

LIABILITIES AND FUND BALANCE

	<u>1996</u>	<u>1995</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 455,802	\$ 448,793
Current maturities of obligations under capital lease	38,338	67,168
Other payables	4,784	7,324
Accrued wages payable	61,902	12,322
Accrued vacation payable	63,753	32,610
Estimated third-party paper settlements	<u>344,243</u>	<u>88,366</u>
Total current liabilities	<u>1,372,722</u>	<u>755,683</u>
<b>LONG-TERM DEBT</b>		
Obligation under capital lease	<u>31,366</u>	<u>42,085</u>
<b>FUND BALANCE</b>	<u>1,228,222</u>	<u>1,228,096</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$1,632,307</u>	<u>\$1,651,214</u>

See independent auditor's report and notes to financial statements.

# DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

INDEPENDENT PUBLIC ACCOUNTANTS

NEW ORLEANS OFFICE  
115 CANAL ST.  
SUITE 2000  
NEW ORLEANS, LA 70112  
PHONE 584-1100  
FACSIMILE 584-1100

1000 Lake St.  
Baton Rouge, LA  
Suite 1000  
Baton Rouge, LA  
70801  
Phone 383-1100  
Fax 383-1100

MEMPHIS  
1000 River St.  
Memphis, TN 38103

1000 Lake St.  
New Orleans, LA  
Suite 1000  
New Orleans, LA  
70112  
Phone 584-1100  
Fax 584-1100

## Independent Auditor's Report

Board of Commissioners  
Hospital Service District No. 1  
Parish of Vermilion, State of Louisiana  
Bayou, Louisiana

We have audited the accompanying financial statements of the Hospital Service District No. 1, Parish of Vermilion, State of Louisiana, a component unit of the Vermilion Parish Police Jury, as of and for the years ended September 30, 1998 and 1999, as shown in the table of contents. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 the Hospital Service District No. 1, Parish of Vermilion, State of Louisiana, as of September 30, 1998 and 1999, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

MEMPHIS  
1000 River St.  
Memphis, TN 38103  
Phone 383-1100  
Fax 383-1100

1000 Lake St.  
New Orleans, LA  
Suite 1000  
New Orleans, LA  
70112  
Phone 584-1100  
Fax 584-1100

1000 Lake St.  
New Orleans, LA  
Suite 1000  
New Orleans, LA  
70112  
Phone 584-1100  
Fax 584-1100

1000 Lake St.  
New Orleans, LA  
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New Orleans, LA  
70112  
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Fax 584-1100

1000 Lake St.  
New Orleans, LA  
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70112  
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Fax 584-1100

1000 Lake St.  
New Orleans, LA  
Suite 1000  
New Orleans, LA  
70112  
Phone 584-1100  
Fax 584-1100

MEMPHIS  
1000 RIVER ST.  
MEMPHIS, TN 38103  
PHONE 383-1100  
FACSIMILE 383-1100

In accordance with Government Auditing Standards, we have also issued a report dated January 15, 1997, on our consideration of the Hospital's internal control structure and a report dated January 15, 1993, on its compliance with laws and regulations.

As discussed more fully in Note 10 to the financial statements, the Hospital has experienced significant losses. The financial statements do not include any adjustment relating to the amount and classification of liabilities that might be necessary if the Hospital Service District No. 1, Parish of Iberia, State of Louisiana, is unable to continue operation of the facility.

Burnall, Sims, Kaldor, Frederick & Rainey

A Corporation of Certified Public Accountants

Monroe, Louisiana  
January 15, 1997

TABLE OF CONTENTS

	Page <u>    </u>
Independent Auditor's Report	1-3
<b>FINANCIAL STATEMENTS</b>	
Balance Sheet	3
Statement of Operations	4
Statement of Changes in Fund Balance	5
Statement of Cash Flows	6
Notes to Financial Statements	7-13
Independent Auditor's Report on Additional Information	14
<b>ADDITIONAL INFORMATION</b>	
Summary of Depreciable Assets and Depreciation	15
Schedule of Net Patient Service Revenue	16
Schedule of In-Patient Service Revenue	17
Schedule of Out-Patient Service Revenue	18
Schedule of Other Operating Income	18
Schedule of Professional Expenses	19
Schedule of General and Administrative Expenses	20
Schedule of Nonoperating Income	22
Schedule of Commissioners, Meetings Attended and Compensation	23
Independent Auditor's Report on Internal Control Structures Based on an Audit of Basic Financial Statements Performed in Accordance with Government Auditing Standards	23-24
Independent Auditor's Report on Compliance Based on an Audit of Basic Financial Statements Performed in Accordance with Government Auditing Standards	25-28

