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While provisions of state law, this report is a public document. A copy of this report may be made by the public and other persons, public officials. This report is available for public inspection at the State House office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

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Independent Auditor's Report

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

We have audited the accompanying general purpose financial statements of Hospital Service District No. 1, Parish of Pointe Coupee, cba Pointe Coupee General Hospital, as of and for the years ended October 31, 1998, 1997 and 1996, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

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

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, requires disclosure of certain matters regarding the year 2000 issue in order for financial statements to be prepared in conformity with generally accepted accounting principles. Such required disclosures include:

- any significant amount of resources committed to make computer systems and other electronic equipment year 2000-compliant;
- a general description of the year 2000 issue, including a description of the stages of work in process or completed as of the end of the reporting period to make computer systems and other electronic equipment critical to conducting operations year 2000-compliant; and
- the additional stages of work necessary for making the computer systems and other electronic equipment year 2000-compliant.

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

The Hospital has omitted such disclosures. We do not provide assurance that the Hospital is or will be year 2000 ready, that the Hospital's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Hospital does business will be year 2000 ready.

In our opinion, except for the omission of the information discussed in the preceding paragraph, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Pointe Coupee General Hospital, as of October 31, 1998, 1997 and 1996, and the results of its operations and the cash flows for the years then ended, in conformity with generally accepted accounting principles applicable to governmental entities.

In accordance with Government Auditing Standards, we have also issued a report dated March 4, 1999, on our consideration of Pointe Coupee General Hospital's internal control structure and on its compliance with laws and regulations.

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

Carley Lester & Wells

March 4, 1999

Pointe Coupee Parish Hospital Service District No. 1
Balance Sheets - Unrestricted Funds
October 31, 1998, 1997 and 1996

Assets	1998	1997	1996
Current assets			
Cash and cash equivalents (Note 5)	\$ 1,134,475	\$ 913,042	\$ 889,934
Assets limited as to use - required for current liabilities (Note 5)	68,689	50,903	95,219
Patient accounts receivable, net of estimated uncollectibles of \$829,000, \$855,000 and \$242,500 for the years ended 1998, 1997 and 1996, respectively (Note 7)	1,824,288	2,094,361	1,256,788
Receivables - third party payers	-	88,883	-
Other receivables	915,533	135,477	119,328
Sales tax receivable (Note 8)	100,730	101,267	174,876
Notes receivable, current maturities	12,487	31,243	2,702
Inventory	274,847	254,938	285,627
Prepaid expenses and deposits	68,328	186,058	174,891
Total current assets	3,628,860	3,769,809	2,829,068
Assets limited as to use (Note 6)	2,280,582	2,716,054	2,292,858
Property and equipment, net (Note 10)	8,473,420	7,117,762	5,804,388
Other assets			
Investments	2,527,546	2,820,118	2,870,144
LHA investment	107,849	66,668	85,466
Notes receivable, less current maturities	9,894	3,645	20,922
Total assets	\$10,028,932	\$18,513,558	\$13,921,962

See accompanying notes to financial statements.

Pointe Coupee Parish Hospital Service District No. 1
Balance Sheets - Unrestricted Funds (Continued)
October 31, 1996, 1997 and 1998

Liabilities and Fund Balance	1996	1997	1998
Current liabilities			
Accounts payable	\$ 259,398	\$ 279,430	\$ 389,048
Accrued expenses, benefits and salaries (Note 12)	511,654	429,865	452,424
Current portion of capital lease obligations (Note 14)	3,400	3,400	3,400
Current portion of note payable (Note 15)	75,000	-0-	-0-
Interest financing (Note 15)	-0-	645,600	-0-
Payable to third party payers	257,080	-0-	92,423
Total current liabilities	1,106,532	1,358,295	937,295
Capital lease obligations, excluding current portion (Note 14)	-0-	3,400	6,800
Note payable, excluding current portion (Note 15)	855,000	-0-	-0-
Commitments and contingencies (Note 16)	---	---	---
Fund balance - unrestricted	16,068,284	14,843,889	12,997,889
Total liabilities and fund balance	<u>\$18,029,816</u>	<u>\$18,205,584</u>	<u>\$13,931,084</u>

See accompanying notes to financial statements.

