

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
 "JACKSON PARISH HOSPITAL"
 FINANCIAL STATEMENTS
 AND
 INDEPENDENT AUDITORS' REPORT
 YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

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Independent Auditors' Report

Board of Commissioners
Jackson Parish Hospital Service District No. 1
("Jackson Parish Hospital")
Jonesboro, Louisiana

We have audited the accompanying general purpose financial statements of Jackson Parish Hospital Service District No. 1, for the years ended September 30, 1997, 1996 and 1995 listed in the table of contents. These financial statements are the responsibility of the District'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 audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly in all material respects, the financial position of the Jackson Parish Hospital Service District No. 1 at September 30, 1997, 1996 and 1995 and the results of operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated February 26, 1998 on our consideration of Jackson Parish Hospital Service District's internal control structure and a report dated February 26, 1998 on its compliance with laws and regulations.

Our audits were made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Jackson Parish Hospital Service District No. 1. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The accompanying financial statements have been prepared assuming Jackson Parish Hospital will continue as a going concern. As discussed in Note 25 to the financial statements, the District's significant operating loss, reduced cash flow, and significant amount of current debt raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 25. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.



Certified Public Accountants

February 26, 1998

JACKSON PARISH HOSPITAL
BALANCE SHEETS - UNRESTRICTED FUND
SEPTEMBER 30, 1997, 1996 AND 1995

	<u>1997</u>	<u>1996</u>	<u>1995</u>
ASSETS			
Current assets:			
Cash and cash equivalents (Note 3)	\$ 121,384	\$ 45,446	\$ 1,079,198
Investments (Note 4)	1,450	633,677	1,200,000
Accounts receivable less estimated uncollectibles (Note 5)	1,035,404	1,008,776	1,681,104
Inventory	228,479	260,528	243,512
Prepaid expenses	<u>121,893</u>	<u>138,574</u>	<u>144,533</u>
Total current assets	<u>1,508,610</u>	<u>2,087,001</u>	<u>4,348,347</u>
Assets whose use is limited (Note 6)	6,215	45,496	575,176
Property, plant and equipment, less accumulated depreciation (Note 7)	<u>2,733,036</u>	<u>2,808,216</u>	<u>1,720,762</u>
Total assets	<u>\$ 4,247,861</u>	<u>\$ 4,940,713</u>	<u>\$ 6,644,285</u>
LIABILITIES AND FUND BALANCE			
Current liabilities:			
Accounts payable	\$ 1,583,655	\$ 1,250,775	\$ 433,538
Accrued expenses and withholdings payable (Note 8)	489,947	376,629	309,701
Due to third party reimbursement programs	43,747	586,109	942,820
Current installments of capital leases	48,893	43,886	40,282
Current installments of bonds payable	178,000	167,000	155,000
Current installments of notes payable	<u>200,722</u>	<u>-0-</u>	<u>-0-</u>
Total current liabilities	<u>2,544,964</u>	<u>2,424,399</u>	<u>1,881,341</u>
Long-term debt:			
Capital leases (Note 11)	57,971	100,882	65,165
Bonds payable (Note 13)	192,000	370,000	537,000
Notes payable	72,900	-0-	-0-
Other liabilities	<u>1,755</u>	<u>1,756</u>	<u>1,756</u>
Total long-term debt	<u>324,626</u>	<u>472,638</u>	<u>603,921</u>
Commitments and contingencies (Notes 20 and 21)	-0-	-0-	-0-
Fund balance	<u>1,378,271</u>	<u>2,043,676</u>	<u>4,159,023</u>
Total liabilities and fund balance	<u>\$ 4,247,861</u>	<u>\$ 4,940,713</u>	<u>\$ 6,644,285</u>

See accompanying notes to financial statements.

JACKSON PARISH HOSPITAL
STATEMENTS OF OPERATIONS - UNRESTRICTED FUND
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Revenue:			
Net patient service revenue	\$ 9,395,083	\$ 7,891,142	\$10,426,386
Ad Valorem taxes (Note 17)	429,003	406,108	405,888
Grant revenue (Note 18)	25,000	50,714	75,000
Gain (loss) on sale of asset	(2,328)	876	-0-
Donations	13,230	-0-	-0-
Other	<u>70,659</u>	<u>71,506</u>	<u>59,970</u>
 Total revenue	 <u>9,930,647</u>	 <u>8,420,346</u>	 <u>10,967,244</u>
Expenses:			
Salaries and benefits	6,161,610	5,605,783	4,951,998
Medical supplies and drugs	750,320	839,400	759,262
Medical professional and consulting	316,277	768,373	1,762,711
Other expenses	1,348,521	1,660,391	1,465,378
Insurance	292,978	236,903	190,577
Retirement	75,004	74,801	39,503
Leases and rentals	173,688	205,554	116,676
Interest	68,792	58,534	78,408
Depreciation	366,000	296,480	262,486
Provision for bad debts	<u>1,047,924</u>	<u>884,927</u>	<u>353,659</u>
 Total expenses	 <u>10,601,114</u>	 <u>10,631,146</u>	 <u>9,980,658</u>
 Operating income (loss)	 (670,467)	 (2,210,800)	 986,586
Nonoperating income:			
Interest income	<u>5,062</u>	<u>95,453</u>	<u>65,675</u>
 Excess of revenues over expenses (expenses over revenues)	 <u>\$ (665,405)</u>	 <u>\$ (2,115,347)</u>	 <u>\$ 1,052,261</u>

See accompanying notes to financial statements.

JACKSON PARISH HOSPITAL
 STATEMENTS OF CHANGES IN FUND BALANCE - UNRESTRICTED FUND
 YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

Balance, September 30, 1994	\$ 3,376,266
Prior period adjustment (Note 22)	<u>(269,504)</u>
Restated balance, September 30, 1994	3,106,762
Excess of revenues over expenses for the year ended September 30, 1995	<u>1,052,261</u>
Balance, September 30, 1995	4,159,023
Excess of expenses over revenues for the year ended September 30, 1996	<u>(2,115,347)</u>
Balance, September 30, 1996	2,043,676
Excess of expenses over revenues for the year ended September 30, 1997	<u>(665,405)</u>
Balance, September 30, 1997	\$ <u>1,378,271</u>
Composition of fund balance:	
Undesignated	\$ (1,611,176)
Designated	3,554
Contributed capital	<u>2,985,893</u>
Total fund balance	\$ <u>1,378,271</u>

See accompanying notes to financial statements.

JACKSON PARISH HOSPITAL
STATEMENTS OF CASH FLOWS - UNRESTRICTED FUND
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Cash flows from operating activities:			
Operating income (loss)	\$ (670,467)	\$(2,210,800)	\$ 986,586
Interest expense considered capital financing activity	51,312	52,376	73,061
Interest expense paid	17,480	-0-	-0-
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain (loss) on sale of asset	2,328	(876)	-0-
Depreciation	366,000	296,480	262,486
Provision for bad debt	1,047,924	884,927	353,659
(Increase) decrease in:			
Accounts receivable (net)	(1,074,552)	(212,599)	(103,942)
Inventory	32,049	(17,016)	(56,544)
Prepaid expenses	16,681	5,959	(52,793)
Assets whose use is limited	39,281	529,680	35,498
Increase (decrease) in:			
Accounts payable	332,880	817,237	(31,193)
Accrued expenses and withholdings payable	113,317	66,928	(28,904)
Third-party payor settlements	<u>(542,362)</u>	<u>(356,711)</u>	<u>942,820</u>
Net cash provided (used) by operating activities	<u>(268,129)</u>	<u>(144,415)</u>	<u>2,380,734</u>
Cash flows from investing activities:			
Cash invested in short-term investments	-0-	-0-	(1,200,000)
Proceeds from investment	632,227	566,323	-0-
Investment income	<u>5,062</u>	<u>95,453</u>	<u>65,675</u>
Net cash provided by investing activities	\$ <u>637,289</u>	\$ <u>661,776</u>	\$ <u>(1,134,325)</u>

See accompanying notes to financial statements.

