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EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL

AUDITED FINANCIAL STATEMENTS,
SUPPLEMENTARY DATA AND AUDITORS'
REPORTS ON INTERNAL CONTROLS
AND COMPLIANCE

DECEMBER 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 7-23-97

EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL

AUDITED FINANCIAL STATEMENTS,
SUPPLEMENTARY DATA AND AUDITORS'
REPORTS ON INTERNAL CONTROLS
AND COMPLIANCE

DECEMBER 31, 1996 AND 1995

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Smith, Turner & Reeves

CPA's
1000 Lakeshore Blvd., Suite 1000
Jackson, Mississippi 39201

Board of Commissioners
East Carroll Parish Hospital Service District, dba
East Carroll Parish Hospital
Lake Providence, Louisiana

Independent Auditors' Report

We have audited the accompanying Balance Sheet - Unrestricted Funds of East Carroll Parish Hospital Service District, dba East Carroll Parish Hospital, (the Hospital) as of December 31, 1996, and the related Statements of Operations - Unrestricted Funds, Changes in Fund Balance - Unrestricted and Cash Flows - Unrestricted Funds for the year then ended. These financial statements are the responsibility of the Hospital's Management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Hospital as of December 31, 1995, were audited by another auditor whose report dated May 1, 1996, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Carroll Parish Hospital Service District, dba East Carroll Parish Hospital, as of December 31, 1996, and the results of its operations and its cash flows of unrestricted funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report on our consideration of the Hospital's internal control structure and a report on its compliance with laws and regulations, both dated March 28, 1997.

Smith, Turner & Reeves

Jackson, Mississippi
March 28, 1997

FINANCIAL STATEMENTS

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL
BALANCE SHEETS - UNRESTRICTED FUNDS
DECEMBER 31, 1996 AND 1995**

| ASSETS | <u>1996</u> | <u>1995</u> |
|--|----------------------------|----------------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents - Note 2 | \$ 345,894 | \$ 302,280 |
| Certificates of deposit | 100,465 | 85,359 |
| Investments - Note 11 | - | 560,934 |
| Receivables: | | |
| Patient accounts, net of estimated uncollectibles and contractual adjustments of \$400,000 and \$173,000 in 1996 and 1995, respectively - Note 3 | 653,421 | 412,444 |
| Due from third-party payors - Note 4 | 673,000 | 390,697 |
| Other | <u>157,625</u> | <u>68,722</u> |
| Net receivables | 1,484,046 | 874,863 |
| Inventories - Note 5 | 31,071 | 46,479 |
| Prepaid expenses | <u>36,882</u> | <u>55,381</u> |
| TOTAL CURRENT ASSETS | 2,005,678 | 2,325,368 |
| PROPERTY, BUILDINGS AND EQUIPMENT, NET - Note 6 | 794,219 | 345,208 |
| ASSETS LIMITED AS TO USE - Note 7 | <u>1,453,552</u> | <u>1,454,289</u> |
| TOTAL ASSETS | <u>\$ 4,253,449</u> | <u>\$ 4,124,865</u> |

See accompanying Notes to Financial Statements.

LIABILITIES AND FUND BALANCE

| | 1998 | 1997 |
|--|----------------------------|----------------------------|
| CURRENT LIABILITIES: | | |
| Current portion of long-term liabilities | \$ 22,680 | \$ 1,844 |
| Accounts payable | 303,383 | 132,325 |
| Accrued expenses | <u>94,744</u> | <u>34,610</u> |
| TOTAL CURRENT LIABILITIES | 419,727 | 157,999 |
| LONG-TERM LIABILITIES, EXCLUDING CURRENT PORTION - Note 8 | 84,578 | - |
| COMMITMENTS - Note 12 | - | - |
| FUND BALANCE - UNRESTRICTED | <u>3,762,218</u> | <u>3,966,868</u> |
| | | |
| TOTAL LIABILITIES AND FUND BALANCE: | <u>\$ 4,266,523</u> | <u>\$ 4,124,867</u> |

