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

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### **Independent Auditor's Report**

To the Board of Commissioners  
Hospital Service District No. 1  
Parish of Pointe Coupee  
New Roads, Louisiana

We have audited the accompanying general purpose financial statements of Hospital Service District No. 1, Parish of Pointe Coupee, also Pointe Coupee General Hospital, as of and for the years ended October 31, 1987, 1986 and 1985, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of Pointe Coupee General Hospital at October 31, 1987, 1986 and 1985, and the results of its operations and its cash flow for the years then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued reports dated January 26, 1988 on our consideration of Pointe Coupee General Hospital's internal control structure and on its compliance with laws and regulations.

Board of Commissioners  
Hospital Service District No. 1  
Parish of Pointe Coupee  
Page Two

Our examination was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.



January 26, 1998

Pointe Coupee Parish Hospital Service District No. 1  
Balance Sheets - Unrestricted Funds  
October 31, 1997, 1996 and 1995

Assets	1997	1996	1995
<b>Current assets</b>			
Cash and cash equivalents (Note 5)	\$ 913,842	\$ 869,894	\$ 776,308
Assets limited as to use - required for current liabilities (Note 6)	53,803	85,219	44,314
Patient accounts receivable, net of estimated uncollectibles of \$355,000, \$342,000 and \$479,000 for the years ended 1997, 1996 and 1995, respectively (Note 7)	2,894,261	1,256,786	1,387,961
Receivables - third party payors	68,683	-	104,582
Other receivables	153,477	119,326	168,909
Sales tax receivable (Note 8)	101,287	174,870	117,672
Notes receivable, current maturities	31,249	2,783	3,491
Inventory	254,939	228,627	218,951
Prepaid expenses and deposits	<u>126,094</u>	<u>114,281</u>	<u>128,352</u>
<b>Total current assets</b>	<b>3,788,469</b>	<b>2,828,696</b>	<b>2,938,612</b>
Assets limited as to use (Note 6)	2,718,934	2,292,896	2,174,510
Property and equipment, net (Note 10)	7,117,782	5,604,389	4,684,364
<b>Other assets</b>			
Investments	2,820,118	2,670,144	2,050,880
LIHA investment	86,638	62,488	34,829
Notes receivable, less current maturities	<u>3,645</u>	<u>28,992</u>	<u>18,992</u>
<b>Total assets</b>	<b><u>\$ 16,515,518</u></b>	<b><u>\$ 13,521,982</u></b>	<b><u>\$ 11,913,287</u></b>

See accompanying notes to financial statements.

Pointe Coupee Parish Hospital Service District No. 1  
Balance Sheets - Unrestricted Funds (Continued)  
October 31, 1997, 1996 and 1995

Liabilities and Fund Balance	1997	1996	1995
<b>Current liabilities</b>			
Accounts payable	\$ 279,433	\$ 368,946	\$ 381,125
Accrued expenses, benefits and salaries (Note 12)	439,865	453,424	350,766
Current portion of capital lease obligations (Note 14)	3,400	3,400	3,400
Interest financing	541,680	0-	0-
Payable to third party papers	<u>0-</u>	<u>52,423</u>	<u>0-</u>
<b>Total current liabilities</b>	<b>1,668,298</b>	<b>917,293</b>	<b>665,291</b>
<b>Capital lease obligations, including current portion (Note 14)</b>	<b>3,400</b>	<b>6,800</b>	<b>19,200</b>
Commitments and contingencies (Note 19)	---	---	---
Fund balance - unrestricted	<u>14,843,868</u>	<u>12,597,889</u>	<u>11,248,106</u>
<b>Total liabilities and fund balance</b>	<b>\$ 16,515,566</b>	<b>\$ 13,521,982</b>	<b>\$ 11,912,597</b>

See accompanying notes to financial statements.

Pointe-Coupee Parish Hospital Service District No. 1  
 Statements of Operations - Unrestricted Funds  
 For the Years Ended October 31, 1997, 1996 and 1995

	1997	1996	1995
Net patient service revenue (Note 4)	\$ 8,857,688	\$ 8,369,897	\$ 7,372,008
Other revenue (Includes sales tax revenue of \$1,308,953, \$1,618,387 and \$1,229,783 in 1997, 1996 and 1995, respectively)	<u>1,818,139</u>	<u>1,728,820</u>	<u>1,246,661</u>
<b>Total revenue</b>	<u>11,675,827</u>	<u>10,098,717</u>	<u>8,618,669</u>
<b>Expenses</b>			
Salaries and benefits	4,278,875	4,040,038	3,629,280
Medical supplies and drugs	1,107,731	963,651	939,121
Insurance	275,457	143,368	169,530
Depreciation	478,424	381,268	401,569
Interest	25,672	-	-
Provision for bad debts	898,153	745,572	547,678
Other expenses	<u>2,718,521</u>	<u>3,266,589</u>	<u>2,913,888</u>
<b>Total expenses</b>	<u>9,748,833</u>	<u>8,852,475</u>	<u>8,182,066</u>
<b>Operating income (loss)</b>	<u>1,927,198</u>	<u>1,246,242</u>	<u>436,603</u>
<b>Nonoperating income (loss)</b>			
Income on investments whose use is limited	187,389	182,443	135,733
Other investment income	137,762	110,234	142,302
Contributions and grants	179,808	39,087	161,824
Gain (loss) on disposal of equipment	4,759	246	(3,269)
Payments to Police Jury	<u>(202,732)</u>	<u>(161,313)</u>	<u>(749,514)</u>
<b>Nonoperating income, net</b>	<u>106,586</u>	<u>170,707</u>	<u>167,076</u>
<b>Increase in unrestricted fund balance</b>	<u>\$ 2,245,970</u>	<u>\$ 1,357,716</u>	<u>\$ 813,649</u>

See accompanying notes to financial statements.

