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THE ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION
YEARS ENDED JULY 31, 1999 AND 1998
AND
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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 2-9-00

MESSINA & O'MALLEY
A PROFESSIONAL ACCOUNTING CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

THE ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION
Years Ended July 31, 1999 and 1998

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MESSINA & O'MALLEY

A PROFESSIONAL ACCOUNTING CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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Luling, Louisiana

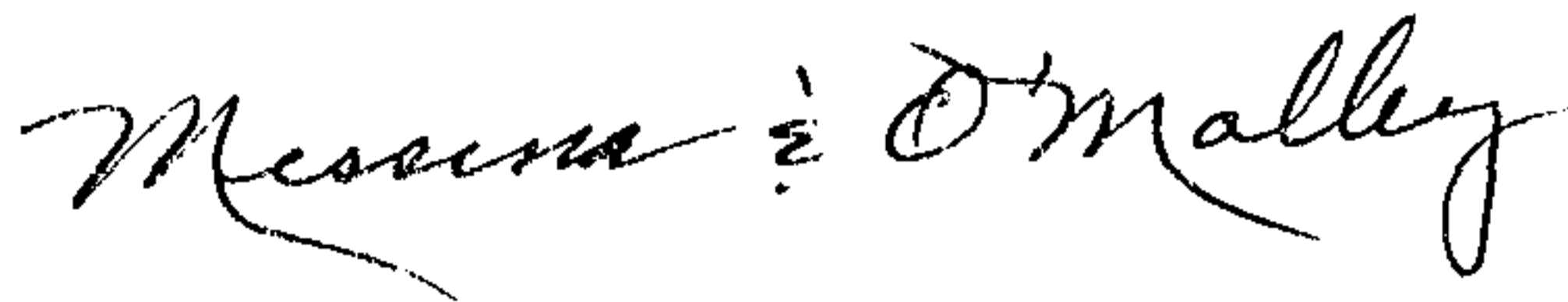
INDEPENDENT AUDITORS' REPORT

We have audited the accompanying balance sheets of The St. Charles Parish Hospital Service District as of July 31, 1999 and 1998, and the related statements of revenue, expenses, and retained earnings, 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 The St. Charles Parish Hospital Service District as of July 31, 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 December 28, 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.



December 28, 1999

THE ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT

BALANCE SHEET

July 31, 1999 and 1998

<u>ASSETS</u>	<u>1999</u>	<u>1998</u>
Current Assets:		
Cash and cash equivalents	\$ 134,255	\$
Accounts receivable (net of estimated uncollectibles and allowances of \$650,000 in 1999 and 1998)	4,751,044	6,132,762
Accounts receivable - other	33,989	76,572
Inventory	184,475	179,189
Prepaid expenses	<u>127,613</u>	<u>160,052</u>
Total current assets	<u>5,231,376</u>	<u>6,548,575</u>
Restricted Assets:		
Maintenance and Operation Fund:		
Cash	75,680	4,256
Bond and Interest Redemption Fund:		
Cash	1,242,976	1,602,510
Investments		219,404
Construction Fund:		
Cash	1,554,742	2,638,362
Investments		<u>1,220,000</u>
	<u>2,873,398</u>	<u>5,684,532</u>
Property, plant and equipment	22,607,739	19,593,228
Less accumulated depreciation	<u>7,246,034</u>	<u>6,393,696</u>
	<u>15,361,705</u>	<u>13,199,532</u>
Other Assets:		
Goodwill		<u>45,000</u>
	<u>\$23,466,479</u>	<u>\$25,477,639</u>

