

**OFFICIAL
FILE COPY**
DO NOT REMOVE
(When necessary
remove from this
copy and PLACE
BACK in FILE)

**HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LAZARDE, STATE OF LOUISIANA**
Orls, Louisiana

**COMPONENT UNIT FINANCIAL STATEMENTS
SEPTEMBER 30, 1991**

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

Release Date APR 22 1992

REC-1017
APR 22 1992
LEGISLATIVE AUDITOR
BATON ROUGE, LA

**HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LA SALLE, STATE OF LOUISIANA
Orla, Louisiana**

**COMPONENT UNIT FINANCIAL STATEMENTS
SEPTEMBER 30, 1997**

TABLE OF CONTENTS

	<u>Statement</u>	<u>Page</u>
INDEPENDENT AUDITORS' REPORT ON THE COMPONENT UNIT FINANCIAL STATEMENTS		1
COMPONENT UNIT FINANCIAL STATEMENTS		
Combined Balance Sheet, all Fund Types and Account Groups	A	2-3
Governmental Funds:		
Combined Statement of Revenues, Expenditures and Changes in Fund Balance	B	4
Proprietary Funds:		
Combined Statement of Revenues, Expenses and Changes in Retained Earnings	C	5
Combined Statement of Cash Flows	D	6-7
Notes to Financial Statements		8-21
SUPPLEMENTAL INFORMATION SCHEDULES		22
Enterprise Funds:	<u>Schedule</u>	
Combining Balance Sheet	1	23-24
Combining Statement of Revenues, Expenses and Changes in Retained Earnings	2	25
Combining Statement of Cash Flows	3	26-27
Schedule of Allowable Costs		28

(Continued)

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LA SALLE, STATE OF LOUISIANA
Orla, Louisiana

COMPONENT UNIT FINANCIAL STATEMENTS
SEPTEMBER 30, 1997

TABLE OF CONTENTS

	Page
OTHER REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS	29
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	30-31
STATUS OF PRIOR REPORTABLE CONDITIONS	32
STATUS OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS	33
SCHEDULE OF REPORTABLE CONDITIONS	33
	(Continued)

ALLEN, GREEN & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS



3014 Farrand Street
Monroe, Louisiana 70201
Telephone (318) 356-4422

Post Office Box 6075
Monroe, Louisiana 70211-6075
Facsimile (318) 356-4584

Web: <http://www.allengreen.com>

Ernest L. Allen, CPA
a Professional
Accounting Firm

Tim Green, CPA

Margie Williamson, CPA

INDEPENDENT AUDITORS' REPORT ON THE COMPONENT UNIT FINANCIAL STATEMENTS

Board of Commissioners
Hospital Service District Number One
of the Parish of LaSalle
State of Louisiana
Olla, Louisiana

We have audited the accompanying component unit financial statements of the Hospital Service District Number One of the Parish of LaSalle, state of Louisiana, a component unit of LaSalle Parish Police Jury, as of and for the year ended September 30, 1997. These component unit financial statements are the responsibility of the Board of Commissioners of the Hospital Service District. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

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 component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Hospital Service District Number One of the Parish of LaSalle, state of Louisiana, as of September 30, 1997, and the results of its operations and the cash flows of the proprietary fund types for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The accompanying supplemental information schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the component unit financial statements of the Hospital Service District Number One of the Parish of LaSalle, state of Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly presented in all material respects in relation to the component unit financial statements taken as a whole.

Allen Green & Company
ALLEN, GREEN & COMPANY, LLP

Monroe, Louisiana
December 22, 1997

**HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LABALLE, STATE OF LOUISIANA
ORA, LOUISIANA**

**ALL FUNG TYPES AND ACCOUNT GROUPS
COMBINED BALANCE SHEET
September 30, 1997**

	Governmental Funds	Proprietary Funds	Total (Memorandum Only)
	<u>Cost Service</u>	<u>Enterprise</u>	<u>Cost</u>
ASSETS			
Cash and investments			
Cash, checking	\$	\$	\$
Certificates of deposit	0	200,000	200,000
Receivables			
Patient services, net of allowance of \$1,294,172	0	1,688,041	1,688,041
Estimated third-party payer settlements	0	158,015	158,015
Interest	0	2,314	2,314
Rent	0	800	800
Miscellaneous	0	118	118
Supplies	0	58,091	58,091
Prepaid expenses	0	18,718	18,718
Assets whose use is limited			
By agreement with third-party payors for funded depreciation	\$	378,872	378,872
Under revenue bond agreement			
Revenue bond and interest sinking account	0	122,832	122,832
Revenue bond reserve account	0	154,864	154,864
Depreciation and contingency fund	0	19,226	19,226
Property, plant and equipment			
Land	0	4,815	4,815
Land improvements	0	28,389	28,389
Buildings	0	1,588,128	1,588,128
Equipment, furniture and fixtures	0	2,025,958	2,025,958
Accumulated depreciation	0	(2,662,102)	(2,662,102)
TOTAL ASSETS	\$	\$	\$
	0	4,028,174	4,028,174

(Continued)

See accompanying notes to financial statements

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LABALLE, STATE OF LOUISIANA
Orla, Louisiana

ALL FUND TYPES AND ACCOUNT GROUPS
COMBINED BALANCE SHEET

September 30, 1997

Statement A

	Governmental Funds (Self-Service)	Proprietary Funds Enterprises	Total (Memorandum Only)
LIABILITIES, EQUITY AND OTHER CREDITS			
Liabilities			
Accounts payable	\$ 0	\$ 277,963	\$ 277,963
Salaries payable	0	66,974	66,974
Current portion of capital lease	0	32,668	32,668
Accrued vacation payable	0	41,379	41,379
Estimated third-party payor settlements	0	0	0
Payable from assets whose use is limited			
Revenue bonds payable	0	668,000	668,000
Accrued bond interest payable	0	28,646	28,646
Total liabilities	\$ 0	\$ 1,020,710	\$ 1,020,710
Equity and other credits			
Contributed capital	0	1,087,738	1,087,738
Retained earnings:			
Reserved for revenue bond:			
Sinking account	0	102,602	102,602
Expense account	0	104,884	104,884
Depreciation and capital improvement	0	19,228	19,228
Unreserved	0	1,259,802	1,259,802
Total equity and other credits	\$ 0	\$ 2,650,054	\$ 2,650,054
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$ 0	\$ 2,650,724	\$ 2,650,724

