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Release Date DEC 16 1998
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GENERAL PURPOSE FINANCIAL STATEMENTS

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Independent Auditors' Report

Board of Commissioners
Natchitoches Parish Hospital Service District
Natchitoches, Louisiana

We have audited the accompanying general purpose financial statements of the Natchitoches Parish Hospital Service District (the "Hospital"), a component unit of the Natchitoches Parish Police Jury, Natchitoches, Louisiana, for the years ended June 30, 1995, 1997 and 1998, as listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the Hospital'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 audits 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 general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the general purpose financial statements referred to above present fairly in all material respects, the financial position of the Natchitoches Parish Hospital Service District at June 30, 1995, 1997 and 1998, and the results of operations and cash flows of such funds for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 29, 1998 on our consideration of Natchitoches Parish Hospital Service District's internal control structure and our test of its compliance with laws and regulations.

Board of Commissioners
Natchitoches Parish Hospital Service District
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Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements of the Natchitoches Parish Hospital Service District. Such information has been subjected to auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Earley, Lester & Wells
Certified Public Accountants
September 29, 1998

**NATCHITOCHEUS PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE
COMBINED BALANCE SHEETS - UNRESTRICTED FUND
JUNE 30, 1998, 1997 AND 1996**

ASSETS	1998	1997	1996
Current:			
Cash and cash equivalents	\$ 1,281,409	\$ 1,250,088	\$ 1,071,990
Limited use assets (Note 5)	631,270	304,068	389,741
Patient accounts receivable, net (Note 3)	6,787,135	6,730,667	6,832,917
Other receivables	219,200	100,000	115,317
Interest receivable	11,828	12,087	15,761
Inventory	649,608	617,879	526,758
Prepaid expenses	232,029	492,674	492,728
Notes receivable - current	180,000	546,421	35,139
Total Current Assets	8,801,340	9,618,256	8,931,000
Other:			
Limited use assets (Note 5)	4,505,098	3,206,931	3,896,314
Property, plant and equipment, net (Note 4)	11,486,888	11,168,043	11,130,081
Unamortized bond issue cost (Note 7)	33,124	38,494	45,004
Unamortized capitalized construction interest (Note 7)	341,830	581,350	321,070
Notes receivable (Note 17)	164,484	182,014	35,000
Silver bars (Note 7)	1,380	1,308	1,380
Investment in equipment	0-	0-	261,835
Start-up costs (net of amortization)	0-	0-	1,952
Total assets	\$ 23,014,480	\$ 24,642,465	\$ 23,671,243
LIABILITIES AND FUND BALANCE			
Current:			
Accounts payable	\$ 689,272	\$ 881,024	\$ 697,847
Payroll withholdings and taxes	37,469	29,008	17,210
Accrued expenses (Note 8)	730,830	890,387	870,700
Unearned revenue	4,000	4,000	1,970
Current portion of long-term debt (Note 1)	488,000	358,048	325,000
Total current liabilities	2,148,571	2,922,038	2,613,727
Long-term liabilities:			
Long-term debt (Note 1)	2,846,187	2,608,212	2,790,000
Loss deferred loss on bonds	(48,913)	(58,247)	(67,520)
Total liabilities	4,821,112	4,888,001	4,334,207
Fund balance	21,393,334	20,186,417	19,136,036
Total liabilities and fund balance	\$ 23,014,480	\$ 24,642,468	\$ 23,671,243

See accompanying notes to financial statements.

WATKINCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE
COMBINED STATEMENTS OF OPERATIONS - UNRESTRICTED FUND
YEARS ENDED JUNE 30, 1988, 1987 AND 1986

	1988	1987	1986
Revenue:			
Net patient service revenue	\$ 24,154,044	\$ 21,830,404	\$ 20,056,166
Gain (loss) on sale of assets	17,458	3,698	0
Other revenue	840,574	832,124	1,082,901
Total revenue	25,012,076	22,666,226	21,869,629
Expenses:			
Salaries and benefits	9,088,821	8,906,607	7,846,138
Medical supplies and drugs	2,411,134	2,043,638	2,107,666
Medical, professional and consulting	2,269,886	3,948,170	3,792,143
Other expenses	3,547,882	2,908,240	3,253,684
Retirement	102,654	103,178	87,578
Insurance	501,278	482,681	473,432
Leases	15,759	38,620	18,292
Depreciation and amortization	1,368,840	1,234,888	1,190,683
Interest	148,372	163,764	178,672
Provision for bad debt	4,688,310	3,007,274	2,806,587
Total expenses	24,182,336	21,782,215	21,184,944
Operating income (loss)	829,740	884,011	(315,315)
Nonoperating income:			
Interest income	26,084	45,928	236,609
Interest income from limited use assets	285,944	285,968	277,831
Net contributions (Vote 15)	107,740	72,908	26,587
Gain (loss) on investment in joint venture	0	0	(1,694,881)
Gain (loss) on investments	(32,442)	(25,482)	(27,121)
Total nonoperating income	386,324	380,322	(391,755)
Excess of revenues over expenses (expenses over revenues)	\$ 1,216,064	\$ 1,264,333	\$ (707,070)

See accompanying notes to financial statements.

**NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE
COMBINED STATEMENTS OF CHANGES IN FUND BALANCE - UNRESTRICTED FUND
YEARS ENDED JUNE 30, 1996, 1997 AND 1998**

	1996	1997	1998
Fund balance, beginning of year	\$ 20,157,417	\$ 19,108,696	\$ 28,823,686
Prior period adjustment - Remove advanced billing of nursing home revenues	0-	0-	(158,702)
Excess of revenues over expenses	<u>1,235,957</u>	<u>1,028,481</u>	<u>687,803</u>
Fund balance, end of year	<u>\$ 21,393,374</u>	<u>\$ 20,137,177</u>	<u>\$ 19,138,686</u>

COMPOSITION OF FUND BALANCE

Contributed capital			
Hill-Barton	\$ 387,000	\$ 387,000	\$ 387,000
Public improvement bonds	5,475,000	5,475,000	5,475,000
Hospital plant fund	2,385,155	2,385,105	2,385,106
Individuals	<u>318,089</u>	<u>231,984</u>	<u>179,359</u>
Total contributed capital	<u>8,405,244</u>	<u>8,289,089</u>	<u>8,396,474</u>
Accumulated excess of revenues over expenses, net of transfers to and from limited use assets	12,078,892	11,353,780	10,420,721
Limited use assets, net of transfers to and from accumulated excess of revenues over expenses	<u>621,278</u>	<u>394,398</u>	<u>309,741</u>
Fund balance	<u>\$ 21,393,374</u>	<u>\$ 20,137,177</u>	<u>\$ 19,138,686</u>

See accompanying notes to financial statements.

WATKINSON PARISH HOSPITAL, SERVICE DISTRICT AND AFFILIATE
COMBINED STATEMENTS OF CASH FLOWS - UNRESTRICTED FUND
YEARS ENDED JUNE 30, 1999, 1997 AND 1996

	1999	1997	1996
Cash flow from operating activities:			
Operating income (loss)	\$ 890,630	\$ 731,511	\$ (106,116)
Interest expense considered capital financing activity	139,973	154,450	199,568
Adjustments to reconcile net income to cash provided by operating activities:			
Gain (loss) on disposal of asset	(17,480)	(2,098)	0-
Provision for bad debt	4,896,319	3,097,274	2,809,667
Depreciation and amortization	1,399,649	1,334,868	1,199,684
Amortization of premium on investments	9,371	9,344	9,438
Amortization of loss on refinancing of 79 Bonds	9,369	9,369	9,384
Use of investment assets	0-	0-	1,187
LHA allocation of income	(67,024)	(23,783)	(34,816)
Physician loan amortization	173,693	15,009	0-
Interest income	26,084	62,214	78,222
(Increase) decrease in:			
Patient accounts receivable, net	(3,711,549)	(3,994,799)	(4,671,329)
Other receivables	(118,393)	14,368	0-
Interest receivable	141	3,094	53,949
Inventory	(31,739)	(21,123)	(17,509)
Prepaid expenses	990,943	39,753	(99,823)
Increase (decrease) in:			
Accounts payable	(111,752)	323,477	(96,993)
Payroll withholdings and taxes	8,370	11,883	(5,418)
Accrued expenses	78,893	48,287	62,502
Unearned revenue	0-	2,000	(30,000)
Assets limited as to use - cash and cash equivalents	36,389	69,599	(299,489)
Net cash provided (used) by operating activities	3,513,542	1,756,622	(633,589)
Cash flow from investing activities:			
Collections on physician loans	18,583	39,750	13,750
Cash invested in assets limited as to use - investment	(1,946,406)	(692,364)	(326,537)
Redemption of investments/principal return	558,359	652,582	383,894
Loan to Northwest Psychiatry, Inc.	0-	0-	(1,000,000)
Payments from Northwest Psychiatry, Inc.	0-	0-	1,089,899
Loans to physicians	(218,160)	(521,846)	0-
Interest income	229,288	310,089	305,438
Net cash provided (used) by investing activities	\$ (1,388,296)	\$ (268,889)	\$ (424,126)

See accompanying notes to financial statements.

**NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE
COMBINED STATEMENTS OF CASH FLOWS - UNRESTRICTED FUND (Continued)
YEARS ENDED JUNE 30, 1998, 1997 AND 1996**

	1998	1997	1996
Cash flows from capital and related financing activities:			
Interest expense	\$ (135,972)	\$ (114,497)	\$ (189,569)
Payments on long-term debt	(389,745)	(338,540)	(215,000)
Acquisition of property, plant and equipment	(1,838,198)	(712,953)	(470,599)
Contributions	32,760	22,859	25,597
Proceeds from disposal of assets	17,450	2,688	-
Net cash provided (used) by capital and related financing activities	<u>(1,559,715)</u>	<u>(1,150,243)</u>	<u>(853,571)</u>
Net increase (decrease) in cash and cash equivalents	695,529	179,299	(1,882,029)
Beginning cash and cash equivalents	<u>1,259,890</u>	<u>1,071,591</u>	<u>2,353,619</u>
Ending cash and cash equivalents	<u>\$ 1,955,419</u>	<u>\$ 1,250,890</u>	<u>\$ 1,071,590</u>
Schedule of non-cash transactions:			
Receipt of patient accounts receivable on note receivable	\$ -	\$ -	\$ 73,893
Receipt of investment property and equipment for note receivable reduction	-	-	563,508
Write-off of note receivable	-	-	1,034,899
Loss on amortization due to early return of principal	32,445	21,411	27,121
Transfer investment property to property, plant and equipment	-	357,591	-
Equipment acquired with a capital lease	548,237	102,384	-
Contribution of equipment	75,899	50,000	-
Loss on investment property	-	4,044	-
Increase in value of investment	64,987	10,234	-
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	\$ 144,046	\$ 107,054	\$ 179,113

See accompanying notes to financial statements.

**NATCHITOCHEE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 1998, 1997 AND 1996**

NOTE 1 - THE ORGANIZATION AND A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Legal Organizations

The Natchitoches Parish Hospital Service District (referred to as "the District" or "the Hospital") was created by an ordinance of the Natchitoches Parish Police Jury (the "Jury") on October 10, 1955.

Legal Organizations

The governing board of the District consists of seven members appointed by the Jury. Because the Jury appoints all commissioners of the Natchitoches Parish Hospital Service District, the Jury is considered to have the ability to impose its will on the District and therefore the District is a component unit of the Natchitoches Parish Police Jury, which is 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 Jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

An affiliate, Natchitoches Hospital Foundation (referred to as "the Foundation"), was incorporated June 23, 1987, as a Louisiana nonprofit corporation. The Foundation has one class of members, consisting of one member, the District.

Nature of Business

The District provides outpatient, ambulance, emergency and acute services through its hospital unit. The District also provides inpatient intermediate and skilled nursing services through its long term care unit and hospital "Swing-Beds". In September 1987, the District added mental health services to its operations. In June 1995, the District opened a unit to provide geriatric psychiatric services and was recognized as a "district part" unit effective July 1, 1995. The District's psychiatric services were expanded to include outpatient services in October 1996.

The Foundation's purpose is to engage in the solicitation, receipt and administration of funds and property and from time to time to disburse such funds or property and the income therefrom, in or for the benefit of the District.

Method of Accounting

The combined financial statements of the District and Foundation are prepared using the accrual method of accounting. Hospital accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the Louisiana Governmental Audit Guide, and the AICPA Audits of Providers of Health Care Services, published by the American Institute of Certified Public Accountants, and standards set by the Governmental Accounting Standards Board (GASB), which is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 1995, 1997 AND 1998**

NOTE 1 - THE ORGANIZATION AND A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Combination Policy

The accompanying financial statements include the accounts of the District combined with its affiliate, Natchitoches Hospital Foundation. The District has control of the Foundation. All intercompany transactions and balances have been eliminated.

Property, Plant and Equipment

Purchased fixed assets are recorded at cost and donated fixed assets, if received, at fair market value on the date of any donation. Depreciation is calculated over estimated useful lives, using the straight-line method. Land was initially donated for hospital use, and it is recorded at the fair market value at the time of donation. Additional land was purchased, and it is recorded at cost.

Cash and Cash Equivalents

Cash represents coin, currency, bank demand deposits and other negotiable instruments that are readily acceptable in lieu of currency. Cash equivalents are time deposits, certificates of deposit, treasury bills and mortgage backed securities purchased with a maturity of three months or less.

Inventory

Inventories are stated at the lower of cost determined by the first-in, first-out method, or market basis.

Investments

Investments are classified as held-to-maturity securities and are therefore reported at amortized cost as market declines are deemed to be temporary.

Income Taxes

The District is a political subdivision of the State of Louisiana and exempt from taxation.

The Foundation is exempt from income taxes under Section 501(c)(3) of the United States Internal Revenue Code. Accordingly, no provision for income taxes has been recorded.

Credit Risk

The Hospital provides medical care primarily to Natchitoches Parish residents and grants credit to patients, substantially all of whom are local residents.

**NATCHITOCHEE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 1998, 1997 AND 1996**

NOTE 1 - THE ORGANIZATION AND A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Hospital's estimate of collectibility is based on evaluation of historical collections compared to gross charges and an analysis of aged accounts receivable to establish an allowance for uncollectible accounts.

Third-Party Cost-Based Revenues

Contractual agreements with governmental agencies (Medicare, Medicaid, etc.) provide for reimbursement based on combinations of the lesser of reasonable cost (subject to certain limits) or charges and prospective rates initially set based upon costs of services to patients. These reimbursements are subject to audit and retroactive adjustments by each payer.

NOTE 2 - DEPOSITS

Mon interest and interest bearing demand deposit accounts are each covered up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC). Though bank balances exceeded FDIC limits throughout the year, the bank holds pledged securities in the District's name to cover all coverage. All amounts invested at investment companies are fully covered by insurance or are fully backed by the U. S. Government.

A breakdown of security types at June 30, 1998 follows:

	Amortized Cost	Fair Value
Mortgage backed securities	\$ 4,871,063	\$ 4,824,056
Debt Securities issued by the U. S. Treasury and other U.S. Government Corporations and Agencies	1,623,628	1,693,461
	<u>\$ 6,494,691</u>	<u>\$ 6,517,517</u>

A breakdown of security types at June 30, 1997 follows:

Mortgage backed securities	\$ 3,607,738	\$ 3,605,365
Debt Securities issued by the U.S. Treasury and other U.S. Government Corporations and Agencies	662,335	678,061
	<u>\$ 4,270,073</u>	<u>\$ 4,283,426</u>

A breakdown of security types at June 30, 1996 follows:

Mortgage backed securities	\$ 2,266,648	\$ 2,112,420
Debt Securities issued by the U.S. Treasury and other U.S. Government Corporations and Agencies	655,256	646,774
	<u>\$ 2,921,904</u>	<u>\$ 2,759,194</u>

Fair values are based upon quoted market prices.

NATCHITOCHEE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 1998, 1997 AND 1996

NOTE 3. ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	1998	1997	1996
Patient accounts receivable	\$ 12,850,638	\$ 8,040,268	\$ 6,643,401
Third-party receivables	<u>418,468</u>	<u>1,881,858</u>	<u>733,965</u>
	13,269,106	9,922,126	7,377,366
Less provision for uncollectibles	<u>(5,282,600)</u>	<u>(4,871,622)</u>	<u>(4,511,418)</u>
Total accounts receivable	<u>\$ 7,986,506</u>	<u>\$ 5,050,504</u>	<u>\$ 2,865,948</u>

NOTE 4. MEDICARE AND MEDICAID PROGRAMS

The District receives a substantial portion of its revenues from the Medicare and Medicaid programs at discounted rates. During the periods ended June 30, 1998, 1997 and 1996, the following revenues were obtained from these programs:

	1998	1997	1996
Medicare and Medicaid gross patient charges	\$ 29,606,063	\$ 26,234,104	\$ 23,188,807
Contractual adjustments	<u>(10,725,292)</u>	<u>(8,251,737)</u>	<u>(7,855,168)</u>
Net patient service revenue	<u>\$ 18,880,771</u>	<u>\$ 17,982,367</u>	<u>\$ 15,333,639</u>
Percent of total net patient revenue	<u>25%</u>	<u>23%</u>	<u>27%</u>

WATCHITOCHEE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
 JUNE 30, 1998, 1997 AND 1996

NOTE 6 - LIMITED USE ASSETS

	<u>1998</u>	<u>1997</u>	<u>1996</u>
To Third Parties			
Cash with paying agent - interest and principal due 1991 (Series 1994 Bonds)	\$ 209,805	\$ 308,949	\$ 202,261
Donor contributions	84,825	68,832	71,642
Patient trust funds	8,887	8,887	8,038
Escrow held under contractual agreement	490,000	0-	0-
By Board			
Repair and replacement - cash and cash equivalents	402,878	384,802	367,283
Repair and replacement - investments	3,707,108	3,782,863	3,618,863
LHA trust deposits	195,710	138,005	101,176
Less limited use assets required for current liabilities	<u>(821,233)</u>	<u>(394,568)</u>	<u>(389,241)</u>
Non-current limited use assets	<u>\$ 4,505,068</u>	<u>\$ 3,299,931</u>	<u>\$ 3,098,234</u>

NATCHITOCHEE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 1999, 1997 AND 1996

NOTE 8 - PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended June 30, 1999.

