll taxes payable	246,535	272,104
Total current liabilities	<u>4,237,097</u>	<u>3,938,306</u>
<u>LONG-TERM DEBT, net of current maturities</u>	<u>6,835,000</u>	<u>7,285,000</u>
Total liabilities	11,072,097	11,223,306
<u>UNRESTRICTED FUND BALANCE</u>	<u>36,978,011</u>	<u>34,859,445</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 48,050,108</u></u>	<u><u>\$ 46,082,751</u></u>



**HOSPITAL SERVICE DISTRICT No. 1 OF
EAST BATON ROUGE PARISH, LOUISIANA
d/b/a LANE MEMORIAL HOSPITAL**

**STATEMENTS OF OPERATIONS
YEARS ENDED JUNE 30, 1999 AND 1998**

	1999	1998
<u>OPERATING REVENUES</u>		
Net patient service revenues	\$ 33,420,656	\$ 31,731,844
Other operating revenues	4,411,304	3,050,090
Total operating revenues	37,831,960	34,781,934
<u>OPERATING EXPENSES</u>		
Salaries	16,768,499	15,367,340
Fringe benefits	2,397,739	2,186,591
Non-medical supplies	1,248,857	1,242,902
Medical supplies	4,269,751	3,538,491
Professional fees	1,796,864	1,675,867
Contracted services	2,249,733	1,855,509
Utilities	682,511	659,935
Repairs and maintenance	702,648	631,292
Insurance	554,003	476,789
Depreciation and amortization	2,091,173	1,893,285
Interest expense	103,835	109,008
Provision for doubtful accounts	1,976,537	1,759,798
Other	1,699,046	1,266,793
Total operating expenses	36,541,196	32,663,600
<u>INCOME FROM OPERATIONS</u>	1,290,764	2,118,334
<u>NONOPERATING REVENUES</u>		
Investment income	619,864	719,291
Other nonoperating revenues	207,938	151,851
Total nonoperating revenues	827,802	871,142
<u>EXCESS OF REVENUES OVER EXPENSES</u>	\$ 2,118,566	\$ 2,989,476

The accompanying notes are an integral part of these statements.



HOSPITAL SERVICE DISTRICT No. 1 OF
EAST BATON ROUGE PARISH, LOUISIANA
d/b/a LANE MEMORIAL HOSPITAL

STATEMENTS OF CHANGES IN FUND BALANCES
YEARS ENDED JUNE 30, 1999 AND 1998

Fund Balance at June 30, 1997	\$ 31,869,969
Excess of revenues over expenses for the year ended June 30, 1998	<u>2,989,476</u>
Fund Balance at June 30, 1998	34,859,445
Excess of revenues over expenses for the year ended June 30, 1999	<u>2,118,566</u>
Fund Balance at June 30, 1999	<u>\$ 36,978,011</u>

The accompanying notes are an integral part of these statements.



**HOSPITAL SERVICE DISTRICT No. 1 OF
EAST BATON ROUGE PARISH, LOUISIANA
d/b/a LANE MEMORIAL HOSPITAL**

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 1999 and 1998**

	1999	1998
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Income from operations	\$ 1,290,764	\$ 2,118,334
Interest expense considered capital financing activity	103,835	109,008
Adjustments to reconcile income from operations to net cash provided by operating activities		
Depreciation and amortization	2,091,173	1,893,285
Loss on disposals of property and equipment	61,495	76,027
Provision for doubtful accounts	1,976,537	1,759,798
Changes in operating assets and liabilities:		
Patient accounts receivable	(4,023,378)	(2,925,126)
Estimated third-party payor settlements	411,595	763,101
Other receivables	88,393	30,009
Inventories	(36,063)	(33,219)
Other current assets	74,048	(10,200)
Accounts payable and other current payables	(168,481)	(89,824)
Accrued expenses and payroll taxes payable	14,140	3,209
Net cash provided by operating activities	1,884,058	3,694,402
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Acquisition of property and equipment	(2,881,094)	(3,786,768)
Proceeds from sales of property and equipment	-	3,460
Principal paid on long-term debt	(425,000)	(405,000)
Interest paid on long-term debt	(402,460)	(422,512)
Net cash used in investing activities	(3,708,554)	(4,610,820)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from the sales of certificates of deposit whose original maturities exceeded three months	950,000	4,000,000
Interest and dividends on investments	619,864	719,291
Other nonoperating revenues	207,938	151,851
Net cash provided by investing activities	1,777,802	4,871,142

The accompanying notes are an integral part of these statements.



**HOSPITAL SERVICE DISTRICT No. 1 OF
EAST BATON ROUGE PARISH, LOUISIANA
d/b/a LANE MEMORIAL HOSPITAL**

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 1999 and 1998**

	1999	1998
Net increase(decrease) in cash and cash equivalents	\$ (46,694)	\$ 3,954,724
Cash and cash equivalents - beginning of year	10,816,279	6,861,555
Cash and cash equivalents - end of year	\$ 10,769,585	\$ 10,816,279
 Reconciliation of cash and cash equivalents to the balance sheets:		
Cash	\$ 5,419,091	\$ 5,417,871
Certificates of deposit	750,000	1,000,000
Short-term investments	2,707,732	3,056,531
Cash and cash equivalents in assets limited as to use:		
Held by trustee in accordance with bond indentures	500,095	478,505
Internally designated for future capital improvements	1,392,667	863,372
Total cash and cash equivalents	\$ 10,769,585	\$ 10,816,279

The accompanying notes are an integral part of these statements.



