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

FINANCIAL STATEMENTS

MARCH 31, 1997 AND 1996

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 The official financial statements of the Parish Hospital Service District of Ascension Parish, Louisiana, for the year ended March 31, 1997 and 1996, are hereby certified to be true and correct.

Postlethwaite & Netterville

Certified Public Accountants
 1117 Poydras Street, Suite 2000
 New Orleans, Louisiana 70112

STATE PROVIDERS OF HEALTHCARE SERVICES DISTRICT OF ASCENSION PARISH, LOUISIANA
 1117 Poydras Street, Suite 2000
 New Orleans, Louisiana 70112

EAST ASHTONON PARISH HOSPITAL SERVICE DISTRICT
OF ASHTONON PARISH, LOUISIANA

FINANCIAL STATEMENTS

MARCH 31, 1997 AND 1996



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

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Postlethwaite & Netterville

A Professional Accounting Corporation
CERTIFIED PUBLIC ACCOUNTANTS

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INTERESTMENT AUDITORS' REPORT

Board of Commissioners

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

Covington, Louisiana

We have audited the accompanying financial statements of the **EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT OF ASCENSION PARISH, LOUISIANA**, component unit of the Ascension Parish Council, as of and for the year ended March 31, 1987 and 1986, as listed in the Table of Contents. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our 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 aspects, the financial position of the **EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT OF ASCENSION PARISH, LOUISIANA** as of March 31, 1987 and 1986, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated July 23, 1987 on our examination of **EAST ASCENSION HOSPITAL SERVICE DISTRICT'S** internal control structure and a report dated July 23, 1987 on its compliance with laws and regulations.

Commerceville, Louisiana
July 23, 1987

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

**BALANCE SHEETS
MARCH 31, 1997 AND 1996**

	<u>ASSETS</u>	
	<u>1997</u>	<u>1996</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 185,354	\$ 1,247,588
Certificates of deposit and investments	1,480,000	9,808,081
Patient accounts receivable, less of estimated uncollectibles of \$812,142 in 1997, and \$409,576 in 1996	1,749,028	2,152,689
Inventory, at lower of cost (FIFO-in, first-out) or market	247,531	283,888
Other current assets	204,252	156,864
	<u>3,876,165</u>	<u>14,650,010</u>
ASSETS LIMITED AS TO USE		
Internally designated	7,093,563	7,094,709
Management fix receivable	—	2,298,154
	<u>7,093,563</u>	<u>9,392,863</u>
PROPERTY AND EQUIPMENT - net		
	<u>5,437,335</u>	<u>5,848,674</u>
Total assets	\$ 17,407,064	\$ 30,360,544
LIABILITIES AND FUND BALANCE		
CURRENT LIABILITIES		
Accounts payable	\$ 312,997	\$ 1,776,006
Accrued expenses	413,444	579,318
Estimated third-party payer settlements	214,580	8,129,879
	<u>941,021</u>	<u>10,485,203</u>
Total current liabilities	<u>941,021</u>	<u>10,485,203</u>
FUND BALANCE		
Unrestricted	<u>15,466,043</u>	<u>19,875,341</u>
Total liabilities and fund balance	\$ 17,407,064	\$ 30,360,544

The accompanying notes are an integral part of these statements.