ASSET COST

	June 30, 1997	Additions	Deductions	June 30, 1999
Land and improvements	\$ 385,724	\$ -0-	\$ -0-	\$ 385,724
Buildings	18,514,806	221,202	-0-	18,736,008
Leasehold improvements	284,804	-0-	-0-	284,804
Furniture, fixtures and equipment	7,800,773	634,891	23,176	8,412,478
Leased assets	102,304	540,237	-0-	642,541
Construction in progress	85,000	20,002	78,892	2,894
Total	\$ 20,834,010	\$ 1,332,402	\$ 1,02,068	\$ 22,164,344

ACCUMULATED DEPRECIATION

	June 30, 1997	Additions	Deductions	June 30, 1999
Buildings	\$ 6,858,184	\$ 640,267	\$ -0-	\$ 7,498,451
Leasehold improvements	108,882	142,400	-0-	251,282
Furniture, fixtures and equipment	5,503,083	509,021	23,154	6,049,058
Total	\$ 12,469,149	\$ 1,291,688	\$ 23,154	\$ 13,767,685

MATCHITOCHEE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE
 NOTES TO COMBINED FINANCIAL STATEMENTS
 JUNE 30, 1998, 1997 AND 1996

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended June 30, 1997.

	ASSET COST			
	June 30, 1998	Additions	Deductions	June 30, 1997
Land and improvements	\$ 383,615	\$ 2,189	\$ -0-	\$ 385,724
Buildings	18,085,028	129,780	-0-	18,214,808
Leasehold improvements	-0-	264,894	-0-	264,894
Furniture, fixtures and equipment	7,180,106	658,233	217,585	7,620,754
Leased assets	-0-	102,304	-0-	102,304
Construction in progress	-0-	45,889	-0-	45,889
Total	\$ 25,628,742	\$ 1,223,840	\$ 217,585	\$ 26,634,910

	ACCUMULATED DEPRECIATION			
	June 30, 1998	Additions	Deductions	June 30, 1997
Buildings	\$ 9,220,523	\$ 527,175	\$ -0-	\$ 9,747,698
Leasehold improvements	-0-	150,802	-0-	150,802
Furniture, fixtures and equipment	5,277,237	442,809	217,585	5,502,461
Total	\$ 14,507,760	\$ 1,120,786	\$ 217,585	\$ 15,407,969

MACHITOCHEE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 1996, 1997 AND 1998

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended June 30, 1998.

	ASSET COST			
	June 30, 1995	Additions	Deductions	June 30, 1998
Land and improvements	\$ 383,810	\$ -0-	\$ -0-	\$ 383,810
Buildings	17,949,468	105,538	-0-	18,055,006
Furniture, fixtures and equipment	6,875,038	288,889	-0-	7,163,927
Total	\$ 25,208,316	\$ 400,589	\$ -0-	\$ 25,608,905

	ACCUMULATED DEPRECIATION			
	June 30, 1995	Additions	Deductions	June 30, 1998
Buildings	\$ 8,577,384	\$ 643,876	\$ -0-	\$ 9,221,260
Furniture, fixtures and equipment	4,701,889	486,118	-0-	5,188,007
Total	\$ 13,279,273	\$ 1,129,994	\$ -0-	\$ 14,409,267

Depreciation was calculated using the straightline method. Useful lives for the purpose of calculating depreciation by class are:

Buildings 10 - 40 years

Furniture, fixtures and equipment 5 - 10 years

These assets were obtained in part with funds from a Hill-Burton program grant of \$307,000.

MATCHITOCHEE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 1998, 1997 AND 1996

NOTE 7 - OTHER ASSETS

Bond issue costs of \$67,671 were incurred for the 1994 Revenue Bonds and are being amortized over the remaining life of the bonds (7 years) beginning in 1994.

Construction interest of \$913,500 is being amortized over the estimated useful life of the new hospital plant and equipment (23 years) beginning August 1997, when put into service.

Silver bars consisting of 104.04 ounces of silver with a value of approximately \$1,566 were on hand at June 30, 1998, 1997 and 1996.

NOTE 8 - ACCRUED EXPENSES

A summary of accrued expenses is presented below:

	1998	1997	1996
Accrued interest	\$ 32,830	\$ 36,886	\$ 40,786
Accrued salaries	300,834	315,915	307,580
Accrued vacation pay	297,696	297,696	273,784
Total	\$ 631,360	\$ 650,497	\$ 622,150

Management elected not to accrue non-vested compensated absence cost of sick pay which was deemed undeterminable.

NOTE 9 - LONG-TERM DEBT

A summary of long-term debt, including capital lease obligations, at June 30, 1998, follows:

	1998	1997	1996
Revenue Bonds at rates varying from 4.5% to 5.05%, collateralized by a pledge and dedication of hospital revenue	\$ 2,440,000	\$ 2,790,000	\$ 3,115,000
Capital lease obligation, 4.85%, collateralized by leased nuclear medicine and ultrasound machine with cost of \$543,257	516,672	-0-	-0-
Capital lease obligation, 5.5%, collateralized by leased computer with cost of \$932,304	64,382	89,758	-0-
	3,020,294	2,879,758	3,115,000
Less current maturities of long-term debt	(484,937)	(326,242)	(325,000)
Long-term debt, net of current maturities	\$ 2,535,357	\$ 2,553,516	\$ 2,790,000

MATCHITOCHEE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 1998, 1997 AND 1996

NOTE 9 - LONG-TERM DEBT (Continued)

On May 5, 1994, the Series 1994 Hospital Revenue Bonds were issued. The bonds are secured by the full faith and credit of the Hospital as well as a lien and privilege on its revenues.

The Hospital has covenanted to set rates so that revenues in each year are sufficient to pay the reasonable and necessary expenses of operating and maintaining the Hospital, the principal and interest maturing on the Series 1994 Bonds in each year, all sinking funds or other payments required for such year by the Resolution, and all other obligations or indebtedness payable out of the revenues of the Hospital for each year.

Additionally, the Hospital has covenanted to set rates so that revenues after paying all reasonable and necessary expenses of operating and maintaining the Hospital in such year, at least equal 120% of the largest amount of principal and interest maturing on the Bonds in any future fiscal year and on any *pari passu* additional bonds hereafter issued.

Other requirements under the terms of indebtedness are as follows:

- Sale or disposition of Hospital property, plant and equipment is limited. Future debt agreements may not take priority over this series of debt.
- Make monthly deposits equal to the pro-rata portion of the next principal and/or interest payment, which are to be maintained in fully backed or government securities investments, with market values greater than invested dollars.
- Collect payment on all services rendered, except for an undisclosed, reasonable amount of charity care.
- Maintain all assets in good working order.
- Carry full insurance coverage with a responsible licensed Louisiana company.
- Maintain complete and accurate records and have an annual audit.
- Maintain cash on hand of not less than 45 days of operating expenses net of depreciation and amortization.
- Provide quarterly statements to the purchaser.
- Protect tax exempt status and refrain from activities that would require payment of arbitrage to the IRS.

NATCHITOCHEE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 1998, 1997 AND 1996

NOTE 9 - LONG-TERM DEBT (Continued)

Scheduled principal payments on revenue bonds and payments on capital lease obligations over the next five years are as follows:

Year Ending June 30	Revenue Bonds	Capital Lease Obligations
1998	\$ 300,000	\$ 158,770
2000	300,000	158,770
2001	300,000	134,800
2002	415,000	120,191
2003	440,000	87,257
Thereafter	<u>860,000</u>	<u>0</u>
	\$ 2,965,000	669,117
Less amounts representing interest on capital lease obligations		<u>70,800</u>
Total		\$ 598,317

NOTE 10 - AD VALOREM TAXES

An ambulance maintenance tax was collected by the Natchitoches Parish Police Jury. This tax was renewed by the voters in 1978 and 1986 for a term of ten years. Prior to passage of this tax, the Police Jury made annual contributions of approximately \$20,000 for ambulance services. This tax expired in December 1996, when voters failed to renew the tax. The following amounts are included as other revenue on the District's combined statements of operation.

	1998	1997	1996
Ad Valorem taxes paid to the District	\$ <u>0</u>	\$ <u>0</u>	\$ <u>180,392</u>

MATCHITOCHEE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 1995, 1997 AND 1999

NOTE 11 - RETIREMENT PROGRAM

Employees may participate in a qualified defined contribution retirement plan. Each employee is eligible to join the plan immediately upon employment. Employees become vested in the employer's contribution 25% per year until 100% vested at 4 years of employment. Under terms of the plan, each participating employee must make contributions of 4% and may make additional voluntary contributions. The District must make contributions of 1%.

Total Payroll	\$ 8,167,090
Total Covered Payroll	6,117,818
Employee Contributions	257,418
Employer Contributions	102,054

NOTE 12 - PROFESSIONAL LIABILITY RISK

The District participates in the Louisiana Patients Compensation Fund established by the State of Louisiana to provide medical professional liability coverage to health care providers. The fund provides for \$400,000 in 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 \$500,000 per occurrence. Legal action in an attempt to overturn this legislation on constitutional grounds is in process.

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 exposures. At policy year-end, premiums are redetermined utilizing actual losses of the District. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are reported to member hospitals. The District has included these allocations and equity amounts assigned to the District by the Trust Fund in its financial statements.

NOTE 13 - WORKMEN'S COMPENSATION RISK

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 of additional assessments, if any. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are reported to member hospitals. The District has included these allocations and equity amounts assigned to the District by the Trust Fund in its financial statements.