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL
STATEMENTS OF OPERATIONS - UNRESTRICTED FUNDS
YEARS ENDED DECEMBER 31, 1996 AND 1995**

| | 1996 | 1995 |
|---|---------------------|-------------------|
| NET PATIENT SERVICE REVENUE - Note 3 | \$ 2,897,330 | \$ 2,943,128 |
| OTHER OPERATING REVENUE - Note 10 | <u>369,298</u> | <u>262,857</u> |
| TOTAL OPERATING REVENUE | 3,177,628 | 2,740,185 |
| OPERATING EXPENSES: | | |
| Salaries and wages | 1,696,969 | 1,158,053 |
| Supplies and other | 1,165,874 | 924,147 |
| Employee benefits | 243,491 | 173,121 |
| Depreciation | 72,831 | 86,339 |
| Provision for bad debts, net | 410,641 | 300,483 |
| Interest | <u>2,648</u> | <u>-</u> |
| TOTAL OPERATING EXPENSES | <u>3,586,854</u> | <u>2,642,126</u> |
| INCOME (LOSS) FROM OPERATIONS | (409,226) | 93,029 |
| NONOPERATING INCOME (EXPENSE): | | |
| Interest income | 134,277 | 158,326 |
| Physician grant | 59,000 | - |
| Rental income | 14,900 | 14,590 |
| Loss on sale of investments | <u>(821)</u> | <u>-</u> |
| | <u>184,200</u> | <u>172,796</u> |
| EXCESS OF REVENUE OVER (UNDER) EXPENSES | <u>\$ (225,026)</u> | <u>\$ 235,800</u> |

See accompanying Notes to Financial Statements.

EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
 EAST CARROLL PARISH HOSPITAL
 STATEMENTS OF CHANGES IN FUND BALANCE - UNRESTRICTED
 YEARS ENDED DECEMBER 31, 1996 AND 1995

| | <u>1996</u> | <u>1995</u> |
|---|---------------------|---------------------|
| FUND BALANCE, BEGINNING OF YEAR | \$ 1,966,868 | \$ 1,731,863 |
| EXCESS OF REVENUE OVER (UNDER) EXPENSES | (225,574) | 235,885 |
| DONATED ASSETS - Note 6 | <u>30,224</u> | <u>-</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 1,771,518</u> | <u>\$ 1,966,868</u> |

See accompanying Notes to Financial Statements.

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL**

STATEMENTS OF CASH FLOWS - UNRESTRICTED FUNDS

YEARS ENDED DECEMBER 31, 1996 AND 1995

Increase (Decrease) in Cash and Cash Equivalents

| | 1996 | 1995 |
|--|------------------|--------------------|
| CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES: | | |
| Excess of revenue over (under) expenses | \$ (219,574) | \$ 295,889 |
| Adjustments to reconcile revenue and gains in excess of expenses to net cash provided by operating activities and gains: | | |
| Depreciation | 73,831 | 86,358 |
| Loss on sale of investments | 671 | - |
| Provisions for losses on accounts receivable | 227,089 | 399,483 |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in receivables, net | (137,038) | 179,261 |
| (Increase) decrease in inventories | (4,598) | 14,571 |
| (Increase) decrease in prepaid expenses | 968 | 3,257 |
| (Increase) (decrease) in accounts payable and accrued expenses | <u>283,152</u> | <u>65,481</u> |
| NET CASH FROM (USED FOR) OPERATING ACTIVITIES | (625,615) | 893,210 |
| CASH FLOWS FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Purchases of property and equipment | (188,613) | (16,009) |
| Principal payments on note payable | <u>(13,869)</u> | <u>(12,325)</u> |
| NET CASH FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES | (202,482) | (47,334) |
| CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES: | | |
| (Increase) decrease in certificates of deposit | (5,186) | 64,708 |
| (Increase) decrease in assets limited as to use | (1,645) | (219,303) |
| (Increase) decrease in investments | <u>283,261</u> | <u>(280,324)</u> |
| NET CASH FROM (USED FOR) INVESTING ACTIVITIES | 95,500 | (1,184,844) |

(Continued)

STATEMENTS OF CASH FLOWS - UNRESTRICTED FUNDS (CONTINUED)

| | 1995 | 1993 |
|---|-------------------|-------------------|
| NET INCREASE IN CASH AND CASH EQUIVALENTS | \$ 33,413 | \$ (347,188) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>312,281</u> | <u>659,469</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 345,694</u> | <u>\$ 312,281</u> |

See accompanying Notes to Financial Statements.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund Accounting

The Hospital uses the proprietary fund method of accounting, whereby revenue and expenses are recognized on the accrual basis. Substantially all revenue and expenses are subject to accrual.

Federal and State Income Taxes

As a political subdivision of the State of Louisiana, the Hospital is exempt from federal and state income taxes.

Donor Restricted Funds

The Hospital reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted fund balance is reclassified as unrestricted fund balance. Donor-restricted contributions whose restrictions are met within the same year as received are referred as unrestricted contributions.

The Hospital reports gifts of property and equipment (or other long-lived assets) as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, the Hospital reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. There were no donor restricted fund balances at December 31, 1986 or 1985.

