

**EAST ACHENBERRY PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA
Gretna, Louisiana**

**SCHEDULE OF OPERATIONS RESULTING ONLY
FROM TRANSACTIONS FOR THE YEAR ENDED MARCH 31, 1996**

	<u>1996</u>
NET PATIENT SERVICE REVENUE	\$ 27,126,783
OTHER REVENUE	<u>106,473</u>
Total Revenue	<u>27,233,256</u>
EXPENSES	
Salaries	11,392,524
Employee benefits	1,643,897
Rent/lease	1,798,500
Medical and other supplies	2,343,598
Purchased auxiliary	4,365,413
Contract fees	2,853,324
Professional fees	96,786
Physician fees	1,278,865
Provision for uncollectible accounts	251,678
Travel	39,406
Insurance	282,280
Utilities	447,583
Other	888,524
Interest expense	-
Depreciation expense	<u>622,278</u>
Total Expenses	<u>28,986,351</u>
LOSS FROM OPERATIONS	(1,753,196)
NONOPERATING GAINS	
Income on investments, whose use is limited:	
By agreements with third-party payors for funded depreciation	387,813
Under loan agreements - tax revenues	2,923
Other investment income	<u>788,438</u>
Total Nonoperating gains	<u>1,181,184</u>
Revenues and gains in excess (deficit) of expenses	<u>(571,952)</u>

**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA
Gonzales, Louisiana**

**STATEMENTS OF REVENUES AND EXPENSES
YEARS ENDED MARCH 31, 1996 AND 1995**

	<u>1996</u>	<u>1995</u>
NET PATIENT SERVICE REVENUE	\$ 27,026,762	\$ 26,351,287
Adjustments to estimated third-party payer amounts, including current year	(11,568,983)	-
OTHER REVENUE	186,473	186,784
Total Revenue	15,644,252	15,469,088
EXPENSES		
Salaries	11,583,524	11,273,448
Employee benefits	1,685,897	1,989,226
Contractors	1,198,209	1,368,008
Medical and other supplies	2,143,590	2,248,731
Purchased auxiliary	6,365,618	6,088,756
Contract fees	1,158,186	6,186,318
Professional fees	96,285	128,815
Physician fees	1,276,083	1,258,524
Provision for accounts receivable	251,678	384,514
Travel	59,485	43,296
Insurance	282,280	305,880
Utilities	447,093	483,690
Other	588,524	515,793
Interest expense	-	11,759
Depreciation expense	521,478	587,698
Total Expenses	22,431,323	22,488,588
INCOME (LOSS) FROM OPERATIONS	(6,787,071)	(6,792,472)
NONOPERATING GAINS		
Income on investments whose use is limited: By agreements with third-party payers for limited depreciation	387,815	388,231
Under lease agreements - tax revenues	2,825	8,840
Other investment income	798,434	791,361
Total Nonoperating gain	1,189,074	1,188,432
Revenue and gains in excess (deficit) of expenses	(5,597,997)	(7,300,040)

The accompanying notes are an integral part of these statements.



Postlethwaite & Netterville

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
East Ascension Parish Hospital Service District
of Ascension Parish, Louisiana
Gonzales, Louisiana

We have audited the accompanying financial statements of the East Ascension Parish Hospital Service District of Ascension Parish, Louisiana, component unit of the Ascension Parish Council, as of and for the year ended March 31, 1999 and 1998, 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.

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 East Ascension Parish Hospital Service District of Ascension Parish, Louisiana as of March 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated July 30, 1996 on our consideration of East Ascension Hospital Service District of Ascension Parish's internal control structure and a report dated July 30, 1996 on its compliance with laws and regulations.

As discussed in Note 18 to the financial statements, significant adjustments were made to prior years' third-party paper settlements during the fiscal year ended March 31, 1996.

Postlethwaite & Netterville

Dunelmenville, Louisiana
July 30, 1996

**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA**

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EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA

FINANCIAL STATEMENTS

MARCH 31, 1996 AND 1995



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**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA**

FINANCIAL STATEMENTS

MARCH 31, 1996 AND 1995

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: OCT 05 1996



EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
ST. ASCENSION PARISH, LOUISIANA