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**HOSPITAL SERVICE DISTRICT NO. 1**  
Parish of Vermilion  
State of Louisiana  
Kaplan, Louisiana  
  
Financial Report  
  
Years Ended September 30, 1965 and 1966

Under provisions of state law, this report is a public document. A copy of this report has been submitted to the auditor, or reviewed, orally and other appropriate public officials. The report is available for public inspection at the State House, Office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Witness Date MAY 07 1966

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Balance Sheets  
September 30, 1996 and 1995

ASSETS

	<u>1996</u>	<u>1995</u>
<b>CURRENT ASSETS</b>		
Cash on hand and in banks	\$ 298,327	\$ 247,844
Certificates of deposit	-	141,900
Assets whose use is limited :		
required for current liabilities	38,379	67,168
accounts receivable - patients, net	1,764,838	1,822,874
Estimated third party payer settlements	156,829	168,294
Receivables	188,059	191,534
Accrued interest receivable	2,361	3,969
Prepaid expenses	58,474	61,141
Other receivables	<u>822</u>	<u>-</u>
Total current assets	<u>2,483,289</u>	<u>2,604,720</u>
<b>ASSETS WHOSE USE IS LIMITED BY THE BOARD FOR CAPITAL IMPROVEMENTS</b>		
Cash and certificates of deposit	405,321	513,190
Less assets whose use is limited and that are required for current liabilities	<u>132,229</u>	<u>657,169</u>
	<u>273,092</u>	<u>448,021</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Depreciable assets	4,341,848	4,093,330
Less accumulated depreciation:	<u>12,432,608</u>	<u>12,224,868</u>
Net depreciable assets	1,909,240	1,868,462
Land	<u>39,293</u>	<u>36,182</u>
	<u>1,948,533</u>	<u>1,904,644</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,819,787</u>	<u>\$ 5,014,134</u>

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Terrebonne  
State of Louisiana

Schedule of In-Patient Service Revenue  
Years Ended September 30, 1998 and 1995

	<u>1998</u>	<u>1995</u>
<b>ROUTINE SERVICES</b>		
Room and board	\$ 158,845	\$ 819,498
<b>SPECIAL SERVICES</b>		
Anesthesiology	88,813	85,818
Blood administration	50,811	57,943
Critical care unit	2,350	5,800
Electrocardiology	51,781	48,342
Emergency room	34,889	32,859
Intravenous therapy	593,570	432,973
Laboratory	391,383	389,079
Medical and surgical	473,037	474,684
Nuclear medicine	38,784	43,355
Operating room	112,908	84,877
Pharmacy	158,645	225,800
Physical therapy	8,408	12,718
Psychiatric	5,189,780	5,357,855
Radiology	24,874	24,344
Recovery room	31,870	11,708
Respiratory therapy	339,081	427,364
Ultrasound	<u>24,321</u>	<u>22,821</u>
	<u>\$8,546,482</u>	<u>\$8,557,241</u>

See independent auditor's report on additional information.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Schedule of Net Patient Service Revenue  
Years ended September 30, 1994 and 1993

	<u>1994</u>	<u>1993</u>
IN-PATIENT SERVICE REVENUE	\$ 8,346,493	\$ 8,007,361
OUT-PATIENT SERVICE REVENUE	<u>3,855,808</u>	<u>3,274,689</u>
	<u>12,202,301</u>	<u>11,282,050</u>
DEDUCTIONS FROM PATIENT SERVICE REVENUE		
Contractual allowances	3,248,327	4,878,663
Discounts	<u>164,858</u>	<u>190,758</u>
	<u>3,413,185</u>	<u>5,069,421</u>
Net Patient Service Revenue	<u>\$ 8,789,116</u>	<u>\$ 6,212,629</u>

See independent auditor's report on additional information.



