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public inspection at the Baton  
Rouge office of the Legislative Audi-  
tor and, where appropriate, at the  
office of the parish clerk of court.

Release Date DEC 15 1999

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

Paul G. Mathews, CPA  
Melanie I. Sarver, CPA

**LESTER, MILLER & WELLS**  
*A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS*  
3600 BAYOU RAPIDES ROAD  
ALEXANDRIA, LOUISIANA 71303

Telephone (318) 487-1450  
Facsimile (318) 445-1184

Members  
American Institute of CPA's  
Society of Louisiana CPA's

Mailing Address:  
P.O. Box 8758  
Alexandria, LA 71306-1758

Independent Auditors' Report

Board of Commissioners  
Natchitoches Parish Hospital Service District  
Natchitoches, Louisiana

We have audited the accompanying general purpose financial statements of the Natchitoches Parish Hospital Service District (the "Hospital"), a component unit of the Natchitoches Parish Police Jury, Natchitoches, Louisiana, as of and for the years ended June 30, 1999, 1998 and 1997, as listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

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

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

any significant amount of resources committed to make computer systems and other electronic equipment year 2000 compliant;

a general description of the Year 2000 Issue, including a description of the stages of work in process or completed as of the end of the reporting period to make computer systems and other electronic equipment critical to conducting operations year 2000 compliant; and

the additional stages of work necessary for making the computer systems and other electronic equipment year 2000 compliant.

Board of Commissioners  
Natchitoches Parish Hospital Service District  
Page Two

The Hospital has omitted such disclosures. We do not provide assurance that the Hospital is or will be year 2000 ready, that the Hospital's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Hospital does business will be year 2000 ready.

In our opinion, except for the omission of the information discussed in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Natchitoches Parish Hospital Service District as of June 30, 1999, 1998 and 1997, and the results of operations and cash flows of such funds 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 October 27, 1999 on our consideration of Natchitoches Parish Hospital Service District's internal control structure and our test of its compliance with laws and regulations.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements of the Natchitoches Parish Hospital Service District. Such information has been subjected to auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Lester, Miller & Wells*

Certified Public Accountants  
October 27, 1999

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE  
 COMBINED BALANCE SHEETS - UNRESTRICTED FUND  
 JUNE 30, 1999, 1998 AND 1997

| ASSETS   | 1999                 | 1998                 | 1997                 |
|--|----------------------|----------------------|----------------------|
| Current:   |                      |                      |                      |
| Cash and cash equivalents                              | \$ 2,291,006         | \$ 1,881,409         | \$ 1,250,880         |
| Limited use assets (Note 5)                            | 589,640              | 631,278              | 394,568              |
| Patient accounts receivable, net (Note 3)              | 7,133,220            | 5,787,138            | 6,730,502            |
| Other receivables                                      | 118,313              | 219,269              | 100,959              |
| Interest receivable                                    | 13,241               | 11,926               | 12,067               |
| Inventory  | 940,622              | 649,608              | 617,879              |
| Prepaid expenses                                       | 131,794              | 232,029              | 422,974              |
| Notes receivable - current                             | <u>210,932</u>       | <u>188,683</u>       | <u>146,421</u>       |
| Total current assets                                   | <u>11,428,768</u>    | <u>9,601,340</u>     | <u>9,676,250</u>     |
| Other:   |                      |                      |                      |
| Limited use assets (Note 5)                            | 4,250,043            | 4,505,696            | 3,295,931            |
| Property, plant and equipment, net (Note 6)            | 10,807,853           | 11,466,896           | 11,166,043           |
| Unamortized bond issue cost (Note 7)                   | 27,004               | 33,124               | 39,464               |
| Unamortized capitalized construction interest (Note 7) | 201,910              | 241,630              | 281,350              |
| Notes receivable (Note 16)                             | 362,763              | 164,404              | 182,014              |
| Silver bars (Note 7)                                   | <u>718</u>           | <u>1,396</u>         | <u>1,396</u>         |
| Total assets   | <u>\$ 27,079,059</u> | <u>\$ 26,014,486</u> | <u>\$ 24,642,448</u> |
| LIABILITIES AND FUND BALANCE                           |                      |                      |                      |
| Current:   |                      |                      |                      |
| Accounts payable                                       | \$ 999,952           | \$ 869,272           | \$ 981,024           |
| Payroll withholdings and taxes                         | 26,985               | 37,469               | 29,099               |
| Accrued expenses (Note 8)                              | 800,524              | 730,030              | 650,367              |
| Unearned revenue                                       | 4,000                | 4,000                | 4,000                |
| Current portion of long-term debt (Note 9)             | <u>510,542</u>       | <u>484,097</u>       | <u>358,546</u>       |
| Total current liabilities                              | <u>2,342,003</u>     | <u>2,124,868</u>     | <u>2,023,036</u>     |
| Long-term liabilities:                                 |                      |                      |                      |
| Long-term debt (Note 9)                                | 2,039,151            | 2,545,157            | 2,520,212            |
| Less deferred loss on bonds                            | <u>(39,609)</u>      | <u>(48,913)</u>      | <u>(58,217)</u>      |
| Total liabilities                                      | <u>4,341,545</u>     | <u>4,621,112</u>     | <u>4,485,031</u>     |
| Fund balance   | <u>22,737,514</u>    | <u>21,393,374</u>    | <u>20,157,417</u>    |
| Total liabilities and fund balance                     | <u>\$ 27,079,059</u> | <u>\$ 26,014,486</u> | <u>\$ 24,642,448</u> |

