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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.

Release Date JAN 27 1999

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Hospital Service District No. 1
Parish of Avoyelles, State of Louisiana
Bunkie, Louisiana

We have audited the accompanying general purpose financial statements of the Hospital Service District No. 1, Parish of Avoyelles, dba Bunkie General Hospital (the Hospital), a component unit of the Avoyelles Parish Police Jury, for the years ended June 30, 1998, 1997, and 1996, as listed in the foregoing 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, Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 1, Parish of Avoyelles, dba Bunkie General Hospital, as of the years ended June 30, 1998, 1997, and 1996, and the results of its operations, changes in fund balance and cash flows for the periods 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 October 14, 1998, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Board of Commissioners
Hospital Service District No. 1
Parish of Avoyelles, State of Louisiana
Page Two

Our audits were conducted for the purpose of forming an opinion on the general purpose 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 of Hospital Service District No. 1, Parish of Avoyelles, dba Bunkie General Hospital. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Easley, Lester & Wells
Certified Public Accountants

October 14, 1998

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
BUNKIE GENERAL HOSPITAL
BALANCE SHEETS - UNRESTRICTED FUND
JUNE 30, 1998, 1997 AND 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 684,157	\$ 113,471	\$ 411,548
Cash investments	-0-	-0-	505,425
Patient accounts receivable, net of estimated uncollectibles (Note 4)	2,266,388	2,796,883	2,285,977
Inventory	172,322	180,938	166,797
Prepaid expenses	<u>56,903</u>	<u>60,318</u>	<u>108,763</u>
Total current assets	<u>3,179,770</u>	<u>3,151,610</u>	<u>3,478,510</u>
Assets limited as to use (Note 6)	150,374	153,642	141,247
Property, plant and equipment, net (Note 5)	3,061,472	2,555,900	2,631,797
Other assets	<u>6,604</u>	<u>9,158</u>	<u>13,712</u>
Total assets	<u>\$ 6,398,220</u>	<u>\$ 5,870,310</u>	<u>\$ 6,265,266</u>
Liabilities and Fund Balance			
Current liabilities:			
Current maturities of long-term debt (Note 9)	\$ 86,323	\$ 42,003	\$ 141,242
Line of credit	100,000	-0-	-0-
Accounts payable and accrued expenses (Note 7)	793,460	497,282	460,086
Unearned revenues (Note 8)	<u>1,274</u>	<u>4,044</u>	<u>4,450</u>
Total current liabilities	<u>981,057</u>	<u>543,329</u>	<u>605,778</u>
Long-term debt, net of current maturities (Note 9)	860,529	418,958	259,078
Unearned revenues (Note 8)	<u>304</u>	<u>500</u>	<u>625</u>
Total liabilities	<u>1,841,890</u>	<u>962,787</u>	<u>865,481</u>
Fund balance - unrestricted	<u>4,556,330</u>	<u>4,907,523</u>	<u>5,399,785</u>
Total liabilities and fund balance	<u>\$ 6,398,220</u>	<u>\$ 5,870,310</u>	<u>\$ 6,265,266</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
BUNKIE GENERAL HOSPITAL
STATEMENTS OF OPERATIONS - UNRESTRICTED FUND
YEARS ENDED JUNE 30, 1998, 1997 AND 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Revenue:			
Net patient service revenue	\$ 7,194,696	\$ 7,267,967	\$ 7,727,749
Ad valorem taxes	67,459	58,436	59,207
Other	<u>110,527</u>	<u>156,620</u>	<u>238,022</u>
 Total revenue	 <u>7,372,682</u>	 <u>7,483,023</u>	 <u>8,024,978</u>
Expenses:			
Salaries and benefits	2,837,788	3,255,786	3,447,693
Medical supplies and expenses	905,685	1,067,231	1,165,605
Medical professional fees	1,782,378	1,131,320	1,068,006
Other expenses	884,220	804,913	824,178
Insurance	124,252	157,952	151,930
Provision for bad debt	865,330	1,262,554	1,373,952
Depreciation and amortization expense	295,439	291,875	280,152
Interest expense	<u>88,603</u>	<u>20,800</u>	<u>27,175</u>
 Total expenses	 <u>7,733,695</u>	 <u>7,992,431</u>	 <u>8,338,691</u>
 Operating income (loss)	 (361,013)	 (509,408)	 (313,713)
Nonoperating income:			
Investment income	<u>9,820</u>	<u>17,146</u>	<u>88,164</u>
 Excess of revenues (expenses)	 <u>\$ (351,193)</u>	 <u>\$ (492,262)</u>	 <u>\$ (225,549)</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 STATEMENTS OF CHANGES IN FUND BALANCE - UNRESTRICTED FUND
 YEARS ENDED JUNE 30, 1998, 1997 AND 1996

	Unrestricted
CHANGES IN FUND BALANCE:	
Balance, June 30, 1995	\$ 5,625,334
Excess of expenses over revenues for the year ended June 30, 1996	<u>(225,549)</u>
Balance, June 30, 1996	5,399,785
Excess of expenses over revenues for the year ended June 30, 1997	<u>(492,262)</u>
Balance, June 30, 1997	4,907,523
Excess of revenues over expenses for the year ended June 30, 1998	<u>(351,193)</u>
Balance, June 30, 1998	<u>\$ 4,556,330</u>
COMPOSITION OF FUND BALANCE AT JUNE 30, 1998:	
Contributions	
Hill-Burton	\$ 400,000
Bond issue	338,770
Public contributions	<u>233,616</u>
	972,386
Excess of revenues over expenses	<u>3,583,944</u>
Total	<u>\$ 4,556,330</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
BUNKIE GENERAL HOSPITAL
STATEMENTS OF CASH FLOWS - UNRESTRICTED FUND
YEARS ENDED JUNE 30, 1998, 1997 AND 1996