Pointe-Croquis Parish Hospital Service District No. 1  
 Statements of Cash Flows - Unrestricted Funds  
 For the Years Ended October 31, 1997, 1996 and 1995

	1997	1996	1995
<b>Cash flows from operating activities</b>			
Operating income (loss)	\$ 1,928,198	\$ 1,184,642	\$ 336,508
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	478,424	391,260	401,568
Provision for bad debts	899,158	745,572	647,678
LHA Trust allocation	(5,425)	(28,267)	(25,696)
Contributions and grants	179,680	39,087	161,824
Changes in			
Patient accounts receivable	(1,736,730)	(814,387)	(588,950)
Estimated third party payer receivables	(168,906)	287,006	82,455
Other receivables	(16,151)	48,683	(71,470)
Sales tax receivables	75,683	(57,188)	1,987
Inventories	(28,312)	(7,696)	(24,396)
Prepaid expenses	(31,703)	5,963	10,241
Accounts payable	(88,612)	56,820	116,424
Accrued liabilities	(13,529)	102,628	111,819
Leases financing	945,608	-	-
Health insurance reserves	(61,385)	(50,905)	(68,316)
Net cash provided (used) by operating activities	<u>2,393,285</u>	<u>2,814,780</u>	<u>1,268,451</u>
<b>Cash flows from investing activities</b>			
LHA Insurance Trust	4,233	5,637	32,457
Income on investments whose use is limited	(97,889)	185,443	123,732
Other investment income	137,782	110,374	142,302
Assets whose use is limited	(343,426)	(117,886)	(82,034)
Unrestricted investment in U.S. T-Bills	(148,968)	(618,264)	(351,782)
Proceeds of notes receivable	2,113	3,392	4,289
Note receivable	<u>-</u>	<u>(11,684)</u>	<u>(8,996)</u>
Net cash used by investing activities	<u>\$ (450,895)</u>	<u>\$ (446,188)</u>	<u>\$ (339,832)</u>

See accompanying notes to financial statements.

Police-Crepeur Parish Hospital Service District No. 1  
 Statements of Cash Flows - Unrestricted Funds (Continued)  
 For the Years Ended October 31, 1997, 1996 and 1995

	1997	1996	1995
Cash flows from noncapital financing activities			
Payments to Police Jury	\$ (202,757)	\$ (181,319)	\$ (149,514)
Loss on note written off	<u>0-</u>	<u>0-</u>	<u>5,436</u>
Net cash provided by noncapital financing activities	<u>(202,757)</u>	<u>(181,319)</u>	<u>(144,078)</u>
Cash flows from capital and related financing activities			
Purchase of property and equipment	(1,996,844)	(1,311,282)	(882,638)
Proceeds from sale of equipment (net gains, losses)	0-	0-	3,831
Principal payments on capital leases	(3,400)	(3,400)	(3,400)
Gain (loss) on disposal of equipment	<u>4,728</u>	<u>246</u>	<u>(3,209)</u>
Net cash provided (used) by capital and related activities	<u>(1,994,685)</u>	<u>(1,314,436)</u>	<u>(881,416)</u>
Net increase (decrease) in cash	41,948	92,794	(80,893)
Beginning cash and cash equivalents	<u>869,094</u>	<u>776,300</u>	<u>856,193</u>
Ending cash and cash equivalents	<u>\$ 911,042</u>	<u>\$ 869,094</u>	<u>\$ 776,300</u>
Supplemental disclosures of cash flow information			
Non-cash transactions			
Equipment contributions, capital lease	\$ <u>0-</u>	\$ <u>0-</u>	\$ <u>17,069</u>
Cash paid during the year for interest	\$ <u>25,672</u>	\$ <u>0-</u>	\$ <u>0-</u>

See accompanying notes to financial statements.



Pointe-Claire Parish Hospital Service District No. 1  
 Statement of Changes in Fund Balance  
 For the Years Ended October 31, 1997, 1996 and 1995

	<u>Unrestricted Funds</u>	<u>Donor-Restricted Funds</u>
Fund balance, October 31, 1994	\$ 10,428,466	\$ 72,048
Grants received in year ended October 31, 1995	0-	89,925
Interest on grant funds received	0-	2,800
Transfers to general fund - other revenue	0-	(106,481)
Excess of revenues over expenses	<u>813,680</u>	<u>0-</u>
Fund balance, October 31, 1995	11,242,146	68,292
Interest on grant funds received	0-	2,799
Transfers to general fund - other revenue	0-	(97,129)
Excess of revenues over expenses	<u>1,257,781</u>	<u>0-</u>
Fund balance, October 31, 1996	12,500,899	68,558
Grants received in year ended October 31, 1997	0-	54,564
Interest on grant funds received	0-	1,496
Transfers to general fund - other revenue	0-	(43,687)
Excess of revenues over expenses	<u>2,245,921</u>	<u>0-</u>
Fund balance, October 31, 1997	<u>\$ 14,746,820</u>	<u>\$ 112,145</u>

See accompanying notes to financial statements.

Pointe Coupee Parish Hospital Service District No. 1  
Notes to Financial Statements  
For the Years Ended October 31, 1997, 1996 and 1995

**NOTE 1 - ORGANIZATION AND OPERATIONS**

**Organization** - Pointe Coupee Hospital Service District No. 1 (referred to herein as "Pointe Coupee General Hospital" or the "District") was created by an ordinance of the Pointe Coupee Parish Police Jury on June 5, 1979. The District's area includes all of Pointe Coupee Parish, Louisiana.

