

JACKSON PARISH HOSPITAL
FOCUS OF FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1994 AND 1995

NOTE 2 - ORGANIZATION AND OPERATIONS

Legal Organization

The Jackson Parish Hospital Service District No. 2 (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 jurats 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. 34 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.

State of Business

The District consists of a 11-bed nursing hospital, a 20-bed psychiatric unit and a parish ambulance service, located in Jonesboro, Louisiana. Additionally, the District provides some 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 GLCPA Guide and Accounting Guide - Health Care Reporting (1994), issued June 1, 1994.

NOTE 3 - 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 Basis

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.

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

NOTE 10 - PENSION PLAN

The District sponsors a 401(k) 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 21 years of age. Once the employee has been employed full-time for two years, the District will begin matching 3% of the first 12% 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 \$29,983 and employees contributed \$26,171 and \$24,887 in 1996 and 1995, respectively.

Effective March 1, 1994, the District adopted a new defined contribution plan. The Variable Life Insurance Company (VULIC) Prototype Combined Profit Sharing/Money Purchase Plan Basic Document and Adoption Agreement #001 named "Jacobus 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 2% 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 benefit or cause 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 \$19,907 and the employer contributed \$25,037 in 1996.

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:

	1996	1995
Total equipment under capital leases	\$ 221,622	\$ 252,508
Less: accumulated depreciation	<u>96,622</u>	<u>40,263</u>
Net assets under capital leases	\$ <u>125,000</u>	\$ <u>212,245</u>

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

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	ACCUMULATED DEPRECIATION			
	September 30, 1995	Additions	Deletions	September 30, 1996
Land improvements	\$ 184,024	\$ 8,597	\$ -0-	\$ 192,621
Buildings and fixed equipment	2,181,001	39,485	-0-	2,220,486
Major movable equipment	1,564,205	134,265	-0-	1,698,470
Total	<u>\$ 3,329,230</u>	<u>\$ 282,347</u>	<u>\$ -0-</u>	<u>\$ 3,611,577</u>

Property, plant and equipment includes fully depreciated assets which are still in service in the amount of \$1,983,001 for 1996.

These assets were obtained in part with funds from a Mill-Burton program grant of \$987,482. The Mill-Burton program has the ability to reapture a portion of that grant should the facility be taken out of service or if used by an unqualified recipient.

Construction commitments not yet paid or accrued as September 30, 1996 are \$148,470.

NOTE 8 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

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

	1996	1995
Liability for incurred but unreported claims	\$ 11,327	\$ 31,827
Accrued interest payable	4,258	4,762
Accrued salaries and fees payable	211,828	171,891
Accrued compensated absence	183,843	191,185
Payroll withholdings payable	<u>86,122</u>	<u>1,079</u>
Total	<u>\$ 587,378</u>	<u>\$ 500,744</u>

NOTE 9 - CONTINGENT LIABILITIES

Employees of the District are entitled to paid vacation and holiday days. Sick days are not accrued 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 as employee-earning ceases in effect at the balance sheet date.

JACKSON PARISH HOSPITAL
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 1994 AND 1995

NOTE 1 - PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended September 30, 1994 and 1995.

	1994 COST			September 30, 1995
	September 30, 1994	Additions	Deletions	
Land	\$ 22,480	\$ -	\$ -	\$ 22,480
Land improvements	171,935	2,798	-0-	174,733
Buildings and fixed equipment	5,187,667	319,616	-0-	5,507,283
Major movable equipment	2,731,626	362,218	55,418	3,038,426
Construction in progress	82,899	752,271	-0-	837,170
Total	\$ 8,358,707	\$ 1,434,913	\$ 55,418	\$ 9,848,202
	ACCUMULATED DEPRECIATION			September 30, 1995
	September 30, 1995	Additions	Deletions	
Land improvements	\$ 114,653	\$ 8,873	\$ -	\$ 123,526
Buildings and fixed equipment	2,381,506	64,881	-0-	2,446,387
Major movable equipment	2,358,334	220,928	93,633	2,485,629
Total	\$ 4,852,493	\$ 294,682	\$ 93,633	\$ 5,053,542
	1994 COST			September 30, 1995
	September 30, 1994	Additions	Deletions	
Land	\$ 22,480	\$ -	\$ -	\$ 22,480
Land improvements	171,935	-0-	-0-	171,935
Buildings and fixed equipment	5,187,667	-0-	-0-	5,187,667
Major movable equipment	2,405,594	125,831	-0-	2,531,425
Construction in progress	-0-	82,899	-0-	82,899
Total	\$ 8,187,776	\$ 125,831	\$ -	\$ 8,313,607

JACKSON PARISH HOSPITAL
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 1994 AND 1993

NOTE 5 - ACCOUNTS RECEIVABLE (Continued)

The District processes a substantial portion of its charges from the Medicare and Medicaid programs on a discounted basis. A summary of gross Medicare and Medicaid charges for the year ended September 30, 1994 and 1993 follows:

	1994	1993
Medicare patients	\$ 3,348,844	\$ 3,831,758
Medicaid patients	<u>1,508,383</u>	<u>2,880,362</u>
Total	<u>\$ 4,857,227</u>	<u>\$ 6,712,120</u>
Percent of all patients	26%	23%

Since the District serves a disproportionate share of low-income patients, it qualified for Medicaid Disproportionate Share (DSH) reimbursement during 1993. Medicaid Disproportionate Share (DSH) reimbursement of \$5,291,079 was included in income for 1993. There is a law which significantly reduces Medicaid DSH payments to hospitals effective July 1, 1995.