(Continued)

See accompanying notes to financial statements

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
 PARISH OF LABALLE, STATE OF LOUISIANA
 OMA, Louisiana

ALL GOVERNMENTAL FUNDS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 Year Ended September 30, 1997

Statement B

	<u>Debt Service Funds</u>
REVENUES	
Interest	\$ 1,435
Total revenues	<u>\$ 1,435</u>
EXPENDITURES	
Debt service:	
Principal retirement	\$ 30,800
Interest	875
Fiscal charges	<u>528</u>
Total expenditures	<u>\$ 32,203</u>
EXCESS EXPENDITURES OVER REVENUES	\$ (30,768)
FUND BALANCE, BEGINNING AS ORIGINALLY STATED	81,880
RESORIAL EQUITY TRANSFER	<u>110,810</u>
FUND BALANCE, BEGINNING AS RESTATED	192,690
FUND BALANCE, ENDING	<u>\$ 161,922</u>

See accompanying notes to the financial statements.

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LEBLANC, STATE OF LOUISIANA
Orla, Louisiana

ALL PROPRIETARY FUNDS
COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
Year Ended September 30, 1997

Statement C

	<u>Estimate</u>
REVENUES	
Net patient service revenues	\$ 2,484,488
Contributions from Ambulance Service District	80,400
State of Louisiana, Emergency Services grant	35,000
Vending machine commissions	2,797
Phonics, physician's office	7,200
Cafe/bar sales	<u>15,000</u>
Total revenues	<u>\$ 2,625,125</u>
OPERATING EXPENSES	
Daily patient services	\$ 625,073
Nursing services	3,010,084
Other professional services	1,244,089
General services	811,819
Administrative and fiscal services	381,287
Employee benefits	254,834
Depreciation	127,733
Provision for bad debts	547,175
Interest expense	<u>42,340</u>
Total expenditures	<u>\$ 6,046,088</u>
OPERATING INCOME (LOSS)	\$ (400,963)
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	
Unrestricted assets	\$ 28,847
Assets whose use is limited	38,998
Other	<u>12,858</u>
Total nonoperating revenues (expenses)	<u>\$ 80,703</u>
NET PROFIT (LOSS)	\$ (320,260)
RETAINED EARNINGS, BEGINNING	\$ 1,881,285
RETAINED EARNINGS, ENDING	\$ 1,561,025

See accompanying notes to the financial statements.

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LA SALLE, STATE OF LOUISIANA
Olla, Louisiana

ALL PROPRIETARY FUNDS
COMBINED STATEMENT OF CASH FLOWS
Year Ended September 30, 1997

Statement D

	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Income (loss) from operations	\$ <u>439,900</u>
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities	
Provision for bad debts	841,770
Depreciation expense	137,705
Interest paid on capital and related financing activities	47,341
(Increase) decrease in:	
Accounts receivable, patients	(7,028,800)
Accounts receivable, third-party payers	111,209
Supplies	(3,473)
Prepaid expenses	7,175
Other	23,483
Increase (decrease) in:	
Accounts payable, trade	59,040
Accounts payable, third-party payers	(3,897)
Salaries payable	3,666
Accrued vacation pay	4,000
Other revenues	<u>12,858</u>
Total adjustments	<u>887,454</u>
Net cash provided by (used in) operating activities	<u>\$527,354</u>

(Continued)

(See accompanying notes to financial statements.)

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LA SALLE, STATE OF LOUISIANA
Orla, Louisiana

ALL PROPRIETARY FUNDS
COMBINED STATEMENT OF CASH FLOWS
Year Ended September 30, 1997

Statement 0

	<u>Total</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of property, plant and equipment	\$ (34,797)
Capital contributed by Debt Service	18,813
Capital lease obligations:	
Principal	(7,814)
Interest	(1,828)
Hospital revenue bonds:	
Principal	(48,000)
Interest	(48,507)
Net cash used in capital and related financing activities	<u>(132,598)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Decrease (increase) in restricted assets	887,818
Interest received	87,385
Decrease (increase) in certificates of deposit	(82,434)
Net cash provided by investing activities	<u>892,769</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>76,271</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>587,752</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 664,023</u>

(Continued)

See accompanying notes to financial statements.

**HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LA SALLE, STATE OF LOUISIANA
Olla, Louisiana**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1987**

<u>INDEX</u>		<u>Page</u>
NOTE 1	- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	9
	A Reporting Entity	9
	B Funds Accounting	9-10
	C Basis of Accounting	10-13
	D Budget Provisions	13
	E Encumbrances	13
	F Cash and Cash Equivalents	14
	G Investments	14
	H Supplies	14
	I Assets Whose Use is Limited	14
	J Property, Plant and Equipment	14-15
	K Long-Term Debt	15
	L Memorandum Only - Total Column	15
	M Use of Estimates	15
NOTE 2	- CASH, CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT	15-16
NOTE 3	- ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS	16-17
NOTE 4	- ASSETS WHOSE USE IS LIMITED	17-18
NOTE 5	- CONTINGENCIES	18
NOTE 6	- PENSION PLAN	18
NOTE 7	- LONG-TERM DEBT	18-19
NOTE 8	- CAPITAL LEASE OBLIGATIONS	20
NOTE 9	- INCOME TAXES	20
NOTE 10	- CASH FLOW STATEMENTS	20
NOTE 11	- BEHAVIORAL HEALTH UNIT	21
NOTE 12	- RESIDUAL EQUITY TRANSFER	21

**HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LA SALLE, STATE OF LOUISIANA
Orla, Louisiana**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1997**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Hospital Service District Number One of the Parish of LaSalle, state of Louisiana (District), was created by the LaSalle Parish Police Jury, and operates Hardtner Medical Center through its Board of Commissioners. Hardtner Medical Center is a 49-bed hospital located in Orla, Louisiana, serving Orla and the surrounding community. In addition, the District provides office space to several physicians on a rental basis.

