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Based on an Audit of Financial Statements Performed in Accordan (ed to the audited, or reviewed, with GOVERNMENT AUDITING STANDARDS 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. MAR 7 5 2000 Release Date 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

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners Hospital Service District No. 2 of the Parish of LaSalle, State of Louisiana ("LaSalle General Hospital") Jena, Louisiana

We have audited the accompanying general purpose financial statements of LaSalle General Hospital, (the Hospital), as of and for the years ended September 30, 1999, 1998 and 1997, listed in the foregoing table of contents. 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 <u>Government Auditing Standards</u>, 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 LaSalle General Hospital as of September 30, 1999, 1998 and 1997, and the results of its operations and cash flows of its proprietary fund for the years then ended, in conformity with generally accepted accounting principles.

In accordance with <u>Government Auditing Standards</u>, we have also issued a report dated November 15, 1999, on our consideration of the Hospital'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 presented in all material respects in relation to the general purpose financial statements taken as a whole.

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Board of Commissioners Hospital Service District No. 2 of the Parish of LaSalle, State of Louisiana Page Two

The Hospital has not presented the disclosures required by Governmental Accounting Standards Board Technical Bulletin 98-1, "Disclosures about Year 2000 issues," as amended by Governmental Accounting Standards Board Technical Bulletin 99-1, that the Governmental Accounting Standards Board has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the Hospital is or will become Year 2000 compliant; whole or in part; or that parties with which the Hospital does business are or will become 2000 compliant.

Lasta, Milla ? Wills

Certified Public Accountants

November 15, 1999

LESTER, MILLER & WELLS

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

LaSalle General Hospital Balance Sheets - Unrestricted Fund September 30, 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) Investments (Note 4) Accounts receivable, net of estimated	\$ 418,029 2,199,278	\$252,931 2,892,972	\$ 161,419 3,107,925
uncollectibles (Note 6) Inventory Prepaid expenses	2,215,815 215,633 <u>40,740</u>	1,783,952 204,729 <u>54,404</u>	1,854,942 198,514 <u>62,756</u>
Total current assets	_5,089,495	<u>5,188,988</u>	5,385,556
Assets whose use is limited under bond covenant agreement (Note 5) Property, plant and equipment, net (Note 7) Other assets (Note 8)	652,823 5,265,108 7,153	630,563 5,111,901 7,153	605,345 4,520,749 7,153
Total assets	\$ <u>11.014.579</u>	\$ <u>10.938.605</u>	\$ <u>10.518.803</u>
LIABILITIES AND FUND BALANCE			
Current liabilities: Current maturities of long-term debt Accounts payable Accrued expenses and withholdings payable	\$ 215,000 350,683	\$ 205,000 227,793	\$ 202,844 354,755
(Note 9) Retirement payable	406,731 <u>210,000</u>	365,356 <u>157,129</u>	317,962 <u>148,722</u>
Total current liabilities	1,182,414	955,278	1,024,283
Long-term debt, net of current maturities (Note 12)	740,000	945,000	1,150,000
Total liabilities	1,922,414		2,174,283
Fund balance - unrestricted	9,092,165	_ <u>9,038,327</u>	_8,344,520
Total liabilities and fund balance	\$ <u>11.014.579</u>	\$ <u>10.938.605</u>	\$ <u>10.518,803</u>

See accompanying notes to financial statements.

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LaSalle General Hospital Statements of Operations - Unrestricted Fund Years Ended September 30, 1999, 1998 and 1997

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	<u>1999</u>	1998	1997
Revenue:			
Net patient service revenue	\$ 9,734,842	\$ 9,279,319	\$ 8,654,057
Gain (loss) on disposal of equipment	24,383	493	1,300
Other revenue	747,608	754,971	777,910
Total revenue	<u>10,506,833</u>	<u>10,034,783</u>	<u>9,433,267</u>
Expenses:			
Salaries and benefits	5,628,985	5,086,669	4,865,564
Medical supplies and drugs	969,422	796,700	829,376
Insurance	166,633	207,649	219,077
Professional fees	1,298,697	1,206,289	1,187,056
Other expenses	1,475,774	1,444,420	1,403,385
Provision for bad debts	638,807	395,333	488,423
Depreciation and amortization	355,020	313,536	300,245
Interest	52,051	61.308	72,817
Total expenses	<u>10,585,389</u>	9,511,904	9,365,943
Operating income (loss)	(78,556)	522,879	67,324
Nonoperating income			
Interest income	132,394	170,928	168,848
Excess of revenues over expenses	\$ <u>53.838</u>	\$ <u>693.807</u>	\$ <u>236.172</u>

See accompanying notes to financial statements.