NOTE 6 - ASSETS UNDER THE 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.

	1994	1993
Fund deposits	\$ 23,144	\$ 16,641
Bank certificates	4,484	4,894
Other	<u>7,784</u>	<u>11,583</u>
	<u>\$ 35,412</u>	<u>\$ 33,118</u>

JACKSON PARKER HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 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:

	1996	1995
Checking and Savings	\$ 84,989	\$ 104,734
Certificates of Deposit	<u>1,738,430</u>	<u>1,889,689</u>
Total	<u>\$ 1,823,419</u>	<u>\$ 1,994,423</u>

Except for one \$400,000 certificate of deposit, which was not covered by pledged securities until April 1998, all deposits are covered by Federal deposit insurance. Some were covered by collateral held by the pledging financial institution's trust departments in the District's name.

NOTE 4 - INVESTMENTS

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

NOTE 5 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	1996	1995
Patients	\$ 1,411,734	\$ 2,801,800
Other receivables	<u>1,202</u>	<u>6,282</u>
Estimated uncollectibles	<u>(149,080)</u>	<u>(18,211,781)</u>
Total	<u>\$ 1,263,856</u>	<u>\$ 2,596,301</u>

JACKSON SMITH HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1976 AND 1985

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	15 to 40 years
Machinery and Equipment	5 to 10 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, 1998 AND 1997

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 24:104 and to the guide set forth in the Louisiana Governmental Audit Guide, the GICPA 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 revenues.

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 TRULIER HOSPITAL
STATEMENTS OF CASH FLOW - UNRESTRICTED FUND (Continued)
YEARS ENDED SEPTEMBER 30, 1976 AND 1975

	1976	1975
Cash Flows from capital and related financing activities:		
Proceeds from sale of equipment	\$ 876	\$ -
Acquisition of capital assets	(1,380,305)	(240,686)
Payments on leases	(54,758)	(29,713)
Interest expense on leases	<u>(20,867)</u>	<u>(16,387)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,569,044)</u>	<u>(326,792)</u>
Cash Flows from financing activities:		
Bond payments	(155,080)	(340,686)
Interest on bond payments	<u>(61,580)</u>	<u>(62,359)</u>
Net cash provided by financing activities	<u>(216,660)</u>	<u>(403,045)</u>
Net Increase (Decrease) in cash and cash equivalents	(1,785,704)	727,839
Cash and cash equivalents, beginning of year	<u>1,629,138</u>	<u>891,249</u>
Cash and cash equivalents, end of year	\$ <u>843,434</u>	\$ <u>1,619,088</u>
Supplemental disclosures of information:		
Cash paid during the year for interest	\$ <u>58,667</u>	\$ <u>(7,232)</u>
Capital lease obligations incurred in conjunction with equipment lease acquisitions	\$ <u>81,322</u>	\$ <u>607,866</u>

See accompanying notes to financial statements.

JACKSON PACIFIC HOSPITAL
STATEMENTS OF CASH FLOWS - UNRESTRICTED FUND
YEARS ENDED DECEMBER 31, 1964 AND 1963

	1964	1963
Cash flows from operating activities:		
Operating Income (Loss)	\$ (1,150,880)	\$ 884,586
Interest expense considered capital financing activity	52,834	73,863
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of asset	(818)	-
Depreciation	298,488	282,486
Provision for bad debt	884,923	351,839
(Increase) decrease in:		
Accounts receivable (net)	(218,599)	(186,767)
Inventory	(17,014)	(78,565)
Prepaid expenses	3,959	(87,793)
Assets whose use is limited	529,680	35,648
Increase (decrease) in:		
Accounts payable	817,137	(11,193)
Accrued expenses and withholdings payable	86,828	(28,704)
Third-party payer settlements	<u>(228,311)</u>	<u>362,829</u>
Net cash provided (used) by operating activities	<u>(145,615)</u>	<u>1,180,136</u>
Cash flows from investing activities:		
Loss included in short-term investments	-	(1,780,000)
Proceeds from investments	946,123	-
Investment income	<u>95,551</u>	<u>85,653</u>
Net cash provided by investing activities	<u>\$ 441,126</u>	<u>\$ (1,704,357)</u>

See accompanying notes to financial statements.

