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**HOSPITAL SERVICE DISTRICT NO. 2**  
Parish of Vermilion  
State of Louisiana  
Abbeville, Louisiana

Financial Report

Years Ended December 31, 1995 and 1994

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 SEP 11 1996

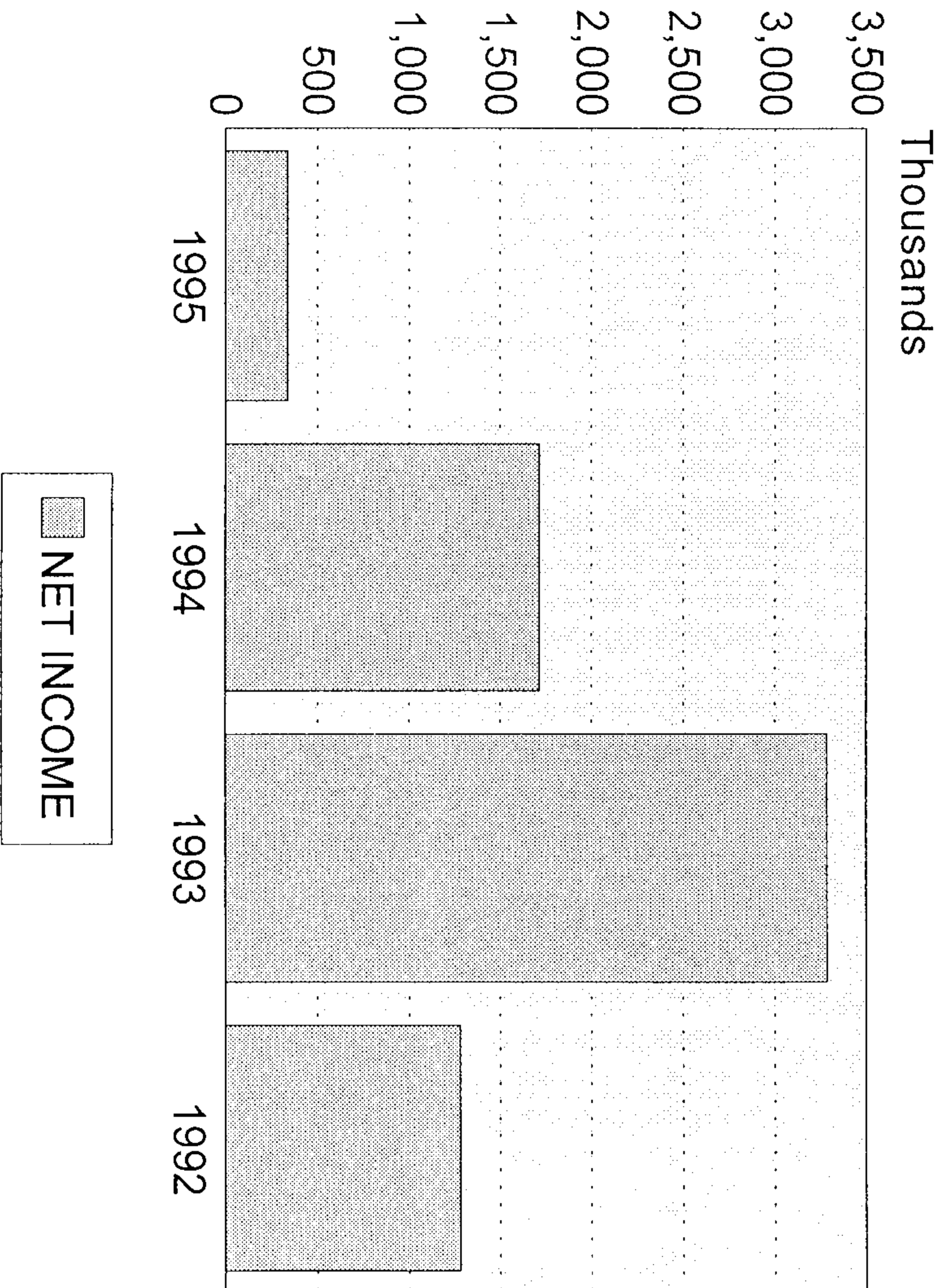
· ABBEVILLE GENERAL HOSPITAL  
DECEMBER 31, 1995

# GRAPHIC PRESENTATION

Prepared by: Darnall, Sikes, Kolder, Frederick & Rainey  
For Illustrative Purposes Only