## DEPRECIATION

Balance 8/31/99	Additions	Substitutions	Balance 8/31/99	Book Value 8/31/99
\$ 847,186	\$ 31,297	\$ -	\$ 878,483	\$ 829,800
33,636	538	-	34,174	34,113
438,086	104,368	-	542,454	647,679
731,582	66,132	36,847	834,561	379,865
<u>186,350</u>	<u>18,182</u>	<u>-</u>	<u>176,532</u>	<u>37,962</u>
<u>\$1,326,860</u>	<u>\$210,387</u>	<u>\$36,847</u>	<u>\$2,430,600</u>	<u>\$1,909,240</u>

See Independent auditor's report on additional information.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Statement of Operations  
Years Ended September 30, 1986 and 1985

	<u>1986</u>	<u>1985</u>
<b>OPERATING REVENUE</b>		
Net patient service revenue	\$ 6,149,013	\$6,426,468
Other revenue	<u>147,018</u>	<u>179,188</u>
	<u>\$ 6,296,031</u>	<u>\$ 6,605,656</u>
<b>OPERATING EXPENSES</b>		
Professional	5,585,974	4,870,617
General and administrative	1,540,728	1,521,078
Depreciation	330,587	379,104
Provision for bad debts	<u>148,532</u>	<u>385,852</u>
	<u>7,595,821</u>	<u>7,156,651</u>
<b>LOSS FROM OPERATIONS</b>	(1,299,790)	(550,995)
<b>NONOPERATING INCOME</b>	<u>318,925</u>	<u>421,218</u>
<b>NET INCOME (LOSS)</b>	<u>\$(1,042,834)</u>	<u>\$ 165,174</u>

See Independent auditor's report and notes to financial statements.

# DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

a corporation organized under the laws of Louisiana

1015 BUREAU BUILDING  
712 BROADWAY  
NEW ORLEANS, LOUISIANA  
70114

3019 BAYVIEW DRIVE  
SUITE 1100  
HOUSTON, TEXAS 77027  
HOUSTON OFFICE 713-865-7400  
DALLAS OFFICE 214-760-2400  
FORT WORTH OFFICE 817-335-4400  
HOUSTON OFFICE 281-865-7400  
HOUSTON OFFICE 281-865-7400  
HOUSTON OFFICE 281-865-7400  
HOUSTON OFFICE 281-865-7400

**MEMORANDUM**  
TO: THE BOARD OF COMMISSIONERS  
HOSPITAL SERVICE DISTRICT NO. 1

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

TO: THE BOARD OF COMMISSIONERS  
HOSPITAL SERVICE DISTRICT NO. 1  
VERMILION, LOUISIANA

DATE: 1/15/1997  
PERIOD: 10/1/96 TO 9/30/96  
AUDITOR: DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

REPORT NO. 100  
DATE: 1/15/1997  
PERIOD: 10/1/96 TO 9/30/96

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PERIOD: 10/1/96 TO 9/30/96

The Board of Commissioners  
Hospital Service District No. 1  
Parish of Vermilion, State of Louisiana  
Bayou, Louisiana

We have audited the financial statements of the Hospital Service District No. 1, Parish of Vermilion, State of Louisiana, a component unit of the Vermilion Parish Police Jury, as of and for the year ended September 30, 1996, and have issued our report thereon dated January 15, 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.

Compliance with laws, regulations, contracts, and grants applicable to the Hospital is the responsibility of management and the Board. 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 audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed the following instances of noncompliance that are required to be reported under Government Auditing Standards:

### Finding:

The Hospital Service District No. 1, Parish of Vermilion, State of Louisiana, by failing to complete and deliver to the Louisiana Legislative Auditor in a timely manner an audited financial statement for the fiscal year ended September 30, 1996, was found to be in violation of Louisiana Revised Statute 24:311(A)(3)(a). This statute provides that the Legislative Auditor may, in his discretion, accept audits prepared by licensed certified public accountants provided that, among other requirements, such audits are completed

ISSUED BY  
DARNALL, SIKES, KOLDER, FREDERICK & RAINEY  
A CORPORATION ORGANIZED UNDER THE LAWS OF LOUISIANA

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 reportable 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 management and Board of Commissioners. However, this report is a matter of public record and its distribution is not limited.