As governing authority for the parish, for reporting purposes, the Pointe Coupee Parish Police Jury is the financial reporting entity for Pointe Coupee Parish. The financial reporting entity consists of (a) the primary government (police jury), (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 Pointe Coupee Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability.

Because the police jury appoints all commissioners of the Pointe Coupee Parish Hospital Service District No. 1, the District has been determined to be a component unit of the Pointe Coupee Parish Police Jury, 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 police jury, the general governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

The hospital facility was originally built by the Pointe Coupee Parish Police Jury which transferred it and certain equipment to the District.

**Nature of Business** - The District provides outpatient, emergency and inpatient acute hospital services, as well as home health care services. It also provides services to the parish ambulance service, health unit, mental health unit, substance abuse unit and the Council on Aging.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of significant accounting policies.

**Financial Reporting Entity** - The accompanying financial statements of Pointe Coupee General Hospital present the financial position, the results of operations and the cash flow of the proprietary fund type.

Pointe Coupee Parish Hospital Service District No. 1  
Notes to Financial Statements  
For the Years Ended October 31, 1997, 1996 and 1995

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accounting for Proprietary Fund Types—Enterprise Fund** - The accounts of the District are organized into two proprietary fund types which include the hospital operations and the remaining operations. The operation of the proprietary funds is accounted for by providing a set of self-balancing accounts which is comprised of assets, liabilities, fund balance, revenues and expenses.

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Basis of Accounting** - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. All proprietary funds are accounted for using the accrual basis of accounting. Accordingly, revenues are reported when earned (rather than when received) and expenses are reported when incurred (rather than when paid).

**Changes in Reporting Classifications** - The classification prior year amounts have been changed to reflect consistent reporting when compared to current year balances. The financial statement format has been changed to reflect changes in the AICPA Audit and Accounting Guide - Health Care Organizations issued June 1, 1996.

**Statement of Revenues and Expenses of General Funds** - For purposes of display, transactions deemed by management to be ongoing, major, or vital to the provision of health care services are reported as revenues and expenses. Peripheral or incidental transactions are reported as gains and losses.

**Net Patient Service Revenue** - Net patient service revenue is reported at the estimated net realizable amounts due 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.

**Charity Care** - The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenues.

Polk County Parish Hospital Service District No. 1  
Notes to Financial Statements  
For the Years Ended October 31, 1997, 1996 and 1995

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments and Investment Income** - Investment income from general fund investments is reported as a nonoperating gain.

The District considers its unrestricted cash investment in United States Treasury Bills with original maturities in excess of 90 days to be an investment.

**Income Taxes** - The District's income is exempt from taxation due to its governmental status.

**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.

**Assets Limited as to Use** - Assets limited as to use is composed of assets set aside by the Board of Commissioners for future capital improvements and for third-party payer contingencies over which the Board retains control and may, at its discretion, subsequently use for other purposes. Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets.

**Allowance for Doubtful Accounts** - The District establishes an estimated allowance for doubtful accounts which determines estimated collectibility based upon an aging of accounts receivable.

**Inventory** - Inventory is valued at the lower of cost or market value. Cost is determined by the first-in, first-out method.

**Property and Equipment** - Property and equipment acquisitions are recorded at cost for assets purchased and if donated, at fair market value on the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital leases is amortized over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. The useful lives of property and equipment for the purpose of computing depreciation as established by the American Hospital Association are: buildings-25 to 40 years, machinery and equipment-5 to 10 years, furniture and fixtures-5 to 15 years.

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently.

Pointe Coupee Parish Hospital Service District No. 1  
Notes to Financial Statements  
For the Years Ended October 31, 1997, 1996 and 1995

**NOTE 3 - CHARITY CARE**

The District maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent services statistics. The following information measures the level of charity care provided during the years ended October 31, 1997, 1996 and 1995.

	1997	1996	1995
Charges foregone, based on established rates	\$ <u>208,892</u>	\$ <u>162,161</u>	\$ <u>258,829</u>
Estimated costs and expenses incurred to provide charity care	\$ <u>171,857</u>	\$ <u>145,522</u>	\$ <u>249,626</u>
Equivalent percentage of charity care patients to all patients served	<u>2.0%</u>	<u>2.0%</u>	<u>2.5%</u>

**NOTE 4 - NET PATIENT SERVICE REVENUE**

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

**Medicare** - Inpatient acute care services rendered to Medicare program beneficiaries and capitated 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. Certain outpatient services related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The District is reimbursed for cost reimbursable items at a tentative rate with final settlements determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District'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 District. The District's Medicare cost reports have been examined by the Medicare fiscal intermediary through October 31, 1994. The intermediary may reopen and further adjust any year within three years of the date of a Notice of Program Reimbursement.

**Medicaid** - Effective July 1, 1994, the Medicaid program provided inpatient reimbursement at a prospective per-diem rate. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The District is reimbursed for outpatient services at a tentative rate with final settlements determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been examined by the Medicaid fiscal intermediary through October 31, 1993. The intermediary may reopen and further adjust any year within three years of the date of a Notice of Program Reimbursement.

Pointe Coupee Parish Hospital Service District No. 1  
Notes to Financial Statements  
For the Years Ended October 31, 1997, 1996 and 1995

**NOTE 4 - NET PATIENT SERVICE REVENUE (Continued)**

**Blue Cross** - Inpatient services rendered to Blue Cross subscribers are reimbursed at prospectively determined rates per day of hospitalization. The prospectively determined per-diem rates are not subject to retroactive adjustment.

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

**NOTE 5 - CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as of October 31, 1997, 1996 and 1995, consisted of funds in interest bearing checking accounts which are insured against loss by the Federal Deposit Insurance Corporation and/or secured by a pledge of federal and Louisiana debt securities.