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

	<u>1999</u>	<u>1998</u>
<u>LIABILITIES AND FUND EQUITY</u>		
Current Liabilities (payable from current assets):		
Accounts payable	\$ 2,139,427	\$ 1,637,638
Cash overdraft		51,510
Accrued expenses:		
Vacation	223,116	229,974
Salaries	312,419	316,735
Retirement	130,836	141,732
Payroll and other taxes	51,094	3,707
Insurance and other withholdings	5,035	29,462
Note payable bank		600,000
Current portion of capital lease obligation	25,569	
Due to Medicare and Medicaid	<u>161,369</u>	<u>761,695</u>
Total current liabilities	<u>3,048,865</u>	<u>3,772,453</u>
Current Liabilities (payable from restricted assets):		
Certificates of Indebtedness (due within one year)	2,035,000	400,000
Public Improvement Bonds (due within one year)		105,000
General Obligation Bonds (due within one year)	<u>1,010,000</u>	<u>845,000</u>
	<u>3,045,000</u>	<u>1,350,000</u>
Long-term Liabilities:		
Certificates of Indebtedness	2,195,000	2,630,000
General Obligation Bonds	9,090,000	10,100,000
Capital lease obligation	<u>29,810</u>	
	<u>11,314,810</u>	<u>12,730,000</u>
Fund Equity:		
Retained earnings:		
Reserved for bond indenture	2,873,398	5,684,532
Unreserved - undesignated	<u>3,184,406</u>	<u>1,940,654</u>
Total fund equity	<u>6,057,804</u>	<u>7,625,186</u>
	<u>\$23,466,479</u>	<u>\$25,477,639</u>

THE ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND RETAINED EARNINGS
Years Ended July 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Patient service revenue	\$26,508,260	\$29,848,398
Less allowances and uncollectible accounts	<u>11,760,885</u>	<u>15,349,749</u>
	<u>14,747,375</u>	<u>14,498,649</u>
Other operating revenue	<u>294,827</u>	<u>176,925</u>
Operating expenses:		
Salaries	8,206,962	8,422,364
Contracted services	2,174,726	1,034,331
Patient supplies	1,700,372	2,069,672
Doctors fees	1,225,320	1,262,937
Provision for depreciation	852,337	752,061
Insurance	697,198	700,617
Employee benefits	521,288	535,556
Other supplies	495,383	588,248
Leases	421,511	910,704
Repairs and maintenance	389,166	513,065
Taxes and licenses	252,521	245,011
Miscellaneous	250,720	183,792
Utilities - electricity	237,391	211,185
Professional development	214,094	148,830
Accounting and legal	206,566	222,157
Food	200,360	209,647
Linen	121,359	132,215
Telephone	113,384	153,416
Training and travel	64,319	76,628
Utilities - gas	48,944	72,769
Utilities - water	46,877	48,837
Collection fee	41,971	31,422
Postage	31,577	28,459
Rent	<u>15,708</u>	<u>12,379</u>
	<u>18,530,054</u>	<u>18,566,302</u>

THE ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND RETAINED EARNINGS

Years Ended July 31, 1999 and 1998
(Continued)

	<u>1999</u>	<u>1998</u>
Operating loss	<u>(3,487,852)</u>	<u>(3,890,728)</u>
Non-operating revenues (expenses):		
Ad Valorem taxes	2,592,470	2,586,093
Interest income	223,598	127,629
Interest expense	<u>(895,598)</u>	<u>(678,904)</u>
	<u>1,920,470</u>	<u>2,034,818</u>
Net loss	(1,567,382)	(1,855,910)
Retained earnings, beginning of year	<u>7,625,186</u>	<u>9,481,096</u>
Retained earnings, end of year	<u>\$ 6,057,804</u>	<u>\$ 7,625,186</u>

