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**HOSPITAL SERVICE DISTRICT NO. 1**

*Parish of Vermilion*

State of Louisiana

Kaplan, Louisiana

Financial Report

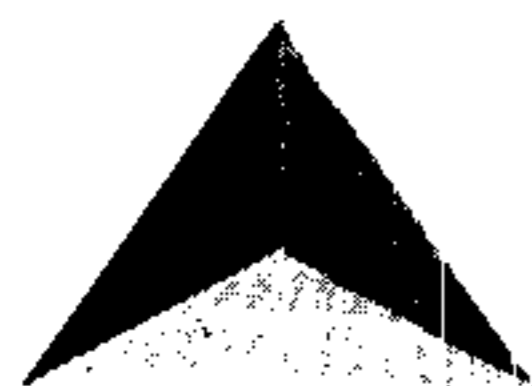
Years Ended September 30, 1998 and 1997

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 MAY 12 1999

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## Independent Auditor's Report

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Parish of Vermilion, State of Louisiana  
Kaplan, Louisiana

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

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

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

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

Member of:  
American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

The Hospital Service District No. 1, Parish of Vermilion, State of Louisiana has omitted such disclosures. We do not provide assurance that the Hospital is or will be year 2000 ready, that the Hospital's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Hospital does business will be year 2000 ready.

In our opinion, except for the omission of the information discussed in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Hospital Service District No. 1, Parish of Vermilion, State of Louisiana, as of September 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.

In accordance with Government Auditing Standards, we have also issued a report dated December 17, 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, grants and contracts.

*Darnall, Sikes & Frederick*  
A Corporation of Certified Public Accountants

Monroe, Louisiana  
December 17, 1998

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Balance Sheets  
September 30, 1998 and 1997

ASSETS

	<u>1998</u>	<u>1997</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 337,655	\$ 296,027
Certificates of deposit	143,250	55,619
Accounts receivable - patients, net	1,740,779	1,599,718
Estimated third party payor settlements	417,187	166,233
Inventories	160,461	172,825
Accrued interest receivable	3,316	3,352
Prepaid expenses	35,493	67,550
Other receivables	<u>-</u>	<u>42,267</u>
Total current assets	<u>2,838,141</u>	<u>2,403,591</u>
<b>ASSETS WHOSE USE IS LIMITED BY THE BOARD FOR CAPITAL IMPROVEMENTS</b>		
Cash and cash equivalents	481,942	298,825
Certificates of deposit	<u>161,088</u>	<u>159,155</u>
	<u>643,030</u>	<u>457,980</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Depreciable assets	4,419,316	4,448,825
Less accumulated depreciation	<u>(2,867,264)</u>	<u>(2,677,772)</u>
Net depreciable assets	1,552,052	1,771,053
Land	<u>70,203</u>	<u>70,203</u>
	<u>1,622,255</u>	<u>1,841,256</u>
<b>TOTAL ASSETS</b>	<u>\$ 5,103,426</u>	<u>\$ 4,702,827</u>

