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**St. Helena Parish Hospital
Service District No. 1
A Component Unit of the
St. Helena Parish Police Jury
Greensburg, Louisiana
October 31, 1998**

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 7-14-99

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March 18, 1999

Independent Auditor's Report

The Board of Commissioners
St. Helena Parish Hospital Service District No. 1
Greensburg, Louisiana

Commissioners:

We have audited the accompanying general-purpose financial statements of

**St. Helena Parish Hospital Service District No. 1
Greensburg, Louisiana**

a component unit of the St. Helena Parish Police Jury, Greensburg, Louisiana, as of and for the years ended October 31, 1998 and October 31, 1997, as listed in the table of contents. These general-purpose financial statements are the responsibility of St. Helena Parish Hospital Service District No. 1's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

The general purpose financial statements include certain assets to which the District does not have title and corresponding expenses which affect these financial statements. If such items had been recorded in accordance with generally accepted accounting principles, property and plant would be reduced by \$1,071,164 and \$1,152,321, fund balance by \$1,071,164 and \$1,152,321, and, depreciation expense by \$81,158 and \$76,794, for 1998 and 1997, respectively.

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the general purpose financial statements referred to in the table of contents do not present fairly, in conformity with generally accepted accounting principles, the financial position of St. Helena Parish Hospital Service District No. 1, Greensburg, Louisiana as of October 31, 1998 and October 31, 1997, or the results of its operations or its cash flows for the year then ended.

St. Helena Parish Hospital Service District No. 1 has not presented the disclosures required by Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by Governmental Accounting Standards Board Technical Bulletin 99-1, that the Governmental Accounting Standards Board has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that St. Helena Parish Hospital Service District No. 1 is or will become year 2000 compliant, that St. Helena Parish Hospital Service District No. 1's year 2000 remediation efforts will be successful in whole or in part, or the parties with which St. Helena Parish Hospital Service District No. 1 does business are or will become year 2000 compliant.

In accordance with Government Auditing Standards, we have also issued our report dated March 18, 1999 on our consideration of St. Helena Parish Hospital Service District No. 1's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Yours truly,
Hawthorn, Waymouth & Carroll, L.L.P.

St. Helena Parish Hospital Service District No. 1
Balance Sheets
October 31, 1998 and October 31, 1997

A s s e t s	<u>1998</u>	<u>1997</u>
Current Assets		
Cash and cash equivalents		
Unrestricted	\$296,477	\$112,822
Restricted	418,382	354,628
Certificates of deposit	2,899	32,758
Assets limited as to use	17,400	16,531
Patient accounts receivable (net of estimated uncollectibles of \$233,603 and \$179,948 for 1998 and 1997, respectively)	70,221	75,813
Estimated third-party settlements	732,895	917,116
Accounts receivable - other	370,215	365,710
Supplies	153,697	159,416
Prepaid expenses	<u>50,771</u>	<u>79,972</u>
<u>Total current assets</u>	<u>2,112,957</u>	<u>2,114,776</u>
Assets Limited As to Use		
Under indenture agreement	58,623	270,516
Less amount required to meet current obligations	<u>(17,400)</u>	<u>(16,531)</u>
<u>Noncurrent assets limited as to use</u>	<u>41,223</u>	<u>253,985</u>
Property, Plant and Equipment		
Land		
Hospital	183,965	183,965
Morgan Hills	36,000	36,000
Buildings		
Hospital	1,935,824	1,935,824
Morgan Hills	767,077	767,077
Clinic	89,562	89,562
Nursing Home	1,098,370	1,098,370
Home Health	68,074	68,074
Equipment	<u>928,319</u>	<u>1,214,171</u>
	5,107,191	5,393,043
Less depreciation to date	<u>(2,341,625)</u>	<u>(2,417,968)</u>
<u>Total property, plant and equipment</u>	<u>2,765,566</u>	<u>2,975,075</u>
<u>Total assets</u>	<u>4,919,746</u>	<u>5,343,836</u>

The accompanying notes are an integral part of these statements.

