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**LAFORCHE PARISH HOSPITAL
SERVICE DISTRICT NO. 1**

D/B/A

LADY OF THE SEA GENERAL HOSPITAL

GALLIANO, LOUISIANA

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.

JAN 27 1999

Release Date _____

Audits of Financial Statements

June 30, 1998
and
June 30, 1997

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To the Board of Commissioners
Lafourche Parish Hospital Service District No. 1
d/b/a Lady of the Sea General Hospital
Galliano, Louisiana

Independent Auditor's Report

We have audited the accompanying general purpose financial statements of **LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1, D/B/A LADY OF THE SEA GENERAL HOSPITAL**, a component unit of the Lafourche Parish Police Jury, as of and for the years ended June 30, 1998 and 1997, as listed in the table of contents. These general purpose financial statements are the responsibility of **LAFOURCHE PARISH SERVICE DISTRICT NO. 1, D/B/A LADY OF THE SEA GENERAL 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 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of **LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1, D/B/A LADY OF THE SEA GENERAL HOSPITAL** as of June 30, 1998 and 1997, and the results of its operations and its cash flows of its proprietary fund for the years then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 1998 on our consideration of **LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1, D/B/A LADY OF THE SEA GENERAL HOSPITAL's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

A Professional Accounting Corporation

October 30, 1998

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International Affiliation with Accounting Firms Associated, Inc.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A
LADY OF THE SEA GENERAL HOSPITAL
BALANCE SHEETS

ASSETS

	June 30,	
	1998	1997
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 422,377	\$ 501,477
Assets Whose Use is Limited	515,000	480,000
Patient Accounts Receivable, Net of Estimated Uncollectibles of \$1,275,871 for 1998, and \$1,016,293 for 1997	3,950,207	3,416,990
Inventory Supplies - at Cost	536,963	457,180
Prepaid Expenses	100,928	116,106
Other Receivables	148,405	135,682
Total Current Assets	5,673,880	5,107,435
ASSETS WHOSE USE IS LIMITED		
By Agreements with Third-Party Payors for Funded Depreciation	2,431,369	2,724,470
Under Indenture Agreement	577,036	526,860
By Board for Indenture Reserves	111,035	123,586
Total Assets Whose Use is Limited	3,119,440	3,374,916
Less: Amounts Required to Meet Current Obligations	515,000	480,000
Noncurrent Assets Whose Use is Limited	2,604,440	2,894,916
PLANT AND EQUIPMENT, NET	5,858,024	6,383,798
OTHER ASSETS		
Construction in Progress	767,486	290,256
Other Receivables	285,216	214,262
Unamortized Bond Costs	9,252	12,032
Other Assets	77,825	59,036
Total Other Assets	1,139,779	575,586
Total Assets	\$ 15,276,123	\$ 14,961,735

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

LIABILITIES AND FUND BALANCE

	June 30,	
	1998	1997
CURRENT LIABILITIES		
Current Maturities of Bonds Payable	\$ 515,000	\$ 480,000
Accounts Payable - Trade	935,340	363,905
Estimated Third Party Settlements	452,302	649,527
Accrued Salaries and Employee Benefits	451,545	512,131
Current Obligations of Capital Leases	137,691	106,253
Accrued Interest on Long-Term Debt	32,100	41,017
Payroll Taxes Payable	10,442	5,570
Accrued Architect Fees	-	61,336
	<u>2,534,420</u>	<u>2,219,739</u>
LONG-TERM LIABILITIES, NET OF CURRENT MATURITIES		
Bonds Payable	1,315,000	1,830,000
Long-Term Obligations of Capital Leases	120,121	232,722
Deferred Revenue	47	49
	<u>1,435,168</u>	<u>2,062,771</u>
FUND BALANCE		
Fund Balance	11,394,353	10,780,812
Unrealized Loss on Noncurrent Marketable Securities	(87,818)	(101,587)
	<u>11,306,535</u>	<u>10,679,225</u>
Total Liabilities and Fund Balance	<u>\$ 15,276,123</u>	<u>\$ 14,961,735</u>

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A
LADY OF THE SEA GENERAL HOSPITAL
STATEMENTS OF REVENUE AND EXPENSES