JACKSON PARISH HOSPITAL
 STATEMENTS OF CASH FLOWS - UNRESTRICTED FUND (Continued)
 YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Cash flows from capital and related financing activities:			
Proceeds from sale of equipment	\$ 3,500	\$ 876	\$ -0-
Acquisition of capital assets	(296,648)	(1,300,355)	(260,686)
Payments on leases	(37,904)	(44,258)	(29,713)
Interest expense on leases	<u>(9,049)</u>	<u>(10,867)</u>	<u>(10,702)</u>
Net cash provided (used) by capital and related financing activities	<u>(340,101)</u>	<u>(1,354,604)</u>	<u>(301,101)</u>
Cash flows from financing activities:			
Bond payments	(167,000)	(155,000)	(145,000)
Interest on bond payments	(42,263)	(41,509)	(62,359)
Interest expense on notes payable	(17,480)	-0-	-0-
Proceeds of notes payable	349,582	-0-	-0-
Notes payable payments	<u>(75,960)</u>	<u>-0-</u>	<u>-0-</u>
Net cash provided by financing activities	<u>46,879</u>	<u>(196,509)</u>	<u>(207,359)</u>
Net increase (decrease) in cash and cash equivalents	75,938	(1,033,752)	737,949
Cash and cash equivalents, beginning of year	<u>45,446</u>	<u>1,079,198</u>	<u>341,249</u>
Cash and cash equivalents, end of year	\$ <u>121,384</u>	\$ <u>45,446</u>	\$ <u>1,079,198</u>
Supplemental disclosures of information:			
Cash paid during the year for interest	\$ <u>68,792</u>	\$ <u>59,017</u>	\$ <u>73,132</u>
Capital lease obligations incurred in conjunction with equipment lease acquisitions	\$ <u>-0-</u>	\$ <u>83,579</u>	\$ <u>107,946</u>

See accompanying notes to financial statements.

JACKSON PARISH HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

The Jackson Parish Hospital Service District No. 1 (referred to herein as "Jackson Parish Hospital" or the "District") was organized under the Louisiana Revised Statutes of 1950. The District's area includes all of Jackson Parish, Louisiana.

The District is a political subdivision of the Jackson Parish Police Jury whose jurors are elected officials. Its commissioners are appointed by the Jackson Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Jackson Parish Police Jury is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the Jackson Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the governmental services provided by the governmental unit or the governmental units that comprise the financial reporting entity.

Nature of Business

The District consists of a 31-bed acute-care hospital, a 28-bed psychiatric unit and a parish ambulance service, located in Jonesboro, Louisiana. Additionally, the District provides home health, emergency, outpatient, and clinic services.

Changes in Reporting Classification

The classification of certain prior year amounts have been changed to reflect consistent reporting when compared to current year balances. The financial statement format has been changed to reflect changes in the AICPA Audit and Accounting Guide - Health Care Organizations, issued June 1, 1996.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

The accompanying Financial Statements of the District present the financial position and changes in fund balance for the enterprise fund. The results of operations and cash flow are also presented for the enterprise fund.

JACKSON PARISH HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting for Proprietary Fund Type

The operating accounts of the District are organized into one proprietary fund type. The operation of the proprietary fund is accounted for by providing a set of self-balancing accounts which are comprised of assets, liabilities, fund balance, revenues and expenses.

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Method of Accounting

Hospital accounting and reporting procedures conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the Louisiana Governmental Audit Guide, the AICPA Audit and Accounting Guide - Health Care Organizations, and standards set by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Charity Care

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

Income Taxes

The entity is a political subdivision and exempt from taxation.

Credit Risk

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

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

JACKSON PARISH HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Inventory

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

Statement of Revenue and Expenses

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

Property, Plant and Equipment

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

Buildings	25 to 40 years
Machinery and Equipment	5 to 20 years
Furniture and Fixtures	5 to 15 years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations when incurred.

The cost of assets retired or otherwise disposed of and related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently.

JACKSON PARISH HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist primarily of deposits in checking accounts, savings accounts, and certificates of deposits with original maturities of 90 days or less. The market value for all cash, savings and certificates of deposit are not materially different from the carrying values. The following is a summary of cash and cash equivalents:

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Checking and Savings	\$ 127,599	\$ 84,969	\$ 954,374
Certificates of Deposit	<u>1,450</u>	<u>639,650</u>	<u>1,900,000</u>
Total	<u>\$ 129,049</u>	<u>\$ 724,619</u>	<u>\$ 2,854,374</u>

All deposits are covered by federal deposit insurance or collateral held by the pledging financial institution's trust departments in the District's name.

NOTE 4 - INVESTMENTS

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

NOTE 5 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Patients	\$ 2,275,740	\$ 1,412,776	\$ 2,905,902
Other receivables	<u>8,992</u>	<u>-0-</u>	<u>8,202</u>
	2,284,732	1,412,776	2,914,104
Estimated uncollectibles	<u>(1,249,328)</u>	<u>(404,000)</u>	<u>(1,233,000)</u>
Total	<u>\$ 1,035,404</u>	<u>\$ 1,008,776</u>	<u>\$ 1,681,104</u>

JACKSON PARISH HOSPITAL
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 5 - ACCOUNTS RECEIVABLE (Continued)

The District generates a substantial portion of its charges from the Medicare and Medicaid programs at discounted rates. A summary of gross Medicare and Medicaid charges for the year ended September 30, 1997, 1996 and 1995 follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Medicare patients	\$ 7,810,227	\$ 6,989,964	\$ 5,954,760
Medicaid patients	<u>2,954,665</u>	<u>3,508,763</u>	<u>2,985,562</u>
Total	<u>\$10,764,892</u>	<u>\$10,498,727</u>	<u>\$ 8,940,322</u>
Percent of all patients	<u>69%</u>	<u>74%</u>	<u>75%</u>

Since the District serves a disproportionate share of low-income patients, it qualifies for Medicaid Disproportionate Share (DSH) reimbursement. Medicaid Disproportionate Share (DSH) reimbursement of \$570,966, \$462,532 and \$3,241,299 was included in income for 1997, 1996 and 1995, respectively.

NOTE 6 - ASSETS WHOSE USE IS LIMITED

Assets whose use is limited includes cash set aside by the Board of Commissioners for the purchase of capital assets and to satisfy deposit requirements on long-term debt.

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Funded depreciation	\$ 3,458	\$ 33,146	\$ 557,667
Bond ordinance	2,757	4,604	4,048
Other	<u>-0-</u>	<u>7,746</u>	<u>13,461</u>
	<u>\$ 6,215</u>	<u>\$ 45,496</u>	<u>\$ 575,176</u>

JACKSON PARISH HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended September 30, 1997, 1996 and 1995.

