

Report of Independent Auditors on  
Compliance With Laws and Regulations

The Board of Commissioners  
Hospital Service District No. 3 of the  
Parish of Lafourche, State of Louisiana

We have audited the financial statements of Thibodaux Regional Medical Center (Hospital Service District No. 3 of the Parish of Lafourche, State of Louisiana) as of and for the year ended September 30, 1996, and have issued our report thereon dated November 1, 1996.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. 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, and contracts. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. The Hospital has advised us that it has not received any grants; accordingly, no procedures were performed by us with respect to grants.

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

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



November 1, 1996

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# Thibodaux Regional Medical Center

September 30, 1996

## Audited Financial Statements

Report of Independent Auditors on the Internal Control Structure

Report of Independent Auditors on Compliance With Laws and Regulations

These positions of state law, this report is a public document. A copy of the report has been submitted to the audited, its board, 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: JAN 22 1997

assurance 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 or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

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

*Ernst & Young LLP*

November 1, 2006

## Tribhuvan Regional Medical Center

### Notes to Financial Statements (continued)

#### 3. Long-Term Debt (continued)

collections allocated to payment of debt service on these bonds totaled \$26,283 and \$92,687, respectively. During 1996, the special ad valorem tax millage was discontinued. The 1971 Series bonds matured in 1996. The 1977 Series bonds are callable by the District in inverse order of maturity on any interest payment date.

On December 22, 1993, the Hospital issued \$26,000,000 of Hospital Revenue Bonds, Series 1993. The proceeds of the bonds are being used to construct and equip a cancer center and outpatient services medical mall adjacent to the existing Hospital facility, and to renovate and expand certain areas within the Hospital facility.

The 1993 Revenue Bonds consist of \$1,300,000 of serial bonds (original issue \$1,815,000) with interest rates ranging from 4.1% to 4.8%, payable in annual installments of \$300,000 to \$350,000 from 1997 to 2006; \$2,050,000 of 5.5% term bonds due October 1, 2004; \$4,725,000 of 6.0% term bonds due October 1, 2012; and \$11,350,000 of 6.0% term bonds due October 1, 2023. The term bonds are subject to mandatory sinking fund redemption without a premium prior to maturity, beginning October 1, 2000, 2005, and 2010, respectively. The bonds maturing on or after October 1, 2004 are subject to redemption prior to maturity at the option of the Hospital beginning October 1, 2003, the redemption of the bonds prior to maturity is subject to a premium of up to 2% until October 1, 2003.

The Hospital is required to comply with covenants contained in the 1993 Bond Resolution, including, among other requirements, annual certification to the Trustee of adequate insurance coverage, limitations on the issuance of additional indebtedness by the Hospital, and maintaining a debt service coverage ratio of 1.30. The Hospital was in compliance with these covenants for the years ended September 30, 1996 and 1995. All future operating revenues of the Hospital has been pledged to payment of the bonds.

The Hospital incurred total interest costs of \$1,352,000 and \$1,395,000 during the years ended September 30, 1996 and 1995, respectively. Interest costs (including amortization of bond discount and costs of issuance), net of interest earned, which have been capitalized as costs of construction are as follows:

	1996	1995
Interest costs	\$1,661,000	\$1,651,000
Interest earned	309,000	256,000
Net financing costs capitalized	<u>\$ 1,352,000</u>	<u>\$ 1,395,000</u>

Thibodaux Regional Medical Center

Financial Statements

Years ended September 30, 1994 and 1995

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## Report of Independent Auditors on the Internal Control Structure

The Board of Commissioners  
Hospital Service District No. 3 of the  
Parish of Lafourche, State of Louisiana

We have audited the financial statements of Thibodaux Regional Medical Center (Hospital Service District No. 3 of the Parish of Lafourche, State of Louisiana) as of and for the year ended September 30, 1996, and have issued our report thereon dated November 1, 1996.

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

The management of 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 internal control 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 September 30, 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

## Report of Independent Auditors

The Board of Commissioners  
Hospital Service District No. 3 of the  
Parish of Lafourche, State of Louisiana

We have audited the accompanying balance sheets of Thibodaux Regional Medical Center (Hospital Service District No. 3 of the Parish of Lafourche, State of Louisiana), formerly Thibodaux Hospital and Health Centers, as of September 30, 1996 and 1995, and the related statements of revenues, expenses and fund balance and cash flows for the years 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 audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 audits provide 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 Thibodaux Regional Medical Center as September 30, 1996 and 1995, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.