Risk Management

The Hospital is exposed to various risks of loss from acts, such as, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in recent years. The Hospital is insured for medical malpractice claims and judgments, as discussed in Note 9.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Accounting Standards

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 26, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting", the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid investment instruments purchased with an original maturity of three months or less.

Investments in Debt and Equity Securities

Trading securities, if any, which include any security held primarily for near-term sale, are carried at fair value. Gains and losses on trading securities, both realized and unrealized, are included in nonoperating income.

Available-for-sale securities, which include any security for which the Hospital has no immediate plan to sell but which may be sold in the future, are stated at fair value. Realized gains and losses, based on the specific identification method, are included in nonoperating income. Unrealized gains and losses are recorded in fund balance. Premiums and discounts are amortized and accreted, respectively, to interest income using the interest method over the period to maturity.

Held-to-maturity securities, which include any debt security for which the Hospital has the positive intent and ability to hold until maturity, are carried at historical cost adjusted for amortization of premiums and accretion of discounts. Premiums and discounts are amortized and accreted, respectively, to interest income using the interest method over the period to maturity.

Interest and dividends on investments in debt and equity securities are included in nonoperating income when earned.

NOTE 2 - CASH AND OTHER DEPOSITS

For financial statement purposes, cash consists of demand accounts, insured savings accounts and certificates of deposit.

At December 31, 1996 and 1995, the Hospital had bank balances as follows:

| | 1996 | 1995 |
|---|-------------------|-------------------|
| Insured (FDIC) | \$ 213,646 | \$ 439,688 |
| Collateralized by securities held by the pledging financial institution's Trust Department in the Hospital's name | <u>139,083</u> | <u>58,403</u> |
| Total depository balance | <u>\$ 352,729</u> | <u>\$ 498,091</u> |
| Carrying value | <u>\$ 446,093</u> | <u>\$ 407,540</u> |

NOTE 3 - MIT PATIENT SERVICE REVENUE

The Hospital grants credit to its patients, most of whom are local residents and are insured under third-party payer agreements. The Hospital has agreements with certain third-party payors that provide for reimbursement to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

- **Medicare** - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services, certain outpatient services and defined capital costs related to Medicare beneficiaries are paid based upon a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the Hospital and audits by the Medicare fiscal intermediary.
- **Medicaid** - Inpatient services rendered to Medicaid program beneficiaries are reimbursed at a prospectively determined per diem rate. Outpatient services are reimbursed at a percentage of cost, with final settlement determined after the submission of annual cost reports by the Hospital and audits by the Medicaid fiscal intermediary.

NOTE 3 - NET PATIENT SERVICE REVENUE (CONTINUED)

A summary of gross and net patient service revenue follows:

| | 1996 | 1995 |
|--|---------------------|---------------------|
| Gross patient service revenue | \$ 3,418,354 | \$ 2,997,704 |
| Less provisions for contractual adjustments under third-party reimbursement programs, net of disproportionate share payment of \$64,806 and \$773,006 for 1996 and 1995, respectively | <u>689,014</u> | <u>(22,270)</u> |
| | <u>\$ 2,897,330</u> | <u>\$ 2,945,128</u> |

A summary of gross revenue from patient services rendered under contract with major third-party payors follows:

| | 1996 | | 1995 | |
|----------|---------------------|-------------------------------------|---------------------|-------------------------------------|
| | Amount | Percent of Total Patient Revenue | Amount | Percent of Total Patient Revenue |
| Medicare | \$ 1,491,357 | 43.6 | \$ 1,132,656 | 43.2 |
| Medicaid | <u>582,363</u> | 28.8 | <u>373,658</u> | 29.7 |
| | <u>\$ 2,473,720</u> | 72.4 | <u>\$ 1,894,714</u> | 72.9 |

NOTE 4 - DUE FROM THIRD-PARTY PAYORS

Subsequent to December 31, 1996, the Hospital received approximately \$706,000 from the Louisiana Medicaid Program related to cost reports filed for years spanning from 1994 to 1995.