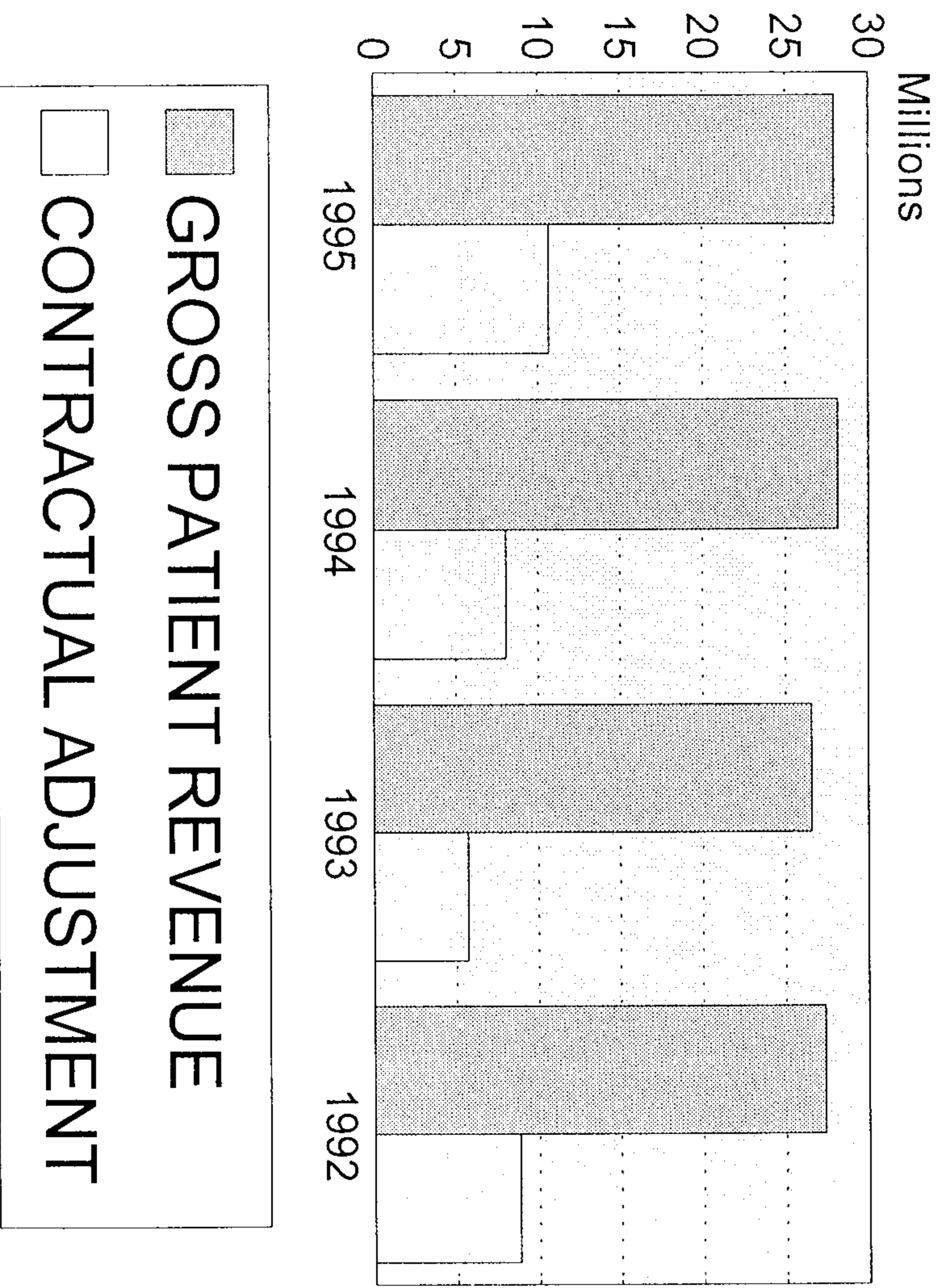
# ABBEVILLE GENERAL HOSPITAL

## FOUR YEAR COMPARISON OF NET INCOME



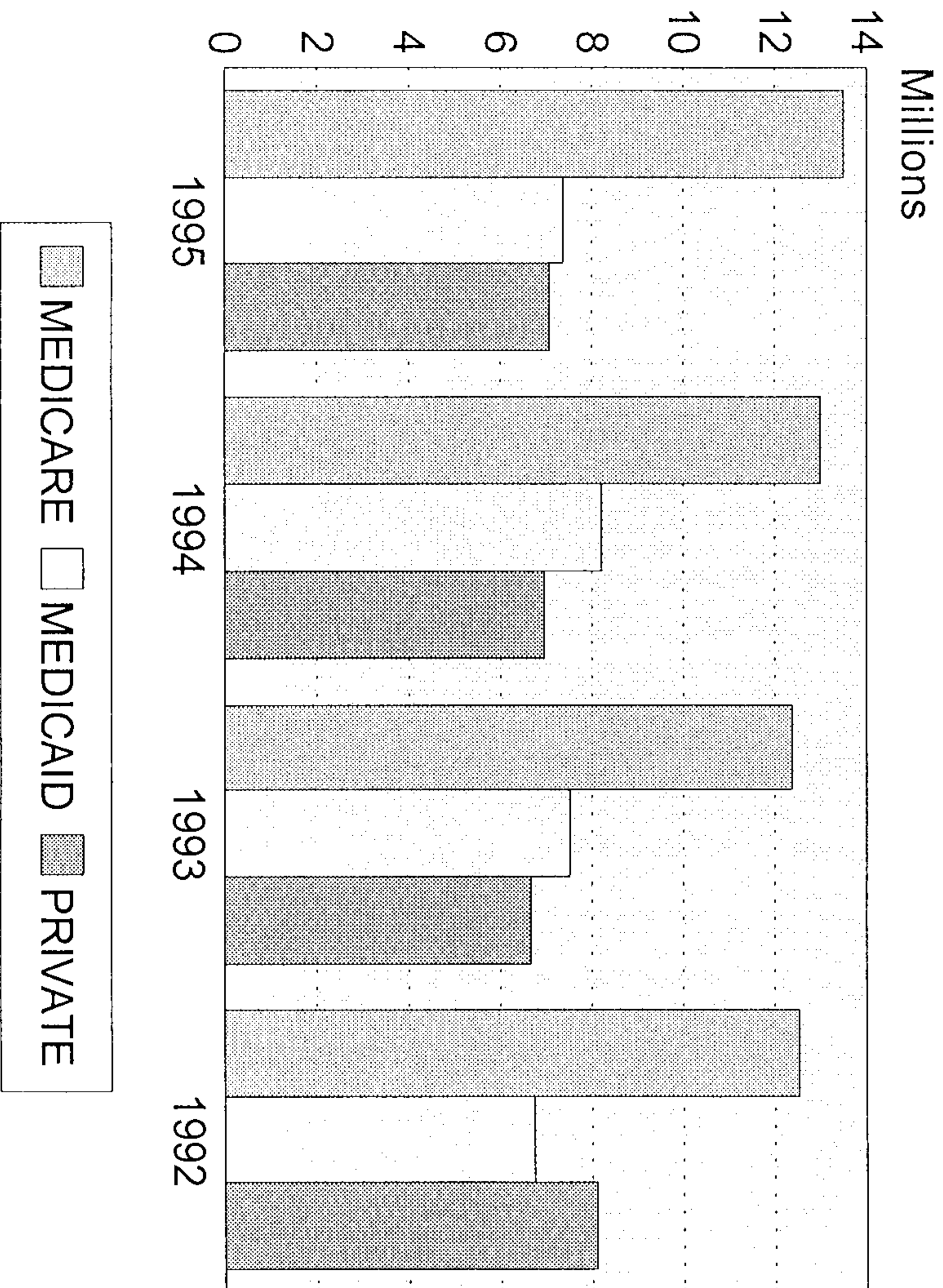
# ABBEVILLE GENERAL HOSPITAL

## ANALYSIS OF REVENUES/CONTRACTUAL ADJUSTMENTS



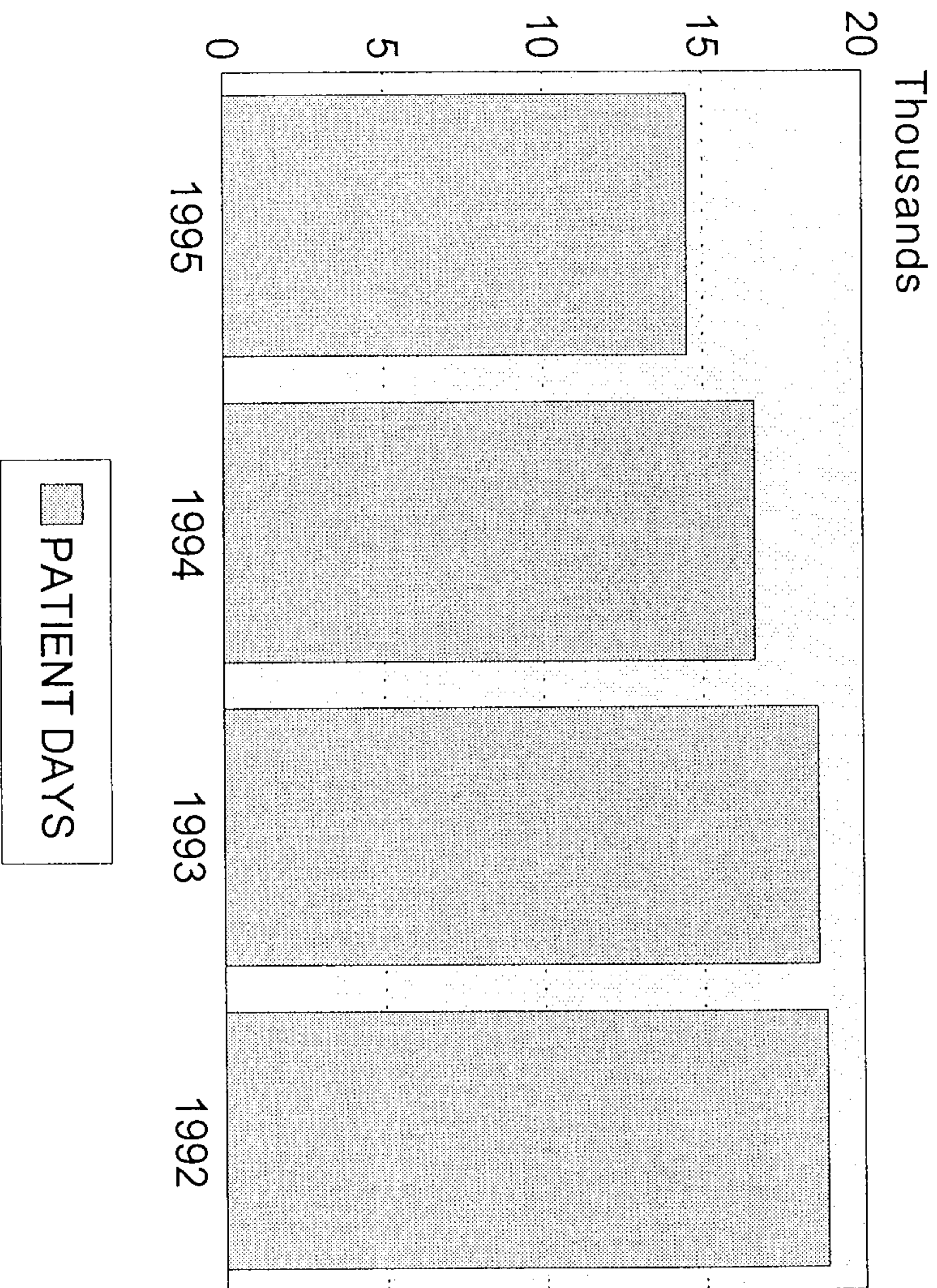
# ABBEVILLE GENERAL HOSPITAL

## ANALYSIS OF REVENUES BY FINANCIAL CLASS



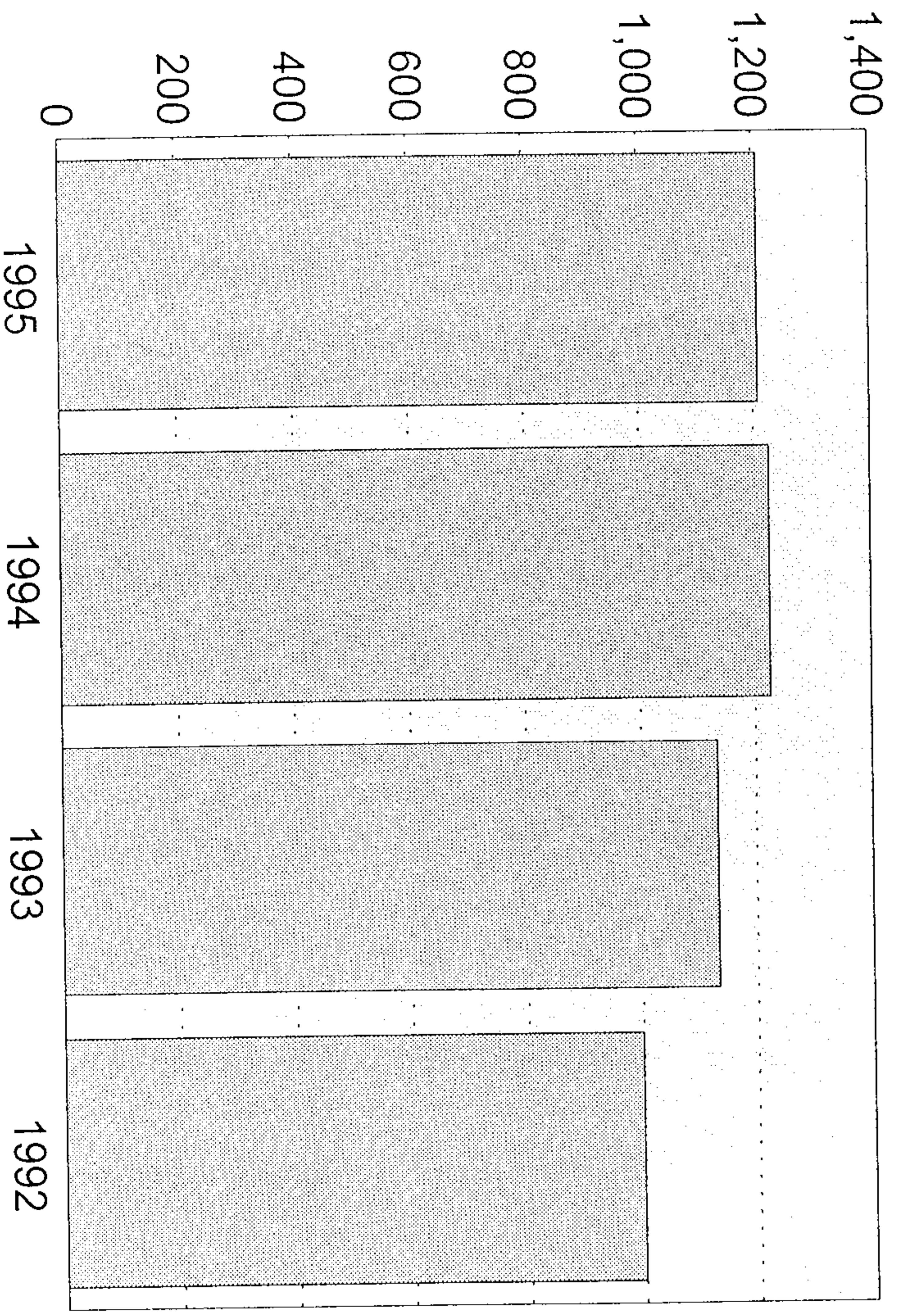