The district is governed by a Board of Commissioners whose members at the date of this report are:

Lyla Woods, Chairman
G. F. Tanshill, Vice-Chairman
Mrs. Irma Torres
Benny Ziegler
Lou Richardel

David M. Hamner, Administrator of the Hospital, serves as secretary and treasurer of the Board. Each Board member received \$40 per meeting, for a total of \$2,400 for the year.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body establishing governmental accounting and financial reporting principles. The more significant of the Hospital Service District's accounting policies are described below.

A. REPORTING ENTITY

The Hospital Service District Number One is a component unit of the LaSalle Parish Police Jury, the reporting entity. The LaSalle Parish Police Jury is the governing authority of the Parish of LaSalle, Louisiana, and is governed by a board of police jurors elected by the public. Under the provisions granted by the Louisiana statutes, the police jury created the Hospital Service District Number One and appoints the members of its Board of Commissioners. The accompanying financial statements are component unit financial statements of the Hospital Service District Number One of the Parish of LaSalle and are not intended to present fairly the financial position and results of operations of the LaSalle Parish Police Jury in conformity with generally accepted accounting principles.

B. FUND ACCOUNTING

The accounts of the District are organized on the basis of funds and an account group, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The funds presented in the financial statements are described as follows:

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LA SALLE, STATE OF LOUISIANA
Ola, Louisiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1997

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. FUND ACCOUNTING (Continued)

Debt Service Fund

The debt service fund is a governmental fund type that accounts for the accumulation of resources for, and the payment of, general long-term principal, interest, and related costs.

Enterprise Funds

The enterprise funds are proprietary fund types that account for activities similar to those found in the private sector, where the determination of net income is necessary and useful to sound financial administration.

Operations and Maintenance Enterprise Fund

The District provides various services to the doctors of the Hospital through the use of this fund. In an effort to retain doctors for the Hospital, the District provides buildings for the doctors' use. The doctors are charged a monthly rent for use of these buildings.

Collection Enterprise Fund

In order to control the collections and reduce costs, the District engages an outside vending company to handle the collections. All activities of the collection fund are conducted by an outside agency who pays the District a stated percentage of gross collections.

Harbiter Medical Center Enterprise Fund

This fund accounts for the operations of the Medical Center. Its purpose is to provide needed health care services to persons within the district.

C. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Basis of accounting refers to when revenues and expenditures or expenses are recognized and reported in the financial statements. Basis of accounting refers to the timing of the measurements made, regardless of the measurement focus applied.

Governmental Funds

The governmental fund (debt service) is reported on a modified annual basis of accounting. The debt service fund uses the following practices in recording revenues and expenditures:

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LASALLE, STATE OF LOUISIANA
Olla, Louisiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1997

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BASIS OF ACCOUNTING (Continued)

Governmental Funds (Continued)

Revenues

All valorem taxes are recorded in the year the taxes become due and payable. All valorem taxes are assessed on a calendar-year basis, become due on November 15 of each year, and become delinquent on December 31. The majority of the taxes are generally collected in December, January and February of the fiscal year.

Interest earnings on time deposits are recorded as they are earned.

Expenditures

Principal and interest on general long-term debt are recognized when due for payment.

Enterprise Funds

The enterprise funds are reported on the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Patient service revenue, etc., are recognized as follows:

Net Patient Service Revenue

Net patient service revenue is patient revenue reported at Hardden Medical Center's (Hospital's) established rates less contractual adjustments, charity allowances and policy discounts. Retrospective adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The Hospital has agreements with third-party payors that provide for reimbursement to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LASALLE, STATE OF LOUISIANA
Olla, Louisiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1997

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BASIS OF ACCOUNTING (Continued)

Enterprise Funds (Continued)

Medicare Inpatient 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. Outpatient services and defined capital costs related to Medicare beneficiaries are paid based upon a cost reimbursement method. The Hospital is paid for outpatient cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits by the Medicare fiscal intermediary. Cost reports through September 30, 1994 have been settled. Medicare has completed its review of the cost report for September 30, 1995, and tentative settlement figures have been received.

Medicaid Inpatient services rendered to Medicaid program beneficiaries are reimbursed on prospectively determined rates. Outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon 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 audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the Medical fiscal intermediary through September 30, 1994. A review for 1995 and 1996 is in progress and should be completed soon.

The state Medicaid Program made partial interim payments based on cost report figures without considering pre-discharge limitations and incentive payments pending approval of this payment plan by the Health Care Financing Administration. The state of Louisiana recently settled cost reports for prior years after reaching agreement with the federal government regarding reimbursement methodology and upon appropriations of funds by the state legislature. Collections amounted to \$168,342 for 1991, 1992 and 1993. The Medicaid cost reports for 1995 and 1996 are under review and should be completed soon. The unpaid balance on these two cost reports is \$49,556. Any difference between the amounts estimated to be due or payable on final audit will be included in contractual adjustments to revenues in the year settled. The determination of the amounts to be received and their payments occurred after the date of this report but before it was issued.

Blue Cross Inpatient services rendered to Blue Cross subscribers are reimbursed at an all-inclusive per diem rate. The prospectively determined per diem rates are not subject to retroactive adjustments.