	For The Years Ended	
	June 30,	
	1998	1997
NET PATIENT SERVICE REVENUE	\$ 15,469,613	\$ 14,945,920
OTHER OPERATING REVENUE	1,083,649	751,182
Total Revenue	16,553,262	15,697,102
OPERATING EXPENSES		
Salaries and Wages	5,376,290	4,997,875
Employee Benefits	1,044,667	842,227
Purchased Services	4,355,928	4,492,605
Supplies and Other	3,652,915	3,367,374
Depreciation and Amortization	875,676	882,669
Provision for Bad Debts	1,469,019	1,248,269
Interest	149,227	176,612
Total Expenses	16,923,722	16,007,631
Loss from Operations	(370,460)	(310,529)
NON-OPERATING GAINS		
Income on Investments Whose Use is Limited:		
By Agreements with Third-Party Payors for		
Funded Depreciation	179,232	189,706
Under Indenture Agreement and by Board for		
Indenture Reserves	37,350	38,209
Taxes:		
Bond - Restricted to Bond Retirement Fund	380,109	343,967
Maintenance - Net	387,310	349,670
Revenue Sharing	-	10,209
Non-Operating Gains, Net	984,001	931,761
REVENUES AND GAINS IN EXCESS OF EXPENSES AND LOSSES	\$ 613,541	\$ 621,232

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

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A
LADY OF THE SEA GENERAL HOSPITAL
STATEMENTS OF CHANGES IN FUND BALANCE

	For The Years Ended	
	June 30,	
	1998	1997
BALANCE, Beginning of Year	\$ 10,780,812	\$10,159,580
Revenues and Gains in Excess of Expenses and Losses	613,541	621,232
BALANCE, End of Year	\$ 11,394,353	\$10,780,812

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

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A
LADY OF THE SEA GENERAL HOSPITAL.
STATEMENTS OF CASH FLOWS

	For The Years Ended	
	June 30,	
	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES AND GAINS AND LOSSES		
Revenues and Gains in Excess of Expenses and Losses	\$ 613,541	\$ 621,232
Adjustments to Reconcile Revenues and Gains in Excess of Expenses and Losses to Net Cash Provided by Operating Activities and Gains and Losses:		
Depreciation and Amortization	875,676	882,669
Provision for Bad Debts	1,469,019	1,248,269
(Increase) in Accounts Receivable	(2,002,236)	(1,824,722)
(Decrease) Increase in Estimated Third-Party Payor Settlements	(197,225)	421,588
(Increase) in Other Receivables	(83,677)	(114,946)
(Increase) in Inventories	(79,783)	(34,241)
Decrease (Increase) in Prepaid Expenses	15,178	(1,217)
Increase (Decrease) in Accounts Payable	571,435	(156,589)
(Decrease) in Accrued Salaries and Employee Benefits	(60,586)	(141,571)
(Decrease) in Accrued Interest on Long-Term Debt	(8,917)	(11,220)
Increase in Payroll Taxes Payable	4,872	4,212
Net Cash Provided by Operating Activities and Gains and Losses	1,117,297	893,464
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash (Invested in) Other Assets	(18,789)	(1,128)
Cash Withdrawn From (Invested in) Assets Whose Use is Limited	264,859	(37,767)
Additions to Construction In Progress	(478,406)	(38,913)
Purchases of Plant and Equipment	(366,648)	(531,315)
Net Cash (Used in) Investing Activities	(598,984)	(609,123)

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

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A
LADY OF THE SEA GENERAL HOSPITAL
STATEMENTS OF CASH FLOWS (Continued)

	For The Years Ended June 30,	
	1998	1997
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments Made on Capital Leases	(117,413)	(134,317)
Repayment of Bonds and Certificates of Indebtedness	(480,000)	(455,000)
Net Cash (Used in) Financing Activities	(597,413)	(589,317)
 NET (DECREASE) IN CASH AND CASH EQUIVALENTS	 (79,100)	 (304,976)
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	 <u>501,477</u>	 <u>806,453</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 <u>\$ 422,377</u>	 <u>\$ 501,477</u>
 SUPPLEMENTAL DISCLOSURES:		
Cash Paid During the Year For Interest	<u>\$ 158,160</u>	<u>\$ 187,832</u>
 SUPPLEMENTAL DISCLOSURES OF NON-CASH FINANCING AND INVESTING ACTIVITIES		
Unrealized Gain on Investment Securities	\$ 13,769	\$ 16,830
Assets Acquired Through Capital Leases	19,997	131,198
Capital Lease Obligations	19,997	131,198
Construction in Progress Capitalized During the Year	1,176	49,025

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

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A
LADY OF THE SEA GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

NOTE A

DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1, D/B/A LADY OF THE SEA GENERAL HOSPITAL (Hospital), is an acute care facility created pursuant to Louisiana revised statutes of 1950, Title 46, Chapter 10, and Ordinance No. 863 of Lafourche Parish Council adopted January 27, 1953. It is the Hospital's mission to provide its community with high quality care and education in a friendly, caring and professional manner.