Pointe Coupee Parish Hospital Service District No. 1
 Statements of Operations - Unrestricted Funds
 For the Years Ended October 31, 1998, 1997 and 1996

	1998	1997	1996
Net patient service revenue (Note 4)	\$ 10,383,344	\$ 9,857,895	\$ 9,308,897
Other revenue (includes sales tax revenue of \$1,188,309, \$1,705,962 and \$1,615,297 in 1998, 1997 and 1996, respectively)	1,295,395	1,615,139	1,729,520
Total revenue	11,678,739	11,473,035	10,038,417
Expenses:			
Salaries and benefits	4,735,433	4,259,875	4,048,838
Medical supplies and drugs	1,283,970	1,187,731	983,891
Insurance	147,462	275,457	145,365
Depreciation	636,821	478,424	381,360
Interest	32,431	25,872	-
Provision for bad debts	896,714	888,155	743,572
Other expenses	3,134,311	2,857,260	2,642,805
Total expenses	10,882,942	9,984,274	8,605,791
Operating income (loss)	895,797	1,615,493	1,187,723
Nonoperating income (loss):			
Income on investments whose use is limited	290,178	187,366	185,443
Other investment income	159,995	127,762	170,274
Contributions and grants	102,311	179,800	39,067
Gain (loss) on disposal of equipment	1,054	4,759	248
Payments to Police Jury	-	(85,000)	(85,000)
Nonoperating income, net	473,538	434,510	250,032
Increase in unrestricted fund balance	\$ 1,169,424	\$ 2,245,973	\$ 1,337,755

See accompanying notes to financial statements.

Pointe Coupee Parish Hospital Service District No. 1
 Statements of Cash Flows - Unrestricted Funds
 For the Years Ended October 31, 1988, 1987 and 1986

	1988	1987	1986
Cash flows from operating activities			
Operating income (loss)	\$ 681,808	\$ 1,011,491	\$ 1,107,733
Interest expense considered capital financial activity	52,401	25,872	-
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	626,521	478,424	301,280
Provision for bad debts	826,714	888,156	746,672
LHA Trust allocation	(20,557)	(5,425)	(38,253)
Contributions and grants	192,311	179,800	58,087
Changes in			
Patient accounts receivable	(898,661)	(1,736,730)	(614,207)
Estimated third party payer receivables/payables	355,148	(180,508)	207,000
Other receivables	19,944	(10,151)	48,883
Sales tax receivables	(1,483)	73,803	(57,198)
Inventories	(20,080)	(20,312)	(7,898)
Prepaid expense	67,779	(21,703)	5,801
Accounts payable	(23,074)	(88,613)	58,020
Accrued liabilities	71,988	(13,808)	100,858
Notes payable	14,400	545,800	-
Health insurance reserves	52,169	(41,316)	(30,825)
Net cash provided (used) by operating activities	<u>2,189,537</u>	<u>2,301,200</u>	<u>1,928,421</u>
Cash flows from investing activities			
LHA Insurance Trust	(14,428)	4,293	5,437
Income on investments whose use is limited	200,178	187,389	183,443
Other investment income	188,986	137,767	118,274
Assets whose use is limited	(588,584)	(343,428)	(117,890)
Unrestricted investment in U.S. T-Bills	292,584	(149,966)	(519,204)
Proceeds of notes receivable	12,459	2,113	3,282
Note receivable	-	-	(13,684)
Net cash used by investing activities	<u>\$ (70,638)</u>	<u>\$ (121,862)</u>	<u>\$ (446,158)</u>

See accompanying notes to financial statements.