	<u>ASSET COST</u>			September 30, <u>1997</u>
	September 30, <u>1996</u>	<u>Additions</u>	<u>Deletions</u>	
Land	\$ 22,400	\$ -0-	\$ -0-	\$ 22,400
Land improvements	174,685	-0-	-0-	174,685
Buildings and fixed equipment	3,501,336	931,518	-0-	4,432,854
Major moveable equipment	3,038,231	113,221	21,855	3,129,597
Construction in progress	<u>748,091</u>	<u>-0-</u>	<u>748,091</u>	<u>-0-</u>
Total	<u>\$ 7,484,743</u>	<u>\$ 1,044,739</u>	<u>\$ 769,946</u>	<u>\$ 7,759,536</u>

	<u>ACCUMULATED DEPRECIATION</u>			September 30, <u>1997</u>
	September 30, <u>1996</u>	<u>Additions</u>	<u>Deletions</u>	
Land improvements	\$ 123,246	\$ 8,734	\$ -0-	\$ 131,980
Buildings and fixed equipment	2,248,589	123,662	-0-	2,372,251
Major moveable equipment	<u>2,304,692</u>	<u>233,604</u>	<u>16,027</u>	<u>2,522,269</u>
Total	<u>\$ 4,676,527</u>	<u>\$ 366,000</u>	<u>\$ 16,027</u>	<u>\$ 5,026,500</u>

	<u>ASSET COST</u>			September 30, <u>1996</u>
	September 30, <u>1995</u>	<u>Additions</u>	<u>Deletions</u>	
Land	\$ 22,400	\$ -0-	\$ -0-	\$ 22,400
Land improvements	171,935	2,750	-0-	174,685
Buildings and fixed equipment	3,187,662	313,674	-0-	3,501,336
Major moveable equipment	2,731,425	362,219	55,413	3,038,231
Construction in progress	<u>42,800</u>	<u>705,291</u>	<u>-0-</u>	<u>748,091</u>
Total	<u>\$ 6,156,222</u>	<u>\$ 1,383,934</u>	<u>\$ 55,413</u>	<u>\$ 7,484,743</u>

JACKSON PARISH HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	<u>ACCUMULATED DEPRECIATION</u>			September 30, <u>1996</u>
	September 30, <u>1995</u>	<u>Additions</u>	<u>Deletions</u>	
Land improvements	\$ 114,623	\$ 8,623	\$ -0-	\$ 123,246
Buildings and fixed equipment	2,181,706	66,883	-0-	2,248,589
Major moveable equipment	<u>2,139,131</u>	<u>220,974</u>	<u>55,413</u>	<u>2,304,692</u>
Total	<u>\$ 4,435,460</u>	<u>\$ 296,480</u>	<u>\$ 55,413</u>	<u>\$ 4,676,527</u>

	<u>ASSET COST</u>			September 30, <u>1995</u>
	September 30, <u>1994</u>	<u>Additions</u>	<u>Deletions</u>	
Land	\$ 22,400	\$ -0-	\$ -0-	\$ 22,400
Land improvements	171,935	-0-	-0-	171,935
Buildings and fixed equipment	3,187,662	-0-	-0-	3,187,662
Major moveable equipment	2,405,594	325,831	-0-	2,731,425
Construction in progress	<u>-0-</u>	<u>42,800</u>	<u>-0-</u>	<u>42,800</u>
Total	<u>\$ 5,787,591</u>	<u>\$ 368,631</u>	<u>\$ -0-</u>	<u>\$ 6,156,222</u>

	<u>ACCUMULATED DEPRECIATION</u>			September 30, <u>1995</u>
	September 30, <u>1994</u>	<u>Additions</u>	<u>Deletions</u>	
Land improvements	\$ 106,026	\$ 8,597	\$ -0-	\$ 114,623
Buildings and fixed equipment	2,122,021	59,685	-0-	2,181,706
Major moveable equipment	<u>1,944,926</u>	<u>194,205</u>	<u>-0-</u>	<u>2,139,131</u>
Total	<u>\$ 4,172,973</u>	<u>\$ 262,487</u>	<u>\$ -0-</u>	<u>\$ 4,435,460</u>

Property, plant and equipment includes fully depreciated assets which are still in service in the amount of \$3,217,970 for 1997.

These assets were obtained in part with funds from a Hill-Burton program grant of \$907,482. The Hill-Burton program has the ability to recapture a portion of that grant should the facility be taken out of service or if used by an unqualified recipient.

JACKSON PARISH HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 8 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

Accrued expenses and withholdings payable at September 30, 1997, 1996 and 1995 consist of the following:

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Liability for incurred but unreported claims	\$ 11,327	\$ 11,327	\$ 11,327
Accrued interest payable	7,679	4,259	4,742
Accrued salaries and fees payable	217,658	231,030	175,391
Accrued compensated absences	148,937	103,843	101,165
Payroll withholdings payable	<u>104,346</u>	<u>26,170</u>	<u>17,076</u>
Total	<u>\$ 489,947</u>	<u>\$ 376,629</u>	<u>\$ 309,701</u>

NOTE 9 - COMPENSATED ABSENCES

Employees of the District are entitled to paid vacation and holiday days. Sick days are not vested and, accordingly, no liability has been recorded in the accompanying financial statements. However, vested vacation and holiday days off have been recorded as a liability in the accompanying financial statements at employee earning rates in effect at the balance sheet date.

NOTE 10 - PENSION PLAN

The District sponsors a 403(b) plan for District employees. Each employee is eligible to participate in the plan immediately after completion of a 90 day probationary period, provided that the employee is at least 25 years of age. Once the employee has been employed full-time for two years, the District will begin matching 3% of the first 3% of the employees' compensation that is contributed as a salary reduction contribution. Employees may contribute an additional 7% which the District does not match. The District contributed \$29,514 and \$39,503 and employees contributed \$36,777 and \$74,882 in 1996 and 1995, respectively.

Effective March 1, 1996, the District adopted a new defined contribution plan, The Variable Life Insurance Company (VALIC) Prototype Combined Profit Sharing/Money Purchase Plan Basic Document and Adoption Agreement #001 named "Jackson Parish Hospital Retirement Plan" (The Plan). The Plan administrator is the Human Resource Director. Eligibility requirements are one year of employment and attained age of 21. Vesting is 25% per year for years of service 2-5. The plan's coverage includes death, disability and retirement benefits. The District may amend the Plan at any time at its sole discretion. However, no amendment may result in any participant's vested interest or any portion of the Plan's assets to revert back to the District. The District contributes 1% for all eligible employees. It will match up to 3% of employee salaries, if the employee also contributes 3%. Employees contributed \$134,234 and \$70,907 and the employer contributed \$75,177 and \$45,287 in 1997 and 1996, respectively.

JACKSON PARISH HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 11 - CAPITAL LEASES

The District leases various equipment under capital leases expiring in various years through 2001. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or fair value of the asset. The assets are depreciated over their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense.

The following is a summary of property held under capital leases:

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Total equipment under capital lease	\$ 197,547	\$ 222,478	\$ 152,508
Less: accumulated depreciation	<u>114,729</u>	<u>96,475</u>	<u>45,341</u>
Net assets under capital leases	\$ <u>82,818</u>	\$ <u>126,003</u>	\$ <u>107,167</u>

Minimum future lease payments under capital leases as of September 30, 1997 for each of the next four years and in aggregate are:

<u>Year</u>	<u>Amount</u>
1998	\$ 65,519
1999	29,957
2000	18,409
2001	<u>5,996</u>
Total minimum lease payments	119,881
Less amount representing interest	<u>13,017</u>
Present value of minimum lease payments	106,864
Less current maturities	<u>48,893</u>
Long-term maturities	\$ <u>57,971</u>

Interest rates on capital leases vary from 5% to 17% and are imputed on the lessor's implicit rate of return.

JACKSON PARISH HOSPITAL
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 12 - OPERATING LEASES

The District leases various equipment and a building under operating leases expiring in various years through 1998.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of September 30, 1997 and for each year following in aggregate are as follows: 1998 - \$51,300, thereafter - \$-0-.

Certain operating leases provide for renewal options for an indefinite period at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases.

