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

FINANCIAL STATEMENTS

Release Date MAY 13, 1999

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF ASSUMPTION, STATE OF LOUISIANA
(d.b.a. ASSUMPTION GENERAL HOSPITAL)

JUNE 30, 1998 AND 1997

FINANCIAL STATEMENTS

HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ASSUMPTION, STATE OF LOUISIANA (d.b.a. ASSUMPTION GENERAL HOSPITAL)

JUNE 30, 1998 AND 1997

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LANGLINAIS

&

BROUSSARD

(A Corporation of Certified Public Accountants)

Glen P. Langlinais, C.P.A.
Michael P. Broussard, C.P.A.

INDEPENDENT AUDITOR'S REPORT

Gayle Falcon, C.P.A.
Patrick M. Guldry, C.P.A.
Holly M. Robalais, C.P.A.
Chip Contrell, C.P.A.
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Chris Kohlenberg, C.P.A., M.B.A.

Chairman and Board of Commissioners
Hospital Service District No. 1
of the Parish of Assumption, State of Louisiana
Assumption General Hospital
Napoleonville, Louisiana

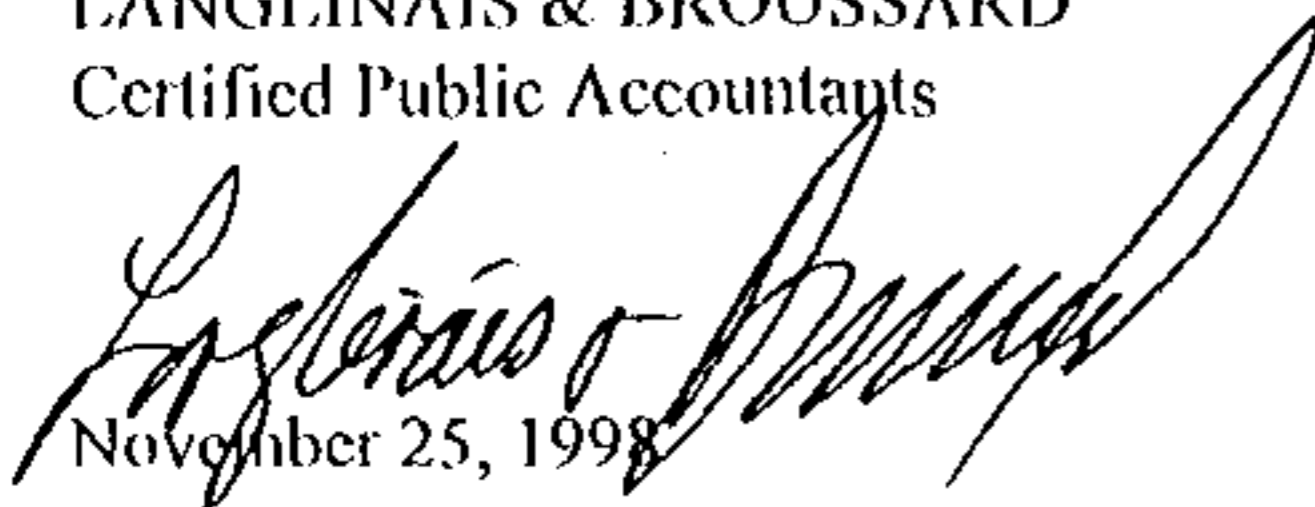
We have audited the accompanying component unit financial statements of Hospital Service District No. 1 of the Parish of Assumption, State of Louisiana, (Hospital) a component unit of the Assumption Parish Police Jury, State of Louisiana, as of June 30, 1998 and 1997, and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of June 30, 1998 and 1997, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