	1998	1997	1996
Cash flows from operating activities:			
Operating income (loss)	\$ (351,193)	\$ (492,262)	\$ (225,549)
Interest expense considered capital financing activity	38,603	20,800	27,175
Ad valorem taxes considered financing activity	(67,459)	(58,436)	(59,207)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	295,440	291,875	280,152
(Gain) loss on disposal of assets	(7,014)	-0-	(3,910)
Provision for bad debts	865,330	1,262,554	1,373,952
Interest income	(9,820)	(17,146)	(88,164)
(Increase) decrease in:			
Cash investments	-0-	505,425	1,155,979
Patient accounts receivable, net	(334,835)	(1,773,460)	(2,484,041)
Inventory	8,616	(14,141)	8,006
Prepaid expenses	3,415	48,445	(7,505)
Accounts payable and accrued expenses	296,178	37,196	(167,692)
Unearned revenues	(2,770)	(406)	(240,500)
Long-term unearned revenues	<u>(196)</u>	<u>(125)</u>	<u>480</u>
Net cash provided by operating activities	<u>734,295</u>	<u>(189,681)</u>	<u>(430,824)</u>
Cash flows from investing activities:			
Interest on investments	9,820	17,146	88,164
Stipend payment to medical student	<u>(2,000)</u>	<u>-0-</u>	<u>-0-</u>
Net cash provided by investing activities	<u>7,820</u>	<u>17,146</u>	<u>88,164</u>
Cash flows from non-capital financing activities:			
Proceeds from line of credit	770,000	-0-	-0-
Payments line of credit	(670,000)	-0-	-0-
Ad valorem taxes	<u>67,459</u>	<u>58,436</u>	<u>59,207</u>
Net cash provided by non-capital financing activities	<u>\$ 167,459</u>	<u>\$ 58,436</u>	<u>\$ 59,207</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 STATEMENTS OF CASH FLOWS - UNRESTRICTED FUND (Continued)
 YEARS ENDED JUNE 30, 1998, 1997 AND 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Cash flows from capital and related financing activities:			
Proceeds from issuance of new debt	\$ 528,537	\$ 450,000	\$ 110,000
Proceeds from sale of property and equipment	15,406	-0-	3,910
Purchases of property and equipment	(804,850)	(211,424)	(471,559)
Proceeds from assets limited as to use	3,268	(12,395)	(18,231)
Principal paid on long-term debt	(42,646)	(389,359)	(275,630)
Interest paid on long-term debt	<u>(38,603)</u>	<u>(20,800)</u>	<u>(27,175)</u>
Net cash used by capital and related financing activities	<u>(338,888)</u>	<u>(183,978)</u>	<u>(678,685)</u>
Net increase (decrease) in cash and cash equivalents	570,686	(298,077)	(962,138)
Cash and cash equivalents, beginning of year	<u>113,471</u>	<u>411,548</u>	<u>1,373,686</u>
Cash and cash equivalents, end of year	<u>\$ 684,157</u>	<u>\$ 113,471</u>	<u>\$ 411,548</u>
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	<u>\$ 30,161</u>	<u>\$ 19,757</u>	<u>\$ 27,602</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
BUNKIE GENERAL HOSPITAL
UNRESTRICTED FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 1998, 1997 AND 1996

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

The Avoyelles Parish Hospital Service District (the "Hospital" or the "District") was created by an ordinance of the Avoyelles Parish Police Jury on February 14, 1968.

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

Because the police jury appoints all commissioners of the Avoyelles Parish Hospital Service District, the District is a component unit of the Avoyelles Parish Police Jury, the financial reporting entity. The accompanying financial statements present only the funds maintained by the District and do not present information on the police jury, the general government services provided by that governmental unit or the other governmental units that comprise the financial reporting entity

Nature of Business

The Hospital provides outpatient, emergency, skilled nursing (through "swing-beds"), acute inpatient hospital services and home health services. On October 7, 1993, the Hospital converted 20 acute beds to an adolescent care psychiatric unit. In July 1994, the Hospital opened an outpatient clinic and hired a nurse practitioner and a physician to provide nonemergency services to the community. In July 1997, the adolescent care psychiatric unit was converted to a geriatric care psychiatric unit.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Proprietary Fund Accounting

The Hospital utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Revenue is reported when earned, net of the provision for contractual adjustments based upon each payor's agreement with the Hospital. Expenditures are recorded when incurred. Hospital accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the Louisiana Governmental Audit Guide, and the Audit and Accounting Guide - Health Care Organizations, published by the American Institute of Certified Public Accountants, and standards set by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
BUNKIE GENERAL HOSPITAL
UNRESTRICTED FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 1998, 1997 AND 1996

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposits in checking and money market accounts and certificates of deposit with original maturities of 90 days or less. Cash and cash equivalents are stated at cost, which approximates market value. The caption "cash and cash equivalents" does not include amounts limited as to use.

Credit Risk

The Hospital provides medical care primarily to Avoyelles Parish residents and grants credit to patients, substantially all of whom are local residents. The Hospital's estimate of collectibility is based on evaluation of historical collections compared to gross charges and an analysis of aged accounts receivable to establish an allowance for uncollectible accounts.

Significant Concentration of Economic Dependence

The Hospital has an economic dependence on a small number of staff physicians who admit over 90% of the Hospital's patients. Revenues from Medicare and Medicaid are significant. Accordingly, government changes in reimbursement and patient coverage significantly impact the Hospital.

Third Party Cost-Based Revenues

Contractual agreements with governmental agencies provide for reimbursement based on a fixed price per patient stay based upon the patient's primary diagnosis for Medicare inpatient services. Medicare and Medicaid outpatients are reimbursed based upon the lesser of reasonable cost (subject to certain limits) or charges to patients. Until July 1, 1994, the Medicaid inpatient services were reimbursed based upon the lesser of reasonable cost (subject to certain limits) or charges to the patient. As of July 1, 1994, the program reimbursement is based upon a fixed price per stay. These reimbursements are subject to audit and retroactive adjustments by each payor.

Inventory

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

Changes in Reporting Classification

The classification of certain prior year amounts have been changed to reflect consistent reporting when compared to current year balances. The financial statement format has been changed to reflect changes in the AICPA Audit and Accounting Guide - Health Care Organizations, issued June 1, 1996.

Income Taxes

The entity is a political subdivision and exempt from taxation.

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 UNRESTRICTED FUND
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 1998, 1997 AND 1996

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

Property, plant and equipment is recorded at cost for purchased assets or at fair market value on the date of any donation. The Hospital uses straight-line depreciation for financial reporting and third party reimbursement. The following estimated useful lives are generally used.

Buildings	15 to 50 years
Machinery and Equipment	3 to 20 years
Furniture and Fixtures	5 to 20 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 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 - DEPOSITS

Included in cash and cash equivalents and assets whose use is limited are cash on hand, deposits with the depository banks for money market accounts, checking accounts and certificates of deposits, which were secured at the balance sheet dates by federal depository insurance coverage and by pledged securities. For all deposits, the market value and carrying value are the same.