JACKSON TOWNS HOSPITAL
STATEMENTS OF CHANGES IN FUND BALANCE - UNRESTRICTED FUND
PERIOD ENDED SEPTEMBER 30, 1996 AND 1995

Balance, September 30, 1994	\$ 1,176,266
Prior period adjustment (Note 22)	<u>(289,261)</u>
Revised balance, September 30, 1994	1,186,767
Excess of revenues over expenses for the year ended September 30, 1995	<u>1,853,361</u>
Balance, September 30, 1995	4,159,623
Excess of expenses over revenues for the year ended September 30, 1996	<u>(2,319,361)</u>
Balance, September 30, 1996	<u>\$ 2,843,678</u>
Composition of fund balance:	
Undesignated	\$ (945,771)
Designated	3,554
Contributed capital	<u>2,895,892</u>
Total fund balance	<u>\$ 2,843,678</u>

See accompanying notes to financial statements.

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

	1996	1995
Revenues:		
Net patient service revenue	\$ 7,891,142	\$ 16,428,186
Net Veterans taxes (State 11)	528,158	420,888
Grant revenue (State 18)	59,714	75,000
Gain on sale of assets	816	-
Other	<u>11,506</u>	<u>58,870</u>
Total revenue	\$ 8,490,336	\$ 18,983,044
Expenses:		
Salaries and benefits	5,483,783	4,953,998
Medical supplies and drugs	879,600	754,343
Medical professional and consulting	788,273	1,262,713
Other expenses	1,460,281	2,445,178
Insurance	234,983	298,277
Reserve	74,881	58,503
Leases and rentals	282,534	216,675
Interest	58,534	78,508
Depreciation	196,480	267,484
Provision for bad debts	<u>881,217</u>	<u>153,839</u>
Total expenses	\$ 10,431,166	\$ 9,858,836
Operating income (loss)	(2,310,800)	880,000
Nonoperating income		
Interest income	<u>83,453</u>	<u>63,873</u>
Excess of revenues over expenses (expenses over revenues)	\$ (2,227,347)	\$ 1,002,720

See accompanying notes to financial statements.

JACKSON POLICE HOSPITAL
BALANCE SHEET - UNRESTRICTED FUND
SEPTEMBER 30, 1976 AND 1975

	1976	1975
ASSETS		
Current assets		
Cash and cash equivalents (Note 2)	\$ 50,866	\$ 1,875,158
Investments (Note 4)	621,677	1,704,898
Accounts receivable less allowance uncollectibles (Note 5)	1,088,176	1,882,306
Inventory	160,524	263,517
Prepaid expenses	<u>138,356</u>	<u>265,331</u>
Total current assets	2,067,599	4,349,147
Assets whose use is limited (Note 6)	62,496	273,134
Property, plant and equipment, less accumulated depreciation (Note 7)	<u>1,808,214</u>	<u>1,379,082</u>
Total assets	<u>\$ 4,948,313</u>	<u>\$ 6,001,363</u>
LIABILITIES AND FUND BALANCE		
Current liabilities		
Accounts payable	\$ 1,180,774	\$ 433,538
Accrued expenses and withholdings payable (Note 8)	206,629	209,191
Due to other party reimbursement programs	284,108	241,600
Current installments of capital leases	43,888	40,282
Current installments of bonds payable	<u>182,808</u>	<u>159,089</u>
Total current liabilities	2,898,207	1,881,741
Long-term debt:		
Capital lease obligations (Note 11)	300,881	83,160
Bonds payable (Note 12)	378,080	617,808
Other liabilities	<u>1,786</u>	<u>3,256</u>
Total long-term debt	679,947	704,224
Commitments and contingencies (Notes 20 and 21)	-0-	-0-
Fund balance	<u>2,369,818</u>	<u>4,129,032</u>
Total liabilities and fund balance	<u>\$ 4,948,313</u>	<u>\$ 6,001,363</u>

See accompanying notes to financial statements.

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. 3. 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 21 to the financial statements, the District's significant operating losses, reduced cash flow, and significant amount of current debt raises substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters also are described in Note 21. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Earley, Lester & Wells

Certified Public Accountants

June 3, 1987

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Independent Auditors' Report

Board of Commissioners
Jackson Parish Hospital Service DISTRICT No. 1
("Jackson Parish Hospital")
Jennings, Louisiana

We have audited the accompanying general purpose financial statements of Jackson Parish Hospital Service District No. 1, for the years ended September 30, 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 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 as September 30, 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 June 1, 1991 on our consideration of Jackson Parish Hospital Service District's internal control structure and a report dated June 1, 1991 on its compliance with laws and regulations.

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

ATTEST
SEP 21 1996

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

NOTE 11 - CAPITAL LEASES (Continued)

Minimum future lease payments under capital leases as of September 30, 1996 for each of the next five years and in aggregate are:

Year	AMOUNT
1997	\$ 60,497
1998	48,817
1999	30,700
2000	30,418
2001	3,878
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Total minimum lease payments	175,310
Less amount representing inherent	39,612
Present value of minimum lease payments	135,698
Less current maturities	13,886
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Long-term maturities	\$ 121,812

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

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, 1996 and for each year following in aggregate are as follows: 1997 - \$200,000; 1998 - \$51,380.

