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**LAFORCHE PARISH HOSPITAL
SERVICE DISTRICT NO. 1**

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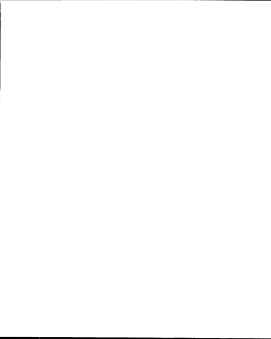
**LADY OF THE SEA GENERAL HOSPITAL
GALLIANO, LOUISIANA**

Under provisions of state law, this report is a public document. A copy of this report has been submitted to the auditor, or reviewed, and is available to the public without charge. This report is available for public inspection at the State Budget Office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 10/11/07

Audit of Financial Statements

June 30, 1997
and
June 30, 1998



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To the Board of Commissioners
Lafourche Parish Hospital Service District No. 1
c/o's Lady of the Sea General Hospital
Cajalapa, Louisiana

Independent Auditor's Report

We have audited the accompanying general purpose financial statements of **LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1, LADY OF THE SEA GENERAL HOSPITAL**, a component unit of the Lafourche Parish Police Jury, as of and for the years ended June 30, 1997 and 1996, as listed in the table of contents. These general purpose financial statements are the responsibility of **LAFOURCHE PARISH SERVICE DISTRICT NO. 1, LADY OF THE SEA GENERAL 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 the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. As such, includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. As such also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of **LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1, LADY OF THE SEA GENERAL HOSPITAL** as of June 30, 1997 and 1996, and the results of its operations and its cash flows of its proprietary fund for the years then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 21, 1997 on our consideration of **LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1, LADY OF THE SEA GENERAL HOSPITAL's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Richard J. Long, III

A Professional Accounting Corporation

November 21, 1997

A Professional Accounting Corporation

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**LA FORTUNE FARMER HOSPITAL SERVICE DISTRICT NO. 1
DBA
LADY OF THE SEA GENERAL HOSPITAL
BALANCE SHEETS**

ASSETS

	June 30,	
	1997	1996
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 301,471	\$ 886,413
Assets Whose Use is Limited	488,088	453,880
Patient Accounts Receivable, Net of Estimated Uncollectibles of \$1,816,299 for 1997, and \$681,886 for 1996	3,418,990	2,880,517
Inventory Supplies - at Cost	487,180	622,819
Prepaid Expenses	116,186	118,888
Other Receivables	133,683	238,998
Total Current Assets	<u>5,187,615</u>	<u>4,879,814</u>
ASSETS WHOSE USE IS LIMITED		
By Agreements with Third Party Payors for Pooled Depreciation	2,704,479	2,665,897
Under Indenture Agreement	528,968	343,521
By Board for Indenture Proceeds	373,886	113,185
Total Assets Whose Use is Limited	<u>3,379,514</u>	<u>3,328,599</u>
Less: Accounts Required to Meet Current Obligations	<u>488,088</u>	<u>453,880</u>
Noncurrent Assets Whose Use is Limited	<u>2,891,426</u>	<u>2,865,319</u>
PLANT AND EQUIPMENT, NET	<u>6,383,298</u>	<u>6,518,453</u>
OTHER ASSETS		
Construction in Progress	280,236	368,178
Other Receivables	214,262	-
Unamortized Bond Costs	12,872	14,873
Other Assets	50,834	57,988
Total Other Assets	<u>575,588</u>	<u>439,891</u>
Total Assets	<u>\$ 15,791,731</u>	<u>\$ 14,621,872</u>