See accompanying notes to financial statements.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE  
 COMBINED STATEMENTS OF OPERATIONS - UNRESTRICTED FUND  
 YEARS ENDED JUNE 30, 1999, 1998 AND 1997

|   | 1999                | 1998                | 1997                |
|---|---------------------|---------------------|---------------------|
| Revenue:                                |                     |                     |                     |
| Net patient service revenue             | \$ 26,348,239       | \$ 24,154,944       | \$ 21,839,404       |
| Gain (loss) on sale of assets           | 5,400               | 17,450              | 2,698               |
| Other revenue                           | <u>1,226,677</u>    | <u>840,574</u>      | <u>632,124</u>      |
| Total revenue                           | <u>27,580,316</u>   | <u>25,012,968</u>   | <u>22,474,226</u>   |
| Expenses:                               |                     |                     |                     |
| Salaries and benefits                   | 10,216,223          | 9,088,921           | 8,066,507           |
| Medical supplies and drugs              | 3,067,279           | 2,411,134           | 2,043,636           |
| Medical, professional and consulting    | 1,745,162           | 2,293,085           | 3,546,170           |
| Other expenses                          | 4,102,309           | 3,547,882           | 2,999,240           |
| Retirement                              | 116,740             | 102,054             | 102,175             |
| Insurance                               | 437,053             | 501,278             | 462,551             |
| Leases                                  | 8,559               | 15,759              | 36,520              |
| Depreciation and amortization           | 1,453,462           | 1,398,640           | 1,234,888           |
| Interest                                | 156,709             | 148,272             | 163,754             |
| Provision for bad debt                  | <u>5,186,284</u>    | <u>4,655,310</u>    | <u>3,097,274</u>    |
| Total expenses                          | <u>26,489,780</u>   | <u>24,162,335</u>   | <u>21,752,715</u>   |
| Operating income (loss)                 | <u>1,090,536</u>    | <u>850,633</u>      | <u>721,511</u>      |
| Nonoperating income:                    |                     |                     |                     |
| Interest income                         | 90,480              | 26,084              | 45,928              |
| Interest income from limited use assets | 206,451             | 283,945             | 205,589             |
| Net contributions (Note 14)             | 26,636              | 107,740             | 72,908              |
| Gain (loss) on investments              | <u>35,594</u>       | <u>(32,445)</u>     | <u>(25,455)</u>     |
| Total nonoperating income               | <u>359,161</u>      | <u>385,324</u>      | <u>298,970</u>      |
| Excess of revenues over expenses        | 1,449,697           | 1,235,957           | 1,020,481           |
| Other comprehensive income              |                     |                     |                     |
| Unrealized holding losses               | <u>(155,707)</u>    | <u>-0-</u>          | <u>-0-</u>          |
| Comprehensive income (loss)             | <u>\$ 1,293,990</u> | <u>\$ 1,235,957</u> | <u>\$ 1,020,481</u> |

See accompanying notes to financial statements.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE  
 COMBINED STATEMENTS OF CHANGES IN FUND BALANCE - UNRESTRICTED FUND  
 YEARS ENDED JUNE 30, 1999, 1998 AND 1997

|                                 | <u>1999</u>          | <u>1998</u>          | <u>1997</u>          |
|---------------------------------|----------------------|----------------------|----------------------|
| Fund balance, beginning of year | \$ 21,393,374        | \$ 20,157,417        | \$ 19,136,936        |
| Comprehensive income (loss)     | 1,293,990            | 1,235,957            | 1,020,481            |
| Transfer from debt service      | <u>50,150</u>        | <u>-0-</u>           | <u>-0-</u>           |
| Fund balance, end of year       | <u>\$ 22,737,514</u> | <u>\$ 21,393,374</u> | <u>\$ 20,157,417</u> |

COMPOSITION OF FUND BALANCE

|   |                      |                      |                      |
|---|----------------------|----------------------|----------------------|
| Contributed capital   |                      |                      |                      |
| Hill-Burton   | \$ 307,000           | \$ 307,000           | \$ 307,000           |
| Public improvement bonds  | 5,475,000            | 5,475,000            | 5,475,000            |
| Hospital plant fund   | 2,385,105            | 2,385,105            | 2,385,105            |
| Individuals   | 347,449              | 316,099              | 231,964              |
| Debt service  | <u>50,150</u>        | <u>-0-</u>           | <u>-0-</u>           |
| Total contributed capital   | <u>8,564,704</u>     | <u>8,483,204</u>     | <u>8,399,069</u>     |
| Accumulated excess of revenues over expenses,<br>net of transfers, to and from limited use assets | 13,583,170           | 12,078,892           | 11,363,780           |
| Limited use assets, net of transfers to and from<br>accumulated excess of revenues over expenses  | <u>589,640</u>       | <u>831,278</u>       | <u>394,568</u>       |
| Fund balance  | <u>\$ 22,737,514</u> | <u>\$ 21,393,374</u> | <u>\$ 20,157,417</u> |