Pointe-Coupee Parish Hospital Service District No. 1
 Statements of Cash Flows - Unrestricted Funds (Continued)
 For the Years Ended October 31, 1999, 1997 and 1996

	1999	1997	1996
Cash flows from noncapital financing activities			
Payments to Police Jury	\$ _____ 0-	\$ _____ 986,000)	\$ _____ 986,000)
Net cash (provided) by noncapital financing activities	_____ 0-	_____ 986,000)	_____ 986,000)
Cash flows from capital and related financing activities:			
Interest paid on long-term debt	(52,421)	(26,872)	0-
Purchase of property and equipment	(1,584,704)	(1,208,044)	(1,311,225)
Principal payments on capital leases	(3,400)	(3,400)	(3,400)
Gain (loss) on disposal of equipment	_____ 1,053	_____ 4,359	_____ 245
Net cash (provided) (used) by capital and related activities	(2,028,942)	(2,028,357)	(1,314,439)
Net increase (decrease) in cash	221,433	43,043	52,794
Beginning cash and cash equivalents	_____ 913,542	_____ 868,094	_____ 718,300
Ending cash and cash equivalents	\$ _____ 1,134,975)	\$ _____ 911,137)	\$ _____ 771,094)
Supplemental disclosures of cash flow information			
Cash paid during the year for interest	\$ _____ 52,421)	\$ _____ 26,872)	\$ _____ 0-

See accompanying notes to financial statements.

Pointe Coupee Parish Hospital Service (District No. 1)
 Statement of Changes in Fund Balance
 For the Years Ended October 31, 1996, 1997 and 1998

	Unrestricted Funds	Donor-Restricted Funds
Fund balance, October 31, 1995	\$ 11,240,106	\$ 68,202
Interest on grant funds received	-0-	2,266
Transfers to general fund - other revenue	-0-	(37,122)
Excess of revenues over expenses	1,267,283	-0-
Fund balance, October 31, 1996	12,507,389	33,346
Grants received in year ended October 31, 1997	-0-	54,584
Interest on grant funds received	-0-	1,486
Transfers to general fund - other revenue	-0-	(43,054)
Excess of revenues over expenses	2,285,973	-0-
Fund balance, October 31, 1997	14,843,662	45,946
Transfers to general fund - other revenue	-0-	(45,943)
Excess of revenues over expenses	1,164,426	-0-
Fund balance, October 31, 1998	\$ 16,008,288	\$ -0-

See accompanying notes to financial statements.

Pointe Coupee Parish Hospital Service District No. 1
Notes to Financial Statements
For the Years Ended October 31, 1999, 1997 and 1996

NOTE 1 - ORGANIZATION AND OPERATIONS

Organization - Pointe Coupee Hospital Service District No. 1 (referred to herein as "Pointe Coupee General Hospital" or the "District") was created by an ordinance of the Pointe Coupee Parish Police Jury on June 5, 1978. The District's area includes all of Pointe Coupee Parish, Louisiana.

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

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the financial reporting entity for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability.

Because the police jury appoints all commissioners of the Pointe Coupee Parish Hospital Service District No. 1, the District has been determined to be a component unit of the Pointe Coupee Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds managed by the District and do not present information on the police jury, the general governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Pointe Coupee Parish Hospital Service District No. 1
Notes to Financial Statements
For the Years Ended October 31, 1998, 1997 and 1995

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Statement of Revenues and Expenses of General Funds - 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 due from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

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

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

The District considers its unrestricted cash and investments with original maturities in excess of 90 days to be an investment.

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

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

Pointe Coupee Parish Hospital Service District No. 1
Notes to Financial Statements
For the Years Ended October 31, 1986, 1987 and 1988

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Property and Equipment - Property and equipment acquisitions are recorded at cost for assets purchased and if donated, at fair market value on the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital leases is amortized over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. The useful lives of property and equipment for the purpose of computing depreciation as established by the American Hospital Association are: buildings-25 to 40 years; machinery and equipment-5 to 20 years; furniture and fixtures-5 to 10 years.

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

NOTE 3 - CHARITY CARE

The District maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent services statistics. The following information measures the level of charity care provided during the years ended October 31, 1986, 1987 and 1988.

	1986	1987	1988
Charges foregone, based on established rates	\$ 205,873	\$ 200,902	\$ 163,181
Estimated costs and expenses incurred to provide charity care	\$ 169,890	\$ 173,667	\$ 145,323
Equivalent percentage of charity care patients to all patients served	2.0%	2.1%	2.0%

Pointe Coupee Parish Hospital Service District No. 1
Notes to Financial Statements
For the Years Ended October 31, 1995, 1997 and 1998

NOTE 4 - NET PATIENT SERVICE REVENUE

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

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries and capital cost are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain outpatient services related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the District. The District's Medicare cost reports have been examined by the Medicare fiscal intermediary through October 31, 1998. The intermediary may reopen and further adjust any year within three years of the date of a Notice of Program Reimbursement.