LIABILITIES AND FUND BALANCE

	<u>1998</u>	<u>1997</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 792,638	\$ 713,589
Current maturity of bond payable	130,000	-
Current maturity of obligation under capital lease	13,354	23,821
Other payables	3,866	156,053
Accrued wages payable	15,951	13,398
Accrued vacation payable	53,401	51,046
Estimated third-party payor settlements	<u>307,306</u>	<u>690,118</u>
Total current liabilities	<u>1,316,516</u>	<u>1,648,025</u>
<b>LONG-TERM DEBT</b>		
Bond payable	435,000	-
Obligation under capital lease	<u>36,718</u>	<u>50,762</u>
	<u>471,718</u>	<u>50,762</u>
<b>FUND BALANCE</b>	<u>3,315,192</u>	<u>3,004,040</u>
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	 <u>\$ 5,103,426</u>	 <u>\$ 4,702,827</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Statements of Operations  
Years Ended September 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
OPERATING REVENUE		
Net patient service revenue	\$ 6,353,534	\$ 6,442,294
Other revenue	<u>350,141</u>	<u>176,830</u>
	<u>6,703,675</u>	<u>6,619,124</u>
OPERATING EXPENSES		
Professional	4,480,752	5,129,695
General and administrative	1,523,015	1,441,283
Depreciation	246,797	245,199
Provision for bad debts	515,744	424,366
Loss on disposal of assets	<u>4,519</u>	<u>-</u>
	<u>6,770,827</u>	<u>7,240,543</u>
LOSS FROM OPERATIONS	(67,152)	(621,419)
NONOPERATING INCOME	<u>378,304</u>	<u>382,237</u>
NET INCOME (LOSS)	<u>\$ 311,152</u>	<u>\$ (239,182)</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Statement of Changes in Fund Balance  
Years Ended September 30, 1998 and 1997

	<u>Donated Capital</u>	<u>Plant Fund</u>	<u>Operating Fund</u>	<u>Total</u>
FUND BALANCE, September 30, 1996	\$ 50,982	\$2,304,100	\$ 871,140	\$3,226,222
Donated capital	17,000	-	-	17,000
Net income (loss)	<u>-</u>	<u>10,183</u>	<u>(249,365)</u>	<u>(239,182)</u>
FUND BALANCE, September 30, 1997	67,982	2,314,283	621,775	3,004,040
Net income	<u>-</u>	<u>10,566</u>	<u>300,586</u>	<u>311,152</u>
FUND BALANCE, September 30, 1998	<u>\$ 67,982</u>	<u>\$2,324,849</u>	<u>\$ 922,361</u>	<u>\$3,315,192</u>

See accompanying notes to financial statements.



HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Statements of Cash Flows  
Years Ended September 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 311,152	\$ (239,182)
Adjustments to reconcile net loss to cash provided by operating activities		
Depreciation	246,797	245,199
Change in assets and liabilities:		
Accounts receivable - patients	(141,061)	167,120
Investments	(87,631)	(55,619)
Estimated third party payor settlements	(633,766)	(46,238)
Other receivables	42,267	(20,722)
Inventories	12,364	13,234
Accrued interest receivable	36	(1,091)
Prepaid expenses	32,057	(7,876)
Accounts payable	79,049	61,777
Other payables and accrued expenses	<u>(171,790)</u>	<u>103,574</u>
Net cash provided (used) by operating activities	<u>(310,526)</u>	<u>220,176</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from certificates of deposit	30,118	38,000
Purchase of property and equipment	(33,403)	(106,977)
Net transfer to restricted funds	<u>(185,050)</u>	<u>(42,452)</u>
Net cash used by investing activities	<u>(188,335)</u>	<u>(111,429)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from bond issuance	565,000	-
Donated capital	-	17,000
Payments on capital lease obligation	<u>(24,511)</u>	<u>(38,042)</u>
Net cash provided (used) by financing activities	<u>540,489</u>	<u>(21,042)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	41,628	87,705
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>296,027</u>	<u>208,322</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 337,655</u>	<u>\$ 296,027</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
	<u>1998</u>	<u>1997</u>
Cash paid for interest	<u>\$ 44,997</u>	<u>\$ 23,319</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements  
September 30, 1998 and 1997

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the Hospital's significant accounting policies:

Organization

The Hospital Service District No. 1 (referred to as the "Hospital") is a component unit of the Vermilion Parish Police Jury, the governing body of the parish and the government body with oversight authority.

Nature of Business

The Hospital provides a variety of healthcare services including: 1) inpatient services such as acute, psychiatric and skilled nursing; 2) outpatient services such as diagnostic and therapeutic ancillaries, emergency room and physician specialty clinics; and 3) other services such as home health.