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

LANGLINAIS & BROUSSARD
Certified Public Accountants



November 25, 1998

**HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF ASSUMPTION, STATE OF LOUISIANA**

COMBINED BALANCE SHEETS

JUNE 30,

	1998			1997
	PROPRIETARY (ENTERPRISE) FUND	FIDUCIARY (AGENCY) FUND	TOTALS (MEMORANDUM ONLY)	
ASSETS:				
Cash and Cash Equivalents	\$ 695,034	\$ -	\$ 695,034	\$ 885,291
Accounts Receivable (less allowances: 1998, \$506,435; 1997, \$508,842)	-	-	-	267,645
Deferred Compensation Investments	-	248,453	248,453	204,987
Third Party Receivables	77,841	-	77,841	295,011
Other Receivables	6,566	-	6,566	12,374
Fixed Assets (net)	<u>14,047</u>	<u>-</u>	<u>14,047</u>	<u>14,047</u>
TOTAL ASSETS	<u>\$ 793,488</u>	<u>\$ 248,453</u>	<u>\$ 1,041,941</u>	<u>\$ 1,679,355</u>
LIABILITIES AND FUND EQUITY:				
LIABILITIES:				
Accounts Payable	\$ -	\$ -	\$ -	\$ 6,209
Third Party Payable	42,631	-	42,631	407,778
Deferred Compensation Payable	-	248,453	248,453	204,987
Compensated Absences Payable	-	-	-	4,040
Capital Lease Obligations	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,184</u>
TOTAL LIABILITIES	<u>42,631</u>	<u>248,453</u>	<u>291,084</u>	<u>637,198</u>
FUND EQUITY:				
Hill Burton Funds	640,000	-	640,000	640,000
Police Jury contributions	6,408,787	-	6,408,787	6,408,787
Public donations	20,024	-	20,024	20,024
Other contributions	8,839	-	8,839	8,839
Capital Grant	149,340	-	149,340	149,340
Retained Deficit	<u>(6,476,133)</u>	<u>-</u>	<u>(6,476,133)</u>	<u>(6,184,833)</u>
TOTAL FUND EQUITY	<u>750,857</u>	<u>-</u>	<u>750,857</u>	<u>1,042,157</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 793,488</u>	<u>\$ 248,453</u>	<u>\$ 1,041,941</u>	<u>\$ 1,679,355</u>

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

**HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF ASSUMPTION, STATE OF LOUISIANA**

**STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS**

YEAR ENDED JUNE 30,

	<u>1998</u>	<u>1997</u>
REVENUES:		
NET PATIENT SERVICE REVENUES	\$ (153)	\$ 2,466,432
Other Revenue	<u>-</u>	<u>40,890</u>
TOTAL REVENUE	<u>(153)</u>	<u>2,507,322</u>
EXPENSES:		
Nursing Services	-	376,615
Other Professional Services	25,800	622,529
General Services	799	163,883
Administrative and Fiscal	188,706	609,816
Interest Expense	-	10,973
Depreciation and Amortization	-	90,359
Bad Debt Expense	<u>122,801</u>	<u>305,476</u>
TOTAL EXPENSES	<u>338,106</u>	<u>2,179,651</u>
INCOME (LOSS) FROM OPERATIONS	<u>(338,259)</u>	<u>327,671</u>
NONOPERATING INCOME (EXPENSES):		
Loss on Sale of Assets	-	(531,837)
Interest Income	41,356	25,190
Property Taxes	-	299,574
Miscellaneous Collections	<u>5,603</u>	<u>9,785</u>
TOTAL NONOPERATING INCOME (EXPENSES)	<u>46,959</u>	<u>(197,288)</u>
NET INCOME (LOSS)	(291,300)	130,383
BEGINNING RETAINED DEFICIT	<u>(6,184,833)</u>	<u>(6,315,216)</u>
ENDING RETAINED DEFICIT	<u>\$ (6,476,133)</u>	<u>\$ (6,184,833)</u>