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

THE ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT

STATEMENT OF CASH FLOWS

Years Ended July 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Cash flows from operating activities:		
Operating loss	\$(3,487,852)	\$(3,890,728)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	897,337	753,311
Changes in operating assets and liabilities:		
Decrease (Increase) in accounts receivable	1,381,718	(1,040,712)
Decrease in accounts receivable - other	42,583	31,704
Decrease in due from Medicare and Medicaid		531,020
(Decrease) Increase in due to Medicare and Medicaid	(600,326)	761,695
(Increase) Decrease in inventory	(5,286)	41,178
Decrease in prepaid expenses	32,439	203,189
Increase in accounts payable	501,789	42,362
Increase in accrued expenses	<u>891</u>	<u>47,560</u>
Net cash used in operating activities	<u>(1,236,707)</u>	<u>(2,519,421)</u>
Cash flows from non-capital financing activities:		
Ad valorem taxes for maintenance	<u>1,667,028</u>	<u>1,662,521</u>
Net cash provided by non-capital financing activities	<u>1,667,028</u>	<u>1,662,521</u>

(Continued)

(6)

THE ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT

STATEMENT OF CASH FLOWS

Years Ended July 31, 1999 and 1998
(Continued)

	<u>1999</u>	<u>1998</u>
Cash flows from capital and related financing activities:		
Ad valorem taxes for debt service	925,442	923,572
Proceeds from issuance of certificates of indebtedness	1,600,000	2,550,000
Proceeds from issuance of general obligation bonds		4,565,000
Principal payments on public improvement bonds	(105,000)	(105,000)
Principal payments on general obligation bonds	(845,000)	(400,000)
Principal payments on certificates of indebtedness	(400,000)	(1,090,000)
Proceeds from issuance of note payable - bank		600,000
Principal payments on notes payable - bank	(600,000)	(103,577)
Proceeds from capital lease obligation	67,000	
Principal payments under capital lease obligation	(11,621)	
Interest paid	(895,598)	(678,904)
Acquisition and construction of assets	<u>(3,014,511)</u>	<u>(1,616,363)</u>
Net cash (used in) provided by capital and related financing activities	<u>(3,279,288)</u>	<u>4,644,728</u>
Cash flows from investing activities:		
Purchases of investments		(1,439,404)
Proceeds from maturity of investments	1,439,404	780,000
Interest received	<u>223,598</u>	<u>127,629</u>
Net cash provided by (used in) investing activities	<u>1,663,002</u>	<u>(531,775)</u>
Net (decrease) increase in cash and cash equivalents	(1,185,965)	3,256,053
Cash and cash equivalents at beginning of year	<u>4,193,618</u>	<u>937,565</u>
Cash and cash equivalents at end of year	<u>\$ 3,007,653</u>	<u>\$ 4,193,618</u>

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

THE ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY - St. Charles Parish Hospital Service District (Hospital), a special district and component of St. Charles Parish (Parish), was formed for the purpose of operating St. Charles Parish Hospital, a non-profit community hospital established in 1956. The Board of Commissioners is the governing authority for the Hospital and is appointed by the St. Charles Parish Council. The Hospital is responsible for obtaining voter approval for the levy of tax or debt issuance, but all related Louisiana State Bond Commission approvals must be obtained through the Parish.

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

FUND ACCOUNTING - The accounting system of the Hospital is organized and operated on a proprietary fund type basis, as an enterprise fund, whereby a separate self-balancing set of accounts is maintained for the purpose of carrying on specific activities.

ENTERPRISE FUND - Enterprise Funds are used for activities which are financed and operated in a manner similar to private business enterprise 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 where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

In accordance with GASB Statement No. 20, for the purpose of reporting its activities, the Hospital applies all GASB pronouncements and Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Changes to FASB statements and interpretations, APB opinions and ARBs issued after November 30, 1989, would not apply unless adopted by GASB.

The Hospital's funds, including the maintenance and operation fund (including plant fund), bond and interest redemption fund, and construction fund, are maintained on the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

THE ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 those estimates.

CASH AND INVESTMENTS - The Hospital maintains cash and investment accounts for the maintenance and operation fund (including plant fund), bond and interest redemption fund, and construction fund. Cash and cash equivalents include all highly liquid investment instruments with maturities of three months or less. Statutes authorize the Hospital to invest in various United States securities, including United States government agency obligations, certificates of deposit, passbook, and other available bank investments. Deposits and investments are stated at cost, which approximates market.

ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS - Uncollectible amounts due from patients are recognized as bad debts through the establishment of an allowance for uncollectible accounts. This allowance is based on prior years experience and a review of aged accounts receivable.

DUE FROM/TO MEDICARE AND MEDICAID - Revenues receivable or payable under cost reimbursement agreements for the current year and the prior year are subject to audit and retroactive adjustment by third party payors.

INVENTORY - Inventory of supplies is valued at the lower of cost or market. Cost is determined by using the first-in, first-out method.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are carried at cost. Depreciation is computed using the straight-line method. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

2 CASH, CASH EQUIVALENTS AND INVESTMENTS

At year end, the carrying amount of the Hospital's demand deposits for all funds was \$3,007,653 and the bank balance was \$3,173,382. The total bank balance was covered by federal depository insurance or by a pledge of securities held by the financial institution in the Hospital's name, and is therefore categorized as GASB Category 1.

THE ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

2 CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

All investments held at July 31, 1999 are considered cash equivalents, are also entirely covered by the FDIC or by a pledge of securities held by the financial institution in the Hospital's name, GASB Category 1.

3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following:

	July 31,		Estimated Useful Lives
	1999	1998	
Land	\$ 248,597	\$ 248,597	
Buildings and improvements	12,994,776	12,489,473	50 years
Equipment	8,104,158	6,414,560	12 years
Ambulances	312,753	312,753	5 years
Construction in progress	947,455	127,845	
	<u>\$22,607,739</u>	<u>\$19,593,228</u>	

Depreciation charged to income was \$852,337 and \$752,061 in 1999 and 1998, respectively.

4 PENSIONS

Substantially all employees of the Hospital are members of the Parochial Employees' Retirement System of Louisiana (System), a cost sharing, multiple-employer public employee retirement system, controlled and administered by a separate board of trustees.

The System provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by state statute. The Parochial Employees' Retirement System of Louisiana issues a publicly available financial report that includes financial information and required supplementary information for the System. That report may be obtained by writing to Parochial Employees' Retirement System of Louisiana, P.O. Box 14619, Baton Rouge, Louisiana 70898-4619.

Contributions to the System include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. All eligible employees are required by state statute to contribute 9.50% of their salaries to the System. In accordance with state statutes, the employer contributions are determined by actuarial valuation and are subject to change annually based on the results of the valuation for the prior fiscal year.

THE ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

4 PENSIONS (Continued)

The following provides the Hospital's required rates of contribution for the current year and each of the preceding two years, as well as the actual contributions made, equal to or greater than the required contribution:

	<u>Required Contribution Rate</u>	<u>Actual Contributions</u>
Fiscal year ended July 31, 1999	7.75%	<u>\$ 553,171</u>
Fiscal year ended July 31, 1998	7.75%	<u>\$ 540,067</u>
Fiscal year ended July 31, 1997		
8/1/96 to 12/31/96	7.25%	\$ 222,933
1/1/97 to 7/31/97	7.75%	<u>317,048</u>
		<u>\$ 539,981</u>

5 BONDS AND CERTIFICATES OF INDEBTEDNESS

On November 28, 1990 The St. Charles Parish Hospital Service District adopted a resolution issuing \$1,470,000 of General Obligation Bonds, Series 1990 A, and \$280,000 of General Obligation Bonds (Taxable), Series 1990 B dated September 1, 1990, payable from the pledge of unlimited ad valorem taxes approved by an election held on May 5, 1990 for the purpose of expanding the Hospital facilities.

On January 8, 1992 The St. Charles Parish Hospital Service District adopted a resolution issuing \$1,000,000 of Certificates of Indebtedness, Series 1992, dated February 18, 1992, payable from the pledge of limited ad valorem taxes approved by an election held January 20, 1990 for the purpose of constructing, maintaining and operating the Hospital facilities, including ambulance services.