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

LIABILITIES AND FUND BALANCE

	Funds 34.	
	1997	1996
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 480,800	\$ 455,000
Accounts Payable - Trade	380,808	480,380
Estimated Third Party Settlements	649,527	320,999
Accrued Salaries and Employer Benefits	510,116	658,780
Current Obligations of Capital Leases	185,210	150,081
Accrued Architect Fees	61,336	61,336
Accrued Interest on Long-Term Debt	41,817	50,237
Payroll Taxes Payable	5,578	1,258
Total Current Liabilities	<u>3,214,132</u>	<u>2,626,831</u>
LONG-TERM LIABILITIES, NET OF CURRENT MATURITIES		
Bonds Payable	1,838,080	2,310,800
Long-Term Obligations of Capital Leases	332,721	290,810
Deferred Revenues	82	89
Total Long-Term Liabilities	<u>2,170,883</u>	<u>2,601,699</u>
FUND BALANCE		
Fund Balance	18,780,812	30,158,540
Unrealized Loss on Noncurrent Marketable Securities	(181,582)	(118,417)
Total Fund Balance	<u>18,599,230</u>	<u>29,940,123</u>
 Total Liabilities and Fund Balance	 <u>\$ 14,983,234</u>	 <u>\$ 14,812,679</u>

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
DBA
LADY OF THE SEA GENERAL HOSPITAL
STATEMENT OF REVENUE AND EXPENSES

	For The Years Ended	
	June 30,	
	1997	1996
NET PATIENT SERVICE REVENUE	\$ 14,944,928	\$ 14,283,700
OTHER OPERATING REVENUE	<u>310,182</u>	<u>892,916</u>
Total Revenue	<u>15,255,110</u>	<u>15,176,616</u>
OPERATING EXPENSES		
Salaries and Wages	4,897,879	4,899,763
Employee Benefits	842,123	796,788
Purchased Services	4,499,600	4,670,948
Supplies and Other	3,367,174	3,488,600
Depreciation	882,668	914,719
Provision for Bad Debts	1,248,168	1,834,972
Interest	<u>376,612</u>	<u>217,635</u>
Total Expenses	<u>16,800,624</u>	<u>17,833,885</u>
Loss from Operations	<u>(1,545,514)</u>	<u>(2,657,269)</u>
NON-OPERATING GAINS (LOSSES)		
Income on Investments Whose Use is Limited:		
By Agreements with Third-Party Payors for Funded Depreciation	188,796	210,173
Under Indenture Agreement and by Board for Indenture Reserves	58,106	37,860
Taxes:		
Bond - Bids Used to Bond Retirement Fund	340,987	364,840
Maintenance - Net	348,676	332,323
Revenue Sharing	<u>18,289</u>	<u>30,274</u>
Non-Operating, Gains, Net	<u>908,754</u>	<u>975,470</u>
REVENUES AND GAINS IN EXCESS OF EXPENSES AND LOSSES, as stated	<u>\$ 363,236</u>	<u>\$ 318,341</u>

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

LAFOURCHIE PARISH HOSPITAL SERVICE DISTRICT NO. 1
 8888
 LADY OF THE SEA GENERAL HOSPITAL
 STATEMENTS OF CHANGES IN FUND BALANCE

	For The Year Ended	
	June 30,	
	1991	1990
BALANCE, Beginning of Year	\$ 10,158,580	\$ 9,880,818
Revenues and Gains in Excess of Expenses and Losses, as restated	651,233	288,610
BALANCE, End of Year, as restated	\$ 10,809,813	\$ 10,169,428

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

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
DBSA
LAFY OF THE SEA GENERAL HOSPITAL
STATEMENTS OF CASH FLOWS

	For The Year Ended June 30,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES AND GAINS AND LOSSES		
Revenues and Gains in Income of Expenses and Losses, as stated	\$ 621,202	\$ 216,623
Adjustments to Reconcile Revenues and Gains in Income		
of Expenses and Losses in Net Cash Provided		
by Operating Activities and Gains and Losses:		
Depreciation and Amortization	870,889	811,593
Amortization	2,790	2,790
Provision for Bad Debts	1,248,269	1,014,812
(Decrease) in Accounts Receivable	(1,834,723)	(1,514,231)
Increase in Estimated Third-Party		
Payer Settlements	421,388	428,466
(Increase) in Other Receivables	(110,844)	(148,405)
(Increase) Decrease in Inventories	(39,244)	3,658
(Increase) Decrease in Prepaid Expenses	(1,217)	3,664
(Decrease) in Accounts Payable	(155,595)	(96,238)
(Decrease) Increase in Accrued Salaries and		
Employee Benefits	(141,211)	193,601
(Decrease) in Accrued Interest on Long-Term Debt	(11,230)	(5,779)
Income (Expense) in Payroll Taxes Payable	9,212	(2,612)
	903,466	1,258,232
Net Cash Provided by Operating		
Activities and Gains and Losses	903,466	1,258,232
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Received for Other Assets	(1,780)	(24,821)
Cash Received for Assets Whose		
Use is Limited	(73,762)	(104,838)
Cash Paid on Construction in Progress	(88,912)	(99,025)
Purchases of Plant and Equipment	(164,454)	(228,684)
Net Cash (Used) by Investing Activities	(398,912)	(658,368)

