



EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT  
OF ASCENSION PARISH, LOUISIANA

FINANCIAL STATEMENTS

MARCH 31, 1999 AND 1998



EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT  
OF ASCENSION PARISH, LOUISIANA

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# Postlethwaite & Netterville

A Professional Accounting Corporation  
CERTIFIED PUBLIC ACCOUNTANTS

108 MEMORIAL DRIVE • POST OFFICE BOX 1190 • DONALDSONVILLE, LOUISIANA 70346 • TELEPHONE (504) 473-4179 • FAX (504) 473-7204

## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT  
OF ASCENSION PARISH, LOUISIANA  
Gonzales, Louisiana

We have audited the accompanying financial statements of the **EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT OF ASCENSION PARISH, LOUISIANA**, component unit of the Ascension Parish Council, as of and for the years ended March 31, 1999 and 1998, as listed in the table of contents. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT OF ASCENSION PARISH, LOUISIANA** as of March 31, 1999 and 1998, 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 July 23, 1999 on our consideration of **EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT'S** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

*Postlethwaite & Netterville*

Donaldsonville, Louisiana  
July 23, 1999

**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT**  
**OF ASCENSION PARISH, LOUISIANA**  
Gonzales, Louisiana

**BALANCE SHEETS**  
**MARCH 31, 1999 AND 1998**

**ASSETS**

	<u>1999</u>	<u>1998</u>
<b><u>CURRENT ASSETS</u></b>		
Cash and cash equivalents	\$ 1,043,713	\$ 732,867
Patient accounts receivable, (net of estimated uncollectibles of \$1,381,539 in 1999, and \$1,637,352 in 1998)	1,741,792	2,257,681
Inventory, at lower of cost (first-in, first-out) or market	214,889	222,649
Other current assets	22,034	15,598
Total current assets	<u>3,022,428</u>	<u>3,228,795</u>
<b><u>ASSETS LIMITED AS TO USE</u></b>		
Internally designated	5,158,976	6,383,641
Management fee receivable	414,106	414,106
	<u>5,573,082</u>	<u>6,797,747</u>
<b><u>PROPERTY AND EQUIPMENT</u></b> - net	<u>4,603,000</u>	<u>4,943,557</u>
Total assets	<b>\$ 13,198,510</b>	<b>\$ 14,970,099</b>

**LIABILITIES AND FUND BALANCE**

<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable	\$ 657,691	\$ 847,042
Accrued expenses	386,315	397,515
Estimated third-party payor settlements	1,053,105	1,610,662
Total current liabilities	<u>2,097,111</u>	<u>2,855,219</u>
<b><u>FUND BALANCE</u></b>		
Unrestricted	<u>11,101,399</u>	<u>12,114,880</u>
Total liabilities and fund balance	<b>\$ 13,198,510</b>	<b>\$ 14,970,099</b>

The accompanying notes are an integral part of these statements.

**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT**  
**OF ASCENSION PARISH, LOUISIANA**  
Gonzales, Louisiana

**STATEMENTS OF OPERATIONS**  
**YEARS ENDED MARCH 31, 1999 AND 1998**

	1999	1998
<b><u>REVENUE</u></b>		
Net patient service revenue	\$ 11,809,205	\$ 9,667,666
Other revenue	128,416	140,862
Total revenue	11,937,621	9,808,528
<b><u>EXPENSES</u></b>		
Salaries	5,165,141	5,402,265
Employee benefits	641,832	701,377
Rent/leases	486,471	593,750
Medical and other supplies	818,607	847,176
Purchased ancillary	1,975,934	2,043,439
Contract fees	1,546,196	1,463,236
Professional fees	75,614	90,072
Physician fees	864,247	793,110
Provision for uncollectible accounts	76,045	147,846
Travel	26,972	25,555
Insurance	142,113	208,009
Utilities	402,375	397,181
Other	438,084	493,561
Depreciation expense	494,927	543,098
Total expenses	13,154,558	13,749,675
<b><u>OPERATING LOSS</u></b>	<b>(1,216,937)</b>	<b>(3,941,147)</b>
<b><u>NONOPERATING INCOME (EXPENSE)</u></b>		
Income on investments limited as to use:		
By agreements with third-party payors for funded depreciation	297,916	365,384
Under bond agreement - tax revenues	232	1,099
Other investment income	32,229	48,907
Gain (loss) on disposition of assets	(126,921)	770
Total nonoperating income	203,456	416,160
Revenue and gains in excess (deficit) of expenses	<b>\$ (1,013,481)</b>	<b>\$ (3,524,987)</b>

The accompanying notes are an integral part of these statements.