Liabilities and Fund Balance

	<u>1998</u>	<u>1997</u>
Current Liabilities		
Mortgage and notes payable	\$32,473	\$199,100
Bonds payable	80,435	75,788
Capital leases		9,773
Accounts payable	434,744	559,170
Accrued liabilities	235,542	231,928
Deferred revenue		<u>178,960</u>
<u>Total current liabilities</u>	<u>783,194</u>	<u>1,254,719</u>
Long-Term Debt		
Mortgage and notes payable	748,609	783,369
Bonds payable	<u>951,006</u>	<u>1,030,510</u>
	<u>1,699,615</u>	<u>1,813,879</u>
<u>Total liabilities</u>	<u>2,482,809</u>	<u>3,068,598</u>
Fund Balance		
Unrestricted	1,401,335	1,297,121
Restricted	542,912	485,427
Contributed capital	<u>492,690</u>	<u>492,690</u>
<u>Total fund balance</u>	<u>2,436,937</u>	<u>2,275,238</u>
	<hr/>	<hr/>
<u>Total liabilities and fund balance</u>	<u>4,919,746</u>	<u>5,343,836</u>

St. Helena Parish Hospital Service District No. 1
Statements of Revenue and Expenses
Years Ended October 31, 1998 and October 31, 1997

	<u>1998</u>	<u>1997</u>
Revenues		
Net patient service revenue	\$6,161,413	\$5,914,381
Other operating revenue	<u>435,654</u>	<u>426,403</u>
<u>Total revenues</u>	<u>6,597,067</u>	<u>6,340,784</u>
Expenses		
Salaries	3,098,561	3,247,453
Outside services	1,315,529	1,065,282
Supplies and other	686,262	702,874
General and administrative	1,147,113	1,066,125
Provision for bad debts	197,101	195,482
Interest	53,033	55,707
Depreciation and amortization	<u>251,888</u>	<u>245,625</u>
<u>Total expenses</u>	<u>6,749,487</u>	<u>6,578,548</u>
<u>Operating income (loss)</u>	<u>(152,420)</u>	<u>(237,764)</u>
Other Revenue		
Interest	30,230	35,781
State Grant - emergency room		25,000
State Grant - rural health	71,270	
Federal Grant - substance abuse	39,405	45,837
Other	<u>56,867</u>	<u>40,611</u>
	<u>197,772</u>	<u>147,229</u>
Excess of Revenues Over (Under) Expenses	<u><u>45,352</u></u>	<u><u>(90,535)</u></u>

The accompanying notes are an integral part of these statements.

St. Helena Parish Hospital Service District No. 1
Statements of Fund Balance
Years Ended October 31, 1998 and October 31, 1997

	<u>1998</u>		<u>1997</u>	
	<u>Unrestricted</u> <u>Fund</u> <u>Balance</u>	<u>Restricted</u> <u>Fund</u> <u>Balance</u>	<u>Unrestricted</u> <u>Fund</u> <u>Balance</u>	<u>Restricted</u> <u>Fund</u> <u>Balance</u>
Balance, beginning of year	\$1,297,121	\$485,427	\$1,332,597	\$409,247
Additions				
Revenue over (under) expenses	45,352		(90,535)	
Transfer from restricted funds	58,862		55,059	
Ad valorem taxes collected		159,854		159,300
Taxes accrued		460		19,750
Accrued interest		510		470
	<u>1,401,335</u>	<u>646,251</u>	<u>1,297,121</u>	<u>588,767</u>
Deductions				
Bond principal		58,862		55,059
Interest expenses		<u>44,477</u>		<u>48,281</u>
		<u>103,339</u>		<u>103,339</u>
Balance, end of year	<u>1,401,335</u>	<u>542,912</u>	<u>1,297,121</u>	<u>485,427</u>

The accompanying notes are an integral part of these statements.