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LaSalle General Hospital Statements of Changes in Fund Balances - Unrestricted Fund Years Ended September 30, 1999, 1998 and 1997

	Unrestricted
Fund balance, September 30, 1996	\$ 8,108,348
Excess of revenues over expenses	236,172
Fund balance, September 30, 1997	8,344,520
Excess of revenues over expenses	693,807
Fund balance, September 30, 1998	9,038,327
Excess of revenues over expenses	53,838
Fund balance, September 30, 1999	\$ <u>9.092.165</u>

COMPOSITION OF FUND BALANCE AT SEPTEMBER 30, 1998:

Contributions

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Accumulated excess of revenues over expenses

Total fund balance

\$ 2,581,443

6,510,722

\$<u>9.092.165</u>

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See accompanying notes to financial statements.

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LaSalle General Hospital Statements of Cash Flows - Unrestricted Fund Years Ended September 30, 1999, 1998 and 1997

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	<u>1999</u>	<u>1998</u>	<u>1997</u>
Cash flows from operating activities:	Ф (70 E)	EC) & £00.970	¢ 67.204
Operating income (loss)	\$ (78,5	56) \$ 522,879	\$ 67,324
Interest expense considered capital financing	52,0	51 61,308	77,442
activity Adjustments to reconcile operating income to	02,0	01 01,000	r , , , , , , <u>, , , , , , , , , , , , ,</u>
net cash provided by operating activities:			
Depreciation	355,0	20 313,536	300,253
Provision for bad debts	638,8		488,423
(Gain) loss on disposal of assets	(24,38	· · •	(1,300)
(Increase) decrease in:		•	
Net patient accounts receivable	(982,1	75) (411,749)	(864,511)
Estimated third party payor settlements	(88,3	18) 88,808	288,351
Inventory	(10,9		(2,893)
Prepaid expenses	13,6	• • • • • • •	11,394
Other receivables	(1)	77) (1,402)	14,222
Increase (decrease) in:		(400.000)	
Accounts payable	122,8		111,814
Accrued expenses and withholdings payable	30,3		(10,053)
Estimated third party payor settlements	11,0	• · · • •	-0-
Retirement payable	52,8	718,407	5,378
Net cash provided by operating activities		<u>65899,196</u>	485,844
Cash flows from investing activities:			
Purchase of investments	(2,199,2	78) (2,892,972)	(3,107,925)
Proceeds from investing activities	2,892,9	-	2,707,063
Investment income	109,8	90 <u>145,883</u>	146,092
Net cash provided (used) by investing activities	\$803,5	<u>\$ 360,836</u>	\$ <u>(254,770</u>)

See accompanying notes to financial statements.

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LaSalle General Hospital Statements of Cash Flows (Continued) Unrestricted Fund Years Ended September 30, 1999, 1998 and 1997

(730,651)

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Cash flows from capital and related financing activities: Purchase of property and equipment Proceeds from sales of capital assets Purchase of investments - bond reserves Principal paid on long-term debt Interest paid on long-term debt Proceeds from investments - bond reserves Investment income	\$ (507,983) 24,383 (518,413) (195,000) (52,051) 495,909 22,504	\$ (904,688) 493 (496,082) (202,844) (61,308) 470,864 25,045	\$ (425,640) 1,300 (471,152) (194,738) (77,442) 448,107 22,757

Net cash used by capital and related financing activities

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<u>(696,808)</u>

Net increase (decrease) in cash and cash equivalents

Cash and cash equivalents, beginning of year

Cash and cash equivalents, end of year

Supplemental disclosures of cash flow information:

Cash paid during the period for: Interest

Asset obtained under capital lease

165,098	91,512	(465,734)
252,931	161,419	627,153
\$ <u>418.029</u>	\$ <u>252.931</u>	\$ <u>161,419</u>
\$ <u>52.051</u>	\$ <u>61.308</u>	\$ <u>77.442</u>
\$ <u>-0-</u>	\$ <u>-O-</u>	\$ <u>-0-</u>

(1,168,520)

See accompanying notes to financial statements.



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LaSalle General Hospital Hospital Enterprise Fund Notes to Financial Statements Years Ended September 30, 1999, 1998 and 1997

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

LaSalle Parish Hospital Service District No. 2, State of Louisiana (referred to as "the District") was created in 1968 by the LaSalle Parish Police Jury.