# ABBEVILLE GENERAL HOSPITAL

## ANALYSIS OF PATIENT DAYS



# ABBEVILLE GENERAL HOSPITAL

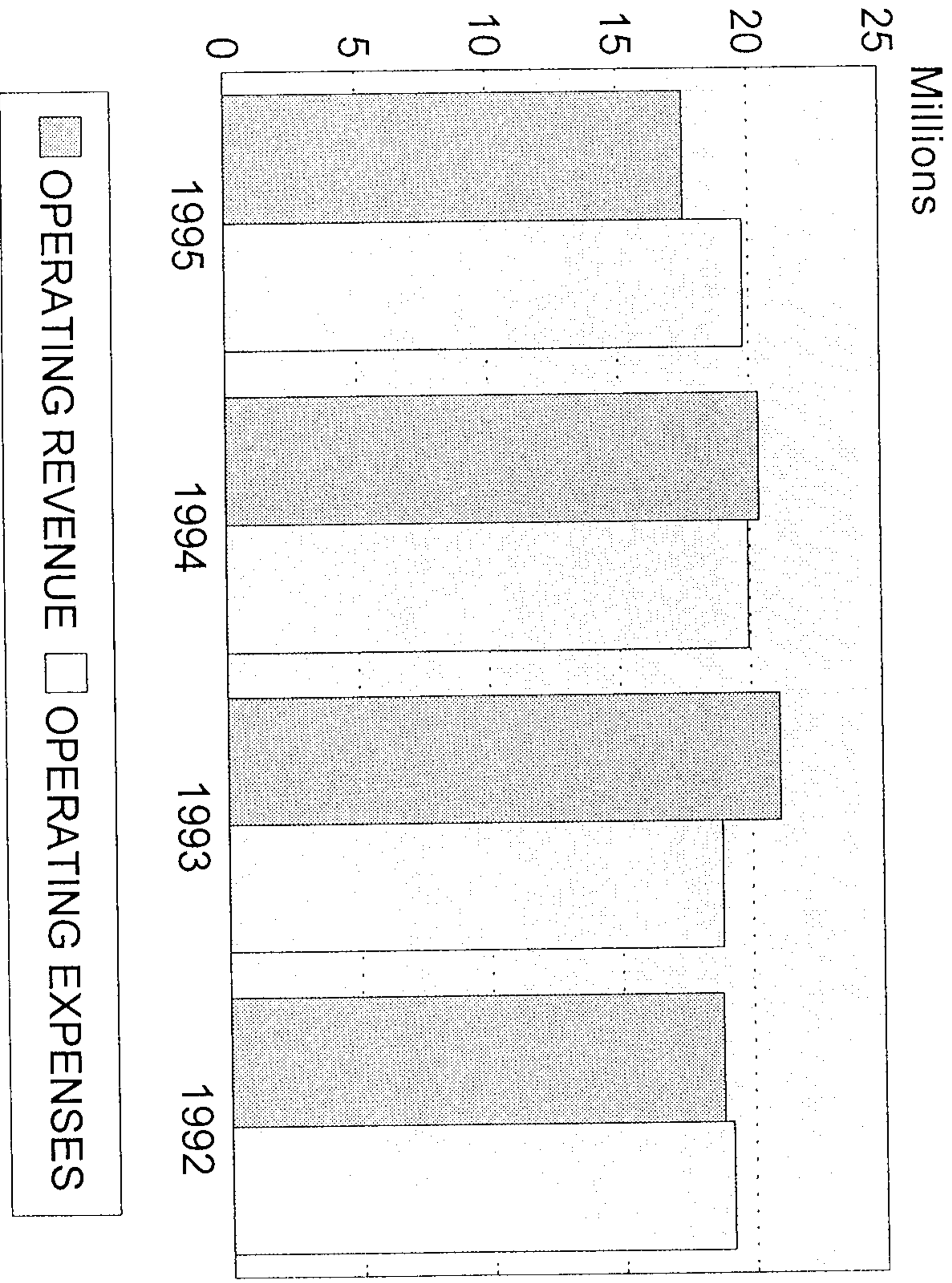
AVERAGE OPERATING REVENUE PER PATIENT DAY



# ABBEVILLE GENERAL HOSPITAL

## COMPARISON OF OPERATING REVENUE TO OPERATING EXPENSES

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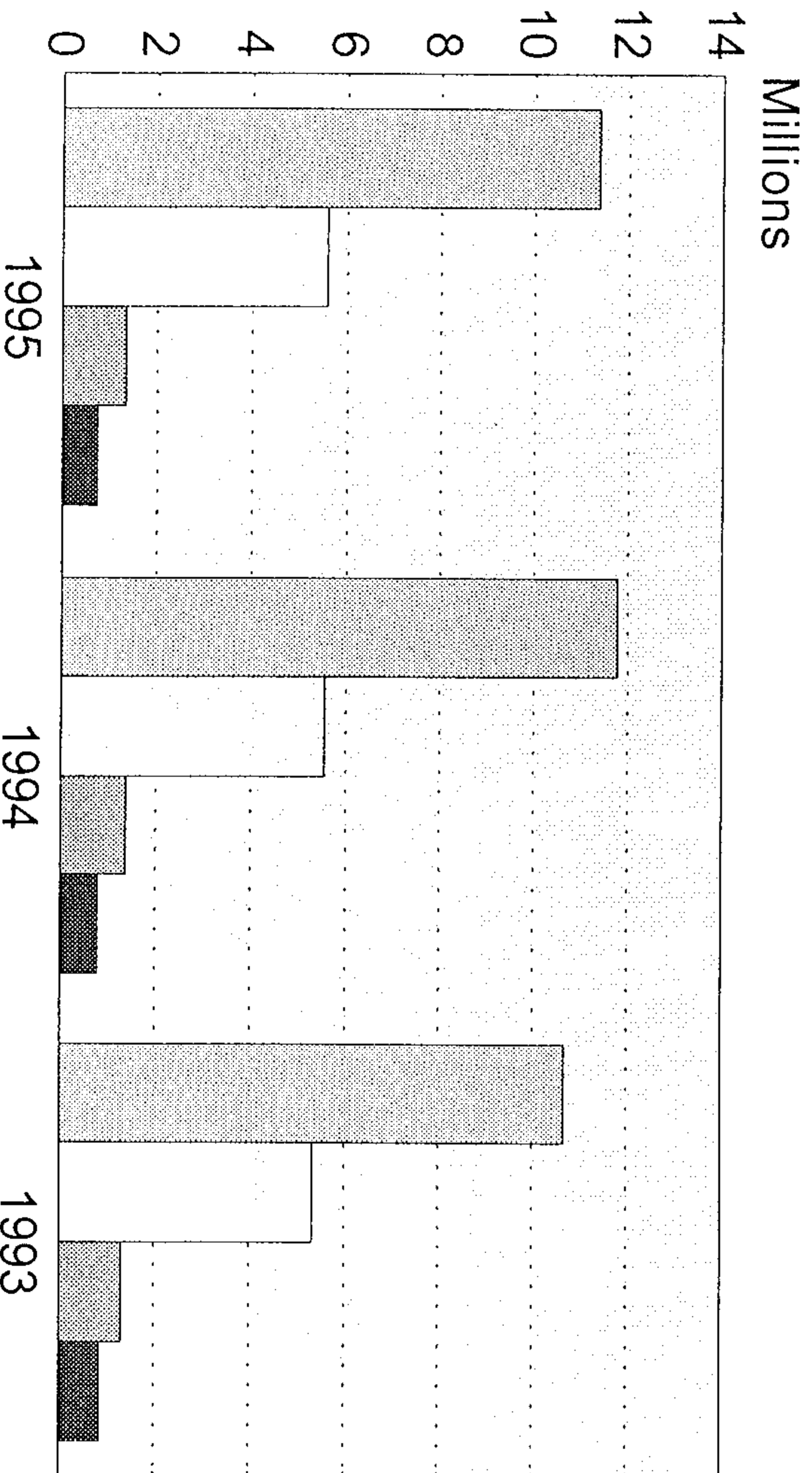