A summary of amounts due from third-party payors follows:

| | 1996 | 1995 |
|--|-------------------|-------------------|
| Due from (to) Medicare Program | \$ 68,436 | \$ (21,172) |
| Due from Louisiana Medicaid Program, net Reserve for future retroactive adjustments | <u>777,474</u> | <u>416,868</u> |
| | <u>\$ 845,910</u> | <u>\$ 395,696</u> |

NOTE 5 - INVENTORIES

A summary of inventories follows:

| | 1996 | 1995 |
|------------------|------------------|------------------|
| Pharmacy | \$ 32,913 | \$ 34,391 |
| General supplies | <u>18,158</u> | <u>72,172</u> |
| | <u>\$ 51,071</u> | <u>\$ 46,473</u> |

NOTE 6 - PROPERTY, BUILDINGS AND EQUIPMENT

A summary of property, buildings and equipment follows:

| | 1996 | 1995 |
|-------------------------------|--------------------|--------------------|
| Land | \$ 21,000 | \$ 9,000 |
| Buildings and improvements | 882,568 | 849,176 |
| Equipment | 603,539 | 541,713 |
| Transportation equipment | 147,241 | 143,241 |
| Clinic | <u>149,272</u> | <u>-</u> |
| | 1,803,558 | 1,547,130 |
| Less accumulated depreciation | <u>(1,274,250)</u> | <u>(1,201,523)</u> |
| | 529,308 | 345,607 |
| Construction in progress | <u>285,413</u> | <u>-</u> |
| | <u>\$ 814,721</u> | <u>\$ 345,607</u> |

In 1996, the Hospital purchased a physician clinic for \$120,000 and entered into long-term financing as described in Note 8. This purchase represents a non-cash transaction and, thus, is not included in the accompanying Statements of Cash Flows - Unrestricted Funds. Also included in property, buildings and equipment is equipment donated by Dr. Paris, an employee of the Hospital, with a fair market value of \$21,224.

NOTE 7 - ASSETS LIMITED AS TO USE

Assets limited as to use included investments in an insured savings account and debt securities which are held by the Hospital or its agent in the Hospital's name. The use of these funds are internally restricted by the Board until matters involving receivables from prior year cost reports are resolved.

NOTE 7 - ASSETS LIMITED AS TO USE (CONTINUED)

The amortized cost and approximate fair value of held-to-maturity securities comprising the balance of assets limited as to use are as follows:

| | December 31, 1996 | | | |
|--|---------------------|------------------------------|---------------------------------|---------------------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized (Losses) | Approximate Fair Value |
| U. S. Treasury note | \$ 1,486,304 | \$ - | \$ (2,833) | \$ 1,483,469 |
| Savings account with bank | <u>49,808</u> | <u>-</u> | <u>-</u> | <u>49,808</u> |
| | <u>\$ 1,455,932</u> | <u>\$ -</u> | <u>\$ (2,833)</u> | <u>\$ 1,453,077</u> |
| | December 31, 1995 | | | |
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized (Losses) | Approximate Fair Value |
| U. S. Treasury note | \$ 1,480,374 | \$ 6,191 | \$ - | \$ 1,486,565 |
| Savings account with bank | <u>58,812</u> | <u>-</u> | <u>-</u> | <u>58,812</u> |
| | <u>\$ 1,454,386</u> | <u>\$ 6,191</u> | <u>\$ -</u> | <u>\$ 1,460,477</u> |
| | | | Amortized Cost | Approximate Fair Value |
| Maturities of held-to-maturity securities at December 31, 1996: | | | | |
| One year or less | | | \$ 272,697 | \$ 273,713 |
| After one through five years | | | <u>1,183,235</u> | <u>1,179,364</u> |
| | | | <u>\$ 1,455,932</u> | <u>\$ 1,453,077</u> |

NOTE 8 - LONG-TERM LIABILITIES

| | 1996 | 1995 |
|---|------------------|----------------|
| Notes payable to Dr. Paris, an employee, at 4%, payable in monthly installments of \$2,718, including principal and interest, noninterest-free, final payment due May 2001. | \$ 107,178 | \$ - |
| Lease payable paid in full during 1996. | <u>-</u> | <u>1,644</u> |
| | 107,178 | 1,644 |
| Less current portion | <u>(22,600)</u> | <u>(1,644)</u> |
| | <u>\$ 84,578</u> | <u>\$ -</u> |

Annual maturities of long-term liabilities follow:

| | |
|------|-------------------|
| 1997 | \$ 22,600 |
| 1998 | 23,611 |
| 1999 | 24,526 |
| 2000 | 25,528 |
| 2001 | <u>10,915</u> |
| | <u>\$ 107,178</u> |

Interest expense paid (cash basis) was \$2,648 for 1996.

NOTE 9 - MALPRACTICE INSURANCE

The Hospital's malpractice insurance coverage is a claims-made policy. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured. Claims may be asserted against the Hospital arising from services provided to patients through December 31, 1996, in excess of insurance policy limits. No amounts have been accrued for potential claims in excess of insurance coverage, since the Hospital has never incurred and does not expect to incur such claims.