Medicaid - Effective July 1, 1994, the Medicaid program provided inpatient reimbursement at a prospective per diem rate. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The District is reimbursed for outpatient services at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been examined by the Medicaid fiscal intermediary through October 31, 1995. The intermediary may reopen and further adjust any year within three years of the date of a Notice of Program Reimbursement.

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

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

NOTE 5 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of October 31, 1995, 1997 and 1998, consisted of funds in interest bearing checking accounts which are insured against loss by the Federal Deposit Insurance Corporation and/or secured by a pledge of federal and Louisiana debt securities.

Pointe Coupee Parish Hospital Service District No. 1
 Notes to Financial Statements
 For the Years Ended October 31, 1998, 1997 and 1996

NOTE 6 - ASSETS LIMITED AS TO USE

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

	1998	1997	1996
Limited by board for capital improvements	\$ 2,078,587	\$ 2,073,231	\$ 1,670,876
Limited by board for third-party payer contingencies	698,490	646,723	622,320
Limited by board for debt repayment	14,826	-	-
Limited by agreement - Health Insurance	68,866	53,660	95,219
	<u>\$ 3,048,869</u>	<u>\$ 2,773,614</u>	<u>\$ 2,389,415</u>
Less: assets for current use	<u>(80,000)</u>	<u>(53,800)</u>	<u>(95,219)</u>
Total	<u>\$ 2,968,869</u>	<u>\$ 2,719,814</u>	<u>\$ 2,294,196</u>

NOTE 7 - PATIENT ACCOUNTS RECEIVABLE

A summary of patient accounts receivable is presented below.

	1998	1997	1996
Hospital patient receivables	\$ 2,082,070	\$ 1,758,870	\$ 1,340,588
Home Health patient receivables	481,328	306,351	248,308
	<u>2,483,298</u>	<u>2,065,221</u>	<u>1,588,896</u>
Less: estimated uncollectibles	<u>(629,000)</u>	<u>(555,000)</u>	<u>(342,000)</u>
Total	<u>\$ 1,854,298</u>	<u>\$ 1,510,221</u>	<u>\$ 1,246,896</u>

A summary of gross Medicare and Medicaid patient revenues follows.

	1998	1997	1996
Medicare patients	\$ 4,782,247	\$ 4,031,839	\$ 5,804,536
Medicaid patients	1,482,008	1,289,888	1,456,189
	<u>\$ 6,264,255</u>	<u>\$ 5,321,727</u>	<u>\$ 7,260,725</u>
Percent of all patients	62%	62%	62%

NOTE 8 - SALES TAX RECEIVABLE

On September 29, 1994, a 1% sales tax was removed by the citizens of the parish for an indefinite term. The resolution provides that 30% of such tax shall be dedicated to the District. These tax revenues are distributed to the parish Council on Aging (\$5,250 per month) and the parish Coroner's Office (\$1,333 per month). The remaining tax revenues are designated by the District to be distributed to hospital operations (70%), the parish health unit (21% with a maximum of \$5,000 per month) and the parish mental health unit (3% with a maximum of \$400 per month).

Pointe Coupee Parish Hospital Service District, No. 1
Notes to Financial Statements
For the Years Ended October 31, 1998, 1997 and 1996

NOTE 6 - SALES TAX RECEIVABLE (Continued)

The citizens of the parish approved an additional .25% sales tax for the hospital's operations that remains in effect through May 31, 2007.

Sales tax receivable consists of \$102,726, \$101,267 and \$114,600 of sales taxes collected by the parish in October 1996, 1997 and 1998, respectively, and remitted to the District in November 1996, 1997 and 1998, respectively.

NOTE 8 - NOTES RECEIVABLE

Notes receivable consist of a note dated August 11, 1997, due from a physician. It is being amortized over 30 months and bears no interest.

NOTE 10 - PROPERTY AND EQUIPMENT

A summary of property and equipment follows.