On April 22, 1992 The St. Charles Parish Hospital Service District adopted a resolution issuing \$4,925,000 of General Obligation Bonds, Series 1992 A and \$1,200,000 of General Obligation Bonds (Taxable), Series 1992 B, payable from the pledge of unlimited ad valorem taxes approved by an election held on April 11, 1992 for the purpose of expanding the Hospital facilities.

THE ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

5 BONDS AND CERTIFICATES OF INDEBTEDNESS (Continued)

On January 28, 1998 The St. Charles Parish Hospital Service District adopted a resolution issuing \$2,550,000 of Certificates of Indebtedness, Series 1998, dated March 10, 1998, payable from the pledge of limited ad valorem taxes approved by an election held November 15, 1997 for the purpose of constructing and/or improving hospital facilities and acquiring the necessary equipment and furnishings therefor, and for refunding the outstanding Certificates of Indebtedness, Series 1991.

On January 28, 1998 the St. Charles Parish Hospital Service District adopted a resolution issuing \$4,565,000 of General Obligation Bonds, Series 1998, payable from the pledge of unlimited ad valorem taxes approved by an election held on November 15, 1997 for the purpose of constructing and acquiring buildings, machinery and equipment, including both real and personal property, to be used in providing hospital facilities.

On March 31, 1999 the St. Charles Parish Hospital Service District adopted a resolution issuing \$600,000 of Certificates of Indebtedness, Series 1999, payable from the pledge of revenues of said District for the purpose of paying the current expenses of the District for the calendar year 1999. This debt was paid in full subsequent to July, 31, 1999.

On June 8, 1999 the St. Charles Parish Hospital Service District adopted a resolution issuing \$1,000,000 of Certificates of Indebtedness, Series 1999A, payable from the pledge of revenues of said District for the purpose of paying the current expenses of the District for the calendar year 1999. This debt was paid in full subsequent to July 31, 1999.

The following is a summary of Bond Transactions of the Hospital Service District for the Years Ended July 31, 1999 and 1998:

	<u>July 31,</u>	
	<u>1999</u>	<u>1998</u>
Bonds payable, beginning of year	\$ 14,080,000	\$ 8,560,000
Add new issues:		
General Obligation Bonds		4,565,000
Certificates of Indebtedness	1,600,000	2,550,000
Less bond payments	<u>(1,350,000)</u>	<u>(1,595,000)</u>
Bonds payable, end of year	14,330,000	14,080,000
Less current maturities	<u>(3,045,000)</u>	<u>(1,350,000)</u>
Long-term	<u>\$11,285,000</u>	<u>\$12,730,000</u>

THE ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

5 BONDS AND CERTIFICATES OF INDEBTEDNESS (Continued)

Bonds payable at July 31, 1999, are comprised of the following individual issues:

General Obligation Bonds -	
Series A, 1990, \$1,470,000 due in annual principal installments ranging from \$5,000 to \$195,000 through March 1, 2005, interest rate is variable from 6.70% to 10.00%	\$ 995,000
General Obligation Bonds -	
Series B, 1990, \$280,000 due in annual principal installments ranging from \$5,000 to \$40,000 through March 1, 2005, interest rate is variable from 9.00% to 12.00%	195,000
Certificates of Indebtedness -	
Series 1992, \$1,000,000 due in annual principal installments ranging from \$80,000 to \$180,000 through February 1, 2001, interest rate at 9.75%	340,000
General Obligation Bonds -	
Series A, 1992, \$4,925,000 due in annual principal installments ranging from \$100,000 to \$715,000 through March 1, 2007, interest rate is variable from 4.00% to 12.00%	3,725,000
General Obligation Bonds -	
Series B, 1992, \$1,200,000 due in annual principal installments ranging from \$15,000 to \$225,000 through March 1, 2007, interest rate is variable from 8.00% to 12.00%	1,035,000
Certificates of Indebtedness -	
Series 1998, \$2,550,000 due in annual principal installments ranging from \$260,000 to \$385,000 through March 1, 2006, interest rate is variable from 4.45% to 4.75%	2,290,000