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

Denonville, Louisiana

**STATEMENTS OF REVENUES AND EXPENSES
YEARS ENDED MARCH 31, 1997 AND 1996**

	<u>1997</u>	<u>1996</u>
REVENUE		
Net Patient Service Revenues	\$ 13,887,647	\$ 13,337,760
Other Revenues	<u>85,232</u>	<u>206,473</u>
Total Revenue	<u>13,972,879</u>	<u>13,544,233</u>
EXPENSES		
Salaries	8,086,777	11,292,318
Employee benefits	1,371,815	1,645,597
Materials	864,767	1,090,000
Medical and other supplies	1,221,840	2,043,299
Pharmaceuticals	3,095,324	6,765,613
Contract fees	1,969,856	1,050,166
Professional fees	86,286	86,286
Physician fees	807,653	1,276,000
Physician fee reconciliable amounts	583,326	271,878
Travel	43,399	89,486
Insurance	226,110	281,210
Utilities	680,332	647,899
Other	881,308	808,314
Depreciation expense	<u>583,327</u>	<u>612,778</u>
Total Expenses	<u>26,896,283</u>	<u>31,615,213</u>
OPERATING LOSS	<u>(12,923,404)</u>	<u>(18,070,980)</u>
NONOPERATING INCOME		
Income on investments limited as to use:		
By agreements with third-party payers for funded depreciation	413,865	787,815
Under bond agreements - net revenues	3,944	2,915
Other investment income	<u>793,286</u>	<u>780,434</u>
Total Nonoperating Income	<u>1,211,095</u>	<u>1,571,164</u>
Excess and gains in excess (deficit) of expenses	<u>(11,712,309)</u>	<u>(16,500,000)</u>

The accompanying notes are an integral part of these statements.



EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA

Gretna, Louisiana

STATEMENTS OF CHANGES IN FUND BALANCE
YEARS ENDED MARCH 31, 1997 AND 1996

	<i>Unaudited</i>
BALANCE, March 31, 1995	\$ 38,366,715
Revenue and gains in excess (deficit) of expenses	(30,887,771)
BALANCE, March 31, 1996	7,478,944
Revenue and gains in excess (deficit) of expenses	(4,139,094)
BALANCE, March 31, 1997	\$ 3,339,850

The accompanying notes are an integral part of these statements.

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

**STATEMENTS OF CASH FLOWS
YEARS ENDING MARCH 31, 1997 AND 1996**

	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES		
AND GAINS		
Cash received from patients and other third-party payors	\$ 9,603,608	\$ 94,026,487
Cash paid to employees and suppliers	(19,234,138)	(31,376,817)
Other receipts from operations	894,948	493,220
Income received	351,418	332,593
Net cash provided by operating activities and gains	(8,584,170)	(3,044,309)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(84,825)	(866,084)
Cash received from sales of property and equipment	-	1,608
Purchases of certificates of deposit and investments	-	(3,899,581)
Maturities of certificates of deposit and investments	7,980,808	-
Cash invested in assets whose use is limited	(1,000,854)	(1,798,570)
Net cash used by investing activities	(7,194,312)	(6,051,927)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(15,778,482)	(9,096,236)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,247,388	11,343,474
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 668,906	\$ 2,247,238

The accompanying notes are an integral part of these statements.



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

STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 1997 AND 1996

	1997	1996
RECONCILIATION OF REVENUE AND GAINS IN EXCESS DEFICIT OF EXPENSES PROVIDED BY OPERATING ACTIVITIES AND GAINS		
Revenue and gains in excess (deficit) of expenses	\$ 4,179,090	\$ 10,587,779
Adjustments to reconcile revenue and gains in excess (deficit) of expenses to net cash provided by operating activities and gains:		
Depreciation	597,897	622,278
Gain on disposition of assets	-	(1,689)
Provision for uncollectible accounts	280,324	251,678
Changes in operating assets and liabilities:		
Patient accounts in receivables	418,330	1,610,380
Management fee receivables	2,298,154	(2,298,154)
Estimated third-party paper settlements	(5,811,099)	17,947,377
Inventory	48,728	48,869
Other current assets	(47,292)	76,177
Accounts payable	874,852	(2,687,278)
Accrued expenses payable	(188,902)	87,589
 Net cash provided by operating activities and gains	\$ 3,224,628	\$ 3,244,589

The accompanying notes are an integral part of these statements.



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

Gretna, Louisiana

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basic of Presentation

The Hospital utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to audit.

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.

Reporting Entity

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

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

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

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

Covington, Louisiana

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reporting Entity (revised)

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

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered, and adjusted in future periods as final settlements are determined.