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

LAFORCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
 DBSA
 LADY OF THE SEA GENERAL HOSPITAL
 STATEMENTS OF CASH FLOWS (Continued)

	For The Years Ended	
	June 30,	
	1991	1990
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments made on Capital Leases	(234,307)	(144,800)
Repayment of Bonds and Certificates of Indebtedness	<u>(493,000)</u>	<u>(445,000)</u>
Net Cash (Used in) Financing Activities	<u>(727,307)</u>	<u>(589,800)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(264,876)	98,341
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>895,451</u>	<u>797,117</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 630,575</u></u>	<u><u>\$ 895,458</u></u>
SUPPLEMENTAL DISCLOSURES:		
Cash Paid During the Year For Interest	<u>\$ 183,800</u>	<u>\$ 222,800</u>
SUPPLEMENTAL DISCLOSURES OF NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Unrealized Gain (Loss) on Investment Securities	\$ 36,876	\$ (21,419)
Assets Acquired Through Capital Leases	(31,288)	-
Capital Lease Obligations	(31,288)	-
Construction in Progress Capitalized During the Year	69,825	85,119

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

**LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
DBA
LADY OF THE SEA GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS**

NOTE A

DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1, DBA LADY OF THE SEA GENERAL HOSPITAL (Hospital), is an acute care facility created pursuant to Louisiana revised statutes of 1950, Title 45, Chapter 18, and Ordinance No. 863 of Lafourche Parish Council adopted January 27, 1993. It is the Hospital's mission to provide its community with high quality care and education in a fiscally, caring, and professional manner.

The administration of the hospital is governed by a Board of Commissioners consisting of five members appointed by the Lafourche Parish Police Jury in accordance with the terms of office set forth in Louisiana Revised Statute 48:1853 and its Section 24008 (C) of Sub-Chapter "G" of the Code of Ordinances of the Lafourche Parish Police Jury.

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

GAAP Statement No. 14 established criteria for determining which component units should be considered part of the reporting entity for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GAAP has set forth criteria to be considered in determining financial accountability. This criteria include:

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

LAFORCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
ISRA
LADY OF THE SEA GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

NOTE A

DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REPORTING ENTITY (Continued)

Because the police jury appoints all of the members of the Hospital's governing board and has the ability to impose its will on the Hospital, the Hospital was determined to be a component unit of the Lafourche Parish Police Jury. The accompanying financial statements present information only on the funds maintained by the Hospital and do not present information on the police jury, the general government services provided by that government unit, or the other governmental units that comprise the financial reporting entity.

BASIS OF PRESENTATION

The financial statements of the Hospital have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB), is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989 that do not conflict or contradict GASB pronouncements.

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

CASH AND CASH EQUIVALENTS

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

ASSETS WHOSE USE IS LIMITED

Assets whose use is limited include assets set aside by the Board of Commissioners for future capital improvements and future initiative agreements, over which the Board retains control and may at its discretion subsequently use for other purposes; assets set aside in accordance with agreements with third-party payors; and assets held by trustees under initiative agreements and self-insured trust agreements.

INVENTORY

Inventory is valued at the lower of cost or market using the first-in, first-out method.

**LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
LRA
LADY OF THE SEA GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS**

NOTE A

DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PLANT AND EQUIPMENT

Plant and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed on the straight-line method.

Maintenance, repairs and minor replacements and improvements are expensed as incurred. Major replacements and improvements are capitalized at cost.

Interest cost incurred on borrowed funds during the period of construction or the outright purchase of capital assets is capitalized as a component of the cost of acquiring those assets.