**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT**  
**OF ASCENSION PARISH, LOUISIANA**  
**Gonzales, Louisiana**

**STATEMENTS OF CHANGES IN FUND BALANCE**  
**YEARS ENDED MARCH 31, 1999 AND 1998**

	<u>Unrestricted</u>
BALANCE, March 31, 1997	\$ 15,639,867
Revenue and gains in excess (deficit) of expenses	<u>(3,524,987)</u>
BALANCE, March 31, 1998	12,114,880
Revenue and gains in excess (deficit) of expenses	<u>(1,013,481)</u>
BALANCE, March 31, 1999	<u><u>\$ 11,101,399</u></u>

The accompanying notes are an integral part of these statements.

**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT**  
**OF ASCENSION PARISH, LOUISIANA**  
Gonzales, Louisiana

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED MARCH 31, 1999 AND 1998**

	1999	1998
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
<b><u>AND GAINS</u></b>		
Cash received from patients and other third-party payors	\$ 11,691,492	\$ 9,907,834
Cash paid to employees and suppliers	(12,782,751)	(12,890,046)
Other receipts from operations	128,648	142,731
Interest received	330,083	504,403
Net cash used in operating activities and gains	(632,528)	(2,335,078)
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchases of property and equipment	(306,926)	(70,931)
Cash received from sales of property and equipment	25,635	-
Maturities of certificates of deposit and investments	-	1,500,000
Cash removed from assets whose use is limited	1,224,665	1,521,922
Net cash provided by investing activities	943,374	2,950,991
<b><u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u></b>	310,846	615,913
<b><u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u></b>	732,867	116,954
<b><u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u></b>	\$ 1,043,713	\$ 732,867

The accompanying notes are an integral part of these statements.



**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT**  
**OF ASCENSION PARISH, LOUISIANA**  
Gonzales, Louisiana

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED MARCH 31, 1999 AND 1998**

	1999	1998
<b><u>RECONCILIATION OF REVENUE AND GAINS IN EXCESS</u></b>		
<b><u>(DEFICIT) OF EXPENSES PROVIDED BY OPERATING</u></b>		
<b><u>ACTIVITIES AND GAINS</u></b>		
Revenue and gains in excess (deficit) of expenses	\$ (1,013,481)	\$ (3,524,987)
Adjustments to reconcile revenue and gains in excess (deficit) of expenses to net cash used in operating activities and gains:		
Depreciation	494,927	543,098
Loss on disposition of assets	126,921	1,411
Provision for uncollectible accounts	76,045	147,846
Changes in operating assets and liabilities:		
Patient accounts in receivables	439,844	(655,899)
Management fee receivable	-	(77,278)
Estimated third-party payor settlements	(557,557)	896,066
Inventory	7,760	24,703
Other current assets	(6,436)	188,654
Accounts payable	(189,351)	157,237
Accrued expenses payable	(11,200)	(35,929)
	\$ (632,528)	\$ (2,335,078)

The accompanying notes are an integral part of these statements.

**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT**  
**OF ASCENSION PARISH, LOUISIANA**  
**Gonzales, Louisiana**

**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

East Ascension Parish Hospital Service District, d/b/a Ascension Hospital (the Hospital) is a not-for-profit acute care hospital with emphasis on being a long-term care hospital. The Hospital was approved by the Ascension Parish Police Jury, and is a political subdivision organized under the State of Louisiana laws. The Hospital has a Board of Commissioners who are appointed by the Parish Council, formally known as the Police Jury.

**Basis of Presentation**

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.

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.

**Reporting Entity**

As the governing authority of the parish, for reporting purposes, the Ascension Parish Council is the financial reporting entity for Ascension Parish. The financial reporting entity consists of (a) the primary government (council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the 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.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Ascension Parish Council 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 council to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the council.
2. Organizations for which the council does not appoint a voting majority, but are fiscally dependent on the council.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.