See accompanying notes to financial statements.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE  
COMBINED STATEMENTS OF CASH FLOWS - UNRESTRICTED FUND  
YEARS ENDED JUNE 30, 1999, 1998 AND 1997

|   | <u>1999</u>       | <u>1998</u>           | <u>1997</u>         |
|---|-------------------|-----------------------|---------------------|
| Cash flow from operating activities:  |                   |                       |                     |
| Operating income (loss)   | \$ 1,090,536      | \$ 850,633            | \$ 721,511          |
| Interest expense considered capital financing activity                        | 143,422           | 138,972               | 154,450             |
| Adjustments to reconcile net income to cash provided by operating activities: |                   |                       |                     |
| Gain (loss) on disposal of asset  | (5,400)           | (17,450)              | (2,698)             |
| Provision for bad debt  | 5,186,284         | 4,655,310             | 3,097,274           |
| Depreciation and amortization   | 1,453,242         | 1,398,640             | 1,234,888           |
| Amortization of premium on investments  | -0-               | 8,371                 | 8,344               |
| Amortization of loss on refinancing of '79 Bonds                              | 9,303             | 9,303                 | 9,303               |
| LHA allocation of income  | (219,299)         | (67,024)              | (23,703)            |
| Physician loan amortization   | 143,702           | 173,925               | 15,000              |
| Interest income   | 90,480            | 26,084                | 62,214              |
| Unrealized holding losses   | (155,707)         | -0-                   | -0-                 |
| Transfer from debt service fund   | 50,150            | -0-                   | -0-                 |
| (Increase) decrease in:   |                   |                       |                     |
| Patient accounts receivable, net  | (6,532,366)       | (3,711,946)           | (3,994,799)         |
| Other receivables   | 100,956           | (118,310)             | 14,358              |
| Interest receivable   | (1,315)           | 141                   | 3,694               |
| Inventory   | (291,014)         | (31,729)              | (21,123)            |
| Prepaid expenses  | 100,235           | 190,945               | 39,752              |
| Increase (decrease) in:   |                   |                       |                     |
| Accounts payable  | 130,680           | (111,752)             | 323,477             |
| Payroll withholdings and taxes  | (10,484)          | 8,370                 | 11,883              |
| Accrued expenses  | 70,494            | 79,663                | 40,267              |
| Unearned revenue  | -0-               | -0-                   | 2,030               |
| Assets limited as to use - cash and cash equivalents                          | <u>-0-</u>        | <u>30,396</u>         | <u>60,500</u>       |
| Net cash provided (used) by operating activities                              | <u>1,353,899</u>  | <u>3,512,542</u>      | <u>1,756,622</u>    |
| Cash flow from investing activities:  |                   |                       |                     |
| Collections on physician loans  | 26,662            | 19,583                | 33,750              |
| Cash invested in assets limited as to use - investment                        | -0-               | (1,946,435)           | (932,354)           |
| Redemption of investments/principal return                                    | 552,184           | 550,359               | 652,592             |
| Loans to physicians   | (390,972)         | (218,160)             | (321,046)           |
| Interest income   | 206,451           | 229,358               | 170,069             |
| Proceeds from sale of silver bars   | <u>678</u>        | <u>-0-</u>            | <u>-0-</u>          |
| Net cash provided (used) by investing activities                              | <u>\$ 395,003</u> | <u>\$ (1,365,295)</u> | <u>\$ (396,989)</u> |

See accompanying notes to financial statements.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE  
 COMBINED STATEMENTS OF CASH FLOWS - UNRESTRICTED FUND (Continued)  
 YEARS ENDED JUNE 30, 1999, 1998 AND 1997

|  | <u>1999</u>         | <u>1998</u>         | <u>1997</u>         |
|--|---------------------|---------------------|---------------------|
| Cash flows from capital and related financing activities:            |                     |                     |                     |
| Interest expense   | \$ (143,422)        | \$ (138,972)        | \$ (154,450)        |
| Payments on long-term debt   | (479,560)           | (389,740)           | (338,546)           |
| Acquisition of property, plant and equipment                         | (748,359)           | (1,038,196)         | (712,953)           |
| Contributions  | 26,636              | 32,740              | 22,908              |
| Proceeds from disposal of assets                                     | <u>5,400</u>        | <u>17,450</u>       | <u>2,698</u>        |
| Net cash provided (used) by capital and related financing activities | <u>(1,339,305)</u>  | <u>(1,516,718)</u>  | <u>(1,180,343)</u>  |
| Net increase (decrease) in cash and cash equivalents                 | 409,597             | 630,529             | 179,290             |
| Beginning cash and cash equivalents                                  | <u>1,881,409</u>    | <u>1,250,880</u>    | <u>1,071,590</u>    |
| Ending cash and cash equivalents                                     | <u>\$ 2,291,006</u> | <u>\$ 1,881,409</u> | <u>\$ 1,250,880</u> |
| Schedule of non cash transactions:                                   |                     |                     |                     |
| Loss on amortization due to early return of principal                | \$ -0-              | \$ 32,445           | \$ 21,411           |
| Transfer investment property to property, plant and equipment        | -0-                 | -0-                 | 357,591             |
| Equipment acquired with a capital lease                              | -0-                 | 540,237             | 102,304             |
| Contribution of equipment  | -0-                 | 75,000              | 50,000              |
| Loss on investment property  | -0-                 | -0-                 | 4,044               |
| Supplemental disclosures of cash flow information:                   |                     |                     |                     |
| Cash paid during the period for interest                             | \$ 161,299          | \$ 152,498          | \$ 167,654          |

See accompanying notes to financial statements.