Gonzales, Louisiana

BALANCE SHEETS
MARCH 31, 1996 AND 1995

ASSETS	<u>1996</u>	<u>1995</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,247,308	\$ 3,054,270
Certificates of deposit and investments	9,800,000	3,205,165
Patient accounts receivable, (net of estimated uncollectibles of \$400,576 in 1996, and \$348,028 in 1995)	2,792,689	4,815,087
Estimated third-party payor settlements	-	8,818,165
Inventory, at lower of cost (first-in, first-out) or market	283,080	341,040
Other current assets	<u>130,980</u>	<u>235,052</u>
Total current assets	14,480,037	22,467,769
ASSETS WHOSE USE IS LIMITED		
By agreements with third-party payors for funded depreciation	7,094,709	7,094,133
Management fee receivable	2,398,194	-
PROPERTY AND EQUIPMENT - net	<u>3,550,024</u>	<u>6,180,447</u>
Total assets	<u>\$ 20,363,374</u>	<u>\$ 28,742,351</u>
<u>LIABILITIES AND FUND BALANCES</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 1,776,096	\$ 4,860,374
Accrued expenses	579,360	917,820
Estimated third-party payor settlements	<u>8,229,879</u>	<u>-</u>
Total current liabilities	<u>10,585,335</u>	<u>5,778,194</u>
Fund Balance:		
Unrestricted	<u>10,273,037</u>	<u>30,966,736</u>
Total liabilities and fund balance	<u>\$ 20,363,374</u>	<u>\$ 35,742,361</u>

The accompanying notes are an integral part of these statements.





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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

Board of Commissioners
East Assessor Parish Hospital Service District
Georgina, Louisiana

We have audited the financial statements of the East Assessor Parish Hospital Service District of Assessor Parish, Louisiana, as of and for the year ended March 31, 1996, and have issued our report therein dated July 30, 1996.

We conducted our audit in accordance with generally accepted auditing standards and Circumstantial 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 and regulations applicable to East Assessor Parish Hospital Service District of Assessor Parish, Louisiana, is the responsibility of East Assessor Parish Hospital Service District'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 and regulations. 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 the following instance of noncompliance that is required to be reported herein under Government Auditing Standards:

The Hospital does not post the agenda for its board meetings twenty-four hours in advance of its board meetings in accordance with state law.

We considered this instance of noncompliance in forming our opinion on whether the Hospital's financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated July 30, 1996 on those financial statements.

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

Postlethwaite & Netterville

Donaldsonville, Louisiana
July 30, 1996



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL

Board of Commissioners

East Ascension Parish Hospital Service District
Gretnier, Louisiana

We have audited the financial statements of the East Ascension Parish Hospital Service District of Ascension Parish, Louisiana, component unit of the Ascension Parish Council, as of and for the year ended March 31, 1996 and have issued our report thereon dated July 30, 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.

The management of East Ascension Parish Hospital Service 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 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 recorded 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 East Ascension Parish Hospital Service District of Ascension Parish, Louisiana, for the year ended March 31, 1996, 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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INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the Board of Directors and Stockholders
of East Ascension Parish Hospital Service District

Our report on our audit of the basic financial statements of East Ascension Parish Hospital Service District for the year ended March 31, 1996 appears on page one. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Operations Resulting Only From Transactions for the Year Ended March 31, 1996 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, because of the significance of the omission of activity resulting from changes in estimates made in previous years the schedule of operations referred to above does not present fairly its conformity with generally accepted accounting principles, the operations of the Hospital as of March 31, 1996.

Postlethwaite & Netterville

Donaldsonville, Louisiana
July 30, 1996

EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA
ADDITIONAL REPORTS
MARCH 31, 1998



**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA**

Greenville, Louisiana

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reporting Entity (continued)

Because the council appoints all members to the district's Board of Commissioners, the district was determined to be a component unit of the Ascension Parish Council, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the district and do not present information on the council, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

Income Taxes

The Hospital is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 504(j) of the Code.

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.

Investments and Investment Income

Donated investments are reported at fair value at the date of receipt, which is then treated as cost. Investment income from all general fund investments are reported as nonoperating gains.

Statement of Revenue and Expenses of General Funds

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

Assets Whose Use Is Limited

Assets whose use is limited may 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 set aside in accordance with agreements with third-party payors; and assets under bond agreements.

EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA
Gretna, Louisiana

STATEMENTS OF CHANGES IN FUND BALANCES
YEARS ENDED MARCH 31, 1994 AND 1995

	<u>Dollars</u>
BALANCE, March 31, 1994	\$ 25,218,458
Price period adjustment	(3,131,790)
BALANCE, March 31, 1994, as restated	22,086,732
Revenue and gains in excess of expenses	7,582,084
BALANCE, March 31, 1995	29,668,796
Revenue and gains in excess (deficit) of expenses	(10,981,379)
BALANCE, March 31, 1996	\$ 18,707,417

The accompanying notes are an integral part of these statements.