	1998	1997	1996
Land	\$ 1,208,687	\$ 329,229	\$ 218,820
Land improvements	119,724	114,220	108,892
Buildings and improvements	8,337,298	7,738,224	6,444,416
Equipment	5,528,548	5,169,528	4,608,120
Construction in progress	-	-	908,805
	<u>15,292,367</u>	<u>13,379,799</u>	<u>11,292,337</u>
Less accumulated depreciation and amortization	<u>-8,706,622</u>	<u>-8,165,417</u>	<u>-5,982,899</u>
Property and equipment, net	<u>\$ 6,585,745</u>	<u>\$ 5,214,382</u>	<u>\$ 5,309,438</u>

The District follows the policy of capitalizing interest as a component cost of property, plant, and equipment constructed for its own use. In 1997, total interest incurred was \$38,227, of which \$14,165 was capitalized.

NOTE 11 - INVESTMENTS (including Limited Use)

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

An analysis of security types at October 31, 1998 follows:

	Amortized Cost	
Debt securities issued by the U. S. Treasury and other U. S. Government Corporations and agencies	\$4,312,291	\$4,311,028

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

Debt securities issued by the U. S. Treasury and other U. S. Government Corporations and agencies	\$5,069,509	\$5,187,429
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Pointe Coupee Parish Hospital Service District No. 1
 Notes to Financial Statements
 For the Years Ended October 31, 1995, 1997 and 1999

NOTE 11 - INVESTMENTS (Continued)

An analysis of security types at October 31, 1999 follows:

	Amortized Cost	Fair Value
Debt securities issued by the U. S. Treasury and other U. S. Government Corporations and agencies	\$ <u>4,655,293</u>	\$ <u>4,667,633</u>
Louisiana Asset Management Pool, Inc.	\$ <u>802,180</u>	\$ <u>802,180</u>

Fair values are based upon quoted market prices.

NOTE 12 - ACCRUED EXPENSES, BENEFITS AND SALARIES

A summary of accrued expenses follows:

	1996	1997	1999
Salaries and wages	\$ 158,756	\$ 141,684	\$ 110,680
Compensated absences	223,262	192,908	201,979
Payroll taxes and withholdings	<u>128,787</u>	<u>105,569</u>	<u>135,584</u>
Total accrued expenses	\$ <u>510,805</u>	\$ <u>439,961</u>	\$ <u>452,243</u>

NOTE 13 - COMPENSATED ABSENCES

Upon completion of six months of employment, employees are eligible for paid time off (PTO). The amount in which each employee is entitled varies depending upon the job classification, length of service, number of hours worked each week and other factors. A maximum of 200 hours may be carried over from year to year. Any excess must be paid or used by January 31, of a subsequent year. Vested PTO time has been recorded as a liability in the accompanying financial statements at the payroll rates in effect at the balance sheet date.

NOTE 14 - CAPITAL LEASES

A lease purchase obligation to an instrumentation laboratory for a blood gas machine was entered into on March 28, 1995. The agreement calls for annual payments of \$3,490 and a four year term.

NOTE 15 - INTERIM FINANCING

Under the terms of a line of credit agreement with Regions Bank, dated December 9, 1996, the District borrowed \$947,918 at 5.225% due September 15, 1997. Funds from these borrowings were used for the construction of the home health and physical therapy buildings.

Pointe Coupee Parish Hospital Service District No. 1
Notes to Financial Statements
For the Years Ended October 31, 1995, 1997 and 1999

NOTE 18 - NOTE PAYABLE

Notes payable consist of a 5.465% note to Peoples Bank and Trust Company of Pointe Coupee, Inc. requiring semi-annual installments through November 1, 2007, and secured by pledge of the entire annual revenues from the general fund.

Following are maturities of long term debt for each of the next 5 years:

1998	\$ 75,000
1999	80,000
2000	85,000
2001	80,000
2002 and thereafter	520,000
	\$,900,000

NOTE 17 - PENSION PLAN

The District participates in the Parochial Employees' Retirement System (a contributory, governmental and multi-employer plan). Although the plan is obligated to the District's employees under a defined benefit formula, the District is obligated to the plan for a defined contribution amount (i.e. 20% of gross wages in 1995, 9% of gross wages after December 31, 1995 and 7.75% of gross wages after December 31, 1999). Employees also contribute 9.5% of salary to the plan. The District's pension plan expenses were \$269,098, \$255,266, and \$232,129 in 1996, 1997 and 1998, respectively.