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Petty cash	\$ 1,587	\$ 1,250	\$ 1,250
Checking accounts	621,689	80,045	137,879
Money Market accounts	61,919	33,211	273,392
Certificates of deposit	97,511	100,782	605,941
LHA Trust deposits	<u>51,825</u>	<u>51,825</u>	<u>39,758</u>
Total deposits	<u>\$ 834,531</u>	<u>\$ 267,113</u>	<u>\$ 1,058,220</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 UNRESTRICTED FUND
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 1998, 1997 AND 1996

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable as of June 30, is presented below:

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Net patient accounts receivable	\$ 4,066,862	\$ 3,473,167	\$ 3,063,269
Due from (to) governmental third party reimbursement programs	493,899	669,959	651,598
Other receivables	<u>5,627</u>	<u>50,247</u>	<u>85,757</u>
	4,566,388	4,193,373	3,800,624
Estimated uncollectible	<u>(2,300,000)</u>	<u>(1,396,490)</u>	<u>(1,514,647)</u>
Total	<u>\$ 2,266,388</u>	<u>\$ 2,796,883</u>	<u>\$ 2,285,977</u>

The Hospital generates a substantial portion of its charges and net revenues from the Medicare and Medicaid programs. Related amounts as of June 30, are presented below:

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Medicare and Medicaid gross patient charges	\$ 8,183,472	\$ 8,048,465	\$ 8,098,832
Contractual adjustments, reduced by Medicaid disproportionate share amounts	<u>(3,670,152)</u>	<u>(3,361,918)</u>	<u>(2,520,946)</u>
Net patient service revenue	<u>\$ 4,513,320</u>	<u>\$ 4,686,547</u>	<u>\$ 5,577,886</u>
Percent of total net patient revenues	<u>63%</u>	<u>64%</u>	<u>72%</u>
Percentage Medicaid disproportionate share is to net patient revenue	<u>13%</u>	<u>5%</u>	<u>5%</u>
Percentage Medicare and Medicaid charges are to gross charges	<u>79%</u>	<u>76%</u>	<u>77%</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 UNRESTRICTED FUND
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 1998, 1997 AND 1996

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment and related accumulated depreciation for the years ended June 30, 1998, 1997, and 1996.

	<u>ASSET COST</u>			June 30, 1998
	June 30, 1997	Additions	Deductions	
Land	\$ 88,352	\$ -0-	\$ -0-	\$ 88,352
Land improvements	152,513	7,456	-0-	159,969
Buildings	2,057,074	8,710	-0-	2,065,784
Fixed equipment	754,194	1,500	254,393	501,301
Major moveable equipment	2,486,841	170,364	456,858	2,200,347
Construction in progress	<u>31,142</u>	<u>616,820</u>	<u>-0-</u>	<u>647,962</u>
Total	<u>\$ 5,570,116</u>	<u>\$ 804,850</u>	<u>\$ 711,251</u>	<u>\$ 5,663,715</u>

	<u>ACCUMULATED DEPRECIATION</u>			June 30, 1998
	June 30, 1997	Additions	Deductions	
Land improvements	\$ 104,638	\$ 7,383	\$ -0-	\$ 112,021
Buildings	701,018	72,533	-0-	773,551
Fixed equipment	567,360	17,765	253,966	331,159
Major moveable equipment	<u>1,641,200</u>	<u>193,205</u>	<u>448,893</u>	<u>1,385,512</u>
Total	<u>\$ 3,014,216</u>	<u>\$ 290,886</u>	<u>\$ 702,859</u>	<u>\$ 2,602,243</u>

	<u>ASSET COST</u>			June 30, 1997
	June 30, 1996	Additions	Deductions	
Land	\$ 88,352	\$ -0-	\$ -0-	\$ 88,352
Land improvements	152,513	-0-	-0-	152,513
Buildings	1,986,917	70,157	-0-	2,057,074
Fixed equipment	754,194	-0-	-0-	754,194
Major moveable equipment	2,364,592	122,249	-0-	2,486,841
Construction in progress	<u>12,124</u>	<u>31,142</u>	<u>12,124</u>	<u>31,142</u>
Total	<u>\$ 5,358,692</u>	<u>\$ 223,548</u>	<u>\$ 12,124</u>	<u>\$ 5,570,116</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 UNRESTRICTED FUND
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 1998, 1997 AND 1996

NOTE 5 - PROPERTY, PLANT & EQUIPMENT (Continued)

	June 30, 1996	<u>ACCUMULATED DEPRECIATION</u>		June 30, 1997
		Additions	Deductions	
Land improvements	\$ 94,491	\$ 10,147	\$ -0-	\$ 104,638
Buildings	630,924	70,094	-0-	701,018
Fixed equipment	547,266	20,094	-0-	567,360
Major moveable equipment	<u>1,454,214</u>	<u>186,986</u>	<u>-0-</u>	<u>1,641,200</u>
Total	<u>\$ 2,726,895</u>	<u>\$ 287,321</u>	<u>\$ -0-</u>	<u>\$ 3,014,216</u>

	June 30, 1995	<u>ASSET COST</u>		June 30, 1996
		Additions	Deductions	
Land	\$ 27,573	\$ 60,779	\$ -0-	\$ 88,352
Land improvements	152,513	-0-	-0-	152,513
Buildings	1,450,226	536,691	-0-	1,986,917
Fixed equipment	708,309	45,885	-0-	754,194
Major moveable equipment	2,101,772	275,486	12,666	2,364,592
Construction in progress	<u>459,405</u>	<u>80,092</u>	<u>527,373</u>	<u>12,124</u>
Total	<u>\$ 4,899,798</u>	<u>\$ 998,933</u>	<u>\$ 540,039</u>	<u>\$ 5,358,692</u>

	June 30, 1995	<u>ACCUMULATED DEPRECIATION</u>		June 30, 1996
		Additions	Deductions	
Land improvements	\$ 84,304	\$ 10,187	\$ -0-	\$ 94,491
Buildings	578,976	51,948	-0-	630,924
Fixed equipment	527,742	19,524	-0-	547,266
Major moveable equipment	<u>1,272,939</u>	<u>193,941</u>	<u>12,666</u>	<u>1,454,214</u>
Total	<u>\$ 2,463,961</u>	<u>\$ 275,600</u>	<u>\$ 12,666</u>	<u>\$ 2,726,895</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 UNRESTRICTED FUND
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 1998, 1997 AND 1996

NOTE 5 - PROPERTY, PLANT & EQUIPMENT (Continued)

An analysis of construction contracts in progress and related commitments as of June 30, follows:

	1998	1997	1996
Total construction and related commitments	\$ 696,790	\$ 35,972	\$ 40,567
Interim payments and payables	<u>(572,675)</u>	<u>(26,724)</u>	<u>(4,179)</u>
Balance of commitments at year end	<u>\$ 124,115</u>	<u>\$ 9,248</u>	<u>\$ 36,388</u>

NOTE 6 - ASSETS LIMITED AS TO USE

On November 12, 1968, Hospital Service District No. 1 accepted an offer from the Department of Housing and Urban Development to make a loan in order to aid in financing the construction of a new 30-bed general hospital. The indenture imposed restrictions on the hospital authority; a summary of cash restrictions follows:

All income earned from operations of the Hospital is to be deposited in the hospital operating fund. Funds are to be expensed in the following order of priority and for the following purposes.