Investments and Investment Income

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

Statement of Revenue and Expenses of General Funds

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

Assets Limited As To Use

Assets limited as to use may include assets set aside by the Board of Commissioners for future capital improvements, assets which the District retains control and may at its discretion subsequently use for other purposes and assets set aside in accordance with agreements with third-party payors.



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

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

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

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

Cash and Cash Equivalents

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

Reclassification

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

Risk Management

The Hospital is exposed to various risks of loss related to acts, theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; medical malpractice; and employee health, dental and accident benefits.

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

The Hospital is self-insured for employee medical benefits. The estimated annual risk retention per enrolled employee is \$35,000. The Hospital has purchased commercial insurance, subject to a maximum limit per enrolled employee of \$900,000 for claims in excess of \$25,000. In addition, the Hospital's coverage includes an optional employee provision that limits its liability for a plan year to \$25M, N/A. Amounts payable to the plan are based on estimates of the amounts necessary to pay prior and current-year claims. A liability for claims is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements, and the amount is reasonably estimable. The amount of that liability at March 31, 1997 is \$81,000.



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

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

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

2. CASH AND CASH EQUIVALENTS

Under state law, the Hospital may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks registered under Louisiana law and national banks having their principal offices in Louisiana. The Hospital had cash and cash equivalents (book balances) totaling \$116,954 and \$2,217,395 at March 31, 1997 and 1996, respectively.

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

At March 31, 1997, the Hospital had \$9,744,301 in deposits (collected book balances). These deposits were fully secured from risk by \$308,980 of federal deposit insurance and \$12,767,288 of pledged securities held by the custodial bank in the name of the Hospital (Cash Category 2).

Included in cash and cash equivalents on the balance sheet at March 31, 1997 and 1996, are the following:

	1997	1996
Cash on hand	\$ 788	\$ 670
Demand deposits	135,174	65,887
Repurchase agreement	-	312,470
Certificates of deposit	-	2,080,000
	\$ 135,962	\$ 2,217,997



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

NOTES TO FINANCIAL STATEMENTS

3. NET PATIENT SERVICE RECEIVABLES

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Due to uncertainties in the settlement process with third-party payors, however, it is at least reasonably possible that management's estimate of the amounts will change during the next year. That amount cannot be estimated. A summary of the payment arrangements with major third-party payors follows:

Medicare:

The Hospital is exempt from the Prospective Payment system, which is based on clinical, diagnostic, and other factors. As such, inpatient services rendered to Medicare program beneficiaries are reimbursed under a cost reimbursement methodology subject to a TRIA limitation. The reimbursement is the lower of cost or a set rate per discharge along with additional payments for capital pass through costs and approved adjustments for hospital stay variations. Most hospital outpatient services are reimbursed on a cost basis subject to a lower of cost or charge limitation. Exceptions to this are Laboratory, Radiology and Ambulatory Surgical Services which are reimbursed on a fixed fee schedule or a blend of cost and fixed fee schedule. The Hospital is reimbursed on 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 classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through March 31, 1994, as the date of this report.

Medicaid:

The Hospital is reimbursed for inpatient services to Medicaid beneficiaries on a Prospective Payment System. Outpatient services to Medicaid beneficiaries are reimbursed on a cost basis, subject to a lower of cost or charge limitation, except for Laboratory and outpatient surgery which are reimbursed according to a fee schedule. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through March 31, 1994 as the date of this report.

Other:

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, amounts from established charge, and prospectively determined daily rates.

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

NOTES TO FINANCIAL STATEMENTS

4. ASSETS LIMITED AS TO USE

Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets. The composition of assets limited as to use at March 31, 1997 and 1996, is set forth in the following table. Investments are stated at cost which approximates market value.