INVESTMENTS

Trading securities, if any, which include any security held for near-term sale, are carried at fair market value. Gains and losses on trading securities, both realized and unrealized, are included in nonoperating income.

Available-for-sale securities, which include any security for which the Hospital has no immediate plan to sell but which may be sold in the future, are carried at fair value. Realized gains and losses, based on the specific identification method, are included in nonoperating income. Unrealized gains and losses are recorded in fund balances. Premiums and discounts are accreted and accrued, respectively, to interest income using the interest method over the period to maturity.

Held-to-maturity securities, which include any debt security for which the Hospital has the positive intent and ability to hold until maturity, are carried at historical cost adjusted for amortization of premiums and accretion of discounts. Premiums and discounts are amortized and accrued, respectively, to interest income using the interest method over the period to maturity.

Interest and dividends on investments in debt and equity securities are included in nonoperating income when earned.

USE OF ESTIMATES

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

INCOME TAXES

The Hospital is a governmental unit which has registered itself as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal income taxes on related income pursuant to Section 501(a) of the Code.

**LAPORCHIE PARISH HOSPITAL - SERVICE DISTRICT NO. 1
LATA
LADY OF THE SEA GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS**

NOTE A

DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

STATEMENT OF REVENUES AND EXPENSES

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

NET PATIENT SERVICE REVENUE

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

NON-DIRECT RESPONSE ADVERTISING

The Hospital expends advertising costs as incurred.

RISK MANAGEMENT

The Hospital is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Hospital is a member of two separate trust funds established by the Louisiana Hospital Association that encompass self-insurance of (1) Hospital professional liability and comprehensive general liability and (2) Hospital workers' compensation. The Hospital maintains to carry commercial insurance for all other risks of loss.

NOTE B

NET PATIENT SERVICE REVENUE

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

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient non-acute services, certain outpatient services and defined capital costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audit thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. Notices of amount of Program Reimbursement have been issued by the Medicare Fiscal intermediary for cost reporting periods ended June 30, 1994.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
DATA
LADY OF THE SEA GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

NOTE B

NET PATIENT SERVICE REVENUE (Continued)

Medicaid - Commencing July 1, 1994, inpatient care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per day. Prior to June 30, 1994, inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through June 30, 1994. The Hospital's Medicaid cost report for 1993 has been settled without audit.

The Hospital has entered into payment agreements with Blue Cross and other commercial insurance carriers, HMOs and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per diagnosis, discounts from established charges and prospectively determined daily rates.

NOTE C

CONCENTRATIONS OF CREDIT RISK

The Hospital is located in Gulfport, Louisiana. The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party paper agreements. The mix of receivables from patients and third-party papers was as follows as of June 30, 1997:

Medicare	67%
Medicaid	7%
Blue Cross	7%
Other Commercial	16%
Private Pay Patients	17%
	<u>100%</u>

NOTE D

CHARITY CARE

The Hospital does not provide for charity care upon the admission of a patient. It is only after services have been provided, and a patient claims that he cannot make payment on his account that the Hospital may consider forgiveness of the debt under its charity policy. During the years ended June 30, 1997 and June 30, 1996, the Hospital wrote off \$5,028 and \$4,208, respectively, as charity expenses, which is offset against its revenues.

LAFOURCHE PARISH HOSPITAL, SERVICE DISTRICT NO. 1

EMBA

LADY OF THE SEA GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

NOTE E

BANK DEPOSITS

Cash deposits with financial institutions, which include cash balances whose use is limited or restricted, amounted to \$865,517.

The cash balance was \$854,075, which, at the balance sheet date, was entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the Hospital's name.

NOTE F

ASSETS WHOSE USE IS LIMITED

Assets whose use is limited that are required for obligations classified as current liabilities are reported in current assets. The composition of assets whose use is limited at June 30, 1987 and 1986, is set forth in the following table. Investments are stated at fair value.