**NOTE 6 - ASSETS LIMITED AS TO USE**

Assets limited as to use are summarized below. Investments are stated at cost that approximates market.

	1997	1996	1995
Limited by board for capital improvements	\$ 2,073,231	\$ 1,671,240	\$ 1,585,381
Limited by board for third-party payer contingencies	645,723	622,220	588,563
Limited by purpose - Health Insurance	33,903	85,218	44,314
	<u>2,772,857</u>	<u>2,388,679</u>	<u>2,218,258</u>
Less assets for current use	(51,960)	(99,239)	(94,237)
<b>Total</b>	<b><u>\$ 2,720,897</u></b>	<b><u>\$ 2,289,440</u></b>	<b><u>\$ 2,124,021</u></b>

**NOTE 7 - PATIENT ACCOUNTS RECEIVABLE**

A summary of patient accounts receivable is presented below.

	1997	1996	1995
Hospital patient receivables	\$ 1,728,810	\$ 1,250,586	\$ 1,565,109
Home Health patient receivables	890,751	245,260	311,822
	<u>2,619,561</u>	<u>1,495,796</u>	<u>1,876,931</u>
Less estimated uncollectibles	(45,000)	(40,000)	(79,000)
<b>Total</b>	<b><u>\$ 2,574,561</u></b>	<b><u>\$ 1,455,796</u></b>	<b><u>\$ 1,797,931</u></b>

Pointe Coupee Parish Hospital Service District No. 1  
Notes to Financial Statements  
For the Years Ended October 31, 1997, 1996 and 1995

**NOTE 7 - PATIENT ACCOUNTS RECEIVABLE (Continued)**

A summary of gross Medicare and Medicaid patient revenues follows.

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Medicare patients	\$ 4,031,839	\$ 3,804,336	\$ 3,539,364
Medicaid patients	<u>1,369,684</u>	<u>1,453,190</u>	<u>1,908,487</u>
	<u>\$ 5,401,523</u>	<u>\$ 5,257,526</u>	<u>\$ 5,447,851</u>
Percent of all patients	<u>22%</u>	<u>22%</u>	<u>21%</u>

**NOTE 8 - SALES TAX RECEIVABLE**

On September 29, 1984, a 1% sales tax was renewed by the citizens of the parish for an indefinite term. The resolution provides that 35% of such tax shall be dedicated to the District. These tax revenues are distributed to the parish Council on Aging (\$1,350 per month) and the parish Coroner's Office (\$1,333 per month). The remaining tax revenues are designated by the District to be distributed to hospital operations (70%), the parish health unit (27% with a maximum of \$3,680 per month) and the parish mental health unit (3% with a maximum of \$400 per month).

The citizens of the parish approved an additional .5% sales tax for the hospital's operations that was in effect through July 18, 1997.

The citizens of the parish approved an additional .25% sales tax for the hospital's operations that remains in effect through May 3, 2007.

Sales tax receivable consists of \$101,387, \$174,870 and \$117,672 of sales taxes collected by the parish in October 1997, 1996 and 1995, respectively, and remitted to the District in November 1997, 1996 and 1995, respectively.

**NOTE 9 - NOTES RECEIVABLE**

Notes receivable consist of a note dated August 11, 1997, due from a physician. It is being amortized over 36 months and bears no interest.

Pointe Coupee Parish Hospital Service District No. 1  
Notes to Financial Statements  
For the Years Ended October 31, 1997, 1996 and 1995

**NOTE 10 - PROPERTY AND EQUIPMENT**

A summary of property and equipment follows.

	1997	1996	1995
Land	\$ 209,209	\$ 219,629	\$ 219,128
Land improvements	114,250	108,662	108,662
Buildings and improvements	7,733,234	5,448,416	5,394,879
Equipment	3,199,536	4,696,123	4,335,897
Construction in progress	<u>          0</u>	<u>589,502</u>	<u>2,488</u>
	12,276,189	11,282,337	9,981,052
Less accumulated depreciation and amortization	<u>4,360,417</u>	<u>3,687,948</u>	<u>3,246,688</u>
Property and equipment, net	<u>\$ 7,915,772</u>	<u>\$ 7,594,389</u>	<u>\$ 6,734,364</u>

The District follows the policy of capitalizing interest as a component cost of property, plant, and equipment constructed for its own use. In 1997, total interest incurred was \$39,321, of which \$14,155 was capitalized, and \$25,172 was charged to operations.

**NOTE 11 - INVESTMENTS**

Investments are classified as Held-to-Maturity securities and are therefore reported at amortized cost if any premium or discount as market declines are deemed temporary.

An analysis of security types at October 31, 1997 follows:

	Amortized Cost	Fair Value
Debt securities issued by the U. S. Treasury and other U. S. Government Corporations and agencies	<u>\$ 3,681,798</u>	<u>\$ 3,677,826</u>

An analysis of security types at October 31, 1996 follows:

Debt securities issued by the U. S. Treasury and other U. S. Government Corporations and agencies	<u>\$ 4,317,791</u>	<u>\$ 4,291,066</u>
---------------------------------------------------------------------------------------------------	---------------------	---------------------



Pointe Coupee Parish Hospital Service District No. 1  
Notes to Financial Statements  
For the Years Ended October 31, 1997, 1996 and 1995

**NOTE 11 - INVESTMENTS (Continued)**

An analysis of security types at October 31, 1997 follows:

	Amortized Cost	Fair Value
Debt securities issued by the U. S. Treasury and other U. S. Government Corporations and agencies	\$ 3,600,589	\$ 3,607,422

Fair values are based upon quoted market prices.