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

**HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF ASSUMPTION, STATE OF LOUISIANA**

STATEMENT 3

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30,

	<u>1998</u>	<u>1997</u>
CASH FLOWS FROM OPERATIONS:		
Income (Loss) from Operations	\$ (338,259)	\$ 327,671
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Provisions for losses on accounts receivables	122,801	305,476
Depreciation and Amortization	-	90,359
Loss on sale of assets	-	531,837
Increase (decrease) in Receivables and Amounts due from Third Parties	2,675	(974,222)
Decrease in Inventories	-	112,482
Decrease in Prepaid Expenses	-	50,422
Decrease in Accounts Payable and Accrued Expenses	(10,249)	(297,407)
Decrease in Employee Trust Fund Payable	<u>-</u>	<u>(133,130)</u>
Net Cash Flow From Operating Activities	(223,032)	13,488
Nonoperating revenue(loss)	<u>46,959</u>	<u>(197,288)</u>
Net Cash from Operating Activities and Non-operating revenues (Losses)	<u>(176,073)</u>	<u>(183,800)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sales of Investments	<u>-</u>	<u>230,413</u>
Net Cash Provided by Investing Activities	<u>-</u>	<u>230,413</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from Capital Contributions	-	17,382
Principal Payments on Notes Payable	-	(175,000)
Principal Payments Under Installment Purchase	-	(2,488)
Principal Payments Under Capital Leases	(14,184)	(38,158)
Proceeds from Sales of Fixed Assets	<u>-</u>	<u>1,013,023</u>
Net Cash Provided by / (Used) in Capital and Related Financing Activities	<u>(14,184)</u>	<u>814,759</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(190,257)	861,372
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>885,291</u>	<u>23,919</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 695,034</u>	<u>\$ 885,291</u>

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

**HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF ASSUMPTION, STATE OF LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1998 AND 1997

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Hospital Service District No. 1 of the Parish of Assumption, State of Louisiana (Hospital) was formed to oversee the operations of the Assumption Parish General Hospital located in Napolconville, Louisiana.

The Hospital is considered a component unit of the Assumption Parish Police Jury, Louisiana, and, accordingly, the financial position and results of operations of the Hospital are reflected in the financial statements included in the annual financial report of the Assumption Parish Police Jury. The Assumption Parish Police Jury exercises oversight responsibility with respect to the Hospital. The Police Jury, however, does not exercise any control over specific expenditures of the Hospital.

All activities over which the Hospital exercises oversight responsibility have been incorporated to form the Hospital's reporting entity. Oversight responsibility is determined by financial interdependency, selection of governing board, designation of management, accountability for financial matters, and ability to significantly influence operations. Such activities include the general operations and support services of the Hospital.

On December 23, 1996 the hospital sold the majority of it's assets and all of it's operations to Our Lady of the Lake Regional Medical Center.

A. FUND ACCOUNTING

The accounts of the Hospital are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two generic fund types and two broad fund categories.

PROPRIETARY FUNDS

Proprietary Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Hospital applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations. Proprietary funds include the following fund types:

Enterprise Funds - The Enterprise Fund is 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 controls, accountability, or other purposes.

FIDUCIARY FUNDS

Fiduciary Funds account for assets held by the Hospital in a trustee capacity or as an agent on behalf of others.

Agency Funds - Agency Funds are used to account for assets held by the Hospital as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature and do not involve measurement of results of operations.

**HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF ASSUMPTION, STATE OF LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1998 AND 1997

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. DEPOSITS AND INVESTMENTS

The Hospital's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

At June 30, 1998 and 1997, the carrying amounts of the Hospital's deposits (checking accounts) were \$50,258 and \$86,031, respectively, and the bank balances were \$52,941 and \$120,586, respectively, of which the entire amount is guaranteed by federal depository insurance or collateral pledged to the entity, but not in the entity's name, and is held in the trust department of the pledging bank's correspondent bank.

At June 30, 1998 and 1997, the Hospital carried investments at cost in the amounts of \$644,577 and \$799,060, respectively. All investments had maturities of three months or less from the date of acquisition and, therefore, have been classified as cash equivalents.

C. RECEIVABLES AND PAYABLES

All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to all outstanding property taxes at June 30, 1998.