**HOSPITAL SERVICE DISTRICT No. 1 OF
EAST BATON ROUGE PARISH, LOUISIANA
d/b/a LANE MEMORIAL HOSPITAL**

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies

Hospital Service District No. 1 of East Baton Rouge Parish, Louisiana, d/b/a Lane Memorial Hospital, (the Hospital), is a not-for-profit healthcare organization located in Zachary, Louisiana. The Hospital, which was created by the Metropolitan Council of the City of Baton Rouge and the Parish of East Baton Rouge (City - Parish) on June 12, 1957, under the provisions of Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950, provides inpatient, outpatient, and emergency care services for residents of southern Louisiana and Mississippi.

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements. Such accounting and reporting procedures conform to the requirements of Louisiana Revised Statute 24:517, to the guidance set forth in the *Louisiana Governmental Accounting Guide*, and to the industry audit guide, *Audits of Health Care Organizations* published by the American Institute of Certified Public Accountants.

The significant accounting policies used by the Hospital in preparing and presenting its financial statements are summarized as follows:

Financial reporting entity

Statement No. 14 of the Governmental Accounting Standards Board (GASB), *The Financial Reporting Entity*, establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity.

Since the City-Parish appoints all of the members of the Hospital's Board of Commissioners and has the ability to impose its will on that organization, the Hospital is considered to be a component unit of the City-Parish of Baton Rouge, the financial reporting entity. The accompanying financial statements, however, present information only on the funds maintained by the Hospital and do not present information on the City-Parish, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

Additionally, the Hospital does not have any components units, which are defined by GASB Statement No. 14 as other legally separate organizations for which the elected officials are financially accountable. There are no other primary governments with which the Hospital has a significant relationship.

Fund accounting

The Hospital utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual.



**HOSPITAL SERVICE DISTRICT No. 1 OF
EAST BATON ROUGE PARISH, LOUISIANA
d/b/a LANE MEMORIAL HOSPITAL**

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

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 statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents includes all checking accounts, savings accounts, money market funds, certificates of deposit, and certain investments in highly liquid debt instruments with original maturities of three months or less.

Investments and investment income

Investments in equity securities with readily determinable fair values and all investments in debt securities are carried at fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating income when earned.

Realized gains and losses on dispositions are based on the net proceeds and the adjusted book value of the securities sold, using the specific identification method. These realized gains and losses flow through the Hospital's yearly activities.

Assets limited as to use

Assets limited as to use primarily include assets held by trustees under indenture agreements and designated assets set aside by the Board of Commissioners for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current liabilities of the Hospital have been reclassified in the balance sheets.

Allowance for doubtful accounts

An allowance for doubtful accounts is established based on management's assessment of collectibility, current economic conditions, and prior experience.



**HOSPITAL SERVICE DISTRICT No. 1 OF
EAST BATON ROUGE PARISH, LOUISIANA
d/b/a LANE MEMORIAL HOSPITAL**

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

Inventories

Inventories, consisting primarily of medical supplies and drugs, are stated at the lower of cost (first-in, first-out method) or market.

Property and equipment

Property and equipment are stated at historical cost. Donated property is recorded at its estimated fair value on the date of receipt, which is then treated as cost. Additions, renewals, and betterments that extend the life of assets are capitalized. Maintenance and repair expenditures are expensed as incurred.

Depreciation has been provided using the straight-line method over the estimated useful lives of the related assets, which range from 2 to 40 years.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gains or losses are recognized in the Hospital's yearly operations.

Costs of borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Financing costs are amortized over the period that the related obligation is outstanding.

Net patient service revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. 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.

Charity care

The Hospital provides care to patients who meet certain criteria established under its charity care policy without charge or at rates substantially lower than its prevailing rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue.



**HOSPITAL SERVICE DISTRICT No. 1 OF
EAST BATON ROUGE PARISH, LOUISIANA
d/b/a LANE MEMORIAL HOSPITAL**

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

Risk management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employees injuries and illnesses; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage during the past several years. The Hospital is self-insured for employee health and dental benefits.

Income taxes

As a local governmental entity, the Hospital is exempt from federal and state income taxes. Accordingly, no provision for income taxes has been included in the financial statements.

Reclassifications

Certain reclassifications have been made on the 1998 financial statements to conform with the 1999 presentation.

2. Net patient service revenue

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

- *Medicare* - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates-per-discharge that include defined capital costs. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain types of exempt inpatient services and outpatient services related to Medicare beneficiaries are paid based upon a cost reimbursement methodology. The Hospital is paid for cost reimbursable items at a tentative rate with final settlement determined after submission of an annual cost report by the Hospital and an audit by the Medicare fiscal intermediary.
- *Medicaid* - Inpatient services rendered to Medicaid program beneficiaries are reimbursed at a prospectively determined rate-per-diem that includes capital costs. Certain types of outpatient services are paid based upon a cost reimbursement methodology. The Hospital is paid for cost reimbursable items at a tentative rate with final settlement determined after submission of an annual cost report by the Hospital and an audit thereof by the Medicaid fiscal intermediary.



**HOSPITAL SERVICE DISTRICT No. 1 OF
EAST BATON ROUGE PARISH, LOUISIANA
d/b/a LANE MEMORIAL HOSPITAL**

NOTES TO THE FINANCIAL STATEMENTS

2. Net patient service revenue (continued)

The Hospital has also entered into agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Payment methodologies under these agreements include prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Amounts receivable or payable under reimbursement agreements with the Medicare and Medicaid programs are subject to examination and retroactive adjustments. Provisions for estimated retroactive adjustments under such programs are provided for in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Presented below is a summary of net patient service revenues for the years ended June 30, 1999 and 1998:

	1999	1998
Gross patient service revenue	\$ 61,976,681	\$ 55,305,997
Less: Provision for contractual adjustments	(28,556,025)	(23,574,153)
Net patient service revenue	\$ 33,420,656	\$ 31,731,844

3. Cash and investments

At June 30, 1999, the carrying value of the Hospital's deposits were as follows:

	1999	1998
Petty cash	\$ 3,000	\$ 2,800
Demand deposit accounts	6,108,759	5,528,443
Certificates of deposit	4,200,000	5,450,000
Short-term investments	3,207,826	3,535,036
	\$ 13,519,585	\$ 14,516,279

Under state law, these deposits must be secured by either federal deposit insurance or by the pledge of securities owned by a fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent bank. At June 30, 1999, the Hospital had \$10,362,755 in deposits (collected bank balances). Of these bank balances, \$328,672 was covered by federal depository insurance, and the remainder was secured by collateral owned by the fiscal agent bank.