NOTE 13 - BONDS PAYABLE

The District holds certificates of indebtedness in the amount of \$370,000 with a 6.9% rate of interest. The Series 1992 bonds are secured by a pledge of ad valorem taxes set at 7.5 mills to be levied on taxable property from 1989 through 1998.

A table of total debt service requirements follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
March 1, 1998	\$ 178,000	\$ 19,389	\$ 197,389
March 1, 1999	<u>192,000</u>	<u>6,624</u>	<u>198,624</u>
	<u>\$ 370,000</u>	<u>\$ 26,013</u>	<u>\$ 396,013</u>

JACKSON PARISH HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 14 - NET PATIENT SERVICE REVENUE

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

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. Certain outpatient services related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the District. Home health is reimbursed based upon a cost reimbursement methodology which is subject to limits on a cost per visit basis. The District's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 1995.

Medicaid - Medicaid inpatient services are reimbursed based on a prospectively determined per diem rate. Medicaid outpatient services are reimbursed under a cost reimbursement methodology. The District is reimbursed at a tentative rate for cost based services with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 1994.

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

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

JACKSON PARISH HOSPITAL
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 15 - PROFESSIONAL LIABILITY RISK

The District participates in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to health care providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the District is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of settlement for professional liability to \$500,000 per occurrence.

The constitutionality of this legislation has not been tested by the courts, although the Louisiana Supreme Court has decided that this limit does not apply in cases of strict liability. The District's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are redetermined utilizing actual losses of the District.

The Trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The District has included these allocations of equity in the trust in its financial statements. Equity reported by the Fund in the amounts of \$7,240, \$13,752, and \$11,975 were reported by the District for the years ended September 30, 1997, 1996 and 1995. These amounts were included as prepaid insurance and as reductions of insurance expense.

NOTE 16 - BUSINESS AND CREDIT CONCENTRATIONS

The District grants credit to patients, substantially all of whom are local residents, under terms requiring timely repayment. The District generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, Blue Cross, and commercial insurance policies).

The mix of gross receivables from patients and third-party payors at September 30 was as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Medicare and Medicaid	71%	84%	66%
Commercial Insurance	8%	10%	17%
Patients	21%	6%	17%

JACKSON PARISH HOSPITAL
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 17 - AD VALOREM TAXES

The District receives revenues from a 7.72 mill and a 2.98 mill ad valorem tax that began in January 1990 and will continue through 1999. The taxes received from the 7.72 mill tax are for maintenance, operations, and capital improvements of the Hospital, but are pledged as part of the Series 1992 Bond issue. The 2.98 mill tax is to be used for maintenance and operation of the Jackson Parish Ambulance Service.

NOTE 18 - GRANT REVENUE

The District was awarded \$25,000, \$50,714 and \$75,000 grants from the State of Louisiana during 1997, 1996 and 1995 for emergency services. The grant is given to assist rural hospitals in providing emergency services. The grant is dependent upon available funds and is therefore not guaranteed for future years.

NOTE 19 - CHARITY CARE

The District has a policy of providing charity care to indigent patients in emergency situations. For the reporting periods, the only charity care which can be identified is that which qualified as Hill Burton eligible. The foregone charges, based on established rates, of the identified free care is as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Charges	\$ <u>197,911</u>	\$ <u>476,771</u>	\$ <u>369,833</u>
Estimated Cost	\$ <u>160,229</u>	\$ <u>548,217</u>	\$ <u>337,391</u>

NOTE 20 - COMMITMENTS

The District has entered into employment contracts with six physicians as of September 30, 1997. These physicians work in hospital clinics and the emergency room. Total annual salaries under these contracts are approximately \$775,000.

NOTE 21 - CONTINGENCIES

The District evaluates contingencies based upon the best available evidence. The District believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the District's estimates, future earnings will be charged or credited.

JACKSON PARISH HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 21 - CONTINGENCIES (Continued)

The principal contingencies are described below:

Third Party Cost-Based Charges - The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

Further, in order to continue receiving reimbursement from the Medicare program, the District entered into an agreement with a government agent allowing the agent access to the District's Medicare patient medical records for purposes of making medical necessity and appropriate level of care determinations. The agent has the ability to deny reimbursement for Medicare patient claims which have already been paid to the District. The amount of such adjustments cannot reasonably be determined.

Professional Liability Risk (Note 15) - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

Workmen's Compensation Risk - The District participates in the Louisiana Hospital Association Self-Insurance Workmen's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. Accordingly, the District is contingently liable for assessments by the Louisiana Hospital Association Trust Fund. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The District has included these allocations of equity in the trust in its financial statements. Equity reported by the Fund in the amount of \$6,635, \$2,591 and \$8,679 were reported by the District for the years ended September 30, 1997, 1996 and 1995. These amounts were included as prepaid insurance and as a reduction of insurance expense for the years ended September 30, 1997, 1996 and 1995.

Hill-Burton Uncompensated Service and Community Service Obligations - As a result of the Police Jury receiving a federal Hill-Burton program grant, the District is required to provide a reasonable volume of uncompensated services to patients who are unable to pay for their medical care. As of September 30, 1997, the District had a deficit in the level of free care provided. This deficit must be reduced through providing uncompensated services to indigent patients in fiscal year 1998 and subsequent years. Uncompensated care must be provided by the District through its fiscal year ended September 30, 1998, (20 years from the date of the grant). Additionally, the grant requires the District to provide certain community services. As of September 30, 1997, the District had not received notification that it had fulfilled all the uncompensated care requirements.

JACKSON PARISH HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 21 - CONTINGENCIES (Continued)

Medical Benefits Trust - The Hospital maintains a medical benefits trust. The District contributes \$99 per employee per month and the employee contributes the balance of any premium required to cover the health benefits cost of the employees. All full time employees are eligible to participate. The trust pays all claims from funds provided from the District. The trust agreement provides that should it not have sufficient funds to cover its obligations, the District is obligated to fund the shortfall. The District purchases "excess" insurance coverage that provides for payment of individual claims in excess of \$15,000 or aggregate annual claims in excess of \$162,680. The District had a liability for incurred but not reported claims of \$11,327 at September 30, 1997, 1996 and 1995.

Medicaid Disproportionate Share - The reimbursement received under the Medicaid Disproportionate Share (DSH) program has been calculated based on reimbursement methodologies that have not been fully approved by the Health Care Financing Administration (HCFA). The final approval of these methodologies by HCFA could retroactively change, possibly significantly, the amount of Medicaid DSH reimbursement which the District has already received.

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

Year 2000 Computer Conversion - The District's management is aware that many older computer systems are unable to handle dates on or after January 1, 2000, causing existing equipment and software to be obsolete. The District's management is addressing the need and cost for upgrades and/or replacements with department heads and vendors. The cost of upgrades and/or replacements for all other computer hardware or software can not be reasonably estimated at this time.

Environmental Liability - The District's management has determined, that as a potentially responsible party, it is likely that it has incurred a liability for environmental remediation costs resulting from an underground fuel tank . Although no claim against the District has yet been asserted, it is expected that such a claim will be brought against the District in the future.

NOTE 22 - PRIOR PERIOD ADJUSTMENT

An adjustment of \$269,504 was made to fund balance as of September 30, 1994 to correct an error in cost report receivables made in previous years.

JACKSON PARISH HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 23 - SUBSEQUENT EVENTS

On October 6, 1997, the Jackson Parish Police Jury accepted the resignation of the District's board and voted to appoint James Freeman, David McManus, Nathaniel Zeno, Jr. and Dr. Charles Garrett to the Board of Commissioners of Jackson Parish Service District No. 1.