The District is a political subdivision of the LaSalle Parish Police Jury whose jurors are elected officials. Its five Commissioners are appointed by the LaSalle Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the LaSalle Parish Police Jury is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the LaSalle Parish Police 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 District and do not present information on the police jury, the general governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

Nature of Business

The District provides outpatient, emergency, skilled nursing, acute inpatient hospital services and home health services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Enterprise Eund

Enterprise funds are used to account for operations (a) 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, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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 Audit and Accounting Guide - Health Care Organizations, 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.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The entity is a political subdivision and exempt from taxation.

Credit Risk

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

The District's estimate of collectibility is based on an evaluation of historical collections compared to gross revenues to establish an allowance for uncollectible accounts.

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.

Significant Concentration of Economic Dependence

The District has an economic dependence on a small number of staff physicians. Several physicians admit the majority of the District's patients.

Inventory

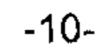
Inventories are stated at the lower of cost or market value. Cost is determined by the first-in, first-out method.

Statement of Revenues and Expenses

For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as revenues and expenses. Peripheral or incidental transactions are reported as gains and losses.

Property, Plant and Equipment

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



NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

Buildings	25 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 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.

Changes in Reporting Classifications

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

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:

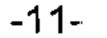
	-	<u>1999</u>	1998	<u>1997</u>
Petty cash	\$	985	\$ 985	\$ 985
Checking and Savings Total		17,044	 2 <u>51,946</u> 252,931	\$ <u>160,434</u> 161,419

Two hundred thousand dollars of the above amount is covered by federal depository insurance. The remaining balance, with the exception of petty cash, is covered by collateral held by the pledging financial institution's trust departments in the District's name.

NOTE 4 - INVESTMENTS

The District considers certificates of deposit with original maturities in excess of 90 days to be temporary cash investments. These certificates of deposit were covered by collateral held by the pledging financial

institution's trust departments in the District's name.



NOTE 5 - ASSETS WHOSE USE IS LIMITED

Assets whose use is limited consists of the following items at September 30:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Revenue Bond Sinking Fund	\$ 134,410	\$ 134,654	\$ 134,481
Revenue Bond Reserve Fund	<u>518,413</u>	<u>495,909</u>	<u>470,864</u>
Total	\$ <u>652,823</u>	\$ <u>630,563</u>	\$ <u>605,345</u>

The Revenue Bond Sinking Fund and Revenue Bond Reserve Fund were required by the Farmers Home Administration revenue bond contract. Monthly transfers from the operating account are required by the revenue bond agreement.

NOTE 6 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Patients Estimated third-party	\$ 2,363,728	\$ 1,988,472	\$ 2,095,966
payor settlements	149,455	61,137	149,945
Other receivables	35,176	34,999	33,597
	2,548,359	2,084,608	2,279,508
Estimated uncollectibles	(332,544)	(300,656)	(424,566)
Total	\$ <u>2,215,815</u>	\$ <u>1,783,952</u>	\$ <u>1.854.942</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 September 30, 1999, 1998 and 1997 follows:

	1999	1998	<u>1997</u>
Medicare patients Medicaid patients	\$16,365,439 <u>1,545,760</u>	\$13,366,078 <u>1,554,635</u>	\$13,918,793 _ <u>1,547,680</u>
Total	\$ <u>17.911.199</u>	\$ <u>14.920.713</u>	\$ <u>15.466.473</u>
Percent of all patients	<u>87%</u>	<u>85</u> %	<u>91</u> %

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NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended September 30, 1999:

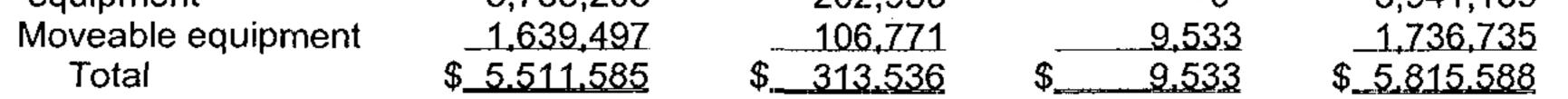
	ASSET COST					
	September 30,			September 30,		
	1998	Additions	_Deletions	1999		
Land	\$ 60,328	\$ 65,000	\$ -0-	\$ 125,328		
Land improvements	179,045	-0-	-0-	179,045		
Buildings and fixed equipment	8,441,279	185,395	-0-	8,626,674		
Moveable equipment	_ <u>2,246,837</u>	<u>257,832</u>	588	_ <u>2,504,081</u>		
Total	\$ <u>10,927,489</u>	\$ <u>508,227</u>	\$ <u>588</u>	\$ <u>11.435.128</u>		