Method of Accounting

The Hospital utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual method. The 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 established by the Governmental Accounting Standards Board (GASB), which is the *accepted standard setting body for establishing governmental accounting and financial reporting principles*.

Accounts Receivable

Accounts receivable are shown net of provision for doubtful accounts of \$268,297 and \$242,420 at September 30, 1998 and 1997, respectively and contractual allowances of \$1,427,137 and \$1,740,033 for 1998 and 1997, respectively.

Inventories

Inventories are stated at the lower of cost or market, with cost determined by the first-in, first-out, (FIFO) method.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Hospital considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements  
September 30, 1998 and 1997

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment

Purchased fixed assets are stated at cost and donated fixed assets are stated at fair market value at the time of donation. Depreciation is computed on the double declining balance method for assets purchased prior to January 1, 1972, and on the straight-line method for assets purchased after January 1, 1972, over the estimated useful lives recommended by the American Hospital Association.

Equipment under the capital lease obligation is amortized using the straight-line method over the life of the asset. Such amortization is included in depreciation expense.

Income Taxes

The Hospital has been ruled exempt from federal and state income taxes, therefore, no provision for income taxes is necessary.

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.

Use of Estimates

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

NOTE 2 CASH AND INTEREST-BEARING DEPOSITS

Under state laws, the Hospital may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Hospital may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 1998, the Hospital has cash and interest-bearing deposits, including certificates of deposit, (book balances) totaling \$1,123,935.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements  
September 30, 1998 and 1997

NOTE 2 CASH AND INTEREST-BEARING DEPOSITS (CONTINUED)

These deposits are stated at cost, which approximates market. Under state laws, the deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at September 30, 1998, are as follows:

Bank balances	<u>\$ 1,268,600</u>
---------------	---------------------

At September 30, 1998, the deposits are secured as follows:

Federal deposit insurance	\$ 448,272
Pledged securities (category 3)	<u>1,833,465</u>
 Total	 <u>\$2,281,737</u>

Pledged securities in Category 3 includes uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Hospital's name. Even though the pledged securities are considered uncollateralized (Category 3), Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Hospital that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 CERTIFICATES OF DEPOSIT

The Hospital held the following certificates of deposit at September 30, 1998:

	Amount	Interest Rate	Maturity
<u>Current Assets:</u>			
Vermilion Bank & Trust Co.	\$ 71,625	4.70%	01/21/1999
Kaplan State Bank	<u>71,625</u>	4.70%	01/21/1999
	<u>\$ 143,250</u>		
<u>Assets whose use is limited:</u>			
Vermilion Bank & Trust Co.	\$ 120,854	4.70%	01/20/1999
Vermilion Bank & Trust Co.	6,430	5.00%	05/05/1999
Iberia Savings Bank	<u>33,804</u>	4.49%	12/18/1998
	<u>\$ 161,088</u>		

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements  
September 30, 1998 and 1997

NOTE 3 CERTIFICATES OF DEPOSIT (CONTINUED)

The above certificates of deposit have been recorded at cost, which approximates market value. The market value of the above accounts do not fluctuate. Management intends to hold all investments until their maturity, thus, no entry has been made on the books to reflect any increases or decreases in market value at year end.

NOTE 4 ASSETS WHOSE USE IS LIMITED

Assets whose use is limited consists of funds designated by the Board of Directors to be used for capital asset acquisitions and improvements.

NOTE 5 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 factors.

Inpatient nonacute services, certain outpatient services, and defined capital 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 Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 1994.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 1994.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements  
September 30, 1998 and 1997

NOTE 5 NET PATIENT SERVICE REVENUE (CONTINUED)

The Hospital receives a substantial portion of its revenues from the Medicare and Medicaid programs at discounted rates. During the year ended September 30, 1998, the following revenues were obtained from these programs:

Medicare and Medicaid gross patient charges	\$8,142,851
Contractual adjustments	<u>3,959,351</u>
Net Medicare and Medicaid patient service revenue	<u>\$4,183,500</u>
Percent of Medicare and Medicaid net service revenue to total net patient service revenue	<u>65%</u>

NOTE 6 PENSION PLAN

The Hospital has a compulsory defined contribution pension plan covering all full time employees. Employee and employer each contributed four and one half percent of annual pay. Total pension expense for the Hospital for the years ended September 30, 1998 and 1997 was \$89,716 and \$89,087, respectively.