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 - NOTES PAYABLE

The District holds certificates of indebtedness in the amount of \$137,000 with a 5.5% rate of interest. The Series 1993 bonds are secured by a pledge of ad valorem taxes set at 2.0 mills to be levied on taxable property from 1997 through 1998.

A table of total debt service requirements follows:

Due Date	Principal	Interest	Total
March 3, 1997	\$ 147,000	\$ 11,770	\$ 158,770
March 3, 1998	170,000	19,389	189,389
March 3, 1999	151,000	4,629	155,629
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	\$ 468,000	\$ 35,788	\$ 503,788

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

Earley, Lester & Wills

Certified Public Accountants

June 3, 1987

JACKSON PARKS HOSPITAL
 STATEMENTS OF EXPENSES - OTHER EXPENSES
 UNRESTRICTED FUND
 YEARS ENDED SEPTEMBER 30, 1976 AND 1975

	1976	1975
Service fees	\$ 393,755	\$ 366,131
Board per diem	8,400	8,400
Legal and accounting	31,861	40,037
Non medical supplies	178,848	382,364
Repairs and maintenance	196,853	172,181
Utilities	187,862	187,345
Telephone	83,356	85,487
Travel and education	116,376	184,847
Public relations	24,813	34,239
Scholarships	2,423	2,815
Licenses, dues, subscriptions	66,331	29,565
Medical evaluations	51,553	-
Recruitment	185,666	-
Other	<u>51,671</u>	<u>88,735</u>
Total other	\$ <u>1,845,381</u>	\$ <u>1,665,335</u>

LACHARON EADING HOSPITAL,
REPUBLICAN HOSPITALIZATION
YEAR ENDED SEPTEMBER 30, 1994

1. Board Pay Rate

Condition: Again this year, board members are paid \$100 per month whether they attend a board meeting or not. This violated Louisiana Revised Statute 50:1553 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, 1994 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 is effective July 1, 1994.

2. Capital Leases

Condition: In 1993 the hospital had five capital leases which had no authorization in the board minutes as approved by the state bond commission. During 1994, 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 recapitalization clauses are not met.

Recommendation: The hospital should write the state bond commission (Secretary Sharon Farrow, P. O. Box 66116, Baton Rouge, LA 70804 (504)347-6034) 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 an appropriate, an expedited review request will be submitted.

3. Audited Financial Statements

Condition: The District did not submit to the legislative Auditor a copy of the audited financial statements within six months of the District's fiscal year end.

Recommendation: Year-end reconciliations, reports and adjustments should be timely completed so that the annual audit can be completed within the six month prescribed period.

Response: As has been discussed both verbally and in written correspondence with the Office of the Legislative Auditor, with the personnel that is currently in place and allowing no additional interference, there should be no problem with compliance for the closing of the current fiscal year.

Marvin H. Keady, CPA
Bobby G. Lester, CPA
John N. Wells, CPA
Robert J. Miller, CPA

Louis C. Wright, CPA
Paul A. Johnson, CPA
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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
Jennings, 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, 1975 and have issued our report thereon dated June 5, 1981.

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

While performing our audit, we read the responses to the questions in the attached System 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 misstatements, 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.

JACKSON PARISH HOSPITAL
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 1964

REPORTABLE CONDITIONS (Continued)

10. Capital Asset Depreciation

Condition: A form 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 ensure consistency of recording depreciation.

Response: The hospital will look into and consider the purchase of a fixed asset asset depreciation program, however, cost is a major factor.

11. 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.

Response: This duty will be reassigned to assure timeliness and accuracy.

12. 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.

Recommendation: 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 accountability 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.

13. Filed Cost Report

Condition: The cost report for FY 1964 was prepared when there were only 28 adjusting journal entries. The final audited working trial balance includes 104.

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

Response: The Hospital should request of Keady, Lester & Wells, that an amended cost report be filed.

JACKSON PARSON HOSPITAL
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR END: SEPTEMBER 30, 1974

REVENUE ACCOUNTING (Continued)

6. Fund Balance (Continued)

Response: Audit entries were made to the general ledger in March, 1984 when they were received. Additionally, correcting entries were made two months later in an attempt to correct the balances. However, clearly identified, the position was vacated and not permanently filled until just before the end of the fiscal year.

7. PIP Payments

Condition: The hospital is currently being paid PIP payments every two weeks by Triplan for Medicare inpatient claims. In order to receive these payments, the hospital must bill 80% of study claims within 30 days of discharge. In correspondence from Triplan, JPH has been asked to improve their percentage to 90% or consideration will be given to removing JPH from the PIP Method of reimbursement. The removal of the hospital 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 ensure 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.

8. Revenue Revenues

Condition: Revenue revenues has not been reconciled to medical records days. At year end, the revenue revenues was reflected a large variance between revenues based on patient days and general ledger revenues.