ACCUMULATED DEPRECIATION

	September 30, <u>1998</u>	Additions	Deletions	September 30, <u>1999</u>
Land improvements Buildings and fixed	\$ 137,694	\$ 5,360	\$ -0-	\$ 143,054
equipment	3,941,159	215,177	-0-	4,156,336
Moveable equipment	<u>1,736,735</u>	134,483	588	_1,870,630
Total	\$ <u>5.815.588</u>	\$ <u>355.020</u>	\$ <u>588</u>	\$ <u>6.170.020</u>

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended September 30, 1998:

		ASSET	COST	
	September 30, <u>1997</u>	Additions	Deletions	September 30, 1998
Land	\$ 60,328	\$ -0-	\$ -0-	\$ 60,328
Land improvements	166,020	13,025	-0-	179,045
Buildings and fixed	·	r		-
equipment	7,748,199	983,113	290,033	8,441,279
Moveable equipment	2,057,787	198.583	9,533	2,246,837
Total	\$ <u>10.032.334</u>	\$ <u>1.194.721</u>	\$ <u>299.566</u>	\$10.927.489
		ACCUMULATED I	DEPRECIATION	
	September 30,			September 30,
		Additions	Deletions	1998
Land improvements	\$ 133,885	\$ 3,809	\$-0-	\$ 137,694
Buildings and fixed	-	- -		· ·
equipment	3,738,203	202,956	-0-	3,941,159



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NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended September 30, 1997:

	ASSET COST							
	Septe	ember 30,					Sept	ember 30,
		1996	_Add	ditions_	_Dele	tions_		1997
Land	\$	58,263	\$	2,065	\$	-0-	\$	60,328
Land improvements		163,824		2,196		-0-		166,020
Buildings and fixed								
equipment	7	7,426,367		321,832 -		-0-		7,748,199
Moveable equipment		1,958,240	<u> </u>	99,547	<u> </u>	-0-		2,057,787
Total	\$ <u></u>	<u>).606.694</u>	\$	<u>425.640</u>	\$	<u>-0-</u>	\$ <u>1</u>	<u>0.032.334</u>

ACCUMULATED DEPRECIATION

	September 30, <u>1996</u>	_Additions_	_Deletions	September 30, <u>1997</u>
Land improvements Buildings and fixed	\$ 130,256	\$ 3,629	\$~0-	\$ 133,885
equipment	3,543,061	195,142	-0-	3,738,203
Moveable equipment	<u>1,538,014</u>	101,483	-0-	<u>1,639,497</u>
Total	\$ <u>.5.211.331</u>	\$ <u>300.254</u>	\$ <u>-0-</u>	\$ <u>5.511.585</u>

NOTE 8 - OTHER ASSETS

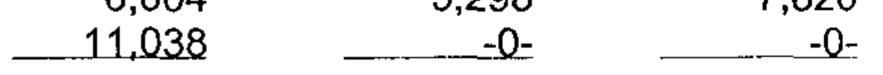
Other assets consist of silver recovered from x-ray films and converted to silver bars, carried at an estimated value at September 30, 1999, 1998 and 1997 of \$7,153.

NOTE 9 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

Accrued expenses and withholdings payable at September 30 consist of the following:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Accrued employee insurance payable	\$ 80,428	\$ 68,986	\$ 50,015
State unemployment taxes payable	733	6,091	7,621
Accrued interest payable	26,687	32,137	38,131
Accrued salaries and fees payable	108,555	93,285	78,057
Accrued compensated absences	172,686	159,559	136,318
Pavroll withholdings	6.604	5,298	7.820

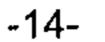
Third party payable



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\$<u>406.731</u>

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NOTE 10 - 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, sick 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 11 - PENSION PLAN

The District has a qualified contributory defined contribution plan providing retirement benefits for substantially all of its employees. Annually, the District contributes 5.1 percent of the salary of eligible employees to the plan. The plan administrator is ITT Hartford. For the year ended September 30, 1999, employee contributions were \$253,842 and employer contributions were \$210,000.