THE ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

5 BONDS AND CERTIFICATES OF INDEBTEDNESS (Continued)

General Obligation Bonds -	
Series 1998, \$4,565,000 due in annual principal installments ranging from \$415,000 to \$595,000 through March 1, 2007, interest rate is variable from 4.125% to 5.125%	4,150,000
Certificates of Indebtedness -	
Series 1999, \$600,000 due in one principal installment on March 1, 2000, interest rate is 4.95%	600,000
Certificates of Indebtedness -	
Series 1999A, \$1,000,000 due in one principal installment on October 31, 1999, interest rate is 5.20%	<u>1,000,000</u>
Bonds payable at July 31, 1999	<u>\$14,330,000</u>

The annual requirements to amortize all debt outstanding as of July 31, 1999, including interest payments of \$3,088,715 are as follows:

Fiscal Year Ending <u>July 31,</u>	
2000	\$ 3,776,020
2001	2,146,130
2002	1,953,634
2003	1,964,186
2004	1,978,293
2005-2007	<u>5,600,452</u>
	<u>\$17,418,715</u>

6 CAPITAL LEASE OBLIGATION

The Hospital is obligated under a capital lease. The total cost and accumulated depreciation of equipment under capital lease were \$117,000 and \$4,875, respectively at July 31, 1999. The Hospital entered into a three year lease for telecommunications equipment with a monthly payment of \$2,385 expiring in September, 2001.

The future minimum lease payments due under the capital lease are as follows at July 31, 1999:

Future minimum lease payments	\$ 69,156
Less: amount representing interest	<u>(13,777)</u>
Present value of net minimum lease payments	55,379
Less: current portion due within one year	<u>25,569</u>
Long-term capital lease obligation	<u>\$ 29,810</u>

THE ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

7 DUE TO MEDICARE AND MEDICAID

Approximately 35% of The St. Charles Parish Hospital Service District's gross patient revenue was generated as a provider of patient care under Medicare and other government sponsored programs. Normal billings for services to covered patients are included in gross revenues and provisions are made to reduce such billings to estimated final settlements, which are based on costs of rendering service to program beneficiaries.

Determination of such costs requires interpretation of applicable laws and regulations and the application of relatively complex cost accounting techniques.

Provision for estimated settlements under these programs as of July 31, 1999 has been recorded as \$161,369 in Due to Medicare and Medicaid.

8 POST RETIREMENT BENEFITS

The St. Charles Parish Hospital Service District provides continuing health care benefits for its retired employees. Substantially all of the Hospital's employees become eligible for these benefits if they reach normal retirement age while working for the Hospital. Monthly premiums for retired Hospital employees are paid 100 percent by the employees. The total premiums paid 100 percent by the retired employees was \$21,424 for 1999.

9 DEFERRED COMPENSATION PLAN

The Hospital offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all Hospital employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Hospital (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Hospital's general creditors. Participants' rights under the plan are equal to those of general creditors of the Hospital in an amount equal to the market value of the deferred account for each participant.

It is the opinion of Hospital management that the Hospital has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

THE ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

10 BOARD OF COMMISSIONERS

During the year ended July 31, 1999, the Board of Commissioners received per diem as follows:

	<u>Number of Meetings Attended</u>	<u>Total Per Diem Paid</u>
Thomas Cheramie	15	\$480
Betty Portera	11	\$320
Kathleen Landry	9	\$320
Thomas D. Lorio	13	\$400
Carolyn Smith Boyd	4	\$160
Kenyatta Weber	4	\$120

ACCOMPANYING INFORMATION

AUDITORS' REPORT ON INFORMATION
ACCOMPANYING THE BASIC FINANCIAL STATEMENTS

Our report on our audit of the basic financial statements of The St. Charles Parish Hospital Service District for the years ended July 31, 1999 and 1998 appears on page 1. The audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information shown on pages 18-20 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Messner & O'Malley