NATCHITOCHEs PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 1999, 1998 AND 1997

NOTE 1 - THE ORGANIZATION AND A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Legal Organizations

The Natchitoches Parish Hospital Service District (referred to as "the District" or "the Hospital") was created by an ordinance of the Natchitoches Parish Police Jury (the "Jury") on October 19, 1955.

Legal Organizations

The governing board of the District consists of seven members appointed by the Jury. Because the Jury appoints all commissioners of the Natchitoches Parish Hospital Service District, the Jury is considered to have the ability to impose its will on the District and therefore the District is a component unit of the Natchitoches Parish Police Jury, which is the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

An affiliate, Natchitoches Hospital Foundation (referred to as "the Foundation"), was incorporated June 23, 1987, as a Louisiana nonprofit corporation. The Foundation has one class of members, consisting of one member, the District.

Nature of Business

The District provides outpatient, ambulance, emergency and acute services through its hospital unit. The District also provides inpatient intermediate and skilled nursing services through its long term care unit and hospital "Swing-Beds". In September 1987, the District added home health services to its operation. In June 1995, the District opened a unit to provide geriatric psychiatric services and was recognized as a "distinct part" unit effective July 1, 1995. The District's psychiatric services were expanded to include outpatient services in October 1996.

The Foundation's purpose is to engage in the solicitation, receipt and administration of funds and property and from time to time to disburse such funds or property and the income therefrom, to or for the benefit of the District.

Method of Accounting

The combined financial statements of the District and Foundation are prepared using the accrual method of accounting. Hospital accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the Louisiana Governmental Audit Guide, and the AICPA Audits of Providers of Health Care Services, published by the American Institute of Certified Public Accountants, and standards set by the Governmental Accounting Standards Board (GASB), which is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 1999, 1998 AND 1997

NOTE 1 - THE ORGANIZATION AND A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

Combination Policy

The accompanying financial statements include the accounts of the District combined with its affiliate, Natchitoches Hospital Foundation. The District has control of the Foundation. All intercompany transactions and balances have been eliminated.

Property, Plant and Equipment

Purchased fixed assets are recorded at cost and donated fixed assets, if received, at fair market value on the date of any donation. Depreciation is calculated over estimated useful lives, using the straight-line method. Land was initially donated for hospital use, and it is recorded at the fair market value at the time of donation. Additional land was purchased, and it is recorded at cost.

Cash and Cash Equivalents

Cash represents coin, currency, bank demand deposits and other negotiable instruments that are readily acceptable in lieu of currency. Cash equivalents are time deposits, certificates of deposit, treasury bills and mortgage backed securities purchased with a maturity of three months or less.

Inventory

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

Investments

Investments are classified as held-to-maturity securities and are therefore reported at amortized cost as market declines are deemed to be temporary. At June 30, 1999, the Hospital reclassified their investments to available-for-sale in response to changes in interest rates, liquidity needs and for other purposes. Available-for-sale securities are reported at fair value. Unrealized holdings gains and losses are reported as other comprehensive income.

Income Taxes

The District is a political subdivision of the State of Louisiana and exempt from taxation.

The Foundation is exempt from income taxes under Section 501(c)(3) of the United States Internal Revenue Code. Accordingly, no provision for income taxes has been recorded.

Credit Risk

The Hospital provides medical care primarily to Natchitoches Parish residents and grants credit to patients, substantially all of whom are local residents.

NATCHITOCHEs PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 1999, 1998 AND 1997

NOTE 1 - THE ORGANIZATION AND A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

The Hospital's estimate of collectibility is based on evaluation of historical collections compared to gross charges and an analysis of aged accounts receivable to establish an allowance for uncollectible accounts.

Third-Party Cost-Based Revenues

Contractual agreements with governmental agencies (Medicare, Medicaid, etc.) provide for reimbursement based on combinations of the lesser of reasonable cost (subject to certain limits) or charges and prospective rates initially set based upon costs of services to patients. These reimbursements are subject to audit and retroactive adjustments by each payor.

NOTE 2 - DEPOSITS

Non interest and interest bearing demand deposit accounts are each covered up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC). Though bank balances exceeded FDIC limits throughout the year, the bank holds pledged securities in the District's name to cover all overage. All amounts invested at investment companies are fully covered by insurance or are fully backed by the U. S. Government.

A breakdown of security types at June 30, 1999 follows:

|   | <u>Amortized<br/>Cost</u> | <u>Fair<br/>Value</u> |
|---|---------------------------|-----------------------|
| Mortgage backed securities  | \$ 2,811,808              | \$ 2,675,572          |
| Debt Securities issued by the U. S. Treasury and other<br>U.S. Government Corporations and Agencies | <u>1,445,985</u>          | <u>1,423,698</u>      |
|   | <u>\$ 4,257,793</u>       | <u>\$ 4,099,270</u>   |

A breakdown of security types at June 30, 1998 follows:

|  |                     |                     |
|--|---------------------|---------------------|
| Mortgage backed securities   | \$ 4,601,963        | \$ 4,524,655        |
| Debt Securities issued by the U.S. Treasury and other<br>U.S. Government Corporations and Agencies | <u>1,023,876</u>    | <u>1,005,451</u>    |
|  | <u>\$ 5,625,839</u> | <u>\$ 5,530,106</u> |