November 1, 1996

## Thibodaux Regional Medical Center

### Statements of Revenues, Expenses and Fund Balance

	Year ended September 30	
	1998	1997
Net patient service revenue (Note 1)	\$ 54,196,318	\$ 45,953,442
Other revenue	474,241	464,599
Total revenue	54,664,559	46,418,041
 Expenses:		
Salaries and wages	17,216,580	14,765,840
Employer benefits and payroll taxes	3,743,718	2,899,428
Professional fees	3,648,834	4,569,810
Supplies and materials	8,182,416	7,166,375
Purchased services	3,044,169	2,931,244
Provision for bad debts	2,888,211	1,692,616
Other	3,432,677	2,391,190
Depreciation and amortization	3,311,887	3,248,654
Interest (Note 2)	293,536	543,396
Total expenses	47,434,538	39,425,543
Income from operations	7,230,021	6,992,498
 Nonoperating income:		
Interest earned on investments	1,325,662	1,003,598
Taxes and income-sharing proceeds (Note 3)	164,168	292,956
Other	13,598	224,282
Total nonoperating income	1,453,188	1,520,836
Revenue in excess of expenses	8,703,204	8,513,694
 Fund balance at beginning of year		
	48,470,485	48,856,761
Fund balance at end of year	56,173,689	57,370,455

See accompanying notes.



Financial Statements

Tribotoux Regional Medical Center

Years ended September 30, 1996 and 1995  
with Report of Independent Auditors

## Tribeca Regional Medical Center

### Statements of Cash Flows

	Year ended September 30	
	1998	1997
<b>Operating activities</b>		
Increase from operations	\$ 7,259,024	\$ 4,952,658
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation and amortization	3,311,897	3,249,654
Interest on lease on debt and capital leases	299,836	329,296
Loss on disposal of equipment	4,145	47,683
Changes in operating assets and liabilities:		
Decrease (increase) in patient accounts receivable	244,685	(1,449,280)
Decrease in other receivables	113,427	51,489
Increase in inventories and prepaid expenses	(108,942)	(53,520)
Increase in accounts payable and employee compensation	1,283,253	22,569
Increase in amounts due to contractual third-party payors	51,736	1,729,593
Net cash provided by operating activities	<u>12,488,731</u>	<u>10,952,427</u>
<b>Noncapital financing activities</b>		
Taxes and revenue-sharing proceeds received for operations	77,885	203,229
Litigation settlements and other nonoperating income received	13,369	324,382
Net cash provided by noncapital financing activities	<u>91,254</u>	<u>527,611</u>
<b>Capital and related financing activities</b>		
Purchases of property, plant and equipment	(7,142,329)	(8,071,628)
Principal payments on debt incurred for capital purposes	(375,489)	(325,493)
Principal payments on capital lease obligations	(868,483)	(928,717)
Interest payments on debt and capital lease obligations	(1,292,099)	(1,354,796)
Taxes received for debt retirement	26,283	52,687
Proceeds from sale of equipment	18,563	32,436
Net cash used in capital and related financing activities	<u>(9,635,094)</u>	<u>(10,595,511)</u>
<b>Investing activities</b>		
Interest received on investments	1,668,744	1,540,469
Decrease in funds designated under bond resolutions	3,043,876	6,310,369
Increase in funds designated by bond for plant repair and expansion	(7,828,772)	(3,455,717)
Decrease (increase) in investments	913,358	(3,400,287)
Acquisition of physician practices	(673,000)	-
Net cash used in provided by investing activities	<u>(2,886,834)</u>	<u>(895,166)</u>
Net increase (decrease) in cash and cash equivalents	312,897	(358,157)
Cash and cash equivalents at beginning of year	2,763,827	2,725,284
Cash and cash equivalents at end of year	<u>\$ 3,076,724</u>	<u>\$ 2,367,127</u>
<b>Supplemental disclosures of cash flow information</b>		
Noncash capital and related financing activities:		
Capital lease obligations for equipment	\$ -	\$ 1,074,374

See accompanying notes.