St. Helena Parish Hospital Service District No. 1
Statements of Cash Flows
Years Ended October 31, 1998 and October 31, 1997

	<u>1998</u>	<u>1997</u>
Operating and Gains Activities		
Revenues over (under) expenses	\$45,352	(\$90,535)
Adjustments to reconcile revenues over (under) expenses to net cash provided by operating activities		
Depreciation and amortization	251,888	245,625
Changes in operating assets and liabilities		
(Increase) decrease in receivable	185,308	(543,525)
(Increase) decrease in inventory	5,719	(27,981)
(Increase) decrease in prepaid expenses	29,201	(19,553)
Increase (decrease) in accounts payable	(124,426)	118,233
Increase (decrease) in accrued liabilities	3,614	(4,755)
Increase (decrease) in deferred revenue	<u>(178,960)</u>	<u>(12,922)</u>
<u>Net cash provided by (used in) operating activities</u>	<u>217,696</u>	<u>(335,413)</u>
Investing Activities		
Purchases of property, plant and equipment	(53,176)	(130,508)
Change in restricted cash	(63,754)	(51,761)
Net decrease in certificates of deposit	29,859	102,654
Change in assets limited as to use	211,893	(12,214)
Proceeds received on sale of property, plant and equipment	<u>10,797</u>	<u> </u>
<u>Net cash provided by (used in) investing activities</u>	<u>135,619</u>	<u>(91,829)</u>
Financing Activities		
Proceeds on notes	60,000	130,000
Principal payment on notes	(261,376)	(80,720)
Principal payment on bonds	(74,858)	(71,241)
Principal payment on capital leases	(9,773)	(8,613)
Decrease in contributed capital		12,922
Transferred from restricted fund	58,862	55,059
Net change in temporarily restricted assets	<u>57,485</u>	<u>76,181</u>
<u>Net cash provided by (used in) financing activities</u>	<u>(169,660)</u>	<u>113,588</u>
Net Increase (Decrease) in Cash and Cash Equivalents	183,655	(313,654)
<u>Cash and Cash Equivalents, beginning of year</u>	<u>112,822</u>	<u>426,476</u>
<u>Cash and Cash Equivalents, end of year</u>	<u>296,477</u>	<u>112,822</u>

The accompanying notes are an integral part of these statements.

St. Helena Parish Hospital Service District No. 1
Statements of Cash Flows
Years Ended October 31, 1998 and October 31, 1997

Supplemental Disclosure of Cash Flow Information

	<u>1998</u>	<u>1997</u>
Cash paid during the year for interest	<u>\$53,033</u>	<u>\$55,707</u>

The accompanying notes are an integral part of these statements.

St. Helena Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 1998

Note I-Summary of Significant Accounting Policies

A. Report Issued Under Separate Cover

The St. Helena Parish Hospital Service District No. 1's component unit financial statements are an integral part of the St. Helena Parish Police Jury's comprehensive annual financial report. This report has been issued under separate cover for the St. Helena Parish Hospital Service District No. 1, and should not be used for any other purpose.

B. Financial Reporting Entity

On December 29, 1962, the St. Helena Parish Police Jury passed a resolution creating the St. Helena Parish Hospital Service District No. 1 (hereinafter sometimes called the "District") under the authority of Article 6, Section 19, of the 1974 Louisiana Constitution and Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950, as amended. The District is composed of all the territory situated within the Parish of St. Helena, Louisiana.

The governing authority of the District consists of a board of six (6) commissioners, all of whom are qualified electors of the Parish of St. Helena, Louisiana. The Commissioners serve without pay, per diem, or reimbursement of expense, except actual cash out-of-pocket expenses incurred in the performance of their duties.

The public purpose of the District is to secure, provide for, and protect the public health and welfare by the treatment of human ailments through the acquisition and construction of projects as authorized by Chapter 10 of Title 46 of the 1974 Louisiana Constitution, and the financing and refinancing of indebtedness to acquire, construct, renovate, improve hospitals, clinics, laboratories, a nursing home, and any other facility, building or structure which may be of use and benefit in the teaching, training or practice of medical science and treatment of human ailments, or for such other facilities as the District shall find useful in the study of, or research in, or treatment of illness or infirmities, all as is more fully set out in said Chapter 10 of Title 46 of the 1974 Louisiana Constitution.