A breakdown of security types at June 30, 1997 follows:

|   |                     |                     |
|---|---------------------|---------------------|
| Mortgage backed securities  | \$ 3,067,738        | \$ 2,965,395        |
| Debit Securities issued by the U.S. Treasury and other<br>U.S. Government Corporations and Agencies | <u>682,335</u>      | <u>678,001</u>      |
|   | <u>\$ 3,750,073</u> | <u>\$ 3,643,396</u> |

Fair values are based upon quoted market prices.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 1999, 1998 AND 1997

NOTE 3 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

|                                   | <u>1999</u>             | <u>1998</u>             | <u>1997</u>             |
|-----------------------------------|-------------------------|-------------------------|-------------------------|
| Patient accounts receivable       | \$ 15,216,850           | \$ 10,650,639           | \$ 8,940,266            |
| Third-party receivables           | <u>(346,630)</u>        | <u>418,499</u>          | <u>1,861,858</u>        |
|                                   | 14,870,220              | 11,069,138              | 10,802,124              |
| Less provision for uncollectibles | <u>(7,737,000)</u>      | <u>(5,282,000)</u>      | <u>(4,071,622)</u>      |
| <br>Total accounts receivable     | <br><u>\$ 7,133,220</u> | <br><u>\$ 5,787,138</u> | <br><u>\$ 6,730,502</u> |

NOTE 4 - MEDICARE AND MEDICAID PROGRAMS

The District receives a substantial portion of its revenues from the Medicare and Medicaid programs at discounted rates. During the periods ended June 30, 1999, 1998 and 1997, the following revenues were obtained from these programs:

|   | <u>1999</u>          | <u>1998</u>          | <u>1997</u>          |
|---|----------------------|----------------------|----------------------|
| Medicare and Medicaid gross patient charges | \$ 26,074,965        | \$ 24,133,935        | \$ 22,015,829        |
| Contractual adjustments                     | <u>(12,909,843)</u>  | <u>(10,725,262)</u>  | <u>(9,251,737)</u>   |
| Net patient service revenue                 | <u>\$ 13,165,122</u> | <u>\$ 13,408,673</u> | <u>\$ 12,764,092</u> |
| <br>Percent of total net patient revenue    | <br><u>50%</u>       | <br><u>56%</u>       | <br><u>58%</u>       |

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 1999, 1998 AND 1997

NOTE 5 - LIMITED USE ASSETS

|   | <u>1999</u>         | <u>1998</u>         | <u>1997</u>         |
|---|---------------------|---------------------|---------------------|
| <u>By Third Parties</u>   |                     |                     |                     |
| Cash with paying agent - interest and principal,<br>due 10/01 (Series 1994 Bonds) | \$ 329,647          | \$ 329,966          | \$ 300,949          |
| Donor contributions   | 108,282             | 94,625              | 86,932              |
| Patient trust funds   | 9,518               | 6,687               | 6,687               |
| Escrow held under contractual agreement   | 142,193             | 400,000             | -0-                 |
| <u>By Board</u>   |                     |                     |                     |
| Repair and replacement - cash and cash<br>equivalents                             | 72,670              | 402,878             | 384,682             |
| Repair and replacement - investments  | 3,762,364           | 3,707,108           | 2,782,563           |
| LHA trust deposits  | 415,009             | 195,710             | 128,686             |
| Less limited use assets required for current<br>liabilities                       | <u>(589,640)</u>    | <u>(631,278)</u>    | <u>(394,568)</u>    |
| Non-current limited use assets  | <u>\$ 4,250,043</u> | <u>\$ 4,505,696</u> | <u>\$ 3,295,931</u> |

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE  
 NOTES TO COMBINED FINANCIAL STATEMENTS  
 JUNE 30, 1999, 1998 AND 1997

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended June 30, 1999.

|                                   | <u>ASSET COST</u>    |                   |                   |                      |
|-----------------------------------|----------------------|-------------------|-------------------|----------------------|
|                                   | <u>June 30, 1998</u> | <u>Additions</u>  | <u>Deductions</u> | <u>June 30, 1999</u> |
| Land and improvements             | \$ 385,724           | \$ 5,100          | \$ -0-            | \$ 390,824           |
| Buildings                         | 18,436,008           | 18,443            | -0-               | 18,454,451           |
| Leasehold improvements            | 284,804              | -0-               | -0-               | 284,804              |
| Furniture, fixtures and equipment | 8,512,478            | 663,715           | -0-               | 9,176,193            |
| Leased assets                     | 642,541              | -0-               | -0-               | 642,541              |
| Construction in progress          | <u>2,694</u>         | <u>61,101</u>     | <u>-0-</u>        | <u>63,795</u>        |
| Total                             | <u>\$ 28,264,249</u> | <u>\$ 748,359</u> | <u>\$ -0-</u>     | <u>\$ 29,012,608</u> |

|                                   | <u>ACCUMULATED DEPRECIATION</u> |                     |                   |                      |
|-----------------------------------|---------------------------------|---------------------|-------------------|----------------------|
|                                   | <u>June 30, 1998</u>            | <u>Additions</u>    | <u>Deductions</u> | <u>June 30, 1999</u> |
| Buildings                         | \$ 10,498,461                   | \$ 640,436          | \$ -0-            | \$ 11,138,897        |
| Leasehold improvements            | 249,204                         | 35,600              | -0-               | 284,804              |
| Furniture, fixtures and equipment | <u>6,049,688</u>                | <u>731,366</u>      | <u>-0-</u>        | <u>6,781,054</u>     |
| Total                             | <u>\$ 16,797,353</u>            | <u>\$ 1,407,402</u> | <u>\$ -0-</u>     | <u>\$ 18,204,755</u> |