**NOTE 12 - ACCRUED EXPENSES, BENEFITS AND SALARIES**

A summary of accrued expenses follows:

	1997	1996	1995
Salaries and wages	\$ 141,664	\$ 112,899	\$ 87,889
Compensated absences	192,808	201,970	173,096
Payroll taxes and withholdings	105,291	138,569	83,701
<b>Total accrued expenses</b>	<b>\$ 439,763</b>	<b>\$ 453,438</b>	<b>\$ 344,686</b>

**NOTE 13 - COMPENSATED ABSENCES**

Upon completion of six months of employment, employees are eligible for paid time off (PTO). The amount in which each employee is entitled varies depending upon the job classification, length of service, number of hours worked each week and other factors. A maximum of 200 hours may be carried over to the next year. Any excess must be paid or used. The vested PTO time has been recorded as a liability in the accompanying financial statements at the payroll rates in effect at the balance sheet date.

**NOTE 14 - CAPITAL LEASES**

A lease purchase obligation to an instrumentation laboratory for a blood gas machine was entered into on March 29, 1995. The agreement calls for annual payments of \$3,400 and a four year term.

**NOTE 15 - INTERIM FINANCING**

Under the terms of a line of credit agreement with Regions Bank, dated December 9, 1996, the District borrowed \$947,916 at 5.227% due September 12, 1997. Funds from these borrowings were used for the construction of the home health and physical therapy buildings.

Pointe Coupee Parish Hospital Service District No. 1  
Notes to Financial Statements  
For the Years Ended October 31, 1997, 1996 and 1995

**NOTE 16 - PENSION PLAN**

The District participates in the Parochial Employees' Retirement System (a contributory, governmental and multi-employer plan). Although the plan is obligated to the District's employees under a defined benefit formula, the District is obligated to the plan for a defined contribution amount (8.23% of gross wages in 1995, 8% of gross wages after December 31, 1995 and 7.73% of gross wages after December 31, 1996). Employees also contribute 5.3% of salary to the plan. Gross wages of eligible employees were \$3,200,603, \$3,002,698 and \$2,592,174 in 1997, 1996 and 1995, respectively, and the District's pension plan expenses were \$232,129, \$224,879, and \$208,204 in 1997, 1996 and 1995, respectively.

There is no age exclusion for participation in the pension plan. An employee is vested after 10 years of service. Withdrawal from the plan prior to the 10 years results in refund of only the employee contribution, without interest.

**NOTE 17 - PROFESSIONAL LIABILITY RISK**

**The Louisiana Patient's Compensation Fund** - The District participates in the Louisiana Patient's Compensation Fund established by the State of Louisiana to provide professional medical liability coverage to health care providers. The fund provides for \$400,000 of coverage per occurrence above the first \$100,000 per occurrence for which the District is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of settlement for professional liability to \$400,000 per occurrence. Defense costs are not included in these amounts.

**The Louisiana Hospital Association Trust Fund** - The District's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are re-determined utilizing actual losses and expenses of the fund. Each year's retroactive assessment, if any, may not exceed the District's initial premium during the plan year. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are pro-rated to member hospitals. The District has included these allocations and equity in the trust in its financial statements.

**NOTE 18 - WORKMEN'S COMPENSATION**

The District participates in the Louisiana Hospital Association Self-Insurance Workmen's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro-rata share of the resulting deficit. It is not possible to estimate the amount, if any, of additional assessments. The trust fund presumes to be a "Grantor Trust" and accordingly, income and expenses are pro-rated to member hospitals. The District has included these allocations and equity in the trust in its financial statements.

Pointe Coupee Parish Hospital Service District No. 1  
Notes to Financial Statements  
For the Years Ended October 31, 1997, 1996 and 1995

**NOTE 19 - COMMITMENTS AND CONTINGENCIES**

The District evaluates contingencies based upon the best available evidence. The District believes that no allowance for loss contingencies is considered necessary. To the extent that resolution of contingencies results in amounts which vary from the District's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

**Operating Leases** - Leases that do not meet the criteria for capital leases are classified as operating leases with related rentals charged to operations as incurred. A schedule of future minimum lease payments under noncancelable operating leases that have initial or remaining lease terms in excess of one year at October 31, 1997, follows.

Year Ending October 31	Payments
1998	\$ 2,257
1999	1,891
2000	-
2001 and thereafter	-

Total rental expense in the years ended October 31, 1997, 1996 and 1995, for all operating leases and rentals was approximately \$27,332, \$43,859 and \$49,268, respectively.

**Management Agreement** - Under the terms of a management agreement, the District is obligated for a fee of \$119,000 per year. The term of the agreement is indefinite. Either party may cancel the agreement upon thirty days notice to the other.

**Third Party Cost-Based Revenues** - The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as a result of their examinations, as well as, retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

Federal and state budget restraints are increasing the time period taken to pay Medicare and Medicaid claims and the Medicaid program is delaying payment of year-end settlements. These actions could result in decreased cash flow to the District.

Further, in order to continue receiving reimbursement from the Medicare and Medicaid programs, the District entered into an agreement with the Peer Review Organization (PRO) allowing PRO access to its Medicare patient medical records for purposes of making medical necessity and appropriate level of care determination. PRO has the ability to deny reimbursement for Medicare patient claims which have already been paid to the District.

Pointe Coupee Parish Hospital Service District No. 1  
Notes to Financial Statements  
For the Years Ended October 31, 1997, 1996 and 1995

**NOTE 13 - COMMITMENTS AND CONTINGENCIES (Continued)**

**Professional Liability Risk** - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund.

**Workman's Compensation Risk** - The District is contingently liable for assessments by the Louisiana Hospital Association Trust Fund.