C. Basis of Presentation

The accounts of the District are organized on the basis of a fund which is considered a separate accounting entity. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenses. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The fund is classified as follows.

St. Helena Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 1998

Note 1-Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Proprietary Fund

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

D. Budgetary Accounting

The District's adopted budget meets the requirements of the Louisiana Local Government Budget Act as provided by Louisiana Revised Statutes 13:1301-1315.

E. 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.

F. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

G. Deposits

The October 31, 1998 and October 31, 1997 carrying amounts of the District's deposits were \$776,381 and \$770,734, respectively, which include cash and certificates of deposit of which \$200,000 was covered by Federal Depository insurance for each year. The remaining October 31, 1998 and October 31, 1997 bank balances, which are considered Category 1 for generally accepted governmental accounting principles, were collateralized by securities held in a joint custodial account in the District's name.

St. Helena Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 1998

Note 1-Summary of Significant Accounting Policies (Continued)

H. Accounts Receivable

Accounts receivable from patients, insurance companies and third-party reimbursement contractual agencies are recorded at established charge rates. Certain third-party insured accounts (Medicare and Medicaid) are based on cost reimbursement agreements which generally result in the District collecting less than the established charge rates with the difference recorded as "contractual adjustments." Final determination of settlement is subject to review by appropriate authorities. Adequate allowances are provided for doubtful accounts and contractual adjustments. Doubtful accounts are written off against the allowance after adequate collection effort is exhausted and recorded as recoveries of bad debts if subsequently collected. Net operating revenue includes only those amounts established by management to be collectible.

I. Charity Care

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

J. Assets Whose Use Is Limited

Assets limited as to use under terms of the bond indentures are classified as assets whose use is limited.

K. Inventories of Supplies

Supplies are valued at the lower of cost (first-in, first-out) or net realizable value.

L. Fixed Assets

Fixed assets are stated at cost, except for assets donated to the District. Donated assets are recorded at the appraised value at the date of donation.

Depreciation is recorded on a straight-line basis over the useful lives of the assets. Equipment under capital leases is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements.

Maintenance, repairs, replacements and improvements of minor amounts are expensed. Major replacements and improvements are capitalized.

St. Helena Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 1998

Note 1-Summary of Significant Accounting Policies (Continued)

M. Costs of Borrowing

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

N. 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.

O. Vacation Pay

Accumulated unpaid vacation is accrued when incurred. Employees earn and vest in vacation leave according to years of service as follows:

<u>Years of Service</u>	<u>Full-Time Employees</u>
Over 5 years	2.08 days per month
Less than 5 years	1.66 days per month

P. Income Taxes

The District is exempt from income taxes under Internal Revenue Code Section 115.

Q. Property Taxes

The Sheriff of St. Helena Parish, as provided by state law, is the official tax collector of property taxes levied by the parish and parish special districts.

The 1997 and 1996 property tax calendars were as follows:

	<u>1997</u>	<u>1996</u>
Millage rates adopted	September 18, 1997	October 31, 1996
Tax bills mailed	December 8, 1997	November 22, 1996
Due date	December 31, 1997	December 31, 1996
Certified delinquent notice	March 31, 1998	March 31, 1997

St. Helena Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 1998

Note 1-Summary of Significant Accounting Policies (Continued)

Q. Property Taxes (Continued)

Property taxes are recognized as revenue in the calendar year for which they are due. State law requires the sheriff to collect property taxes in the calendar year in which the assessment is made. After notice is given to the delinquent taxpayers, the sheriff is required by the constitution of the State of Louisiana to sell the least quantity of property necessary to settle the taxes and interest owed.

R. Accounting Standards

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the District has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989.

S. Risk Management

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Note 2-Net Patient Service Revenue

The District 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 classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through October 31, 1997.