Dunnell, Eiken, Kohler, Frederick & Rainey  
A Corporation of Certified Public Accountants

Burice, Louisiana  
January 15, 1997

# DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

ACCOUNTANTS AND FINANCIAL ADVISORS  
100 N. JONES BOULEVARD  
SUITE 1000  
DALLAS, TEXAS 75242  
PHONE (214) 766-1000  
FAX (214) 766-1001

10000 North Loop West  
Suite 1000  
Houston, Texas 77037  
Telephone (713) 865-1000  
FAX (713) 865-1001

**MEMORANDUM**  
Transmitted On the

10000 North Loop West  
Suite 1000  
Houston, Texas 77037  
Telephone (713) 865-1000  
FAX (713) 865-1001

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

Date  
10000 North Loop West  
Suite 1000  
Houston, Texas 77037

10000 North Loop West  
Suite 1000  
Houston, Texas 77037

10000 North Loop West  
Suite 1000  
Houston, Texas 77037

10000 North Loop West  
Suite 1000  
Houston, Texas 77037

10000 North Loop West  
Suite 1000  
Houston, Texas 77037

10000 North Loop West  
Suite 1000  
Houston, Texas 77037

The Board of Commissioners  
Hospital Service District No. 1  
Parish of Vermilion, State of Louisiana  
Bayou, Louisiana

We have audited the financial statements of the Hospital Service District No. 1, Parish of Vermilion, State of Louisiana, a component unit of the Vermilion Parish Police Jury, as of and for the year ended September 30, 1996, and have issued our report thereon dated January 15, 1997.

We have 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, policies 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 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

ISSUED BY  
DARNALL, SIKES, KOLDER, FREDERICK &  
RAINEY, ACCOUNTANTS AND FINANCIAL  
ADVISORS  
10000 NORTH LOOP WEST  
SUITE 1000  
HOUSTON, TEXAS 77037

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Schedule of Commissioners, Meetings Attended and Compensation  
Year Ended September 30, 1996

<u>Name of Commissioner</u>	<u>Meetings Attended</u>	<u>Compensation</u>
Wilson Ashbro	23	\$1,150
Ronald Howard	13	\$ 850
Ivan Bourque	24	\$1,200
Brian Bourque	24	\$1,200
Cleria Chavalier	23	\$1,150
Harold Hester	20	\$2,000
Tom Roubin	23	\$3,150

See independent auditor's report on additional information.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Schedule of Nonoperating Income  
Years Ended September 30, 1984 and 1985

	<u>1984</u>	<u>1985</u>
Grant income	\$ 89,714	\$ 88,599
Interest	34,943	33,134
Billing income	281,857	287,127
Miscellaneous	7,916	7,888
Rent	2,552	592
Sale of medical records	2,360	1,344
Printing machines	<u>3,283</u>	<u>5,321</u>
	<u>\$378,925</u>	<u>\$401,108</u>

See independent auditor's report on additional information.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Terrebonne  
State of Louisiana

Schedule of General and Administrative Expenses  
Years Ended September 30, 1976 and 1975

	1976			1975		
	Fiscal Balance	1976 Total Expenses	1976	Fiscal Balance	1975 Total Expenses	1975
Administrative	\$ 21,420	\$ 14,926	\$ 80,184	\$ 21,964	\$ 20,244	\$ 84,408
Administrative - fiscal	21,420	21,390	52,091	20,244	20,244	71,185
Administrative - other	-	21,390	28,093	-	20,244	13,247
Business office	100,000	10,000	100,000	97,000	10,173	111,213
Travel and collection	-	21,487	27,421	-	22,208	29,208
Data processing	54,500	4,000	44,500	27,200	4,200	41,200
Dividends	104,210	42,200	100,000	101,000	40,000	100,000
Employee benefits	-	340,343	340,343	-	340,000	340,000
Health insurance	-	24	24	-	24	24
Meeting fees	40,700	10,000	40,000	41,000	10,000	37,500
Insurance	-	100,000	100,000	-	100,000	100,000
Lease	-	20,000	20,000	-	20,000	20,000
Liens	-	2,000	2,000	-	2,000	2,000
Personal	-	2,000	2,000	-	2,000	2,000
Plant operations	80,000	270,157	290,170	100,000	272,000	272,000
Printing and duplicating	-	20,000	20,000	-	20,000	20,000
Supplies, printing and distribution	20,000	5,000	21,000	20,000	2,000	20,000
Telephone and communication	-	27,100	27,100	-	23,000	23,000
	<u>\$200,754</u>	<u>\$1,020,174</u>	<u>\$1,240,708</u>	<u>\$262,707</u>	<u>\$970,000</u>	<u>\$1,020,100</u>