# ABBEVILLE GENERAL HOSPITAL

## ANALYSIS OF EXPENDITURES

- PROFESS. EXPENSE
- GENERAL & ADMIN.
- DEPRECC. EXP.
- INTEREST



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## Independent Auditor's Report

Board of Commissioners  
Hospital Service District No. 2  
Parish of Vermilion, State of Louisiana  
Abbeville, Louisiana

We have audited the accompanying financial statements of the Hospital Service District No. 2, Parish of Vermilion, State of Louisiana, a component unit of the Vermilion Parish Police Jury, as of and for the year ended December 31, 1995, as listed in the 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 audit. The financial statements of the Hospital Service District No. 2, Parish of Vermilion, State of Louisiana, as of December 31, 1994, were audited by another auditor whose report dated April 13, 1995, expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides 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 Hospital Service District No. 2, Parish of Vermilion, State of Louisiana, as of December 31, 1995, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

MEMBER OF  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

In accordance with Government Auditing Standards, we have also issued a report dated March 25, 1996, on our consideration of the Hospital's internal control structure and a report dated March 25, 1996, on its compliance with laws and regulations.

*Darnall, Sikes, Kolder, Frederick & Rainey*

A Corporation of Certified Public Accountants

Abbeville, Louisiana  
March 25, 1996

HOSPITAL SERVICE DISTRICT NO. 2  
Parish of Vermilion  
State of Louisiana

Balance Sheets  
December 31, 1995 and 1994

ASSETS

	<u>1995</u>	<u>1994</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,675,249	\$ 1,185,279
Assets whose use is limited and that are required for current liabilities	1,276,117	1,046,610
Accounts receivable, less allowance for doubtful accounts of \$510,000 in 1995 and \$454,176 in 1994	2,694,777	2,511,386
Due from third party payors	508,600	623,866
Other receivables	28,813	44,484
Inventories	603,306	596,407
Prepaid expenses	<u>467,512</u>	<u>598,558</u>
Total current assets	<u>7,254,374</u>	<u>6,606,590</u>
<b>ASSETS WHOSE USE IS LIMITED</b>		
Employee benefit trust fund	234,774	172,635
By board for capital improvements	10,154,539	10,266,472
By parish ordinance for principal and interest	<u>1,660,021</u>	<u>1,416,646</u>
Total assets whose use is limited	12,049,334	11,855,753
Less assets whose use is limited and that are required for current liabilities	<u>1,276,117</u>	<u>1,046,610</u>
Noncurrent assets whose use is limited	<u>10,773,217</u>	<u>10,809,143</u>
<b>PLANT ASSETS UNDER CONSTRUCTION</b>	<u>9,642</u>	<u>110,788</u>
<b>PROPERTY, PLANT AND EQUIPMENT, NET</b>	<u>10,399,965</u>	<u>10,684,377</u>
<b>DEFERRED FINANCING COSTS, NET</b>	<u>231,857</u>	<u>233,298</u>
<b>TOTAL ASSETS</b>	<u>\$28,669,055</u>	<u>\$28,444,196</u>

LIABILITIES AND FUND BALANCE

	<u>1995</u>	<u>1994</u>
<b>CURRENT LIABILITIES</b>		
Note payable	\$ 84,896	\$ -
Current capital lease obligations	14,625	28,064
Current portion of long-term debt	650,000	595,000
Accounts receivable credit balances	-	15,436
Accounts payable	574,015	560,822
Due to third party payors	2,681,119	2,298,880
Accrued salaries and related withholdings	186,005	176,876
Interest payable	238,313	248,561
Accrued vacation and holiday expenses	340,982	291,056
Employee benefit trust fund	<u>167,910</u>	<u>171,319</u>
Total current liabilities	<u>4,937,865</u>	<u>4,386,014</u>
<b>LONG-TERM LIABILITIES</b>		
Obligations under capital lease	-	14,625
Long-term debt:		
General obligation bonds 1991 series	3,920,000	4,350,000
Revenue bonds 1992 series	<u>6,650,000</u>	<u>6,870,000</u>
	<u>10,570,000</u>	<u>11,234,625</u>
<b>FUND BALANCE</b>	<u>13,161,190</u>	<u>12,823,557</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$28,669,055</u>	<u>\$28,444,196</u>

See independent auditor's report and notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 2  
Parish of Vermilion  
State of Louisiana

Statements of Operations  
Years Ended December 31, 1995 and 1994

	<u>1995</u>	<u>1994</u>
NET PATIENT SERVICE REVENUES	\$17,277,777	\$20,127,809
OTHER OPERATING REVENUE	<u>234,228</u>	<u>215,835</u>
	<u>17,512,005</u>	<u>20,343,644</u>
OPERATING EXPENSES		
Nursing services	5,690,698	6,354,416
Other professional services	5,684,424	5,428,508
General services	2,169,464	2,193,988
Fiscal services	1,027,988	1,150,529
Administrative services	2,389,608	2,206,368
Interest expense	750,469	791,814
Depreciation and amortization	1,345,397	1,414,066
Provision for doubtful accounts	<u>715,973</u>	<u>377,089</u>
	<u>19,774,021</u>	<u>19,916,778</u>
INCOME (LOSS) FROM OPERATIONS	<u>(2,262,016)</u>	<u>426,866</u>
NON-OPERATING INCOME		
Income on investments whose use is limited:		
By board for capital improvements	583,467	243,565
By parish ordinance for principal and interest	32,387	29,721
Interest income	56,944	94,857
Ad valorem taxes	881,811	921,311
Other	<u>1,045,040</u>	<u>-</u>
	<u>2,599,649</u>	<u>1,289,454</u>
NET INCOME	<u>\$ 337,633</u>	<u>\$ 1,716,320</u>

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

HOSPITAL SERVICE DISTRICT NO. 2  
Parish of Vermilion  
State of Louisiana

Statements of Changes in Fund Balance  
Years Ended December 31, 1995 and 1994

	<u>Contributed Capital</u>	<u>By Board</u>	<u>By Bond Indenture For Principal And Interest</u>	<u>Operating Fund</u>	<u>Total</u>
FUND BALANCE, December 31, 1993	\$ 1,115,050	\$10,346,416	\$1,171,470	\$(1,525,699)	\$11,107,237
Additions (deductions)					
Distribution of net income (loss)					
Income (loss) from operations	-	16,306	26,992	383,569	426,866
Nonoperating revenues	-	142,663	921,312	225,479	1,289,454
Payments on long-term debt	-	(195,000)	(385,000)	580,000	-
Transfer for principal and interest	-	(484,474)	(310,460)	794,934	-
Transfer to Special Depreciation Fund	-	-	-	-	-
Transfer to Reserve Fund	-	-	-	-	-
Proceeds from sale of bonds	-	-	-	-	-
Transfer from operating account	-	440,562	(7,668)	(432,894)	-
Federal Energy Grant	-	-	-	-	-
FUND BALANCE, December 31, 1994	1,115,050	10,266,472	1,416,646	25,389	12,823,557
Additions (deductions)					
Distribution of net income (loss)					
Income (loss) from operations	-	(541,080)	(932,395)	(788,541)	(2,262,016)
Nonoperating revenues	-	1,082,160	1,864,790	(347,301)	2,599,649
Payments on long-term debt	-	(190,000)	(405,000)	595,000	-
Transfer for principal and interest	-	(463,013)	(284,020)	747,033	-
FUND BALANCE, December 31, 1995	\$ 1,115,050 =====	\$10,154,539 =====	\$1,660,021 =====	\$ 231,580 =====	\$13,161,190 =====

See independent auditor's report and notes to financial statements.



HOSPITAL SERVICE DISTRICT NO. 2  
Parish of Vermilion  
State of Louisiana

Statements of Cash Flows  
Years Ended December 31, 1995 and 1994

	<u>1995</u>	<u>1994</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES AND NON OPERATING REVENUES</b>		
Income (loss) from operations	\$(2,262,016)	\$ 426,866
Noncash expenses and revenues included in income		
Depreciation	1,343,955	1,379,864
Amortization of bond issuance costs	1,442	34,202
Provision for doubtful accounts	715,973	377,089
Decrease (increase) in receivables and amount due from third parties	(401,625)	(1,360,612)
Increase in inventories and prepaid expenses	124,147	(437,662)
Increase (decrease) in accounts payable and accrued expenses	<u>58,591</u>	<u>195,805</u>
Net cash flow from operating activities	(419,533)	615,552
Nonoperating revenue	<u>2,599,649</u>	<u>1,289,454</u>
Net cash flow from operating activities and nonoperating revenue	<u>2,180,116</u>	<u>1,905,006</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(958,397)	(850,925)
Increase in assets whose use is limited	<u>(193,581)</u>	<u>(337,867)</u>
Net cash used in investing activities	<u>(1,151,978)</u>	<u>(1,188,792)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on capital leases	(28,064)	(25,972)
Principal payments on long term debt	(595,000)	(580,000)
Net proceeds from note payable	<u>84,896</u>	<u>-</u>
Net cash used in financing activities	<u>(538,168)</u>	<u>(605,972)</u>
Net increase in cash and cash equivalents	489,970	110,242
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,185,279</u>	<u>1,075,037</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,675,249</u>	<u>\$ 1,185,279</u>

See independent auditor's report and notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 2  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements  
December 31, 1995 and 1994

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Abbeville General Hospital (the Hospital) operates under the jurisdiction of the Board of Commissioners of Vermilion Parish, Louisiana (Parish) as Vermilion Parish Hospital Service District No. 2, and is exempt from federal and state income taxes. The Hospital reports in accordance with the "Hospital Audit Guide" and other publications of the American Institute of Certified Public Accountants and general industry practice. The significant accounting policies used by the Hospital in preparing and presenting its financial statements are summarized as follows:

Assets Whose Use is Limited

Assets whose use is limited include: 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; assets required by ordinances of the Parish to be used for principal and interest payments; and assets held to meet self insurance liabilities.