Under Louisiana Revised Statutes 39:1271 and 33:2955, the Hospital may deposit funds in demand deposit accounts, interest-bearing demand deposit accounts, money market accounts, and time certificates of deposit with state banks organized under Louisiana law and national banks having principal offices in Louisiana. Additionally, Louisiana statutes allow the Hospital to invest in direct obligations of the U.S. Government, federally insured instruments, guaranteed investment contracts issued by certain financial institutions, and mutual or trust funds registered with the Securities and Exchange Commission.



**HOSPITAL SERVICE DISTRICT No. 1 OF
EAST BATON ROUGE PARISH, LOUISIANA
d/b/a LANE MEMORIAL HOSPITAL**

NOTES TO THE FINANCIAL STATEMENTS

4. Property and equipment

Net property and equipment at June 30, 1999 and 1998 consisted of the following:

	1999	1998
Land and land improvements	\$ 1,569,045	\$ 1,569,297
Buildings	21,508,187	20,100,085
Fixed equipment	3,715,912	3,844,141
Movable and other equipment	16,245,847	14,996,794
Physicians' office buildings and equipment	2,257,416	2,184,800
	45,296,407	42,695,117
Less: accumulated depreciation	(20,585,847)	(18,631,583)
	24,710,560	24,063,534
Construction-in-progress	1,297,896	913,712
Property and equipment, net	\$ 26,008,456	\$ 24,977,246

Depreciation expense amounted to \$2,087,014 and \$1,889,859 during the years ended June 30, 1999 and 1998, respectively.

Additions to property and equipment included approximately \$298,000 and \$313,000 of capitalized interest during the years ended June 30, 1999 and 1998, respectively. Total interest costs incurred before recognition of these capitalized amounts were \$402,460 and \$422,512 during the years ended June 30, 1999 and 1998, respectively.

Construction contracts of approximately \$940,000 existed for the construction of phase II of the medical office complex. At June 30, 1999, the remaining commitment on these contracts totaled approximately \$100,000. Subsequent to June 30, 1999, the Hospital signed a contract for approximately \$2,630,000 for the construction of an acute rehabilitation unit.



**HOSPITAL SERVICE DISTRICT No. 1 OF
EAST BATON ROUGE PARISH, LOUISIANA
d/b/a LANE MEMORIAL HOSPITAL**

NOTES TO THE FINANCIAL STATEMENTS

5. Long-term Debt

A summary of long-term debt at June 30, 1999 and 1998 is as follows:

	1999	1998
Hospital Revenue and Refunding Bonds (Series 1996); interest rates ranging from 4.75% to 5.60%; due in varying semi-annual installments through 02/01/11; secured by the operating revenues of the Hospital and additional property as defined in the trust indenture.	\$ 7,285,000	\$ 7,710,000
Less: current maturities	(450,000)	(425,000)
Long-term debt, net of current maturities	\$ 6,835,000	\$ 7,285,000

The amortization expenses related to the bonds totalled \$4,159 and \$2,631 during the years ended June 30, 1999 and 1998, respectively.

The outstanding bonds are scheduled to mature as follows:

Year ending June 30,	Amount
2000	\$ 450,000
2001	475,000
2002	500,000
2003	525,000
2004	550,000
Thereafter	4,785,000
	7,285,000
Less: current portion of long-term debt	(450,000)
Total long-term debt, net of current maturities	\$ 6,835,000

As part of the Bond agreement, the Hospital has agreed to comply with various covenants. The covenants consist, primarily, of reporting and audit requirements, insurance coverage, restrictions on additional debt, maintenance of various deposit accounts, and other administrative requirements. The Hospital was in compliance with all of the applicable covenants at June 30, 1999.



**HOSPITAL SERVICE DISTRICT No. 1 OF
EAST BATON ROUGE PARISH, LOUISIANA
d/b/a LANE MEMORIAL HOSPITAL**

NOTES TO THE FINANCIAL STATEMENTS

6. Insurance programs

The Hospital has a self-insured retention of \$100,000 per claim for its coverage of professional liability; additional coverage is provided by the Louisiana Patient's Compensation Fund for the next \$400,000 of professional liability up to the present statutory maximum of \$500,000 per claim (exclusive of additional amounts for future medical expense provided by law).

The Hospital also has a \$100,000 self-insurance retention for its coverage of general liability with a limit of \$1,000,000 per occurrence and with no annual aggregate. An additional umbrella excess general liability policy provides additional excess coverage of \$9,000,000 difference per occurrence and \$9,000,000 per annual aggregate.

The Hospital is also self-insured for medical, dental, and workers' compensation claims up to predetermined stop-loss amounts. Claims in excess of the stop-loss amounts are insured through commercial insurance carriers. The Hospital has reflected its estimate of the ultimate liability for known and incurred but not reported claims in the accompanying financial statements.

7. Pension plan

The Hospital sponsors the Lane Memorial Hospital Retirement Plan (the Plan), a contributory defined benefit pension plan, in an attempt to provide retirement and death and disability benefits to substantially all of its employees.