Recommendation: Revenue revenues should be listed in medical records days on a monthly basis. This method could identify any data file problems that might occur during the year.

Response: As a recommendation, revenue revenues will be listed in medical records days at the end of each month as part of monthly closing.

9. Miscellaneous Revenue

Condition: Various entries were made each month to record unlabeled cash receipts as miscellaneous revenue. Consequently, at year end there was \$81,435 in cash receipts recorded as miscellaneous revenue. This required an entry of \$68,413 to reclass these revenues to other accounts.

Recommendation: Cash receipts should be properly identified and recorded on the general ledger.

Response: A monthly transaction report for miscellaneous revenue will be run at the end of each month as part of the close to ensure that all receipts are classified properly and timely.

JACKSON PARISH HOSPITAL
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR END: SEPTEMBER 30, 1976

REVENUE COMMITTEE Comments:

2. Withholding Account Reconciliation

Condition: Most payroll tax withholding accounts had incorrect balances at year end.

Recommendation: Payroll tax withholding accounts should be reconciled on a weekly basis.

Response: These conditions have been verified with the staff currently in place. If the current staff is maintained, this occurrence should not be an issue in the current year.

4. Reconciliation of Payroll Reports to the General Ledger

Condition: Post 94 quarterly payroll reports are not being reconciled to the general ledger.

Recommendation: The 94's should be reconciled to the general ledger quarterly.

Response: These conditions have been verified with the staff currently in place. If the current staff is maintained, this occurrence should not be an issue in the current year.

5. Inventory

Condition: Pre-numbered inventory count sheets were used for year-end inventory. However, there was no control of the numbers used. Departments made numerous copies of sheets and therefore had duplicates of the same number. Also, numbers were changed by department heads.

Recommendation: To insure that all count sheets are returned after inventory count, pre-numbered sheets should be distributed to the departments. No copies should be made or numbers changed by department heads.

Response: Pre-numbered sheets were assigned to each department and procedures were discussed, both written and verbally in department head meetings. However, some fiscal year ending the Chief Executive Officer will have to insure that copies will not be accepted and no changes will be made to the pre-numbered forms.

6. Bad Balance

Condition: Bad balance was incorrect at year end. Incorrect postings of prior year adjusting journal entries and failure to review monthly error reports created this condition.

Recommendation: The year-end general ledger should be closed as the year financial statements are given to the Board. ADJUST entries should be entered in the general ledger in the next fiscal period. Once the entries are made, Bad Balance should be reconciled to ensure all entries are made correctly. All error reports should be reviewed during the year to determine when errors exist and corrections should be made timely.

JACKSON PARISH HOSPITAL
AUDITOR'S COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 1994

INTERNAL WORKING (Continued)

Background: Jackson Parish Hospital currently has seventy (70) cases pending appeal with the State of Louisiana Medicaid Program. The appeals were to be heard no later than December, 1994, however, they are currently scheduled to be heard in October of the current year. Additionally, the out-patient psychiatric unit has approximately fifty (50) cases held pending review of medical necessity. Work is ongoing concerning the out-patient appeals.

7. Physician Contracts

Condition: The hospital entered into several employment contracts with physicians during the year. These contracts obligate the hospital to substantial annual expenditures. While board meeting minutes indicate approval of recruitment efforts, there were no indications in the minutes that the board had approved these contracts.

Recommendation: Because of the materiality of these contracts, there should be clear approval by the board for the hospital to enter into such contracts.

Response: The Jackson Parish Hospital Board of Directors has addressed this issue. At the March meeting, a resolution regarding that all contracts must be presented through Administration for the Hospital Director's review, prior to bringing to the full Board for approval.

REPORTABLE CONDITIONS

1. Non-Health Receivables

Condition: Non health accounts receivable are recorded as 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, and.

Response: The Director of Non Health has been contacted to determine if the Lewis Computer System is capable of showing gross, allowance and net receivables. If so, this is the manner in which it will be received and booked on the general ledger.

2. Duplicating Timecards

Condition: Timecards are not always signed by the employee and supervisor.

Recommendation: We recommend that signatures be required on timecards prior to processing.

Response: As of this date, signatures are required on all timecards prior to processing from all employees of this hospital and the directive is being enforced by the chief Executive Officer.

JACKSON MARRIAGE HOSPITAL
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 1994

BALANCE SHEET (Continued)

3. Clinic Accounts Receivable

Condition: Clinic revenues were not fully recorded on the general ledger. There was no subsidiary list which detailed clinic accounts receivable.

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 A/R schedule is maintained with gross charges, payments and adjustments by physician by the hospital. The detail for the transaction listing is maintained in the clinics.

4. Physician Performance Controls

Condition: The hospital employed several new physicians during 1994. 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: The recommendations from Karpis, Lester & Wells has been disseminated to the Chief Executive Office for corrective action.