	1997	1996
Intarsity designed:		
Cash and cash equivalents	\$ 8,239	\$ 998,800
Certificates of deposit	1,892,324	7,899,731
	\$ 1,900,563	\$ 7,698,531

5. INVESTMENTS

The Hospital's investments include certificates of deposit, repurchase agreement, and a U.S. Treasury Bill at March 31, 1997 and 1996. These investments are classified on the balance sheet as follows:

	1997		1996	
	Carrying Amount	Market Value	Carrying Amount	Market Value
Amount included in cash and cash equivalents:				
Repurchase Agreement				
Some is held by the Hospital's agent but not in the Hospital's name	\$ -	\$ -	\$ 363,578	\$ 363,578
	\$ -	\$ -	\$ 363,578	\$ 363,578
Amount included in certificates of deposit and investments in 1996:				
U.S. Treasury Bill held by broker-dealer	\$ -	\$ -	\$ 2,099,204	\$ 2,099,204
Certificates of Deposit	\$ 1,900,563	\$ 1,900,804	\$ 7,080,498	\$ 7,080,498

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

NOTES TO FINANCIAL STATEMENTS

6. PROPERTY AND EQUIPMENT

A summary of property and equipment at March 31, 1997 and 1996, follows:

	<u>1997</u>	<u>1996</u>
Land	\$ 30,080	\$ 70,000
Land improvements	90,341	90,341
Buildings and improvements	8,296,174	8,228,740
Equipment	<u>5,171,089</u>	<u>5,222,567</u>
	13,898,775	13,611,648
Less: accumulated depreciation	<u>(4,477,640)</u>	<u>(2,681,707)</u>
Property and equipment - net	<u>\$ 9,421,135</u>	<u>\$ 10,929,941</u>

7. CONCENTRATIONS OF CREDIT RISK

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

	<u>1997</u>	<u>1996</u>
Medicare	23.0%	31.0%
Medicaid	58.2%	61.0%
Commercial Insurance	19.7%	8.0%
Private Pay	<u>0.5%</u>	<u>-</u>
	<u>102.4%</u>	<u>100.0%</u>

8. COMMITMENTS

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



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

NOTES TO FINANCIAL STATEMENTS

8. COMMITMENTS (continued)

The following is a schedule by year of future minimum lease payments under these arrangements as of March 31, 1997, that have initial or remaining terms in excess of one year:

Year Ending March 31,	Minimum Payments
1998	\$ 100,000
1999	32,189
2000	32,184
2001	12,008
2002	5,881

Total expense in 1997 and 1998 for all leases and contracts was approximately \$818,080 and \$1,250,808, respectively.

9. MANAGEMENT AGREEMENT

The Hospital is managed by a consulting firm under an agreement commencing on January 1997 and terminating on March 31, 2001. The agreement calls for monthly payments of \$148,000 per month through March 31, 1998. Per the agreement, the fee for each subsequent period will be the fee for the immediate preceding year multiplied by an agreed upon index figure. The expense incurred under the contract was approximately \$1,818,080 and \$1,326,080 for 1997 and 1998, respectively.

Prior to January 1, 1997, the agreement called for a month-to-month arrangement, whereby the fixed monthly payment was \$125,000. In addition, the agreement called for monthly payments covering payroll and related costs, as well as the consulting firm receiving 15% of the Hospital's annual profit.

10. REGULATORY MATTERS

As discussed in Note 9, the Hospital has a management contract with an unrelated consulting firm. The results of an audit covering fiscal years 1993 - 1994 by the Medicare intermediary resulted in the disallowance of a significant portion of the management fees paid to the consulting firm during those years. The amount owed back to Medicare for the 2 years 1993 - 1994 is \$1,388,511, which was paid during the year ended March 31, 1997. This amount was reflected as a decrease to revenue during the year ended March 31, 1996.

Additionally, management recalculated Medicaid cost reports and disproportionate share amounts for those years plus all third-party payer amounts for fiscal 1995, in anticipation of similar adjustments to those cost reports. The total of these adjustments and the effect of any Medicaid receivables that may have previously been recorded but will not be recorded due to the circumstances discussed in the preceding paragraph, resulted in a decrease to revenue of approximately \$10,185,808 during the year ended March 31, 1996.

