ARTHUR ANDERSEN LLP

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PLAQUEMINES PARISH COMPREHENSIVE CARE CENTER

FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996
TOGETHER WITH AUDITORS' REPORT

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 MAY 13 1998

PLAQUEMINES PARISH COMPREHENSIVE CARE CENTER

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Board of Commissioners
Hospital Service District Number 1 of Plaquemines
Parish, Louisiana
Port Sulphur, Louisiana:

We have audited the accompanying balance sheets of Plaquemines Parish Comprehensive Care Center (Hospital Service District Number 1 of Plaquemines Parish, Louisiana) (the Center) as of December 31, 1997 and 1996, and the related statements of revenues and expenses and fund balance and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and in accordance with the standards for financial audits contained in Government Auditing Standards (1994 Revision) issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of December 31, 1997 and 1996, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report on our consideration of the Center's compliance and internal control over financial reporting dated April 17, 1998.

The accompanying financial statements have been prepared assuming that the Center will continue as a going concern. As discussed in Note 4 to the financial statements, the Center's results from operations raise substantial doubt about the Center's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 4. The financial statements do not include any adjustments relating to the recoverability and classification of reported asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

Arthur Andersen LLP

New Orleans, Louisiana,
April 17, 1998

PLAQUEMINES PARISH COMPREHENSIVE CARE CENTER

BALANCE SHEETS

DECEMBER 31, 1997 AND 1996

	1997	1996
ASSETS		
CASH AND CASH EQUIVALENTS	$ 16,443	$ -
CURRENT ASSETS:		
Ad valorem tax revenue receivable (Note 3)	968,401	998,454
Patient accounts receivable, net of estimated uncollectibles of $1,437,858 in 1997 and $1,042,431 in 1996	446,396	480,291
Inventories and prepaids	66,250	64,408
Due from WIC program	24,681	12,000
Total current assets	1,522,171	1,555,153
Property and equipment, net of accumulated depreciation of $564,556 in 1997 and $528,368 in 1996	81,770	123,458
Total	$1,603,941	$1,678,611
LIABILITIES AND FUND BALANCE		
CURRENT LIABILITIES:		
Accounts payable	$ 169,990	$ 194,953
Amounts due Medicare/Medicaid programs	159,406	275,435
Accrued expenses	35,230	28,803
Total current liabilities	364,626	499,191
Advances from Plaquemines Parish (Note 4)	225,000	225,000
FUND BALANCE:		
Designated	310,972	310,972
Undesignated	703,343	643,448
Total fund balance	1,014,315	954,420
Total	$1,603,941	$1,678,611

The accompanying notes are an integral part of these financial statements.

PLAQUEMINES PARISH COMPREHENSIVE CARE CENTER

STATEMENTS OF REVENUES AND EXPENSES AND FUND BALANCE

YEARS ENDED DECEMBER 31, 1997 AND 1996

	1997	1996
OPERATING REVENUES:		
Net patient service revenue	$1,514,560	$1,719,597
Ad valorem tax revenue (Note 3)	1,121,658	1,061,227
WIC program grant	48,819	52,688
Interest income	19,336	11,557
Rental income	5,580	6,480
Other operating revenue	2,805	10,606
Total operating revenues	2,712,758	2,862,155
OPERATING EXPENSES:		
Salaries and related expenses	1,122,559	1,335,493
Professional fees	446,812	442,086
Provision for bad debts	381,492	262,823
Medical supplies	165,772	196,617
Contract labor	130,502	151,351
Management fees	72,000	72,000
Travel and seminars	51,633	84,929
Repairs and maintenance	47,758	45,350
Purchased services	39,913	38,265
Depreciation and amortization	36,188	37,698
Utilities and telephone	33,440	28,791
Insurance	25,969	25,590
Administrative supplies	23,752	30,068
Computer services	19,656	21,958
Rentals	11,891	10,044
Other	43,526	43,183
Total operating expenses	2,652,863	2,826,246
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENSES	59,895	35,909
FUND BALANCE AT BEGINNING OF YEAR	954,420	858,386
TRANSFER FROM PLAQUEMINES PARISH (Note 4)	-	60,125
FUND BALANCE AT END OF YEAR	$1,014,315	$954,420

The accompanying notes are an integral part of these financial statements.