NOTE 12 - LONG-TERM DEBT

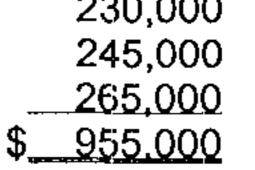
A summary of long-term debt, including capital lease obligations at September 30, 1999, 1998 and 1997 follows:

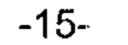
E A naraant rayanya handa dua Marah 40, 2002	<u>1999</u>	<u>1998</u>	<u>1997</u>
5.0 percent revenue bonds due March 10, 2003, collateralized by a pledge of the District's revenues	\$ 955,000	\$ 1,150,000	\$ 1,345,000
Capital lease obligation at 6.75 percent, collateralized by lease equipment with a cost of \$28,931 at			
September 30, 1997	-0-	-0-	
Total long-term debt	955,000	1,150,000	1,352,844
Less current maturities of long-term debt	_215,000	205,000	202,844
Long-term debt net of current maturities	\$ <u>740.000</u>	\$ <u>945.000</u>	\$ <u>1,150,000</u>

A table of annual debt service requirements follows:

Years Ending <u>September 30</u>	Revenue Bonds
2000	\$ 215,000
0004	000 000

2001 2002 2003 Total





NOTE 13 - 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 admission are subject to an independent review by a peer review organization under contract with the District. Home health is reimbursed based upon a cost reimbursement methodology which is subject to

limits on a cost per visit as well as per beneficiary basis. The District's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 1997.

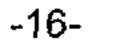
<u>Medicaid</u> - Medicaid inpatient services are reimbursed based on a prospectively determined per diem rate. Most Medicaid outpatient services are reimbursed under a cost reimbursement methodology. The District is reimbursed at a tentative rate for cost based services with final settlement determined 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 September 30, 1997.

<u>Blue Cross</u> - Inpatient services rendered to Blue Cross subscribers are reimbursed at prospectively determined rates per day of hospitalization. The prospectively determined per-diem rates are not subject to retroactive adjustment.

The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

NOTE 14 - 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 \$100,000 per occurrence and limited the PCF's exposure to \$400,000 per occurrence.



NOTE 14 - PROFESSIONAL LIABILITY RISK (Continued)

The District's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. 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 includes payments received from the trust as a reduction of expense in the period received.

NOTE 15 - 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:

Governmental Third-Party Reimbursement Programs (Note 6) - 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 14) - 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 as Well as for assessments by the Louisiana Hospital Association Trust Fund.

Workmen's Compensation Risk - The District participates in the Louisiana Hospital Association Self-Insurance Workmen's Compensation 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.

Litigation and Other Matters - Various claims in the ordinary course of business are pending against the District. In the opinion of management and counsel, insurance is sufficient to cover adverse legal determinations in those cases where a liability can be measured.

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NOTE 16 - CHARITY CARE

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The District has a policy of providing charity care to indigent patients who meet certain criteria under its charity care policy. The cost of the charity care was \$55,770, \$25,913 and \$11,456 for the fiscal years ended in 1999, 1998 and 1997, respectively.

NOTE 17 - OPERATING LEASES

Leases that do not meet the criteria for capitalization are classified as operating leases with related rental charged to operations as incurred. The following is a schedule by year of future minimum lease payments under operating leases as of September 30, 1999, that have initial or remaining lease terms in excess of one year.

Year Ending September 30

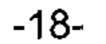
Amount

2000	\$ 9,082
2001	9,082
2002	9,082
2003	4.541

Total minimum lease payments \$31,787

NOTE 18 - YEAR 2000 COMPUTER RISK

The Hospital's management is assessing the impact of the year 2000 on the various computers and equipment with computerized system dates, but is currently unable to estimate a liability. The ability of outside organizations to deal with this problem could have a financial impact on the Hospital. No provisions are included in these financial statements at September 30, 1999.



LaSalle General Hospital Debt Service Fund Balance Sheets September 30, 1999, 1998 and 1997

Assets:	<u>1999</u>	<u>1998</u>	<u>1997</u>
Cash Certificates of deposit	\$ 8,058 <u>390,865</u>	\$ 12,348 <u>386,996</u>	\$ 17,665 <u>375,642</u>
Total assets	\$ <u>398.923</u>	\$ <u>399.344</u>	\$ <u>393,307</u>
Fund Balance:			
Fund balance	\$ <u>398.923</u>	\$ <u>399.344</u>	\$ <u>393.307</u>

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See accompanying notes to financial statements.