	<u>June 30,</u>	
	<u>1987</u>	<u>1986</u>
By Agreements with Third-Party Payors for Funded Depreciation:		
U.S. Treasury Obligations	\$ 1,681,050	\$ 1,635,007
Funds for Charitable Purposes		
U.S. Government Securities	<u>1,843,430</u>	<u>1,878,389</u>
	<u>3,524,480</u>	<u>3,513,397</u>
Under Indenture Agreements:		
Cash and Cash Equivalents	174,081	192,510
U.S. Treasury Obligations	<u>312,785</u>	<u>358,985</u>
	<u>526,866</u>	<u>551,517</u>
By Board for Indenture Reserves:		
Cash and Cash Equivalents	15,144	12,522
U.S. Treasury Obligations	<u>198,452</u>	<u>198,465</u>
	<u>213,596</u>	<u>213,187</u>
	<u>\$ 3,774,936</u>	<u>\$ 3,758,919</u>

LAFORCHER PARKER HOSPITAL-SERVICE DISTRICT NO. 1
DARR
LADY OF THE SEA GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

NOTE F

ASSETS WHOSE USE IS LIMITED (continued)

Investment income and gains for assets whose use is limited, cash equivalents, and other investments are comprised of the following for the years ending June 30, 1987 and 1986:

	June 30,	
	1987	1986
Income:		
Interest Income	\$ 327,815	\$ 348,848
	\$ 327,815	\$ 348,848

The following methods and assumptions were used by the Hospital in estimating the fair value of its financial instruments:

Cash and Cash Equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Assets Whose Use is Limited: These assets consist primarily of cash, short-term investments, long-term investments, and interest receivables. The carrying amount reported in the balance sheet approximates fair value.

NOTE G

PLANT AND EQUIPMENT

Major classifications of plant and equipment are summarized below:

	June 30,	
	1987	1986
Building	\$ 8,589,483	\$ 8,171,231
Equipment	3,773,877	3,941,208
Vehicles	87,829	72,138
	12,051,189	12,284,569
Less: Accumulated Depreciation	11,021,258	10,161,828
Total Buildings and Equipment	1,029,931	2,122,741
Land	315,242	315,242
Total Property and Equipment, net of Depreciation	\$ 1,345,173	\$ 2,437,983

Depreciation expense for the years ended June 30, 1987 and June 30, 1986 totaled \$879,889 and \$914,773, respectively.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
ISSA
LADY OF THE SEA GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

NOTE 10

LONG-TERM DEBT

On April 1, 1978, bonds totaling \$4,488,080 were issued by the Hospital Service District No. 1 of the Parish of Lafourche, State of Louisiana. Proceeds from the sale of these bonds were restricted for construction of the Hospital. The bonds are in denominations of \$5,000 each, maturing serially in the years 1978 through 2001, inclusive. Interest is payable on April 1 and October 1, each year. The average interest rate is 6.519%. The bonds and interest will be paid by an annual Ad Valorem tax levied on property owners. The balance owed on the bonds was \$1,385,000 and \$1,038,000 at June 30, 1997 and June 30, 1996, respectively.

On February 3, 1981, revenue bonds totaling \$2,681,485 were issued in a private sale to the National Customs and Atmospheric Administration, Office of Capital Asset Management, bearing interest at a rate of 6% per annum and maturing over a period of twenty-five years, with interest payable semi-annually on February 3 and August 3. The balance owed on the bonds was \$620,808 and \$781,808 at June 30, 1997 and June 30, 1996, respectively.

On April 1, 1992, bonds totaling \$1,980,808 were issued by the Hospital Service District No. 1 of the Parish of Lafourche, State of Louisiana. Proceeds from the sale of these bonds were restricted to acquiring and constructing additions and improvements to Hospital facilities, including the dialysis unit, equipment and furnishings. The bonds are in denominations of \$5,000 each, maturing serially in the years 1993 to 2003, inclusive. Interest is payable on April 1 and October 1, each year. The interest rate is 7.0%. The balance owed on the bonds was \$285,000 and \$480,000 at June 30, 1997 and June 30, 1996, respectively.

Scheduled principal repayments on long-term debt are as follows:

1998	\$ 488,080
1999	313,080
2000	370,080
2001	508,080
2002	75,000
Thereafter	<u>305,000</u>
	<u>\$ 2,310,800</u>

NOTE 11

COMMITMENTS

• **Capital Leases**

The Hospital is the lessee of various medical equipment under capital leases expiring in various years through June 30, 2003. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lesser of their related lease terms or their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense for the years ended June 30, 1997 and June 30, 1996.