**Hill-Burton Uncompensated Services and Community Service Obligations** - As a result of the Police Jury receiving a federal Hill-Burton program grant, the Hospital is required to provide a reasonable volume of uncompensated services (determined by a formula provided by the Federal government) to patients who are unable to pay for their medical care. Additionally, the grant requires the District to provide certain community services. During 1995, the District received certification under the Public Facility Compliance Alternative (PFCA). This certification allows the facility to operate its own free or reduced cost care program, without compliance reviews.

**Boone Saint' Center Obligation** - The Board of Commissioners of Pointe Coupee Parish Health Service District No. 1, with consent from the District Attorney's office, approved payments to the Pointe Coupee Parish Police Jury for reimbursement of the Boone Saint' Center's expenditures. These payments are evaluated on a year to year basis. The District paid \$112,737, \$76,518 and \$44,514 for Boone Saint' Center's expenditures in 1997, 1996 and 1995, respectively.

**Lease Property Obligation** - The hospital's bid of \$10,000 (including a \$300 deposit) was accepted for the lease property. On February 13, 1998, the District paid the remaining balance of \$9,500.

**Doctors Building Construction** - In January 1998, the board accepted the bid from MHD Construction for \$499,000.

**Computer Order Entry System** - On November 18, 1997, the board accepted the bid from CPB for \$122,844 for an order entry system.

**Payments to Police Jury** - In November 1994, November 1995 and March 1996 the hospital transferred \$85,000 (per year) to the Police Jury. The District stated that said transfers were funded from interest income.

**Litigation** - In the opinion of management and counsel, insurance is sufficient to cover any adverse legal determinations.

Pointe Coupee Parish Hospital Service District No. 1  
Notes to Financial Statements  
For the Years Ended October 31, 1997, 1996 and 1995

**NOTE 19 - COMMITMENTS AND CONTINGENCIES (Continued)**

**Year 2000 Computer Conversion** - The District's management is aware that many older computer systems are unable to handle dates on or after January 1, 2000, causing existing equipment and software to be obsolete. The District's management is addressing the need and cost for upgrades or replacements with vendors. The cost of upgrades or replacement for all other computer hardware or software cannot be reasonably estimated at this time.

**NOTE 20 - BOARD OF COMMISSIONERS**

The following schedule presents a list of the members of the Board of Commissioners of Pointe Coupee General Hospital at October 31, 1997.

Mr. Mix Vosburg, Chairman  
Mr. Chris Bartley  
Mr. James Boulanger  
Dr. Donald Doucet, M.D.  
Ms. Don A. Livingston  
Mr. Nick Ciroso  
Mr. Louis Monachino  
Ms. Maurice Rivard  
Mr. Van Major, CPA

These commissioners serve the District without compensation, per diem or reimbursement of expense, except actual cash-out-of-pocket expenses incurred in the performance of their duties.

**NOTE 21 - SUBSEQUENT EVENTS**

On November 21, 1997, the District obtained permanent financing for \$960,000 at 5.445% from Peoples Bank payable in ten annual principal installments for the home health and physical therapy buildings.

In November 1997, the District purchased the riverfront property for \$570,000.

Pointe Coupee Parish Hospital Service District No. 1  
 Balance Sheets - Restricted Funds  
 Specific Purpose Fund  
 October 31, 1997, 1996 and 1995

	1997	1996	1995
<b>ASSETS</b>			
Cash and cash equivalents (Note 2)	\$ <u>45,949</u>	\$ <u>33,158</u>	\$ <u>69,258</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Fund balance - Restricted	\$ <u>45,949</u>	\$ <u>33,158</u>	\$ <u>69,258</u>
Total liabilities and fund balance	\$ <u>45,949</u>	\$ <u>33,158</u>	\$ <u>69,258</u>

See accompanying notes to financial statements.

Pointe Coupee Parish Hospital Service District No. 1  
Notes to Financial Statements  
Specific Purpose Fund  
For the Years Ended October 31, 1997, 1996 and 1995

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

**Specific Purpose Fund** - Resources restricted by donors or grantors for specific operating purposes are reported in a specific purpose fund when received and in the enterprise fund as non-operating gains to the extent used within the period.

This specific purpose fund was established to account for proceeds of grant funds to be used to develop health services in under-served or unserved areas of Louisiana.

**Basis of Accounting** - Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Specific purpose funds are accounted for using the accrual basis of accounting. Accordingly, revenues are reported when earned (rather than when received) and expenses are reported when incurred (rather than when paid).

**NOTE 2 - CASH AND CASH EQUIVALENTS**

The checking account bears interest and is insured by the Federal Deposit Insurance Corporation.

## SUPPLEMENTAL INFORMATION



**Poline Cougee Parish Hospital Service District No. 1**  
**Combining Statements of Operations**  
**For the Year Ended October 31, 1997**