The administration of the Hospital is governed by a Board of Commissioners consisting of five members appointed by the Lafourche Parish Police Jury in accordance with the terms of office set forth in Louisiana Revised Statute 46:1053 and in Section 24:300 (C) of Sub-Chapter "G" of the Code of Ordinance of the Lafourche Parish Police Jury.

As the governing authority of the parish, for reporting purposes, the Lafourche Parish Police Jury is the financial reporting entity for Lafourche 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.

GASB Statement No. 14 established criteria for determining which component units should be considered part of the reporting entity for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the police jury to impose its will on that organization and/or
 - b. The potentials for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority but is fiscally dependent on the police jury.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A
LADY OF THE SEA GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

NOTE A

DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REPORTING ENTITY (Continued)

Because the police jury appoints all of the members of the Hospital's governing board and has the ability to impose its will on the Hospital, the Hospital was determined to be a component unit of the Lafourche Parish Police Jury. The accompanying financial statements present information only on the funds maintained by the Hospital and do not present information on the police jury, the general government services provided by that government unit, or the other governmental units that comprise the financial reporting entity.

BASIS OF PRESENTATION

The financial statements of the Hospital have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB), is the accepted standard setting body for establishing governmental accounting and financial reporting principles. 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 Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989 that do not conflict or contradict GASB pronouncements.

The Hospital utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less, excluding amounts whose use is limited by board designation, other arrangements under trust agreements or with third-party payors.

ASSETS WHOSE USE IS LIMITED

Assets whose use is limited include assets set aside by the Board of Commissioners for future capital improvements and future indenture agreements, over which the Board retains control and may at its discretion subsequently use for other purposes; assets set aside in accordance with agreements with third-party payors; and assets held by trustees under indenture agreements and self-insurance trust agreements.

INVENTORY

Inventory is valued at the lower of cost or market using the first-in, first-out method.

LAFORCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A
LADY OF THE SEA GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

NOTE A

DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PLANT AND EQUIPMENT

Plant and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed on the straight-line method.

Maintenance, repairs and minor replacements and improvements are expensed as incurred. Major replacements and improvements are capitalized at cost.

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

INVESTMENTS

Trading securities, if any, which include any security held for near-term sale, are carried at fair market value. Gains and losses on trading securities, both realized and unrealized, are included in nonoperating income.

Available-for-sale securities, which include any security for which the Hospital has no immediate plan to sell but which may be sold in the future, are carried at fair value. Realized gains and losses, based on the specific identification method, are included in nonoperating income. Unrealized gains and losses are recorded in fund balance. Premiums and discounts are amortized and accreted, respectively, to interest income using the interest method over the period to maturity.

Held-to-maturity securities, which include any debt security for which the Hospital has the positive intent and ability to hold until maturity, are carried at historical cost adjusted for amortization of premiums and accretion of discounts. Premiums and discounts are amortized and accreted, respectively, to interest income using the interest method over the period to maturity.

Interest and dividends on investments in debt and equity securities are included in nonoperating income when earned.

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

INCOME TAXES

The Hospital is a governmental unit, which has registered itself as a not-for-profit corporation as, described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal income taxes on related income pursuant to Section 501(a) of the Code.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A
LADY OF THE SEA GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

NOTE A

DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

STATEMENT OF REVENUES AND EXPENSES

For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as revenues and expenses. Peripheral or incidental transactions are reported as gains and losses.

NET PATIENT SERVICE REVENUE

Net patient service revenue is reported at the estimated net realizable amounts 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.

NON-DIRECT RESPONSE ADVERTISING

The Hospital expenses advertising costs as incurred.

RISK MANAGEMENT

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Hospital is a member of two separate trust funds established by the Louisiana Hospital Association that encompasses self-insurance of (1) Hospital professional liability and comprehensive general liability and (2) Statutory workers' compensation. The Hospital continues to carry commercial insurance for all other risk of loss.