LAFOURCHIE PARISH HOSPITAL SERVICE DISTRICT NO. 1
IBRA
LADY OF THE SEA GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

NOTE 1

COMMITMENTS (Continued)

• **Capital Leases (Continued)**

Depreciation on assets under capital leases charged to expense in fiscal years ended June 30, 1997 and 1998 was \$83,547 and \$80,305, respectively.

Minimum future lease payments under capital leases as of June 30, 1997 for each of the next five years and in the aggregate are:

Year Ended June 30,

1998	-	\$ 186,253
1999		185,108
2000		48,263
2001		37,400
2002		26,943
Thereafter		-----
		\$ 344,967

• **Operating Leases**

The Hospital also leases medical equipment under operating lease agreements. The total net expense for the years ended June 30, 1997 and June 30, 1998 for equipment leased under operating leases was \$60,848 and \$60,475, respectively.

• **Purchase Agreements**

During the fiscal year ended June 30, 1998, the Hospital entered into a long-term purchase contract with IM Medical Imaging Systems for the purchase of the Hospital's X-ray film. The term of the contract is five years, with an annual film purchase commitment of \$113,886.

As an incentive for the Hospital to enter into the purchasing contract, IM provided the Hospital with X-ray printing equipment. This equipment had a list price of \$110,826.

The cost of this equipment is deemed to be implicitly included in the annual film purchase commitment. Based on this, the acquisition of the equipment is deemed to be through a capital lease. A portion of the cost incurred in acquiring X-ray film from IM is applicable in reduction of the lease obligation. Minimum lease payments associated with the equipment are included in the schedule of minimum future lease payments, as presented above.

LAWSONITE PARK HOSPITAL SERVICE DISTRICT NO. 1
DATA
LADY OF THE SEA GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

NOTE I

COMMITMENTS (Continued)

• **Purchase Agreements (Continued)**

The effective minimum purchase obligations associated with the purchasing contract are as follows:

Year Ended June 30,	Purchase Commitments	Amount Applied to Lease	Net Purchase Commitment
1988	\$ 123,898	\$ 22,000	\$ 101,898
1989	123,898	22,000	101,898
1990	78,182	12,800	65,382
	<u>\$ 325,978</u>	<u>\$ 56,800</u>	<u>\$ 269,178</u>

NOTE J

DEFERRED COMPENSATION PLAN AND PENSION PLAN

The Hospital has a plan where qualifying employees may defer certain amounts of their salary. The Hospital bears no cost under this plan.

Effective November 1, 1993, all full-time employees who had one year of continuous service were eligible to participate in the Hospital's retirement plan. Prior to November 1, 1993, full-time employees were required to have three years of continuous service in order to be eligible for the plan. The plan is a defined contribution, money purchase plan. The plan is voluntary and there is no requirement for employees to contribute to the plan. Eligible employees may contribute up to 10% of their annual salary during their first year in the plan and 20% thereafter. Part-time employees can participate in the plan, but are limited to only employee contributions. Employees are 100% vested at the time of their enrollment.

The Hospital funds the plan based on a percentage of eligible employees' annual salary. This percentage is determined by the Board, and is currently 1.20%. There is no prior funding required. The Hospital's contribution to the plan amounted to \$105,584 for June 30, 1997 and \$104,050 for June 30, 1996.

NOTE K

FRONT PERIOD ADJUSTMENT

The accompanying financial statements for 1996 have been restated to correct an error in accruing purchased services. The effect of the restatement was to increase net income for 1996 by \$13,281.



To the Board of Commissioners
Lafourche Parish Hospital Service District No. 1
Irene Lady of the Sea General Hospital
Cajalapa, Louisiana

**Independent Auditor's Report
on Supplementary Information**

Our report on our audit of the component unit financial statements of LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1, IRENE LADY OF THE SEA GENERAL HOSPITAL, for the years ended June 30, 1997 and 1996, appears on page 1. That audit was made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The supplementary information that follows on pages 18-22 is presented for purposes of additional analysis and is not a required part of the component unit financial statements. Such information, except for that portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, which appears to read "Arthur J. Sehn".