Patient Service Revenue

Patient service revenue is recorded at the Hospital's established rates with contractual adjustments, charity allowances and courtesy discounts deducted to arrive at net patient service revenues.

Inventories

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

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Donated equipment is recorded at fair market value at date of donation, which is then treated as cost.

Depreciation on property, plant and equipment is calculated on the straight-line method over the estimated useful lives of the assets.

HOSPITAL SERVICE DISTRICT NO. 2  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements (Continued)  
December 31, 1995 and 1994

Bond Issuance Costs

Expenses related to issuance of bonds are deferred and amortized over the period the bonds will remain outstanding.

Investment Income

Investment income on borrowed funds held by a trustee is reported as operating income. Investment income from all other sources is reported as nonoperating income.

Ad Valorem Taxes

Ad valorem tax revenue is reported on the accrual basis. Its use is limited to pay principal and interest on the public improvement and general obligation bonds.

Cash Equivalents

The Hospital considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

(2) MAJOR SOURCE OF REVENUE

The Hospital participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Hospital derived approximately 74.7% and 75.0% of its gross patient service revenue in 1995, and 1994, respectively, from patients covered by the Medicare and Medicaid programs.

(3) NET PATIENT REVENUES

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

Medicare

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost

HOSPITAL SERVICE DISTRICT NO. 2  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements (Continued)  
December 31, 1995 and 1994

reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital'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 Hospital. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through December 31, 1993.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, with certain limitations and exceptions. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports filed by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through December 31, 1993. Effective July 1, 1994, the Medicaid inpatient reimbursement methodology switched to a prospective payment based on a fixed rate per day for med/surg and psychiatric patients.

The Hospital has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Hospital under some of these agreements includes prospectively determined daily rates.

(4) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, by major category, is as follows at December 31, 1995 and 1994.

	<u>Asset life in years</u>	<u>1995</u>	<u>1994</u>
Land		\$ 231,000	\$ 231,000
Land improvements	10 - 20	131,367	127,945
Building	10 - 40	15,316,453	15,296,632
Fixed equipment	15 - 20	2,219,012	2,028,510
Major movable equipment	5 - 20	<u>9,789,470</u>	<u>8,943,659</u>
Total cost		27,687,302	26,627,746
Less accumulated depreciation		<u>17,287,337</u>	<u>15,943,369</u>
Net property, plant, and equipment		<u>\$10,399,965</u>	<u>\$10,684,377</u>

HOSPITAL SERVICE DISTRICT NO. 2  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements (Continued)  
December 31, 1995 and 1994

(5) NOTE PAYABLE

	<u>1995</u>	<u>1994</u>
Note payable to LHA Trust Fund, payable in eight monthly installments of \$12,128, secured by unexpired portion of insurance policy.	\$ 84,896	\$ -
	<u>\$ 84,896</u>	<u>\$ -</u>

(6) LONG-TERM DEBT

Long-term debt at December 31, 1995 and 1994 consisted of the following:

	<u>1995</u>	<u>1994</u>
General obligation bonds, dated August 1, 1991, bearing an average interest rate of 6.533%, maturing serially on May 1 of each year beginning in 1994, with interest payable on May 1 and November 1 of each year, with the final maturity on May 1, 2003	\$ 4,350,000	\$ 4,755,000
Hospital revenue bonds, dated February 1, 1992, bearing interest of 6.35% - 8.0%, maturing serially on February 1 of each year beginning in 1993, with interest payable February 1 and August 1 of each year beginning in 1992, with the final maturity on February 1, 2010.	<u>6,870,000</u> 11,220,000	<u>7,060,000</u> 11,815,000
Less current portion	650,000	595,000
Long-term portion	<u>\$10,570,000</u>	<u>\$11,220,000</u>

HOSPITAL SERVICE DISTRICT NO. 2  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements (Continued)  
December 31, 1995 and 1994

The aggregate amount of sinking fund requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1996	\$ 650,000	\$ 715,964	\$ 1,365,964
1997	710,000	670,234	1,380,234
1998	775,000	619,614	1,394,614
1999	840,000	563,974	1,403,974
2000	910,000	503,103	1,413,103
Thereafter	<u>7,335,000</u>	<u>1,998,652</u>	<u>9,333,652</u>
Total	<u>\$11,220,000</u>	<u>\$ 5,071,541</u>	<u>\$16,291,541</u>

(7) OPERATING LEASES

The Hospital has several noncancelable operating leases, primarily for equipment, that expire in the next year. Certain of the leases provide for either purchase or renewal options.

Future minimum lease payments under noncancelable operating leases as of December 31, 1995, are as follows:

1996	\$120,210
------	-----------

Total rental expense for 1995, and 1994, for all operating leases was \$231,406 and \$243,307, respectively.

(8) CAPITAL LEASES

The Hospital entered into a capital lease with IBM for the purchase of an IBM AS400 computer. The following is a schedule of leased property under capital lease.

<u>Asset Description</u>	<u>Lessor</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
IBM AS/400	IBM	<u>\$193,834</u>	<u>\$124,798</u>

Amortization expense of \$27,691 for 1995 and 1994, for the above mentioned asset is included in depreciation expense.

HOSPITAL SERVICE DISTRICT NO. 2  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements (Continued)  
December 31, 1995 and 1994

Future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of December 31, 1995, are as follows:

Total minimum lease payments - 1996	\$ 15,750
Less amount representing interest	<u>1,125</u>
Present value of net minimum lease payments	14,625
Less current obligations	<u>14,625</u>
Long-term obligations	<u>\$ -</u>

(9) PENSION PLAN

The Hospital has established a non-contributory, defined contribution retirement plan funded through contributions to State Mutual Life Assurance Company of America. Any employee who on any entry date is within six (6) months of meeting the plan eligibility requirements will qualify. Plan eligibility is defined as three (3) years of service. Any employee, who is a member of a union and is covered by a collective bargaining agreement, under the terms which retirement benefits have been a subject of good faith bargaining, will not be eligible to participate in the plan. Any persons who are contract workers and/or physicians shall not be considered employees for plan purposes and, therefore will not be eligible to participate in the plan. Any employee who was a participant in the plan prior to the amendment and restatement will continue to remain a participant in the restated plan.

The employer shall contribute for each plan year which the plan is in effect that amount which is actuarially determined to be necessary to fund the "assumed plan benefits" determined under the "individual premium funding method", assuming an interest rate of six (6) percent annually. Employer contributions are five (5) percent of covered payroll, and employees may contribute to the plan only with the consent of the employer. Pension cost amounted to \$330,444 and \$266,746 in 1995, and 1994, respectively.

HOSPITAL SERVICE DISTRICT NO. 2  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements (Continued)  
December 31, 1995 and 1994

(10) ASSETS WHOSE USE IS LIMITED

Assets whose use is limited that are required for obligations classified as current liabilities are reported in current assets. The composition of assets whose use is limited at December 31, 1995 and 1994, is set forth below.

	1995	1994
Self insurance liability	\$ 234,774	\$ 172,635
By board for capital improvements:		
Cash and certificates of deposit	\$10,146,151	\$10,260,307
Interest receivable	8,388	6,165
	\$10,154,539	\$10,266,472
By parish ordinance for principal and interest:		
Cash and certificates of deposit	\$ 808,745	\$ 578,174
Property taxes receivable	851,276	838,472
	\$ 1,660,021	\$ 1,416,646

(11) OTHER MATTERS

On May 4, 1991, the citizens of Hospital Service District #2, Parish of Vermilion, State of Louisiana, gave Abbeville General Hospital the authority to issue up to \$7,300,000 in bonds with a maximum interest rate of 8 percent. The proceeds from this issue are designated to refinance the Hospital's 1983 revenue bonds. On February 1, 1992, the Hospital issued \$7,300,000 of general obligation bonds paying interest from 6.5 percent to 8 percent.

(12) CASH FLOWS SUPPLEMENTAL INFORMATION

Total interest paid by the Hospital was \$760,718 and \$794,934, for 1995 and 1994, respectively.