PLAQUEMINES PARISH COMPREHENSIVE CARE CENTER

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 1997 AND 1996

	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of revenues over expenses	$ 59,895	$ 35,909
Adjustments to reconcile to net cash provided by operating activities:		
Decrease in ad valorem tax revenue receivable	30,053	(126,532)
Depreciation and amortization	36,188	37,698
Decrease in net patient accounts receivable	33,895	17,540
Increase in receivable from WIC program	(12,681)	(13)
Increase in inventories and prepaids	(1,842)	(8,965)
Decrease in accounts payable, accrued expenses and other	(13,036)	(31,412)
Increase (decrease) in amounts due Medicare/Medicaid programs	(116,029)	75,775
Net cash provided by operating activities	16,443	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of property and equipment	-	(60,125)
Capital grant from Plaquemines Parish	-	60,125
Net cash used in capital and related financing activities	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,443	-
CASH AND CASH EQUIVALENTS, beginning of year	-	-
CASH AND CASH EQUIVALENTS, end of year	$ 16,443	$ -

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization - Plaquemines Parish Comprehensive Care Center (Hospital Service District Number 1 of Plaquemines Parish, Louisiana) (the Center) is organized under powers granted to parishes in the Louisiana Revised Statutes and is exempt from Federal and state income taxes. All corporate powers are vested in a Board of Commissioners appointed by the Plaquemines Parish Commission Council. Prior to January 1, 1990, the Center operated as Plaquemines Parish General Hospital (the Hospital). The Center has been managed by West Jefferson Service Corporation since March 14, 1990.

Basis of Accounting - The financial statements are prepared on the going concern basis which contemplates the realization of assets and liquidation of liabilities in the ordinary course of business. As discussed in Note 5, certain conditions indicate the Center may be unable to continue as a going concern.

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

Certain prior year amounts have been reclassified to conform with current year presentation.

Net Patient Service Revenue - The Center has agreements with third-party payors that provide for reimbursement to the Center at amounts different from its established rates. Medicare and Medicaid home health services, bad debts and capital costs are generally reimbursed on a cost basis, subject to certain limits. Amounts receivable under these programs are subject to audit and retroactive adjustment by the program intermediary. Provisions for estimated retroactive adjustments are provided in the period the related services are rendered.

Final determination of amounts to be received under the Medicare and Medicaid home health programs is subject to review and audit by the program intermediary. The difference between the final settlement amount and the recorded estimate for any one year is reported as an adjustment to net patient service revenues in the year final settlement is determined. The Center's Medicare and Medicaid cost reports have been audited by the program intermediary through December 31, 1995.

Income Taxes - The Center is a governmental entity under Section 517 of the Internal Revenue Code and is therefore exempt from Federal income taxes.

Cash and Cash Equivalents - Cash and cash equivalents, for cash flow statement purposes, include investments in highly liquid debt instruments with a maturity of three months or less, including amounts whose use is limited by board designation.

Inventories - Inventories are valued at the lower of cost, determined using the first-in, first-out method, or market.

Property and Equipment - Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 3 to 15 years.

Charity Care - The Center does not have a formal charity care policy, nor does it maintain detailed records of the amount of charity care it provides.

2. EMPLOYEE RETIREMENT PLAN:

The Center participates in a defined contribution retirement plan administered by the Parochial Employees' Retirement System of Louisiana. All employees who meet certain minimum eligibility requirements become members of the Plan upon employment. The Plan Agreement provides that participating employees contribute 9.5% of their gross compensation through payroll deductions. The Center contributed 7.75% and 7.25% of participants' gross compensation in 1997 and 1996, respectively. Participants become fully vested in their share of the Center's matching contribution after 10 years of service.