Property taxes were levied on January 1 on property values assessed on that date. Notices of tax liability are mailed on or about November 1 of the same year and are due and payable at that time. All unpaid taxes levied become delinquent January 1 of the following year. Property tax revenues are recognized in the same fiscal year within which they are billed because they are considered available in that period. Available includes those property tax receivables expected to be collected within sixty days after year end.

D. FIXED ASSETS AND LONG-TERM LIABILITIES

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are substantially as follows:

Equipment	5-10 years
Buildings	10-20 years

All fixed assets are carried at historical cost. Donated fixed assets are valued at their estimated fair market value on the date donated.

E. TOTAL COLUMNS ON COMBINED STATEMENTS - OVERVIEW

Total columns on the "Combined Statements - Overview" are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF ASSUMPTION, STATE OF LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1998 AND 1997

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as revenues and expenses reported for the periods presented. The Hospital regularly assesses these estimates and, while actual results may differ, management believes that the estimates are reasonable.

G. 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 accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

II MEDICARE AND MEDICAID PROGRAMS

Medicare inpatient services including capital costs are covered under the Medicare Prospective Payment System (PPS) and are reimbursed on the Diagnosis Related Group (DRG) assigned to the patient and the prospective capital rate per discharge. The amount paid for these services is prospectively determined and, accordingly, a retroactive settlement is not made for inpatient services under PPS. Likewise, Medicaid inpatient medical and surgical services and distinct-part psychiatric services are prospectively reimbursed with payments based on a fixed rate per patient day.

Medicare and Medicaid outpatient services, and the inpatient Medicare distinct-part psychiatric services are reimbursed substantially on a retroactive basis, with certain exceptions and limitations. Amounts receivable under these programs are subject to examination and retroactive adjustment by the program intermediary. Provision for estimated retroactive adjustments for Medicare and Medicaid are provided in the period the related services are rendered.

NOTE 2: DEFERRED COMPENSATION PLAN

Assumption General offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to certain full-time employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the participant or beneficiary) solely the property of the Hospital subject to the claims of the Hospital's general creditors in an amount equal to the fair market value of the deferred account for each participant.

Assets of the plan are recorded at market value but are administered by a private corporation under contract with the Hospital. The Hospital believes it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

**HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF ASSUMPTION, STATE OF LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1998 AND 1997

NOTE 3: RISK MANAGEMENT

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The Hospital is currently enrolled in a self-insurance plan to provide health insurance to its employees. The Hospital makes monthly contributions to a trust account to cover expenses expected to be incurred by its employees. These monthly contributions are computed by a third-party administrator who assists in processing claims. Included within the monthly contribution is an amount for excess risk insurance. This excess risk insurance has a \$10,000 deductible per employee per year which limits the Hospital's exposure to \$10,000 per employee per year. The Employee Benefit Fund carried a balance at June 30, 1998 and 1997 of \$0 and \$3,267, respectively, while no liabilities were reported for either year end.

NOTE 4: CAPITAL LEASES

The Hospital has entered into a lease agreement as lessee for financing the acquisition of computer equipment. This lease qualifies as a capital lease for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date in fixed assets. Depreciation on this equipment has been reported in depreciation for all fixed assets.

The future minimum lease payments and the present value of these minimum lease payments as of June 30, 1997, were as follows:

Year Ending <u>June 30,</u>	
1997	\$ 14,445
Less: Amount Representing Interest	<u>(261)</u>
Present Value of Minimum Lease Payments	<u>\$ 14,184</u>

NOTE 5: PENSION PLAN

Plan Description. All full time employees of Assumption General Hospital who work at least 28 hours a week are members of Parochial Employees' Retirement System of Louisiana ("System"), a cost sharing multiple-employer public employee retirement system (PERS), controlled and administrated by a separate board of trustees. The total payroll for employees of Assumption General Hospital covered by the System for the years ended June 30, 1998 and 1997, were \$29,253 and \$587,043, respectively; Assumption General Hospital's total payroll for those year ends were \$25,784 and \$798,111, respectively.