- (1) The payment of reasonable expenses of administration, operation and maintenance of the Hospital.
- (2) A cash transfer to the Hospital Bond and Interest Sinking Fund by the 15th day of each month, sums equal to one-fifth of the interest due on the next interest payment date, plus one-tenth of the principal due on the next principal payment date. Transfer will continue until a reserve of \$24,000 has been accumulated; thereafter, cash transfers will be made as are necessary to meet the current year's debt service requirements and maintain the reserve of \$24,000.
- (3) A cash transfer to the Hospital Repair and Replacement Reserve Fund of \$125 monthly until a reserve of \$15,000 has been accumulated and maintained in such amount. The money may be withdrawn for the purpose of paying extraordinary maintenance of repairs, renewals and replacement. Should the Hospital Bond and Interest Sinking Fund be insufficient to pay a required installment, funds in the Hospital Repair and Replacement Reserve Fund will be transferred to the extent required to eliminate the deficiency.

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NOTE 6 - ASSETS LIMITED AS TO USE (Continued)

It is the contention of management that the accounting requirements of the revenue bond issue were met.

Pursuant to a resolution by the Board of Directors of the Hospital on January 18, 1973, a board-designated plant fund was established to be utilized for replacement of existing capital assets and the purchase of new capital assets. Those limited use funds described above contained the investments and accrued interest at June 30, as follows:

	<u>1998</u>	<u>1997</u>	<u>1996</u>
<u>By Bond Indenture</u>			
Hospital bond and interest sinking fund	\$ 49,534	\$ 55,105	\$ 56,987
Hospital repair and replacement reserve fund	31,249	29,751	28,352
<u>By Board</u>			
Plant fund	1,038	1,035	973
Dialysis building fund	16,728	15,926	15,177
LHA Trust deposits	<u>51,825</u>	<u>51,825</u>	<u>39,758</u>
Noncurrent assets whose use is limited	<u>\$ 150,374</u>	<u>\$ 153,642</u>	<u>\$ 141,247</u>

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

A summary of accounts payable and accrued expenses as of June 30, follows:

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Accounts payable	\$ 605,539	\$ 310,329	\$ 278,308
Salaries	72,970	63,945	57,118
Payroll taxes	6,384	6,800	4,255
Interest	11,452	3,010	1,967
Compensated absences	<u>97,115</u>	<u>113,198</u>	<u>118,438</u>
Total	<u>\$ 793,460</u>	<u>\$ 497,282</u>	<u>\$ 460,086</u>

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NOTE 8 - UNEARNED REVENUES

The Hospital received fees from patients participating in a Silver Society membership plan. The fees collected are for extended periods and are recognized in monthly revenue as the extended periods expire.

A summary of unearned revenues as of June 30, follows:

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Fees received in advance	\$ 1,578	\$ 4,544	\$ 5,075
Less revenue to be earned in the next accounting period	____(1,274)	____(4,044)	____(4,450)
Long-term unearned revenues	\$ <u>304</u>	\$ <u>500</u>	\$ <u>625</u>

NOTE 9 - LONG-TERM DEBT

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

	<u>1998</u>	<u>1997</u>	<u>1996</u>
5.48 percent note to American Security Bank, collateralized by assignment of lease of the new dialysis building	\$ 528,537	\$ -0-	\$ -0-
6.5 percent note payable to American Security Bank, due April 1, 1997, collateralized by one GE DXS-650 II X-Ray machine and one ultrasound machine	-0-	-0-	83,143
7.0 percent note payable to Union Bank, due June 1, 2007, unsecured	186,062	200,000	-0-
Capital lease obligations, at varying rates of interest from 2.0 percent to 7.7317 percent collateralized by leased equipment	17,253	30,961	72,177

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NOTE 9 - LONG-TERM DEBT (Continued)

4.75 percent Revenue Bonds due November 1, 2009, collateralized by a pledge of the Hospital's gross receipts

	\$ 215,000	\$ 230,000	\$ 245,000
Total long-term debt	946,852	460,961	400,320
Less current maturities of long-term debt	(86,323)	(42,003)	(141,242)
Long-term debt net of current maturities	<u>\$ 860,529</u>	<u>\$ 418,958</u>	<u>\$ 259,078</u>

A table of annual debt service requirements follows:

<u>Year Ending June 30,</u>	<u>Revenue Bonds</u>	<u>Notes and Leases</u>
1999	\$ 24,856	\$ 111,771
2000	24,144	116,715
2001	23,431	112,162
2002	22,719	112,162
2003	22,006	112,162
2004	21,294	112,162
2005	25,462	112,162
2006	24,513	112,162
2007	23,562	84,500
2008	22,613	-0-
2009	21,662	-0-
2010	<u>25,594</u>	<u>-0-</u>
Total	<u>\$ 281,856</u>	<u>\$ 985,958</u>

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NOTE 10 - LEASES

The Hospital is the lessee of various equipment under capital leases expiring in various years through 2000. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over their estimated productive lives, as Medicare rules mandate. Depreciation of assets under capital leases is included in depreciation expense for the periods ended June 30. Following is a summary of property held under capital leases:

	<u>1998</u>	<u>1997</u>	<u>1996</u>
AT&T phones	\$ 56,490	\$ 56,496	\$ 56,496
Coulter counter	-0-	-0-	-0-
Patient beds	<u>-0-</u>	<u>-0-</u>	<u>117,433</u>
	56,496	56,496	173,929
Less: Accumulated depreciation	<u>(21,186)</u>	<u>(15,537)</u>	<u>(22,119)</u>
	<u>\$ 35,310</u>	<u>\$ 40,959</u>	<u>\$ 151,810</u>

The leases on the coulter counter, and the patient beds expired and the Hospital received title to this equipment. Minimum future lease payments under capital leases as of June 30, 1998, and for each subsequent year in aggregate are provided below:

<u>Year Ending June 30,</u>	<u>Amount</u>
1999	\$ 13,660
2000	<u>4,553</u>
Total minimum lease payments	18,213
Less amounts representing interest	<u>960</u>
Net minimum lease payments	<u>\$ 17,253</u>

The Hospital leases various medical equipment under operating lease agreements expiring in various years through 2000.