LaSalle General Hospital Debt Service Fund Statements of Revenues and Expenditures And Changes in Fund Balance Years Ended September 30, 1999, 1998 and 1997

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	1999	<u>1998</u>	<u>1997</u>
Revenue: Ad valorem taxes Interest income	\$ 102,165 <u>3,869</u>	\$ 100,738 <u>11,354</u>	\$ 104,649 <u>11,053</u>
Total revenue	106,034	112,092	115,702
Expenditures:			
Bonds redeemed	85,000	80,000	75,000
Interest on bonds	21,275	25,875	30,187
Fiscal agent fees	180	180	180
Total expenditures	106,455	106,055	105,367

Excess of revenue (expenditures)	(421)	6,037	10,335
Fund balance, beginning of year	399,344	393,307	382,972
Fund balance, end of year	\$ <u>398,923</u>	\$ <u>399.344</u>	\$ <u>393.307</u>

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See accompanying notes to financial statements.



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LaSalle General Hospital General Long-Term Debt Account Group Statements of General Long-Term Debt Years Ended September 30, 1999, 1998 and 1997

AMOUNT AVAILABLE AND TO BE PROVIDED FOR PAYMENT OF GENERAL LONG-TERM DEBT	<u>1999</u>	<u>1998</u>	<u>1997</u>
Serial Bonds Amount available in Debt Service Fund Amount to be provided Total	\$	\$ 399,344 (29,344) \$ <u>370,000</u>	\$ 393,307 <u>56,693</u> \$ <u>450,000</u>
GENERAL LONG-TERM DEBT PAYABLE	-		
Serial Bonds Payable	\$ <u>285.000</u>	\$ <u>370.000</u>	\$ <u>450.000</u>

See accompanying notes to financial statements.

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LaSalle General Hospital Debt Service Fund and General Long-Term Debt Account Group Notes to Financial Statements Years Ended September 30, 1999, 1998 and 1997

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Debt Service

The debt service fund was established to receive ad valorem taxes collected and to repay bonds and the interest thereon. Taxes received cannot be commingled with other funds and can be used only for the designated purpose.

General Long-Term Debt Account Group

The general long-term debt account group is a self-balancing group of accounts which includes unmatured public improvement bonds that are funded by ad valorem tax revenues.

Basis of Accounting

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. Property tax revenues are recognized when they become available. Available includes those property taxes collected.

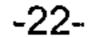
Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt which is recognized when due.

Budgets

Expenditures of the debt service fund are controlled through debt service commitments. No legal budget is required for this fund.

NOTE 2 - DEPOSITS

Certificates of Deposit at September 30, 1999, 1998 and 1997 with the depository bank are secured at the balance sheet date by federal depository insurance coverage and by pledged securities.



LaSalle General Hospital Debt Service Fund and General Long-Term Debt Account Group Notes to Financial Statements Years Ended September 30, 1999, 1998 and 1997

NOTE 3 - SERIAL BONDS PAYABLE

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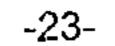
Public Improvement Bonds dated May 1, 1977, mature serially in \$5,000 denominations on May 1st of each year with interest payable on May 1st and November 1st at various rates from 5% to 5.6% per annum.

At September 30, 1999, there were outstanding bonds in an amount of \$285,000, as detailed below:

Years	Bond Number	Prir	ncipal	_inte	erest_]	otal
2000 2001 2002	204 to 221 222 to 240 241 to 260	\$	90,000 95,000 100,000	\$	16,387 11,212 <u>5,750</u>	\$	106,387 106,212 _105,750
	Total	\$	285.000	\$	<u>33.349</u>	\$_	<u>318.349</u>

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SUPPLEMENTAL INFORMATION

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LaSalle General Hospital Schedules of Patient Statistics Years Ended September 30, 1999, 1998 and 1997

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	<u>1999</u>	<u>1998</u>	<u>1997</u>
Number of Hospital Patient Days of Care	•		
Medicare	10,054	8,947	9,374
Medicaid	1,084	1,491	1,312
Other		567	658
Total	<u> </u>	<u>11.005</u>	11.344
Number of Hospital Patient Discharges			
Medicare	1,311	1,196	1,138
Medicaid	189	247	227
Other	131	132	122
Total	1.631	<u>1,575</u>	1.487

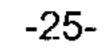
Average Length of Patient Stay

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Medicare	7.84	7.48	8.23
Medicaid	4.62	6.04	5.78
Other	4.07	4.30	5.39
All Patients	7.20	6.99	7.63
Number of Surgical Cases	<u> </u>	20	<u>32</u>
Number of Home Health Visits	<u> 10.810 </u>	12.837	14,509
Number of Emergency Room Visits	<u> </u>	6.519	6.201