**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA
Gonnesse, Louisiana**

**STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 1996 AND 1995**

	<u>1996</u>	<u>1995</u>
CASH FLOWS FROM OPERATING ACTIVITIES AND GAINS		
Cash received from patients and other third-party payors	\$ 34,006,487	\$ 40,508,218
Cash paid to employees and suppliers	(31,526,927)	(32,109,088)
Other receipts from operations	497,220	105,794
Interest received	737,528	480,360
Interest paid	_____	(11,758)
Net cash provided by operating activities and gains	<u>2,784,388</u>	<u>9,000,373</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(366,858)	(158,858)
Cash received from sales of property and equipment	1,500	6,700
Purchases of certificates of deposit and investments	(5,695,300)	(2,848,822)
Cash invested in assets whose use is limited	(268,518)	(408,362)
Net cash used by investing activities	<u>(6,329,176)</u>	<u>(3,309,342)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	_____	(815,515)
Net cash used by financing activities	_____	<u>(815,515)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(2,980,960)</u>	<u>4,880,486</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>5,124,373</u>	<u>761,787</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,143,413</u>	<u>\$ 5,124,373</u>

The accompanying notes are an integral part of these statements.



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 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 and 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.

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

Paul A. Hwaite, III *Metairieville*

Metairieville, Louisiana
July 30, 1996

**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA**
Gonzales, Louisiana

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

East Ascension Parish Hospital Service District, d/b/a Ascension Hospital (the Hospital) is a not-for-profit acute care hospital with emphasis on being a long-term care hospital. The Hospital was approved by the Ascension Parish Police Jury, and is a political subdivision organized under the State of Louisiana laws. The Hospital has a Board of Commissioners who are appointed by the Parish Council, formerly known as the Police Jury.

Basis of Presentation

The accompanying component unit financial statements of the East Ascension Parish Hospital Service District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

As the governing authority of the parish, for reporting purposes, the Ascension Parish Council is the financial reporting entity for Ascension Parish. The financial reporting entity consists of (a) the primary government (council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Ascension Parish Council for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria include:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the council to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose a debt for financial burdens on the council.
2. Organizations for which the council does not appoint a voting majority, but are fiscally dependent on the council.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.



**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA**
Georgina, Louisiana

NOTES TO FINANCIAL STATEMENTS

10. REGULATORY MATTERS

As discussed in Note 9, the Hospital has a management contract with an unrelated consulting firm. The results of an audit covering fiscal years 1992 - 1994 by the Medicare intermediary resulted in the disallowance of a significant portion of the management fees paid to the consulting firm during those years. The amounts owed back to Medicare for fiscal years 1992 - 1994 is \$1,338,313, which was paid subsequent to the year ended March 31, 1995. This amount was reflected as a decrease to revenue in the current year.

Additionally, management recalculated Medicaid cost reports and disproportionate share amounts for three years plus all third-party payer amounts for fiscal 1993, in anticipation of similar adjustments to those cost reports. The total of these adjustments and the effect of any Medicare receivables that may have previously been recorded but will not be received due to the circumstances discussed in the preceding paragraph, resulted in a decrease to revenue of approximately \$10,189,000 in the current year.

Management and the Board of Commissioners intend to appeal the Medicare intermediary's decision regarding the disallowance of the management fee expense, and intend to vigorously defend its position on all other questioned cost reports.

11. PRIOR PERIOD ADJUSTMENT

An error in the 1993 Medicaid cost report resulted in an overstatement of receivables of \$2,151,756 at March 31, 1995. The correction of this error resulted in a decrease to beginning fund balance of \$2,151,756 at March 31, 1995. There was no effect on revenue and gains in excess of expenses for the years ended March 31, 1995 or 1994 as a result of this error.

**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA**

Denham, Louisiana

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment acquisitions are recorded at cost. Property and equipment donated for hospital operations are recorded as additions at fair value at the date of receipt as a transfer to the general fund balance when the assets are placed in service.

Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. The buildings and improvements are being depreciated over 25 to 50 years, land improvements over 20 years, and equipment over 5 to 30 years. Maintenance and repairs are charged to expense, and improvements are capitalized. Gains and losses from sales or retirements are recognized in the period of disposition.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less, excluding amounts whose use is limited by board designation, other arrangements under trust agreements, or with third-party payees.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Risk Management

The Hospital is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Hospital is a member of a separate trust fund established by the Louisiana Hospital Association that encompasses self insurance of statutory workers' compensation. The Hospital continues to carry commercial insurance for all other risks of loss. The management of the trust fund for statutory workers' compensation has complete control over the rate setting process.