See Independent auditor's report on additional information.



HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Schedule of Out-Patient Service Revenue  
Years Ended September 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Anesthesiology	\$ 62,739	\$ 84,383
Blood administration	1,136	8,660
Office	43,641	34,388
Emergency room	138,687	144,082
Electrocardiology	43,083	38,732
Home health	1,214,448	1,000,824
Intravenous therapy	34,638	37,003
Laboratory	642,798	644,889
Medical and surgical	290,473	178,768
Medical staff - weekend physician	193,313	178,121
Nuclear medicine	11,944	33,348
Operating room	65,648	71,542
Pharmacy	133,237	114,971
Psychiatry	2,058,255	340,890
Radiology	331,667	132,100
Recovery room	8,873	7,665
Respiratory therapy	32,371	26,118
Ultrasound	<u>94,832</u>	<u>69,183</u>
	<u>\$5,015,888</u>	<u>\$3,728,608</u>

Schedule of Other Operating Income  
Years Ended September 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Catereria sales	\$ 38,488	\$ 28,763
Recovery of bad debt	<u>137,338</u>	<u>143,484</u>
	<u>\$ 187,918</u>	<u>\$ 172,187</u>

See independent auditor's report on additional information.

within six months of the close of the entity's fiscal year. The failure to complete the audit was caused in part by a delay in receiving final cost report estimates from a third-party preparer which were necessary to complete the audit of the September 30, 1996 financial statements.

**Recommendation:**

Hospital personnel should contact third party preparer, as soon after the entity's year end as possible, requesting information required for preparation of the cost reports thereby resulting in the timely submission of an annual audit report.

**Response:**

No response is deemed necessary.

This report is intended for the information of management and the Board of Commissioners. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

**Arnall, Ethos, Kalder, Frederick & Rainey**  
A Corporation of Certified Public Accountants

Burden, Louisiana  
January 15, 1997

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Summary of Depreciable Assets and Depreciation  
Years Ended September 30, 1998 and 1999

	ASSETS			
	Balance <u>9/30/95</u>	Additions	Reductions	Balance <u>9/30/98</u>
Building	\$1,518,471	\$ 183,390	\$ -	\$1,701,861
Trucking Int	33,119	18,680	-	51,799
Fixed equipment	1,156,753	47,149	-	1,203,902
Major movable equipment	1,127,809	59,908	26,847	1,160,870
Other equipment	<u>211,128</u>	<u>1,213</u>	<u>-</u>	<u>212,341</u>
	<u>\$4,047,270</u>	<u>\$299,340</u>	<u>\$26,847</u>	<u>\$4,343,849</u>

#### ADDITIONAL INFORMATION

# DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

INDEPENDENT MEMBER FIRM ACCOUNTANTS

NEW ORLEANS, LOUISIANA

1115 PULASKI AVENUE

NEW ORLEANS, LOUISIANA 70112

PHONE 524-1111

FAX 524-1111

1115 PULASKI AVENUE  
NEW ORLEANS, LOUISIANA 70112  
PHONE 524-1111  
FAX 524-1111  
1115 PULASKI AVENUE  
NEW ORLEANS, LOUISIANA 70112  
PHONE 524-1111  
FAX 524-1111  
1115 PULASKI AVENUE  
NEW ORLEANS, LOUISIANA 70112  
PHONE 524-1111  
FAX 524-1111