NATCHITOCHEE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 1988, 1987 AND 1986

NOTE 14 - CHARITY CARE

The Hospital has a policy of providing charity care to indigent patients in emergency situations. The amounts of charity care charges are \$118,028, \$44,850 and \$33,068 for the years ended June 30, 1988, 1987 and 1986, respectively.

NOTE 15 - NET CONTRIBUTIONS

Contributions and related fund raising expenses are reflected in the following table:

	1988	1987	1986
Contributions	\$ 131,000	\$ 37,895	\$ 38,498
Interest earned on contributions	2,168	2,342	1,725
Less: fund raising expenses	____ (8,281)	____ (7,228)	____ (5,028)
Net contributions	\$ <u>124,887</u>	\$ <u>32,909</u>	\$ <u>35,195</u>

NOTE 16 - SELF-FUNDED BENEFITS PLAN

The District maintains a self-funded medical/dental benefits plan. The District entered into an agreement as of July 1987, with Employee Benefit Services, Inc., for supervision of the plan. The Hospital purchases "excess" insurance coverage that provides for payment of 100% of claims in excess of \$30,000 per year up to specific individual maximums of \$1,000,000.

NOTE 17 - NOTES RECEIVABLE

The following is a summary of notes receivable at June 30:

	1988	1987	1986
Physician notes	\$ 388,231	\$ 132,504	\$ 58,138
Physician contract guarantees	____ 72,856	____ 195,031	____ -0-
	388,231	328,436	58,138
Less current maturities	____ (185,002)	____ (148,421)	____ (28,125)
	\$ <u>203,229</u>	\$ <u>180,015</u>	\$ <u>30,013</u>

**NATCHITOCHEES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 1998, 1997 AND 1996**

NOTE 18 - CONTINGENCIES

The District evaluates contingencies based upon the best available evidence. The District believes that no allowances for loss contingencies are 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:

Third Party Cost-Based Revenues (Note 10) - Cost reimbursements are subject to examination by agencies administering the programs. Effective October 1, 1993, the Medicare program discontinued its cost-based reimbursement system for inpatient services. Under the program, the District receives a fixed fee for each patient, which is determined by the government. The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of 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 statements.

Professional Liability Risk (Note 10) - 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 as well as for assessments by the Louisiana Hospital Association Trust Fund.

Workmen's Compensation Risk (Note 13) - The District is contingently liable for assessments by the Louisiana Hospital Association Trust Fund.

Hill-Burton Uncompensated Service and Community Service Obligations - As a result of the District receiving a Federal Hill-Burton program grant, the District is required to provide a reasonable volume of uncompensated services to patients who are unable to pay for their medical care. The District's obligation for uncompensated services was fulfilled on July 17, 1998. Additionally, the District is obligated to provide community service.

Litigation and Other Matters - Various claims in the ordinary course of business are pending against the District. In the opinion of management, insurance is sufficient to cover adverse legal determinations in those cases where a liability can be measured.

Year 2000 Computer Risk - District management began to assess the impact of the year 2000 on the various computers and equipment with computerized system dates, but is currently unable to estimate a liability. The ability of outside organizations to deal with this problem could have a financial impact on the District. No provisions are included in these financial statements at June 30, 1998.

MATCHTICHES PARISH HOSPITAL SERVICE DISTRICT
DEBT SERVICE FUND
BALANCE SHEETS
JUNE 30, 1999, 2007 AND 2008

	1999	2007	2008
ASSETS			
Cash and cash equivalents	\$ <u>48,812</u>	\$ <u>48,200</u>	\$ <u>47,134</u>
Total assets	\$ <u>48,812</u>	\$ <u>48,200</u>	\$ <u>47,134</u>
LIABILITIES AND FUND BALANCE			
Fund balance:			
Available for debt retirement	\$ <u>48,812</u>	\$ <u>48,200</u>	\$ <u>47,134</u>
Total liabilities and fund balance	\$ <u>48,812</u>	\$ <u>48,200</u>	\$ <u>47,134</u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT
DEBT SERVICE FUND
STATEMENTS OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 1996, 1997 AND 1998

	1998	1997	1996
Revenues:			
Ad valorem taxes	\$ -0-	\$ -0-	\$ 90
Interest income	1,338	1,148	850
Total revenues	1,338	1,148	1,040
Expenditures:			
Bank service charge	-0-	-0-	11
Total expenditures	-0-	-0-	11
Excess of revenues over expenditures	1,338	1,148	1,029
Fund balance, beginning of year	48,282	47,134	46,058
Fund balance, end of year	\$ 49,620	\$ 48,282	\$ 47,134

NATCHITOCHEE PARISH HOSPITAL SERVICE DISTRICT
DEBT SERVICE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1988, 1987 AND 1986

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The modified accrual basis of accounting is used to record revenues and expenditures. Expenditures are recorded at the time liabilities are incurred and revenues are recorded when they become measurable and available. Available includes those tax receivables expected to be collected within 90 days after year-end.

NOTE 2 - DEPOSITS

All amounts that are included in cash and cash equivalents are fully insured by the financial institutions or covered by a pledge of securities as discussed in Note 2 to Combined Financial Statements.

NOTE 3 - PUBLIC IMPROVEMENT BONDS

During 1978, the Natchitoches Parish Hospital Service District sold public improvement hospital bonds in the amount of four million five hundred thousand dollars (\$4,500,000). The first interest payment was made April 1, 1979, with payments of interest semi-annually thereafter. The first principal payment was April 1, 1983. On October 1, 1985, \$784,240 was deposited in an irrevocable trust and zero coupon United States of America Treasury securities were purchased. The securities have a face value of \$3,080,000 and earn effective rates between 10.8% and 11.2%. The purchased securities began maturing in February 1985, and will be used to pay interest and principal due from April 1, 1985, until the 1978 bond issue is paid in full. As accounting defeasance occurred in February 1985, since the bonds are now completely defeased, no accounting is required on the District Books.

SUPPLEMENTARY INFORMATION

NATCHITOCHEE PARISH HOSPITAL SERVICE DISTRICT
SCHEDULE OF NET PATIENT SERVICE REVENUE
YEARS ENDED JUNE 30, 1998, 1997 AND 1996

	1998	1997	1996
Daily patient services			
Routine nursing	\$ 2,408,489	\$ 2,208,340	\$ 2,008,693
Intensive care	889,580	525,895	441,540
Nursary	269,925	242,455	147,420
Long-term care	2,827,537	2,468,179	2,582,788
Swing bed	18,299	13,299	38,215
Geriatric psych	<u>3,514,365</u>	<u>2,781,722</u>	<u>3,058,739</u>
Total daily patient services	<u>9,558,087</u>	<u>8,264,795</u>	<u>8,287,205</u>
Other Professional Services:			
Operating and recovery room			
Inpatient	951,182	918,787	728,283
Outpatient	1,530,384	1,173,517	685,829
Skilled nursing services	<u>-0-</u>	<u>-0-</u>	<u>70</u>
Total	<u>2,481,566</u>	<u>2,092,304</u>	<u>1,414,192</u>
Labor and delivery			
Inpatient	725,269	647,595	581,680
Outpatient	<u>140,138</u>	<u>88,827</u>	<u>88,236</u>
Total	<u>865,407</u>	<u>736,422</u>	<u>669,916</u>
Anesthesia			
Inpatient	508,618	638,477	441,289
Outpatient	418,180	488,493	368,870
Skilled nursing services	<u>-0-</u>	<u>-0-</u>	<u>441</u>
Total	<u>926,798</u>	<u>1,126,970</u>	<u>810,600</u>
Radiology, ultrasound & CT scan			
Inpatient	842,684	718,229	662,871
Outpatient	2,142,185	1,940,814	1,542,187
Skilled nursing services	34,239	34,818	27,141
Swing bed	<u>-0-</u>	<u>147</u>	<u>815</u>
Geriatric psych	<u>18,589</u>	<u>18,483</u>	<u>18,229</u>
Total	<u>3,038,087</u>	<u>2,711,389</u>	<u>2,248,183</u>
Laboratory			
Inpatient	2,912,415	1,968,737	1,408,437
Outpatient	1,851,678	1,807,189	1,212,115
Skilled nursing services	188,680	148,229	112,221
Swing bed	64,279	44,847	32,874
Geriatric psych	<u>-0-</u>	<u>1,082</u>	<u>2,480</u>
Total	<u>5,016,052</u>	<u>3,968,192</u>	<u>2,768,037</u>

MATCHITCHEE PARISH HOSPITAL SERVICE DISTRICT
SCHEDULE OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED JUNE 30, 1998, 1997 AND 1996