On November 11, 1997, the board entered into a management agreement with St. Francis Medical Center, Inc. to manage the facility.

On November 28, 1997, the District received a Medicaid Disproportionate Share payment of \$646,609.

On December 30, 1997, the board voted to terminate the July 19, 1996 contract between Dr. Bloodwell and the District.

On December 30, 1997, the board voted to pursue establishing a rural health clinic. The board will ask the state to reduce the number of hospital beds from 54 to 49.

NOTE 24 - LITIGATION

The District is a defendant in a lawsuit by one of its vendors for alleged breach of contract. The suit asks for actual damages for \$207,172 plus interest and attorney fees. The District has paid most of the actual claim with a balance due of \$54,000. An accrual was made for the balance due at September 30, 1997 for \$65,246 in the accompanying financial statements. Management will attempt to seek an out of court settlement for the balance due. If the settlement offer is not accepted and the case goes to trial, the amount of the ultimate loss to the District, if any, may equal the amount of damages sought by the plaintiff.

NOTE 25 - GOING CONCERN ISSUE

The financial statements have been prepared on the assumption that the District is a going concern. The District experienced operating losses in FY 1997 and 1996 and would have incurred a substantial operating loss in FY 1995 without Medicaid disproportionate share payments. The District's significant operating loss during 1996 and its significantly reduced cash flow as a result of reduction in Medicaid disproportionate share funds have contributed to the present going concern issue.

Subsequent to the balance sheet date, the District entered into a management agreement with St. Francis Medical Center, Inc., reduced operating expenses, and made other operational changes in an attempt to restore operations to a profitable situation.

SUPPLEMENTAL INFORMATION

JACKSON PARISH HOSPITAL
 STATEMENTS OF PATIENT STATISTICS
 YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Number of hospital patient days of care			
Medicare	2,561	2,038	2,081
Medicaid	281	394	429
Other	<u>419</u>	<u>306</u>	<u>346</u>
Total	<u>3,261</u>	<u>2,738</u>	<u>2,856</u>
Number of hospital patient discharges			
Medicare	516	386	386
Medicaid	92	85	106
Other	<u>117</u>	<u>106</u>	<u>125</u>
Total	<u>725</u>	<u>577</u>	<u>617</u>
Average length of patient stay			
Medicare	4.96	5.28	5.39
Medicaid	3.05	4.64	4.08
Other	3.58	2.89	2.77
All hospital patients	4.50	4.74	4.63
Psychiatric unit days of care			
Medicare	1,979	1,895	2,244
Medicaid	2,724	5,340	5,805
Other	<u>2,520</u>	<u>1,268</u>	<u>26</u>
Total	<u>7,223</u>	<u>8,503</u>	<u>8,075</u>
Psychiatric unit - discharges			
Medicare	132	84	89
Medicaid	393	249	263
Other	<u>31</u>	<u>97</u>	<u>-0-</u>
Total	<u>556</u>	<u>430</u>	<u>352</u>
Number of surgical cases	<u>245</u>	<u>134</u>	<u>136</u>
Number of emergency room visits	<u>5,467</u>	<u>5,723</u>	<u>5,015</u>
Home health visits	<u>27,861</u>	<u>28,079</u>	<u>30,096</u>

JACKSON PARISH HOSPITAL
STATEMENTS OF NET PATIENT SERVICE REVENUE - UNRESTRICTED FUND
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Daily patient services:			
Adult and pediatric	\$ 730,539	\$ 539,386	\$ 573,507
Intensive care	-0-	-0-	1,950
PCAU room revenue	<u>2,506,218</u>	<u>2,902,238</u>	<u>2,422,500</u>
Total daily patient services	<u>3,236,757</u>	<u>3,441,624</u>	<u>2,997,957</u>
Other professional services:			
Operating room	386,998	138,022	137,208
Recovery room	13,596	6,393	7,979
Anesthesia	137,707	71,750	82,915
Radiology	908,437	862,121	813,421
Laboratory	1,500,603	1,931,112	1,777,003
Blood	33,970	18,509	14,443
IV therapy	653,205	687,163	507,043
Respiratory care	756,422	907,980	681,025
Physical therapy	-0-	165	25
EKG and EEG	140,592	101,150	136,729
Medical supply	758,292	292,052	217,063
Pharmacy	1,635,824	1,464,796	1,001,008
PCAU	83,577	2,626	42
Brain and wellness center	1,721,065	214,750	-0-
Emergency room	684,482	787,964	610,630
Ambulance	577,023	776,123	668,364
Home health	1,560,766	1,758,367	1,837,517
Clinic	<u>850,702</u>	<u>679,108</u>	<u>505,155</u>
Total other professional services	<u>12,403,261</u>	<u>10,700,151</u>	<u>8,997,570</u>
Gross patient service revenue	15,640,018	14,141,775	11,995,527
Deductions from revenue	<u>(6,244,935)</u>	<u>(6,250,633)</u>	<u>(1,569,141)</u>
Net patient service revenue	<u>\$ 9,395,083</u>	<u>\$ 7,891,142</u>	<u>\$10,426,386</u>

JACKSON PARISH HOSPITAL
 STATEMENTS OF DEDUCTIONS FROM REVENUE - UNRESTRICTED FUND
 YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Medicare and Medicaid contractual adjustments	\$ 6,460,737	\$ 6,059,488	\$ 4,376,004
Employee discounts	17,963	11,697	11,744
Hill-Burton uncompensated services	197,911	476,771	369,833
Other	139,290	165,209	52,859
Medicaid Disproportionate Share (Note 5)	<u>(570,966)</u>	<u>(462,532)</u>	<u>(3,241,299)</u>
 Total deductions from revenue	 <u>\$ 6,244,935</u>	 <u>\$ 6,250,633</u>	 <u>\$ 1,569,141</u>

JACKSON PARISH HOSPITAL
 STATEMENTS OF OTHER OPERATING REVENUE - UNRESTRICTED FUND
 YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Television	\$ 1,792	\$ 367	\$ 447
Meals sold to employees	18,370	23,527	27,650
Miscellaneous sales	601	1,341	687
Medical records	5,182	5,460	3,029
Personnel medical evaluations	-0-	-0-	8,855
Rental income	12,000	12,067	9,017
Miscellaneous revenue	4,239	11,077	7,210
Purchase discounts	-0-	1,835	-0-
Vending revenue	3,538	2,763	69
Collection of bad debts	14,408	410	-0-
Supplies and drugs sold to employees	<u>10,529</u>	<u>12,659</u>	<u>3,006</u>
 Total other operating revenue	 \$ <u>70,659</u>	 \$ <u>71,506</u>	 \$ <u>59,970</u>

JACKSON PARISH HOSPITAL
STATEMENTS OF EXPENSES - SALARIES AND BENEFITS
UNRESTRICTED FUND
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	<u>1997</u>	<u>1996</u>	<u>1995</u>
General and administrative	\$ 382,191	\$ 392,429	\$ 367,298
Housekeeping	104,328	111,515	97,469
Dietary and cafeteria	95,176	105,318	101,391
Laundry	-0-	-0-	15,574
Plant operations and maintenance	54,729	82,815	67,646
Nursing administration	20,101	84,957	88,951
Medical records	80,083	87,226	59,631
Nursing services	547,275	462,982	433,314
PCAU	789,139	852,955	637,783
Operating room	88,917	45,239	37,739
Anesthesiology	78,958	-0-	-0-
Radiology	128,417	131,011	123,701
Laboratory and blood	204,139	246,006	272,238
Respiratory therapy	81,442	88,955	67,100
Central supply	37,936	45,469	34,623
Pharmacy	81,858	101,133	91,739
Brain and wellness center	187,021	17,236	-0-
Emergency room	477,152	345,223	427,295
Ambulance	285,674	293,672	266,135
Clinics, POB	987,789	731,996	456,196
Home health	<u>658,009</u>	<u>634,357</u>	<u>678,664</u>
 Total salaries	 <u>5,370,334</u>	 <u>4,860,494</u>	 <u>4,324,487</u>
 FICA	 333,501	 350,823	 322,381
Hospital insurance	204,146	230,434	184,097
Workers' compensation insurance	177,071	143,246	90,626
Unemployment taxes	29,381	9,028	1,504
Other	<u>47,177</u>	<u>12,758</u>	<u>28,903</u>
 Total benefits	 <u>791,276</u>	 <u>746,289</u>	 <u>627,511</u>
 Total salaries and benefits	 <u>\$ 6,161,610</u>	 <u>\$ 5,606,783</u>	 <u>\$ 4,951,998</u>