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

NOTE 16 - PROFESSIONAL LIABILITY RISK

The Louisiana Patient's Compensation Fund - The District participates in the Louisiana Patient's Compensation Fund established by the State of Louisiana to provide professional medical liability coverage to health care providers. The fund provides for \$450,000 of coverage per occurrence above the first \$100,000 per occurrence for which the District is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of settlement for professional liability to \$500,000 per occurrence. Defense costs are not included in these amounts.

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

Pointe Coupee Parish Hospital Service District No. 1
Notes to Financial Statements
For the Years Ended October 31, 1996, 1997 and 1998

NOTE 19 - WORKMEN'S COMPENSATION

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

NOTE 20 - COMMITMENTS AND CONTINGENCIES

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

The principal contingencies are described below:

Operating Leases - Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred. Future minimum lease payments under noncancelable operating leases that have initial or remaining lease terms in excess of one year at October 31, 1997, consist of \$1,681 in the year ending October 31, 1999.

Total rental expense in the years ended October 31, 1996, 1997 and 1998, for operating leases and rentals was \$52,674, \$57,322 and \$43,059, respectively.

Management Agreement - Under the terms of a management agreement, the District is obligated for a fee of \$126,000 per year. The term of the agreement is indefinite. Either party may cancel the agreement upon thirty days notice to the other.

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

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

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

Pointe Coupee Parish Hospital Service District No. 1
Notes to Financial Statements
For the Years Ended October 31, 1998, 1997 and 1996

NOTE 20 - COMMITMENTS AND CONTINGENCIES (Continued)

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

Workmen's Compensation Risk - 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 Police Jury receiving a federal Hill-Burton program grant, the Hospital is required to provide a reasonable volume of uncompensated services (determined by a formula provided by the Federal government) to patients who are unable to pay for their medical care. Additionally, the grant requires the District to provide certain community services. During 1992, the District received certification under the Public Facility Compliance Alternative (PFC). This certification allows the facility to operate its own free or reduced cost care program, without compliance reviews.

Bonne Sainte' Center Obligation - The Board of Commissioners of Pointe Coupee Parish Health Service District No. 1, with consent from the District Attorney's office, approved payments to the Pointe Coupee Parish Police Jury for reimbursement of the Bonne Sainte' Center's expenditures. Those payments are evaluated on a year to year basis. The District paid \$100,000, \$117,700 and \$70,019 to Bonne Sainte' Center's expenditures in 1998, 1997 and 1996, respectively.

Payments to Police Jury - In November 1996 and March 1998 the hospital transferred \$50,000 (per year) to the Police Jury. During 1998, the hospital transferred \$45,800 to the Police Jury for the District's portion of 911 service. The District stated that said transfers were funded from interest income.

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

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

Pointe Coupee Parish Hospital Service District No. 1
Notes to Financial Statements
For the Years Ended October 31, 1990, 1989 and 1988

NOTE 21 - BOARD OF COMMISSIONERS

The following schedule presents a list of the members of the Board of Commissioners of Pointe Coupee General Hospital at October 31, 1988.

Mr. Mls Vozburg, Chairman
Mr. Chris Balfley
Mr. James Boulanger
Dr. Donald Doucet, M.D.
Mr. Don A. Ewing, Secretary
Mr. Nick Cicano
Mr. John Groszoff
Mr. Maurice Picard, Vice-Chairman
Dr. Bobby Fulmer

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

NOTE 22 - SUBSEQUENT EVENTS

On November 18, 1988, the District paid off its Peoples Bank note payable of \$990,000.

In December, the District filed a suit against Advantage Health seeking recovery of charges of \$376,027. No trial date has been set at this time.

In January 1990, the board accepted a bid for the purchase of a CAT Scanner at a cost of \$20,000.