## Thibodaux Regional Medical Center

### Notes to Financial Statements (continued)

#### 9. Cash, Cash Equivalents and Investments (continued)

Statutes authorize the Hospital to invest in direct obligations of the U. S. Government or its agencies, certificates of deposit of state banks and national banks having their principal office in the State of Louisiana, and any other federally insured investments, guaranteed investment contracts issued by a financial institution having one of the two highest rating categories published by Standard & Poor's or Moody's, and mutual or trust funds replicated with the Securities and Exchange Commission (provided the underlying investments of these funds meet certain restrictions).

#### 10. Net Patient Service Revenue

Net patient service revenue is comprised of the following:

	1996	1995
Total patient service charges (excluding charity care of \$1,045,524 in 1996 and \$952,285 in 1995)	\$ 95,984,850	\$ 79,213,376
Contractual and other allowances:		
Medical	6,080,878	4,611,862
Medicare	24,888,683	23,268,295
Managed care organizations	6,414,905	4,204,609
Other	2,418,946	1,747,688
Total contractual and other allowances	39,799,212	33,728,234
Net patient service revenue	\$ 56,185,638	\$ 45,485,142

#### 11. Postemployment Benefits

The Hospital provides health care benefits to retired hospital employees and their families. Employees with at least 10 years of service and who are age 55 or older at retirement are eligible to participate. Effective January 1, 1996, plan participants are required to contribute 100% of the plan's monthly premium. The Hospital records the excess over the contributions as expense as the benefits are used. For the fiscal year ended September 30, 1996, 38 retired employees participated in the plan. Expenses related to this plan were immaterial for the years ended September 30, 1996 and 1995.

	September 30	
	1998	1997
<b>Liabilities and fund balance</b>		
<b>Current liabilities:</b>		
Trade accounts payable	\$ 2,858,428	\$ 1,218,792
Employee compensation	1,659,089	1,175,133
Accounts due to contractual third-party payors (Note 2)	2,878,583	2,826,587
Payables related to assets whose use is limited (Note 3)		
Construction accounts payable	638,189	1,543,618
Accrued interest	588,091	587,496
Amounts due within one year on long-term debt	375,000	325,000
Amounts due within one year on capitalized lease obligations (Note 4)	793,942	869,483
Total current liabilities	<u>8,143,159</u>	<u>7,796,101</u>
Long-term debt, less amounts due within one year (Note 2)	19,184,858	19,452,879
Capitalized lease obligations, less amounts due within one year (Note 4)	588,773	1,948,215
Fund balance	88,133,659	49,478,455
	<u>\$ 85,977,499</u>	<u>\$ 78,665,354</u>

See accompanying notes.

## Trifidinus Regional Medical Center

### Notes to Financial Statements (continued)

#### 6. Retirement Plan

Effective September 1, 1995, the Hospital implemented a defined contribution plan under Section 407(a) of the Internal Revenue Code (the Plan). The Plan covers all employees age 21 or older with one year of service in which at least 1,000 hours were worked. The Plan provides that the Hospital, at its option, may make contributions to the Plan based on a discretionary percentage of eligible employees' base compensation, as defined, as well as matching contributions. The Hospital's discretionary contribution percentage was 4% for the years ended September 30, 1996 and 1995. The Plan permits tax deferred by employees of amounts, combined with the Hospital's contribution, up to a maximum of 15% of their base compensation, subject to certain limits. Employer contributions vest at 20% per year until they reach 100% at the end of year five. Employee contributions are immediately vested.

Expense recorded by the Hospital for the years ended September 30, 1996 and 1995 totaled \$358,951 and \$341,870, respectively, or approximately 4% of revenue earned in each year.

#### 7. Commitments

Construction in progress at September 30, 1995 includes costs related to construction of an out-patient services medical mall and renovation and expansion of certain areas within the existing Hospital facility. Estimated costs to complete construction total approximately \$750,000. The remaining funds in the construction trust fund will be used to fund equipment purchases and to reimburse the Hospital's operating funds for prior equipment purchases.

In 1975, the Hospital received a grant of \$1,000,000 under the Federal Hill-Burton Act for construction of an addition to the Hospital building. The grant is subject to an agreement with the United States Government that if, during a 20-year period, there is an approved change in ownership, or the Hospital ceases to be a nonprofit entity, the grant will be repaid. The acceptance of this grant requires the Hospital to provide a reasonable amount of free or below-cost care to indigent patients.