Plan Description. All employees who have at least two years of continuous service and have worked an average of 20 or more hours a week are eligible to join the plan on its next anniversary date. Employees who retire at or after the age of 62 are entitled to a retirement benefit, payable monthly for life, equal to 1.5 percent of their monthly earnings for the highest 3 anniversary dates preceding retirement or termination for each year of creditable service. Plan benefits vest on a graded scale beginning at 25% for 5 years of service and increasing 5% per annum for each of the next 5 years and 10% per annum for each of the following 5 years.

Employees leaving employment after five years of creditable service but before attaining retirement age are entitled to benefits upon reaching retirement age equal to their accrued benefits upon termination of employment. The Plan also provides death and disability benefits.

The Plan issues an annual publicly available financial report that includes financial statements and required supplementary information, including 10-year historical trend information. The report may be obtained by writing to Lane Memorial Hospital, 6300 Main Street, Zachary, Louisiana 70791, or by calling (225) 658-4000.

Funding Policy. Employees are required to contribute 1.00% of their monthly earnings up to \$400 plus 2.00% of their monthly earnings in excess of \$400. The Hospital's total payroll totalled \$16,768,499 and \$15,367,340 during the years ended June 30, 1999 and 1998, respectively, and covered payroll (compensation paid by the Hospital to active employees covered by the Plan on which contributions to the Plan are based) totalled \$9,017,825 and \$9,829,633 during the years ended June 30, 1999 and 1998, respectively.



**HOSPITAL SERVICE DISTRICT No. 1 OF
EAST BATON ROUGE PARISH, LOUISIANA
d/b/a LANE MEMORIAL HOSPITAL**

NOTES TO THE FINANCIAL STATEMENTS

7. Pension plan (continued)

The Hospital is required to contribute the actuarially determined amounts necessary to fund normal costs plus an additional amount necessary to amortize unfunded past service costs over a 20-year period (from the date that the past service cost was first recognized). The Hospital, however, is not allowed to contribute more than the amount necessary to achieve a ratio of "actuarial value of assets" to the "present value of accrued benefits" of 150% determined as of the beginning of the Plan year. No contributions were made during the either the year ended June 30, 1999, or the year ended June 30, 1998.

Significant actuarial assumptions used to compute the contribution requirements are the same as those used to compute the standardized measure of the pension benefit obligation.

Funding Status. The amount shown below as a pension benefit obligation was determined as part of an actuarial valuation as of June 30, 1999 as a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employees service-to-date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the Plan's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons with other plans. The measure is independent of the actuarial funding methods used to determine contributions to the Plan.

Assumptions used in accounting for the net periodic pension cost were as follows:

	<u>1999</u>	<u>1998</u>
<i>Discount rates</i>	8.00%	8.00%
<i>Rates of increase in compensation levels</i>	4.00%	4.00%
<i>Expected long-term rate of return on assets</i>	8.00%	8.00%

The Hospital had no annual required contribution, annual pension cost or net pension obligation at June 30, 1999 and 1998 as calculated under GASB 27 "Accounting for Pensions by State and Local Governmental Employers".

Plan assets consist principally of cash equivalents, equity securities, and fixed income funds.



**HOSPITAL SERVICE DISTRICT No. 1 OF
EAST BATON ROUGE PARISH, LOUISIANA
d/b/a LANE MEMORIAL HOSPITAL**

NOTES TO THE FINANCIAL STATEMENTS

8. Business and credit concentrations

Financial instruments which potentially subject the Hospital to concentrations of credit risk consist principally of unsecured accounts receivable and temporary cash investments.

The Hospital grants credit to patients, substantially all of whom are local residents. The Hospital 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 receivables from patients and third-party payors at June 30, 1999 and 1998, were as follows:

	1999	1998
Medicare	20.22 %	23.29 %
Medicaid	5.36	3.36
Commercial insurance companies	30.85	33.71
Health maintenance organizations	11.04	6.82
Self-pay patients and other	32.53	32.82
	100.00 %	100.00 %

9. Other operating revenues

Other operating revenues recognized during the years ended June 30, 1999 and 1998 consisted of the following:

	1999	1998
Contract services	\$ 656,027	\$ 831,422
Satellite revenues	3,232,946	1,758,541
Cafeteria revenues	301,667	282,026
Physician services	107,870	77,041
Other	112,794	101,060
Total other operating revenues	\$ 4,411,304	\$ 3,050,090

10. Commitments and contingencies

The Hospital is involved in various legal actions and claims that arose as a result of events that occurred in the normal course of operations. The ultimate resolution of these matters is not ascertainable at this time; however, management is of the opinion that any liability or loss in excess of insurance coverage resulting from such litigation will not have a material effect upon the financial position of the Hospital. Accordingly, no provision has been made in the financial statements related to these claims.



SUPPLEMENTAL INFORMATION





Postlethwaite & Netterville
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INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION

The Board of Commissioners
Hospital Service District No. 1 of
East Baton Rouge Parish, Louisiana
d/b/a Lane Memorial Hospital

Our independent auditors' report on the financial statements of Hospital Service District No. 1 of East Baton Rouge Parish, Louisiana (d/b/a Lane Memorial Hospital) as of and for the year ended June 30, 1999, appears on page 1. Our audit was made for the purpose of forming an opinion on the financial statements as a whole. The required supplemental schedules contained on pages 21 and 22, which are also the responsibility of the Hospital's management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such additional information has been subjected to the auditing procedures applied in the audits of the basic financial statements, and in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The year 2000 supplementary information on page 22 is not a required part of the basic financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that Lane Memorial Hospital is or will become year 2000 compliant, that the Hospital's year 2000 remediation efforts will be successful *in whole or in part*, or that the parties with which the Hospital does business are or will become year 2000 compliant.