A Professional Accounting Corporation

November 23, 1997

A Professional Accounting Corporation

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International Auditing with Accounting from Abroad®, Inc.

**LAFORCHIE PARISH HOSPITAL SERVICE DISTRICT NO. 1
DPMA
LADY OF THE SEA GENERAL HOSPITAL
SCHEDULE OF REVENUES**

	For The Years Ended	
	June 30,	
	1997	1996
PATIENT SERVICE REVENUES		
Psychiatric Program	\$ 4,964,053	\$ 4,471,919
Laboratory	3,181,388	2,618,904
Pharmacy	2,806,000	2,589,059
Cardiopulmonary	1,899,329	1,829,988
Radiology	1,482,208	1,333,363
Operating Room and Recovery Room	1,418,880	1,099,334
Room and Nursing	1,042,032	1,183,963
Home Health	1,007,574	1,513,101
Emergency and Treatment Rooms	1,352,060	1,088,185
Dialysis	1,053,395	844,086
Anesthesiology	483,493	387,353
Medical Supplies - Central Supply	550,219	558,904
Intensive Care	437,358	433,346
Cat Scans	576,623	486,758
E.E.G.	386,483	178,333
Ultrasound	354,694	197,377
M.R.I.	155,188	166,024
Nuclear Medicine	157,737	99,192
Physical Therapy	33,681	33,329
Mammography	28,257	29,199
Social Services	11,333	16,784
E.E.G.	11,215	18,071
C/P Outreach	29,918	-
Speech Therapy	878	133
	<u>23,589,363</u>	<u>21,321,897</u>
 Totals		
Less: Contractual Adjustments	<u>6,043,647</u>	<u>6,238,184</u>
 Net Patient Service Revenue	<u>\$ 14,945,716</u>	<u>\$ 14,383,713</u>

See independent auditor's report on supplementary information.

LAFOURCHER PARISH HOSPITAL SERVICE DISTRICT NO. 1

DBSA

LADY OF THE SEA GENERAL HOSPITAL

SCHEDULE OF REVENUES (Continued)

	For The Year Ended	
	June 30,	
	1992	1991
OTHER OPERATING REVENUE		
Charges	\$ 676,150	\$ 813,809
Employee Meals	17,240	36,897
Miscellaneous	24,758	21,580
Medical Records Revenue	6,509	12,429
Guest Meals	4,417	3,890
Silver Reclamation from X-Ray Films	78	211
	<u>739,152</u>	<u>898,816</u>
Total Other Operating Revenue	\$ 739,152	\$ 898,816

See independent auditor's report on supplementary information.

	Share wt Total	Booked Shares	Equity at Risk	WT Total	Share wt Total	Booked Shares	Equity at Risk
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PROCEEDS

Business Office	63.00	63.00	25.00	18.47	63.00	25.00	23.00
Real Property	63.00	63.00	6.00	8.86	63.00	6.00	6.00
Capital	63.00	25.00	6.00	8.86	63.00	6.00	6.00
Debt	63.00	63.00	6.00	8.86	63.00	6.00	6.00
Other Income	63.00	63.00	6.00	8.86	63.00	6.00	6.00
	63.00	63.00	6.00	8.86	63.00	6.00	6.00

LIABILITIES

Accounts Payable	63.00	63.00	6.00	8.86	63.00	6.00	6.00
Long-Term Debt	63.00	63.00	6.00	8.86	63.00	6.00	6.00
Other Liabilities	63.00	63.00	6.00	8.86	63.00	6.00	6.00
Other Assets	63.00	63.00	6.00	8.86	63.00	6.00	6.00
	63.00	63.00	6.00	8.86	63.00	6.00	6.00
	63.00	63.00	6.00	8.86	63.00	6.00	6.00