NOTE B

NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from 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 non-acute services, certain outpatient services and defined capital 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.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A
LADY OF THE SEA GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

NOTE B

NET PATIENT SERVICE REVENUE (Continued)

Medicaid - Commencing July 1, 1994, inpatient care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per day. Prior to June 30, 1994, 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 June 30, 1995.

The Hospital has entered into payment agreements with Blue Cross and other commercial insurance carriers, HMOs and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

NOTE C

CONCENTRATIONS OF CREDIT RISK

The Hospital is located in Galliano, Louisiana. The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows as of June 30, 1998:

Medicare	63%
Medicaid	7%
Blue Cross	1%
Other Commercial	16%
Private Pay Patients	<u>13%</u>
	<u>100%</u>

NOTE D

CHARITY CARE

The Hospital does not provide for charity care upon the admission of a patient. It is only after services have been provided, and a patient claims that he cannot make payment on his account that the Hospital may consider forgiveness of the debt under its charity policy. During the years ended June 30, 1998 and 1997, the Hospital wrote off \$-0- and \$3,029, respectively, as charity expense, which is netted against its revenue.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A
LADY OF THE SEA GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

NOTE E

BANK DEPOSITS

Cash deposits with financial institutions, which include cash balances whose use is limited or restricted, amounted to \$741,921 as of June 30, 1998. These balances were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the Hospital's name.

NOTE F

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 June 30, 1998 and 1997, is set forth in the following table. Investments are stated at fair value.

	June 30,	
	1998	1997
By Agreements with Third-Party Payors for Funded Depreciation		
U.S. Treasury Obligations	\$ 1,374,180	\$ 1,681,050
Franklin Custodial Funds		
U.S. Government Series	1,057,189	1,043,420
	2,431,369	2,724,470
Under Indenture Agreements		
Cash and Cash Equivalents	200,185	174,091
U.S. Treasury Obligations	376,851	352,769
	577,036	526,860
By Board for Indenture Reserves		
Cash and Cash Equivalents	10,815	23,144
U.S. Treasury Obligations	100,220	100,442
	111,035	123,586
	\$ 3,119,440	\$ 3,374,916

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A
LADY OF THE SEA GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

NOTE F
ASSETS WHOSE USE IS LIMITED (Continued)

Investment income and gains for assets whose use is limited, cash equivalents, and other investments are comprised of the following for the years ending June 30, 1998 and 1997:

	June 30,	
	1998	1997
Income:		
Interest Income	\$ 216,582	\$ 227,915
	\$ 216,582	\$ 227,915

The following methods and assumptions were used by the Hospital in estimating the fair value of its financial instruments:

Cash and Cash Equivalents: The carrying amount reported in the balance sheets for cash and cash equivalents approximates its fair value.

Assets Whose Use is Limited: These assets consist primarily of cash, short-term investments, long-term investments, and interest receivable. The carrying amount reported in the balance sheets approximates fair value.

NOTE G
PLANT AND EQUIPMENT

Major classifications of plant and equipment are summarized below:

	June 30,	
	1998	1997
Building and Improvements	\$ 9,601,453	\$ 9,559,453
Equipment	7,669,116	7,373,677
Vehicles	106,757	97,074
	17,377,326	17,030,204
Less: Accumulated Depreciation	11,894,644	11,021,748
Total Buildings and Equipment	5,482,682	6,008,456
Land	375,342	375,342
Total Property and Equipment, Net of Depreciation	\$ 5,858,024	\$ 6,383,798

Depreciation and amortization expense for the years ended June 30, 1998 and 1997 totaled \$875,676 and \$882,669, respectively.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A
LADY OF THE SEA GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

NOTE H

BONDS PAYABLE

On April 1, 1976, bonds totaling \$4,480,000 were issued by the Hospital Service District No. 1 of the Parish of Lafourche, State of Louisiana. Proceeds from the sale of these bonds were restricted for construction of the Hospital. The bonds are in denominations of \$5,000 each, maturing serially in the years 1978 through 2001, inclusive. Interest is payable on April 1 and October 1, each year. The average interest rate is 6.519%. The bonds and interest will be paid by an annual Ad Valorem tax levied on property owners. The balance owed on the bonds was \$1,010,000 and \$1,305,000 at June 30, 1998 and 1997, respectively.