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NOTE 11 - COMPENSATED ABSENCES

Employees of the Hospital are entitled to paid days off and sick days depending on length of service. The Hospital charged operations during the periods ended June 30, 1998, 1997 and 1996, for accrued paid days off of \$97,115, \$113,198, and \$118,428, respectively. It is impracticable to estimate the amount of compensation for future unvested sick pay and, accordingly, no liability has been recorded in the accompanying financial statements. The Hospital's policy is to recognize the cost of unvested sick pay when actually paid to employees.

NOTE 12 - PROFESSIONAL LIABILITY RISK

The Hospital participates in the Louisiana Patient's Compensation Fund established by the State of Louisiana to provide medical professional liability coverage to healthcare providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the Hospital 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 ("PCF"), the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limiting the PCF's exposure to \$400,000 per occurrence.

The Hospital's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability and worker's compensation. 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 of the Hospital. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The Hospital has only included these allocations or equity amounts assigned to the Hospital by the trust fund in its financial statements.

NOTE 13 - CHARITY CARE

The Hospital has a policy of providing charity care to patients who can prove they are indigent. Charity care charges were \$160,808, \$321,574, and \$580,675 for the respective fiscal periods ended June 30, 1998, 1997 and 1996.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

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

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NOTE 14 - COMMITMENTS AND CONTINGENCIES (Continued)

The principal contingencies are described below:

Governmental Third Party Reimbursement Programs (Note 4) - The Hospital is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations, as well as, retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

Professional Liability Risk (Note 12) - The Hospital is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund.

The Hospital 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 Hospital may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. Accordingly, the Hospital is contingently liable for assessments by the Louisiana Hospital Association Trust Fund.

Beginning January 1, 1997, the Hospital purchased a Workmen's Compensation insurance policy from Business Insurance Company.

Medical Benefits Trust - The Hospital maintains a medical benefits trust. The Hospital and employees contribute on a 50/50 basis amounts required to cover the health benefits cost of the employees. Employees with more than 90 days of service can participate.

The trust pays all claims from funds provided from the Hospital. The trust agreement provides that should it not have sufficient funds to cover its obligations, the Hospital is obligated to fund the shortfall. The Hospital purchases "excess" insurance coverage that provides for payment of individual claims in excess of \$12,500 or aggregate annual claims in excess of \$515,600.

During fiscal year 1997, the Hospital joined Advantage Health Network to provide medical benefits to employees. The Hospital and employees contribute on a 50/50 basis amounts required to cover the insurance premiums.

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

The Hospital has a line of credit of \$400,000 at 4.84% for use in operations, if needed, until March 1, 1999. Any use of available funds will be secured by excess revenues.

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NOTE 14 - COMMITMENTS AND CONTINGENCIES (Continued)

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 and/or replacements with department heads and vendors. The cost of upgrades and/or replacements for computer hardware or software cannot be reasonably estimated at this time.

NOTE 15 - VOLUNTARY HOSPITALS OF AMERICA - GULF STATES ("VHA")

As a member of the VHA, the Hospital has committed to fund a percentage of the corporation's operating budget annually. The Hospital purchases medical-surgical supplies for use in hospital operations. The Hospital's current commitment is an annual minimum of \$2,000 per occupied bed.

NOTE 16 - RETIREMENT PROGRAM

Employees have available retirement coverage through an employee funded defined contribution plan. Beginning June 1, 1993, the Board began making semi-annual determinations as to how much the Hospital will contribute to an additional plan for full-time employees who work 64 or more hours per pay period. Each employee will be required to contribute a minimum of 3% of their base pay toward the program. Employees will become 100% vested in the Hospital's contributions after three full years of employment.

	<u>1998</u>
Total payroll	\$ 2,553,997
Total covered payroll	1,661,813
Employee contributions	89,292
Employer contributions	-0-
 Percentage employee contributions	 5.4%
 Percentage employer contributions	 0%

NOTE 17 - AD VALOREM TAXES

The District levies real estate taxes on all real property on a calendar year basis, at a rate enacted by the Board of Commissioners as recommended by the local tax assessor. Property taxes are collected through the local sheriff and remitted, net of collection fees, to the District. The sheriff's office is responsible for collection, including establishing lien, levy and due dates of property taxes.

SUPPLEMENTAL INFORMATION

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF AVOUELLES, STATE OF LOUISIANA
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SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED JUNE 30, 1998, 1997 AND 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Routine services:			
Adult and pediatric	\$ 434,429	\$ 557,055	\$ 520,403
Psychiatric unit	1,767,840	1,841,435	3,035,227
Swing-bed	<u>93,060</u>	<u>85,280</u>	<u>68,017</u>
Total routine services	<u>2,295,329</u>	<u>2,483,770</u>	<u>3,623,647</u>
Other professional services:			
Operating room			
Inpatient	7,860	7,670	32,563
Outpatient	<u>40,010</u>	<u>25,315</u>	<u>26,190</u>
Total operating room	<u>47,870</u>	<u>32,985</u>	<u>58,753</u>
Recovery room			
Inpatient	220	110	4,290
Outpatient	<u>2,200</u>	<u>660</u>	<u>3,630</u>
Total recovery room	<u>2,420</u>	<u>770</u>	<u>7,920</u>
Anesthesia			
Inpatient	6,910	2,845	29,815
Outpatient	<u>32,015</u>	<u>10,485</u>	<u>23,425</u>
Total anesthesia	<u>38,925</u>	<u>13,330</u>	<u>53,240</u>
Radiology			
Inpatient	310,515	301,731	260,576
Outpatient	<u>937,430</u>	<u>900,640</u>	<u>681,175</u>
Total radiology	<u>1,247,945</u>	<u>1,202,371</u>	<u>941,751</u>
Laboratory			
Inpatient	454,984	460,333	482,153
Outpatient	<u>1,125,373</u>	<u>1,096,761</u>	<u>903,327</u>
Total laboratory	<u>1,580,357</u>	<u>1,557,094</u>	<u>1,385,480</u>

HOSPITAL SERVICE DISTRICT NO. 1
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 SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
 YEARS ENDED JUNE 30, 1998, 1997 AND 1996