NOTE 7 CONTINGENT LIABILITIES

Various malpractice suits are pending against the Hospital. These suits have been turned over to the Hospital's insurance carrier. The Hospital is fully insured should any loss be incurred, therefore, no liability is shown in these financial statements.

In the normal course of business, there could be various outstanding contingent liabilities such as, but not limited to, the following:

- Lawsuits alleging negligence in care
- Environmental pollution
- Violation of regulatory body's rules and regulations
- Violation of federal and/or state laws

No accrual for potential contingent liabilities, such as, but not limited to, those described above, are reflected in the accompanying financial statements. No such liabilities have been asserted, and, therefore, no estimate of loss, if any, is determinable.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements  
September 30, 1998 and 1997

NOTE 7 CONTINGENT LIABILITIES (CONTINUED)

Third Party Cost-Based Revenues - Cost reimbursements are subject to examination by agencies administering the Medicare and Medicaid programs. The Medicare program has discontinued its cost-based reimbursement system for inpatient services. Currently, the Hospital receives a fixed fee for each patient as determined by the government using the patient's diagnosis. 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 readily determined.

NOTE 8 EMPLOYEE BENEFIT TRUST FUND

On February 1, 1979, the Hospital implemented a self-insurance program for employee health benefits. The plan is self-funded from the Hospital and employee contributions and benefit payments are made, pursuant to the plan provisions, from the portion of these contributions which have been placed in the Benefit Trust Account. The self-insurance program is underwritten.

The Benefit Trust Account is an irrevocable trust, and can be used only to pay claims and employee benefit insurance premiums. The Fund is accounted for as a separate entity and the books are kept on an annual basis commencing October 1, and ending September 30, of each year and, accordingly, is not reflected in these financial statements.

At September 30, 1998, the plan's benefit obligations totalled \$38,992 and the balance in the Benefit Trust Account was \$41,413. The Trust was fully funded, therefore no liability has been accrued at September 30, 1998.

NOTE 9 BOND PAYABLE

	1998
Series 1997 Certificate of Indebtedness, due March 1, 2002, bearing interest at 5% per annum, secured by a pledge and dedication of property tax	<u>\$565,000</u>

Scheduled principal repayments on long-term debt over the next four years are as follows:

1999	\$130,000
2000	140,000
2001	145,000
2002	<u>150,000</u>
	<u>\$565,000</u>

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements  
September 30, 1998 and 1997

NOTE 10 OBLIGATION UNDER CAPITAL LEASE

During 1997 the Hospital entered into a capital lease agreement with Bankers Leasing Association, Inc. for the purchase of an Opera Chemistry System. The obligation under capital lease has been recorded in the financial statements at the present value of the future minimum lease payments discounted at an interest rate of 11.75%. The capital lease is for a period of 60 months. The Opera Chemistry System was capitalized at a value of \$70,575, less accumulated depreciation of \$13,611 calculated through September 30, 1998.

Minimum lease payments are due as follows:

	1999	18,753
	2000	18,753
	2001	18,753
	2002	<u>4,688</u>
		60,947
Less: amount representing interest		<u>10,875</u>
Present value of future minimum lease payments		50,072
Less: current maturities		<u>13,354</u>
Long-term portion		<u>\$ 36,718</u>

NOTE 11 OPERATING LEASE

The Hospital leases equipment under a noncancelable operating lease with a five year term ending December, 2002. The following is a schedule of annual future minimum lease payments as of September 30, 1998:

1999	\$ 77,700
2000	77,700
2001	77,700
2002	77,700
2003	<u>19,425</u>
	<u>\$ 330,225</u>

Rent expense under this lease totalled \$50,332 for the year ended September 30, 1998.



HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements  
September 30, 1998 and 1997

NOTE 12 CONCENTRATION OF CREDIT RISK

At September 30, 1998, the bank balances of cash and cash equivalents, including certificates of deposits, totalled \$1,268,600, which was covered by Federal Depository Insurance of \$448,272 and Federal National Mortgage Association Securities with market values of \$1,833,465 which is pledged by the bank in the name of the Hospital.

The Hospital, located in Kaplan, Louisiana, grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements in which payment collection is significantly certain.

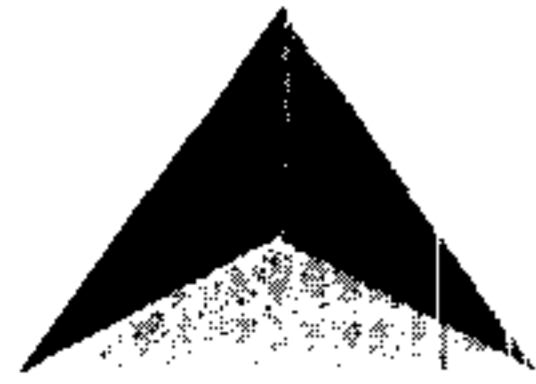
NOTE 13 RECLASSIFICATIONS

Certain amounts from the 1997 financial statements have been reclassified to conform with current year presentation with no effect on the net loss.

NOTE 14 SUBSEQUENT EVENT

The Hospital entered an agreement with Brim Healthcare, Inc. to provide management services to the Hospital. The initial term of the agreement is for five years commencing on October 1, 1998 and terminating on September 30, 2003.

**ADDITIONAL INFORMATION**



# Darnall, Sikes & Frederick

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## Independent Auditor's Report on Additional Information

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Our report on our audits of the general purpose financial statements of the Hospital Service District No. 1, Parish of Vermilion, State of Louisiana, a component unit of the Vermilion Parish Police Jury, for the years ended September 30, 1998 and 1997, appears on page 1. These audits were made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying information on pages 17 through 25 is presented for purposes of additional analysis, and is not a required part of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Darnall, Sikes & Frederick*  
A Corporation of Certified Public Accountants

Eunice, Louisiana  
December 17, 1998

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Society of Louisiana  
Certified Public Accountants

HOSPITAL SERVICE DISTRICT NO. 1  
 Parish of Vermilion  
 State of Louisiana

Summary of Depreciable Assets and Depreciation  
 Years Ended September 30, 1998 and 1997

	ASSETS			
	Balance 09/30/1997	Additions	Deductions	Balance 09/30/1998
Building	\$ 1,702,173	\$ -	\$ -	\$ 1,702,173
Parking Lot	48,119	-	-	48,119
Fixed equipment	1,249,720	7,800	987	1,256,533
Major moveable equipment	1,235,233	25,603	61,925	1,198,911
Minor equipment	<u>213,580</u>	<u>-</u>	<u>-</u>	<u>213,580</u>
	<u>\$ 4,448,825</u>	<u>\$ 33,403</u>	<u>\$ 62,912</u>	<u>\$ 4,419,316</u>

DEPRECIATION

Balance 09/30/1997	Additions	Deductions	Balance 09/30/1998	Book Value 09/30/1998
\$ 912,800	\$ 34,246	\$ -	\$ 947,046	\$ 755,127
25,376	1,355	-	26,731	21,388
682,355	109,869	-	792,224	464,309
872,786	93,252	57,305	908,733	290,178
<u>184,455</u>	<u>8,075</u>	<u>-</u>	<u>192,530</u>	<u>21,050</u>
<u>\$ 2,677,772</u>	<u>\$ 246,797</u>	<u>\$ 57,305</u>	<u>\$ 2,867,264</u>	<u>\$ 1,552,052</u>

See independent auditor's report on additional information.