MEMBER  
FEDERAL SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
NATIONAL ASSOCIATION OF ACCOUNTING FIRMS

MEMBER  
STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
LOUISIANA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
LOUISIANA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
LOUISIANA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditor's Report on Additional Information

Board of Commissioners  
Hospital Service District No. 1  
Parish of Vermilion, State of Louisiana  
Kaplan, Louisiana

Our report on our audits of the basic financial statements of the Hospital Service District No. 1, Parish of Vermilion, State of Louisiana, a component unit of the Vermilion Parish Police Jury, for the years ended September 30, 1994 and 1995, appears on page 1. These audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information on pages 15 through 20 is presented for purposes of additional analysis, and in our required part of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Darnall, Sikes, Kolder, Frederick & Rainey

A Corporation of Certified Public Accountants

Baton Rouge, Louisiana  
January 13, 1997

MEMBER  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
MEMBER  
NATIONAL ASSOCIATION OF ACCOUNTING FIRMS  
MEMBER  
LOUISIANA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Terrebonne  
State of Louisiana

Notes to Financial Statements  
September 30, 1988 and 1995

NOTE 3 NET PATIENT REVENUES (Continued)

**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 ambulatory services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for such reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audit thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 1995.

**Medicaid**

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audit thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 1994.

The Hospital receives a substantial portion of its revenues from the Medicare and Medicaid programs at discounted rates. During the year ended September 30, 1994, the following revenues were obtained from these programs:

Medicare and Medicaid gross patient charges	\$41,877,558
Contractual adjustments	<u>7,212,018</u>
Net patient service revenue	<u>\$34,665,540</u>
Percent of total net patient revenue	<u>78%</u>

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Terrebonne  
State of Louisiana

Statement of Cash Flows  
Years Ended September 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ (1,042,474)	\$ 339,134
Adjustments to reconcile net income (loss) to cash provided by operating activities		
Depreciation	232,387	238,184
Loss on disposal of fixed assets	-	340
Change in assets and liabilities		
Accounts receivable - patients	34,038	(508,427)
Advanced third party payer settlements	427,178	88,821
Other receivables	18,500	1,980
Inventories	4,397	2,326
Accrued interest receivable	1,787	(3,333)
Prepaid expenses	1,487	(28,823)
Accounts payable	385,823	81,727
Other payables and accrued expenses	(1,122)	8,282
Net cash provided by operating activities	<u>81,292</u>	<u>327,892</u>
<b>Cash flows from investing activities</b>		
Proceeds from (maturations in) certificates of deposit	541,808	(44,893)
Purchase of property and equipment	(396,853)	(325,853)
Transfer from (to) distributed fund	89,718	863,813
Net cash used by investing activities	<u>(165,327)</u>	<u>129,067</u>
<b>Cash flows from financing activities</b>		
Debtors' capital	19,000	-
Payments on capital lease obligation	(63,183)	(63,315)
Net cash used by financing activities	<u>(44,183)</u>	<u>(44,315)</u>
Net decrease in cash and cash equivalents	(128,218)	(87,127)
CASH AND CASH EQUIVALENTS, beginning of year	<u>262,866</u>	<u>359,993</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 134,648</u>	<u>\$ 272,866</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
	<u>1996</u>	<u>1995</u>
Cash paid for interest	\$ 6,815	\$ 13,904

See independent auditor's report and notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Verdenier  
State of Louisiana