	1998	1997	1996
Blood			
Inpatient	\$ 11,992	\$ 6,477	\$ 12,634
Outpatient	<u>12,593</u>	<u>7,103</u>	<u>6,740</u>
Total blood	<u>24,585</u>	<u>13,580</u>	<u>19,374</u>
Inhalation therapy			
Inpatient	370,391	407,034	335,891
Outpatient	<u>82,645</u>	<u>76,358</u>	<u>56,555</u>
Total inhalation therapy	<u>453,036</u>	<u>483,392</u>	<u>392,446</u>
Physical therapy			
Inpatient	34,526	28,001	25,276
Outpatient	<u>15,302</u>	<u>-0-</u>	<u>25</u>
Total physical therapy	<u>49,828</u>	<u>28,001</u>	<u>25,301</u>
Cardiac rehab			
Inpatient	-0-	-0-	-0-
Outpatient	<u>52,845</u>	<u>19,290</u>	<u>-0-</u>
Total cardiac rehab	<u>52,845</u>	<u>19,290</u>	<u>-0-</u>
Electrocardiology			
Inpatient	38,205	48,130	54,200
Outpatient	<u>93,300</u>	<u>89,820</u>	<u>67,850</u>
Total electrocardiology	<u>131,505</u>	<u>137,950</u>	<u>122,050</u>
Electroencephalogram			
Inpatient	1,250	1,750	2,067
Outpatient	<u>1,500</u>	<u>1,250</u>	<u>636</u>
Total electroencephalogram	<u>2,750</u>	<u>3,000</u>	<u>2,703</u>
Telemetry			
Inpatient	74,500	63,945	61,950
Outpatient	<u>5,900</u>	<u>3,570</u>	<u>2,635</u>
Total telemetry	<u>80,400</u>	<u>67,515</u>	<u>64,585</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
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 SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
 YEARS ENDED JUNE 30, 1998, 1997 AND 1996

	1998	1997	1996
Central supply			
Inpatient	\$ 191,502	\$ 192,043	\$ 183,450
Outpatient	<u>111,670</u>	<u>131,588</u>	<u>104,866</u>
Total central supply	<u>303,172</u>	<u>323,631</u>	<u>288,316</u>
Intravenous therapy			
Inpatient	150,946	173,731	159,144
Outpatient	<u>68,485</u>	<u>58,529</u>	<u>40,126</u>
Total intravenous therapy	<u>219,431</u>	<u>232,260</u>	<u>199,270</u>
Pharmacy			
Inpatient	640,773	740,413	685,930
Outpatient	<u>265,366</u>	<u>205,536</u>	<u>197,328</u>
Total pharmacy	<u>906,139</u>	<u>945,949</u>	<u>883,258</u>
Emergency room			
Inpatient	52,665	81,205	71,897
Outpatient	<u>683,760</u>	<u>660,961</u>	<u>501,373</u>
Total emergency room	<u>736,425</u>	<u>742,166</u>	<u>573,270</u>
Emergency room physician			
Inpatient	49,930	66,320	80,472
Outpatient	<u>678,834</u>	<u>639,154</u>	<u>595,915</u>
Total emergency room physician	<u>728,764</u>	<u>705,474</u>	<u>676,387</u>
Observation room			
Inpatient	9,795	4,185	18,540
Outpatient	<u>49,035</u>	<u>40,410</u>	<u>22,010</u>
Total observation room	<u>58,830</u>	<u>44,595</u>	<u>40,550</u>
Dialysis treatment			
Inpatient	1,860	5,110	3,115
Outpatient	<u>-0-</u>	<u>-0-</u>	<u>445</u>
Total dialysis treatment	<u>1,860</u>	<u>5,110</u>	<u>3,560</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
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 SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
 YEARS ENDED JUNE 30, 1998, 1997 AND 1996

	1998	1997	1996
Kohli Clinic			
Inpatient	\$ 16,740	\$ -0-	\$ -0-
Outpatient	<u>34,575</u>	<u>-0-</u>	<u>-0-</u>
Total Kohli Clinic	<u>51,315</u>	<u>-0-</u>	<u>-0-</u>
Home health visits	920,528	1,015,845	694,960
Rural health clinic	402,132	412,758	406,942
Partial day psychiatric services	<u>-0-</u>	<u>166,640</u>	<u>35,995</u>
Total other professional services	<u>8,041,062</u>	<u>8,153,706</u>	<u>6,876,111</u>
Total patient service revenues	<u>10,336,391</u>	<u>10,637,476</u>	<u>10,499,758</u>
Deductions from revenue:			
Contractual adjustments	(3,916,800)	(3,431,939)	(2,565,961)
Disproportionate share payment - Medicaid	940,599	390,387	388,086
Charity care	(160,808)	(321,574)	(580,675)
Discounts	<u>(4,686)</u>	<u>(6,383)</u>	<u>(13,459)</u>
Total deductions from revenue	<u>(3,141,695)</u>	<u>(3,369,509)</u>	<u>(2,772,009)</u>
Net patient service revenue	<u>\$ 7,194,696</u>	<u>\$ 7,267,967</u>	<u>\$ 7,727,749</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 SCHEDULES OF OTHER REVENUE
 YEARS ENDED JUNE 30, 1998, 1997 AND 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Maintenance and supplies - psychiatric unit	\$ -0-	\$ -0-	\$ 43
Cafeteria sales	23,893	21,335	23,896
Medical records fees	7,026	6,438	6,765
Vending machines	11,261	13,125	15,582
Fitness Center fees	6,500	1,875	4,675
LHA Trust	-0-	12,067	14,118
Emergency Room Services Grant	-0-	25,000	50,714
Rural Health Transition Grant	-0-	12,497	50,000
Silver Society fees	5,978	6,603	8,089
Contributions	1,761	3,592	1,680
Gain (loss) on disposal of equipment	7,014	-0-	3,910
Rental income	45,210	50,163	51,589
Miscellaneous revenue	<u>1,884</u>	<u>3,925</u>	<u>6,961</u>
 Total other revenue	 <u>\$ 110,527</u>	 <u>\$ 156,620</u>	 <u>\$ 238,022</u>