HOSPITAL SERVICE DISTRICT NO. 1  
 Parish of Vermilion  
 State of Louisiana

Schedules of Net Patient Service Revenue  
 Years Ended September 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
IN-PATIENT SERVICE REVENUE	\$ 7,064,485	\$ 7,705,281
OUT-PATIENT SERVICE REVENUE	<u>3,617,939</u>	<u>4,817,151</u>
	<u>10,682,424</u>	<u>12,522,432</u>
DEDUCTIONS FROM PATIENT SERVICE REVENUE		
Contractual allowances	4,035,839	5,897,761
Discounts	<u>293,051</u>	<u>182,377</u>
	<u>4,328,890</u>	<u>6,080,138</u>
Net Patient Service Revenue	<u>\$ 6,353,534</u>	<u>\$ 6,442,294</u>

See independent auditor's report on additional information.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Schedules of In-Patient Service Revenue  
Years Ended September 30, 1998 and 1997

	1998	1997
ROUTINE SERVICES		
Room and board	\$ 561,605	\$ 619,980
SPECIAL SERVICES		
Anesthesiology	56,054	57,500
Blood administration	10,083	8,836
Critical care unit	7,125	375
Electrocardiology	36,790	44,208
Emergency room	58,003	38,705
Intravenous therapy	416,292	389,626
Laboratory	356,591	356,927
Medical and surgical	506,080	511,086
Nuclear medicine	94,841	45,559
Operating room	114,773	102,668
Pharmacy	654,648	620,094
Physical therapy	3,760	4,854
Psychiatric	3,714,138	4,429,655
Radiology	81,280	75,518
Recovery room	16,402	13,335
Respiratory therapy	312,772	332,659
Ultrasound	63,248	53,696
	\$ 7,064,485	\$ 7,705,281

See independent auditor's report on additional information.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Schedules of Out-Patient Service Revenue  
Years Ended September 30, 1998 and 1997

	1998	1997
Anesthesiology	\$ 47,542	\$ 35,936
Blood administration	3,150	3,033
Clinic	255,428	234,480
Emergency room	304,262	190,117
Electrocardiology	43,478	37,840
Home health	844,237	1,057,342
Intravenous therapy	53,034	43,000
Laboratory	754,184	591,458
Medical and surgical	234,669	196,893
Medical staff - weekend physician	228,860	211,735
Nuclear medicine	80,958	9,796
Operating room	91,330	55,680
Pharmacy	204,685	129,955
Psychiatric	-	1,666,870
Radiology	310,289	240,068
Recovery room	12,880	6,510
Respiratory therapy	36,401	41,033
Ultrasound	112,552	65,405
	\$ 3,617,939	\$ 4,817,151

See independent auditor's report on additional information.



HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Schedules of Other Revenue  
Years Ended September 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
Cafeteria sales	\$ 42,033	\$ 32,602
Recovery of bad debt	117,072	108,081
Options income	33,119	15,147
Bed lease income	28,096	21,000
Rural coalition income	<u>129,821</u>	<u>-</u>
	<u>\$ 350,141</u>	<u>\$ 176,830</u>

See independent auditor's report on additional information.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Schedules of Professional Expenses  
Years Ended September 30, 1998 and 1997