Civilian Health and Medical Program of the Uniformed Services (Champus) Inpatient and outpatient services rendered are reimbursed on the same basis used by Medicare.

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LA SALLE, STATE OF LOUISIANA
Olla, Louisiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1997

NOTE 1. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BASIS OF ACCOUNTING (Continued)

Enterprise Funds (Continued)

Charity. Title VI (Hill-Burton) of the Public Health Act Regulations required Hospitals to provide free care to patients who were unable to pay.

Hardware. Medical Center completed its twenty-year obligation of providing free care under Hill-Burton. A policy for providing continuing charity care for future years has not been established.

Net patient service revenue. Following is a summary of contractual and other adjustments to arrive at net patient service revenue:

Gross patient service revenue	<u>\$2,481,818</u>
Less contractual adjustments:	
Medicare	1,711,850
Medicaid	383,418
Other third parties	<u>49,248</u>
Total contractual adjustments	<u>2,144,516</u>
Net patient service revenue	<u>\$3,337,302</u>

Contributions. Contributions from the LaSalle Parish Ambulance Service District for operation of the ambulances are treated as operating revenues. Unrestricted donations are treated as nonoperating revenues when received.

D. BUDGET PRACTICES

The District maintains a debt service fund and enterprise funds in its accounting system and is not subject to the Local Budget Act or the requirements of generally accepted accounting principles that require budget to actual comparisons. Therefore, budget to actual comparisons, usually found in the financial statements of governmental entities, are not included in these statements.

E. ENCUMBRANCES

The District does not use a formal system of encumbrance accounting.

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LA SALLE, STATE OF LOUISIANA
Orla, Louisiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1997

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits and interest-bearing demand deposits, and time deposit accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less.

The District deposits its funds in fiscal agent banks organized under the laws of the state of Louisiana, or the laws of the United States.

Cash and cash equivalents also include amounts whose use is limited by board designation or agreements with third-party payors in accordance with Statement Number 9 of the Governmental Accounting Standards Board. See Note 4.

G. INVESTMENTS

Investments are bank certificates of deposit that are valued at cost, which approximates market. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

H. SUPPLIES

Inventories of supplies and minor equipment are valued at lower of cost (first-in, first-out) or latest invoice price.

I. ASSETS WHOSE USE IS LIMITED

Assets whose use is limited include funds set aside in accordance with agreements with third-party payors and funds held in accordance with the provisions of a revenue bond agreement.

J. PROPERTY, PLANT AND EQUIPMENT

Property and equipment acquisitions are recorded at cost. Property and equipment devoted for hospital operations are valued at their fair market value on the date received, with the exception of the site of the hospital which is carried at no value.

Excluding the value of the hospital site underlies the assets of the hospital, but not by a significant amount. All exhaustible property and equipment are shown in the accompanying balance sheet at their original costs, less accumulated depreciation. Depreciation is recorded on the straight-line method over the estimated useful lives, as follows:

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LASALLE, STATE OF LOUISIANA
Orla, Louisiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1997

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. PROPERTY, PLANT AND EQUIPMENT (Continued)

Land improvements	12-29 years
Buildings	16-40 years
Fixed equipment	3-20 years
Major movable equipment	3-20 years

K. LONG-TERM DEBT

Long-term debt is recognized as a liability in the governmental fund when due. The remaining portion of the long-term debt for governmental funds coming due in future years, is reported in the general long-term debt account group. This account group is not a fund. It is only concerned with the measurement of financial position, not with measurement of results of operations.

Long-term liabilities expected to be financed from proprietary fund operations, Harbor Medical Center, are accounted for in the enterprise fund.

L. MEMORANDUM ONLY - TOTAL COLUMN

The total volume of the component unit financial statements balance sheet is captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

M. 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 statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 - CASH, CASH EQUIVALENTS, AND CERTIFICATES OF DEPOSIT

At September 30, 1997, the District has cash and cash, cash equivalents, and certificates of deposit (bank balances) totaling \$1,284,158 as follows:

Demand deposit	\$ 405,036
Petty cash	380
Certificates of deposit	<u> 878,742</u>
Total	<u>\$1,284,158</u>

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LA SALLE, STATE OF LOUISIANA
Orla, Louisiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1987

NOTE 1. CASH AND CASH EQUIVALENTS (Continued)

The following is the relationship between total deposits and the balances on Statements A - Combined Balance Sheet, as of September 30, 1987:

Cash, checking	\$ 138,602
Certificates of deposit	360,000
Assets whose use is limited under revenue bond agreement by agreement with third-party payers for funded depreciation:	378,872
Under revenue bond agreement	
Revenue bond and interest sinking account	122,602
Revenue bond reserve account	164,864
Depreciation and contingency fund	<u>19,206</u>
Total	<u>\$1,284,158</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or by 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 holding or custodial bank that is mutually acceptable to both parties.

At year-end, the District's carrying amount of deposits was \$1,284,158 and the bank balance was \$1,249,602. Of the bank balance, \$208,000 was covered by federal depositary insurance or by collateral held by the District's agent in the District's name (GASB Category 1). The remaining balance, \$949,602 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name (GASB Category 2).

These deposits are considered uncollateralized (Category 3) under the provisions of GASB Statement 3. However, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and call the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 2 - ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable - patients, include unpaid amounts billed to discharged patients and third-party payors such as insurance companies and the Social Intermediaries of the Social Security Administration on behalf of patients eligible for benefits under Title XVIII and XIX of the Social Security Act. Also included are unbilled charges for those patient not discharged at September 30, 1987.

**HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LASALLE, STATE OF LOUISIANA
ORA, Louisiana**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1997**

NOTE 3 - ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS (Continued)

A summary of transactions in the allowance for doubtful accounts and contractual adjustments of the Hospital follows:

Balance at beginning of period	\$ 611,488
Provision for estimated losses on uncollected accounts	588,808
Accounts charged to allowance	1,839,234
Reductions (increases) in allowance for contractual adjustments	(1,784,528)
 Balance at end of period:	 <u>\$ 1,244,172</u>

NOTE 4 - ASSETS WHOSE USE IS LIMITED

In accordance with Medicare regulations, the Board has limited the use of the following assets for capital improvement and funded depreciation. These funds are kept invested in certificates of deposit with local banks as shown below.

Bank	1997		1996	
	Rate	Amount	Rate	Amount
Bank of Iowa	4.75%	\$180,000	4.25%	\$180,000
Jonesville Bank & Trust	3.89% - 5.09%	228,872	3.64% - 5.09%	626,388
Total		<u>\$408,872</u>		<u>\$806,388</u>

The Hospital decreased its capital improvement and funded depreciation accounts approximately \$577,516. This money was transferred to the operating fund.

The Hospital is required to make monthly deposits into the following funds under the FICA loan agreement:

	1997	
	Monthly	Balance
Revenue bond and interest sinking account	\$7,719	\$121,632
Revenue bond reserve account	0	184,894
Depreciation and contingency fund	278	10,328
Total	<u>\$8,000</u>	<u>\$306,754</u>
 Total assets whose use is limited		 <u>\$625,186</u>

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LA SALLE, STATE OF LOUISIANA
Orla, Louisiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1997

NOTE 4 - ASSETS WHOSE USE IS LIMITED (Continued)

These monies are in interest-bearing accounts and are included in the balance sheet as assets whose use is limited. There is a required amount of \$99,000 maintained in the revenue reserve fund. Payments into the depreciation fund shall continue and are to be used only for replacement and repairs. Revenue bond and interest sinking funds are used to make annual principal and interest payments. All required deposits in these funds have been made.

NOTE 5 - CONTINGENCIES

Self-insured The Hospital pays Louisiana Unemployment Compensation Tax under the Louisiana Employment Security Law. The tax is normally assessed at the rate of four to five percent of the first \$8,500 of each employee's wages. However, the Hospital has elected to pay on an experience-rating method whereby actual compensation payments to qualifying employees are assessed.

Pending Litigation A case involving the use of an ambulance and its personnel was brought before the Medical Review Board Panel which ruled in July of 1992 that Hardwar Medical Center was without fault. The plaintiffs filed a lawsuit shortly thereafter to which the Hospital responded. A pre-trial conference was scheduled to be held in June 1996, at which time, a trial date was to be selected. At the date of this report, a trial date has been set for July 1998. It is the opinion of management that this case has no probable merit and will not result in any liability to the Hospital.

NOTE 6 - PENSION PLAN

Employees of the Hardwar Medical Center are covered by the Federal Social Security System. The Hospital provides administrative assistance to its employees who participate in a salary reduction plan under Section 405(b) of the Internal Revenue Code. However, the Hospital does not contribute to the plan.

NOTE 7 - LONG-TERM DEBT

The general obligation bonds of the District were paid by an ad valorem tax levied on taxable property within the District. All general obligation bonds were retired during 1997. After retiring the general obligation bonds and paying all administrative fees, the debt service fund had an excess of \$18,513. See Note 12 for the treatment of this excess.

Funding for a 1981 expansion program at the Hospital was provided by the issuance of \$1,376,080 revenue bonds and \$148,080 from earnings accumulated by the Hospital. The bonds bear interest at five percent per annum and are payable over a period of 40 years. They were acquired by the Farmers Home Administration and are secured by a pledge of income, revenues and receipts derived by the Hospital.

**HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LA SALLE, STATE OF LOUISIANA
Olla, Louisiana**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1997**

NOTE 7 - LONG-TERM DEBT (Continued)

The following is a summary of long-term debt principal transactions for the year ended September 30, 1997:

	<u>General Long-Term Debt</u>	<u>Revenue Bonds</u>
Balance, beginning of year	\$25,000	\$918,000
Redeemed	13,000	45,000
Balance, end of year	<u>\$ 12,000</u>	<u>\$873,000</u>

Scheduled annual debt service requirements are as follows:

<u>Year Ending September 30</u>	<u>Revenue Bonds</u>
1998	\$ 90,250
1999	98,750
2000	90,250
2001	98,500
2002	92,750
2003-2007	<u>738,500</u>
Total payments	1,199,000
Less amount representing interest	<u>(314,000)</u>
Total principal outstanding	<u>\$ 885,000</u>

Total principal and interest payable in the next fiscal year are \$50,000 and \$40,250, respectively.

**HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LA SALLE, STATE OF LOUISIANA
Olla, Louisiana**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1997**

NOTE 9 - CAPITAL LEASE OBLIGATIONS

The District is obligated under a lease for computer equipment which is accounted for as a capital lease. Assets under capital lease totaled \$24,867 as September 30, 1997, and accumulated depreciation on these assets totaled \$3,727. The following is a schedule of future minimum lease payments:

Year Ending September 30,	Lease Payments
1998	\$ 8,525
1999	8,525
2000	8,525
2001	8,525
2002	<u>1,802</u>
 Total minimum lease payments	 53,607
Less amounts representing interest	<u>4,840</u>
 Present value of net minimum lease payments	 \$ <u>48,767</u>

NOTE 7 - INCOME TAXES

The Hospital Service District is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

NOTE 18 - CASH FLOWS STATEMENTS

For the purpose of the statements of cash flows, the Hospital Service District considers the following accounts with a maturity of three months or less as cash and cash equivalents:

Cash, current assets	\$158,600
Assets whose use is limited under revenue bond agreement	
Cash and certificates of deposit	
Revenue bond and interest-earning account	121,610
Revenue bond reserve account	184,854
Depreciation and contingency fund	<u>10,228</u>
	296,292
 Total cash and cash equivalents	 \$ <u>454,892</u>

**HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LASALLE, STATE OF LOUISIANA
Olla, Louisiana**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1997**

NOTE 11 - BEHAVIORAL HEALTH UNIT

The Hospital entered into an agreement with Sunrise Behavioral Health, Ltd., (SBH), effective October 1995, to establish and provide programs for the treatment of emotional problems and psychiatric disorders through a Behavioral Health Unit to consist of a minimum of ten beds in a wing of the Hospital. The Hospital is to provide room and board, medical records services, food services, housekeeping services, laundry and linen services and to bill and collect for these services. SBH shall provide the staff of the behavioral unit, the planning, administering, supervision of the program and shall bill Medicare for all clinical and medical services provided to the patients. The Hospital shall pay SBH a management fee of \$475 per patient day of services provided. This agreement is effective for a term of five years, cancellable by either party with sixty days' notice.