	1998	1997	1996
Blood			
Inpatient	\$ 48,894	\$ 21,856	\$ 42,842
Outpatient	10,269	12,943	8,265
Skilled nursing services	890	337	1,189
Swing bed	292	-0-	-0-
Geriatric psych	795	-0-	-0-
Total	<u>61,140</u>	<u>35,136</u>	<u>52,386</u>
Inhalation therapy			
Inpatient	1,285,362	860,898	1,078,822
Outpatient	134,190	143,177	121,129
Skilled nursing services	2,779	111,938	65,504
Swing bed	-0-	1,848	1,487
Geriatric psych	2,825	2,898	1,121
Total	<u>1,425,156</u>	<u>1,120,759</u>	<u>1,268,063</u>
Physical therapy			
Inpatient	31,848	36,328	35,524
Outpatient	84,235	87,545	70,877
Skilled nursing services	6,891	11,608	4,854
Swing bed	-0-	-0-	3,295
Geriatric psych	2,088	2,288	2,157
Total	<u>125,062</u>	<u>138,069</u>	<u>116,687</u>
Occupational therapy			
Inpatient	1,448	-0-	-0-
Outpatient	18,014	-0-	-0-
Skilled nursing services	182	-0-	-0-
Geriatric psych	26,638	-0-	-0-
Total	<u>46,282</u>	<u>-0-</u>	<u>-0-</u>
Electrocardiology			
Inpatient	237,102	138,213	123,828
Outpatient	326,623	167,663	113,208
Skilled nursing services	1,383	2,225	1,078
Swing bed	-0-	225	68
Geriatric psych	4,283	3,913	3,987
Total	<u>569,391</u>	<u>312,239</u>	<u>242,169</u>

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT
SCHEDULE OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED JUNE 30, 1989, 1987 AND 1986

	1986	1987	1989
Central services			
Inpatient	\$ 1,199,466	\$ 2,108,283	\$ 1,584,800
Outpatient	328,938	301,884	232,858
Skilled nursing services	210,533	283,363	288,875
Swing bed	-0-	1,129	4,147
Geriatric psych	16,412	11,299	14,279
Total	<u>1,755,349</u>	<u>2,705,149</u>	<u>2,114,261</u>
Pharmacy			
Inpatient	1,776,648	3,389,188	3,678,816
Outpatient	1,800,529	753,887	538,745
Skilled nursing services	132,489	134,182	113,144
Swing bed	-0-	2,893	18,919
Geriatric psych	67,879	82,841	60,208
Total	<u>3,677,445</u>	<u>4,263,191</u>	<u>4,399,832</u>
Cardio rehab			
Inpatient	682	2,111	2,527
Outpatient	187,430	183,204	186,288
Skilled nursing services	11,035	1,359	466
Geriatric psych	-0-	-0-	89
Total	<u>199,147</u>	<u>186,674</u>	<u>191,360</u>
Emergency room			
Inpatient	428,784	454,363	588,228
Outpatient	2,187,455	2,277,008	2,144,979
Skilled nursing services	-0-	37	3,171
Geriatric psych	2,729	3,129	2,057
Total	<u>2,618,968</u>	<u>2,734,537</u>	<u>2,738,435</u>
Observation			
Outpatient	138,896	81,138	75,368
Ambulance			
Outpatient	638,228	874,282	717,367
Home health			
All disciplines	713,567	838,723	788,368
Partial hospitalization			
All disciplines	373,890	348,828	-0-
Total other professional services	<u>28,628,190</u>	<u>24,691,828</u>	<u>19,244,513</u>
Total patient service charges	<u>\$ 6,364,853,203</u>	<u>\$ 5,32,280,628</u>	<u>\$ 2,28,031,818</u>

NATCHITOCHE'S PARISH HOSPITAL SERVICE DISTRICT
SCHEDULE OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED JUNE 30, 1996, 1997 AND 1998

	1996	1997	1998
Contractual adjustments - Medicare and Medicaid	\$ 10,909,873	\$ 9,258,587	\$ 7,673,128
Contractual adjustments - other	1,251,487	1,203,295	284,649
Free care	118,329	44,883	33,909
Other deductions	____ 57,851	____ 12,589	____ 7,804
Total allowances	...12,336,239	...10,517,221	...7,995,690
Net patient service revenue	<u>\$ 26,154,566</u>	<u>\$ 21,833,604</u>	<u>\$ 20,093,168</u>

NATCHITOCHEE PARISH HOSPITAL SERVICE DISTRICT
 SCHEDULE OF OTHER REVENUE
 YEARS ENDED JUNE 30, 1998, 1997 AND 1996

	1998	1997	1996
Other revenue:			
Rental income	\$ 238,890	\$ 134,478	\$ 274,088
Dietary sales	648,837	491,578	378,891
Vending revenues	48,817	43,121	41,309
Ambulance fee	-0-	-0-	180,390
LHA trust	37,994	23,703	31,919
Other	48,494	9,348	87,543
Jurisdictional revenue	<u>28,002</u>	<u>20,000</u>	<u>20,000</u>
Total other revenue	<u>\$ 1,040,034</u>	<u>\$ 822,228</u>	<u>\$ 1,082,930</u>

NATCHITOCHEE PARISH HOSPITAL SERVICE DISTRICT
 SCHEDULE OF EXPENSES - SALARIES AND BENEFITS
 UNRESTRICTED FUND
 YEARS ENDED JUNE 30, 1995, 1997 AND 1998

	1995	1997	1998
	\$ 210,047	\$ 210,270	\$ 280,339
Administration	36,008	33,261	33,194
Data processing	156,761	134,307	125,374
Accounting	27,900	22,973	33,885
Admitting	214,888	178,587	169,088
Business office	261,847	268,763	291,158
Housekeeping	208,088	204,531	384,050
Dietary and cafeteria	68,551	53,664	52,721
Laundry	80,238	80,024	84,371
Plant operations and maintenance	235,344	227,388	218,822
Nursing administration	12,267	11,376	11,071
Central services	173,179	148,310	169,741
Medical records	1,098,224	1,001,483	1,044,317
Nursing services	203,088	273,633	237,602
ICU	358,255	39,758	38,219
Geriatric psych	91,907	89,803	71,217
Nursing	1,382,455	1,311,625	1,211,687
Long-term care	252,809	251,362	239,654
Operating rooms	265,558	208,547	244,894
Labor and delivery	378,188	359,735	298,328
Anesthesia	267,005	242,512	241,133
Radiology	252,773	239,933	221,831
Laboratory	182,842	182,716	182,141
Respiratory therapy	78,389	74,323	69,559
Physical therapy	31,820	-	-
Occupational therapy	41,733	-	-
Cardiovascular	69,702	65,787	57,893
Purchasing	136,717	121,484	148,289
Pharmacy	86,744	80,953	101,859
Cardiac rehab	427,859	424,325	299,088
Emergency room	304,179	260,521	232,354
Ambulance	238,328	238,089	211,748
Home health	47,635	42,124	-
Partial hospitalization	-	-	-
Total salaries	2,288,820	2,382,241	2,701,249
FICA and Medicare tax	504,279	508,689	575,075
Hospital insurance	223,484	155,283	184,633
Workers compensation insurance	33,283	46,018	38,282
Unemployment taxes	16,028	20,029	19,891
Total benefits	883,080	734,268	798,089
Total salaries and benefits	\$ 3,088,501	\$ 3,088,697	\$ 3,489,338

NATCHITOCHEES PARISH HOSPITAL SERVICE DISTRICT
SCHEDULE OF EXPENSES - MEDICAL SUPPLIES AND DRUGS
UNRESTRICTED FUND
YEARS ENDED JUNE 30, 1996, 1997 AND 1998

	1996	1997	1998
Nursing services	\$ 53,621	\$ 63,079	\$ 69,938
ICU	21,418	15,894	20,053
Geriatric psych	12,421	8,383	11,082
Nursery	23,608	23,013	17,938
Long-term care	296,704	249,889	293,915
Operating rooms	360,500	367,749	371,568
Labor and delivery	65,822	69,010	38,280
Anesthesiology	22,600	28,880	20,374
Radiology, nuclear medicine, CAT scan	104,788	85,590	122,583
Laboratory and blood	328,738	303,756	299,483
Respiratory therapy	77,232	83,810	68,972
Physical therapy	2,778	1,773	3,293
EKG	14,746	4,746	4,889
Central supply	188,883	141,038	147,733
Pharmacy	751,190	893,078	948,811
Cardiac rehab	1,439	2,108	1,780
Emergency room	78,188	71,428	62,831
Ambulance	17,843	16,901	12,883
Home health	20,856	17,968	12,754
Total medical supplies and drugs	\$ 2,413,334	\$ 2,943,636	\$ 2,102,820

NATCHITOCHE PARISH HOSPITAL, SERVICE DISTRICT
SCHEDULE OF EXPENSES - MEDICAL, PROFESSIONAL AND
CONSULTING SERVICES
UNRESTRICTED FUND
YEARS ENDED JUNE 30, 1998, 1997 AND 1996

	1998	1997	1996
Routine nursing	\$ 1,725	\$ 12,607	\$ 34,277
ICU	-	-	8,808
Geriatric psych	681,539	1,896,008	1,098,800
Nursery	-	-	1,272
LTCU	39,872	39,253	68,584
Operating room	9,800	22,408	18,200
Labor and delivery	-	-	823
Anesthesiology	350	8,779	27,395
Radiology, ultrasound, CAT scan	551,322	316,764	283,854
Laboratory	89,375	92,948	38,474
Respiratory therapy	3,595	2,648	3,879
Physical therapy	275	-	4,814
Occupational therapy	-	173	325
EMG	-	33,688	790
Pharmacy	7,462	2,787	2,792
Emergency room	779,098	826,084	812,833
Home health	6,800	4,683	3,800
Partial hospitalization	488,822	330,912	-
Total professional fees	\$ 2,283,666	\$ 3,546,123	\$ 3,182,140

NATCHITOCHEES PARISH HOSPITAL SERVICE DISTRICT
 SCHEDULE OF EXPENSES - OTHER
 UNRESTRICTED FUND
 YEARS ENDED JUNE 30, 1996, 1997 AND 1998