	1998			1997		
	Salaries	Professional fees, Supplies and Direct Expenses	Total	Salaries	Professional fees, Supplies and Direct Expenses	Total
Anesthesia	\$ 97,646	\$ 5,612	\$ 103,258	\$ 99,621	\$ 4,654	\$ 104,275
Blood bank	-	14,789	14,789	-	11,892	11,892
Clinic	45,751	14,252	60,003	48,540	8,842	57,382
Critical care unit	-	792	792	246	1,779	2,025
Electrocardiology	-	4,687	4,687	-	3,900	3,900
Emergency room	262,014	7,529	269,543	175,620	7,067	182,687
Home health	282,213	53,978	336,191	374,008	57,609	431,617
Intravenous therapy	-	7,188	7,188	-	8,190	8,190
Laboratory	158,432	197,689	356,121	152,869	175,860	328,729
Medical and surgical	16,525	127,647	144,172	9,352	110,619	119,971
Medical records	58,667	15,925	74,592	54,771	16,469	71,240
Medical office complex	2,065	-	2,065	-	-	-
Medical staff	502,756	1,419	504,175	549,864	16,752	566,616
Nuclear medicine	3,841	153,713	157,554	1,750	95,521	97,271
Nursing service	486,371	15,400	501,771	465,411	19,348	484,759
Operating room	89,445	19,311	108,756	89,869	31,016	120,885
Pharmacy	50,321	187,092	237,413	60,463	174,207	234,670
Physical therapy	3,510	-	3,510	6,786	449	7,235
Primary care clinic	33,570	212,221	245,791	28,566	173,289	201,855
Psychiatric	-	1,038,539	1,038,539	-	1,787,112	1,787,112
Radiology	100,926	93,058	193,984	93,028	99,548	192,576
Recovery room	12,723	-	12,723	9,392	-	9,392
Respiratory therapy	5,332	97,803	103,135	4,512	100,904	105,416
	<u>\$2,212,108</u>	<u>\$ 2,268,644</u>	<u>\$4,480,752</u>	<u>\$2,224,668</u>	<u>\$ 2,905,027</u>	<u>\$5,129,695</u>

See independent auditor's report on additional information.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Schedules of General and Administrative Expenses  
Years Ended September 30, 1998 and 1997

	1998			1997		
	Salaries	Professional fees, Supplies and Direct Expenses	Total	Salaries	Professional fees, Supplies and Direct Expenses	Total
Administrative	\$ 74,274	\$ 13,951	\$ 88,225	\$ 71,966	\$ 13,361	\$ 85,327
Administrative - fiscal	31,541	34,333	65,874	30,732	30,486	61,218
Administrative - other	-	106,687	106,687	-	64,555	64,555
Business office	93,782	15,828	109,610	103,217	13,301	116,518
Credit and collections	-	10,815	10,815	-	19,281	19,281
Data processing	36,605	5,481	42,086	28,726	6,396	35,122
Dietary	106,883	89,601	196,484	100,861	80,714	181,575
Employee benefits	-	243,685	243,685	-	204,701	204,701
Housekeeping	69,296	20,597	89,893	68,257	18,400	86,657
Insurance	-	126,537	126,537	-	154,230	154,230
Laundry	-	23,273	23,273	-	27,875	27,875
Linen	-	2,274	2,274	-	3,496	3,496
Personnel	-	817	817	-	2,967	2,967
Plant operations	69,297	213,100	282,397	70,139	188,503	258,642
Printing and duplicating	-	28,450	28,450	-	23,785	23,785
Supplies, processing and distribution	34,547	2,812	37,359	44,154	3,238	47,392
Telephone and communications	-	68,549	68,549	-	67,942	67,942
	<u>\$ 516,225</u>	<u>\$ 1,006,790</u>	<u>\$ 1,523,015</u>	<u>\$ 518,052</u>	<u>\$ 923,231</u>	<u>\$ 1,441,283</u>

See independent auditor's report on additional information.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Schedules of Nonoperating Income  
Years Ended September 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
Grant income	\$ -	\$ 25,000
Interest	35,224	26,120
Millage income	308,571	302,271
Miscellaneous	7,609	15,837
Rent	20,302	6,552
Sale of medical records	2,392	2,579
Vending machines	<u>4,206</u>	<u>3,878</u>
	<u>\$ 378,304</u>	<u>\$ 382,237</u>

See independent auditor's report on additional information.