Postlethwaite & Netterville

Baton Rouge, Louisiana
September 23, 1999

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HOSPITAL SERVICE DISTRICT No. 1 OF
EAST BATON ROUGE PARISH, LOUISIANA
d/b/a LANE MEMORIAL HOSPITAL

SCHEDULE OF BOARD OF COMMISSIONERS AND SALARIES
YEARS ENDED JUNE 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
Hubert C. Owens, M.D.	\$ 275	\$ 250
Nick Adams	275	275
Jerry Boudreaux	275	275
Etta Kay Hearn	300	250
Catherine Pourciau	250	250
Robert Williams, Jr.	275	250
Steve Stein	275	175
Willie E. Bowman	-	75
	<u>\$ 1,925</u>	<u>\$ 1,800</u>



**HOSPITAL SERVICE DISTRICT No. 1 OF
EAST BATON ROUGE PARISH, LOUISIANA
d/b/a LANE MEMORIAL HOSPITAL**

YEAR 2000 DISCLOSURES

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations.

The Hospital previously completed an inventory of its computer systems and other electronic equipment and determined that it needed to either modify or replace several pieces of this equipment so that its systems will function properly with respect to dates in the year 2000 and beyond. The Hospital subsequently either modified its existing equipment or purchased additional equipment which is believed to be year 2000 compliant and does not foresee having to expend any more funds relating to the Year 2000 issue. The Hospital is currently testing and validating its new equipment and software.

While management believes that its planning efforts are adequate to address its Year 2000 concerns, there can be no guarantees that the systems of the Hospital or the systems of other companies on which the Hospital's systems and operations rely, will be converted on a timely basis and that the Year 2000 issue will not have a material impact.



LANE MEMORIAL HOSPITAL RETIREMENT PLAN

FINANCIAL STATEMENTS

JUNE 30, 1999 AND 1998



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INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Lane Memorial Hospital
Retirement Plan

We have audited the accompanying statements of plan net assets of Lane Memorial Hospital Retirement Plan (the Plan) as of June 30, 1999 and 1998, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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. 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 financial statements referred to above present fairly, in all material respects, the information regarding the plan net assets of Lane Memorial Hospital Retirement Plan as of June 30, 1999 and 1998, and the changes therein for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information listed in the foregoing table of contents, which are also the responsibility of the management of Lane Memorial Hospital Retirement Plan, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such additional information has been subjected to the auditing procedures applied in the audits of the basic financial statements, and in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Postlethwaite & Netterville

Baton Rouge, Louisiana
October 28, 1999



LANE MEMORIAL HOSPITAL RETIREMENT PLAN

STATEMENTS OF PLAN NET ASSETS
JUNE 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
<u>ASSETS</u>		
Cash and cash equivalents (at fair value)	\$ 251,908	\$ 261,967
Receivables:		
Employee contributions receivable	43,908	40,900
Accrued investment income	80,822	29,472
Management fees rebate receivable	-	5,290
	<u>124,730</u>	<u>75,662</u>
Investments (at fair value):		
Shares of registered investment companies		
Fixed income	-	5,890,768
Equities	-	7,291,476
Equity securities	6,642,424	-
Government and agency obligations	5,366,885	-
Corporate bonds	1,472,887	-
	<u>13,482,196</u>	<u>13,182,244</u>
 Total Assets	 13,858,834	 13,519,873
 <u>LIABILITIES</u>		
Management fees payable	<u>12,624</u>	<u>11,846</u>
 <u>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</u>	 <u>\$ 13,846,210</u>	 <u>\$ 13,508,027</u>
(A schedule of funding progress is presented on page 9)		

The accompanying notes are an integral part of these financial statements.



LANE MEMORIAL HOSPITAL RETIREMENT PLAN

STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
<u>ADDITIONS</u>		
Contributions:		
Employee contributions	\$ 170,465	\$ 157,301
Investment Income (including unrealized gains)	1,157,904	2,169,102
Other Income:		
Management fee rebated	46,880	67,210
Total Additions	<u>1,375,249</u>	<u>2,393,613</u>
<u>DEDUCTIONS</u>		
Benefits paid to participants and beneficiaries	987,662	996,559
Management fees	49,404	49,027
Total Deductions	<u>1,037,066</u>	<u>1,045,586</u>
<u>NET INCREASE</u>	338,183	1,348,027
<u>NET ASSETS HELD IN TRUST FOR</u> <u>PENSION BENEFITS</u>		
Beginning of year	<u>13,508,027</u>	<u>12,160,000</u>
End of year	<u>\$ 13,846,210</u>	<u>\$ 13,508,027</u>

The accompanying notes are an integral part of these financial statements.



LANE MEMORIAL HOSPITAL RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

1. PLAN DESCRIPTION

General

The Lane Memorial Hospital Retirement Plan (the Plan) is a single-employer, contributory, defined benefit public employee retirement system (PERS). The Plan covers eligible employees of Lane Memorial Hospital (the Employer) who elect to join after meeting certain length of service requirements and is funded through employer and employee contributions and investment earnings. As a governmental entity, the Plan provides disclosures required by the Governmental Accounting Standards Board. The Plan is not subject to the financial reporting requirements of the Employee Retirement Income Security Act of 1974 (ERISA).

Plan membership

At June 30, 1999 and 1998, the Plan's membership consisted of:

	JUNE 30,	
	<u>1999</u>	<u>1998</u>
Active employees	<u>321</u>	<u>334</u>
Retirees and beneficiaries currently receiving benefits	33	29
Terminated employees entitled to benefits but not yet Receiving them	<u>42</u>	<u>34</u>
Total	<u>75</u>	<u>63</u>
Total plan participants	<u><u>396</u></u>	<u><u>397</u></u>

Eligibility requirements

An employee is eligible to participate in the Plan if, at the beginning of the Plan Year, he/she has at least two years of continuous service and has worked an average of 20 or more hours per week. An eligible employee must make an application to the Employer for participation in the Plan and agree to the terms of the Plan.