5. Accruals Payable

Condition: Accounts payable were not accrued in a timely manner. Various audit adjusting entries for \$204,039 were required to record unaccrued liabilities.

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

Response: This condition has been rectified with the staff currently in place. If the current staff is maintained, this occurrence should not be an issue in the current year.

6. Medicaid Benefits

Condition: We noted that the Medicaid Program denied a large number of psychiatric unit claims during fiscal year 1994. As a result, the Medicare/Medicaid allowances for contractual adjustments included approximately \$5.3 million for uncollectible Medicaid psychiatric residents. These accounts were written-off subsequent to September 30, 1994.

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.

JACKSON PARISH HOSPITAL
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 1986

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 MISSTATEMENTS

1. Audit Adjustments

Condition: Numerous year-end audit adjustments were proposed (i.e. 167 entries on the hospital and ambulance services). Ambulance activity, prior to their being transferred to the hospital on January 3, was not maintained. This ambulance activity had to be recorded by journal entry to the general ledger. Also, the ambulance checking account, as well as other accounts, were not reconciled for the year.

Recommendation: It is again recommended that a monthly analysis of all balance sheet accounts be made as part of the month-end close process. We recommend that a monthly analytical review of income statement accounts be performed to help income errors are detected timely during the normal course of business. Accurate monthly financial statements are necessary so that management can make informed decisions.

Response: As with prior year audit, i.e. 128 entries were made. For the majority of the fiscal year 1985-1986 this hospital accounting section functioned with less personnel than in the prior year. However, as referenced above, with staff currently in place, the outcome of the current fiscal year's audit should be quite different.

2. Allowance for Doubtful Accounts Calculations

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 ledgers.

Recommendation: Unbilled accounts should be included in the 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: Although the methodology did not change from prior year, effective the close of the month of June, accounts that have gone to a collection agency will be removed from the general ledger subsidiary and all unbilled accounts will be included in the calculations for allowance for doubtful accounts.

Board of Commissioners
Jackson Parish Hospital Service District No. 1
Monroe, 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 misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

The 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 five 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 to be material 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, 1994.

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.

Ernst, Lester & Wells

Certified Public Accountants

June 2, 1995

JACKSON COUNTY HOSPITAL
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 1974

REPORTABLE CONDITIONS (Continued)

14. Signature Cards

Condition: Signature cards on the bank will 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.

15. Consistency in Recording

Condition: Numerous reclassification entries were needed to correct the general ledger. Capital lease payments, capital assets and expenses were not consistently recorded.

Recommendation: Capital leases, capital assets and expenses should be consistently reported to provide management with accurate financial statements to make informed financial decisions.

Response: With personnel properly in place, consistency in recording should not be a problem for this fiscal year.

16. Health Insurance Liability

Condition: The District has a self insurance health care 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 health care plan.

Response: The Hospital will request identical information from the trustee to what is being incurred but unreported liabilities.

JACKSON MEMORIAL HOSPITAL
STATEMENTS OF FUND RISES AND
OTHER CONTRIBUTIONS PAID TO BOARD MEMBERS
THROUGH DECEMBER 31, 1950 AND 1949

	1950	1949
Board Members:		
Dr. Johannes Sieversen	\$ 1,200	\$ 1,200
Dr. Mary Ellen Briles	1,200	1,200
Dr. Fredrick Merritt	1,200	1,200
Dr. John Jackson	1,200	1,200
Dr. Barbara Johns	1,200	1,200
Dr. Sam Lambin	1,200	1,200
Dr. George Cook	<u>1,200</u>	<u>1,200</u>
Totals	\$ <u>8,400</u>	\$ <u>8,400</u>

JACKSON PARISH HOSPITAL
NOTICE TO FINANCIAL INSTITUTIONS
TERMS EFFECT SEPTEMBER 30, 1994 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 in 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 reimbursement items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audit 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, 1993.

Medicaid - Medicaid inpatient services are reimbursed based on a prospectively determined per diem rate. Medicaid outpatient services are reimbursed under a cost reimbursement methodology (subject to a maximum per patient for inpatient services). 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 audit 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 TOWER HOSPITAL
 STATEMENT OF EXPENSES - MEDICAL, PROFESSIONAL AND CONSULTING SERVICES
 UNRESTRICTED FUND
 YEARS ENDED SEPTEMBER 30, 1974 AND 1973

	1974	1973
PCAR	\$ 181,861	\$ 1,198,013
Anesthesiology	87,881	82,600
Radiology	185,175	32,873
Laboratory	109,188	142,815
Respiratory therapy	8,780	12,800
ECG and EKG	45,368	62,373
Emergency room	180,127	608,877
Other health	<u>37,328</u>	<u>30,730</u>
Total professional fees	\$ <u>168,523</u>	\$ <u>1,268,311</u>

JACKSON PARISH HOSPITAL
 STATEMENTS OF EXPENSES - MEDICAL SUPPLIES AND DRUGS
 (CONTINUED)
 YEARS ENDED SEPTEMBER 30, 1995 AND 1994