**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT**  
**OF ASCENSION PARISH, LOUISIANA**

**Gonzales, Louisiana**

**NOTES TO FINANCIAL STATEMENTS**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Reporting Entity** (continued)

Because the council appoints all members to the Hospital's Board of Commissioners, the Hospital was determined to be a component unit of the Ascension Parish Council, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Hospital and do not present information on the council, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

**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.

**Investments and Investment Income**

Donated investments are reported at fair value at the date of receipt, which is then treated as cost. Investment income from all general fund investments are reported as nonoperating income.

**Statement of Revenue and Expenses of General Funds**

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 nonoperating income.

**Assets Limited As to Use**

Assets limited as to use may include assets set aside by the Board of Commissioners for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes and assets set aside in accordance with agreements with third-party payors.

**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT**  
**OF ASCENSION PARISH, LOUISIANA**  
**Gonzales, Louisiana**

**NOTES TO FINANCIAL STATEMENTS**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Property and Equipment**

Property and equipment acquisitions are recorded at cost. Property and equipment donated for hospital operations are recorded as additions at fair value at the date of receipt as a transfer to the general fund balance when the assets are placed in service.

Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. The buildings and improvements are being depreciated over 25 to 50 years, land improvements over 20 years, and equipment over 5 to 20 years. Maintenance and repairs are charged to expense, and improvements are capitalized. Gains and losses from sales or retirements are recognized in the period of disposition.

**Cash and Cash Equivalents**

Cash and cash equivalents include investments in highly liquid debt instruments with an original 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.

**Reclassifications**

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

**Risk Management**

The Hospital is exposed to various risks of loss related to 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.

The Hospital is a member of a separate trust fund established by the Louisiana Hospital Association that encompasses self insurance of statutory workers' compensation. The Hospital continues to carry commercial insurance for all other risks of loss. The management of the trust fund for statutory workers' compensation has complete control over the rate setting process.



**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT**  
**OF ASCENSION PARISH, LOUISIANA**  
**Gonzales, Louisiana**

**NOTES TO FINANCIAL STATEMENTS**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Risk Management** (continued)

The Hospital is self-insured for employee medical benefits. The uninsured annual risk retention per covered employee is \$35,000. The Hospital has purchased commercial insurance, subject to a lifetime maximum benefit per covered employee of \$5,000,000 for claims in excess of \$35,000. The Hospital's coverage includes no stop/loss provision that limits its liability for a plan year. Amounts payable to the plan are based on estimates of the amounts necessary to pay prior and current-year claims. A liability for claims is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount is reasonably estimable. The amount of that liability at March 31, 1999 and 1998 is \$58,000.

**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.

2. **CASH AND CASH EQUIVALENTS**

Under state law, the Hospital may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. The Hospital had cash and cash equivalents (book balances) totaling \$1,043,713 and \$732,867 at March 31, 1999 and 1998, respectively.

These deposits are stated at cost, which approximates market value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance and/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. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually agreeable to both parties.

At March 31, 1999, the Hospital had \$5,433,839 in deposits (collected bank balances). These deposits were fully secured from risk by \$202,766 of federal deposit insurance and \$5,231,073 of pledged securities held by the custodial bank, in the name of the Hospital (GASB Category 2).

**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT**  
**OF ASCENSION PARISH, LOUISIANA**  
**Gonzales, Louisiana**

**NOTES TO FINANCIAL STATEMENTS**

2. **CASH AND CASH EQUIVALENTS** (continued)

Included in cash and cash equivalents on the balance sheet at March 31, 1999 and 1998, are the following:

	<u>1999</u>	<u>1998</u>
Cash on hand	\$ 580	\$ 1,076
Demand deposits	264,938	208,994
Repurchase agreement	<u>778,195</u>	<u>522,797</u>
	<u>\$ 1,043,713</u>	<u>\$ 732,867</u>

3. **NET PATIENT SERVICE REVENUES**

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Due to uncertainties in the settlement process with third-party payors, however, it is at least reasonably possible that management's estimate of the outcome will change during the next year. That amount cannot be estimated. A summary of the payment arrangements with major third-party payors follows:

**Medicare**

The Hospital is exempt from the Prospective Payments System, which is based on clinical, diagnostic, and other factors. As such, inpatient services rendered to Medicare program beneficiaries are reimbursed under a cost reimbursement methodology subject to a TEFRA limitation. The reimbursement is the lower of cost or a set rate per discharge along with additional payments for capital pass through costs and approved adjustments for length of stay variations. Most hospital outpatient services are reimbursed on a cost basis subject to a lower of cost or charges limitation. Exceptions to this are Laboratory, Radiology and Ambulatory Surgical Services which are reimbursed on a fixed fee schedule or a blend of cost and fixed fee schedule. 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 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 March 31, 1997, at the date of this report.

**Medicaid**

The Hospital is reimbursed for inpatient services to Medicaid beneficiaries on a Prospective Payment System. Outpatient services to Medicaid Beneficiaries are reimbursed on a cost basis, subject to a lower of cost or charges limitation, except for Laboratory and outpatient surgeries which are reimbursed according to a fee schedule. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through March 31, 1996 at the date of this report.



**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT**  
**OF ASCENSION PARISH, LOUISIANA**  
Gonzales, Louisiana

**NOTES TO FINANCIAL STATEMENTS**

3. **NET PATIENT SERVICE REVENUES** (continued)

**Other**

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

4. **ASSETS LIMITED AS TO USE**

Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets. The composition of assets limited as to use at March 31, 1999 and 1998, is set forth in the following table. Investments are stated at cost which approximates market value.

	<u>1999</u>	<u>1998</u>
Internally designated:		
Cash and cash equivalents	\$ 16	\$ 101
Certificates of deposit	<u>5,158,960</u>	<u>6,383,540</u>
	\$ 5,158,976	\$ 6,383,641

5. **PROPERTY AND EQUIPMENT**

A summary of property and equipment at March 31, 1999 and 1998, follows:

	<u>1999</u>	<u>1998</u>
Land	\$ 70,000	\$ 70,000
Land improvements	102,121	102,831
Buildings and improvements	8,383,876	8,267,257
Equipment	<u>4,844,194</u>	<u>5,218,737</u>
	13,400,191	13,658,825
Less: accumulated depreciation	<u>8,797,191</u>	<u>8,715,268</u>
Property and equipment - net	\$ 4,603,000	\$ 4,943,557

**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT**  
**OF ASCENSION PARISH, LOUISIANA**  
Gonzales, Louisiana

**NOTES TO FINANCIAL STATEMENTS**

**6. CONCENTRATIONS OF CREDIT RISK**

The main campus of the Hospital is located in Gonzales, with an additional unit located in Baton Rouge, Louisiana. The Hospital grants credit without personal collateral to its patients, most of who are Louisiana residents. Revenue from patients and third-party payors were as follows:

	1999	1998
Medicare	53.3%	40.0%
Medicaid	12.1%	32.9%
Commercial Insurance	34.6%	25.7%
Private Pay	- %	1.4%
	100.0%	100.0%

**7. COMMITMENTS**

Leases that do not meet criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred.

The following is a schedule by year of future minimum lease payments under these arrangements as of March 31, 1999, that have initial or remaining terms in excess of one year.

<u>Year Ending</u> <u>March 31,</u>	<u>Minimum</u> <u>Payments</u>
2000	\$ 202,047
2001	21,634
2002	10,962
2003	6,610
	\$ 241,253

**8. MANAGEMENT AGREEMENT**

The Hospital is managed by a consulting firm under an agreement commencing on January 1997 and terminating on March 31, 2001. The management fee for the period of January 1, 1997 to June 30, 1997 was \$140,000 per month. An amendment to the management agreement reduced the monthly management fee to \$127,000 effective July 1, 1997. Per the agreement, the fees for each subsequent period, commencing April 1, 1998, will be the fees for the immediate preceding year multiplied by an agreed-upon index figure. The expense incurred under the contract was approximately \$1,546,000 and \$1,463,000 for 1999 and 1998, respectively.



**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT**  
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**NOTES TO FINANCIAL STATEMENTS**

9. **REGULATORY MATTERS**

The Hospital has appealed the results of a Medicare intermediary audit covering fiscal years 1992-1994. Certain amounts were repaid during the year ended March 31, 1997, as a result of the disallowed costs including amounts repaid to Medicaid in anticipation of similar adjustments to those cost reports through fiscal 1995.