JACKSON PARISH HOSPITAL
 STATEMENTS OF EXPENSES - MEDICAL SUPPLIES AND DRUGS
 UNRESTRICTED FUND
 YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Nursing services	\$ 47,900	\$ 44,605	\$ 3,254
PCAU	8,294	9,747	10,420
Operating room	44,998	26,103	20,724
Anesthesiology	1,123	185	165
Radiology	38,588	67,321	44,922
Laboratory and blood	194,188	156,894	131,657
Respiratory therapy	23,292	63,223	48,359
EKG and EEG	-0-	1,521	1,218
Central supply	40,260	32,976	71,243
Pharmacy	256,759	301,545	317,262
Brain and wellness center	137	1,319	-0-
Emergency room	31,698	33,795	44,431
Ambulance	18,344	16,415	10,850
Clinics	26,873	66,992	33,668
Home health	<u>17,866</u>	<u>16,759</u>	<u>21,089</u>
 Total medical supplies and drugs	 \$ <u>750,320</u>	 \$ <u>839,400</u>	 \$ <u>759,262</u>

JACKSON PARISH HOSPITAL
 STATEMENTS OF EXPENSES - MEDICAL, PROFESSIONAL AND CONSULTING SERVICES
 UNRESTRICTED FUND
 YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	<u>1997</u>	<u>1996</u>	<u>1995</u>
PCAU	\$ 4,905	\$ 107,841	\$ 1,190,117
Anesthesiology	46,204	67,601	62,445
Radiology	60,966	103,175	32,631
Laboratory	53,451	109,188	142,015
Respiratory therapy	19,826	8,730	11,640
EKG and EEG	53,583	43,398	62,131
Emergency room	54,687	290,727	205,977
Home health	<u>22,655</u>	<u>37,713</u>	<u>55,755</u>
 Total professional fees	 <u>\$ 316,277</u>	 <u>\$ 768,373</u>	 <u>\$ 1,762,711</u>

JACKSON PARISH HOSPITAL
STATEMENTS OF EXPENSES - OTHER EXPENSES
UNRESTRICTED FUND
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Service fees	\$ 283,953	\$ 393,724	\$ 366,131
Board per diem	6,060	8,400	8,400
Legal and accounting	52,961	33,061	40,072
Non medical supplies	242,487	378,949	382,544
Repairs and maintenance	135,557	190,835	172,101
Utilities	272,122	187,842	197,943
Telephone	117,884	93,704	95,667
Travel and education	102,952	110,735	104,997
Public relations	4,052	24,811	14,228
Scholarships	-0-	2,625	2,975
Licenses, dues, subscriptions	29,612	46,337	13,545
Medical evaluations	1,264	37,053	-0-
Recruitment	567	100,644	-0-
Other	<u>99,050</u>	<u>51,671</u>	<u>66,775</u>
 Total other	 <u>\$ 1,348,521</u>	 <u>\$ 1,660,391</u>	 <u>\$ 1,465,378</u>

JACKSON PARISH HOSPITAL
 STATEMENTS OF PER DIEM AND
 OTHER COMPENSATION PAID TO BOARD MEMBERS
 YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Board Members:			
Mr. Johnnie Stevenson	\$ 980	\$ 1,200	\$ 1,200
Ms. Mary Ellen Briehn	-0-	1,200	1,200
Mr. Prentice Norred	900	1,200	1,200
Mr. John Jackson	1,120	1,200	1,200
Ms. Barbara Johns	1,020	1,200	1,200
Mr. Sam Lamkin	1,020	1,200	1,200
Mr. George Cook	<u>1,020</u>	<u>1,200</u>	<u>1,200</u>
 Totals	 \$ <u>6,060</u>	 \$ <u>8,400</u>	 \$ <u>8,400</u>

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL
STATEMENTS CONDUCTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Jackson Parish Hospital Service District No. 1
Jonesboro, Louisiana

We have audited the general purpose financial statements of the Jackson Parish Hospital Service District No. 1 (the District) for the year ended September 30, 1997 and have issued our report thereon dated February 26, 1998.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the District 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 audits of the financial statements of the District for the year ended September 30, 1997, 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 general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Board of Commissioners
Jackson Parish Hospital Service District No. 1
Jonesboro, Louisiana
Page Two

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. The schedule that accompanies this letter summarizes our comments and suggestions regarding this matter.

A material weakness is a reportable condition in which the design or operation of one or more of the specific 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted certain matters involving internal control structure and its operation that we consider to be material weaknesses as defined above. The schedule that accompanies this letter summarizes our comments and suggestions regarding these matters. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statements of the District for the year ended September 30, 1997.

This report is intended for the information of management and the office of the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Easley, Lester & Wells

Certified Public Accountants

February 26, 1998

JACKSON PARISH HOSPITAL
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 1997

GENERAL

We noted that there was improvement and implementation of a number of the prior year conditions. However, we found that many comments and recommendations that were made in prior years had not been implemented.

These comments and recommendations are made to help the Hospital improve its system of controls, remain in compliance with laws and regulations and to maximize reimbursements from governmental programs. We strongly recommend action be taken on the comments and recommendations to achieve these goals.

MATERIAL WEAKNESSES

1. Allowance for Doubtful Accounts Calculation

Condition: The in-house and discharged not final billed accounts are not included in the monthly analysis and calculation of the allowance for doubtful accounts. Accounts that have been written-off and sent to a collection agency remained on the general ledger subsidiary ledger.

Recommendation: Unbilled accounts should be included in bad debt calculations to obtain accurate results in the monthly allowance for doubtful accounts calculations. Also, all accounts that have been turned over to a collection agency should be removed from the general ledger subsidiary.

Response: Unbilled in-house and discharged not final billed accounts are now included in the monthly analysis and calculation of the allowance for doubtful accounts effective with the January 1998 closing. Due to the obsolete, unsophisticated patient accounting software from Data Systems currently being used on the AS400, accounts that have been written-off and sent to a collection agency still remain on the general ledger subsidiary ledger due to the inability to split the subsidiary ledger into two separate ledgers, one for current active accounts, and one for bad debt accounts. Through a two-phase process, bad debt accounts can be written off the system, but then the ability to monitor bad debt accounts and collection agencies would be severely crippled or not available at all. The hospital will consult with Data Systems to see what possibility there may be to modify the current software to accommodate the splitting of the one available general ledger subsidiary, or look into a possible system or software upgrade to accommodate this.

2. Clinic Accounts Receivable

Condition: Clinic revenues were not fully recorded on the general ledger.

Recommendation: Monthly journal entries should be made to record clinic activity. Also, detail subsidiary ledgers should be maintained on clinic patients.