LANE MEMORIAL HOSPITAL RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

1. PLAN DESCRIPTION (continued)

Retirement benefits

The Plan provides retirement benefits as well as death and disability benefits. All benefits are vested 100% after 15 years of credited service. The basic annual retirement benefit at age 62 is a benefit payable for life in an amount equal to the number of years of credited service multiplied by 1.5% of the average of the highest three years of compensation. Employees can elect to receive a lump-sum payment in lieu of annuity options, which are: single life, life with guaranteed payments, guaranteed payments and joint and survivor.

Deferred benefits: A member leaving employment after five years of credited service but before attaining retirement age is entitled to a benefit at age 62 equal to the member's accrued benefit upon termination of employment.

Disability benefits: A member leaving employment because of total and permanent disability before attaining retirement age is eligible for deferred benefits or may elect to receive reduced benefits beginning on the disability retirement date.

Survivor benefits: The survivor benefit provided under the Plan is a death benefit for a participant payable in the form of a pre-retirement survivor annuity.

Employer contributions

The Employer is required to contribute amounts necessary to provide the benefits under the Plan determined by the application of accepted actuarial methods and assumptions.

Employee contributions

To join the Plan, the participant authorizes Lane Memorial Hospital to deduct from his/her salary – (1) 1% of his/her monthly earnings up to \$400; plus (2) 2% of any monthly earnings over \$400.

2. SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

Basis of accounting

The Plan's financial statements are prepared using the accrual basis of accounting.

Employer contributions

Employer contributions are recognized as revenues in the period in which employee services are performed.



LANE MEMORIAL HOSPITAL RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES (continued)

Employee contributions

Employee contributions are recognized as revenues when the payroll deductions are made from the participant's salary.

Method Used to Value Investments

As required by GASB No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, investments are reported at fair value. The Plan's investment assets predominantly consist of investments in registered investment companies (mutual funds) at June 30, 1998 and government and corporate bonds, and equities at June 30, 1999 and are valued at quoted market prices. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Under this GASB requirement, pension plan investments and financial statements are subject to market fluctuations that can rapidly change the market value on a day to day basis. Such market swings can create material changes in unrealized appreciation (depreciation) of investments. Lane Memorial Hospital Retirement Plan is a long-term investor whose overall investment decisions and policies are not based on daily market swings.

Administrative expenses

The administrative expenses of the Plan, with minor exceptions, have been paid by the Employer and are not to be reimbursed by the Plan.

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 statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. FUNDING STATUS AND PROGRESS

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the Plan's funding status on a going-concern basis, assess progress made in accumulating sufficient assets



LANE MEMORIAL HOSPITAL RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

3. FUNDING STATUS AND PROGRESS (continued)

to pay benefits when due, and make comparisons among PERS. The measure is independent of the actuarial funding method used to determine contributions to the Plan.

The pension benefit obligation was determined as part of an actuarial valuation at June 30, 1999. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8% per year, compounded annually, and (b) projected salary increases of 4% per year, compounded annually.

4. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The funding policy of the Plan provides for periodic employer contributions at actuarially determined rates that are sufficient to fund normal (current year) costs plus an additional amount necessary to amortize unfunded past service costs over a 20-year period (from the date the past service cost was first recognized). However, the Hospital will contribute no more than the amount necessary to achieve a ratio of "actuarial value of assets" to the "present value of accrued benefits" of 150% determined as of the beginning of the Plan year. The significant actuarial assumptions underlying the actuarial method used to compute the contribution requirements are the same as those used to compute the pension benefit obligation.

The actuarially determined contribution requirement for the year ended June 30, 1999 was \$-0-. Contributions paid during the current year represented 0% of estimated covered annual payroll of \$9,745,773.

The following table sets forth the Hospital's annual pension cost and net pension obligation to the Plan for the plan year ended June 30, 1999:

	1999
Annual required contribution	\$ -
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	-
Contributions made	-
Increase (decrease) in net pension obligation	-
Net pension obligation - beginning of year	-
Net pension obligation - end of year	\$ -

Three-year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/97	269,147	100%	0
6/30/98	0	100%	0
6/30/99	0	100%	0



LANE MEMORIAL HOSPITAL RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

5. ASSETS HELD FOR INVESTMENT

At June 30, 1999, the assets held for investment consisted of:

<u>Cash Equivalents</u>	<u>Cost</u>	<u>Fair Value</u>
Hibernia US Treasury Money Market Fund	\$ 251,908	\$ 251,908
<u>Equity Securities</u>	\$ 6,098,255	\$ 6,642,424
<u>Government and Agency Obligations</u>	\$ 5,488,186	\$ 5,366,885
<u>Corporate Bonds</u>	\$ 1,508,525	\$ 1,472,887
	<u>\$ 13,094,966</u>	<u>\$ 13,482,196</u>

The Plan has adopted certain investment goals and objectives and policy guidelines, as outlined below, which are intended to protect and preserve the Plan's assets while providing an appropriate return.

<u>Investment Class</u>	<u>Target</u>
Equity securities	45%
Fixed income securities	55%

As of June 30, 1999, approximately 50% of the Plan's invested assets were in equity funds, while approximately 50% of the Plan's invested assets were in fixed income funds.