St. Helena Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 1998

Note 2-Net Patient Service Revenue (Continued)

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 October 31, 1997.

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

Note 3-Assets Whose Use Is Limited

Assets whose use is limited that are required for obligations classified as current liabilities are reported in current assets. The composition of assets whose use is limited at October 31, 1998 and 1997, is set forth in the following table.

	<u>1998</u>	<u>1997</u>
Under indenture agreement		
Cash	\$58,623	\$270,516
	<u>58,623</u>	<u>270,516</u>

Note 4-Mortgage and Notes Payable

Mortgage and notes payable consists of the following:

	<u>1998</u>	<u>1997</u>
Note payable to Bank of Greensburg in monthly installments of \$1,920 at 8% interest. Note is secured by a lease agreement.	\$10,602	\$31,848
Note payable to Bank of Greensburg in monthly installments of \$544 plus interest at 8%. Note is secured by equipment.	_____	<u>4,737</u>
(Continued - amounts carried forward)	10,602	36,585

St. Helena Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 1998

Note 4-Mortgage and Notes Payable (Continued)

	<u>1998</u>	<u>1997</u>
(Continued - amounts brought forward)	\$10,602	\$36,585
Note payable to Bank of Greensburg in monthly installments of \$700 at 8%. Note is secured by ad valorem taxes.		1,917
Note payable to Bank of Greensburg in monthly installments of \$580 at 8%. Note is secured by property.	2,789	9,240
Note payable to Bank of Greensburg in annual installments of \$38,528 plus interest at 8%. Note is secured by ad valorem taxes.		35,467
Mortgage payable to Farmers Home Administration for Morgan Hills Apartments in the amount of \$776,348 at an interest rate ranging from 1% to 8.75% for 50 years with a monthly payment of \$1,646. Note is secured by the Morgan Hills apartments.	767,691	769,260
Note payable to Bank of Greensburg for a 30 day loan in the amount of \$100,000 at 8% interest. Note is secured by ad valorem taxes.		100,000
Note payable to Bank of Greensburg in one annual installment of \$30,000 plus interest at 8%. Note is secured by ad valorem taxes.		<u>30,000</u>
	<u>781,082</u>	<u>982,469</u>
Less current maturities	<u>32,473</u>	<u>199,100</u>
Long-term portion	<u>748,609</u>	<u>783,369</u>

Maturities of long-term debt for the next five years ending October 31, are as follows:

1999	\$32,473
2000	24,574
2001	25,936
2002	27,375
2003	28,897

St. Helena Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 1998

Note 5-Bonds Payable

Bonds payable consist of the following:

	<u>1998</u>	<u>1997</u>
Hospital Revenue Bonds of \$467,000 requiring annual installments of \$3,115 (principal and interest) for 20 years at an annualized rate of 5.125%. Bonds are secured by the land and building of the hospital and by a pledge of all operating revenue.	\$398,287	\$414,283

As required by the bond agreement, the District was required to establish three separate accounts: Sinking Fund, Reserve Fund and Contingency Fund. The Sinking Fund is required to have an amount sufficient to pay promptly and fully the principal and interest on the bonds. The Reserve Fund must have an amount paid to it equal to 10% of the amount paid to the Sinking Fund each month. The amount shall continue until the Reserve Fund has accumulated a sum equal to the combined principal and interest falling due in any year on the bonds. The Contingency Fund shall have deposited \$170 per month to cover depreciation, additions, improvements and replacements necessary to properly operate the District. These amounts have been classified as assets whose use is limited.

General Obligation Hospital Public Improvement Bonds of \$1,150,000. Payments are to be made in annual installments of \$103,339 (principal and interest) for 20 years at an annualized rate of 6.375%. Bonds are secured by the full faith and credit of the District which obligates itself to levy and collect ad valorem taxes sufficient to pay principal and interest. All ad valorem taxes related to the bond issue are deposited into separate accounts. Payment of the bond issue is made from this account.