	1995	1994
Nursing services	\$ 44,495	\$ 5,214
ICU	9,347	10,419
Operating room	78,323	88,214
Anesthesiology	185	245
Radiology	67,321	64,919
Laboratory and blood	186,884	152,857
Respiratory therapy	63,323	48,359
EDS and ER	1,321	2,319
Central supply	32,924	25,267
Pharmacy	181,242	217,269
Brain and wellness center	1,329	-
Emergency room	31,794	64,431
Ambulance	16,434	18,888
Clinics	65,997	51,848
Home health	18,722	23,289
	<u>\$ 1,822,480</u>	<u>\$ 759,147</u>
Total medical supplies and drugs		

JACKSON PARISH HOSPITAL
STATEMENTS OF EXPENSE - SALARIES AND BENEFITS
UNRECORDED FUND
YEARS ENDED SEPTEMBER 30, 1966 AND 1965

	1966	1965
General and administrative	\$ 390,428	\$ 362,376
Housekeeping	111,815	97,466
Dietary and cafeteria	109,318	90,291
Laundry	-	15,276
Plant Operations and maintenance	87,815	87,864
Training administration	86,957	88,843
Medical records	87,238	58,875
Nursing services	437,843	438,316
Phial	892,800	837,387
Operating room	44,218	37,174
Radiology	173,811	173,797
Laboratory and blood	266,204	272,238
Respiratory therapy	88,895	87,508
Central supply	45,148	34,875
Pharmacy	181,133	98,758
Brain and vestibular tested	37,234	-
Emergency room	566,223	487,246
ambulance	283,872	264,375
Clinical, PDR	731,896	574,378
Room health	826,737	828,880
Total salaries	<u>4,822,665</u>	<u>4,334,487</u>
FICA	160,813	112,341
Hospital insurance	230,434	184,897
Workers' compensation insurance	147,264	98,874
Unemployment taxes	9,028	1,000
Other	37,758	28,902
Total benefits	<u>565,292</u>	<u>425,914</u>
Total salaries and benefits	<u>\$ 5,387,957</u>	<u>\$ 4,760,401</u>

JACKSON PARISH HOSPITAL
 STATEMENTS OF DEDUCTIONS FROM REVENUE
 YEARS ENDED SEPTEMBER 30, 1994 AND 1995

	1994	1995
Medicare and Medicaid contractual adjustments	\$ 5,586,956	\$ 4,315,804
Employee discounts	21,447	17,244
Mail-Markon uncompensated services	424,711	345,833
Other	185,288	10,838
Medicaid disproportionate share (Note 10)	<u> -</u>	<u>12,250,222</u>
Total Deductions from revenue	\$ <u>6,202,402</u>	\$ <u>6,340,141</u>

STATEMENTS OF OTHER OPERATING REVENUE
 YEARS ENDED SEPTEMBER 30, 1994 AND 1995

	1994	1995
IP	\$ 347	\$ 647
Meals sold to employees	23,332	21,860
Miscellaneous sales	1,345	687
Medical records	5,668	5,099
Personal medical evaluations	-0-	8,855
Rental income	19,840	9,087
Miscellaneous revenue	11,440	1,200
Purchase discounts	5,839	-0-
Shipping revenue	2,263	89
Supplies & drugs sold to employees	<u>12,828</u>	<u>3,785</u>
Total other operating revenue	\$ <u>79,501</u>	\$ <u>51,520</u>

JACKSON PARISH HOSPITAL
 STATEMENTS BY NET PATIENT SERVICE REVENUE
 YEARS ENDED SEPTEMBER 30, 1976 AND 1975

	1976	1975
Daily patient services:		
Adult and pediatric	\$ 329,186	\$ 515,567
Intensive care	00	1,700
ICAD room revenue	<u>2,802,228</u>	<u>2,427,560</u>
Total daily patient services	3,631,414	3,944,827
Other professional services:		
Operating room	128,817	117,288
Recovery room	5,393	7,898
Anesthesia	71,758	87,901
Radiology	862,322	813,471
Laboratory	1,831,112	1,577,083
Blood	18,909	19,452
IV therapy	687,163	597,063
Respiratory care	957,888	681,071
Physical therapy	165	71
POC and EKG	181,138	176,779
Medical supply	282,002	317,351
Pharmacy	1,484,794	1,460,808
PCMR	7,424	42
Brake and witness center	224,793	00
Emergency room	787,894	618,830
Ambulance	176,123	668,384
Home health	1,758,367	1,857,517
Clinic	<u>879,188</u>	<u>907,321</u>
Total other professional services	<u>16,389,151</u>	<u>14,927,512</u>
Other patient service revenue	18,261,726	21,899,572
Debtors' free revenue	<u>16,250,630</u>	<u>11,367,141</u>
Net patient service revenue	\$ <u>3,881,162</u>	\$ <u>20,621,212</u>

SUPPLEMENTAL INFORMATION

LACKAWANNA PARISH HOSPITAL
NOTES TO FINANCIAL STATEMENTS
PERIOD ENDED SEPTEMBER 30, 1976 AND 1975

NOTE 25 - OTHER CONCERN ITEMS

The financial statements have been prepared on the assumption that the District is a going concern. The District experienced a large operating loss in the current year and could have incurred a substantial operating loss in FY 1976 without Medicaid disproportionate share payments. The District's significant operating loss during 1976 and its significantly reduced cash flow as a result of loss of Medicaid disproportionate share funds have contributed to the present going concern issue. Additionally, the District contracted with several new physicians as well as obligated themselves with several large construction contracts which have depleted all cash reserves subsequent to the balance sheet date.