	1996	1997	1998
Service fees	\$ 433,006	\$ 202,325	\$ 259,870
Legal and accounting	93,717	57,561	58,585
Non-medical supplies	1,046,278	992,639	934,142
Repairs and maintenance	205,443	214,978	199,489
Utilities	857,128	923,039	928,905
Telephone	62,678	58,759	58,527
Travel and fuel - home health	39,238	47,059	38,375
Travel and fuel - Meals on Wheels	18,687	18,379	17,497
Travel and fuel - ambulance	10,935	14,181	12,770
Travel and fuel - other	18,158	15,459	18,949
Rental expense	110,271	116,584	208,824
Education expense	18,679	22,715	9,576
Scholarships	16,381	4,685	(4,150)
Licenses, dues, subscriptions	47,470	48,605	40,399
Patient days tax	664,824	147,282	159,346
Advertising	36,519	36,485	32,963
Recruitment	204,595	27,389	299,933
Other	<u>118,683</u>	<u>54,289</u>	<u>11,957</u>
Total other	<u>\$ 3,042,662</u>	<u>\$ 2,999,290</u>	<u>\$ 3,253,024</u>

NATCHITOCHEE PARISH HOSPITAL SERVICE DISTRICT

HISTORY:

The Natchitoches Parish Hospital was built by the people of the Parish of Natchitoches, Louisiana, in cooperation with the United States Government, and is operated by the Natchitoches Parish Hospital Service District as created by the Police Jury of Natchitoches Parish, Louisiana.

In consideration of an agreement between the Police Jury of Natchitoches Parish, Louisiana, and the Natchitoches Parish Hospital Service District whereby the Police Jury agreed to construct, complete and equip a hospital in Natchitoches Parish, the Hospital Service District agrees to do and perform the following:

1. To operate the District for the duration of this twenty-year agreement as a non-profit institution in accordance with an agreement entered into by and between the Parish and the United States.
2. To maintain and operate the District and assume and pay the expenses of operations and maintenance to the extent of the income and resources derived therefrom.
3. To have full and complete charge of the management and operation of the District and conduct and operate said District at all times in accordance with acceptable standards of hospital practice.

The Parish covenants to do and perform, as consideration for this agreement, the following:

1. To equip the hospital building for hospital purposes with modern equipment sufficient to meet the needs of present day hospital practice. If, however, the District desires to replace said equipment with new equipment, it may do so, and said new equipment shall be and remains the property of the Parish if paid for out of the income resulting from the operation of the District. It is understood and agreed, however, that the Parish shall not be responsible for the securing of additional equipment other than that already purchased or installed when the District takes possession of the premises.
2. To levy the special tax of one mill on the dollar of all property subject to state taxation in the Parish for a period of three years beginning with the year 1966, as authorized by the special election held in the Parish on November 15, 1963, and the Parish shall pay to the District the net proceeds of said tax, as when collected. Said net proceeds shall be used by the District solely to defray the costs of operating and maintaining the District described herein, and proceeds at each interval as the Parish may require.

MATCHBEECHES PARISH HOSPITAL SERVICE DISTRICT

HISTORY (Continued)

During the year ended September 30, 1965, the Matchbeeches Parish Hospital was enlarged by the addition of a nursing home, an ambulatory room, new patient rooms and additional administrative and storage space. The new construction was financed by: (1) a grant from the United States Government under the Hill-Burton Act in the amount of \$307,000; (2) proceeds of a \$400,000 bond issue; and, (3) revenues of the Matchbeeches Parish Hospital. The \$400,000 of Matchbeeches Parish, Louisiana, Hospital Improvement Revenue Bonds, 3 1/2%, Series 1963, were purchased by the United States of America, Housing and Home Finance Agency. These bonds were retired in 1978.

On June 14, 1977, a seven million dollar (\$7,000,000) bond issue was passed by the people of Matchbeeches Parish. The seven million dollars (\$7,000,000) consisted of four million five hundred thousand dollars (\$4,500,000) of Public Improvement Bonds to be paid by ad valorem taxes. Two million five hundred thousand dollars (\$2,500,000) were to be Revenue Bonds and were to be paid off out of the general operating revenue of the District. Pursuant to a public hearing held on March 6, 1978, the District was authorized to issue \$4,500,000 of Hospital Revenue Bonds in lieu of the \$2,500,000 of Hospital Revenue Bonds.

On May 22, 1978, the Public Improvement Bonds were sold. The Public Improvement Hospital Bonds are dated April 1, 1978, and are in denominations of five thousand dollars (\$5,000) each, and bear interest at a rate or rates not exceeding six and one-half percent (6 1/2%) per annum on any bond in any interest payment period. Said interest to be payable April 1, 1979, and semi-annually thereafter on April 1st and October 1st of each year. Bonds numbered 204 to 800, inclusive, are callable for redemption by the District in the inverse order of their maturities, and if less than a full maturity, then by lot within such maturity, on any interest payment date on or after April 1, 1980, at the principal amount thereof and accrued interest to the date fixed for redemption, provided that official notice of such call of any of the bonds for redemption date by means of publication of an appropriate notice one time in a financial newspaper or journal published in the City of New York, or in the City of New Orleans, Louisiana, and sent by registered mail to the place of payment of the bonds. Bonds of this issue numbered 1 to 203, inclusive, are not callable for redemption prior to their stated dates of maturity. The bonds are secured by a special tax to be imposed and collected annually in excess of all other taxes on all the property subject to taxation within the territorial limits of the District. On October 1, 1985, funds were deposited in an irrevocable trust and zero coupon United States of America Trust securities were purchased. The securities began maturing in February 1995, and will be used to pay payments on the bonds until payment in full. No collections of taxes were required after that time.

In May, 1979, the Hospital Revenue Bonds were sold. These bonds are dated April 1, 1979, and are in denominations of five thousand dollars (\$5,000) each, and bear interest at a rate or rates not exceeding seven and seven-eighths percent (7 7/8%) per annum on any bond in any interest period. Said interest to be payable October 1, 1979, and semi-annually thereafter on April 1st and October 1st of each year.

NATCHITOCHEE PARISH HOSPITAL SURVIVOR DISTRICT

HISTORY (Continued)

The Series 1979 Revenue Bonds maturing on October 1, 2003, are subject to redemption at the option of the District, either in whole or in part at anytime, not earlier than April 1, 1988, (in the inverse order of maturities and by lot within a maturity) from any monies available therefore, at redemption prices (expressed as a percentage of the principal amount being redeemed) ranging from 100% in 1988 and decreasing to 100% in 2003 and thereafter.

The Series 1979 Revenue Bonds are also subject to redemption in whole, at any time, or in part, at any interest payment date, at the option of the District upon the occurrence of any of the following conditions or event: (1) if title to, or the permanent use of, or use for a limited period of, substantially all of the District is condemned; or (2) if the title to substantially all of the District is found to be deficient to the extent that the Hospital is untenable or the efficient utilization of the District by the District is substantially impaired; or (3) if substantially all of the District is damaged or destroyed by fire or other casualty; or (4) if as a result of any changes in the Constitution of the United States of America or of the State of Louisiana or of legislative or administrative action, or failure of administrative action, by the United States or the State of Louisiana, or any agency or political subdivision thereof, or by reason of any judicial decision, (i) the Resolution becomes void or unenforceable or impossible to perform without unreasonable delay or (ii) unreasonable burdens or excessive liabilities are imposed on the District, including without limitation Federal, state or other ad valorem property, income or other taxes being imposed on the property of the District. In the event of such redemption, the Bonds shall be subject to redemption at the principal amount thereof plus accrued interest to the date of redemption, but without premium.

The Series 1979 Bonds are issued pursuant to a Resolution, under which payment of the principal of, redemption premium, if any, and interest on the Series 1979 Bonds is secured by a pledge of the income, revenues, receipts and accounts receivable derived by, payable or accruing to the District by reason of its operation of the District, subject to payment of the operating expenses of the District.

The Series 1979 Bonds are limited obligations of the District which are payable solely from revenues derived by the District from its operation of the Hospital. The Series 1979 Bonds are not an indebtedness or pledge of the general credit of the State of Louisiana, the Parish or City of Natchitoches or the District. Neither the District nor any of the assets of the District are pledged or mortgaged as security for the Series 1979 Revenue Bonds.

On February 26, 1980, the Louisiana State Bond Commission approved a notice of intention to issue not exceeding \$750,000 of Hospital Revenue Bonds to bear interest at rates not exceeding 9 1/4% per annum, the proceeds of which will be used for the purpose of contracting improvements to the existing facilities or to provide additional facilities, said bonds are to be secured by and payable solely from the District from operations, to mature at such time not exceeding 30 years from date of issuance, and subject further to the approval of the Natchitoches Parish Police Jury. In lieu of issuing these bonds the District made an application for the approval to the State Bond Commission to issue \$500,000 of Certificates of Indebtedness at an interest rate not to

MATCHBOWCHES PARISH HOSPITAL SERVICE DISTRICT

HISTORY (Continued)

exceed eleven and one-half percent per annum. This application was approved on September 1, 1981. The \$500,000 in Certificates of Indebtedness were issued on April 6, 1982. Certificates totaling \$150,000 were issued to each of three banks in Matchbouches. These Certificates of Indebtedness were paid in full on September 28, 1984.