Pointe Coupee Parish Hospital Service District No. 1
 Balance Sheets - Restricted Funds
 Specific Purpose Fund
 October 31, 1998, 1997 and 1996

	1998	1997	1996
ASSETS			
Cash and cash equivalents (Note 2)	\$ _____ 00	\$ 43,980	\$ 33,358
LIABILITIES AND FUND BALANCE			
Fund balance - Restricted	\$ _____ 00	\$ 43,980	\$ 33,358
Total liabilities and fund balance	\$ _____ 00	\$ 43,980	\$ 33,358

See accompanying notes to financial statements.

Pointe-Coupee Parish Hospital Service District No. 1
Notes to Financial Statements
Specific Purpose Fund
For the Years Ended October 31, 1995, 1997 and 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

NOTE 2 - CASH AND CASH EQUIVALENTS

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

SUPPLEMENTAL INFORMATION

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

	HOSPITAL	COMM.	Other Summary				Total
			Rental Income	Health Fund	Substance Abuse	Other**	
Net patient service revenue	\$ 19,350,344	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,350,344
Sales tax revenue	830,760	83,000		11,880		285,473	1,188,300
Other operating revenue	40,820					51,148	807,837
Total revenue	11,220,923	83,000	0	11,880	0	285,861	11,658,630
Expenses							
Salaries and benefits	4,755,435						4,755,435
Medical supplies and drugs	1,279,891					1,218	1,281,109
Insurance	147,482						147,482
Depreciation	585,881	1,148	7,728	4,674	100	46,253	635,534
Interest	51,421						51,421
Provision for bad debts	825,714						825,714
Other expenses	2,839,688	78,000		21,072	198,000	188,873	3,185,733
Total expenses	10,624,888	79,148	7,728	38,881	198,213	239,143	10,888,640
Operating income (loss)	596,035	(18,148)	(7,728)	(26,901)	(198,213)	(124,618)	770,000
Nonoperating income (loss)							
Income on investments whose use is limited	200,078						200,078
Other investment income	167,294					1,791	335,085
Contributions and grants	84,283					8,008	192,711
Gain (loss) on disposal of equipment	1,894						1,894
Payments to Police Jury	0						0
Nonoperating income, net	453,549	0	0	0	0	1,799	455,348
Increase in unrestricted fund balance	\$ 1,249,584	\$ 1,118,850	\$ (7,728)	\$ (52,486)	\$ 1,000,219	\$ 1,043,178	\$ 2,358,627

* Caused in Aging

** Remaining non-hospital activities of the District

Pointe Coupee Parish Hospital Service District No. 1
Combining Statements of Operations
For the Year Ended October 31, 1997

	District Summary							
	Hospital	Ambulance	COAC	Mental Health	Health Unit	Substance Abuse	Dialysis*	Total
Net patient service revenue	\$ 8,857,899	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,857,899
State tax revenue	1,450,805		60,890		15,895		100,710	1,788,290
Other operating revenue	54,753						47,386	102,139
Total revenue	10,363,457	-	60,890	-	15,895	-	248,476	11,635,628
Expenses								
Salaries and benefits	4,229,875							4,229,875
Medical supplies and drugs	1,100,789						5,847	1,106,636
Insurance	275,467							275,467
Depreciation	413,798		2,883	7,738	245	188	60,890	475,424
Interest	21,572							21,572
Provision for bad debts	899,700							899,700
Other expenses	2,587,554		60,890		30,205	128,297	47,884	2,853,298
Total expenses	9,628,241	-	60,893	7,738	30,670	128,487	104,880	9,894,929
Operating income (loss)	1,824,258	-	(2,003)	(1,728)	(24,675)	(128,421)	(111,282)	1,657,149
Nonoperating income (loss)								
Income on investments administered in trust	91,088							91,088
Other investment income	128,187						1,588	129,775
Contributions and grants	176,088							176,088
Gain (loss) on disposal of equipment	4,738							4,738
Payments to Police Jury	(65,880)							(65,880)
Nonoperating income, net	434,231	-	-	-	-	-	1,588	434,231
Income in unallocated fund balance	\$ 2,292,455	\$ -	\$ (2,003)	\$ (1,728)	\$ (24,675)	\$ (128,421)	\$ (111,282)	\$ 2,099,311
Council on Aging Maintaining non-hospital activities of the District								