HOSPITAL SERVICE DISTRICT NO. 2  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements (Continued)  
December 31, 1995 and 1994

(13) EXTRAORDINARY

On February 1, 1992, the Hospital issued \$7,300,000 in Revenue Bonds (Refunding Bonds Series 1992) with an interest rate ranging between 6.35% - 8.00% to advance refund \$7,075,000 of outstanding 1983 Revenue Bonds with an average interest rate ranging between 8.25% - 11.00%. The net proceeds of \$7,463,528 (including a premium of \$244,143, after payment of \$91,615 in underwriting fees, insurance and other issuance costs) plus an additional \$981,701 of 1983 Revenue Bond sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 1983 Revenue Bonds which will mature on or after July 1, 1993.

As a result, the 1983 Revenue Bonds maturing on or after July 1, 1993, are considered to be defeased and the liability for those bonds has been removed from long-term debt. Although the advance refunding resulted in the recognition of an accounting loss of \$886,760 for the year ended December 31, 1992, the Hospital in effect reduced its aggregate debt service payments by almost \$5,883,842 over the next 22 years and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of almost \$2,690,464. The effective interest rate on the new issue is 6.41%.

(14) EMPLOYEE HOSPITALIZATION PLAN

The Hospital is currently enrolled in a self-insurance plan to provide health insurance to its employees. The Hospital makes monthly contributions to a trust fund to cover expected expenses to be incurred by its employees. These monthly contributions are computed by an outside administrator who assists in processing claims. Included within the monthly contributions is an amount for excess risk insurance. This excess risk insurance has a \$45,000 deductible per employee per year, which in effect, limits the Hospital's exposure to \$45,000 per employee per year. As of December 31, 1995, the Employee Benefit Fund assets were sufficient to cover estimated liabilities. The Employee Benefit Fund carried a balance of \$234,774 while liabilities were estimated to be \$167,910.

(15) CONCENTRATION OF CREDIT RISK

The Hospital, located in Abbeville, Louisiana, grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements in which payment collection is significantly certain. Management believes that credit losses from individuals that have no insurance and self-pay patients are insignificant.

HOSPITAL SERVICE DISTRICT NO. 2  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements (Continued)  
December 31, 1995 and 1994

In the normal course of business, there could be various outstanding contingent liabilities such as, but not limited to, the following:

- Lawsuits alleging negligence in care
- Environmental pollution
- Violation of regulatory body's rules and regulations
- Violation of federal and/or state laws

No accrual for potential contingent liabilities, such as, but not limited to, those described above, are reflected in the accompanying financial statements. No such liabilities have been asserted, and, therefore, no estimate of loss, if any, is determinable.

# DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

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## Independent Auditor's Report on Additional Information

Board of Commissioners  
Hospital Service District No. 2  
Parish of Vermilion, State of Louisiana  
Abbeville, Louisiana

Our report on our audit of the financial statements of the Hospital Service District No. 2, Parish Vermilion, State of Louisiana, a component unit of the Vermilion Parish Police Jury, for the year ended December 31, 1995, appears on page 1. This audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information on pages 18 through 24 is presented for purposes of additional analysis, and is not a required part 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.

The basic financial statements of the Hospital Service District No. 2, Parish of Vermilion, State of Louisiana, a component unit of the Vermilion Parish Police Jury, for the year ended December 31, 1994, presented on pages 3-16, were audited by another auditor whose report dated April 13, 1995, expressed an unqualified opinion on those financial statements. Their report on additional information stated that in their opinion, such information was fairly stated in all material respects in relation to the basic financial statements for the year ended December 31, 1994, taken as a whole.

*Darnall, Sikes, Kolder, Frederick & Rainey*

A Corporation of Certified Public Accountants

Abbeville, Louisiana  
March 25, 1996

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ADDITIONAL INFORMATION

1994

<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>
\$ 3,468,031	\$ -	\$ 3,468,031
2,396,550	-	2,396,550
469,299	-	469,299
44,610	-	44,610
69,700	-	69,700
12,208	68,142	80,350
21,500	53,996	75,496
<u>6,481,898</u>	<u>122,138</u>	<u>6,604,036</u>
1,513,399	701,096	2,214,495
139,236	112,353	251,589
90,280	-	90,280
2,384,635	462,139	2,846,774
952,920	48,417	1,001,337
104,102	512,106	616,208
<u>5,184,572</u>	<u>1,836,111</u>	<u>7,020,683</u>
2,082,383	1,080,194	3,162,577
77,025	37,693	114,718
219,944	100,769	320,713
45,845	32,073	77,918
553,965	875,403	1,429,368
557,509	741,311	1,298,820
321,204	356,195	677,399
3,503,804	431,435	3,935,239
583,984	353,268	937,252
1,820,789	127,809	1,948,598
168,946	518	169,464
34,781	24,408	59,189
115,075	299,017	414,092
-	-	-
<u>10,085,254</u>	<u>4,460,093</u>	<u>14,545,347</u>
\$21,751,724	\$ 6,418,342	28,170,066
-----	-----	<u>8,042,257</u>
		<u>\$20,127,809</u>

HOSPITAL SERVICE DISTRICT NO. 2  
Parish of Vermilion  
State of Louisiana

Schedule of Other Operating Revenues  
Years Ended December 31, 1995 and 1994

	<u>1995</u>	<u>1994</u>
Cafeteria sales	\$159,648	\$170,188
Interest income on borrowed funds held by trustee	27,283	20,668
Medical records	5,896	3,981
Vending		10,387
	11,042	
Nutrition consultation	2,142	1,911
Other	24,972	8,045
Rental	<u>3,900</u>	<u>-</u>
Total	<u>\$234,228</u>	<u>\$215,835</u>

HOSPITAL SERVICE DISTRICT NO. 2  
Parish of Vermilion  
State of Louisiana

Schedule of Operating Expenses  
Years Ended December 31, 1995 and 1994

	1995		1994	
	Salaries And Fees	Supplies And Other Expenses	Salaries And Fees	Supplies And Other Expenses
<b>Nursing Services</b>				
Administrative office	\$ 344,213	\$ 4,431	\$ 350,202	\$ 10,673
Medical and surgical	2,673,459	116,793	2,914,263	159,895
Obstetrics	11,995	4,618	289,035	8,167
Newborn nursery	3,341	1,422	68,169	5,552
Operating room	359,700	677,619	360,857	676,258
Recovery room	127,069	8,493	113,676	7,800
Central services	50,183	325,990	50,238	369,988
Emergency room	957,163	24,209	939,188	30,455
	\$4,527,123	\$1,163,575	\$5,085,628	\$1,268,788
<b>Other Professional Services</b>				
Laboratory	\$ -	\$ 483,632	\$ 424,046	\$ 516,117
Blood processing	-	97,355	-	105,645
Electrocardiology	15,886	23,010	29,473	22,644
Holter monitor	-	8,159	-	9,965
Radiology	289,423	336,586	308,042	351,482
Scans	37,584	219,789	26,673	221,396
Ultrasound	34,341	53,035	41,171	42,174
Pharmacy	206,901	782,176	226,172	816,651
Anesthesiology	251,258	134,039	287,470	119,391
Inhalation therapy	334,386	113,922	309,558	99,539
Physical therapy	19,405	45,981	17,220	49,836
Speech therapy	-	-	-	-
Medical records	189,976	28,222	200,743	34,754
Social service	19,341	2,163	42,245	3,938
Behavior unit	846,127	665,759	552,690	546,956
Infection control	-	560	-	1,237
Specialty clinic	17,458	1,697	18,378	2,902
	\$2,688,339	\$2,996,085	\$2,483,881	\$2,944,627

HOSPITAL SERVICE DISTRICT NO. 2  
Parish of Vermilion  
State of Louisiana

Schedule of Operating Expenses  
Years Ended December 31, 1995 and 1994

	1995		1994	
	Salaries And Fees	Supplies And Other Expenses	Salaries And Fees	Supplies And Other Expenses
<b>General Services</b>				
Dietary	\$ 335,975	\$ 380,009	\$ 328,573	\$ 412,059
Plant engineering	197,383	808,778	184,888	800,624
Housekeeping	204,263	82,897	208,587	98,903
Laundry and linen	15,183	144,976	14,301	146,053
	\$ 752,804	\$1,416,660	\$ 736,349	\$1,457,639
<b>Fiscal Services</b>				
Patient accounting	\$ 134,957	\$ 49,094	\$ 124,386	\$ 45,875
Credit and collections	42,839	44,307	40,138	62,745
Admitting	88,168	31,116	96,087	37,092
Data processing	50,831	49,742	37,667	143,395
Communications	63,511	105,499	60,585	105,692
Receiving and stores	57,752	13,211	77,675	17,610
Personnel and public relations	93,768	12,351	92,101	18,685
Quality Assurance	121,769	14,429	120,750	27,045
DRG coordination	49,818	4,826	39,532	3,469
	\$ 703,413	\$ 324,575	\$ 688,921	\$ 461,608
<b>Administrative Services</b>				
Administrative office	\$ 163,671	\$ 142,906	\$ 159,524	\$ 126,116
General accounting	60,707	38,381	56,032	51,590
Governing board	11,700	-	12,650	-
Insurance	-	295,588	-	187,320
Employee benefits	-	1,477,818	-	1,486,628
Taxes	-	10,264	-	10,524
Other	-	84,224	-	51,431
Marketing	-	-	-	198
Volunteer services	-	689	-	1,554
Physician's guarantee	-	103,660	-	62,801
	\$ 236,078	\$2,153,530	\$ 228,206	\$1,978,162



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## Independent Auditor's Report on Internal Control Structure Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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The Board of Commissioners  
Hospital Service District No. 2  
Parish of Vermilion, State of Louisiana  
Abbeville, Louisiana

We have audited the financial statements of the Hospital Service District No. 2, Parish of Vermilion, State of Louisiana, a component unit of the Vermilion Parish Police Jury, as of and for the year ended December 31, 1995, and have issued our report thereon dated March 25, 1996.