NATCHITOCHEs PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 1999, 1998 AND 1997

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

|                                   | <u>ASSET COST</u>    |                     |                   |                      |
|-----------------------------------|----------------------|---------------------|-------------------|----------------------|
|                                   | <u>June 30, 1997</u> | <u>Additions</u>    | <u>Deductions</u> | <u>June 30, 1998</u> |
| Land and improvements             | \$ 385,724           | \$ -0-              | \$ -0-            | \$ 385,724           |
| Buildings                         | 18,214,806           | 221,202             | -0-               | 18,436,008           |
| Leasehold improvements            | 284,804              | -0-                 | -0-               | 284,804              |
| Furniture, fixtures and equipment | 7,600,773            | 934,881             | 23,176            | 8,512,478            |
| Leased assets                     | 102,304              | 540,237             | -0-               | 642,541              |
| Construction in progress          | <u>45,599</u>        | <u>36,087</u>       | <u>78,992</u>     | <u>2,694</u>         |
| Total                             | <u>\$ 26,634,010</u> | <u>\$ 1,732,407</u> | <u>\$ 102,168</u> | <u>\$ 28,264,249</u> |

|                                   | <u>ACCUMULATED DEPRECIATION</u> |                     |                   |                      |
|-----------------------------------|---------------------------------|---------------------|-------------------|----------------------|
|                                   | <u>June 30, 1997</u>            | <u>Additions</u>    | <u>Deductions</u> | <u>June 30, 1998</u> |
| Buildings                         | \$ 9,858,104                    | \$ 640,357          | \$ -0-            | \$ 10,498,461        |
| Leasehold improvements            | 106,802                         | 142,402             | -0-               | 249,204              |
| Furniture, fixtures and equipment | <u>5,503,061</u>                | <u>569,821</u>      | <u>23,194</u>     | <u>6,049,688</u>     |
| Total                             | <u>\$ 15,467,967</u>            | <u>\$ 1,352,580</u> | <u>\$ 23,194</u>  | <u>\$ 16,797,353</u> |

NATCHITOCHEs PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 1999, 1998 AND 1997

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

|                                   | <u>ASSET COST</u>        |                         |                       |                          |
|-----------------------------------|--------------------------|-------------------------|-----------------------|--------------------------|
|                                   | <u>June 30, 1996</u>     | <u>Additions</u>        | <u>Deductions</u>     | <u>June 30, 1997</u>     |
| Land and improvements             | \$ 383,615               | \$ 2,109                | \$ -0-                | \$ 385,724               |
| Buildings                         | 18,085,026               | 129,780                 | -0-                   | 18,214,806               |
| Leasehold improvements            | -0-                      | 284,804                 | -0-                   | 284,804                  |
| Furniture, fixtures and equipment | 7,160,106                | 658,252                 | 217,585               | 7,600,773                |
| Leased assets                     | -0-                      | 102,304                 | -0-                   | 102,304                  |
| Construction in progress          | <u>-0-</u>               | <u>45,599</u>           | <u>-0-</u>            | <u>45,599</u>            |
| <br>Total                         | <br><u>\$ 25,628,747</u> | <br><u>\$ 1,222,848</u> | <br><u>\$ 217,585</u> | <br><u>\$ 26,634,010</u> |

|                                   | <u>ACCUMULATED DEPRECIATION</u> |                         |                       |                          |
|-----------------------------------|---------------------------------|-------------------------|-----------------------|--------------------------|
|                                   | <u>June 30, 1996</u>            | <u>Additions</u>        | <u>Deductions</u>     | <u>June 30, 1997</u>     |
| Buildings                         | \$ 9,220,929                    | \$ 637,175              | \$ -0-                | \$ 9,858,104             |
| Leasehold improvements            | -0-                             | 106,802                 | -0-                   | 106,802                  |
| Furniture, fixtures and equipment | <u>5,277,757</u>                | <u>442,889</u>          | <u>217,585</u>        | <u>5,503,061</u>         |
| <br>Total                         | <br><u>\$ 14,498,686</u>        | <br><u>\$ 1,186,866</u> | <br><u>\$ 217,585</u> | <br><u>\$ 15,467,967</u> |

Depreciation was calculated using the straight-line method. Useful lives for the purpose of calculating depreciation by class are:

|                                   |               |
|-----------------------------------|---------------|
| Buildings                         | 10 - 40 years |
| Furniture, fixtures and equipment | 3 - 15 years  |

These assets were obtained in part with funds from a Hill-Burton program grant of \$307,000.



NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 1999, 1998 AND 1997

NOTE 7 - OTHER ASSETS

Bond issue costs of \$67,871 were incurred for the 1994 Revenue Bonds and are being amortized over the remaining life of the bonds (9 years) beginning in 1994.

Construction interest of \$913,560 is being amortized over the estimated useful life of the new hospital plant and equipment (23 years) beginning August 1981, when put into service.

Silver bars consisting of 184.04 ounces of silver with a value of approximately \$718, \$1,396 and \$1,396 were on hand at June 30, 1999, 1998 and 1997.