Pointe Coupee Parish Hospital Service District No. 1
Combining Statements of Operations
For the Year Ended October 31, 1999

	District Summary							Total
	Hospital	Assistance	COA*	Mental Health	Health Unit	Substance Abuse	District ¹	
Net patient service revenue	\$ 8,508,897	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,508,897
Gifts for services	1,778,878	33,300	42,150	4,800	25,000	-	211,548	1,819,576
Other operating revenue	58,355	-	-	-	-	-	48,489	106,844
Total revenue	8,545,530	33,300	42,150	4,800	25,000	-	299,885	8,875,575
Expenses								
Salaries and benefits	4,649,858	-	-	-	-	-	-	4,649,858
Medical supplies and drugs	886,128	-	-	-	-	-	7,512	893,640
Insurance	145,365	-	-	-	-	-	-	145,365
Depreciation	337,808	-	1,188	7,708	4,400	600	48,117	351,703
Provision for bad debts	145,372	-	-	-	-	-	-	145,372
Other expenses	2,387,213	33,300	42,150	-	26,004	17,419	63,552	2,442,538
Total expenses	8,411,734	33,300	43,338	7,708	31,504	17,519	118,658	8,655,754
Operating income (loss)	1,033,796	-	3,812	(2,908)	(3,504)	(17,519)	181,227	1,819,723
Nonoperating income (loss)								
Interest on investments - net	185,443	-	-	-	-	-	-	185,443
Loss on limited	808,979	-	-	-	-	-	1,888	810,867
Other investment income	38,997	-	-	-	-	-	-	38,997
Contributions and grants	-	-	-	-	-	-	-	-
Gain (loss) on disposal of equipment	240	-	-	-	-	-	-	240
Payments to Police Jury	(85,889)	-	-	-	-	-	-	(85,889)
Nonoperating benefits, net	246,860	-	-	-	-	-	1,888	250,588
Income in unrestricted fund balance	\$ 1,280,656	\$ -	\$ 3,812	\$ (2,908)	\$ (3,504)	\$ (17,519)	\$ 1,890,115	\$ 1,257,342

* Council on Aging

¹ Remaining non-hospital activities of the District

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**Independent Auditors' Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of General Purpose
Financial Statements Conducted in Accordance With
Government Auditing Standards**

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

We have audited the financial statements of the Hospital Service District No. 1, Parish of Pointe Coupee, ("Pointe Coupee General Hospital") for the years ended October 31, 1998, 1997 and 1996, and have issued our report thereon dated March 4, 1999, which was qualified due to the omission of the year 2000 disclosures that are required by Governmental Accounting Standards Board Technical Bulletin 98-1, Disclosures about Year 2000 Issues. 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.

Compliance

As part of obtaining reasonable assurance about whether the Pointe Coupee General Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pointe Coupee General Hospital's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose 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 of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be

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

material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

As required by the Legislative Auditor for the State of Louisiana our comments regarding corrective action taken by the District with regard to our 1997 recommendations, are provided on the attached pages.

This report is intended for the information of the Board of Commissioners, management and the office of the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Barley Lester & Wells

Certified Public Accountants

March 4, 1998

Pointe-Coupee Parish Hospital Service (District No. 1)
Reportable Noncompliance
For the Year Ending October 31, 1988

1987 Noncompliance

Health Unit Staff

Condition: The health unit's staff has been classified as contract labor and issued forms 1099 rather than forms W-2. Accordingly, no social security tax, unemployment compensation or workers' compensation has been paid for these personnel.

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

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

Resolution: The Health unit staff are not reported as employees (matter resolved).

Donations to Police Jury

Condition: The District made donations to the Police Jury (see Note 18). The Police Jury and the District's counsels have provided conflicting opinions as to the legality of these transactions.

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

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

Resolution: In the opinion of counsel, all payments to the Police Jury in 1988 were permissible expenditures (matter resolved).

Corporate Compliance Plans

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

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

Pierre Clouet Parish Hospital Service District No. 1
Reportable Noncompliance
For the Year Ending October 31, 1998

Corporate Compliance Plan (Continued)

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

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

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

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

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

Resolution: The compliance plan continues to be developed. Additional development is necessary (partially resolved).