Membership is mandatory for all employees of taxing districts of a parish or any branch or section of a parish including a hospital district that is a member of the System providing they meet the statutory criteria. Any member is eligible for normal retirement if he has at least 30 years of creditable service regardless of age, 25 years of creditable service and is at least age 55, or 10 years of creditable service and is at least age 60. Benefit rates are one percent of final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) plus \$ 2.00 per month for each year of service credited prior to January 1, 1980, and three percent of final compensation for each year of service after January 1, 1980. On January 1, 1994, the employer contribution was changed to 8.25 percent of covered compensation. A member is eligible to retire and receive disability benefits if he has at least five years of creditable service, is not eligible for normal retirement and suffers disability which has been certified by the State Medical Disability Board. The rate is three percent of the members final compensation multiplied by his years of creditable service under certain conditions outlined in the statutes. Upon death of a member with five or more ears of creditable service, the System provides benefits for surviving spouses and minor children.

**HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF ASSUMPTION, STATE OF LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1998 AND 1997

NOTE 5: PENSION PLAN (Continued)

Under certain conditions outlined in the statutes, the benefits range from 30 to 60 percent of the member's final compensation.

Contribution Requirements and Contributions Made. As of December 31, 1993, the employee contributions are established by statute at 9.50 percent of covered compensation., The employer contribution rate was set at 7.75% of covered payroll. The **contribution requirement** for the year ended June 30, 1998 and 1997, were \$5,046 and \$96,896, respectively. The 1998 contributions consisted of \$2,267 from the hospital and \$2,779 from the employees; these contributions represented 7.75% and 9.50% of covered payroll respectively. The 1997 contributions consisted of \$41,127 from the hospital and \$55,769 from the employees; these contributions represented 7.01% and 9.50% of covered payroll respectively. The actuarially required contributions for the System was determined by adding to the normal cost an amortization payment on the unfunded accrued liability which was based on a 40 year annuity with payments increasing at 4 percent per year. The resulting **employers net actuarially required contribution for 1998**, is \$15,645,261 or 4.20% of payroll.

Funding Status. The amount of the total pension benefit obligation is based on a standardized measurement that, with some exceptions, must be used by a PERS. The standardized measurement is the actuarial value of credited projected benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effects of projected salary increases and any step-rate benefits. A standard measure of the pension benefit obligation was adopted to enable readers of the PERS financial statements to (a) assess the Parochial Employee's Retirement System of Louisiana funding status on a going-concern basis, (b) assess progress made in accumulating sufficient assets to pay benefits when due and (c) make comparisons among PERS. The **pension benefit obligation** at December 31, 1995, for the system as a whole determined through an actuarial valuation performed as of that date was \$881,981,793. The systems **net assets available for benefits** on that date (valued at amortized cost) were \$874,023,941 leaving an **unfunded pension benefit** of \$7,957,852. The Hospital's contributions for fiscal year ended June 30, 1998, represented 0.03% percent of total employer contributions required of all participating entities.

Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's December 31, 1997, annual financial report.

NOTE 6: CONTRIBUTED CAPITAL

The changes in the government's contributed capital accounts for its proprietary funds were as follows:

	<u>HILL BURTON</u>	<u>POLICE JURY</u>	<u>PUBLIC DONATIONS</u>	<u>OTHER</u>	<u>CAPITAL GRANT</u>
BALANCES, JUNE 30, 1996	\$ 640,000	\$ 6,391,405	\$ 20,024	\$ 8,839	\$ 149,340
Contributions	-	17,382	-	-	-
BALANCES, JUNE 30, 1997	640,000	6,408,787	20,024	8,839	149,340
Contributions	-	-	-	-	-
BALANCES, JUNE 30, 1998	<u>\$ 640,000</u>	<u>\$ 6,408,787</u>	<u>\$ 20,024</u>	<u>\$ 8,839</u>	<u>\$ 149,340</u>

NOTE 7: HILL-BURTON

Under the Hill-Burton Act, the Hospital is required to provide a reasonable volume of services to persons unable to pay, which is computed to be the lesser of (1) 3% of its operating costs (reduced by Medicare and Medicaid Costs) or (2) 10% of Federal assistance provided to the Hospital. This requirement has not been met since 1980. Due to the fact that the hospital received it's contribution over 20 years ago and the hospital assets and operations have been sold, the repayments of this contribution have been canceled.

**HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF ASSUMPTION, STATE OF LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1998 AND 1997

NOTE 8: MAJOR REVENUE SOURCES

The Hospital participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. Following is an analysis of "Gross" Patient Revenues, as originally charged, by the program for the year ended June 30, 1997:

	<u>REVENUE</u>	<u>%</u>
Medicaid patients	\$ 131,292	7.48
All other patients	465,971	26.55
Medicare patients	<u>1,158,125</u>	<u>65.97</u>
Total	<u>\$ 1,755,388</u>	<u>100.00</u>

NOTE 9: NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital 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 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 and medical education 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 audits 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. The Hospital Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 1995.

Medicaid outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, with certain limitations and exceptions. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports filed by the Hospital and audits thereof by the Medicaid fiscal intermediary. Medicaid inpatient medical and surgical services as well as inpatient psychiatric services are reimbursed on a prospective per diem rate.

NOTE 10: CONTINGENT LIABILITIES:

The Hospital is currently engaged in a lawsuit with a former Administrator and Consultant for the Hospital. The plaintiff was delivered a notice of termination without cause and filed a lawsuit to recover certain revenue enhancement compensation and salary remaining on his contract. The Court dismissed the plaintiff's claim for revenue enhancement compensation but held that the plaintiff was entitled to proceed to trial on his claim for wrongful termination of his contract. The outcome of this lawsuit is not presently determinable.

The Hospital is a defendant in various other lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Hospital's counsel that the resolution of these matters will not have a material adverse effect on the financial condition of the Hospital.

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF ASSUMPTION, STATE OF LOUISIANA
 PROPRIETARY FUND

BALANCE SHEETS JUNE 30,

	<u>1998</u>	<u>1997</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 695,034	\$ 882,024
Accounts Receivable (net)	-	267,645
Third Party Receivables	77,841	295,011
Other Receivables	<u>6,566</u>	<u>12,374</u>
Total Current Assets	<u>779,441</u>	<u>1,457,054</u>
RESTRICTED ASSETS:		
Employee Benefit Fund Cash	<u>-</u>	<u>3,267</u>
FIXED ASSETS:		
Leased Property Under Capital Leases	<u>14,047</u>	<u>14,047</u>
TOTAL ASSETS	<u>\$ 793,488</u>	<u>\$ 1,474,368</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF ASSUMPTION, STATE OF LOUISIANA
 PROPRIETARY FUND

BALANCE SHEETS **JUNE 30,**

	<u>1998</u>	<u>1997</u>
<u>LIABILITIES AND FUND EQUITY</u>		
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts Payable	\$ -	\$ 6,209
Third Party Payable	42,631	407,778
Compensated Absences Payable	-	4,040
Current Capital Lease Obligations	<u>-</u>	<u>14,184</u>
Total Current Liabilities	<u>42,631</u>	<u>432,211</u>
TOTAL LIABILITIES	<u>42,631</u>	<u>432,211</u>
FUND EQUITY:		
Contributed Capital:		
Hill-Burton Funds	640,000	640,000
Police Jury Contributions	6,408,787	6,408,787
Public Donations	20,024	20,024
Other Contributions	8,839	8,839
Capital Grant	<u>149,340</u>	<u>149,340</u>
Total Contributed Capital	7,226,990	7,226,990
Retained Deficit	<u>(6,476,133)</u>	<u>(6,184,833)</u>
TOTAL FUND EQUITY	<u>750,857</u>	<u>1,042,157</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 793,488</u>	<u>\$ 1,474,368</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF ASSUMPTION, STATE OF LOUISIANA
 PROPRIETARY FUND