Response: Currently, a monthly transaction report is system generated and submitted for input into the general ledger. An Accounts Receivable schedule of accounts receivable is maintained with gross charges, payments and adjustments by physician at the hospital. The detail for the transaction listing is maintained in the clinics. Also, the District has contracted with Physician Services of Northeast Louisiana to rework the clinics billing.

JACKSON PARISH HOSPITAL
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 1997

MATERIAL WEAKNESSES (Continued)

3. Physician Performance Controls

Condition: The hospital employed several new physicians during 1996 and 1997. These physicians were guaranteed certain salaries which were not contingent on meeting any performance standards.

Recommendation: We suggest that existing physician contracts be renegotiated to incorporate minimum performance standards. Additionally, we recommend that all new contracts with physicians include productivity and performance standards.

Response: All employed physician contracts will be renegotiated on their anniversary date to include minimum performance standards. All new physician contracts will also include productivity and performance standards.

4. Accounts Payable

Condition: Accounts payable were not accrued in a timely manner. There was a significant time lapse between the invoice date and posting date of vendor invoices.

Recommendation: Steps should be taken to insure that accruals are all inclusive and posted timely.

Response: The accounting department is now accruing accounts payable in a timely manner that reflects the appropriate period the expenditure was incurred or is expected to occur. The practice of holding invoices and not accruing or posting the expenditure until an approved purchase order has been received has been stopped. Invoices are now posted in the month they are received, and if necessary, the expenditure is accrued for the month that it relates to.

5. Medical Denials

Condition: We noted that the Medicaid Program denied a large number of psychiatric unit claims during fiscal year 1997. At year end, the Medicare/Medicaid allowance for contractual adjustments includes approximately \$830,000 for uncollectible Medicaid psychiatric receivables. These accounts were written-off subsequent to September 30, 1997.

Recommendation: We suggest that admitting personnel determine the status of Medicaid eligibility for psychiatric patients prior to admission. If the length of stay is expected to exceed eligible days, approval should be obtained from the Medicaid program prior to admission.

Response: A more detailed assessment of Medicaid psychiatric patients will be performed prior to admission to the psychiatric unit to assure eligibility. Initial certifications and any recertifications for additional approved days will be done and monitored by the U. R. department so that appropriate discharge planning can occur, thus reducing the number of Medicaid Program denials.

JACKSON PARISH HOSPITAL
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 1997

MATERIAL WEAKNESSES (Continued)

6. Ambulance Purchase

Condition: The District purchased an ambulance during the year. No board approval was noted in the Board minutes for the purchase. However, the lowest bid was accepted by the District.

Recommendation: All capital purchases in excess of \$10,000 need board approval and documentation in the board minutes.

Response: In the future, all capital purchases in excess of \$10,000 will be presented to the governing Board for approval and advertised for bids. Approvals will be documented in the Board minutes.

REPORTABLE CONDITIONS

1. Home Health Receivable

Condition: Home health accounts receivable are recorded at a net value on the balance sheet without detailing the allowances which reduced these receivables to net value.

Recommendation: Gross accounts receivable, allowance for doubtful accounts and contractual allowances should be shown separately in the financial statements between prior month balances, budget, etc.

Response: Separate general ledger account numbers will be set up on the hospital's general ledger to separately record Home Health gross accounts receivable and gross patient revenues, Home Health allowance for doubtful accounts and bad debts expense, and Home Health contractual allowances and revenue deductions so that budgeted and prior month comparisons can be shown on the financial statements.

2. PIP Payments

Condition: The hospital is currently being paid PIP payments every two weeks by TriSpan for Medicare inpatient claims. In order to receive these payments, the hospital must bill 85% of their claims within 30 days of discharge. In correspondence from TriSpan, JPH has been asked to improve their percentage to 85% or consideration will be given to removing JPH from the PIP Method of reimbursement. The removal of the District from the PIP Method of reimbursement would temporarily reduce cash flow to the hospital.

Recommendation: The hospital should bill all Medicare inpatient claims within 30 days of service.

Response: The hospital is making every effort to assure that Medicare patients are billed within 30 days of service, however, a key component to that is physician compliance. Requests have been made to the physicians, penalties have been assessed on delinquent medical records, and progress has been made. Although these measures have been taken, there is still progress to be made.

JACKSON PARISH HOSPITAL
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 1997

REPORTABLE CONDITIONS (Continued)

3. Routine Revenues

Condition: Routine revenue has not been reconciled to medical records days.

Recommendation: Routine revenue should be tested to medical records days on a monthly basis. In addition, automatic room rates recording should be reviewed to insure room rates and general ledger recording are correct. This method could identify any data file problems that might occur during the year.

Response: As a recommendation, routine revenue will be tested to medical records days at the end of each month as part of monthly closing.

4. Capital Asset System

Condition: A lotus spreadsheet is being utilized to record and depreciate assets. However, with personnel turnover, the assets are not being depreciated consistently each year.

Recommendation: The District should consider purchasing a capital asset management program to insure consistency of recording depreciation.

Response: The hospital will look into and consider the purchase of a stand alone asset depreciation program, however, cost is a major factor. Until a stand alone asset depreciation program can be purchased, the management duties of properly recording and depreciating assets has been assigned to the hospital's general accountant, who currently has been with the hospital for over one and a half years and has stabilized personnel turnover in this area.

5. Medicare Credit Balance Report

Condition: Credit balance reports that are being submitted to Medicare appear to be inaccurate. The last report sent indicated that there were no credit balances related to Medicare accounts. In reviewing the credit balance report, we noted that there were several patient accounts in the Medicare financial class that should have been included on this report.

Recommendation: Credit balance reporting to Medicare should be timely and include accurate information. Also, the monthly credit balance report should be reconciled to the aged trial balance to insure that all accounts with credit balances are coded to the correct financial class.

Response: This duty will be reassigned to the Business Office Manager to assure timeliness and accuracy.

JACKSON PARISH HOSPITAL
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 1997

REPORTABLE CONDITIONS (Continued)

6. Segregation of Duties

Condition: Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording and custody functions.

Recommendations: We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes 1) separating transaction authorization from custody of related asset; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operational responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

Response: It is not practicable or cost effective to achieve the total segregation of duties with the number of available employees. However, management will segregate wherever possible and supervise and review in the other areas.

7. Filed Cost Report

Condition: The cost report for FY 1996 was prepared when there were only 78 adjusting journal entries. The final audited working trial balance includes 159.

Recommendation: An amended cost report should be filed which incorporates all adjusting journal entries.

Response: This report is currently being revised and will be submitted to the intermediary once it is completed.

8. Signature Cards

Condition: Signature cards at the bank still contain the former administrator's name.

Recommendation: Signature cards should be updated immediately upon termination or resignation of personnel responsible for signing checks.

Response: Signature cards at Jonesboro State Bank will be updated immediately upon termination or resignation of personnel responsible for signing checks.

9. Consistency in Recording

Condition: Numerous reclassification entries were needed to correct the general ledger. Medical supply charges are not being consistently recorded.

Recommendation: All charges should be consistently reported to provide management with accurate financial statements to make informed financial decisions.

Response: The current departmental revenue programming identifies medical supply charges/revenues within the department using them and submitting charges for them, not within one centralized Medical Supplies department or location. The hospital will make every attempt to have the current programming upgraded or changed to include consistent recording of medical supply charges through one department or location.

JACKSON PARISH HOSPITAL
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 1997

REPORTABLE CONDITIONS (Continued)

10. Health Insurance Liability

Condition: The District has a self insurance healthcare plan for its employees. The District's liability for incurred but unreported claims is not being adjusted monthly.

Recommendation: The District should request information from the plan trustee monthly to record incurred but unreported liabilities related to the self insurance healthcare plan.