# Thibodaux Regional Medical Center

## Notes to Financial Statements

September 30, 1998

### 1. Organization and Significant Accounting Policies

#### Organization

The accompanying financial statements include the accounts and transactions of Hospital Service District No. 3 of the Parish of Lafourche, State of Louisiana d/b/a Thibodaux Regional Medical Center, formerly Thibodaux Hospital and Health Centers (the Hospital). Hospital Service District No. 3 of the Parish of Lafourche, State of Louisiana is a non-profit corporation organized by Lafourche Parish. The Lafourche Parish Council, which is the governing authority of Lafourche Parish, Louisiana, appoints members to the Hospital's board of commissioners. As a political subdivision, the Hospital is exempt from federal income taxes under Section 115 of the Internal Revenue Code. This exemption also extends to state income taxes.

#### Basis of Accounting

The Hospital uses the accrual basis of accounting for proprietary funds. Under Governmental Accounting Standards Board (GASB) Statement No. 30, the Hospital has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

#### Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

#### Net Patient Service Revenue and Related Receivables

Net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered. The Hospital provides care to patients even though they may lack adequate insurance or are covered by contractual payment arrangements that do not pay full charges. As a result, the Hospital is exposed to certain credit risks. The Hospital manages such risks by regularly reviewing its accounts and contracts and by providing appropriate allowances.

## Trubekus Regional Medical Center

### Notes to Financial Statements (continued)

#### I. Organization and Significant Accounting Policies (continued)

##### Medicare and Medicaid Reimbursement Programs

The Hospital provides inpatient services to Medicare beneficiaries and is paid a predetermined amount for these services based, for the most part, on the Diagnosis Related Group (DRG) assigned to the patient. Since the amount paid is prospectively determined, a retrospective settlement is not made for Medicare inpatient services.

Medicaid inpatient services are paid based on a prospective per diem system effective July 1, 1992. Medicaid outpatient services, Medicaid inpatient services provided prior to July 1, 1992, and Medicare rehabilitation, skilled nursing and home health services are reimbursed on a cost basis, subject to certain limitations under the current Medicaid and Medicare regulations. Outpatient ambulatory surgery, clinical lab and radiology diagnostic services to Medicare beneficiaries are reimbursed based on a blend of costs, published facility fees, prevailing charges or fee schedules. All other Medicare outpatient services are reimbursed on a cost basis. Retrospective cost settlements based upon annual cost reports are estimated and recorded in the financial statements. Final determination of amounts to be received under cost reimbursement regulations is subject to review by program representatives. Although final settlements are not made until a subsequent period, the Hospital estimates and records these retrospective settlements in its financial statements in the period in which services are rendered. Differences between original estimates and subsequent revisions (including final settlements) are reported as an adjustment of net patient service revenue in the period in which the revisions are made.

##### Charity Care

The Hospital 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 Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

##### Cash Equivalents

Cash equivalents include investments in money market funds and highly liquid investments with maturities of three months or less when purchased, excluding amounts whose use is limited by board designation or under trust agreements.

## **Tribotoux Regional Medical Center**

### **Notes to Financial Statements (continued)**

#### **1. Organization and Significant Accounting Policies (continued)**

##### **Inventories**

Inventories are valued at the latest invoice price which approximates the lower of cost (first-in, first-out method) or market.

##### **Intangible Assets**

Intangible assets, consisting primarily of the value of noncompete agreements and the cost in excess of net asset value of certain physician practices acquired by the Hospital, are included in other assets in the balance sheet and are being amortized on a straight-line basis over periods of three to five years.

##### **Property, Plant and Equipment**

The Hospital records all property, plant and equipment acquisitions at cost except for assets donated to the Hospital. Donated assets are recorded at fair value at the date of donation. The Hospital provides for depreciation using the straight-line method over the estimated useful lives of the assets. Amortization of assets capitalized under lease arrangements is provided using the straight-line method over the lease term and is included in depreciation and amortization expense.

##### **Unamortized Bond Issuance Costs and Bond Discount**

Costs incurred in connection with the issuance of the 1993 Revenue Bonds are being amortized over the terms of the bonds using the interest method. The original bond discount on the 1993 Revenue Bonds is being amortized over the terms of the bonds using the interest method.