Schedule of Professional Expenses  
Years Ended September 30, 1998 and 1999

	1998			1999		
	Professional fees, Supplies and Miscellaneous	Total	Professional fees, Supplies and Miscellaneous	Total		
Administrative	\$ 141,000	\$ 141,000	\$ 140,700	\$ 136,000	\$ 140,200	
Board fees	-	11,000	11,000	-	20,000	
Office	17,500	47,500	46,000	10,700	17,000	
Critical care shift	2,700	2,700	2,600	2,600	2,000	
Director's office	-	9,000	1,100	-	4,700	
Emergency room	160,000	8,000	177,000	160,000	7,000	
Food hall etc.	448,000	48,000	497,000	344,000	39,000	
Intravenous therapy	-	17,500	17,500	-	11,000	
Laboratory	170,000	100,000	260,000	190,000	100,000	
Medical and surgical	70,000	110,000	100,000	70,000	110,000	
Medical records	17,000	10,000	10,000	10,000	10,000	
Medical staff	500,000	3,000	500,000	500,000	0,000	
Nuclear medicine	1,000	40,000	40,000	-	10,000	
Nursing services	480,000	14,000	490,000	470,000	10,000	
Operating room	20,000	14,000	30,000	20,000	10,000	
Pharmacy	30,000	170,000	200,000	40,000	150,000	
Physical therapy	0,000	0	0,000	10,000	0,000	
Postulate to	-	2,000,000	2,000,000	-	1,000,000	
Referral fee	10,000	40,000	40,000	100,000	50,000	
Recovery room	10,000	-	10,000	10,000	10,000	
Respiratory therapy	-	10,000	10,000	10,000	10,000	
	<u>62,500,000</u>	<u>60,000,000</u>	<u>61,000,000</u>	<u>62,000,000</u>	<u>60,000,000</u>	

See independent auditor's report on additional information.



HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Verdun  
State of Louisiana

Notes to Financial Statements  
September 30, 1994 and 1995

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land

The land for the Hospital site was received by donation and the value used reflects the estimated fair market value after the Hospital building was completed.

Federal and State Income Taxes

The Hospital has been ruled exempt from federal and state income taxes, therefore, no provision is made.

Cash and Certificates of Deposit

The bank balance of cash and certificates of deposit is covered by federal depository insurance or by collateral held by the banks in the Hospital's name.

Net Patient Revenue

Net patient service revenue is reported at the estimated net realizable amount from patients, third-party payers, and others for services rendered, including estimated retrospective adjustments, under reimbursement agreements with third-party payers. Retrospective 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.

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

NOTE 2: NET PATIENT REVENUES

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

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Terrebonne  
State of Louisiana

Notes to Financial Statements  
September 30, 1994 and 1995

**NOTE 3 ASSETS WHOSE USE IS LIMITED**

Assets whose use is limited consists of a checking account and certificate of deposit designated by the Board of Directors to be used for capital asset acquisitions and improvements.

**NOTE 4 PENSION PLAN**

The Hospital has a compulsory defined contribution pension plan covering all full time employees. Employees and employer each contributed four and one half percent of annual pay. Total pension expense for the Hospital for the years ended September 30, 1994 and 1995 was \$91,574 and \$96,484, respectively.

**NOTE 5 CONTINGENT LIABILITIES**

Various malpractice suits are pending against the Hospital. These suits have been turned over to the Hospital's insurance carrier. The Hospital is fully insured should any loss be incurred, therefore, no liability is shown in these financial statements.

In the normal course of business, there could be various outstanding contingent liabilities such as, but not limited to, the following:

- Lawsuits alleging negligence in care
- Environmental pollution
- Violation of regulatory body's rules and regulations
- Violation of Federal and/or state laws

No accrual for potential contingent liabilities, such as, but not limited to, those described above, are reflected in the accompanying financial statements. No such liabilities have been asserted, and, therefore, no estimate of loss, if any, is determinable.

Third Party Cost-Based Revenues - Cost reimbursements are subject to examination by agencies administering the Medicare and Medicaid programs. The Medicare program has discontinued its cost-based reimbursement system for inpatient services. Currently, the District receives a fixed fee for each patient as determined by the government using the patient's diagnosis. The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of these programs. The amount of such adjustments cannot be determined.

HOSPITAL SERVICE CENTER NO. 1  
Parish of Terrebonne  
State of Louisiana

Notes to Financial Statements  
September 30, 1996 and 1995

NOTE 6 EMPLOYEE BENEFIT TRUST FUND

On February 1, 1979, the Hospital implemented a self-insurance program for employee health benefits. The plan is self-funded from the Hospital and employee contributions and benefit payments are made, pursuant to the plan provisions, from the portion of these contributions which have been placed in the Benefit Trust Account. The self-insurance program is underwritten.

The Benefit Trust Account is an irrevocable trust, and can be used only to pay claims and employee benefit insurance premiums. The Fund is accounted for as a separate entity and the books are kept on an annual basis commencing February 1, and ending January 31, of each year and, accordingly, is not reflected in these financial statements.