NOTE 8 - ACCRUED EXPENSES

A summary of accrued expenses is presented below:

|                      | <u>1999</u>       | <u>1998</u>       | <u>1997</u>       |
|----------------------|-------------------|-------------------|-------------------|
| Accrued interest     | \$ 28,040         | \$ 32,630         | \$ 36,856         |
| Accrued salaries     | 478,000           | 399,804           | 315,915           |
| Accrued vacation pay | <u>294,484</u>    | <u>297,596</u>    | <u>297,596</u>    |
| Total                | <u>\$ 800,524</u> | <u>\$ 730,030</u> | <u>\$ 650,367</u> |

Management elected not to accrue non-vested compensated absence cost of sick pay which was deemed undeterminable.

NOTE 9 - LONG-TERM DEBT

A summary of long-term debt, including capital lease obligations, at June 30, 1999, follows:

|  | <u>1999</u>         | <u>1998</u>         | <u>1997</u>         |
|--|---------------------|---------------------|---------------------|
| Revenue Bonds at rates varying from 4.9% to 5.55%, collateralized by a pledge and dedication of hospital revenue         | \$ 2,085,000        | \$ 2,445,000        | \$ 2,790,000        |
| Capital lease obligation, 4.95%, collateralized by leased nuclear medicine and ultrasound machine with cost of \$540,237 | 425,844             | 519,872             | -0-                 |
| Capital lease obligation, 5.55%, collateralized by leased computer with cost of \$102,304                                | <u>38,849</u>       | <u>64,382</u>       | <u>88,758</u>       |
|  | 2,549,693           | 3,029,254           | 2,878,758           |
| Less current maturities of long-term debt  | <u>(510,542)</u>    | <u>(484,097)</u>    | <u>(358,546)</u>    |
| Long-term debt, net of current maturities  | <u>\$ 2,039,151</u> | <u>\$ 2,545,157</u> | <u>\$ 2,520,212</u> |

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 1999, 1998 AND 1997

NOTE 9 - LONG-TERM DEBT (Continued)

On May 9, 1994, the Series 1994 Hospital Revenue Bonds were issued. The bonds are secured by the full faith and credit of the Hospital as well as a lien and privilege on its revenues.

The Hospital has covenanted to set rates so that revenues in each year are sufficient to pay the reasonable and necessary expenses of operating and maintaining the Hospital, the principal and interest maturing on the Series 1994 Bonds in each year, all sinking funds or other payments required for such year by the Resolution, and all other obligations or indebtedness payable out of the revenues of the Hospital for such year.

Additionally, the Hospital has covenanted to set rates so that revenues after paying all reasonable and necessary expenses of operating and maintaining the Hospital in such year, at least equal 120% of the largest amount of principal and interest maturing on the Bonds in any future fiscal year and on any pari passu additional bonds hereafter issued.

Other requirements under the terms of indebtedness are as follows:

- \* Sale or disposition of Hospital property, plant and equipment is limited. Future debt agreements may not take priority over this series of debt.
- \* Make monthly deposits equal to the pro-rata portion of the next principal and/or interest payment, which are to be maintained in fully backed or government securities investments, with market values greater than invested dollars.
- \* Collect payment on all services rendered, except for an undisclosed, reasonable amount of charity care.
- \* Maintain all assets in good working order.
- \* Carry full insurance coverage with a responsible licensed Louisiana company.
- \* Maintain complete and accurate records and have an annual audit.
- \* Maintain cash on hand of not less than 45 days of operating expenses net of depreciation and amortization.
- \* Provide quarterly statements to the purchaser.
- \* Protect tax exempt status and refrain from activities that would require payment of arbitrage to the IRS.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE  
 NOTES TO COMBINED FINANCIAL STATEMENTS  
 JUNE 30, 1999, 1998 AND 1997

NOTE 9 - LONG-TERM DEBT (Continued)

Scheduled principal repayments on revenue bonds and payments on capital lease obligations over the next five years are as follows:

| Year Ending<br>June 30  | Revenue<br>Bonds    | Capital Lease<br>Obligations |
|---|---------------------|------------------------------|
| 2000  | \$ 380,000          | \$ 150,770                   |
| 2001  | 390,000             | 134,099                      |
| 2002  | 415,000             | 122,191                      |
| 2003  | 440,000             | 101,826                      |
| Thereafter  | <u>460,000</u>      | <u>-0-</u>                   |
|   | <u>\$ 2,085,000</u> | 508,886                      |
| Less amounts representing<br>interest on capital lease<br>obligations |                     | <u>44,193</u>                |
| Total   |                     | <u>\$ 464,693</u>            |

NOTE 10 - RETIREMENT PROGRAM

Employees may participate in a qualified defined contribution retirement plan. Each employee is eligible to join the plan immediately upon employment. Employees become vested in the employer's contribution 25% per year until 100% vested at 4 years of employment. Under terms of the plan, each participating employee must make contributions of 4% and may make additional voluntary contributions. The District must make contributions of 1%.

|                        |              |
|------------------------|--------------|
| Total Payroll          | \$ 9,248,355 |
| Total Covered Payroll  | 6,892,320    |
| Employee Contributions | 279,307      |
| Employer Contributions | 116,740      |

NOTE 11 - PROFESSIONAL LIABILITY RISK

The District participates in the Louisiana Patient's Compensation Fund established by the State of Louisiana to provide medical professional liability coverage to health care providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the District is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of settlement for professional liability to \$500,000 per occurrence. Legal action in an attempt to overturn this legislation on constitutional grounds is in process.

The District's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are redetermined utilizing actual losses of the District. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The District has included these allocations and equity amounts assigned to the District by the Trust Fund in its financial statements.