On February 3, 1981, revenue bonds totaling \$1,685,485 were issued in a private sale to the National Oceanic and Atmospheric Administration, Office of Coastal Zone Management, bearing interest at a rate of 6% per annum and maturing over a period of twenty-five years, with interest payable semi-annually on February 3 and August 3. The balance owed on the bonds was \$535,000 and \$620,000 at June 30, 1998 and 1997, respectively.

On April 1, 1992, bonds totaling \$1,000,000 were issued by the Hospital Service District No. 1 of the Parish of Lafourche, State of Louisiana. Proceeds from the sale of these bonds were restricted to acquiring and constructing additions and improvements to Hospital facilities, including the dialysis unit, equipment and furnishings. The bonds are in denominations of \$5,000 each, maturing serially in the years 1993 to 2002, inclusive. Interest is payable on April 1 and October 1, each year. The interest rate is 7.0%. The balance owed on the bonds was \$285,000 and \$385,000 at June 30, 1998 and 1997, respectively.

Scheduled principal repayments on long-term debt are as follows:

1999	\$ 515,000
2000	535,000
2001	500,000
2002	75,000
2003	75,000
Thereafter	<u>130,000</u>
	<u>\$ 1,830,000</u>

NOTE I

COMMITMENTS

• **Capital Leases**

The Hospital is the lessee of various medical equipment under capital leases expiring in various years through June 30, 2001. 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 the lower of their related lease terms or their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense for the years ended June 30, 1998 and 1997.

LAFORCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A
LADY OF THE SEA GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

NOTE I

COMMITMENTS (Continued)

- **Capital Leases (Continued)**

Minimum future lease payments under capital leases as of June 30, 1998 are as follows:

Year Ended June 30,

1999		\$ 137,691
2000		60,263
2001		37,408
2002		<u>22,449</u>
		<u>\$ 257,811</u>

- **Operating Leases**

The Hospital also leases medical equipment under operating lease agreements. The total rent expense for the years ended June 30, 1998 and 1997 for equipment leased under operating leases was \$64,981 and \$64,040, respectively.

- **Purchase Agreements**

During the fiscal year ended June 30, 1995, the Hospital entered into a long-term purchase contract with 3M Medical Imaging Systems for the purchase of the Hospital's X-ray film. The term of the contract is five years, with an annual film purchase commitment of \$133,890.

As an incentive for the Hospital to enter into the purchasing contract, 3M provided the Hospital with X-ray printing equipment. This equipment had a list price of \$110,026.

The cost of this equipment is deemed to be implicitly included in the annual film purchase commitment. Based on this, the acquisition of the equipment is deemed to be through a capital lease. A portion of the cost incurred in acquiring X-ray film from 3M is applicable to reduction of the lease obligation. Minimum lease payments associated with the equipment are included in the schedule of minimum future lease payments, as presented above.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A
LADY OF THE SEA GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

NOTE I

COMMITMENTS (Continued)

- **Purchase Agreements (Continued)**

The effective minimum purchase obligations associated with the purchasing contract are as follows:

<u>Year Ended June 30,</u>	<u>Purchase Commitment</u>	<u>Amount Applied to Lease</u>	<u>Net Purchase Commitment</u>
1999	\$ 133,890	\$ 22,005	\$ 111,885
2000	<u>78,102</u>	<u>12,836</u>	<u>65,266</u>
	<u>\$ 211,992</u>	<u>\$ 34,841</u>	<u>\$ 177,151</u>

NOTE J

DEFERRED COMPENSATION PLAN AND PENSION PLAN

The Hospital has a plan where qualifying employees may defer certain amounts of their salary. The Hospital incurs no cost under this plan.

Effective November 1, 1995, all full-time employees who had one year of continuous service were eligible to participate in the Hospital's retirement plan. Prior to November 1, 1995, full-time employees were required to have three years of continuous service in order to be eligible for the plan. The plan is a defined contribution, money purchase plan. The plan is voluntary and there is no requirement for employees to contribute to the plan. Eligible employees may contribute up to 16% of their annual salary during their first year in the plan and 20% thereafter. Part-time employees can participate in the plan, but are limited to only employee contributions. Employees are 100% vested at the time of their enrollment.

The Hospital funds the plan based on a percentage of eligible employees' annual salary. This percentage is determined by the Board, and is currently 3.25%. There is no prior funding required. The Hospital's contribution to the plan amounted to \$117,901 for June 30, 1998 and \$105,594 for June 30, 1997.