NOTE 12 - RESIDUAL EQUITY TRANSFER

The debt service fund was established to service an original issue of \$150,000 general obligation bonds dated March 1, 1967, payable over a period of thirty years, with an interest rate of four to five percent. The final payment of bond principal and interest on this issue, as well as all known administrative fees, was made during 1997. The debt service fund had an excess of \$18,913 after making these payments. This amount was transferred to the Hardtner Medical Center enterprise fund and placed in a certificate of deposit. Management intends to use these funds in accordance with the provisions of the ad valorem tax levy under which the funds were collected.

The debt service fund beginning balance was retained to show the residual equity transfer of \$18,913. This credit was shown as an addition to paid-in capital on the Hardtner Medical Center enterprise fund as follows:

Paid-in capital, beginning as originally stated	\$1,048,825
Residual equity transfer	<u>18,913</u>
Paid-in capital, beginning as retained	<u>\$1,067,738</u>

**HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LASALLE, STATE OF LOUISIANA
01st, Louisiana**

SUPPLEMENTAL INFORMATION SCHEDULES

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LA SALLE, STATE OF LOUISIANA
Orla, Louisiana

ALL ENTERPRISE FUNDS
COMBINED BALANCE SHEET
September 30, 1997

Schedule 1

	Operations And		Hardline Medical	
	Maintenance	Construction	Center	Totals
ASSETS				
Cash and investments				
Cash, checking	\$ 3,061	\$ 10,460	\$ 145,020	\$ 158,541
Certificates of deposit	0	0	800,000	800,000
Receivables				
Patient services, net of allowances of \$1,294,172	0	0	1,890,991	1,890,991
Estimated third-party payer settlements	0	0	150,015	150,015
Interest	0	0	2,314	2,314
Rent	800	0	0	800
Miscellaneous	0	118	0	118
Supplies	0	0	58,891	58,891
Prepaid expenses	724	0	17,854	18,578
Assets whose use is limited				
By agreement with third-party payors for funded depreciation	0	0	378,872	378,872
Under revenue bond agreement				
Revenue bond and interest sinking account	0	0	122,832	122,832
Revenue bond reserve account	0	0	104,854	104,854
Depreciation and contingency fund	0	0	19,225	19,225
Property, plant and equipment				
Land	0	0	4,815	4,815
Land improvements	3,947	0	38,812	38,389
Buildings	162,757	0	1,429,421	1,598,128
Equipment, furniture and fixtures	13,593	0	2,012,400	2,025,993
Accumulated depreciation	(1,311,885)	0	(2,760,232)	(2,692,117)
TOTAL ASSETS	\$ 51,025	\$ 10,811	\$ 3,850,321	\$ 4,012,157

(Continued)

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LAZARUS, STATE OF LOUISIANA,
Orla, Louisiana

ALL ENTERPRISE FUNDS
COMBINING BALANCE SHEET

September 30, 1987

Schedule 1

	Operations And Maintenance	Concessions	Hartman Medical Center	Totals
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities				
Accounts payable	\$ 875	\$ 0	\$ 377,388	\$ 377,603
Salaries payable	0	0	58,014	58,014
Current portion of capital lease	0	0	32,808	32,808
Accrued vacation payables	0	0	47,375	47,375
Estimated third-party payor settlements	0	0	0	0
Payable from assets whose use is limited				
Revenue bonds payable	0	0	585,000	585,000
Accrued bond interest payable	0	0	38,648	38,648
Total liabilities	\$ 875	\$ 0	\$ 1,023,136	\$ 1,023,118
Equity and other credits				
Contributed capital	\$ 0	\$ 0	\$ 1,081,738	\$ 1,081,738
Retained earnings:				
Reserve for revenue bond				
Sinking account	0	0	103,600	103,600
Reserve account	0	0	184,884	184,884
Depreciation and capital improvement	0	0	19,208	19,208
Unreserved	52,287	70,811	1,218,734	1,278,692
Total equity and other credits	\$ 52,287	\$ 70,811	\$ 2,326,180	\$ 2,399,284
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$ 52,692	\$ 70,811	\$ 3,359,316	\$ 3,422,402

(Continued)

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LABALLE, STATE OF LOUISIANA
Orla, Louisiana

ALL PROPRIETARY FUNDS
COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
Year Ended September 30, 1997