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

EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA
ADDITIONAL REPORTS
MARCH 21, 1977





Postlethwaite & Netterville

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT ACCOUNTING STANDARDS

Board of Commissioners
EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
OF ASCENSION PARISH, LOUISIANA
Grenada, Louisiana

We have audited the financial statements of the EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT OF ASCENSION PARISH, LOUISIANA, component unit of the Ascension Parish Council, as of and for the year ended March 31, 1993 and have issued our report thereon dated July 23, 1993.

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.

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

In planning and performing our audit of the financial statements of EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT OF ASCENSION PARISH, LOUISIANA, for the year ended March 31, 1993, 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 structures elements does not enable 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.

However, we found certain matters involving the internal control structure and its operation that we have reported to the management of EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT OF ASCENSION PARISH, LOUISIANA in a separate letter dated July 23, 1991.

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

Richard J. Smith & Associates

Donaldsonville, Louisiana
July 23, 1991



Postlethwaite & Netterville

A Registered Accounting Corporation
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITING REPORT ON COMPLIANCE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT ACCOUNTING STANDARDS

Board of Commissioners
EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT
ASCENSION PARISH, LOUISIANA
Covington, Louisiana

We have audited the financial statements of THE EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT IN ASCENSION PARISH, LOUISIANA, as of and for the year ended March 31, 1989, and have issued our report thereon dated July 23, 1989.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. 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 EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT OF ASCENSION PARISH, LOUISIANA, is the responsibility of EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT'S management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Hospital's compliance with certain provisions of laws, 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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

We would advise immaterial instances of noncompliance that we have reported to the management of EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT OF ASCENSION PARISH, LOUISIANA in a separate letter dated July 23, 1989.

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

Donald Postlethwaite, CPA
July 23, 1989



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July 23, 1997

Board of Commissioners
East Assumption Parish Hospital Service District
of Assumption Parish, Louisiana
Covington, Louisiana

In planning and performing our audit of the financial statements of East Assumption Parish Hospital Service District of Assumption Parish (the Hospital) for the year ended March 31, 1997, we considered the Hospital's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The following recommendations summarize our comments and suggestions regarding these matters. This letter does not affect our report dated July 23, 1997, on the financial statements of the Hospital.

Compliance with Laws & Regulations

The following are instances of immaterial non-compliance with laws and regulations of Louisiana government:

- o LSA-R.S. 38:2212A(1)(a) requires that purchases of five hundred dollars or more, but less than ten thousand dollars, shall be made by obtaining not less than three telephone or facsimile quotations.

The Hospital obtained only two price quotations on two such items purchased.

- o LSA-R.S. 38:2212D(1) requires that notice of public emergency declared shall, within ten days thereof, be published in the official journal of the public entity proposing to declare such public emergency.

Such notice was not published by the Hospital for equipment that was classified as an emergency purchase.

Other

Findings

- o During the year the monthly management fee paid to Provider Options, LLC was reduced as the result of personnel changes. The contract with Provider Options, LLC was not amended to reflect these reductions.
- o In the review of contracts and leases, it was noted that the table of contents was incorrect. There were several discrepancies between the table of contents and the actual agreements found in the Hospital's book of contracts and leases. Due to the discrepancies, it was necessary to perform a more detailed review. Also, the agreements found in the book were not consistently updated for contract and lease renewals and expirations. Therefore, it was difficult to determine the Hospital's commitments as of March 31, 1997.

Recommendations

- Revisions to the management agreement should be approved by the full board and supported by contract amendments.
- The Hospital's book of contracts and leases, including the table of contents, should be updated regularly to ensure accuracy and completeness.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Hospital personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

We would also like to take this opportunity to express our appreciation for the cooperation and courtesies extended to us during our audit procedures, and apologize for any inconveniences. We would be pleased to discuss the above matters and help with implementation of procedures at your convenience.

Sincerely,

Richard W. Smith