Metairie, Louisiana
December 28, 1999

THE ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT

BONDS PAYABLE

July 31, 1999

	<u>Rates</u>	<u>Interest Payment Dates</u>	<u>Maturity Date</u>
Maintenance and Operation Fund:			
Certificates of Indebtedness, Series 1992	9.75%	August 1, Feb. 1	02/01/2000 02/01/2001
Certificates of Indebtedness, Series 1998	4.45% to 4.75%	Sept. 1, March 1	03/01/2000 03/01/2001 03/01/2002 03/01/2003 03/01/2004 03/01/2005 03/01/2006
Certificates of Indebtedness, Series 1999	4.95%	March 1	03/01/2000
Certificates of Indebtedness, Series 1999A	5.20%	October 31	10/31/1999
Bond and Interest Redemption Fund:			
Public Improvement Bonds, Series 1974	5.90%	March 1, Sept. 1	03/01/99

<u>Annual Payments</u>	<u>Bonds</u>			<u>Outstanding</u>
	<u>Authorized</u>	<u>Issued</u>	<u>Retired</u>	
\$160,000 180,000	<u>\$1,000,000</u>	<u>\$1,000,000</u>	<u>\$ 660,000</u>	\$ 340,000
\$275,000 290,000 305,000 325,000 345,000 365,000 385,000	<u>\$2,550,000</u>	<u>\$2,550,000</u>	<u>\$ 260,000</u>	\$ 2,290,000
\$600,000	<u>\$ 600,000</u>	<u>\$ 600,000</u>	<u>\$ _____</u>	\$ 600,000
\$1,000,000	<u>\$1,000,000</u>	<u>\$1,000,000</u>	<u>\$ _____</u>	\$1,000,000
		Total		<u>\$ 4,230,000</u>
		Due within one year		\$ 2,035,000
		Long-term		<u>2,195,000</u>
		Total		<u>\$ 4,230,000</u>
\$105,000	<u>\$2,000,000</u>	<u>\$2,000,000</u>	<u>\$2,000,000</u>	<u>\$ _____</u>

THE ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT

BONDS PAYABLE
(Continued)

July 31, 1999

Bond and Interest Redemption Fund:	<u>Interest</u>		<u>Maturity Date</u>
	<u>Rates</u>	<u>Payment Dates</u>	
General Obligation Bonds, Series A, 1990	6.70% to 10.00%	March 1, Sept. 1	03/01/2000 03/01/2001 03/01/2002 03/01/2003 03/01/2004 03/01/2005
General Obligation Bonds, Series B, 1990	9.00% to 12.00%	March 1, Sept. 1	03/01/2000 03/01/2001 03/01/2002-03 03/01/2004-05
General Obligation Bonds, Series A, 1992	4.00% to 12.00%	March 1, Sept. 1	03/01/2000 03/01/2001 03/01/2002 03/01/2003 03/01/2004 03/01/2005 03/01/2006 03/01/2007

<u>Annual Payments</u>	<u>Bonds</u>			
	<u>Authorized</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding</u>
\$125,000	<u>\$1,470,000</u>	<u>\$1,470,000</u>	<u>\$ 475,000</u>	\$ 995,000
150,000				
165,000				
175,000				
185,000				
195,000				
\$ 20,000	<u>\$ 280,000</u>	<u>\$ 280,000</u>	<u>\$ 85,000</u>	\$ 195,000
25,000				
35,000				
40,000				
\$365,000	<u>\$4,925,000</u>	<u>\$4,925,000</u>	<u>\$1,200,000</u>	\$ 3,725,000
360,000				
365,000				
390,000				
410,000				
440,000				
680,000				
715,000				

THE ST. CHARLES PARISH HOSPITAL SERVICE DISTRICT

BONDS PAYABLE
(Continued)