##### **Taxes and Revenue-Sharing Proceeds**

The Hospital receives funds from a special ad valorem tax levied on property within the territorial boundaries of the Hospital Service District. These funds are available for the maintenance and operation of the Hospital and for debt retirement, as more fully described in Note 3. The Hospital accounts for these funds as nonoperating income on an accrual basis. During 1995, the special ad valorem tax was discontinued.



Tribodaux Regional Medical Center

Notes to Financial Statements (continued)

**8. Assets Whose Use Is Limited**

The following is a summary of the components of assets whose use is limited:

	<u>1996</u>	<u>1995</u>
Funds designated by board for plant repair and expansion:		
U. S. Treasury Bills	\$ 4,902,368	\$ 3,951,227
Certificate of deposit	15,500,000	11,500,000
Money market deposits	587,428	382,087
Accrued interest receivable	41,000	97,280
	<u>21,030,800</u>	<u>15,971,004</u>
Funds designated under board resolutions for debt retirement:		
Public Improvement Bonds, Series 1971 and 1977:		
Money market deposits	82,514	88,406
Ad valorem taxes receivable	-	64,627
	<u>82,514</u>	<u>153,033</u>
Hospital Revenue Bonds, Series 1993:		
Debt Reserve Fund:		
U. S. Treasury Notes	1,491,832	1,490,828
Money market funds	169,089	99,365
Accrued interest receivable	24,629	23,995
	<u>1,685,540</u>	<u>1,614,188</u>
Debt Service Fund:		
U. S. Treasury Bill	1,408,080	560,948
Money market funds	956,862	874,367
Accrued interest receivable	1,516	3,895
	<u>2,366,458</u>	<u>1,439,210</u>
Funds designated under board resolution for construction:		
U. S. Treasury Notes	-	2,237,395
U. S. Treasury Bills	5,680,877	2,022,358
Money market funds	508,348	4,977,823
Accrued interest receivable	6,240	33,716
	<u>6,227,665</u>	<u>9,791,492</u>
	<u>\$ 32,814,728</u>	<u>\$ 28,428,025</u>

Tribeaux Regional Medical Center

Notes to Financial Statements (continued)

4. Capitalized Lease Obligations

The cost and accumulated amortization of all equipment held under capitalized lease obligations are included in equipment and accumulated depreciation and amortization in the balance sheet as follows:

	<u>1996</u>	<u>1995</u>
Equipment	\$ 4,248,094	\$ 4,240,094
Accumulated amortization	2,874,913	2,075,558
Net book value	<u>\$ 1,373,181</u>	<u>\$ 2,164,536</u>

The amounts of future minimum lease payments are as follows:

Year ending September 30:	
1997	\$ 1,052,041
1998	388,974
1999	312,024
2000	83,980
Total minimum lease payments	<u>1,822,939</u>
Less amount representing: maintenance costs, included in total minimum lease payments	376,873
Net minimum lease payments	1,446,064
Less amount representing interest	<u>35,149</u>
Present value of net minimum lease payments (including \$793,842 classified as current)	<u>\$ 1,348,715</u>

## Thibodaux Regional Medical Center

### Notes to Financial Statements (continued)

#### 1. Organization and Significant Accounting Policies (continued)

The Hospital receives income-sharing funds from Lafourche Parish for the Hospital's maintenance and operations. The Hospital records these funds as nonoperating income in the year received.

#### Operating and Nonoperating Revenue

The Hospital's primary purpose is to provide diversified health care services to individuals, physicians, and businesses in Lafourche Parish and the surrounding communities. As such, activities related to the ongoing operations of the Hospital are classified as operating revenues. Operating revenues include those generated from direct patient care, related support services, gains or losses from disposition of operating properties and sundry revenues related to the operation of the Hospital. Interest earnings on investments, gains and losses not directly related to the ongoing operations of the Hospital or that occur infrequently, and gifts, grants and bequests not restricted by donors for specific purposes, are reported as nonoperating income.

#### Changes in Presentation of Comparative Statements

Certain amounts in the 1995 financial statements have been reclassified to conform to the 1994 presentation.

#### 2. Third-Party Payer Arrangements

The Hospital participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. During the years ended September 30, 1994 and 1995, approximately \$79 and \$99, respectively, of the Hospital's patient service charges were related to services provided to Medicare and Medicaid program beneficiaries.