The total dollar amount that the Hospital believes is collectible on appeal is approximately \$3,900,000 from Medicare and Medicaid. The Hospital received \$251,421 during the year ended March 31, 1999 and has received no additional amounts subsequent to year end. The Hospital intends to continue to defend its position on all other questioned cost reports.

10. **SUBSEQUENT EVENTS**

Subsequent to year end, the Hospital entered into a municipal lease agreement, whereby equipment will be leased for 60 months at \$19,101 per month. The total lease payments are \$1,146,060 over the life of the lease.



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108 MEMORIAL DRIVE • POST OFFICE BOX 1190 • DONALDSONVILLE, LOUISIANA 70346 • TELEPHONE (504) 473-4179 • FAX (504) 473-7204

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Commissioners  
East Ascension Parish Hospital Service District  
of Ascension Parish, Louisiana  
Gonzales, Louisiana

Our report on the basic financial statements of East Ascension Parish Hospital Service District of Ascension Parish, Louisiana, as of and for the year ended March 31, 1999 and 1998, appears on page 1. Those audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole.

The year 2000 supplementary information on page 16 is not a required part of the basic financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that East Ascension Parish Hospital Service District of Ascension Parish, Louisiana, is or will become year 2000 compliant, that the Organization's year 2000 redemption efforts will be successful in whole or in part, or that the parties with which the Organization does business are or will become year 2000 compliant.

Donaldsonville, Louisiana  
July 23, 1999

**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT**  
**OF ASCENSION PARISH, LOUISIANA**  
**Gonzales, Louisiana**

The Year 2000 Issue consists of two shortcomings that make computer processing systems unable to read year-date data beyond the year 1999. First, many computer programs contain abbreviated dates which eliminate the first two digits of the year. Therefore, some computer programs may recognize January 1, 2000 as January 1, 1900 and process data incorrectly or stop processing altogether. Second, some computers will be unable to detect that the year 2000 is a leap year and may not register the additional day, and data calculations may be incorrect.

The Hospital has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting the operations of the Hospital. The following systems have been identified as those which may potentially be affected:

- Mainframe computer system (CPSI – all clinical, financial, and health information data storage, and day-to-day operations)
- Environmental services (electrical power, natural gas, water, elevators, communications)
- Biomedical equipment (medical devices for direct and indirect patient care)
- Supply (medical, pharmaceutical, nutritional, equipment)
- Personal computers (hardware and software).

Year 2000 updates for the mainframe have been received and installed. Additionally, the Hospital is leasing computers under a municipal lease to replace personal computers that were not compliant. The remaining systems are being assessed and vendors are being contacted to determine their proposed solutions to the issue. Costs through balance sheet date approximate \$3,700. No IV machines, respirators, etc. have had to be replaced due to non-compliance. Total remaining cost to the Hospital for year 2000 compliance for all systems has not yet been determined.



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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  
EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT  
OF ASCENSION PARISH, LOUISIANA  
Gonzales, Louisiana

We have audited the financial statements of the EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT OF ASCENSION PARISH, LOUISIANA, component unit of the Ascension Parish Council, as of and for the year ended March 31, 1999 and 1998 and have issued our report thereon dated July 23, 1999. 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.

### Compliance

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hospital's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 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. 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 and management. However, this report is a matter of public record and its distribution is not limited.

*Postlethwaite & Netterville*  
Donaldsonville, Louisiana  
July 23, 1999

**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT**  
**OF ASCENSION PARISH, LOUISIANA**

**Gonzales, Louisiana**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED MARCH 31, 1999**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expressed an unqualified opinion of the financial statements of East Ascension Parish Hospital Service District.
2. No reportable conditions relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of East Ascension Parish Hospital Service District were disclosed during the audit.

**EAST ASCENSION PARISH HOSPITAL SERVICE DISTRICT**  
**OF ASCENSION PARISH, LOUISIANA**

**Gonzales, Louisiana**

**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED MARCH 31, 1999**

**A. INTERNAL CONTROL AND COMPLIANCE**

The Hospital had not prior audit findings.