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LaSalle General Hospital Schedules of Net Patient Service Revenue Unrestricted Fund Years Ended September 30, 1999, 1998 and 1997

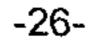
	<u>1999</u> <u>1998</u>		<u>1997</u>
Routine services:	¢ 2554406	¢ 0 045 400	\$ 2,192,203
Adult and pediatric	\$ 2,554,106 250,720	\$ 2,245,408	\$ 2,192,203 83,130
Swing bed	259,730	143,028	24,820
Skilled nursing		0-	24,020
Total routine services	2,813,836	2,388,436	2,300,153
Other professional services:			
Operating room	157,291	94,317	82,994
Recovery room	12,817	8,899	6,221
Anesthesiology	109,868	57,102	47,325
Radiology	1,392,405	1,123,600	1,075,236
Laboratory and blood	2,657,622	2,294,595	2,300,826
IV therapy	501,165	421,084	413,742
Respiratory therapy	1,604,171	1,395,965	1,208,915
Physical therapy	478,835	561,954	596,412
Occupational therapy	6,668	-0-	1,072
Speech therapy	3,958	-0-	-0-
EEG, EKG, telemetry	1,324,371	1,002,895	973,561
Medical supply	1,094,193	833,166	774,098
Pharmacy	5,393,682	4,611,766	4,431,674
Grand care	589,899	472,748	429,346
Wound care	3,740	-0-	-0-
Wellness center	12,083	-0-	- 0-
Emergency service	674,923	529,877	461,612
Observation room	39,409	29,095	22,588
Ambulance service	408,880	372,511	313,602
Home health services	1.378,227	1,451,624	1,448,577
Total other professional services	<u>17,844,207</u>	15,261,198	<u>14,587,801</u>
Total patient service revenue	20,658,043	17,649,634	16,887,954
Deductions from revenue			
Medicare and Medicaid contractual adjustments	10,700,628	8,384,555	8,048,248
Medicaid Dispro payment	(75,669)	(211,969)	-0-
Employee discounts	9,155	8,458	14,902
Uncompensated services	55,770	25,913	23,816
Other	233,317	163,358	146,931
Total Deductions from revenue	10,923 201	<u> 8,370,315</u>	8,233,897

Net patient service revenue

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0,010,010

\$<u>9.734.842</u> \$<u>9.279.319</u> \$<u>8.654.057</u>



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LaSalle General Hospital Schedules of Other Revenue Unrestricted Fund Years Ended September 30, 1999, 1998 and 1997

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		<u>1999</u>	<u>1998</u>		1997
Purchase discounts taken	\$	4,029	\$ 5,866	\$	6,770
Nursing Home dietary contract		384,633	391,650		391,688
Cafeteria		123,619	118,722		116,069
Cot rentals		1,457	1,383		1,629
Contributions		-0-	-0-		922
Medical record abstracts		5,715	5,390		5,356
Vending		1,321	1,402		1,409
Nursing Home lease		114,000	114,000		114,000
Ambulance reimbursement		80,333	107,500		129,600
Nursing Home accounting fees		8,100	8,100		8,100
Doctor's billing		23,385	-0-		-0-
Miscellaneous revenue	<u> </u>	1,016	 958	·•	2,367

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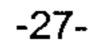
Total

\$<u>747.608</u> \$<u>754.971</u> \$<u>777.910</u>

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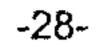
LaSalle General Hospital Schedules of Expenses - Salaries and Benefits Unrestricted Fund Years Ended September 30, 1999, 1998 and 1997

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	1999	<u>1998</u>	<u>1997</u>
Salaries:			
Administration	\$ 680,771	\$ 607,862	\$ 577,865
Plant operations and maintenance	185,670	176,675	167,020
Laundry	97,599	88,012	84,300
Housekeeping	98,998	83,269	86,422
Dietary and cafeteria	315,084	275,870	260,773
Nursing administration	182,850	178,768	163,933
Medical records	90,247	73,391	64,103
Nursing services	1,153,339	1,016,517	925,438
J	° 115,231	112,470	101,035
Wellness Center	9,986	-0-	-0-
Skilled nursing services	-0-	-0-	38,853
Operating room	38,797	27,759	32,777
Recovery room	4,726	3,377	2,752
Radiology	118,500	115,406	114,411
Laboratory	140,252	148,247	138,683
Respiratory therapy	169,380	157,680	151,198
Physical therapy	47,257	39,763	36,511
Central supply	87,375	77,083	73,339
Pharmacy	136,449	128,534	123,358
Emergency room	394,305	345,585	313,912
Observation	3,775	3,419	2,001
Ambulance	155,709	145,219	141,003
Home Health	411,463	419,018	418,147
Total salaries	4,637,763	4,223,924	<u>4,017,834</u>
FICA/Social Security	87,746	77,726	78,932
Hospitalization insurance	450,886	359,052	344,705
Other	452,590	425,967	424,093
Total benefits	991,222	862,745	847,730
Total salaries and benefits	\$ <u>5,628.985</u>	\$ <u>5,086,669</u>	\$ <u>4.865,564</u>