HOSPITAL SERVICE DISTRICT NO. 1
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 BUNKIE GENERAL HOSPITAL
 SCHEDULES OF EXPENSES - SALARIES AND BENEFITS
 YEARS ENDED JUNE 30, 1998, 1997 AND 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Salaries:			
Administrative and general	\$ 219,718	\$ 103,782	\$ 97,708
Business office	203,438	295,581	304,463
Communications	11,086	10,359	11,289
Guards	-0-	7,489	39,493
Plant operation	93,334	82,481	80,177
Laundry and linen	-0-	24,532	25,933
Housekeeping	60,676	50,377	68,525
Dietary	86,828	83,124	95,555
Nursing administration	75,623	79,885	75,078
Central supply	24,149	15,185	17,177
Medical records	61,459	59,662	72,385
Nursing services	360,182	388,881	552,304
Psychiatric unit	66,816	618,425	544,057
Operating room	11,621	12,671	15,888
Anesthesia	-0-	-0-	75,382
Radiology	134,395	124,204	124,837
Laboratory	124,638	121,545	126,932
EKG	4,352	2,660	2,246
Cardiac rehab	19,451	6,602	-0-
Partial day psychiatric	-0-	62,392	25,883
Rural health clinic	260,087	266,766	256,587
Emergency room	207,204	210,225	169,144
Observation room	37,699	13,506	3,081
Home health	257,726	225,350	229,881
Physician's office building	3,209	2,707	1,802
Dr. Kohli's office	138,628	-0-	-0-
School Health Center	2,075	-0-	-0-
Fitness center	<u>9,540</u>	<u>10,664</u>	<u>12,150</u>
 Total salaries	 <u>2,473,934</u>	 <u>2,879,055</u>	 <u>3,027,957</u>
 Payroll taxes	 209,954	 234,494	 222,652
Hospitalization insurance	125,674	113,724	151,920
Other	<u>28,226</u>	<u>28,513</u>	<u>45,164</u>
 Total benefits	 <u>363,854</u>	 <u>376,731</u>	 <u>419,736</u>
 Total salaries and benefits	 <u>\$ 2,837,788</u>	 <u>\$ 3,255,786</u>	 <u>\$ 3,447,693</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 SCHEDULES OF EXPENSES - MEDICAL SUPPLIES AND EXPENSES
 YEARS ENDED JUNE 30, 1998, 1997 AND 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Nursing services	\$ 22,822	\$ 22,725	\$ 24,412
Psychiatric unit	48,500	75,999	310,286
Operating room	2,314	4,027	4,348
Anesthesia	315	34	3,594
Radiology	182,427	172,970	156,726
Laboratory	173,528	195,780	163,182
Blood	2,140	1,830	2,830
IV therapy	66,443	72,173	65,537
Respiratory therapy	8,954	5,303	6,817
EKG	4,700	2,040	1,888
Central supply	63,421	60,471	93,856
Pharmacy	241,692	228,032	216,044
Cardiac rehab	12,184	5,596	-0-
Partial day psychiatric	-0-	155,925	51,955
Rural health clinic	30,427	33,071	29,473
Emergency room	5,078	3,987	8,201
Observation room	184	173	65
Home health	<u>40,556</u>	<u>27,095</u>	<u>26,391</u>
 Total medical supplies and expenses	 \$ <u>905,685</u>	 \$ <u>1,067,231</u>	 \$ <u>1,165,605</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 SCHEDULES OF EXPENSES - MEDICAL PROFESSIONAL FEES
 YEARS ENDED JUNE 30, 1998, 1997 AND 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Psychiatric unit	\$ 834,529	\$ 151,363	\$ 185,639
Anesthesia	28,349	12,558	4,200
Laboratory	28,566	25,597	25,336
Respiratory therapy	150,000	150,000	150,000
Physical therapy	25,639	14,667	15,262
EKG	-0-	171	-0-
Cardiac rehab	-0-	16,000	-0-
Partial day psychiatric	-0-	56,077	3,319
Rural health clinic	46,712	44,317	59,557
Emergency room	<u>668,583</u>	<u>660,570</u>	<u>624,693</u>
 Total medical professional fees	 <u>\$ 1,782,378</u>	 <u>\$ 1,131,320</u>	 <u>\$ 1,068,006</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 SCHEDULES OF EXPENSES - OTHER EXPENSES
 YEARS ENDED JUNE 30, 1998, 1997 AND 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Miscellaneous service fees	\$ 23,307	\$ 15,527	\$ 15,682
Legal and accounting	66,761	66,845	65,112
Non-medical supplies	258,483	193,223	222,318
Dietary - food expense	64,712	76,669	84,591
Repairs and maintenance	156,338	126,366	133,381
Utilities	106,723	109,268	117,913
Telephone	60,850	57,949	44,450
Home health mileage	38,957	43,018	34,736
Rentals	48,961	56,739	41,529
Public relations	39,956	32,409	28,852
Scholarships	-0-	2,700	290
Dues and subscriptions	12,042	13,130	10,240
Miscellaneous expenses	<u>7,130</u>	<u>11,070</u>	<u>25,084</u>
 Total other expenses	 <u>\$ 884,220</u>	 <u>\$ 804,913</u>	 <u>\$ 824,178</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 SCHEDULES OF PATIENT STATISTICS
 YEARS ENDED JUNE 30, 1998, 1997 AND 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Number of Beds			
Acute	28	28	28
Psychiatric	20	20	20
Bed Days Available			
Acute	10,220	10,220	10,220
Psychiatric	7,300	7,300	7,300
Patient Days			
Total Acute	1,920	2,448	2,740
Total Swing Bed	861	743	619
Total Psychiatric	1,709	2,790	4,549
Medicare Acute	1,446	1,926	1,918
Medicare Swing Bed	829	743	605
Medicare Psychiatric	1,652	-0-	-0-
Medicaid Acute	259	410	537
Medicaid Swing Bed	-0-	-0-	-0-
Medicaid Psychiatric	22	1,582	3,436
Percentage Occupancy			
Acute and Swing Bed	27.21	31.22	32.87
Psychiatric	23.41	38.22	62.32
Discharges			
Total Acute	540	611	724
Total Swing Bed	97	87	94
Total Psychiatric	125	187	395
Emergency Room Visits	7,079	7,012	7,134
Home Health Visits	10,852	12,473	10,483
Clinic Visits	7,586	7,624	6,919
Number of Surgeries	80	86	126

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 SCHEDULE OF INSURANCE
 JUNE 30, 1998