	<u>633,154</u>	<u>692,015</u>
	1,031,441	1,106,298
Less current maturity of bonds payable	<u>(80,435)</u>	<u>(75,788)</u>
Long-term portion of bonds payable	<u>951,006</u>	<u>1,030,510</u>

St. Helena Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 1998

Note 5-Bonds Payable (Continued)

Bond maturities for each of the next five years ending October 31, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1999	\$80,435	\$60,284	\$140,719
2000	85,364	55,355	140,719
2001	90,601	50,118	140,719
2002	96,398	44,321	140,719
2003	103,419	37,300	140,719

Note 6-Restricted Fund Balance

A portion of the Districts ad valorem taxes received are restricted to pay the debt on the General Obligation Hospital Public Improvement Bonds.

Note 7-Capital Leases - Equipment

The District leased a computer system, with a net book value of \$7,783 under a capital lease which expired in 1998. 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 and the assets are depreciated over their estimated useful lives. Depreciation of assets under capital leases is included in depreciation expense. Future minimum lease payments under capital leases were as follows:

	<u>1998</u>	<u>1997</u>
Current portion of obligations under capital leases	-	\$9,773
Long-term portion of obligations under capital leases	<u>-</u>	<u>-</u>
<u>Total obligations</u>	<u>-</u>	<u>9,773</u>

Note 8-Capital Lease-Land

The District has leased the land on which the nursing home is located from the St. Helena Parish Police Jury. The lease is for the 20 year period which coincides with the payment schedule on the related bonds. The lease does not require any payments to the Police Jury.

St. Helena Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 1998

Note 9-Management Contract

The District entered into a Cooperative Endeavor Management Agreement with Rural Hospital Services effective April 1, 1998. The agreement was for the management and related support for St. Helena Hospital. This contract was terminated after October, 31, 1998.

Note 10-Land and Building

The title to the District's land and building on which the Hospital is located is in the name of St. Helena Parish Police Jury. The effects are described in the auditor's report.

Note 11-Medical Malpractice Claims

The District has medical malpractice insurance up to \$100,000 through the Louisiana Hospital Association Trust Fund and an additional \$500,000 through the Patients Compensation Fund. As of the balance sheet date, the District has no malpractice claims exceeding its coverage.

Note 12-Concentration of Credit Risk

The District is located in Greensburg, Louisiana and grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. Revenue from patients and third-party payors were as follows:

	<u>1998</u>	<u>1997</u>
Medicare and Medicaid	84%	91%
Commercial and Blue Cross	13%	7%
Private pay	<u>3%</u>	<u>2%</u>
	<u>100%</u>	<u>100%</u>

Supplementary Information

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

H. DANIEL CARROLL, C.P.A.
ROBERT E. WALLS, C.P.A.
J. CHARLES PARKER, C.P.A.
LOUIS C. MCKNIGHT, III, C.P.A.
ANTHONY J. CRISTINA, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.



CERTIFIED PUBLIC ACCOUNTANTS

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(1909-1993)

WARREN C. BER, C.P.A.
RETIRED
ROBERT J. ZERNOTT, C.P.A.
RETIRED
CARL L. HANCOCK, C.P.A.
RETIRED

March 18, 1999

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

The Board of Commissioners
St. Helena Parish Hospital Service District No. 1
Greensburg, Louisiana

Commissioners:

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole of St. Helena Parish Hospital Service District No. 1, a component unit of St. Helena Parish Police Jury, as of and for the years ended October 31, 1998 and October 31, 1997, which are presented in the preceding section of this report. The supplementary information presented hereinafter is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the audit procedures applied in the audit of the general purpose financial statements and, in our opinion, because of the matters discussed in the auditor's report, is not in conformity with generally accepted accounting principles.

Yours truly,

Hawthorn, Waymouth & Carroll, L.L.P.