The Hospital is self-insured for employee medical benefits. The uninsured annual risk retention per covered employee is \$15,000. The Hospital has purchased commercial insurance, subject to a maximum limit per covered employee of \$960,000 for claims in excess of \$15,000. In addition, the Hospital's coverage includes an aggregate employee provision that limits its liability for a plan year to \$796,375. Amounts payable to the plan are based on estimates of the amounts necessary to pay prior and current-year claims. A liability for claims is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount is reasonably estimable. The amount of that liability at March 31, 1996 is \$60,000.



**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA**

Gretnot, Louisiana

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Fair Values

The fair values of the Hospital's financial instruments are based on estimated cash flows. At March 31, 1996, the fair value of the Hospital's financial instruments approximates the amounts recorded in the financial statements.

2. CASH AND CASH EQUIVALENTS

Under state law, the Hospital may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. At March 31, 1996, the Hospital had cash and cash equivalents (book balances) totaling \$2,243,808.

These deposits are rated at one, which approximates market value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance and/or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually agreeable to both parties.

At March 31, 1996, the Hospital had \$17,808,713 in deposits (reflected bank balances). These deposits were fully secured from risk by \$104,238 of federal deposit insurance and \$16,942,693 of pledged securities held by the custodial bank in the name of the Hospital (GAAP Category 2).

Included in cash and cash equivalents on the balance sheet at March 31, 1996 and 1995, are the following:

	<u>1996</u>	<u>1995</u>
Cash on hand	\$ 620	\$ 585
Demand deposits	65,887	194,595
Repurchase agreement	312,570	760,940
Certificates of deposit	2,000,000	4,907,315
	<u>\$ 2,243,808</u>	<u>\$ 3,154,225</u>



**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA**

Covington, Louisiana

NOTE TO FINANCIAL STATEMENTS

3. NET PATIENT SERVICE 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

The Hospital is exempt from the Prospective Payment system, which is based on clinical, diagnostic, and other factors. As such, inpatient services rendered to Medicare program beneficiaries are reimbursed under a cost reimbursement methodology subject to a TIIRA limitation. The reimbursement is the lower of cost or a set rate per discharge along with additional payments for capital pass through costs and approved adjustments for length of stay variations. Inpatient outpatient services are reimbursed on a cost basis subject to a lower of cost or charges limitation. Exceptions to this are Laboratory, Radiology and Ambulatory Surgical Services which are reimbursed on a fixed fee schedule or a blend of cost and fixed fee schedule. The Hospital is reimbursed at a contract rate with final settlement determined after submission of annual cost reports by the Hospital and audits carried 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 March 31, 1994.

Medicaid

The Hospital is reimbursed for inpatient services to Medicaid beneficiaries on a Prospective Payment System. Outpatient services to Medicaid beneficiaries are reimbursed on a cost basis, subject to a lower of cost or charges limitation, except for Laboratory and outpatient surgeries which are reimbursed according to a fee schedule. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through March 31, 1993, although results of the 1993 audit have not yet been received.

Other

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.

EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA
Gonzales, Louisiana

NOTES TO FINANCIAL STATEMENTS

4. 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 March 31, 1996 and 1995, is set forth in the following table. Investments are stated at cost which approximates market value.

	<u>1996</u>	<u>1995</u>
By agreements with third-party payors for funded depreciation:		
Cash and cash equivalents	\$ 590,985	\$ -
Certificates of deposit	7,081,721	5,944,425
U.S. Treasury bill	-	1,689,328
	<u>\$ 7,684,706</u>	<u>\$ 7,634,133</u>

5. INVESTMENTS

The Hospital's investments include certificates of deposit, repurchase agreement, and a U.S. Treasury bill at March 31, 1996 and 1995. These investments are classified on the balance sheet as follows:

	<u>1996</u>		<u>1995</u>	
	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Amount included in cash and cash equivalents:				
Repurchase Agreement				
Securities held by the Hospital's agent but not in the Hospital's name	<u>\$ 312,370</u>	<u>\$ 312,370</u>	<u>\$ 350,940</u>	<u>\$ 350,940</u>
	<u>1996</u>		<u>1995</u>	
	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Amount included in assets whose use is limited in 1995 and included in certificates of deposit and investments in 1996:				
U.S. Treasury bill held by broker-dealer	<u>\$ 1,999,500</u>	<u>\$ 2,095,042</u>	<u>\$ 1,689,328</u>	<u>\$ 1,747,615</u>
Certificates of Deposit	<u>\$ 7,080,185</u>	<u>\$ 7,080,185</u>	<u>\$ 5,945,185</u>	<u>\$ 5,945,185</u>

**EAST ASCENSION PARISH HOSPITAL, SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA**

Covington, Louisiana

NOTES TO FINANCIAL STATEMENTS

6. PROPERTY AND EQUIPMENT

A summary of property and equipment at March 31, 1996 and 1995, follows:

	1996	1995
Land	\$ 70,000	\$ 70,000
Land improvements	93,381	93,381
Buildings and improvements	8,279,240	8,173,213
Equipment	2,221,562	4,982,680
	12,613,283	13,279,680
Less: accumulated depreciation	7,684,599	7,094,133
Property and equipment - net	\$ 4,928,684	\$ 6,185,547

7. CONCENTRATIONS OF CREDIT RISK

The main campus of the Hospital is located in Covington, with additional units located in Baton Rouge, New Orleans and Kennerwood, Louisiana. The Hospital grants credit without personal collateral to its patients, most of whom are Louisiana residents. Revenue from patients and third-party payors were as follows:

	1996	1995
Medicare	31.0%	32.0%
Medicaid	61.0%	51.0
Commercial Insurance	8.0%	14.0
Private Pay	0.0%	0.0
	100.0%	100.0%



EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA
Covington, Louisiana

NOTES TO FINANCIAL STATEMENTS

8. COMMITMENTS

Leases that do not meet criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred.

The following is a schedule by year of future minimum lease payments under these arrangements as of March 31, 1996, that have initial or remaining terms in excess of one year.

<u>Year Ending</u> <u>March 31,</u>	<u>Minimum</u> <u>Payments</u>
1997	\$ 449,336
1998	226,463
1999	20,346
2000	10,498

Total expense in 1996 and 1995 for all leases and contracts was approximately \$1,258,000 and \$1,400,000, respectively.

9. MANAGEMENT AGREEMENT

The Hospital is managed by a consulting firm under an agreement that is operating on a month-to-month basis. Prior to August 1, 1995, the contract called for a fixed monthly payment of approximately \$90,000 which includes payroll and related costs. In addition, the management company received 50% of Medicaid disproportionate share payments. Currently, the fixed monthly payment is \$125,000. In addition, there are monthly payments covering payroll and related costs. The agreement also calls for the consulting firm to receive 25% of the Hospital's annual profit. The expense incurred under the contract was approximately \$1,190,000 and \$6,358,000 for 1996 and 1995, respectively.

As discussed in Note 18, the Hospital has estimated and accrued a liability to Medicaid for overpayment of disproportionate share amounts from 1992 - 1995. When the ultimate amount is known and paid, fifty percent of that number (except for amounts relating to fiscal 1994) will be due from the consulting firm. Management has estimated and recorded a receivable from the consulting firm of \$2,208,154 as of March 31, 1996, which also reduced current year's management fee expense.



**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA**

Covington, Louisiana

**STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 1978 AND 1977**

	<u>1978</u>	<u>1977</u>
RECONCILIATION OF REVENUE AND GAINS IN EXCESS (DEFICIT) OF EXPENSES PROVIDED BY OPERATING ACTIVITIES AND GAINS		
Revenue and gains in excess (deficit) of expenses	(\$ 10,587,770)	\$ 7,800,000
Adjustments to reconcile revenue and gains in excess (deficit) of expenses to net cash provided by operating activities and gains:		
Depreciation	622,078	587,890
Gain on disposition of assets	(1,580)	(1,080)
Provision for uncollectible accounts	291,678	184,304
Changes in operating assets and liabilities:		
Patient accounts in receivables	1,610,587	1,186,921
Management fee receivable	(3,298,154)	-
Estimated third-party payor settlements	17,047,572	(1,424,103)
Inventory	-8,869	(12,420)
Other current assets	76,102	85,393
Accounts payable	(3,087,378)	971,921
Accrued expenses payable	62,308	121,622
 Net cash provided by operating activities and gains	 <u>\$ 3,734,302</u>	 <u>\$ 9,003,172</u>

The accompanying notes are an integral part of these statements.