	District Summary							Total
	Hospital	Ambulance	COAC	Mental Health	Health Unit	Substance Abuse	Director**	
Net patient service revenue	\$ 9,827,696	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,827,696
Sales tax revenue	1,468,903		83,000		33,996		369,153	1,754,952
Other operating revenue	40,782						47,393	88,175
<b>Total revenue</b>	<b>11,337,381</b>	<b>-</b>	<b>83,000</b>	<b>-</b>	<b>33,996</b>	<b>-</b>	<b>416,546</b>	<b>11,871,923</b>
<b>Expenses</b>								
Salaries and benefits	4,229,673							4,229,673
Medical supplies and drugs	1,100,789						3,942	1,104,731
Insurance	175,461							175,461
Depreciation	411,298		2,943	7,728	345	168	23,129	423,412
Interest	25,672							25,672
Provision for bad debts	899,133							899,133
Other expenses	2,187,384		60,888		29,311	2,148	47,643	2,227,334
<b>Total expenses</b>	<b>8,433,641</b>	<b>-</b>	<b>63,831</b>	<b>7,728</b>	<b>29,656</b>	<b>2,316</b>	<b>71,312</b>	<b>8,508,434</b>
<b>Operating income (loss)</b>	<b>2,903,740</b>	<b>-</b>	<b>19,169</b>	<b>(7,732)</b>	<b>14,340</b>	<b>(2,316)</b>	<b>145,234</b>	<b>1,922,195</b>
<b>Nonoperating income (loss)</b>								
Income on investments where an is limited	197,349							197,349
Other investment income	36,167						1,364	37,531
Contributions and grants	179,509							179,509
Gain (loss) on disposal of equipment	4,719							4,719
Payments to Police Jury	(122,517)							(122,517)
<b>Nonoperating income, net</b>	<b>395,178</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,364</b>	<b>396,542</b>
<b>Increase in unrestricted fund balance</b>	<b>\$ 2,508,562</b>	<b>\$ -</b>	<b>\$ 19,169</b>	<b>\$ (7,732)</b>	<b>\$ 14,340</b>	<b>\$ (2,316)</b>	<b>\$ 146,598</b>	<b>\$ 2,548,621</b>

\* Council on Aging

\*\* Remaining non-hospital activities of the District

**Pointe-Coupee Parish Hospital Service District No. 1**  
**Combining Statements of Operations**  
**For the Year Ended October 31, 1995**

	District Summary							Total
	Hospital	Ambulance	CCO#*	Infectious Disease	Public Lab	Substance Abuse	Dental**	
Net patient service revenue	\$ 8,309,897	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,309,897
Sales tax revenue	1,179,876	33,338	62,798	4,800	34,998	-	211,540	1,617,346
Other operating revenue	18,784	-	-	-	-	-	49,688	68,472
<b>Total revenue</b>	<b>9,488,657</b>	<b>33,338</b>	<b>62,798</b>	<b>4,800</b>	<b>34,998</b>	<b>-</b>	<b>261,228</b>	<b>10,030,617</b>
<b>Expenses</b>								
Salaries and benefits	4,040,008							4,040,008
Medical supplies and drugs	956,039						7,503	963,542
Insurance	145,363							145,363
Depreciation	117,683		1,368	7,734	4,429	160	40,187	271,381
Provision for bad debts	743,873							743,873
Other expenses	3,142,871	33,338	52,728		36,974	1,392	89,322	3,296,395
<b>Total expenses</b>	<b>8,611,784</b>	<b>33,338</b>	<b>54,096</b>	<b>7,734</b>	<b>41,393</b>	<b>1,392</b>	<b>89,809</b>	<b>8,811,676</b>
<b>Operating income (loss)</b>	<b>876,873</b>	<b>-</b>	<b>8,702</b>	<b>(2,934)</b>	<b>(6,395)</b>	<b>(1,392)</b>	<b>171,419</b>	<b>1,084,662</b>
<b>Nonoperating income (loss)</b>								
Income on investments whose use is limited	181,443							181,443
Other investment income	104,679						1,392	106,071
Contributions and grants	39,097							39,097
Gain (loss) on disposal of equipment	246							246
Payments to Police Jury	(183,318)							(183,318)
<b>Nonoperating income, net</b>	<b>171,148</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,392</b>	<b>171,148</b>
<b>Increase in unrestricted fund balance</b>	<b>\$ 1,258,021</b>	<b>\$ -</b>	<b>\$ 8,702</b>	<b>\$ (2,934)</b>	<b>\$ (6,395)</b>	<b>\$ (1,392)</b>	<b>\$ 172,811</b>	<b>\$ 1,437,813</b>

\* Council on Aging

\*\* Remaining non-hospital activities of the District

Pointe Coupee Parish Hospital Service District No. 1  
 Combining Statements of Operations  
 For the Year Ended October 31, 1995

	District Summary							Total
	General	Ambulance	CCS*	Mental Health	Health Unit	Substance Abuse	District**	
Net patient service revenue	\$ 1,192,899	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 1,192,899
State tax revenue	982,111	48,000	81,750	4,890	11,498	-0-	809,711	1,239,760
Other operating revenue	11,307	-0-	-0-	-0-	-0-	-0-	45,225	118,832
<b>Total revenue</b>	<b>2,022,679</b>	<b>48,000</b>	<b>81,750</b>	<b>4,890</b>	<b>11,498</b>	<b>-0-</b>	<b>110,851</b>	<b>2,279,668</b>
<b>Expenses</b>								
Salaries and benefits	1,629,296							1,629,296
Medical supplies and drugs	914,743					1,578	5,078	921,400
Insurance	169,008							169,008
Depreciation	112,883		1,428	8,628	1,100	168	11,290	134,397
Interest	-0-							-0-
Provision for bad debts	187,678							187,678
Other expenses	2,298,268	44,167	79,268		26,402	1,128	49,868	2,450,834
<b>Total expenses</b>	<b>2,912,000</b>	<b>44,167</b>	<b>79,268</b>	<b>8,628</b>	<b>11,200</b>	<b>1,296</b>	<b>168,115</b>	<b>3,184,564</b>
<b>Operating income (loss)</b>	<b>110,679</b>	<b>3,833</b>	<b>2,482</b>	<b>1,628</b>	<b>8,298</b>	<b>1,202</b>	<b>42,736</b>	<b>206,503</b>
<b>Nonoperating income (loss)</b>								
Income on investment whose use is limited	118,792							118,792
Other investment income	192,126						1,188	193,314
Contributions and grants	171,044						4,798	175,842
Gain (loss) on disposal of equipment	(1,209)							(1,209)
Payments to Police Jury	(145,114)							(145,114)
<b>Nonoperating income, net</b>	<b>295,299</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>7,086</b>	<b>295,311</b>
<b>Increase in unrestricted fund balances</b>	<b>\$ 391,844</b>	<b>\$ 3,833</b>	<b>\$ 2,482</b>	<b>\$ 1,628</b>	<b>\$ 8,298</b>	<b>\$ 1,202</b>	<b>\$ 50,822</b>	<b>\$ 410,639</b>