NOTE 10 - OTHER OPERATING REVENUES

Other operating revenues consists of:

| | 1996 | 1995 |
|-----------------------|-------------------|-------------------|
| Parish subsidy | \$ 282,366 | \$ 174,076 |
| Emergency Room grant | 50,714 | - |
| Ambulance memberships | 10,810 | 15,605 |
| Sale of assets | 6,890 | 5,428 |
| Other revenues | <u>8,595</u> | <u>6,626</u> |
| | <u>\$ 369,375</u> | <u>\$ 202,057</u> |

The parish subsidy represents property taxes collected for the benefit of the Hospital. Use of the subsidy is unrestricted.

NOTE 11 - INVESTMENTS

At December 31, 1995, investments consisted of \$633,123 of U. S. Treasury Notes, recorded at cost which approximated market value and \$33,811 of money market funds. The U. S. Treasury Notes were sold during 1996, with a loss of (\$871) recognized. The money market funds were accounted for as cash equivalents in 1996.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent to year end, the Hospital plans to open a 19 bed Senior Care Unit (the Unit). The Unit will provide psychiatric treatment programs for geriatric patients.

In February 1997, the Hospital was granted HCFA approval to change their fiscal year end to May 31.

SUPPLEMENTARY DATA

Smith, Turner & Reeves

Chartered Public Accountants

Board of Commissioners
East Carroll Parish Hospital Service District, dba
East Carroll Parish Hospital
Lake Providence, Louisiana

Independent Auditors' Report on Supplementary Data

The audited financial statements of East Carroll Parish Hospital Service District, dba East Carroll Parish Hospital as of and for the year ended December 31, 1986, and our report thereon dated March 28, 1987, are presented in the preceding section of this report. Our work was made for the purpose of forming our opinion on the financial statements taken as a whole.

Supplementary Schedules 1 through 4 related to the 1986 financial statements are presented for the purpose of additional analysis and are not a required part of the financial statements. Each information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

The audited financial statements of East Carroll Parish Hospital Service District, dba East Carroll Parish Hospital, for the year ended December 31, 1985, were audited by another auditor whose report dated May 1, 1986, expressed an unqualified opinion on these financial statements. Supplementary Schedules 1 through 4 for the year ended December 31, 1985, are presented for additional analysis, and we do not express an opinion on these schedules.

Smith, Turner & Reeves

Jackson, Mississippi
March 28, 1987

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**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL
GROSS PATIENT SERVICE REVENUE BY DEPARTMENT
YEARS ENDED DECEMBER 31, 1996 AND 1995**

| | <u>Year Ended December 31, 1995</u> | | |
|----------------------------|-------------------------------------|---------------------|---------------------|
| | <u>Inpatient</u> | <u>Outpatient</u> | <u>Total</u> |
| ROUTINE SERVICES: | | | |
| Hospital | \$ 217,107 | \$ - | \$ 217,107 |
| ANCILLARY SERVICES: | | | |
| Radiology | 45,131 | 137,669 | 182,800 |
| Laboratory | 228,382 | 226,681 | 455,063 |
| Respiratory therapy | 139,157 | 7,646 | 146,803 |
| Electrocardiology | 17,889 | 24,785 | 42,674 |
| Central supply | 384,322 | 147,256 | 531,578 |
| Pharmacy | 256,311 | 84,877 | 341,188 |
| Emergency Room | - | 384,810 | 384,810 |
| Ambulance | - | 808,715 | 808,715 |
| Clinic | - | 218,426 | 218,426 |
| | <u>1,058,372</u> | <u>2,141,085</u> | <u>3,199,457</u> |
| | <u>\$ 1,275,479</u> | <u>\$ 2,141,085</u> | <u>\$ 3,416,564</u> |
| Percentage of total | <u>37%</u> | <u>63%</u> | <u>100%</u> |

Schedule J

Year Ended December 31, 1995

| Inpatient | Outpatient | Total |
|---------------------|---------------------|---------------------|
| \$ 216,781 | \$ - | \$ 216,781 |
| 40,018 | 96,573 | 136,591 |
| 237,694 | 133,413 | 371,107 |
| 186,177 | 8,526 | 194,703 |
| 79,858 | 14,844 | 94,702 |
| 315,527 | 111,997 | 427,524 |
| 193,878 | 74,997 | 268,875 |
| - | 215,146 | 215,146 |
| - | 589,089 | 589,089 |
| - | 124,085 | 124,085 |
| <u>912,332</u> | <u>1,468,813</u> | <u>2,381,145</u> |
| <u>\$ 1,129,093</u> | <u>\$ 1,968,611</u> | <u>\$ 3,097,704</u> |
| 41% | 57% | 100% |

EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DHA
EAST CARROLL PARISH HOSPITAL
DEPARTMENTAL EXPENDITURES
YEARS ENDING DECEMBER 31, 1986 AND 1985

| | <u>Year Ended December 31, 1986</u> | | |
|---|-------------------------------------|-----------------------------------|---------------------|
| | Salaries and Wages | Supplies and Other Expenses | Total |
| ROUTINE SERVICES: | | | |
| Hospital | \$ 532,180 | \$ 40,725 | \$ 612,917 |
| ANCILLARY SERVICES: | | | |
| Radiology | 41,892 | 33,384 | 75,876 |
| Laboratory | 96,889 | 119,387 | 218,486 |
| Respiratory therapy | - | 8,673 | 8,673 |
| Electrocardiology | - | 9,999 | 9,999 |
| Central supply | - | 33,618 | 33,618 |
| Pharmacy | 15,884 | 73,567 | 89,571 |
| Emergency Room | - | 389,343 | 389,343 |
| Ambulance | 339,613 | 68,893 | 486,306 |
| Clinic | <u>534,558</u> | <u>24,734</u> | <u>559,292</u> |
| | 827,936 | 758,790 | 1,587,666 |
| OTHER DEPARTMENTS: | | | |
| General and administrative | 179,945 | 225,585 | 405,190 |
| Dietary | 42,179 | 38,296 | 78,666 |
| Instrumental services and plant operations | 89,975 | 102,486 | 182,461 |
| Medical records | <u>18,701</u> | <u>282</u> | <u>18,983</u> |
| | <u>290,801</u> | <u>366,669</u> | <u>657,470</u> |
| | <u>\$ 1,696,169</u> | <u>\$ 1,185,074</u> | <u>\$ 2,881,243</u> |

| <u>Year Ended December 31, 1995</u> | | |
|-------------------------------------|--|---------------------|
| <u>Salaries and Wages</u> | <u>Supplies and Other Expenses</u> | <u>Total</u> |
| \$ 345,495 | \$ 73,129 | \$ 422,624 |
| 34,472 | 28,389 | 62,871 |
| 79,863 | 101,734 | 175,637 |
| - | 9,457 | 9,457 |
| - | 10,082 | 10,082 |
| - | 46,773 | 46,773 |
| 20,349 | 60,834 | 87,199 |
| - | 234,283 | 234,283 |
| 126,964 | 64,998 | 295,966 |
| <u>80,008</u> | <u>74,382</u> | <u>154,392</u> |
| 435,672 | 583,906 | 1,022,572 |
| 177,369 | 122,897 | 300,366 |
| 38,372 | 36,838 | 67,210 |
| 53,227 | 97,254 | 149,481 |
| <u>16,518</u> | <u>2,128</u> | <u>18,642</u> |
| <u>216,886</u> | <u>259,118</u> | <u>476,004</u> |
| <u>\$ 1,398,002</u> | <u>\$ 924,142</u> | <u>\$ 2,322,208</u> |

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL
DEPARTMENTAL REVENUE AND EXPENSES
YEARS ENDED DECEMBER 31, 1996 AND 1995**

| | <u>Year Ended December 31, 1996</u> | | | |
|----------------------------|-------------------------------------|---------------------|----------------------------|---------------------|
| | <u>Gross Revenue</u> | | <u>Expenses</u> | |
| | Amount | Percent | Amount | Percent |
| ROUTINE SERVICES: | | | | |
| Hospital | \$ 317,107 | 6.4 | \$ 613,917 | 13.1 |
| ANCILLARY SERVICES: | | | | |
| Radiology | 182,880 | 3.3 | 73,676 | 2.3 |
| Laboratory | 453,063 | 13.3 | 219,496 | 6.8 |
| Respiratory therapy | 126,783 | 4.8 | 8,633 | .3 |
| Electrocardiology | 41,874 | 1.3 | 9,990 | .3 |
| Central supply | 331,838 | 15.5 | 33,818 | .9 |
| Pharmacy | 340,948 | 18.8 | 89,371 | 2.5 |
| Emergency Room | 388,810 | 11.3 | 389,345 | 18.9 |
| Ambulance | 888,715 | 23.7 | 406,385 | 11.3 |
| Clinic | <u>338,436</u> | <u>9.3</u> | <u>359,312</u> | <u>10.0</u> |
| | 3,198,253 | 93.6 | 1,587,688 | 44.3 |
| OTHER DEPARTMENTS | - | - | 654,669 | 18.3 |
| EMPLOYEE BENEFITS | - | - | 345,490 | 6.8 |
| DEPRECIATION | - | - | 72,801 | 2.0 |
| BAD DEBTS | - | - | 499,640 | 11.4 |
| INTEREST | <u>-</u> | <u>-</u> | <u>2,698</u> | <u>.1</u> |
| | <u>\$ 3,416,386</u> | <u>100.0</u> | <u>\$ 3,588,824</u> | <u>100.0</u> |