LANE MEMORIAL HOSPITAL RETIREMENT PLAN

REQUIRED SUPPLEMENTARY INFORMATION –
SCHEDULE OF FUNDING PROGRESS
FOR THE SIX YEARS ENDED
JUNE 30, 1999

Required supplementary historical information for the Lane Memorial Hospital Retirement Plan is presented below for all years for which this information is available in accordance with GASB 25.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
7/1/94	\$ 7,970,803	\$ 9,020,144	\$ 1,049,341	88.4%	\$ 8,460,451	12.4%
7/1/95	8,855,669	9,873,953	1,018,284	89.7%	8,768,963	11.6%
7/1/96	9,671,413	10,656,386	984,973	90.8%	9,886,140	10.0%
7/1/97	12,160,000	11,187,886	(972,114)	108.7%	9,404,816	(10.3%)
7/1/98	12,414,796	11,536,934	(877,826)	107.6%	9,829,633	(8.9%)
7/1/99	12,931,694	12,144,395	(787,299)	106.5%	9,745,773	(8.1%)

SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE SIX YEARS ENDED JUNE 30, 1999

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
1994	423,209	100%
1995	459,751	100%
1996	267,909	100%
1997	269,147	100%
1998	0	100%
1999	0	100%

Analysis of the percentage contributed over a period of years will give a relative indication of the funding progress for the liabilities of the Lane Memorial Hospital Retirement Plan.



LANE MEMORIAL HOSPITAL RETIREMENT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS
JUNE 30, 1999

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 1999																		
Actuarial cost method	Frozen entry age																		
Amortization method	Level dollar																		
Remaining amortization period	20 years																		
Asset valuation method	Adjusted Market Value (five year average of investment gains and losses). Fresh start at market value on July 1, 1997.																		
Actuarial Assumptions:																			
Investment Return	8%, compounded annually (see Optional Form of Payment below).																		
Mortality	1983 Group Annuity Mortality Table (see Optional Form of Payment below).																		
Optional Form of Payment	Lump sums - 100% of Active Participants will elect this option. It is assumed that the lump sum as of termination date is valued as follows: - Interest - 8% - Mortality - 1984 Unisex Pension Mortality Table set back 3 years.																		
Turnover	Termination of participation rates are based on actual experience. Sample rates are specified in the table below:																		
	<table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;"><u>Age</u></th> <th style="text-align: right;"><u>Rate of Turnover</u></th> </tr> </thead> <tbody> <tr> <td>25</td> <td style="text-align: right;">.1000</td> </tr> <tr> <td>40</td> <td style="text-align: right;">.0500</td> </tr> <tr> <td>55</td> <td style="text-align: right;">.0125</td> </tr> </tbody> </table>	<u>Age</u>	<u>Rate of Turnover</u>	25	.1000	40	.0500	55	.0125										
<u>Age</u>	<u>Rate of Turnover</u>																		
25	.1000																		
40	.0500																		
55	.0125																		
Salary Increases	4%, compounded annually																		
Future Employment	Participants are assumed to work at a pro-rated rate in future years based on hours completed in the previous plan year.																		
Retirement Rates	All retirements are assumed to occur in accordance with the following table:																		
	<table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;"><u>Age</u></th> <th style="text-align: right;"><u>Retirements per 1,000 at Specified Age</u></th> </tr> </thead> <tbody> <tr> <td>55</td> <td style="text-align: right;">100</td> </tr> <tr> <td>56</td> <td style="text-align: right;">50</td> </tr> <tr> <td>57</td> <td style="text-align: right;">50</td> </tr> <tr> <td>58</td> <td style="text-align: right;">50</td> </tr> <tr> <td>59</td> <td style="text-align: right;">50</td> </tr> <tr> <td>60</td> <td style="text-align: right;">100</td> </tr> <tr> <td>61</td> <td style="text-align: right;">100</td> </tr> <tr> <td>62</td> <td style="text-align: right;">1,000</td> </tr> </tbody> </table>	<u>Age</u>	<u>Retirements per 1,000 at Specified Age</u>	55	100	56	50	57	50	58	50	59	50	60	100	61	100	62	1,000
<u>Age</u>	<u>Retirements per 1,000 at Specified Age</u>																		
55	100																		
56	50																		
57	50																		
58	50																		
59	50																		
60	100																		
61	100																		
62	1,000																		



LANE MEMORIAL HOSPITAL RETIREMENT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS
JUNE 30, 1999

Disability	No specific liability has been included in this valuation for future disability benefits which may become payable under this Plan. This is consistent with the exclusion of an explicit assumption concerning future rates of disablement from the set of actuarial assumptions used to value Plan liabilities.
Death benefit	100% of participants are assumed to be married, with males the same age as females.
Expenses	Expenses are paid directly by the employer.



LANE MEMORIAL HOSPITAL RETIREMENT PLAN

**REQUIRED SUPPLEMENTARY INFORMATION – COMPARATIVE SUMMARY
OF REVENUES BY SOURCE AND EXPENSES BY TYPE**
JUNE 30, 1999

Supplementary historical summary of revenues by source and expenses by type for the Lane Memorial Hospital Retirement Plan is presented below for the most recent six year period.

REVENUES BY SOURCE

<u>Period Ended June 30</u>	<u>Employer Contribution Requirements</u>	<u>Employee Contributions</u>	<u>Investment Income (and other)</u>	<u>Total</u>
1994	\$ 423,209	\$ 135,181	(\$ 15,652)	\$ 542,738
1995	459,751	147,507	1,107,829	1,715,087
1996	267,909	153,563	1,105,925	1,527,397
1997	269,147	164,859	1,738,843	2,172,849
1998	0	157,301	2,236,312	2,393,613
1999	0	170,465	1,204,784	1,375,249

EXPENSES BY TYPE

<u>Period Ended June 30</u>	<u>Benefits</u>	<u>Administrative Expenses</u>	<u>Total</u>
1994	\$ 287,401	\$ 15,152	\$ 302,553
1995	525,009	12,126	537,135
1996	473,829	3,298	477,127
1997	405,814	32,665	438,479
1998	996,559	49,027	1,045,586
1999	987,662	49,404	1,037,066

* Employer contributions divided by annual covered payroll.