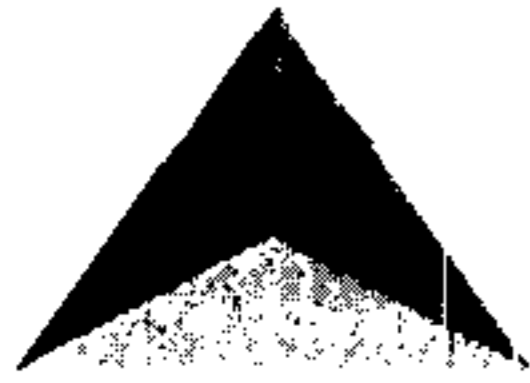
HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Schedule of Commissioners, Meetings Attended and Compensation  
Year Ended September 30, 1998

<u>Name of Commissioner</u>	<u>Meetings Attended</u>	<u>Compensation</u>
Edison Abshire	10	\$500
Ronald Menard	11	\$550
Ivan Bourque	13	\$650
Tom Baudoin	12	\$600
Clarence Francis	13	\$650
Lori Winch	9	\$450
Del Dean David	12	\$600

See independent auditor's report on additional information.

**INTERNAL CONTROL AND COMPLIANCE**



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Clayton L. Darnall, CPA  
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## Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance with Government Auditing Standards

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The Board of Commissioners  
Hospital Service District No. 1  
Parish of Vermilion, State of Louisiana  
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We have audited the general purpose financial statements of Hospital Service District No. 1, Parish of Vermilion, State of Louisiana, a component unit of the Vermilion Parish Police Jury, as of and for the year ended September 30, 1998, and have issued our report thereon dated December 17, 1998, which was qualified due to the omission of the year 2000 disclosures that are required by governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*. We conducted our 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 general purpose 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 an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying schedule of findings and questioned costs as item 98-1.

### 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 general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that

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

This report is intended for the information of management and Board of Commissioners. However, this report is a matter of public record and its distribution is not limited.

*Darnall, Sikes & Frederick*  
A Corporation of Certified Public Accountants

Eunice, Louisiana  
December 17, 1998



HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Schedule of Prior Year Findings  
Year Ended September 30, 1998

Section I Internal Control and Compliance Material to the Financial Statements

No findings noted for the year ended September 30, 1997.

Section II Internal Control and Compliance Material to Federal Awards

This section not applicable for the year ended September 30, 1997.

Section III Management Letter

No findings noted for the year ended September 30, 1997.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

Part I Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report

A qualified opinion has been issued on the Hospital's financial statements as of and for the year ended September 30, 1998.

Reportable Conditions -- Financial Reporting

There were no reportable conditions in internal control noted during the audit of the financial statements.

Material Noncompliance -- Financial reporting

One instance of material noncompliance was noted during the audit as described in item 98-1 in Part II.

FEDERAL AWARDS

This section is not applicable for the year ended September 30, 1998.

Management Letter

This section is not applicable for the year ended September 30, 1998.

Part II Findings Relating to an Audit in Accordance with Government Auditing Standards

98-1 Violation of Louisiana Audit Law

Finding:

The Hospital did not comply with the provisions of the state audit law, LSA-RS 24:513 requiring audits to be completed within six months of the fiscal year end.

Recommendation:

The Hospital should implement procedures to ensure compliance with applicable laws.

Part III Findings and Questioned Costs Relating to Federal Programs

This section is not applicable for the year ended September 30, 1998.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Management Corrective Action Plan  
Year Ended September 30, 1998

98-1 Violation of Louisiana Audit Law

Due to recent changes in the preparation of the cost report, information required from the third-party provider was delayed. As a result, the Hospital could not timely provide a reliable estimate of third-party settlements which would have allowed the auditors to complete their audit within the statutory requirements. Efforts will be made to ensure compliance with applicable laws.