Schedule 2

	Operations And Maintenance	Concession	Hardware Medical Center	Total
REVENUES				
Net patient service revenues	\$ 0	\$ 0	\$ 5,484,408	\$ 5,484,408
Contributions from Ambulance Service District	0	0	89,400	89,400
State of Louisiana, Emergency Services grant	0	0	28,000	28,000
Leasing machine commissions	0	3,787	0	3,787
Rentals, physician's office	7,290	0	0	7,290
Caterers sales	0	0	15,800	15,800
Total revenues	\$ 7,290	\$ 3,787	\$ 5,611,738	\$ 6,621,724
OPERATING EXPENSES				
Daily patient services	\$ 0	\$ 0	\$ 629,012	\$ 629,012
Nursing services	0	0	2,019,004	2,019,004
Other professional services	0	0	1,244,369	1,244,369
General services	9,800	788	801,148	811,678
Administrative and fiscal services	0	0	381,387	381,387
Employee benefits	0	0	294,824	294,824
Depreciation	7,334	0	129,301	127,729
Provision for bad debts	0	0	541,775	541,775
Interest expenses	0	0	47,341	47,341
Total expenditures	\$ 17,234	\$ 788	\$ 8,096,079	\$ 8,298,299
OPERATING INCOME (LOSS)	\$ (10,004)	\$ (3,019)	\$ (478,342)	\$ (490,363)
NONOPERATING REVENUES (EXPENSES)				
Interest revenue				
Invested assets	\$ 0	\$ 0	\$ 28,087	\$ 28,087
Assets whose use is limited	0	0	28,088	28,088
Other	0	0	12,888	12,888
Total nonoperating revenues (expenses)	\$ 0	\$ 0	\$ 69,063	\$ 69,063
INCOME (LOSS) BEFORE OTHER FINANCING SOURCES (profits)	\$ (10,004)	\$ (3,019)	\$ (399,449)	\$ (435,409)
RETAINED EARNINGS, BEGINNING	\$ 52,298	\$ 8,892	\$ 1,810,387	\$ 1,981,724
RETAINED EARNINGS, ENDING	\$ 42,294	\$ 5,873	\$ 1,410,938	\$ 1,553,214

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LA SALLE, STATE OF LOUISIANA,
Orla, Louisiana

ALL PROPRIETARY FUNDS
COMBINED STATEMENT OF CASH FLOWS
Year Ended September 30, 1987

Schedule B

	Operations And		Handmer	Total
	Maintenance	Concession	Medical Center	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Income (loss) from operations	\$ (70,000)	\$ 2,079	\$ 418,740	\$ 450,819
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Provision for bad debts	0	0	841,775	841,775
Depreciation expense	7,304	0	100,861	107,165
Interest paid on capital and related financing activities	0	0	47,341	47,341
(Increase) decrease in:				
Accounts receivable, patients	0	0	(1,028,885)	(1,028,885)
Accounts receivable, third-party payors	0	0	111,309	111,309
Supplies	0	0	(2,474)	(2,474)
Prepaid expenses	587	0	5,899	7,073
Other	0	0	23,460	23,460
Increase (decrease) in:				
Accounts payable, trade	0	0	58,042	58,042
Accounts payable, third-party payors	0	0	(2,887)	(2,887)
Salaries payable	0	0	3,655	3,655
Accrued vacation pay	0	0	4,830	4,830
Other revenues	0	0	12,858	12,858
Total adjustments	\$ 7,731	\$ 0	(108,962)	(91,231)
Net cash provided by (used in) operating activities	(62,269)	2,079	(50,222)	(150,412)

(Continued)

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LA SALLE, STATE OF LOUISIANA
Orla, Louisiana

ALL PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended September 30, 1997

Schedule 3

	Operations And Maintenance	Concessions	Henderson Medical Center	Total
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of property, plant and equipment	\$	\$	\$ (24,797)	\$ (24,797)
Capital contributed by Debt Service			18,913	18,913
Capital lease obligations:				
Principal	\$	\$	\$ (7,874)	\$ (7,874)
Interest	\$	\$	\$ (1,528)	\$ (1,528)
Hospital revenue bonds:				
Principal	\$	\$	\$ (45,000)	\$ (45,000)
Interest	\$	\$	\$ (45,501)	\$ (45,501)
Net cash used in capital and related financing activities	\$	\$	\$ (100,669)	\$ (100,669)
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (increase) in restricted assets	\$	\$	\$ 587,318	\$ 587,318
Interest received	\$	\$	\$ 57,008	\$ 57,008
Decrease (increase) in certificates of deposit	\$	\$	\$ (51,434)	\$ (51,434)
Net cash provided by investing activities	\$	\$	\$ 692,892	\$ 692,892
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (2,385)	\$ 2,043	\$ (37,877)	\$ (2,385)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	\$ 3,395	\$ 4,474	\$ 503,669	\$ 511,538
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,010	\$ 6,517	\$ 465,792	\$ 473,329

(Continued)

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LA SALLE, STATE OF LOUISIANA
Orl, Louisiana

SCHEDULE OF ALLOWABLE COSTS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 1993

The Hospital received a grant of \$21,000 for the state fiscal year ended June 30, 1993, from the Community-Based and Rural Health Care Fund, in order to pay physicians' fees for emergency room services to indigent and low-income citizens in LaSalle Parish.

	<u>Amount Received</u>
Grant	<u>\$21,000</u>
	<u>Amount Spent</u>
Emergency room physicians' fees	<u>\$21,000</u>

The Hospital met the requirements for receiving and spending these funds as set forth in the agreement with the Department of Health and Hospitals and Act 400 of the 1982 regular session of the Louisiana Legislature.

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LASALLE, STATE OF LOUISIANA
Orla, Louisiana

**OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following page is a report on internal control and compliance with laws and regulations required by Governmental Auditing Standards issued by the Comptroller General of the United States. The report on internal control structure is based solely on the audit of the general-purpose financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses. The report on compliance with laws and regulations is, likewise, based solely on the audit of the presented general-purpose financial statements and presents, where applicable, compliance matters that would be material to the presented general-purpose financial statements.

ALLEN, GREEN & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS



2414 Perdado Street
Monroe, Louisiana 71201
Telephone (513) 388-4422

Post Office Box 6075
Monroe, Louisiana 71211-6075
Facsimile (513) 388-4054

Web: <http://www.alingreen.com>

Ernest L. Allen, CPA
*(Formerly
Monroe One)*

Tim Green, CPA

Margie Williamson, CPA

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Commissioners

Hospital Service District Number One
of the Parish of LaFalle, State of Louisiana
Orla, Louisiana

We have audited the financial statements of the Hospital Service District Number One of the Parish of LaFalle, state of Louisiana, as of and for the year ended September 30, 1997, and have issued our report thereon dated December 22, 1997. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Hospital Service District Number One of the Parish of LaFalle's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered LaFalle Parish School Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect LaFalle Parish School Board's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 97-1.