<u>Annual Covered Payroll</u>	<u>Percentage*</u>	<u>Employer Contributions Paid</u>
\$ 8,460,451	5.0%	\$ 423,209
8,768,963	5.2%	459,751
9,886,140	2.7%	267,909
9,404,816	2.9%	269,147
9,829,633	0.0%	0
9,745,773	0.0%	0





Postlethwaite & Netterville
A Professional Accounting Corporation

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LEGISLATIVE AUDITOR
1999 DEC 30 PM 1:46

November 4, 1999

To the Board of Commissioners
Hospital Service District No. 1 of
East Baton Rouge Parish, Louisiana
d/b/a/ Lane Memorial Hospital

We have audited the general-purpose financial statements of Lane Memorial Hospital as of and for the year ended June 30, 1999, and have issued our report thereon dated September 23, 1999. 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.

As part of our examination, we have issued our report on the financial statements dated September 23, 1999, and our report on the internal control and compliance with laws, regulations, and contracts, dated September 23, 1999.

During the course of our examination, we became aware of the following matters, which represent immaterial deviations of compliance.

Unauthorized use of a credit card

Criteria - Louisiana law prohibits the expenditure of funds from a governmental entity for personal use.

Condition - The former hospital administrator charged personal purchases to the hospital's credit card without approval and without timely repayment of those expenditures.

Cause - Internal controls of the hospital allowed the former administrator to approve his own expenditures without a second approval.

Effect - The hospital incurred expenditures for the former administrator and reflected these on its financial statements until it received reimbursement for those expenditures.

Recommendation - The hospital should change its policy for approval of the administrator or acting administrator's expenditures to require approval from a third party prior to payment.



Unused vacation payments and retroactive pay increase

Criteria – Hospital policy prohibits annual retroactive pay increases beyond the anniversary date of employment. Additionally, hospital policy and Louisiana law prohibit the payment of accrued vacation in lieu of taking time off for vacation.

Condition – The former hospital administrator paid himself for accrued vacation instead of taking the time off for vacation. Additionally, he granted his annual pay increase back to months that preceded his employment anniversary date.

Cause – Internal controls of the hospital allowed the former administrator to approve his own payroll checks without a second approval.

Effect – The hospital incurred additional salary expense for the former administrator's annual raise for the months preceding his employment anniversary date; the former administrator subsequently reimbursed the hospital for this expense. Additionally, the hospital incurred a cash expenditure for vacation paid in lieu of time off.

Recommendation – The hospital should change its policy and require approval from a third party prior to the payment of these types of expenditures to the administrator or the acting administrator.

During the course of our examination, we also became aware of another violation of hospital policy as follows:

Unauthorized contracts

Criteria – Hospital policy prohibits the administrator from binding the hospital into legal contracts in excess of \$15,000 without the approval of the board of commissioners.

Condition – The former hospital administrator entered into a contract without approval from the board.

Cause – The former administrator acted in a manner beyond his legal capacity as administrator of the hospital and as authorized by the board of commissioners.

Effect – The hospital incurred a fee of \$47,500 to terminate the unauthorized contract. The hospital administrator was terminated as an employee of the hospital by the board of commissioners.

We understand that management has addressed the foregoing issues, and we believe that they responded in an appropriate manner. We do not have any further recommendations regarding these issues; however, we are available should you have any questions.

Pastluthurite ! Netterville



Lane Memorial Hospital

1600 N 3rd Street
Baton Rouge, LA 70802

Phone: (504) 383-1111
Fax: (504) 383-1112

Administrative Services
Director of Administration
Director of Finance
Director of Human Resources
Director of Information Systems
Director of Medical Services
Director of Nursing Services
Director of Quality Improvement
Director of Support Services
Director of Training & Development
Director of Compliance

December 28, 1999

Legislative Auditor
1600 N 3rd Street
Baton Rouge, LA 70802

Re: Response to Management Letter
FYE 6/30/99

Dear Sir:

Please accept this letter as our response to the management letter issued by Postlethwaite & Netterville as a result of our annual audit dated June 30, 1999.

Unauthorized use of a credit card

The former hospital CEO (Administrator) utilized the hospital's credit card for personal expenses. This issue was discovered by management and reported to the Board of Commissioners in July, 1998. The Board of Commissioners directed management to discontinue the use of hospital credit cards, institute internal controls concerning the CEO's expense report, and collect reimbursement from the CEO for the inappropriate expenditures.

Management complied with the Board of Commissioners' directives by implementing the following actions/policies:

- Discontinued the practice of hospital credit cards.
- Instituted new internal controls over the CEO which require the approval of all expenses of the CEO by the Chairman of the Board of Commissioners.
- Collected \$2,698 from the former administrator for reimbursement of said expenses.

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Unused vacation payments and retroactive pay increase

The Board of Commissioners had authorized a pay increase to the former CEO to be retroactive to January 1, 1998, his date of merit. The former CEO filed paperwork which retroactively set the pay to July 1, 1997. Additionally, the hospital CEO authorized payment of unused vacation time to himself. The Board directed management to have the CEO reimburse the Hospital for the inappropriate raise and to establish internal controls regarding pay increases and accrued vacation payouts.

Management complied with the Board of Commissioner's directives by implementing the following actions/policies:

- Instituted new internal controls over the CEO which require all documents associated with payroll for the CEO be approved by the Chairman of the Board of Commissioners.
- Collected \$1,414.40 from the former administrator for reimbursement of the improper salary increase.

Unauthorized contracts

The former CEO entered into a contract, on behalf of the hospital, with a corporation to provide medical services. The CEO had not consulted the Board of Commissioners prior to execution of the contract. Upon notification of this departure from hospital policy, the Board proceeded with the following actions:

- Payment of \$47,500 to the contracted party to dissolve the relationship.
- Termination of the hospital CEO.

If you have any further questions, please do not hesitate to contact me at (225) 658-4301.

Very truly yours,



David Verinder, CPA
Chief Financial Officer

DV:sda
CC: Postlethwaite & Netterville