Total payroll, covered payroll, employee contributions and Center contributions for the year ended December 31, 1997 and 1996 were:

	1997	1996
Total payroll	$ 950,823	$1,141,736
Covered payroll	$ 852,499	$1,105,275
Employee contributions	$ 80,987	$ 95,908
Center contributions	$ 66,070	$ 73,262

3. AD VALOREM TAX REVENUES:

The Hospital Service District levies an annual ad valorem tax on all property subject to taxation in the District. The tax is collected to defray the cost of the Center's operations and was 2.54 mills for 1997 and 1996.

4. RELATED PARTY TRANSACTIONS:

Plaquemines Parish periodically advances funds to the Center to fund operating deficits and certain equipment additions. Amounts advanced are based primarily on the Center's budgeted deficit for the year. The Center owed the Parish $225,000 at December 31, 1997 and 1996.

The Center's building and land were built and purchased with funds provided by Plaquemines Parish, which formerly operated the Center. The Hospital Service District was created in 1980 and assumed operations of the Center; however, Plaquemines Parish retained ownership of the land and building and, accordingly, the Center land and building are not included in the accompanying balance sheets. The Center has use of the facility without the payment of rent. In addition, the Center collects rents on the Physician's Office Building which is owned by Plaquemines Parish. Virtually all utilities expenses of the Center are paid by the Parish. During 1996, the Parish provided $60,125 to the Center for capital expenditures which was accounted for as a transfer to fund balance. No such transfers or capital expenditures were made in 1997.

The Center is dependent upon the financial resources of Plaquemines Parish in order to satisfy its obligations. As the Parish is committed to the continuance of a public healthcare facility for residents of the Parish, it is expected that the Parish will continue to provide financial support to the Hospital Service District's operations. The Center would be unable to continue operations without the financial support of the Parish.

5. MALPRACTICE INSURANCE:

During 1976, the State of Louisiana enacted legislation that created a statutory limit of $500,000 for each medical professional liability claim and established the Louisiana Patient Compensation Fund (State Insurance Fund) to provide professional liability insurance to participating health care providers. The Center participates in the State Insurance Fund, which provides up to $400,000 coverage for settlement amounts in excess of $100,000 per claim. The Center is insured for malpractice claims with respect to the first $100,000 of each claim (up to an annual limit of $300,000) by a major insurance company.

6. AMOUNTS PAID TO GOVERNING BOARD MEMBERS:

The Hospital Board of Commissioners received the following compensation from the Center for services as Commissioners during 1997:

Joseph Ansardi	$ 360
Paul Broussard	400
Don Hamby	360
Angeline Jones	240
Nancy Lahaye	280
Gwen Mullen	320
Bobbie Coon	280
Kim Vaughan	360
	$2,600

7. GOVERNMENTAL REGULATIONS:

The healthcare industry is subject to numerous laws and regulations of Federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Center is in compliance with fraud and abuse as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Legislation and regulation at all levels of government have affected and are likely to continue to affect the operation of the Center. Federal healthcare reform legislation proposals debated in Congress in recent years have included the imposition of price controls and/or healthcare spending budgets or targets, significant reductions in Medicare and Medicaid program reimbursement to hospitals and the promotion of a restructured delivery and payment system focusing on competition among providers based on price and quality, managed care and steep discounting or capitated payment arrangements with many, if not all, of the Center's principal payors. It is not possible at this time to determine the impact on the Center of government plans to reduce Medicare and Medicaid spending, government implementation of national and state healthcare reform or market-initiated delivery system and/or payment methodology changes. However, such changes could have an adverse impact on operating results, cash flows and estimated debt service coverage of the Center in future years.

INDEPENDENT AUDITORS' REPORT

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners:

We have audited the financial statements of Plaquemines Parish Comprehensive Care Center (Hospital Service District Number 1 of Plaquemines Parish, Louisiana) (the Center) as of and for the year ended December 31, 1997, and have issued our report thereon dated April 17, 1998. 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 the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provision 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 the Center'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Arthur Andersen LLP

New Orleans, Louisiana,
April 17, 1998