PROPOSED EDITION

Business Office	63.00	63.00	6.00	8.86	63.00	6.00	6.00
Real Property	63.00	63.00	6.00	8.86	63.00	6.00	6.00
Capital	63.00	63.00	6.00	8.86	63.00	6.00	6.00
Debt	63.00	63.00	6.00	8.86	63.00	6.00	6.00
Other Income	63.00	63.00	6.00	8.86	63.00	6.00	6.00
	63.00	63.00	6.00	8.86	63.00	6.00	6.00

PROPOSED EDITION

Business Office	63.00	63.00	6.00	8.86	63.00	6.00	6.00
Real Property	63.00	63.00	6.00	8.86	63.00	6.00	6.00
Capital	63.00	63.00	6.00	8.86	63.00	6.00	6.00
Debt	63.00	63.00	6.00	8.86	63.00	6.00	6.00
Other Income	63.00	63.00	6.00	8.86	63.00	6.00	6.00
	63.00	63.00	6.00	8.86	63.00	6.00	6.00

**LAFORCHÉ PARISH HOSPITAL SERVICE DISTRICT NO. 1
L/BA
LADY OF THE SEA GENERAL HOSPITAL
UNAUDITED CONDENSED SCHEDULE OF INSURANCE
For The Year Ended June 30, 1997**

<u>COVERAGE</u>	<u>AMOUNT</u>	<u>EXPIRES</u>
PROPERTY, BOILER AND MACHINERY		
All Buildings, Personal Property, Interiors and Machinery and Business Income		
All Buildings (90% Coinsurance) and Contents, Equipment, Etc.		
Market Coverage Range		
Low	\$ 4,800,000	11/1/98
High	9,600,000	
Non-Market Coverage Range		
Low	10,000	11/1/98
High	8,800,000	
Autom - Vehicles - Plus Collision	1,800,000	11/1/98
DIRECTORS' AND OFFICERS' LIABILITY	1,000,000	9/30/98
COMMERCIAL CRIME		
Employee Dishonesty	100,000	11/1/98
Forgery and Alteration	50,000	11/1/98
Theft, Disappearance and Destruction	50,000	11/1/98
Robbery and Safe Burglary	50,000	11/1/98
FLOOD		
Building	125,000	1/30/97
Contents	25,000	1/30/97
WORK MEN'S COMPENSATION	1,000,000	1/1/98
BOARD ACCIDENT		
Accidental Death	50,000	6/15/98
Medical Expenses	50,000	6/15/98

See independent auditor's report on supplementary information.

LAFAYETTE PARISH HOSPITAL SERVICE DISTRICT NO. 1
 (DBA)
 LADY OF THE SEA GENERAL HOSPITAL
 UNAUDITED CONDENSED SCHEDULE OF INSURANCE (Continued)
 For The Year Ended June 30, 1997

<u>COVERAGE</u>	<u>AMOUNT</u>	<u>EXPIRES</u>
PROFESSIONAL LIABILITY		
Coverage per Claim	100,000	11/1/97
Primary Excess	400,000	11/1/97
GENERAL LIABILITY		
Coverage per Occurrence	5,000,000	11/1/97
PATIENT COMPENSATION		
Coverage per Claim	100,000	11/1/97
BUSINESS TRAVEL		
Accidental Death	125,000	6/1/98
Accident	100,000	6/1/98

See independent auditor's report on supplementary information.

**INDEPENDENT AUDITORS REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED BY
ACCOUNTANTS WITH GOVERNMENT ACCOUNTING EXPERIENCE**

To the Board of Commissioners
Lafourche Parish Hospital Service District No. 1,
d/b/a Lady of the Sea General Hospital
Galliano, Louisiana

We have audited the general purpose financial statements of LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1, D/B/A LADY OF THE SEA GENERAL HOSPITAL, for the year ended June 30, 1997, and have issued our report thereon dated November 21, 1997.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1, D/B/A LADY OF THE SEA GENERAL HOSPITAL's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these 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 LAPOURCHIE PARISH HOSPITAL, SERVICE DISTRICT NO. 1, BURG LADY OF THE SEA GENERAL HOSPITAL's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control 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. A material weakness is a condition in which the design or operation of one or more 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 in amounts that would 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, management and the Legislative Auditors of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.



A Professional Accounting Corporation

November 21, 1997