<u>POLICY NUMBER</u>	<u>COMPANY</u>	<u>FROM</u>	<u>TO</u>	<u>TYPE OF INSURANCE</u>	<u>COVERAGE LIMITS</u>
HPL-090-98	LA Hospital Association Trust Fund Louisiana Patient Compensation Fund	11/01/97	11/01/98	Professional Liability Comprehensive General Liability	\$100,000 per claim/400,000 excess \$1,000,000 per occurrence \$10,000,000 excess umbrella policy \$1,000,000 per claim
NC-070-98	LA Hospital Association	01/01/98	01/01/99	Workmen's Compensation	\$1,000,000 each accident
CCP0035176-01	Armand General Insurance	05/21/98	05/21/99	Public Employees' Blanket Bond	\$200,000 \$4,000 deductible
REP-311144	The Benchmark Agency	04/29/98	04/29/99	Directors, Officers and Trustees Indemnity Insurance including Healthcare Organization Reimbursement Policy	\$1,000,000 - limit \$10,000 retention each loss
1A2-60-80-99	Armand General Insurance	04/11/98	04/11/99	Fire and Extended Coverage on Building and Personal Property	\$5,154,000 - combined real and personal property/\$1,000 deductible Newly acquired or constructed property \$500,000/bldgs acquired per occurrence
1X2-60-80-98	Armand General Insurance	04/11/98	04/11/99	Property Insurance Boiler and Machinery	\$5,000,000 direct damage - premises limit of insurance \$25,000 expediting expenses \$25,000 hazardous substance \$25,000 ammonia contamination \$25,000 water damage
IE2-60-80-99	Armand General Insurance	04/11/98	04/11/99	Liability on Business Auto	\$1,000,000 - uninsured motorist \$1,000,000 - liability comprehensive and collision \$1,000 medical per person
1-57737	Lammico	01/01/98	01/01/99	Dr. Hines Comprehensive Professional Liability	\$100,000 per claim \$300,000 per occurrence
1-73858	Lammico	09/15/97	09/15/98	Dr. Kohli Comprehensive Professional Liability	\$100,000 per claim \$300,000 per occurrence

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 SCHEDULES OF PER DIEM AND
 OTHER COMPENSATION PAID TO BOARD MEMBERS
 YEARS ENDED JUNE 30, 1998, 1997 AND 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Board Members:			
Dr. Carl F. Jory	\$ -0-	\$ -0-	\$ -0-
Mr. James Mixon	-0-	-0-	-0-
Ms. Nancy Carruth	-0-	-0-	480
Mr. Don P. Descant	-0-	-0-	440
Mr. Albert Zacharie	N/A	N/A	200
Mr. David Smith	-0-	160	480
Mr. Jeff Keys	400	400	400
Ms. Barbara Jones	200	200	N/A
Mr. Harry Normand	400	240	N/A

Marvin H. Easley, CPA
Bobby G. Lester, CPA
John S. Wells, CPA
Robert G. Miller, CPA
Paul A. Delaney, CPA

Melissa L. Henry, CPA
William C. Huddleston II, CPA
Paul G. Mathews, CPA

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

Board of Commissioners
Avoyelles Parish Hospital Service District No. 1
Bunkie, Louisiana

We have audited the general purpose financial statements of the Avoyelles Parish Hospital Service District No. 1 (the "District" or the "Hospital") for the years ended June 30, 1998, 1997 and 1996, and have issued our report thereon dated October 14, 1998.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Internal Control Structure

The management of the District is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audits of the financial statements of the District for the periods ended June 30, 1998, 1997 and 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

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

Compliance

While performing our audit, we read the responses to the questions in the Systems Survey and Compliance Questionnaire completed by management and adopted by the Board of Commissioners and found no evidence that would indicate that the District had not answered the questions correctly. However, it should be noted that our audit was not directed primarily towards the answers to the questions in the questionnaire.

Compliance with laws, regulations, contracts and grants applicable to the Avoyelles Parish Hospital Service District No.1 is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

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



Certified Public Accountants
October 14, 1998

AVOYELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
AUDITORS' COMMENTS AND RECOMMENDATIONS
FOR THE TWELVE MONTHS ENDED JUNE 30, 1998

Page 1

Prior Year, General Comment

Condition: Material adjustments were necessary to correctly state estimated allowances for contractual adjustments and the related reduction of revenue amount, as well as the estimated allowance for uncollectible accounts and the related bad debt expense. The method of calculating third party reimbursement has produced reasonable results in the past, but has not been changed to reflect the current complexities in reimbursement for different Medicare, Medicaid, and third party insurance services, or losses associated with some Medicare and Medicaid programs. Estimates of uncollectible allowances and bad debt expenses have not been based upon historical trends and current circumstances.

Comment: We suggest the template used to estimate third party contractual allowances be updated to reflect more of the complexities of third party payer systems. Year to date amounts should be used to make estimates based upon the best available data. When estimating uncollectible allowances and bad debt expense, we suggest using data from the last twelve months adjusted for changes in operations. These collection percentages should be applied to current, year to date accounts receivable ages and charges by payer to better estimate amounts management believes will not be collected. Each method may need additional adjustments for changes in operations such as charge increases, changes in the local economy, or changes in third party payment methods.

Management's Response: Templates used to estimate third party allowances and uncollectible accounts will be revised to reflect more complex reimbursements by major payors and collectibility of accounts based upon historical amounts. Methods will be reviewed quarterly, or *more frequently when necessary, to adjust for changes in relevant factors.*

Current Year Comment: Problems remain with estimating the allowance for uncollectible accounts and were compounded in 1998 because no accounts were written off as uncollectible. Failure to writeoff Medicare bad debts resulted in lost reimbursement.

AVOYELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
AUDITORS' COMMENTS AND RECOMMENDATIONS
FOR THE TWELVE MONTHS ENDED JUNE 30, 1998

Page 2

Current Year, Material Weaknesses

Condition: Bank accounts had not been reconciled to the general ledger since December 1997. This resulted in transactions which were not recorded or were misclassified.

Comment: We suggest completion of timely reconciliations before internal, monthly financial statements are completed.

Management's Response: Bank reconciliations have been reconciled through June 30, 1998, and subsequent months are currently being reconciled.

Condition: Monthly closings of the accounting records are not final because transactions are *back dated and recorded in months which have been reported in past monthly financial statements*. This destroys the audit trail and reliability of historical balances.

Comment: We suggest using current dates on transactions and once monthly financial statements are given to the Board, no further entries should be posted to closed months.

We recommend completion of a current accounting manual which organizes and consolidates accounting policies and procedures, as well as monthly, calendar, and year end closing procedures, which will improve consistency and accuracy in the accounting records.

Management's Response: Transactions are now being given dates when they occur and no transactions will be posted to closed months. Management is currently researching standard accounting manuals which will be customized to fit current policies and procedures.

Condition: Interim financial statements were not accurate because not all general ledger accounts were "mapped" to financial statement amounts when new accounting software was installed.

Recommendation: As systems are added or changed, reconciliations must occur to prevent omissions or extraneous data from resulting in misleading results.

Management's Response: The "mapping" has been corrected and future additions or changes will be supported with proper reconciliations.