\* Council on Aging

\*\* Remaining non-hospital activities of the District

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John B. Wells, CPA  
Robert G. Miller, CPA  
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**Independent Auditors' Report on Internal Control  
Structures Based on an Audit of General Purpose Financial  
Statements Conducted in Accordance with  
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
Hospital Service District No. 1  
Parish of Pointe Coupee  
New Roads, Louisiana

We have audited the general purpose financial statements of Hospital Service District No. 1, Parish of Pointe Coupee ("Pointe Coupee General Hospital") as of and for the years ended October 31, 1997, 1996 and 1995, and have issued our report thereon dated January 26, 1998.

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

In planning and performing our audit of the financial statements of Poline-Coupee General Hospital for the years ended October 31, 1997, 1996 and 1995, 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 general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted in the following paragraph, certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. We noted no matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in accounts 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 over financial reporting and its operation that we consider to be material weaknesses.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

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



January 26, 1998

Morris H. Easley, CPA  
Bobby C. Leslie, CPA  
John S. Wells, CPA  
Robert C. Miller, CPA  
Paul A. Delaney, CPA

Linda L. Wright, CPA  
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Independent Auditor's Report on Compliance  
Based on an Audit of General Purpose  
Financial Statements Performed in Accordance with  
GOVERNMENT AUDITING STANDARDS

Board of Commissioners  
Hospital Service District No. 1  
Parish of Pointe Coupee  
New Roads, Louisiana

We have audited the general purpose financial statements of Hospital Service District No. 1, Parish of Pointe Coupee ("Pointe Coupee General Hospital") as of and for the years ended October 31, 1997, 1996 and 1995, and have issued our report thereon dated January 26, 1998.

We conducted our audit in accordance with generally accepted auditing standards and GAO's 1998 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.

While performing our audit, we read the responses to the questions in the Systems Survey and Compliance Questionnaire completed by management and adopted by the Board of Commissioners and found no evidence that would indicate that the Hospital Service District had not answered the questions correctly. However, it should be noted that our audit was not directed primarily towards verifying the answers to the questions in the questionnaire.

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

Board of Commissioners  
Hospital Service District No. 1  
Parish of Pointe Coupee  
Page Two

We noted certain instances of noncompliance that are included in the accompanying schedule.

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

A handwritten signature in black ink, reading "Earley Lester Wells". The signature is written in a cursive style with a large initial "E".

January 28, 1998

**Prince Georges Parish Hospital Service District No. 1**  
**Reputable Noncompliance**  
**For the Year Ending October 31, 1987**

**Health Unit Staff**

**Condition:** The health unit's staff has been classified as contract labor and issued forms 1089 rather than forms W-2. Accordingly, no social security tax, unemployment compensation or workers' compensation has been paid for these personnel.

**Recommendation:** The health unit's staff should be classified as employees of the District and the taxes and insurance noted above should be paid for these employees.

**Response:** The District will classify all health unit's staff as employees.

**Donations to Police Jury**

**Condition:** The District made donations to the Police Jury (see Note 19). The Police Jury and the District's counsels have provided conflicting opinions as to the legality of these transactions.

**Recommendation:** The District should obtain an Attorney General's opinion or cease making donations to the Police Jury.

**Response:** The District will make no additional donations without receipt of an Attorney General's opinion approving such transactions.

**Corporate Compliance Plans**

**Condition:** In an open letter to Medicare and Medicaid providers and in numerous public statements, the U. S. Health and Human Services Inspector General and others in her office have made it clear that such providers should (but are not required) establish corporate compliance programs.

The Office of Inspector General ("OIG") generally has taken the position that indifference (a failure to pro-actively maintain a system to avoid errors) that result in violations is similar to intentional violations and that lack of knowledge is not a defense. The OIG has stated that, when it finds a violation it will make every effort to enforce the maximum penalty when corporate compliance plan is not in place. When such a plan is in place (and actually working in the daily operations as opposed to being a document on a shelf), it has stated that it will give consideration to the providers efforts to avoid violations.



Pointe Coupee Parish Hospital Service District No. 1  
Reportable Noncompliance  
For the Year Ending October 31, 1997

**Corporate Compliance Plan (Continued)**

The OIG recommends that such a plan include specifics in the following general areas.

1. Assignment of oversight responsibility to an individual high in the corporate structure.
2. Establishment of due care in the delegation of authority.
3. Conducting effective training and educational programs.
4. Utilization of monitoring and auditing to detect non-compliance.
5. Development of effective lines of communication for reporting of violations (including a hot line for anonymous reporting) and clarification of policy.
6. Enforcement of standards through well-publicized discipline guidelines and procedures.
7. Immediate and appropriate response to detected offenses and prevention of further offenses through systematic changes and corrective action initiatives.

The District implemented its corporate compliance program on October 1, 1997.

**Recommendation:** Since a financial statement audit is not designed to examine many of these areas (i.e. fair market value of transactions with physicians, proper billing), we recommend that the District ensure that its program includes a compliance audit of its operations to determine possible violations and that they be corrected. Further, the program should include procedures to ensure that the program becomes a part of daily operations.

**Response:** The District will continue to develop its compliance plan.