NOTE 7 OBLIGATION UNDER CAPITAL LEASE

During 1992, the Hospital entered into a capital lease agreement with General Electric Company for the purchase of a Radiographic and Fluoroscopic Room. The obligation under capital lease has been recorded in the financial statements at the present value of the future minimum lease payments discounted at an interest rate of 7.38%. The capital lease is for a period of 60 months. The Radiographic and Fluoroscopic Room was capitalized at a value of \$226,820, less accumulated depreciation of \$127,386 calculated through September 30, 1996.

During 1993, the Hospital entered into several capital lease agreements with International Business Machines (IBM) for the purchase of a 48480 computer system. The obligations under capital lease have been recorded in the financial statements at the present value of future minimum lease payments discounted at interest rates ranging from 8.12% to 9.69%. The capital leases are for periods ranging from 36 to 48 months. The computer was capitalized at a value of \$77,837, less accumulated depreciation of \$33,127 calculated through September 30, 1996.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements  
September 30, 1996 and 1995

NOTE 7 DEBTITION UNDER CAPITAL LEASE (Continued)

Minimum lease payments are due as follows:

	1997	\$11,796
	1998	<u>12,688</u>
		44,085
Less: amount representing interest		<u>2,560</u>
Present value of future minimum lease payments		41,525
Less: current maturities		<u>18,128</u>
Long-term portion		<u>\$23,397</u>

NOTE 8 CONCENTRATION OF CREDIT RISK

As September 30, 1996, the bank balances of cash and cash equivalents totalled \$683,380, which was covered by Federal Depositary Insurance of \$140,654 and Federal National Mortgage Association securities with market value of \$1,604,048 which is pledged by the bank in the name of the Hospital.

The Hospital, located in Engle, Louisiana, grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements in which payment collection is significantly certain.

NOTE 9 THIRD-PARTY PAYER SETTLEMENTS APPEALS

The Hospital's 1995 and 1996 Medicare cost reports have been filed under protest to preserve the appeal rights for prior years' disallowances. The issues presented pertain primarily to the disallowance of reimbursements for in-patient psychiatric care which were received based on length of stay days which were in excess of the Hospital's target days as established by the Medicare program. Potential refunds represent contingent gains and, accordingly, have not been reflected in the financial statements.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements  
September 30, 1994 and 1993

NOTE 18 - GOING CONCERN

The Hospital has experienced losses from operations for the past several years. These losses have been attributable to a deterioration of patient days as well as significant losses generated by the operation of the Hospital's emergency room. Management has initiated plans to mitigate the adverse effects of the conditions previously mentioned. These plans include, but are not limited to, (1) reducing or delaying expenditures when possible (2) listing physicians to increase admits to the Hospital, (3) leasing hospital beds and possibly services to a third party and (4) contracting purchases through a buying service to obtain more favorable pricing. If management's plans do not result in material changes to the Hospital's operations, there may be serious doubt about its ability to continue operations. No adjustments to the balance sheet have been made to account for discontinued operations, should such an event occur.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements  
September 30, 1996 and 1995

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of the Hospital's significant accounting policies:

**Organization**

Hospital Service District No. 1 is a component unit of the Vermilion Parish Police Jury, the governing body of the parish and the government body with oversight authority, and is exempt from federal and state income taxes.

**Method of Accounting**

Assets and liabilities, and revenues and expenses are recorded on the accrual basis of accounting.

**Accounts Receivable**

Accounts receivable are shown net of provision for doubtful accounts of \$143,308 and \$241,448 as September 30, 1996 and 1995, respectively and contractual allowances of \$825,083 and \$376,472 for 1996 and 1995, respectively.

**Inventories**

Inventories are stated at the lower of cost or market, with cost determined by the first-in, first-out, (FIFO) method.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Hospital considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

**Plant and Equipment**

Plant and equipment are stated at cost. Depreciation is computed on the double declining balance method for assets purchased prior to January 1, 1972, and on the straight-line method for assets purchased after January 1, 1972, over the life years recommended by the American Hospital Association.