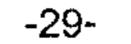


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LaSalle General Hospital Schedules of Expenses - Medical Supplies and Drugs Unrestricted Fund Years Ended September 30, 1999, 1998 and 1997

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	1999		1998		<u>1998</u> <u>199</u>		<u>1997</u>
Nursing services Grand Care Wellness Center Skilled nursing Operating room Anesthesiology Radiology Laboratory and blood IV therapy Respiratory therapy Physical therapy Telemetry Central supply Pharmacy Emergency room Ambulance Home Health	\$	18,163 137 34 -0- 18,381 429 41,220 12,851 86,669 26,426 3,516 4,566 99,056 609,169 6,980 6,980 6,382 35,443	\$	14,046 143 -0- -0- 14,390 1,422 30,406 12,289 79,589 24,983 2,421 3,267 59,131 503,356 5,675 3,173 42,409 706,700	\$	13,757 101 -0- 9 18,840 111 31,476 25,537 74,567 23,923 3,263 4,718 74,910 507,139 5,356 2,711 42,958 829,376	
Total medical supplies and drugs	\$	969.422	ф 	<u>_796,700</u>	Ψ		



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LaSalle General Hospital Schedules of Expenses - Professional Fees Unrestricted Fund Years Ended September 30, 1999, 1998 and 1997

	<u>1999</u>	<u>1998</u>		<u>1997</u>	
Swing Bed	\$ 523	\$ 440	\$	320	
Grand Care	59,636	54,235		68,173	
Skilled nursing	-0-	-0-		279	
Anesthesiology	64,264	41,664		38,846	
Radiology	61,000	59,410		102,339	
Laboratory	152,931	118,190		108,329	
Physical therapy	163,880	209,082		197,223	
Occupational therapy	1,400	-0-		-0-	
Speech therapy	2,150	-0-		-0-	
EKG, EEG	129,725	60,000		60,000	
Emergency room	639,484	631,806		590,134	
Home Health	23,704	 31,462		21,413	

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Total professional fees

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\$<u>1.298.697</u> \$<u>1.206.289</u> \$<u>1.187.056</u>



LaSalle General Hospital Schedules of Expenses - Other Expenses Unrestricted Fund Years Ended September 30, 1999, 1998 and 1997

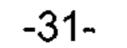
	<u>1999</u>		<u>1998</u>		<u>1997</u>
Contract services	\$	2,500	\$	2,500	\$ 13,431
Consultants		10,140		14,444	15,858
Legal		29,340		41,230	38,914
Supplies		673,516		622,023	628,393
Repairs and maintenance		300,076		337,737	315,736
Utilities		196,073		184,953	187,227
Telephone		50,239		43,050	34,842
Travel		53,430		52,854	49,922
Rentals		42,039		35,204	42,519
Advertising		14,235		12,676	9,894
Dues and subscriptions		50,118		38,835	29,235
Miscellaneous		54,068	-	58,914	 37,414

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Total other expenses

\$<u>1.475.774</u> \$<u>1.444.420</u> \$<u>1.403.385</u>



Bobby G. Lester, CPA John S. Wells, CPA Robert G. Miller, CPA Paul A. Delancy, 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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>

Board of Commissioners Hospital Service District No. 2 Of the Parish of LaSalle, State of Louisiana ("LaSalle General Hospital") Jena, Louisiana

We have audited the general purpose financial statements of the LaSalle General Hospital Service District No. 2 (the "District"), as of and for the years ended September 30, 1999, 1998 and 1997, and have issued our report thereon dated November 15, 1999. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in <u>Government Auditing Standards</u>, 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 test disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

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

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

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Lesta, Milla & Wills

Certified Public Accountants

November 15, 1999

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LESTER, MILLER & WELLS

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

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