July 31, 1999

	<u>Interest</u>		<u>Maturity</u> <u>Date</u>
	<u>Rates</u>	<u>Payment Dates</u>	
Bond and Interest Redemption Fund (Continued):			
General Obligation Bonds, Series B, 1992	8.00% to 12.00%	March 1, Sept. 1	03/01/2000 03/01/2001 03/01/2002 03/01/2003 03/01/2004 03/01/2005 03/01/2006 03/01/2007
General Obligation Bonds, Series 1998	4.125% to 5.125%	March 1, Sept. 1	03/01/2000 03/01/2001 03/01/2002 03/01/2003 03/01/2004 03/01/2005 03/01/2006 03/01/2007

<u>Annual Payments</u>	<u>Bonds</u>			
	<u>Authorized</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding</u>
\$ 65,000	<u>\$1,200,000</u>	<u>\$1,200,000</u>	<u>\$ 165,000</u>	\$ 1,035,000
80,000				
95,000				
110,000				
125,000				
140,000				
195,000				
225,000				
\$435,000	<u>\$4,565,000</u>	<u>\$4,565,000</u>	<u>\$ 415,000</u>	\$ 4,150,000
465,000				
485,000				
505,000				
530,000				
555,000				
580,000				
595,000				
		Total		<u>\$10,100,000</u>
		Due within one year		\$ 1,010,000
		Long-term		<u>9,090,000</u>
		Total		<u>\$10,100,000</u>

COMPLIANCE SECTION

MESSINA & O'MALLEY

A PROFESSIONAL ACCOUNTING CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

Vincent A. Messina, Jr., CPA
Edward M. O'Malley, CPA
Geraldyn M. O'Malley, CPA
Anne M. Southworth, CPA

MEMBERS
American Institute of CPAs
Society of Louisiana CPAs

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

Board of Commissioners
The St. Charles Parish Hospital Service District
Luling, Louisiana

We have audited the financial statements of The St. Charles Parish Hospital Service District as of and for the year ended July 31, 1999, and have issued our report thereon dated December 28, 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.

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 an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

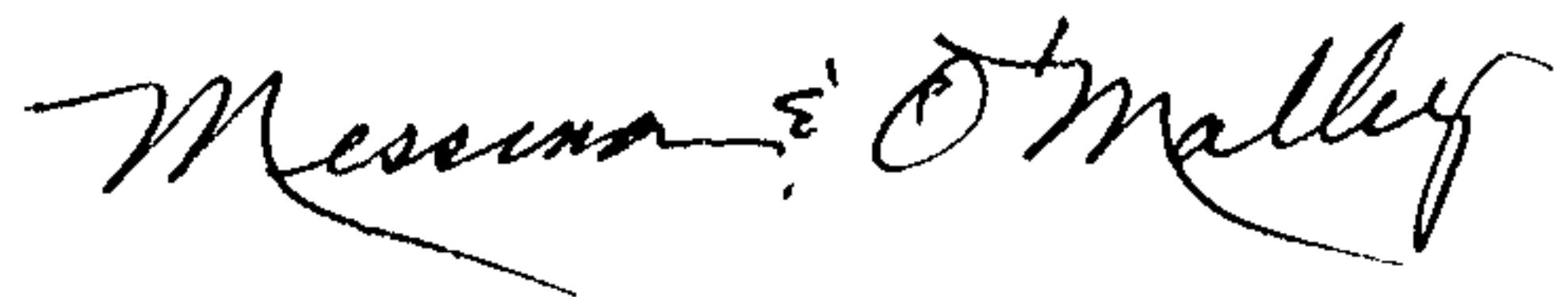
In planning and performing our audit, we considered the Hospital's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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.

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Board of Commissioners
The St. Charles Parish Hospital Service District
Page 2

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.

This report is intended for the information of the management of the Hospital, St. Charles Parish, and the State of Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Messersmith O'Malley". The signature is written in a cursive style with a long horizontal stroke extending to the left.

December 28, 1999