To the Board of Commissioners
Lafourche Parish Hospital Service District No. 1
d/b/a Lady of The Sea General Hospital
Galliano, Louisiana

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

Our report on our audits of the component unit financial statements of **LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1, D/B/A LADY OF THE SEA GENERAL HOSPITAL** for the years ended June 30, 1998 and 1997, appears on page 1. Those audits were made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The supplementary information that follows on pages 18-22 is presented for purposes of additional analysis and is not a required part of the component unit financial statements. Such information, except for that portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A Professional Accounting Corporation

October 30, 1998

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A
LADY OF THE SEA GENERAL HOSPITAL
SCHEDULE OF REVENUES

	For The Years Ended	
	June 30,	
	1998	1997
PATIENT SERVICE REVENUES		
Laboratory	\$ 3,572,800	3,103,386
Psychiatric Program	3,072,041	\$ 4,964,035
Pharmacy	2,979,372	2,606,030
Emergency and Treatment Rooms	1,986,413	1,352,362
Cardiopulmonary	1,760,627	1,699,329
Operating Room and Recovery Room	1,624,561	1,410,880
Home Health	1,607,240	1,867,574
Radiology	1,519,291	1,487,238
Room and Nursing	1,354,694	1,042,012
Dialysis	1,266,996	1,033,393
Cat Scan	754,840	576,623
Ultrasound	637,561	354,644
Anesthesiology	560,895	483,481
Medical Supplies - Central Supply	536,665	510,219
Intensive Care	516,519	437,350
Nuclear Medicine	449,892	197,737
E.K.G.	349,136	204,483
M.R.I.	178,883	155,108
C/P Outreach	153,354	29,018
Mammography	36,105	28,257
Physical Therapy	24,914	22,685
E.E.G.	19,388	11,515
Social Service	10,059	11,333
Specch Therapy	-	878
	24,972,246	23,589,567
Totals		
Less: Contractual Adjustments	9,502,633	8,643,647
Net Patient Service Revenue	\$ 15,469,613	\$ 14,945,920

See independent auditor's report on supplementary information.

LAFOURCHIE PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A
LADY OF THE SEA GENERAL HOSPITAL
SCHEDULE OF REVENUES (Continued)

	For The Years Ended	
	June 30,	
	1998	1997
OTHER OPERATING REVENUE		
Clinics	\$ 978,826	\$ 676,151
Employee Meals	40,707	37,251
Miscellaneous	47,795	24,756
Medical Records Revenue	11,006	8,509
Guests Meals	5,276	4,437
Silver Reclamation from X-Ray Films	39	78
Total Other Operating Revenue	\$ 1,083,649	\$ 751,182

See independent auditor's report on supplementary information.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A

LADY OF THE SEA GENERAL HOSPITAL
SCHEDULE OF OPERATING EXPENSES

For The Year Ended June 30, 1998
(With Comparative Totals For The Year Ended June 30, 1997)