| Year Ended December 31, 1995 | | | |
|------------------------------|--------------|---------------------|--------------|
| Gross Revenues | | Expenses | |
| Amount | Percent | Amount | Percent |
| \$ 216,781 | 8.3 | \$ 622,624 | 23.9 |
| 136,594 | 5.9 | 60,876 | 2.3 |
| 393,109 | 15.1 | 175,637 | 6.5 |
| 182,700 | 4.9 | 8,437 | .4 |
| 34,782 | 1.3 | 18,802 | .4 |
| 423,454 | 16.9 | 46,773 | 1.7 |
| 263,895 | 10.3 | 87,199 | 3.2 |
| 315,146 | 12.1 | 216,285 | 8.1 |
| 569,669 | 21.9 | 293,946 | 11.1 |
| <u>124,085</u> | <u>4.9</u> | <u>189,582</u> | <u>4.5</u> |
| 2,380,943 | 91.7 | 1,023,572 | 38.3 |
| - | - | 478,804 | 17.7 |
| - | - | 175,321 | 6.5 |
| - | - | 86,150 | 3.2 |
| - | - | 380,485 | 11.2 |
| - | - | - | - |
| <u>\$ 2,357,304</u> | <u>100.0</u> | <u>\$ 2,694,326</u> | <u>100.0</u> |

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL
SURETY BONDS
YEAR ENDED DECEMBER 31, 1996**

| Name | Position | Surety |
|-------------------------------|-----------------|--------------------------------|
| Richard Howard | Board | Executive Risk Indemnity, Inc. |
| Daniel Ferral | Board | Executive Risk Indemnity, Inc. |
| Flora Watson | Board | Executive Risk Indemnity, Inc. |
| James Jackson | Board | Executive Risk Indemnity, Inc. |
| H. Marc Horowitz, M.D. | Board | Executive Risk Indemnity, Inc. |
| LaDonna English | Administrator | Executive Risk Indemnity, Inc. |
| Public Employees-Blanket Bond | All Employees | EMC Insurance Companies |

Executive Risk Indemnity, Inc. has a maximum limit of liability of \$1,000,000.

EMC Insurance Companies has a maximum limit of liability of \$100,000.

Smith, Turner & Reeves

INDEPENDENT AUDITORS
1000 PINEAPPLE AVENUE, SUITE 100, MONROE, LOUISIANA 70132

Board of Commissioners
East Carroll Parish Hospital Service District, dba
East Carroll Parish Hospital
Lake Providence, Louisiana

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

We have audited the financial statements of East Carroll Parish Hospital Service District, dba East Carroll Parish Hospital (the Hospital) as of and for the year ended December 31, 1996, and have issued our report thereon dated March 28, 1997.

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

In planning and performing our audit of the financial statements of the Hospital for the year ended December 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.

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.

We noted certain matters involving the internal control structure and its operation that we have reported to the Management of the Hospital in a separate letter dated March 28, 1997.

This report is intended for the information of the Board of Commissioners, 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.

Smith, Turner & Reeves

Jackson, Mississippi
March 28, 1997

Smith, Turner & Reeves
A PROFESSIONAL CORPORATION
10000 Highway 100, Suite 1000, Baton Rouge, Louisiana 70802

Board of Commissioners
East Carroll Parish Hospital Service District, dba
East Carroll Parish Hospital
Lake Providence, Louisiana

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

We have audited the financial statements of East Carroll Parish Hospital Service District, dba East Carroll Parish Hospital (the Hospital) as of and for the year ended December 31, 1996, and have issued our report thereon dated March 28, 1997.

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 misstatement.

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

The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Board of Commissioners, 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.

Smith, Turner & Reeves

Jackson, Mississippi
March 28, 1997

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MANAGEMENT LETTER

Smith, Turner & Reeves
LLP
Member of the Ernst & Young Global Limited network

Board of Commissioners
East Carroll Parish Hospital Service District, dba
East Carroll Parish Hospital
Lake Providence, Louisiana

We have audited the financial statements of East Carroll Parish Hospital Service District, dba East Carroll Parish Hospital (the Hospital) as of and for the year ended December 31, 1990, and have issued our report thereon dated March 28, 1991.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

During the course of our audit, certain matters were detected which we believe require the attention of Management. These matters, which do not have a material effect on the financial statements, involve areas for improvement in the Hospital's internal control structure and operations.