PATIENT SERVICE REVENUE AND ADJUSTMENTS YEAR ENDED JUNE 30,

	<u>1998</u>	<u>1997</u>
DAILY PATIENT SERVICES:		
Adults & Pediatrics	\$ -	\$ 81,580
Adolescent Psychiatric Unit	-	<u>1,549</u>
Total Daily Patient Services	-	83,129
OTHER NURSING SERVICES:		
Operating Room	-	6,825
Central Services	-	91,267
Intravenous Therapy	-	19,277
Emergency Room	-	<u>213,563</u>
Total Other Nursing Services	-	<u>330,932</u>
OTHER PROFESSIONAL SERVICES:		
Home health	-	641,958
Laboratory	-	382,872
Blood bank	-	11,601
Mammography	-	10,611
Electro cardiology	-	12,159
Radiology	-	119,410
Ultrasound	-	21,830
Pharmacy	-	83,443
Anesthesiology	-	2,400
Inhalation therapy	-	54,508
Physical therapy	-	<u>485</u>
Total Other Professional Services	-	<u>1,341,277</u>
TOTAL PATIENT SERVICE REVENUE	<u>-</u>	<u>1,755,338</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF ASSUMPTION, STATE OF LOUISIANA
 PROPRIETARY FUND

PATIENT SERVICE REVENUES AND
 ADJUSTMENTS (Continued)

YEAR ENDED JUNE 30,

	<u>1998</u>	<u>1997</u>
PATIENT SERVICE REVENUE ADJUSTMENT:		
Contractual adjustments	(153)	493,352
Policy discounts	<u>-</u>	<u>(45,730)</u>
Total patient service revenue adjustment	<u>(153)</u>	<u>447,622</u>
 NET PATIENT SERVICE REVENUE BEFORE DISPROPORTIONATE SHARE	 (153)	 2,202,960
Disproportionate share adjustment	<u>-</u>	<u>263,472</u>
 NET PATIENT SERVICE REVENUE	 <u>\$ (153)</u>	 <u>\$ 2,466,432</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF ASSUMPTION, STATE OF LOUISIANA
 PROPRIETARY FUND

<u>OTHER REVENUE</u>	<u>YEAR ENDED JUNE 30,</u>	
	<u>1998</u>	<u>1997</u>
Clinic rental	\$ -	\$ 9,500
Cafeteria sales	-	2,663
Vending machine revenue	-	(35)
Telephone and telegraph	-	1
Medical record transcript fees	-	237
Cash over (short)	-	4
Reimbursement by Clinic	-	2,358
<i>Prisoner feeding</i>	<u>-</u>	<u>26,162</u>
Total Other Revenue	<u><u>-</u></u>	<u><u>\$ 40,890</u></u>

**HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF ASSUMPTION, STATE OF LOUISIANA
PROPRIETARY FUND**

YEAR ENDED JUNE 30,

EXPENSES

	<u>1998</u>		<u>1997</u>	
	<u>SALARIES AND FEES</u>	<u>SUPPLIES AND OTHER EXPENSES</u>	<u>SALARIES AND FEES</u>	<u>SUPPLIES AND OTHER EXPENSES</u>
NURSING SERVICES:				
Medical and surgical	\$ -	\$ -	\$ 208,133	\$ 5,001
Operating room	-	-	479	1,179
Emergency room	-	-	161,823	-
Total Nursing Services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 370,435</u>	<u>\$ 6,180</u>
OTHER PROFESSIONAL SERVICES:				
Adolescent psychiatric unit	\$ -	\$ -	\$ -	\$ 955
Home health	-	-	220,147	34,076
Laboratory	-	-	59,424	98,878
Safety	-	-	5,526	3,400
Electro cardiology	-	-	2,905	-
Vascular exams	-	-	100	-
Radiology	-	-	74,266	3,474
Ultrasound	-	-	-	7,814
Nuclear medicine	-	-	315	-
Pharmacy	-	-	12,453	22,341
Inhalation therapy	-	-	29,210	5,277
Physical therapy	-	-	577	-
Labadieville clinic	-	25,800	-	26,545
Pierre part clinic	-	-	2,418	1,561
Medical records	-	-	9,724	851
Infection control	-	-	-	292
Total Other Professional Services	<u>\$ -</u>	<u>\$ 25,800</u>	<u>\$ 417,065</u>	<u>\$ 205,464</u>
GENERAL SERVICES:				
Dietary	\$ -	\$ -	\$ 24,590	\$ 29,083
Plant engineering	-	799	19,408	66,494
Housekeeping	-	-	-	2,915
Laundry and linen	-	-	20,828	565
Total General Services	<u>\$ -</u>	<u>\$ 799</u>	<u>\$ 64,826</u>	<u>\$ 99,057</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF ASSUMPTION, STATE OF LOUISIANA
 PROPRIETARY FUND