We have conducted our audit 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.

The management of the Hospital is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the Hospital, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

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SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 structure and its operation that we consider to be material weaknesses as defined above.

We also noted other matters involving the internal control structure and its operations that we have reported to the management of the Hospital, in a separate letter dated March 25, 1996.

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

*Darnall, Sikes, Kolder, Frederick & Rainey*

A Corporation of Certified Public Accountants

Abbeville, Louisiana  
March 25, 1996

# DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

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## Independent Auditor's Report on Compliance Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

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The Board of Commissioners  
Hospital Service District No. 2  
Parish of Vermilion, State of Louisiana  
Abbeville, Louisiana

We have audited the financial statements of the Hospital Service District No. 2, Parish of Vermilion, State of Louisiana, a component unit of the Vermilion Parish Policy Jury, as of and for the year ended December 31, 1995, and have issued our report thereon dated March 25, 1996.

We conducted our audit 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.

Compliance with laws, regulations, contracts, and grants applicable to the Hospital, is the responsibility of the Hospital's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Hospital's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. 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.

We noted certain immaterial instances of noncompliance that we have reported to the management of the Hospital in a separate letter dated March 25, 1996.

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

*Darnall, Sikes, Kolder, Frederick & Rainey*

A Corporation of Certified Public Accountants

Abbeville, Louisiana  
March 25, 1996

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MARCH 25, 1996

Board of Commissioners  
 Hospital Service District No. 2  
 Parish of Vermilion, State of Louisiana  
 Abbeville, Louisiana

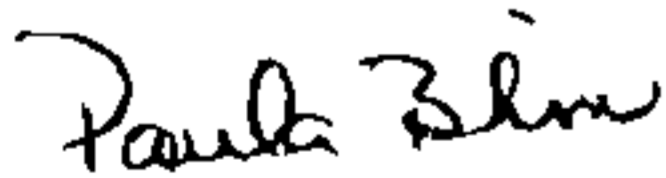
In planning and performing our audit of the financial statements of the Hospital for the year ended December 31, 1995, we considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. We also noted immaterial instances of non compliance with laws and regulations. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated March 25, 1996, on the financial statements of the Hospital Service District No. 2, Parish of Vermilion, State of Louisiana.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

DARNALL, SIKES, KOLDER, FREDERICK & RAINEY  
 (A Corporation of Certified Public  
 Accountants)



Paula D. Bihm, CPA

MEMBER OF  
 AMERICAN INSTITUTE OF  
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 SOCIETY OF LOUISIANA  
 CERTIFIED PUBLIC ACCOUNTANTS

TOTAL P.03

## MEMORANDUM

INVESTMENTS

The Hospital has in excess of \$11,000,000 in invested funds which approximates 42% of the Hospital's total assets. During the course of our audit we noted an opportunity to strengthen internal controls in this area.

We recommend implementing a policy that would not allow one individual to have the ability to withdraw invested funds. An alternative is to require dual signatures for the withdrawal and/or transfer of these funds from one account to another.

BOND SINKING FUND REQUIREMENTS

The 1992 bond agreement requires the Hospital to maintain a certain amount of money in a sinking fund to be used to pay principal and interest on the bonds. At December 31, 1995, the Hospital was not in compliance with the sinking fund requirements of the bond agreement.

The deficiency in the sinking fund requirement was the result of calculating the deposits on a semi-annual basis rather than an annual basis. This matter has been discussed with Hospital personnel and corrective measures will be implemented.

UNBILLED REVENUES

Unbilled inpatient accounts as of December 31, 1995 represented 38.33% of the total patient receivables as of this date. The number of unbilled inpatient accounts decreased from 629 at December 31, 1994 to 478 at December 31, 1995, however the dollars increased from \$1,980,151 at December 31, 1994 to \$2,065,045 at December 31, 1995.

As noted in the decrease in the number of unbilled inpatient accounts, the Hospital is managing the collection of their receivables more efficiently and is billing patients on a more timely basis. We strongly recommend that the Hospital continue their collection efforts in order to continue improving the cash flow position of the Hospital. Also, the time lag between the discharge of a patient and the billing should be minimized. This will help to improve cash flow and reduce the amount of delinquent charges.

HOSPITAL SERVICE DISTRICT NO. 2  
Parish of Vermilion  
State of Louisiana

Schedule of Net Patient Service Revenue  
Years Ended December 31, 1995 and 1994

	1995		
	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>
Daily Patient Services			
Adults and pediatrics	\$ 3,017,615	\$ -	\$ 3,017,615
Behavioral medicine center	3,463,200	-	3,463,200
Intensive care	438,113	-	438,113
Newborn care	2,774	-	2,774
Swingbed	47,770	-	47,770
Ambulatory care	13,540	75,082	88,622
Observation	32,644	88,328	120,972
	<u>7,015,656</u>	<u>163,410</u>	<u>7,179,066</u>
Other Nursing Services			
Operating room	1,442,346	703,169	2,145,515
Recovery room	119,487	110,618	230,105
Delivery room	21,359	-	21,359
Central service	1,978,866	479,905	2,458,771
Intravenous therapy	905,399	80,009	985,408
Emergency service	93,287	511,504	604,791
	<u>4,560,744</u>	<u>1,885,205</u>	<u>6,445,949</u>
Other Professional Services			
Laboratory	1,897,254	1,228,319	3,125,573
Blood bank	95,852	5,918	101,770
Electrocardiology	196,553	133,482	330,035
Electroencephalography	33,722	32,078	65,800
Radiology	493,031	882,184	1,375,215
Scans	479,519	859,142	1,338,661
Ultrasounds	280,137	408,310	688,447
Pharmacy	3,197,211	515,520	3,712,731
Anesthesiology	516,314	385,231	901,545
Inhalation therapy	1,969,959	178,261	2,148,220
Physical therapy	172,799	1,291	174,090
Holter monitor	26,171	22,442	48,613
Radiology - therapeutic	86,730	232,277	319,007
Speech therapy	320	-	320
	<u>9,445,572</u>	<u>4,884,455</u>	<u>14,330,027</u>
Gross Patient Service Revenue	<u>\$21,021,972</u>	<u>\$ 6,933,070</u>	27,955,042
Less: Contractual adjustments			<u>10,677,265</u>
Net Patient Service Revenue			<u>\$17,277,777</u>

1994

<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>
\$ 3,468,031	\$ -	\$ 3,468,031
2,396,550	-	2,396,550
469,299	-	469,299
44,610	-	44,610
69,700	-	69,700
12,208	68,142	80,350
21,500	53,996	75,496
<u>6,481,898</u>	<u>122,138</u>	<u>6,604,036</u>
1,513,399	701,096	2,214,495
139,236	112,353	251,589
90,280	-	90,280
2,384,635	462,139	2,846,774
952,920	48,417	1,001,337
104,102	512,106	616,208
<u>5,184,572</u>	<u>1,836,111</u>	<u>7,020,683</u>
2,082,383	1,080,194	3,162,577
77,025	37,693	114,718
219,944	100,769	320,713
45,845	32,073	77,918
553,965	875,403	1,429,368
557,509	741,311	1,298,820
321,204	356,195	677,399
3,503,804	431,435	3,935,239
583,984	353,268	937,252
1,820,789	127,809	1,948,598
168,946	518	169,464
34,781	24,408	59,189
115,075	299,017	414,092
-	-	-
<u>10,085,254</u>	<u>4,460,093</u>	<u>14,545,347</u>
\$21,751,724	\$ 6,418,342	28,170,066
		<u>8,042,257</u>
		<u>\$20,127,809</u>

HOSPITAL SERVICE DISTRICT NO. 2  
Parish of Vermilion  
State of Louisiana

Schedule of Other Operating Revenues  
Years Ended December 31, 1995 and 1994

	<u>1995</u>	<u>1994</u>
Cafeteria sales	\$159,648	\$170,188
Interest income on borrowed funds held by trustee	27,283	20,668
Medical records	5,896	3,981
Vending	11,042	10,387
Nutrition consultation	2,142	1,911
Other	24,972	8,045
Rental	<u>3,900</u>	<u>-</u>
Total	<u>\$234,228</u>	<u>\$215,835</u>