	Salaries and Wages	Employee Benefits	Purchased Services	Supplies and Other	1998 Totals	Salaries and Wages	Employee Benefits	Purchased Services	Supplies and Other	1997 Totals
NURSING SERVICES										
Routine	\$ 847,298	\$ 114,900	\$ 17,328	\$ 78,466	\$ 1,057,992	\$ 795,880	\$ 115,595	\$ 8,426	\$ 63,211	\$ 983,112
Intensive Care Unit	9,408	-	360,972	12,659	383,039	7,548	163	337,438	10,047	355,196
	<u>856,706</u>	<u>114,900</u>	<u>378,300</u>	<u>91,125</u>	<u>1,441,031</u>	<u>803,428</u>	<u>115,758</u>	<u>345,864</u>	<u>73,258</u>	<u>1,338,308</u>
OTHER PROFESSIONAL SERVICES										
Central Supply	18,841	5,864	-	84,415	109,120	21,197	4,672	-	81,088	106,957
Operating Room	311,698	66,044	-	195,858	573,600	229,412	33,191	2,464	184,495	449,562
Emergency Room	345,301	55,180	836,200	56,062	1,292,743	326,747	44,899	801,787	55,173	1,228,606
Anesthesiology	194,901	19,225	33,060	32,895	280,081	186,547	18,722	27,335	24,657	257,261
Radiology	358,008	64,940	22,795	431,713	877,456	319,127	49,885	8,646	350,070	727,728
Laboratory	366,064	57,302	255,383	250,065	928,814	360,461	52,815	232,059	279,047	924,382
Pharmacy	134,250	24,646	5,245	459,962	624,103	131,697	22,271	6,730	420,902	581,600
Dialysis	121,881	31,472	20,192	184,805	358,350	107,262	25,738	18,454	163,920	315,374
Clinics and Therapists	495,771	68,020	312,559	197,421	1,073,771	401,966	50,643	272,277	170,659	895,545
Home Health	483,852	98,623	34,760	91,935	709,170	550,017	73,851	28,532	99,074	751,474
Behavioral Medicine	-	-	1,349,004	74,883	1,423,887	-	-	1,728,378	119,340	1,847,718
BioMedicine	-	-	5,000	-	5,000	-	-	-	-	-
Cardiopulmonary	240,691	43,446	70,148	67,242	421,527	215,749	34,513	61,974	57,236	369,472
Cardiopulmonary Outreach	83,259	9,825	19,871	5,320	118,275	18,131	576	4,070	2,849	25,626
	<u>3,154,517</u>	<u>544,587</u>	<u>2,964,217</u>	<u>2,132,576</u>	<u>8,795,897</u>	<u>2,868,313</u>	<u>411,776</u>	<u>3,192,706</u>	<u>2,008,511</u>	<u>8,481,306</u>
GENERAL SERVICES										
Medical Records	128,468	27,091	91,460	29,717	276,736	115,382	22,851	198,889	26,388	363,510
Dietary	138,027	25,813	-	125,494	289,334	127,814	23,941	-	115,480	267,235
Housekeeper	123,176	22,708	-	44,853	190,737	117,752	28,379	-	33,817	179,948
Laundry	32,496	9,322	-	25,106	66,924	30,451	8,818	-	31,744	71,013
Maintenance & Security	149,061	35,010	80,316	395,596	659,983	137,603	26,022	77,403	368,500	609,528
Purchasing	59,783	13,837	-	4,650	78,270	60,036	7,770	-	10,983	78,789
Safety	-	-	3,024	5,825	8,849	-	-	2,964	4,664	4,664
Support Services	-	-	-	-	-	-	-	-	-	2,964
Physician Support Services	-	-	-	-	-	28,660	3,565	-	1,123	33,348
Utilization Management	71,934	9,516	-	3,265	84,715	70,382	12,953	-	2,392	85,727
	<u>702,945</u>	<u>143,297</u>	<u>174,800</u>	<u>634,506</u>	<u>1,655,548</u>	<u>688,080</u>	<u>134,299</u>	<u>279,256</u>	<u>595,090</u>	<u>1,696,725</u>

	Salaries and Wages	Employee Benefits	Purchased Services	Supplies and Other	1998 Totals	Salaries and Wages	Employee Benefits	Purchased Services	Supplies and Other	1997 Totals
FISCAL SERVICES										
Business Office	145,370	29,580	-	30,592	205,542	133,568	28,546	-	26,293	188,407
Data Processing	19,941	4,441	48,060	16,561	89,003	23,398	2,789	46,970	16,347	89,504
Collections	39,882	13,580	-	54,234	107,696	35,855	2,054	-	53,744	91,653
Insurance	51,473	14,754	-	1,262	67,489	52,006	5,288	-	562	57,856
General Accounting	72,649	16,107	41,171	3,384	133,311	69,994	15,698	24,911	5,973	116,576
	<u>329,315</u>	<u>78,462</u>	<u>89,231</u>	<u>106,033</u>	<u>603,041</u>	<u>314,821</u>	<u>54,375</u>	<u>71,881</u>	<u>102,920</u>	<u>543,997</u>
ADMINISTRATIVE SERVICES										
Administration	121,875	109,128	669,763	422,711	1,323,477	109,115	98,025	531,448	397,289	1,135,877
Nursing Administration	143,174	26,957	-	3,400	173,531	136,922	18,558	-	4,149	159,629
Public Relations	-	-	36,450	222,624	259,074	8,048	(2,239)	30,000	155,668	191,477
Patient Relations	32,457	5,715	-	2,849	41,021	31,097	5,335	-	3,450	39,882
Human Resources	35,301	21,621	43,167	37,091	137,180	38,051	6,340	41,450	27,039	112,880
	<u>332,807</u>	<u>163,421</u>	<u>749,380</u>	<u>688,675</u>	<u>1,934,283</u>	<u>323,233</u>	<u>126,019</u>	<u>602,898</u>	<u>587,596</u>	<u>1,639,746</u>
	<u>\$ 5,376,290</u>	<u>\$ 1,044,667</u>	<u>\$ 4,355,928</u>	<u>\$ 3,652,915</u>	<u>14,429,800</u>	<u>\$ 4,997,875</u>	<u>\$ 842,227</u>	<u>\$ 4,492,605</u>	<u>\$ 3,367,374</u>	<u>13,700,081</u>
DEPRECIATION AND AMORTIZATION										
					875,676					882,669
PROVISION FOR BAD DEBTS										
					1,469,019					1,248,269
INTEREST EXPENSE										
					149,227					176,612
					<u>\$ 16,923,722</u>					<u>\$ 16,007,631</u>