OBSERVATIONS AND RECOMMENDATIONS

Computer System

The Hospital utilizes a computer system that is not designed for the healthcare environment. The current software and hardware used to process and capture accounting, billing and other important information are limited. Special programming is required when healthcare laws or billing requirements change. The reporting capabilities of the system are also limited.

We recommend the Hospital change computer processing tools to a provider whose expertise is concentrated in the healthcare field. A new system would:

- Provide reports on a timely basis that would allow Management to better monitor day-to-day activity;
- Generate reports that are now processed manually;
- Be capable of handling billing for the different types of services provided by the Hospital; and
- Improve employee efficiency and morale.

Above are only a few enhancements that would benefit the Hospital by changing computer systems.

Subsequent to December 31, 1986, Management has begun the process of researching and gathering information regarding a new system.

Fixed Asset Physical Inventory

The fixed asset detail listing has not been compared to assets on hand. During the year, the Hospital has added new services, such as a physician clinic and 24-hour emergency services. A senior care unit will also be opened soon.

Now is a good time to take a physical inventory of fixed assets and compare to the fixed asset detail listing. This process will result in a more accurate listing of fixed assets which will allow better control, assist Management in determining the need and budgeting for capital expenditures and evaluate appropriate levels of insurance coverage.

Duplicate Checks

The Hospital utilizes single copy checks for accounts payable disbursements. We recommend the use of "duplicate checks". Duplicate checks provide a means of invoice correlation and are beneficial for reference purposes.

The Hospital does a good job of cancelling invoice documents by marking the invoice "paid" with the date and check number. Attaching a check copy to the paid and canceled

supporting documents lessen the chance of paying an invoice twice or filing an invoice without payment.

Documentation of Financial Statement Review

The financial statements are reviewed by the Board at each regular board meeting. However, the review and approval are not documented in the board meeting minutes. We recommend a vote be taken and included in the minutes documenting approval each month. Documentation of approval will provide a reference for public record.

Pay Rate Documentation

Annual reviews are given to employees and documented in employee files; however, pay rates are not. In most cases, the only documentation of pay rates was from a computer printout.

We recommend that a form be prepared containing pertinent employee information and pay rate. This form should be signed by both the supervisor and employee. Another option is to incorporate pay rate information on the evaluation form currently utilized.

Flash Reports

The management reports currently distributed within the Hospital mirror the general ledger in a summarized format and do not clearly highlight specific key items for Management's use.

By clearly identifying key items, both financial and nonfinancial, that are important to the Hospital, you will be able to spend less time reviewing reports and shuffling through information that is not in a useful format. In addition to reviewing key items, exceptions from expected norms should also be noted and included in these reports.

Therefore, we recommend that reports be developed to provide critical notes and key information for Management's utilization to monitor what is currently happening in the Hospital, as well as identify current trends. These reports should be distributed on a monthly basis, and focus should be placed on exceptions noted and corresponding specific actions to be taken to

eliminate or reduce these exceptions. These items should be considered in proceeding with a new software system.

Life Insurance Coverage

During our review of your insurance coverage, we noted that the Hospital has not secured life insurance coverage for the Administrator. Since she is responsible for the day to day operations and is a long time employee, the Hospital would have financial exposure should she become disabled or die. We recommend consideration be given to the need for and amounts of insurance to procure in order to minimize this exposure.

Collection Practices

Accounts receivable aging remained consistent, as compared to December 31, 1999; however, improving collection practices will, in time, improve cash flow and enhance profitability.

The Hospital could achieve this by appointing a permanent manager to handle collections. This would enable someone within the Hospital to focus on cash flow and collection objectives and goals. With the implementation of a hospital oriented accounting software, it should not be necessary to add personnel to achieve these objectives. Another option is to outsource a part or all of this function. There are several factors to consider if it is decided to pursue these areas. We are available to assist you with these issues.

Other Accounting Matters

Certain other accounting matters were discussed with the Administrator during the course of the audit; however, because these involved immaterial matters and immediate attention was given our recommendations, formal mention in this letter was not considered necessary.

* * * * *

This Management Letter is intended solely for the information of the Board of Commissioners, 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.

Smith, Gunn & Reeves

Jackson, Mississippi
March 28, 1987