St. Helena Parish Hospital Service District No. 1
Revenue
Years Ended October 31, 1998 and October 31, 1997

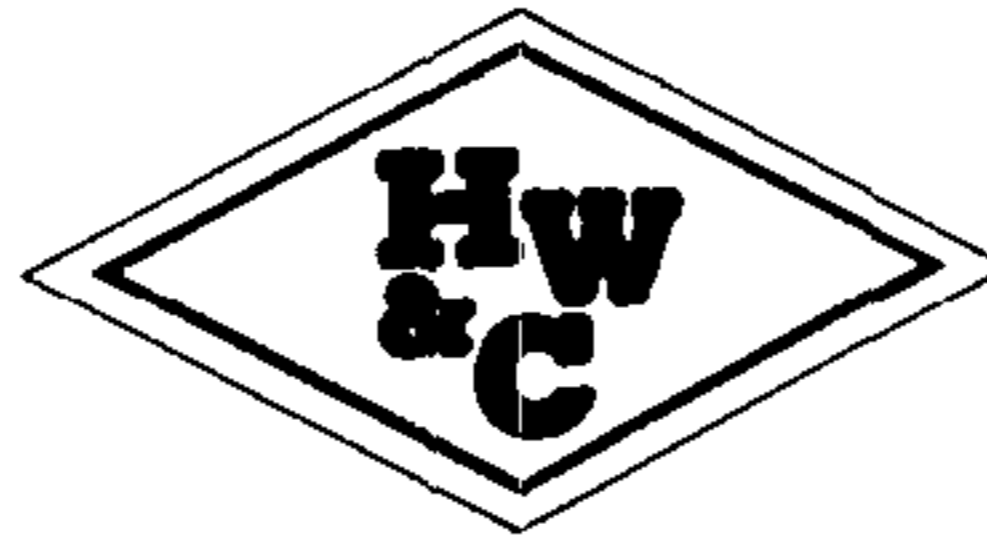
	<u>1998</u>	<u>1997</u>
Patient Service Revenue		
Patient rooms - Hospital	\$285,909	\$314,744
Patient rooms - Nursing Home	1,486,819	1,454,726
Monitor room	43,172	17,987
Operating and emergency room	159,189	164,447
Medical and surgical supplies	439,344	286,428
Pharmacy	280,395	263,228
X-ray	243,313	290,704
EFG or EKG	70,048	86,334
Ultrasound	30,617	50,277
S.H.P. scan	20,625	24,344
Laboratory	521,728	781,483
Therapy	307,164	296,951
Doctor fees	104,843	68,374
Home Health	1,155,337	1,465,852
Dietary	30,739	28,369
Geriatric unit	1,337,222	1,997,314
Uncompensated care	303,975	270,476
Clinic	25,315	219
Ophthalmology	8,825	
Swing bed	516	
Reimbursement of prior year cost reports	<u>540,815</u>	<u> </u>
	7,395,910	7,862,257
 Less deduction from revenue	 <u>(1,234,497)</u>	 <u>(1,947,876)</u>
 <u>Net patient service revenue</u>	 <u>6,161,413</u>	 <u>5,914,381</u>
 Other Operating Revenue		
Taxes	\$295,038	\$320,502
Miscellaneous	<u>140,616</u>	<u>105,901</u>
	<u>435,654</u>	<u>426,403</u>

St Helena Parish Hospital Service District No. 1
Operating Expenses
Years Ended October 31, 1998 and October 31, 1997

	<u>1998</u>	<u>1997</u>
Supplies and Other		
Food cost	\$161,381	\$159,976
Pharmacy	75,612	85,087
Medical supplies	427,364	436,837
Medical waste services	<u>21,905</u>	<u>20,974</u>
<u>Total</u>	<u>686,262</u>	<u>702,874</u>
General and Administrative		
Bank charges	\$209	\$302
Collection expense	6,535	9,222
Dues and subscriptions	48,465	18,717
Education	21,250	11,219
Gas	23,909	23,066
Group insurance	21,000	52,964
Insurance	166,653	214,769
Lease expense	26,333	22,850
Maintenance contracts	18,390	17,775
Office supplies	10,353	27,938
Payroll taxes	254,653	248,258
Legal and professional	100,655	23,252
Postage	8,896	9,876
Miscellaneous	47,624	19,379
Repairs and maintenance	81,590	59,680
Rental charges	31,497	6,416
Sewerage	2,265	5,370
Telephone	62,747	77,478
Travel and educational	84,374	87,890
Utilities	104,056	94,545
Water	5,323	7,147
Advertising	9,448	12,661
Vending machine	8,731	12,821
Trash pick-up		2,530
Uniforms	<u>2,157</u>	
<u>Total</u>	<u>1,147,113</u>	<u>1,066,125</u>