Revenues derived from the Medicare program are subject to audit and adjustment by the fiscal intermediary and must be accepted by the United States Department of Health and Human Services before settlement amounts become final. Revenues derived from the Medicaid program are subject to audit and adjustment and must be accepted by the Department of Health and Hospitals of the State of Louisiana before settlement amounts become final. Estimated settlements for the years ended through September 30, 1994, have been reviewed by program representatives and adjustments have been recorded to correct for the changes required. These adjustments had an immaterial effect on net patient service revenue for the years ended September 30, 1994 and 1995.

## Trihodian Regional Medical Center

### Notes to Financial Statements (continued)

#### 2. Third-Party Payer Arrangements (continued)

The Hospital has also entered into payment agreements with certain commercial insurance carriers and managed care organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates and discounts from established charges.

#### 3. Long-Term Debt

The details and balances of long-term debt are presented below:

	1996	1995
Public Improvement Bonds, Series 1991, 3.4%, due serially to 1996	\$           —	\$    5,000
Public Improvement Bonds, Series 1977, 3.6%, due serially to 2000, with remaining annual installments ranging from \$75,000 to \$100,000 (\$75,000 due in 1997)	225,000	295,000
Hospital Revenue Bonds, Series 1993, 4.1% to 6.0%, less unamortized discount of \$470,150 at September 30, 1996 (terms described below) (\$500,000 due in 1997)	18,594,850	19,227,879
	18,479,850	19,227,879
Less amounts due within one year	275,000	225,000
	\$ 18,104,850	\$ 19,452,879

The aggregate amounts of maturities for all long-term debt in each of the next five years ending September 30 and thereafter are as follows: 1997—\$375,000; 1998—\$405,000; 1999—\$410,000; 2000—\$440,000; 2001—\$470,000; and \$17,850,000 thereafter.

During 1970 and 1977, the Hospital Service District One District issued public improvement bonds totaling \$2,000,000 and \$1,300,000, respectively, to finance construction and expansion of the Hospital. Prior to 1996, payment of these bonds was made from the proceeds of a special ad valorem tax levied on property within the territorial boundaries of the District. During the years ended September 30, 1996 and 1995, the revenue from the tax

## Thibodaux Regional Medical Center

### Notes to Financial Statements (continued)

#### 7. Commitments (continued)

The Hospital provided free or below-cost care under the Hill-Burton program at established Hospital charges totaling \$353,734 and \$521,342 for the years ended September 30, 1996 and 1995, respectively. These Hill-Burton charity amounts, along with other charity amounts under the Hospital's charity care policy, are excluded from net patient service revenue in the accompanying statements of revenues, expenses and fund balance (see Note 10). The 20-year Hill-Burton obligation expired in fiscal year 1995.

#### 8. Contingencies

The Hospital participates in the Louisiana Patients' Compensation Fund (the Fund) for medical malpractice claims. As a participant, the Hospital has a statutory limitation of liability which provides that no award can be rendered against it in excess of \$500,000, plus interest and costs. The Fund provides coverage on a claims-made basis for claims over \$100,000 and up to \$200,000. Prior to October 23, 1995, the Hospital was insured on a claims-made basis through a commercial insurance carrier for malpractice losses up to \$1,000,000, with no self-insured retention. Effective October 23, 1995, the Hospital is insured on a claims-made basis through a commercial insurance carrier for malpractice losses up to \$1,000,000, with a self-insurance retention of \$100,000 per occurrence up to a maximum of \$300,000 per year.

The Hospital has been named defendant in lawsuits alleging medical malpractice. Management of the Hospital, using information provided by its commercial insurance carrier, has accrued in the financial statements its best estimate of probable contingent losses on these claims and on estimated claims incurred but not reported.

#### 9. Cash, Cash Equivalents and Investments

At September 30, 1996 and 1995, the bank balances of the Hospital's deposits, which are included in cash and cash equivalents, investments, and assets whose use is limited in the balance sheet, were actively insured or collateralized with securities held by the pledging bank in the Hospital's name. In addition, the Hospital had investments in direct obligations of the U. S. Government and in money market accounts whose underlying investments consist solely of U. S. Government securities, with carrying amounts of \$26,337,728 and \$19,063,312 at cost and market values of \$26,330,112 and \$19,755,874 at September 30, 1996 and 1995, respectively. The U. S. Government obligations are unsecured and collateralized, with securities held by the trustee in the Hospital's name. The money market funds are unsecured and uncollateralized, with securities held by the trustee but not in the Hospital's name.