Board of Commissioners
Hospital Service District Number One
of the Parish of LaCade, State of Louisiana
Cite, Louisiana

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements to 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

During our audit we noted several things about the financial operations which we included in a separate management letter.

This report is intended for the information of the Board, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



ALLEN, GREEN & COMPANY, LLP

Monroe, Louisiana
December 22, 1997

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LA SALLE, STATE OF LOUISIANA
Orla, Louisiana

STATUS OF PRIOR REPORTABLE CONDITIONS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 1997

1. Inadequate Separation of Duties

See current-year comment FT-1 in the Schedule of Reportable Conditions.

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LA SALLE, STATE OF LOUISIANA
Orleans, Louisiana

STATUS OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 1997

I. Late Filing of Audit Report

This item has been resolved.

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LA SALLE, STATE OF LOUISIANA
Orla, Louisiana

SCHEDULE OF REPORTABLE CONDITIONS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 1997

97-1 Inadequate Separation of Duties

CONDITION: Employees in the business office perform overlapping accounting procedures in several areas including accounts payable, cash, accounts receivable, and revenue posting transactions.

REASON IMPROVEMENT NEEDED: Separation of accounting duties has been shown to assist management in accounting for and safeguarding assets under its control and reducing errors and omissions.

CAUSE OF CONDITION: A lack of personnel prevents adequate separation of duties.

EFFECT OF CONDITION: The Hospital assumes additional risks in summarizing, recording and reporting its financial information and in safeguarding its assets.

RECOMMENDATION: Job descriptions and duties of the business office staff should be reviewed and changes made where possible to reassign incompatible duties. A review of each employee's work should be assigned and rotated among the other employees who are independent of the process.

MANAGEMENT'S RESPONSE: Preparation of the payroll has been assigned to one employee who does not have unlimited access to the general ledgers. The administrator periodically reviews the entire payroll function. Other duties will be reviewed to see if any additional separation of duties can be established with the existing staff. It is not cost effective for the Hospital to hire adequate personnel for this purpose. The administrator assists in bank reconciliation.

ALLEN, GREEN & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS



2414 Perdido Street
Monroe, Louisiana 70001
Telephone (225) 388-4222

Post Office Box 8076
Monroe, Louisiana 70011-0806
Facsimile (225) 388-4004

Web: <http://www.allengreenco.com>

RECEIVED
BY: [Signature]
DATE: 12/20/97
BY: [Signature]
DATE: 12/20/97
Richard L. Allen, CPA
a Louisiana
Certified Public
Accountant
Tim Green, CPA

Marjorie Williams, CPA

December 21, 1997

Mr. David Ramos, Administrator
Harbinger Medical Center
Orls, Louisiana 71465

Dear David:

As a result of our audit, we noticed several things that we discussed with you about the financial operations of the hospital. We are including these in this letter.

1. **Accounts receivable.** Accounts receivable have grown steadily over the past several years. During the months after the close of the fiscal year, they increased substantially. Part of this growth is related to the larger Medicare population. There is a delay between the time a patient is discharged and the time that the bill is submitted to Medicare and paid. Therefore, some income in Medicare receivables is to be expected.

This situation has reduced cash flow and caused the hospital to draw on its cash reserves. We believe it is vital to the future of the hospital that every effort be made to collect these receivables as quickly as possible. Procedures should be started to insure that every bill is processed as quickly as possible. While there have been improvements by the doctors to provide diagnosis on patients who have been discharged, the physicians should be encouraged to cooperate in this regard.

2. **Computer Software.** We have worked with several workbooks that have to be maintained throughout the year which are prepared manually. We believe a significant amount of time could be saved if these workbooks were kept on spreadsheets such as Lotus 123 or Microsoft Excel. PC workstations and printers have come down considerably in price and would be a very good bargain for the hospital due to increased speed and accuracy. These files can also be transmitted to us through the Internet and provide excellent file support and documentation. With a network interface card, some of these workstations could be connected to the AS-80 thereby providing access to some of the files that can be downloaded.
3. **Medical Records Software.** We understand that you are considering getting proposals for the installation of computer software in medical records. This should improve the efficiency in that department and would enhance your efforts to speed up the billing process. We think this is worthwhile and encourage you to continue your efforts. We have found one or two sources of software for medical records departments and are sending them to you.
4. **Labor Costs.** While it is difficult to project the patient load in the hospital, every effort should be made to reduce the hourly salary costs whenever possible without compromising patient care. The Director of Nursing should be kept apprised of the situation and encouraged to work with the hospital in this regard.

Mr. David Hammer, Administrator
Hennepin Medical Center
ORA, Louisiana 71465

3. **Behavioral Unit.** Because of recent changes in the method of reimbursement for the care load in this unit, the cost sharing methodology should be carefully reviewed. A preliminary study was prepared recently, but it is our understanding that the results were inconclusive. Although it may not provide a profit on the resources provided by the hospital, it should at least cover the direct costs and contribute toward the allocable indirect costs. The statistics in the cost report can be used to help make a determination in this regard.
4. **Proposed Nursing Home Facility.** The hospital may have an opportunity to establish a nursing home facility to help the elderly in the community. This could be very good for the hospital from a financial standpoint. It is likely that costs could be shared and services enhanced. We encourage you and the Board to sustain your efforts in this regard. If we can help in any way, please let us know.

If you have any questions or comments regarding this letter, please let us know. We will be happy to answer your questions and help in implementing them.

Sincerely,



Ernest L. Allen, CPA

ELA:mph

Enclosure