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March 18, 1999

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**Report on Compliance and on Internal Control over Financial
Reporting Based on an Audit of Financial Statements Performed
In Accordance With Government Auditing Standards**

Board of Commissioners
St. Helena Parish Hospital Service District No. 1
Greensburg, Louisiana

Commissioners:

We have audited the financial statements of St. Helena Parish Hospital Service District No. 1 as of and for the year ended October 31, 1998, and have issued an adverse opinion thereon dated March 18, 1999. 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 St. Helena Parish Hospital Service District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the St. Helena Parish Hospital Service District No. 1's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be reportable condition.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect St. Helena Parish Hospital Service District No. 1's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described in the Schedule of Findings is not material weakness.

This report is intended for the information of the Board of Commissioners, management, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Yours truly,

Hawthorn, Weymouth & Carroll, L.L.P.

St. Helena Parish Hospital Service District No. 1
Schedule of Findings
October 31, 1998

Reportable Condition

Audit Report Compliance

Under state law (Louisiana Revised Statute 24:513), the audit report is due by April 30, 1999. The audit report was delayed past the due date because St. Helena Parish Hospital was unable to complete its cost report since the Health Care Financing Authority had not completed the revised forms needed for the cost reports.

Bank Reconciliations

During our audit we noted that the hospital did not prepare timely bank reconciliations. We recommend that the hospital prepare timely and accurate bank reconciliations for management's review.

We also noted that the hospital regularly issued manual checks and did not timely record the expenditures. This could prevent the hospital from recording cash expenditures on accounts payable completely and properly. We recommend that manual checks be timely recorded so that management can better anticipate both cash needs and availability.

Home Health Accounts Receivable

The home health accounts receivable subsidiary ledger was not being reconciled to the general ledger. We recommend that timely reconciliations between the subsidiary ledger and the general ledger be prepared.

ST. HELENA PARISH HOSPITAL

June 28, 1999

Mr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
1600 North Third Street
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

BOARD OF COMMISSIONERS
KATHY SINGLETON, CHAIRMAN
HOLLIS BUSH, JR., VICE CHAIRMAN
CLYDE HARRELL, SR.
JOE LOMBARDO
HENRIETTA McCOY
EMMITT MUSE

Dear Mr. Kyle:

In response to the Management Letter issued to the Board of Directors of St. Helena Parish Hospital Service District No. 1 at the regularly scheduled Board Meeting today pertaining to the schedule of findings October 31, 1998, our response is as follows:

Audit Report Compliance

An extension of due date for filing Provider Cost Reports for the fiscal year ended October 31, 1998, was granted by HCFA due to the complexities of the changes required by the Balanced Budget Act (BBA). HCFA was not able to approve the electronic cost-reporting vendors in a timely fashion.

The cost report must be completed prior to the completion of the Audit Report. This problem should not re-occur.

Bank Reconciliations

The bank reconciliations are up-to-date, and we have and will continue to prepare timely reconciliations. Personnel changes were made to correct this problem.

The recording of manual checks are done in a timely fashion, and we have implemented a system where we are not issuing manual checks as frequently as in the past.

Home Health Accounts Receivable

The home health accounts receivable subsidiary ledger is being reconciled to the general ledger on a monthly basis. Personnel changes were made to correct this problem.

Sincerely,



Lyle A. Walker
Interim Administrator

LW:sb