The District has reduced expenses subsequent to the balance sheet date to partially resolve the cash flow deficiency. Additionally, the Jackson Parish Police Jury resolved to seek a purchaser for the hospital. Proposals will be taken from potential buyers until July 30, 1977. Should the evaluation of these proposals support the decision to sell, the most favorable proposal will be submitted to the voters of Jackson Parish for approval or rejection in the manner provided by law.

JACKSON SQUARE HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1994 AND 1993

NOTE 20 - CONTINGENCIES (Continued)

Medical Benefits Trust - The Hospital maintains a medical benefits trust. The District contributes 10% per employee per month and the employee contributes the balance of any premium required to cover the health benefits cost of the employee. 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 \$25,000 or aggregate annual claims in excess of \$243,885. The District had a liability for incurred but not reported claims of \$11,527 as September 30, 1994 and 1993.

Medicaid Disproportionate Share - The reimbursement received under the Medicaid Disproportionate Share (DDS) 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 DDS 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 assessed.

NOTE 21 - COMMITMENTS

The District has entered into employment contracts with five physicians as of September 30, 1993. Three physicians work in the clinic and two physicians work in the Hospital emergency room. As of September 30, 1994, the District has entered into three additional physician contracts for clinic services, two of which are to begin services after year end.

NOTE 22 - PRIOR PERIOD ADJUSTMENT

An adjustment of \$249,026 was made to fund balance as of September 30, 1994 to correct an error in cost report calculations made in previous years.

JACKSON PARISH HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1998 AND 1999

NOTE 18 - CONTINGENCIES (Continued)

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 (State 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.

Workers' Compensation Risk - The District participates in the Louisiana Hospital Association Self-Insurance Workers' 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 promises to be a "Waster 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 \$3,590 and \$4,679 were reported by the District for the years ended September 30, 1998 and 1999. These amounts were included as prepaid insurance and as a reduction of insurance expense for the years ended September 30, 1998 and 1999.

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, 1998, the District had a deficit in the level of free care provided of \$28,389. This deficit must be reduced through providing uncompensated services to indigent patients in fiscal year 1999. Uncompensated care must be provided by the District through its fiscal year ended September 30, 1997, 400 years from the date of the grant. Additionally, the grant requires the District to provide certain community services.

JACKSON PARISH HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1994 AND 1993

NOTE 12 - SALES TAX REVENUE

The District receives revenues from a 1.72 mill and a 2.98 mill ad valorem tax that began in January 1990 and will continue through 1999. The taxes received from the 1.72 mill tax are for maintenance, operations, and capital improvements of the Hospital, but are pledged as part of the Series 1993 Bond issue. The 2.98 mill tax is to be used for maintenance and operations of the Jackson Parish Ambulance Service.

NOTE 13 - GRANT REVENUE

The District was awarded \$20,794 and \$15,000 grants from the State of Louisiana during 1994 and 1993 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 14 - 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 average charges, based on established rates, of the identified free care is as follows:

	1994	1993
Charges	\$ 528,311	\$ 345,331
Estimated Cost	\$ 528,311	\$ 345,331

NOTE 15 - CONTINGENCIES

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

The principal contingencies are described below:

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 charges for interpretations applying statutes, regulations and general instructions of these programs. The amount of such adjustments cannot be determined.

JACKSON MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1976 AND 1975

NOTE 15 - PROFESSIONAL LIABILITY RISKS

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 \$200,000 in coverage per occurrence above the limit \$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. As policy year-end, premiums are re-determined utilizing actual losses of the District.

The Trust Fund programs to be a 'Calendar Year' fund, accordingly, income and expenses are provided in number hospitals. The District has included these allocations of equity in the notes to its financial statements. Equity reported by the Fund to the amount of \$11,737, and \$11,975 were reported by the District for the years ended September 30, 1976 and 1975. These amounts were included as prepaid insurance and as reductions of insurance expense for the years ended September 30, 1976 and 1975.

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 its benefits assigned to) insured 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:

	1976	1975
Medicare and Medicaid	840	647
Commercial Insurance	308	174
Patients	68	171

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF FEDERAL 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, 1988 and have issued our report thereon dated June 3, 1989.

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

The management of the District is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, auditors 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 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 nonetheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the District for the period ended September 30, 1988, 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.