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A
LADY OF THE SEA GENERAL HOSPITAL
UNAUDITED CONDENSED SCHEDULE OF INSURANCE
For The Year Ended June 30, 1998

COVERAGES

PROPERTY, BOILER AND MACHINERY

All Buildings, Personal Property, Boiler and
Machinery and Business Income
All Buildings (90% Coinsurance) and Contents,
Equipment, Etc.

Blanket Coverage Ranges

Low	\$ 4,063,200	11/1/98
High	9,867,000	

Non-Blanket Coverage Ranges

Low	10,000	11/1/98
High	8,000,000	

Autos - Vehicles - Plus Collision	1,000,000	11/1/98
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<u>DIRECTORS' AND OFFICERS' LIABILITY</u>	1,000,000	9/8/98
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COMMERCIAL CRIME

Employee Dishonesty	100,000	11/1/98
Forgery and Alteration	10,000	11/1/98
Theft, Disappearance and Destruction	10,000	11/1/98
Robbery and Safe Burglary	10,000	11/1/98

FLOOD

Building	135,000	11/6/98
Contents	25,500	11/6/98

<u>WORKMEN'S COMPENSATION</u>	1,000,000	11/1/98
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BOARD ACCIDENT

Accidental Death	10,000	6/13/99
Medical Expense	10,000	6/13/99

See independent auditor's report on supplementary information.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A
LADY OF THE SEA GENERAL HOSPITAL
UNAUDITED CONDENSED SCHEDULE OF INSURANCE (Continued)
For The Year Ended June 30, 1998

COVERAGE

PROFESSIONAL LIABILITY

Coverage per Claim	100,000	11/1/98
Primary Excess	400,000	11/1/98

GENERAL LIABILITY

Coverage per Occurrence	5,000,000	11/1/98
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PATIENT COMPENSATION

Coverage per Claim	100,000	11/1/98
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BUSINESS TRAVEL

Accidental Death	225,000	6/12/99
Aggregate	765,000	6/12/99

See independent auditor's report on supplementary information.

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

To the Board of Commissioners
Lafourche Parish Hospital Service District No. 1,
d/b/a **Lady of the Sea General Hospital**
Galliano, Louisiana

We have audited the general purpose financial statements of **LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1, D/B/A LADY OF THE SEA GENERAL HOSPITAL** for the year ended June 30, 1998, and have issued our report thereon dated October 30, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether **LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1, D/B/A LADY OF THE SEA GENERAL HOSPITAL's** financial statements are free of material misstatements, 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 the following instance of noncompliance that is required to be reported herein under *Governmental Auditing Standards*.

Condition: The **LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1, D/B/A LADY OF THE SEA GENERAL HOSPITAL** did not follow the provision of Louisiana Revised Statute 38:2212 which requires written documentation of price quotations pertaining to purchases of supplies or equipment which equal or exceed \$7,500, but are less than \$15,000.

Criteria: Under the provisions of the above statute, purchases of \$7,500 or more, but less than \$15,000 shall be made by obtaining not less than three telephone or facsimile quotations. If quotations are received via telephone, documentation should be maintained indicating the vendors and the respective price quotations.

Effect: This is not expected to have any effect on the financial statements.

Recommendation: Procedures should be established to ensure that all price quotations received from vendors for purchases of supplies and equipment which equal or exceed \$7,500, but are less than \$15,000 are documented and are incorporated into the purchase file.

Management's Response: Management has taken steps to ensure that all significant purchases of supplies, materials, and equipment are performed by the Purchasing Department.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1, D/B/A LADY OF THE SEA GENERAL HOSPITAL's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 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 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 the board of commissioners, management and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.



A Professional Accounting Corporation

October 30, 1998