Response: The current healthcare insurance coverage provided by the hospital for its employees is now a fully insured plan.

11. Medicare and Medicaid Logs

Condition: Medicare and Medicaid logs were not maintained during the year.

Recommendation: Medicare and Medicaid logs should be maintained to assist in the preparation of a more accurate cost report.

Response: The current patient accounting/data processing system or software is not capable of maintaining an automated computer Medicare/Medicaid log due to its unsophisticated programming. There is no cost effective way to maintain a manual Medicare/Medicaid log with recent staff reductions in the Business Office area due to limited personnel. The hospital will explore the possibility of upgrading the current software to include an automated Medicare/Medicaid log.

12. Accounts Receivable Reconciliation

Condition: The accounts receivable subsidiary ledger had not been reconciled to the general ledger for the year. A journal entry for \$878,894 had to be made to balance the general ledger to the subsidiary ledger.

Recommendation: The accounts receivable subsidiary ledger should be reconciled to the general ledger each month.

Response: The accounts receivable subsidiary ledger is currently being reconciled to the general ledger each month by the CFO

13. Documentation for Travel Expenses

Condition: Two trips for a former administrator for a total of \$2,376 contained no receipt or explanation as to the purpose of the trip.

Recommendation: Documentation needs to be attached to the purchase order as to the purpose of the trips. Also, receipts and CPE certificates need to be maintained.

Response: All travel expenses will be reimbursed only if proper receipts are attached to support amounts claimed and if the nature or purpose of the travel expenses is documented or attached.

JACKSON PARISH HOSPITAL
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 1997

REPORTABLE CONDITIONS (Continued)

14. Accounting Policies and Procedures Manual

Condition: No accounting policies and procedures manual exists.

Recommendation: A complete and current accounting policies and procedures manual and chart of accounts needs to be established and maintained.

Response: The hospital will establish an Accounting Policies and Procedures Manual. The hospital currently has an existing chart of accounts which will be totally revised to establish consistency in general ledger account numbers between and within departments.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
BASED ON AN AUDIT OF GENERAL PURPOSE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Jackson Parish Hospital Service District No. 1
Jonesboro, Louisiana

We have audited the general purpose financial statements of the Jackson Parish Hospital Service District No. 1 (the District) as of and for the year ended September 30, 1997 and have issued our report thereon dated February 26, 1998.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

While performing our audit, we read the responses to the questions in the attached Systems Survey and Compliance Questionnaire completed by management and adopted by the Board of Commissioners and found no evidence that would indicate that the District had not answered the questions correctly. However, it should be noted that our audit was not directed primarily towards the answers to the questions in the questionnaire.

Compliance with laws, regulations, contracts and grants applicable to the Jackson Parish Hospital Service District No. 1 is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

We noted certain instances of noncompliance that are included in the accompanying schedule.

Board of Commissioners
Jackson Parish Hospital Service District No. 1
Jonesboro, Louisiana
Page Two

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

Easley, Lester & Wells

Certified Public Accountants

February 26, 1998

JACKSON PARISH HOSPITAL
REPORTABLE NONCOMPLIANCES
YEAR ENDED SEPTEMBER 30, 1997

1. Board Per Diem

Condition: Again this year, board members are paid \$100 per month whether they attend a board meeting or not. This violated Louisiana Revised Statute 46:1053 C (2)(a) which specifies that each member may be paid "not less than twenty-five dollars nor more than forty dollars for each day of his attendance at the meetings of the commission, not to exceed twelve meetings per year payable out of the funds of the hospital service district."

Recommendation: The District should pay board members a maximum of \$40 dollars per meeting attended.

Response: As of the meeting on June 17, 1997, a motion to reduce Board Member's pay to \$40 per meeting, not to exceed twelve (12) meetings per year was made and carried. This was effective July 1, 1997.

2. Capital Leases

Condition: In 1995, the hospital had five capital leases which had no documentation in the board minutes of approval by the state bond commission. During 1996, the hospital entered into two new capital leases. The Louisiana Revised Statutes require that any incurrence of debt over 90 days must be approved by the state bond commission if certain nonappropriation clauses are not met.

Recommendation: The hospital should write the state bond commission (Sharon Perez, P. O. Box 44154, Baton Rouge, LA 70804 (504)342-0034) and request an expedited review and approval as soon as possible.

Response: A listing of outstanding leases has been sent to the State Bond Commission and as appropriate, an expedited review request will be submitted.

3. Corporate Compliance Plan

Condition: In an open letter to Medicare and Medicaid providers and in numerous public statements, the U. S. Health and Human Services Inspector General and others in her office have made it clear that such providers should (but are not required) establish corporate compliance programs.

The Office of Inspector General ("OIG") generally has taken the position that indifference (a failure to pro-actively maintain a system to avoid errors) that results in violations is similar to intentional violations and that lack of knowledge is not a defense. The OIG has stated that, when it finds a violation it will make every effort to enforce the maximum penalty when a corporate compliance plan is not in place. When such a plan is in place (and actually working in the daily operations as opposed to being a document "on a shelf"), it has stated that it will give consideration to the providers efforts to avoid violations.

JACKSON PARISH HOSPITAL
REPORTABLE NONCOMPLIANCES
YEAR ENDED SEPTEMBER 30, 1997

3. Corporate Compliance Plan (Continued)

The OIG recommends that such a plan include specifics in the following general areas.

1. Assignment of oversight responsibility to an individual high in the corporate structure.
2. Establishment of due care in the delegation of authority.
3. Conducting effective training and educational programs.
4. Utilization of monitoring and auditing to detect non-compliance.
5. Development of effective lines of communication for reporting of violations (including a hot line for anonymous reporting) and clarification of policy.
6. Enforcement of standards through well-publicized discipline guidelines and procedures.
7. Immediate and appropriate response to detected offenses and prevention of further offenses through systematic changes and corrective action initiatives.

Recommendation: Since a financial statement audit is not designed to examine many of these areas (i.e. fair market value of transactions with physicians, proper billing), we recommend that the District ensure that its program includes a compliance audit of its operations to determine possible violations and that they be corrected. Further, the program should include procedures to ensure that the program becomes a part of daily operations.

Response: At the January, 1998 governing Board meeting, the Hospital Board of Commissioners approved a Resolution authorizing the development and implementation of a compliance program. Each hospital departmental supervisor is currently preparing a plan pertinent to their department.

4. 1998 Budget

Condition: The District did not prepare a operating budget for the 1998 fiscal year.

Recommendation: A fiscal budget should be prepared in a timely manner.

Response: A full year fiscal operating budget was not prepared for the hospital due to changes that were taking place in the management of the hospital. These management and operational changes took several months to occur. However, the new management of the hospital has prepared an operating budget and a capital budget for the final six months of the hospital's current fiscal year that will be presented to the Hospital's Board of Commissioners for their consideration and approval at the March, 1998 Board meeting.

JACKSON PARISH HOSPITAL
REPORTABLE NONCOMPLIANCES
YEAR ENDED SEPTEMBER 30, 1997

5. Payroll Deposits

Condition: The District did not make timely payroll deposits. At September 30, 1997, \$92,952 was owed for payroll taxes and withholdings. By not making deposits timely, the Internal Revenue Service and Louisiana Department of Revenue and Taxation could assess large penalties and interest.

Recommendation: Tax deposits should be made timely. Abatement of penalties should be requested.

Response: The CFO has corresponded with the Internal Revenue Service (IRS) and Louisiana Department of Revenue and Taxation. The IRS stated that they would not pursue penalties and interest at this time. The Louisiana Department of Revenue and Taxation has not responded regarding penalties and interest.