HOSPITAL SERVICE DISTRICT NO. 2  
Parish of Vermilion  
State of Louisiana

Schedule of Operating Expenses  
Years Ended December 31, 1995 and 1994

	1995		1994	
	Salaries And Fees	Supplies And Other Expenses	Salaries And Fees	Supplies And Other Expenses
Nursing Services				
Administrative office	\$ 344,213	\$ 4,431	\$ 350,202	\$ 10,673
Medical and surgical	2,673,459	116,793	2,914,263	159,895
Obstetrics	11,995	4,618	289,035	8,167
Newborn nursery	3,341	1,422	68,169	5,552
Operating room	359,700	677,619	360,857	676,258
Recovery room	127,069	8,493	113,676	7,800
Central services	50,183	325,990	50,238	369,988
Emergency room	<u>957,163</u>	<u>24,209</u>	<u>939,188</u>	<u>30,455</u>
	<u>\$4,527,123</u>	<u>\$1,163,575</u>	<u>\$5,085,628</u>	<u>\$1,268,788</u>
Other Professional Services				
Laboratory	\$ -	\$ 483,632	\$ 424,046	\$ 516,117
Blood processing	-	97,355	-	105,645
Electrocardiology	15,886	23,010	29,473	22,644
Holter monitor	-	8,159	-	9,965
Radiology	289,423	336,586	308,042	351,482
Scans	37,584	219,789	26,673	221,396
Ultrasound	34,341	53,035	41,171	42,174
Pharmacy	206,901	782,176	226,172	816,651
Anesthesiology	251,258	134,039	287,470	119,391
Inhalation therapy	334,386	113,922	309,558	99,539
Physical therapy	19,405	45,981	17,220	49,836
Speech therapy	-	-	-	-
Medical records	189,976	28,222	200,743	34,754
Social service	19,341	2,163	42,245	3,938
Behavior unit	846,127	665,759	552,690	546,956
Infection control	-	560	-	1,237
Specialty clinic	<u>17,458</u>	<u>1,697</u>	<u>18,378</u>	<u>2,902</u>
	<u>\$2,688,339</u>	<u>\$2,996,085</u>	<u>\$2,483,881</u>	<u>\$2,944,627</u>

HOSPITAL SERVICE DISTRICT NO. 2  
 Parish of Vermilion  
 State of Louisiana

Schedule of Operating Expenses  
 Years Ended December 31, 1995 and 1994

	1995		1994	
	<u>Salaries And Fees</u>	<u>Supplies And Other Expenses</u>	<u>Salaries And Fees</u>	<u>Supplies And Other Expenses</u>
<b>General Services</b>				
Dietary	\$ 335,975	\$ 380,009	\$ 328,573	\$ 412,059
Plant engineering	197,383	808,778	184,888	800,624
Housekeeping	204,263	82,897	208,587	98,903
Laundry and linen	<u>15,183</u>	<u>144,976</u>	<u>14,301</u>	<u>146,053</u>
	<u>\$ 752,804</u>	<u>\$1,416,660</u>	<u>\$ 736,349</u>	<u>\$1,457,639</u>
<b>Fiscal Services</b>				
Patient accounting	\$ 134,957	\$ 49,094	\$ 124,386	\$ 45,875
Credit and collections	42,839	44,307	40,138	62,745
Admitting	88,168	31,116	96,087	37,092
Data processing	50,831	49,742	37,667	143,395
Communications	63,511	105,499	60,585	105,692
Receiving and stores	57,752	13,211	77,675	17,610
Personnel and public relations	93,768	12,351	92,101	18,685
Quality Assurance	121,769	14,429	120,750	27,045
DRG coordination	<u>49,818</u>	<u>4,826</u>	<u>39,532</u>	<u>3,469</u>
	<u>\$ 703,413</u>	<u>\$ 324,575</u>	<u>\$ 688,921</u>	<u>\$ 461,608</u>
<b>Administrative Services</b>				
Administrative office	\$ 163,671	\$ 142,906	\$ 159,524	\$ 126,116
General accounting	60,707	38,381	56,032	51,590
Governing board	11,700	-	12,650	-
Insurance	-	295,588	-	187,320
Employee benefits	-	1,477,818	-	1,486,628
Taxes	-	10,264	-	10,524
Other	-	84,224	-	51,431
Marketing	-	-	-	198
Volunteer services	-	689	-	1,554
Physician's guarantee	-	<u>103,660</u>	-	<u>62,801</u>
	<u>\$ 236,078</u>	<u>\$2,153,530</u>	<u>\$ 228,206</u>	<u>\$1,978,162</u>

HOSPITAL SERVICE DISTRICT NO. 2  
 Parish of Vermilion  
 State of Louisiana

Schedule of Governing Board Expenses  
 Years Ended December 31, 1995 and 1994

<u>Commissioners</u>	<u>1995</u>		<u>1994</u>	
	<u>Number of Meetings Attended</u>	<u>Compensation</u>	<u>Number of Meetings Attended</u>	<u>Compensation</u>
Donald Primeaux	41	\$ 1,800	39	\$ 1,950
Jewitt Hulin	34	1,600	32	1,600
Robert LeBlanc	40	1,800	39	1,950
James Segura III	34	1,650	38	1,900
Josephine Levy	36	1,600	33	1,650
John Boudreaux	37	1,650	38	1,900
Ardly Hebert, M.D.	37	<u>1,600</u>	34	<u>1,700</u>
		<u>\$11,700</u>		<u>\$ 12,650</u>

# DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

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RETIRED

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## Independent Auditor's Report on Internal Control Structure Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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The Board of Commissioners  
Hospital Service District No. 2  
Parish of Vermilion, State of Louisiana  
Abbeville, Louisiana

We have audited the financial statements of the Hospital Service District No. 2, Parish of Vermilion, State of Louisiana, a component unit of the Vermilion Parish Police Jury, as of and for the year ended December 31, 1995, and have issued our report thereon dated March 25, 1996.

We have conducted our audit 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.

The management of the Hospital is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the Hospital, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

MEMBER OF  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 structure and its operation that we consider to be material weaknesses as defined above.

We also noted other matters involving the internal control structure and its operations that we have reported to the management of the Hospital, in a separate letter dated March 25, 1996.

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

*Darnall, Sikes, Kolder, Frederick & Rainey*

A Corporation of Certified Public Accountants

Abbeville, Louisiana  
March 25, 1996

# DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

(A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS)

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## Independent Auditor's Report on Compliance Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

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The Board of Commissioners  
Hospital Service District No. 2  
Parish of Vermilion, State of Louisiana  
Abbeville, Louisiana

We have audited the financial statements of the Hospital Service District No. 2, Parish of Vermilion, State of Louisiana, a component unit of the Vermilion Parish Policy Jury, as of and for the year ended December 31, 1995, and have issued our report thereon dated March 25, 1996.

We conducted our audit 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.

Compliance with laws, regulations, contracts, and grants applicable to the Hospital, is the responsibility of the Hospital's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Hospital's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. 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.

We noted certain immaterial instances of noncompliance that we have reported to the management of the Hospital in a separate letter dated March 25, 1996.

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

*Darnall, Sikes, Kolder, Frederick & Rainey*

A Corporation of Certified Public Accountants

Abbeville, Louisiana  
March 25, 1996

MEMBER OF  
AMERICAN INSTITUTE OF  
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MARCH 25, 1996

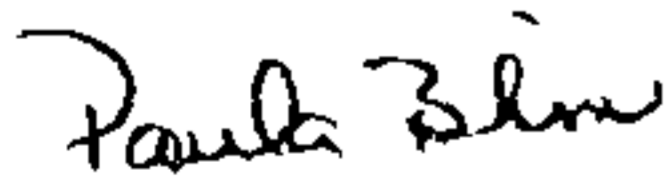
Board of Commissioners  
Hospital Service District No. 2  
Parish of Vermilion, State of Louisiana  
Abbeville, Louisiana

In planning and performing our audit of the financial statements of the Hospital for the year ended December 31, 1995, we considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. We also noted immaterial instances of non compliance with laws and regulations. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated March 25, 1996, on the financial statements of the Hospital Service District No. 2, Parish of Vermilion, State of Louisiana.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

DARNALL, SIKES, KOLDER, FREDERICK & RAINEY  
(A Corporation of Certified Public  
Accountants)

Paula D. Bihm, CPA

MEMBER OF  
AMERICAN INSTITUTE OF  
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## MEMORANDUM

INVESTMENTS

The Hospital has in excess of \$11,000,000 in invested funds which approximates 42% of the Hospital's total assets. During the course of our audit we noted an opportunity to strengthen internal controls in this area.

We recommend implementing a policy that would not allow one individual to have the ability to withdraw invested funds. An alternative is to require dual signatures for the withdrawal and/or transfer of these funds from one account to another.

BOND SINKING FUND REQUIREMENTS

The 1992 bond agreement requires the Hospital to maintain a certain amount of money in a sinking fund to be used to pay principal and interest on the bonds. At December 31, 1995, the Hospital was not in compliance with the sinking fund requirements of the bond agreement.

The deficiency in the sinking fund requirement was the result of calculating the deposits on a semi-annual basis rather than an annual basis. This matter has been discussed with Hospital personnel and corrective measures will be implemented.

UNBILLED REVENUES

Unbilled inpatient accounts as of December 31, 1995 represented 38.33% of the total patient receivables as of this date. The number of unbilled inpatient accounts decreased from 629 at December 31, 1994 to 478 at December 31, 1995, however the dollars increased from \$1,980,151 at December 31, 1994 to \$2,065,045 at December 31, 1995.

As noted in the decrease in the number of unbilled inpatient accounts, the Hospital is managing the collection of their receivables more efficiently and is billing patients on a more timely basis. We strongly recommend that the Hospital continue their collection efforts in order to continue improving the cash flow position of the Hospital. Also, the time lag between the discharge of a patient and the billing should be minimized. This will help to improve cash flow and reduce the amount of delinquent charges.