On November 20, 1985, the District's Commissioners resolved to donate a portion of land to the Matchbouches Parish Police Jury so they may construct a parish health clinic. The act of donation was made by resolution of the Board of Commissioners on October 23, 1987. The District's basis in the donated land was \$8,290.

An ambulance service tax is collected by the Matchbouches Parish Police Jury. The tax money is forwarded to the District upon submitting ambulance cost for the year. A ten-year renewal was passed in 1985. The voters of Matchbouches Parish voted not to renew this tax in July 1995.

Effective January 30, 1987, the Long-Term Care Unit qualified as a Medicare participating skilled nursing facility. As of September 25, 1987, a home health program was begun.

On December 1, 1988, the District began renting office space for four physicians in a newly constructed physician office building.

During the year ended June 30, 1990, the District purchased approximately ten acres of land on Hoyer Avenue. The state of Louisiana expropriated one quarter acre for road right-of-way.

During the year ended June 30, 1991, the District began an \$845,000 renovation of the fourth and fifth floors of the Hospital which include two additional elevators and a rehabilitation fitness center. The Hospital began redecorating and refurbishing 64 patient rooms. These renovations were completed in fiscal year 1992.

During the year ended June 30, 1992, the District began replacing the chillers and completed replacement of the chillers in fiscal year 1993. The Hospital began and nearly completed a building to be rented as a dialysis center.

During the year ended June 30, 1994, the District completed construction of the dialysis center and began construction of rental facilities for a mental health unit and an obstetrics/gynecology doctors' office. The District also refinanced \$3,680,000 of Revenue bonds. As with the 1979 series, the \$3,680,000 of Series 1984 Bonds, dated May 19, 1984, are obligations of the District which are payable from revenues derived by the District from its operation of the Hospital. The interest rates vary from 3.55% to 5.2%.

MATCHITOCHEE PARISH HOSPITAL SERVICE DISTRICT

HISTORY (Continued)

The District completed construction of the mental health unit, the obstetrics/gynecology doctors' office, senior care center and remodeling of the labor and delivery rooms during this fiscal year ended June 30, 1966. A cooperative endeavor with Northwest Psychiatry, Inc. resulted in the establishment of an adolescent psychiatric program in Matchitoches Parish. Additionally, the Hospital began its own geriatric psychiatric program on the Hospital campus just prior to year end.

Effective July 1, 1995, the Hospital's geriatric psychiatric unit received "Distinct Part" status which provides for reasonable cost reimbursement of necessary services to Medicare patients. In February 1996 the cooperative endeavor with Northwest Psychiatry, Inc. ended as Medicaid, the primary payer source for the adolescent facility, tightened its admission and length of stay criteria. The result was an inadequate census and the unit was closed.

The District began leasing twenty-one beds and selling auxiliary services to Satellite Rehab, Inc., a separately licensed hospital and unrelated party, on December 1, 1997. Satellite Rehab, Inc. offers inpatient rehabilitative services.

Also, on December 1, 1997, the District entered into a management agreement with the Sisters of Charity of the Incarnate Word (the "Manager"). The Manager is responsible for providing an administrator for routine administrative services, making recommendations for the overall rate structure, preparing monthly reports to the Board, managing cash and investments, preparing annual budgets and reviewing the insurance program. The Board of Commissioners retained all authority and control over the District.

NATCHITOCHEE PARISH HOSPITAL SERVICE DISTRICT
SCHEDULE OF PER DIEM
OR OTHER AMOUNTS PAID TO OR ON BEHALF OF COMMISSIONERS
FOR THE TWELVE MONTHS ENDED JUNE 30, 1995

Board Member	Other Amounts Paid on Behalf of Commissioners	Per Diem Amounts Paid on Behalf of Commissioners
Ronald Cookson, Chairman	\$ 480	\$ -0-
Ross Lutsch, Jr.	480	-0-
Dr. Wilhelmus Wise	-0-	-0-
Colby Gehagan	380	-0-
Stan Parker	470	-0-
Sam Holland	800	-0-
George Cates, IV	<u>800</u>	<u>-0-</u>
	\$2,040	\$ -0-

Morris R. Easley, CPA
Edwin G. Lester, CPA
John B. Wells, CPA
Robert C. Willey, CPA
Paul A. Delaney, CPA

William L. Henry, CPA
William C. Hutchinson, II, CPA
Paul G. Matthews, CPA

EASLEY, LESTER AND WELLS

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Society of Louisiana CPAs

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Alexandria, LA 71304-1108

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE AND ON COMPLIANCE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS CONDUCTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Natchitoches Parish Hospital Service District
Natchitoches, Louisiana

We have audited the general purpose financial statements of the Natchitoches Parish Hospital Service District (the "District" or the "Hospital") for the years ended June 30, 1988, 1987 and 1986, and have issued our report thereon dated September 28, 1988.

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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Internal Control Structure

The management of the District is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control 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 audits of the financial statements of the District for the periods ended June 30, 1988, 1987 and 1986, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control (structure) elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted certain matters involving internal control structure and its operation that we consider to be material weaknesses as defined above. The schedule that accompanies this letter summarizes our comments and suggestions regarding these matters. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statements of the District for the year ended June 30, 1998.

Compliance

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 District had not answered the questions correctly. However, it should be noted that our audit was not directed primarily towards the answers to the questions in the questionnaire.

Compliance with laws, regulations, contracts and grants applicable to the Natchitoches Parish Hospital Service District 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. The schedule that accompanies this letter summarizes our finding of the reportable non-compliance. 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.

This report is intended for the information of management and the office of the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.

Early, Lester & Wells
Certified Public Accountants
September 29, 1998

Machiloches Parish Hospital Service District
Auditor's Comments and Recommendations
For the Twelve Months Ended June 30, 1998

General

We were pleased to find improvements in most areas where recommendations were made as a result of the 1997 audit. Our comments and recommendations with management's responses are repeated from last year with our assessment of resolution in 1998. Following the remarks related to 1997 are our 1998 comments and recommendations with management's responses.

1997 Material Weaknesses

1. Checking Account Reconciliations

**** Condition:** As last year, reconciliations of bank statements to the related general ledger balances were not completed in a timely manner. Failure to record voided transactions caused inaccurate financial statement presentation of cash, payroll withholding liabilities, and expense balances.

**** Recommendation:** We recommend bank cash balances be reconciled with general ledger amounts on a monthly basis to control cash balances and properly report amounts on the financial statements.

**** Response:** There was considerable turnover of accountants in fiscal year 1997. The department is more stable now and reconciliations will be prepared timely. All items will be reviewed to insure accuracy.

**** Resolution:** This matter has been substantially resolved. Most checking accounts including the general fund and payroll account were reconciled on a timely basis. A few checking accounts for designated special purposes were not reconciled. Some of these accounts should be eliminated.

2. Cash Receipts

**** Condition:** Contrary to management policy, the cash receipts drawer was not locked and anyone in the business office had access to the drawer. The cashier did not know policy and during the year the cash drawer key was lost.

**** Recommendation:** Supervisors should provide adequate training as well as written policies and procedures for cashiers. Regular oversight is necessary to assure compliance with existing policies and procedures, including limiting access to the cash drawer.

**** Response:** Management will prepare and provide written instructions to cashiers, followed by regular oversight insuring compliance with hospital policies and procedures, including locking the cash drawer.

**** Resolution:** This matter has been resolved.

Hatchitoches Parish Hospital Service District
Auditors' Comments and Recommendations (Continued)
For the Twelve Months Ended June 30, 1998

Page Two

** Condition: Last year we found late postings of cash receipts. This year, two of ten cash receipts tested were posted with an incorrect date. Further inquiry found cash receipts lists at the end of the month were not posted for a week or more while month end processing was given priority. Additionally, cash receipt numbers were not used in sequential order.

** Recommendation: Cash received and deposited each day should be promptly listed and posted to produce accurate records and minimize the effort needed to reconcile cash and accounts receivable balances. Receipts should be used in sequential order to produce a reasonable audit trail.

** Response: Management will work toward the goal to see that all cash receipt are posted the day received. With the current computer system, however, the control would be difficult to implement. The new computer system which will be installed shortly will have the ability to control cash receipt numbers.

** Resolution: This matter has been partially resolved. The cash receipt numbers are used in sequential order. However, the postings of the cash receipts were not done in a timely manner.

** Condition: The problem with excessive turnover in the cashier's position continues from prior years.

** Recommendation: Consider an increase in pay for the cashier position.

** Response: The pay rate for the cashier position has been increased in addition to the 2% raise authorized by the Board of Commissioners. Management will be reviewing this position to see if those pay adjustments help to reduce turnover.

** Resolution: This matter has been resolved.

3. Bad Debt Write-offs

** Condition: Last year's recommendations to implement control totals and reconcile posted balances to authorized write-off amounts were not begun. Current procedures include providing data processing with a list which could be altered without detection.

** Recommendation: We recommend completion of write-off lists with control totals that are properly approved by management before posting. Subsequently, postings should be reconciled to the approval lists and totals.

** Response: Management agrees this reconciliation is needed and will begin using one immediately.

**Nauchitochas Parish Hospital Service District
Auditors' Comments and Recommendations (Continued)
For the Twelve Months Ended June 30, 1998**

Page Three

**** Resolution:** This matter has been partially resolved. The write-off list was approved by management and contained control totals. However, these totals were not utilized by staff processing after the posting of led debts.