EXPENSES (Continued)

YEAR ENDED JUNE 30,

	<u>1998</u>		<u>1997</u>	
	<u>SALARIES AND FEES</u>	<u>SUPPLIES AND OTHER EXPENSES</u>	<u>SALARIES AND FEES</u>	<u>SUPPLIES AND OTHER EXPENSES</u>
ADMINISTRATIVE AND FISCAL:				
Administrative office	\$ 8,423	\$ 36,333	\$ 19,861	\$ 185,163
Business office	-	1,862	16,112	34,965
General accounting	26,047	8,863	61,959	51,902
Purchasing	-	-	7,594	2,585
Insurance	-	-	-	99,901
Employee benefits	-	1,450	-	68,966
Collection fee	5,728	-	5,808	-
Legal settlements	-	100,000	-	55,000
Total Administrative and Fiscal	<u>\$ 40,198</u>	<u>\$ 148,508</u>	<u>\$ 111,334</u>	<u>\$ 498,482</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF ASSUMPTION, STATE OF LOUISIANA
 DEFERRED COMPENSATION AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES YEARS ENDED JUNE 30, 1998 AND 1997

	<u>BALANCE</u> <u>JUNE 30, 1996</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 1997</u>
ASSETS:				
Investments	<u>\$ 131,249</u>	<u>\$ 109,878</u>	<u>\$ 36,140</u>	<u>\$ 204,987</u>
LIABILITIES:				
Deferred Compensation Payable	<u>\$ 131,249</u>	<u>\$ 109,878</u>	<u>\$ 36,140</u>	<u>\$ 204,987</u>

	<u>BALANCE</u> <u>JUNE 30, 1997</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 1998</u>
ASSETS:				
Investments	<u>\$ 204,987</u>	<u>\$ 43,466</u>	<u>\$ -</u>	<u>\$ 248,453</u>
LIABILITIES:				
Deferred Compensation Payable	<u>\$ 204,987</u>	<u>\$ 43,466</u>	<u>\$ -</u>	<u>\$ 248,453</u>

LANGLINAIS
&
BROUSSARD

(A Corporation of Certified Public Accountants)

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Branda Oubre, C.P.A.

Ken Bonin, C.P.A., M.B.A.

Chris Kohlenberg, C.P.A., M.B.A.

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

Chairman and Board of Commissioners
Hospital Service District No. 1
of the Parish of Assumption, State of Louisiana
Assumption General Hospital
Napoleonville, Louisiana

We have audited the financial statements of the Hospital Service District No. 1 of the Parish of Assumption, State of Louisiana, (Hospital) a component unit of the Assumption Parish Police Jury, State of Louisiana as of and for the years ended June 30, 1998 and 1997, and have issued our report thereon dated November 25, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the 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 Hospital's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We noted no matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal controls and their operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the Hospital, the Legislative Auditor of the State of Louisiana, federal awarding agencies, and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

LANGLINAIS & BROUSSARD
Certified Public Accountants

November 25, 1998