4. Classification Errors

**** Condition:** In prior years we recommended monthly reconciliations of major subsidiary records to the general ledger and at least quarterly reconciliations for the other balance sheet accounts. Uncompleted reconciliations and inconsistent assignment of expense resulted in an excessive number of adjusting entries.

**** Recommendation:** We recommend timely completion of reconciliations to allow generation of accurate financial statements on which management decisions can be based. Examples of major subsidiary records would include, but are not limited to: bank balances; patient accounts receivable; vendor accounts payable; physician receivables (guarantees, rents, etc.); reasonableness tests of charges using medical records data; payroll withholding disbursements; property, plant and equipment records; fund balance; etc. We suggest account classifications be included on purchase order request from managers to minimize inconsistent assignment of expenses.

**** Response:** Again this year there has been turnover of key accounting personnel. We have a new accountant that will work with our auditors to insure that all required reconciliations are prepared timely.

**** Resolution:** This matter has been partially resolved. Additional reconciliations were completed during the year, but some accounts still remain unrecconciled.

5. Physician Receivables, Loans, and Guarantees

**** Condition:** As in previous years, physician contracts are not monitored monthly to avoid excessive payments under income guarantees or to perform timely billing of rents and other amounts due the Hospital.

**** Recommendation:** We recommend the responsibility for financial adherence to physician contracts be assigned to an individual in the accounting department. Regular supervisory review of physician contract reporting and payment compliance must be performed.

**** Response:** Procedures will be implemented to correctly account for physician receivables, loans and guarantees, with monthly billing of receivables, monitoring of loan balances, and amortization of guarantees.

**** Resolution:** This matter has been partially resolved. The physician receivables were reconciled and monitored on a monthly basis, but billings for rents and other amounts due the Hospital were not billed.

Natchitoches Parish Hospital Service District
Auditors' Comments and Recommendations (Continued)
For the Twelve Months Ended June 30, 1998

Page Four

6. Patient Accounts Receivable

** Condition: Patient financial classification errors are occurring at admission and not subsequently corrected when identified. Failure to correct charge and accounts receivable classifications results in erroneous information being used to estimate interim allowances for uncollectibles and contractual adjustments.

** Recommendation: Exercise greater care in assigning patient payer classification and promptly make classification corrections when determined.

** Response: We have established a new financial classification for Medicare coinsurance and deductibles to ensure proper classification. On commercial plans, we have asked the cashier to make proper classification after payment is received.

** Resolution: This matter has been resolved.

** Condition: Last year we suggested reporting commercial carrier and/or employer group charges and accounts receivable separately for each carrier or group so related allowances can be properly estimated. The new computer system was to correct this problem, but has not been installed and alternative measures were not implemented.

** Recommendation: Our recommendation is the same as last year.

** Response: Management agrees that information should be reviewed separately. Steps will be taken to correct this problem.

** Resolution: This matter has not been resolved.

7. Accounts Payable

** Condition: We tested six months of travel expense documentation for the top manager in administration, accounting, purchasing, and nursing service. Inaccurate or questionable items on reports from the controller were: (1) Two \$102 meals were charged to the controller's account and also listed for separate reimbursement on the same expense report. (2) A \$100 payment for mileage reimbursement was made to the controller for 300 trips to and from the Northwest Psychiatric Unit during the 187 days from March 1 through September 13, 1996. Requests for reimbursement for other trips did not include the names of all persons making the trip, business purpose of the trip, or the dates and location of the trips. Reports listed from other staff included adequate documentation.

** Recommendation: Accounts payable should review disbursement requests closely for duplications, accuracy, and a reasonable business purpose including the names of persons involved, date(s), mileage (including odometer readings), location, and the reason for the trip(s), meal(s), etc. Employees who are authorized to travel on behalf of the Hospital should be

Natchitoches Parish Hospital Service District
Auditors' Comments and Recommendations (Continued)
For the Twelve Months Ended June 30, 1988

Page Five

required to complete monthly expense reports. If timely expense reports with adequate support are not presented by staff, accounts payable and/or administration should not approve the reports for payment.

**** Response:** This employee no longer works in the accounting department. Management will establish a policy to avoid this problem in the future.

**** Resolution:** This matter has been resolved.

**** Condition:** The new computer system, which was ordered in December 1986 and currently not operating, was obtained without issuance of a purchase order. Computer system receiving reports and the related lease-purchase agreement cannot be located by hospital staff, but were last seen in possession of the controller.

**** Recommendation:** All departments should follow hospital policy and obtain valid purchase orders. Adequate documentation of transactions should be retained in a safe place on the Hospital premises.

**** Response:** The controller was given permission to order the new computer system. He was aware that a purchase order was needed since he was the supervisor over purchasing. A memo will be sent to all department managers explaining the need for a valid purchase order prior to any purchase.

**** Resolution:** This matter has been resolved.

8. Miscellaneous Accounts

**** Condition:** There are several "miscellaneous" accounts on the ledger whose receipts are posted with the expectation the posting will be reversed or reviewed and reclassified.

**** Recommendation:** Review and adjust these accounts monthly.

**** Response:** Monthly reviews and reclasses will be made.

**** Resolution:** This matter has not been resolved.

1987 Other Recommendations to Management

1. Cost Reporting

**** Condition:** To maximize and accurately calculate third party cost reimbursement it is necessary to maintain current and accurate allocation statistics. Allocation statistics for several

Natchitoches Parish Hospital Service District
Auditors' Comments and Recommendations (Continued)
For the Twelve Months Ended June 30, 1988

Page Six

departments are initiated and two years ago the fiscal intermediary recommended current statistics be maintained.

** Recommendation: As last year, we recommend maintaining current statistics for all overhead allocations. Specific areas which did not have current records include: 1) nursing home housekeeping staff hours by departments cleaned; 2) hospital housekeeping staff hours by departments cleaned; 3) telephone operator time spent for telephone duties versus other duties; and 4) laundry pounds for department served.

** Response: Time studies and yearly statistical records will be kept as recommended.

** Resolution: This matter has been resolved.

** Condition: Medicare's periodic interim payment (PIP) method of reimbursement requires an 85% current status for inpatient claims. PIP provides prompt, even cash flow. Management has frequently received warnings that the Hospital is not meeting Medicare's requirements, including a 7.15% current status in March 1988. For the last two years, delinquent billings have resulted in PIP payments being reduced and interim payments returned to Medicare. Delays in obtaining Medicare payments have caused cash flow difficulties. Continued delays in billing Medicare will result in more cash flow problems and removal from the PIP method of reimbursement. This is significant because the 3 week PIP delay in getting paid for inpatient Medicare activity would increase to the 4 or 5 months it is taking to get inpatient Medicare claims processed. This could reduce cash by more than \$1,000,000.

** Recommendation: Management must regularly monitor and insure timely completion of charts by physicians and medical records, and related billing by the business office.

** Response: This has been discussed with the medical staff on several occasions. No billing can be completed until physicians complete their records. Management is working with physicians to have them complete their records on a more timely basis.

** Resolution: This matter has not been resolved.

1987 Compliance Issues

1. Contracts and Leases

** Condition: The computer lease-purchase requires the lessor be listed as a loss payee, but the policy does not include the necessary endorsement.

** Recommendation: The policy should be amended with the proper endorsement and future similar requirements should be promptly heeded.

Natchitoches Parish Hospital Service District
Audited Comments and Recommendations (Continued)
For the Twelve Months Ended June 30, 1998

Page Seven

** Response: Management will correct this.

** Resolution: This matter has been resolved.

** Condition: Moving expenses for \$4,533 were paid for a physician under contract but the contract did not address the Hospital's payment of moving expenses. Another physician was paid \$20,115 in excess of the guarantee amount because monthly reports required by the contract were not obtained. The contracts specify payment limits for moving expenses, equipment, items includable in income, guarantee periods, repayment periods, amortization periods, etc. which are not always applied.

** Recommendation: Accounting should not make payments without adequate documentation. Copies of contracts should be provided to accounting for comparison to payment requests and to insure reporting and payment limitation requirements are met prior to payment(s).

** Response: Responsibility will be assigned and contract provisions reviewed prior to payment and posting.

** Resolution: This matter has been resolved.

1998 Material Weaknesses

1. Purchasing

** Condition: Purchase orders and receiving reports are not being received in accounts payable in a timely manner. This results in invoices not being paid timely and the District being charged late fees and interest. Also, the purchasing director picks up the incoming mail from the post office.

** Recommendation: Purchase orders and receiving reports should be forwarded to accounts payable the same day ordered and when materials are received. An employee not involved in purchasing or cash receipts should pick up the mail each day and deliver it to administration for distribution, opening and making cash receipts control lists for deposits.

** Response: The District will comply with the recommendation. We will monitor compliance through accounts payable.

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1998 Other Recommendations to Management:

1. Gift Fund Value

**Condition: Support is needed to provide evidence of the fair value of the portion of the ticket sales that is considered a contribution.

**Recommendation: Evidence should be gathered annually to support the value of the contribution portion of the ticket sales.

**Response: We have developed a formula for identifying fair market value and the contribution portion of our tickets.

2098 Compliance Issues:

1. Outstanding Checks

**Condition: There are several outstanding checks dating back to 1991.

**Recommendation: Outstanding checks greater than one year old should be reported to the State of Louisiana as unclaimed property.

**Response: The District will turn over the unclaimed checks to the State of Louisiana.