NATCHITOCHEs PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 1999, 1998 AND 1997

NOTE 12 - WORKMEN'S COMPENSATION RISK

The District participates in the Louisiana Hospital Association Self Insurance Workmen's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The District has included these allocations and equity amounts assigned to the District by the Trust Fund in its financial statements.

NOTE 13 - CHARITY CARE

The Hospital has a policy of providing charity care to indigent patients in emergency situations. The amounts of charity care charges are \$60,192, \$118,329 and \$44,853 for the years ended June 30, 1999, 1998 and 1997, respectively.

NOTE 14 - NET CONTRIBUTIONS

Contributions and related fund raising expenses are reflected in the following table:

|                                  | <u>1999</u>      | <u>1998</u>       | <u>1997</u>      |
|----------------------------------|------------------|-------------------|------------------|
| Contributions                    | \$ 31,350        | \$ 111,095        | \$ 77,895        |
| Interest earned on contributions | 1,846            | 2,166             | 2,242            |
| Less: fund raising expenses      | <u>(6,560)</u>   | <u>(5,521)</u>    | <u>(7,229)</u>   |
| Net contributions                | <u>\$ 26,636</u> | <u>\$ 107,740</u> | <u>\$ 72,908</u> |

NOTE 15 - SELF-FUNDED BENEFITS PLAN

The District maintains a self-funded medical/dental benefits plan. The District entered into an agreement as of July 1991, with Employee Benefit Services, Inc., for supervision of the plan. The Hospital purchases "excess" insurance coverage that provides for payment of 100% of claims in excess of \$30,000 per year up to specific individual maximums of \$1,000,000.

NOTE 16 - NOTES RECEIVABLE

The following is a summary of notes receivable at June 30:

|                               | <u>1999</u>       | <u>1998</u>       | <u>1997</u>       |
|-------------------------------|-------------------|-------------------|-------------------|
| Physician notes               | \$ 362,990        | \$ 280,231        | \$ 132,504        |
| Physician contract guarantees | <u>210,705</u>    | <u>72,856</u>     | <u>195,931</u>    |
|                               | 573,695           | 353,087           | 328,435           |
| Less current maturities       | <u>(210,932)</u>  | <u>(188,683)</u>  | <u>(146,421)</u>  |
|                               | <u>\$ 362,763</u> | <u>\$ 164,404</u> | <u>\$ 182,014</u> |

NATCHITOCHEs PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATE  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 1999, 1998 AND 1997

NOTE 17 - CONTINGENCIES

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

The principal contingencies are described below:

Third Party Cost-Based Revenues (Note 1) - Cost reimbursements are subject to examination by agencies administering the programs. Effective October 1, 1983, the Medicare program discontinued its cost-based reimbursement system for inpatient services. Under the program, the District receives a fixed fee for each patient, which is determined by the government. The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of those programs. The amount of such adjustments cannot be determined.

Federal and state budget restraints are increasing the time period taken to pay Medicare and Medicaid claims and the Medicaid program is delaying payment of year-end statements.

Professional Liability Risk (Note 11) - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

Workmen's Compensation Risk (Note 12) - The District is contingently liable for assessments by the Louisiana Hospital Association Trust Fund.

Hill-Burton Uncompensated Service and Community Service Obligations - As a result of the District receiving a Federal Hill-Burton program grant, the District is required to provide a reasonable volume of uncompensated services to patients who are unable to pay for their medical care. The District's obligation for uncompensated services was fulfilled on July 17, 1998. Additionally, the District is obligated to provide community service.

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

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT  
DEBT SERVICE FUND  
BALANCE SHEETS  
JUNE 30, 1999, 1998 AND 1997

|                                     | <u>1999</u>             | <u>1998</u>        | <u>1997</u>        |
|-------------------------------------|-------------------------|--------------------|--------------------|
| <b>ASSETS</b>                       |                         |                    |                    |
| Cash and cash equivalents           | \$ <u>          -0-</u> | \$ <u>  49,612</u> | \$ <u>  48,282</u> |
| Total assets                        | \$ <u>          -0-</u> | \$ <u>  49,612</u> | \$ <u>  48,282</u> |
| <b>LIABILITIES AND FUND BALANCE</b> |                         |                    |                    |
| Fund balance:                       |                         |                    |                    |
| Available for debt retirement       | \$ <u>          -0-</u> | \$ <u>  49,612</u> | \$ <u>  48,282</u> |
| Total liabilities and fund balance  | \$ <u>          -0-</u> | \$ <u>  49,612</u> | \$ <u>  48,282</u> |

See accompanying notes to financial statements

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT  
DEBT SERVICE FUND  
STATEMENTS OF REVENUES AND EXPENDITURES  
AND CHANGES IN FUND BALANCE  
YEARS ENDED JUNE 30, 1999, 1998 AND 1997

|  | <u>1999</u>     | <u>1998</u>      | <u>1997</u>      |
|--|-----------------|------------------|------------------|
| Revenues:                                |                 |                  |                  |
| Ad valorem taxes                         | \$ -0-          | \$ -0-           | \$ -0-           |
| Interest income                          | <u>538</u>      | <u>1,330</u>     | <u>1,148</u>     |
| Total revenues                           | <u>538</u>      | <u>1,330</u>     | <u>1,148</u>     |
| Expenditures:                            |                 |                  |                  |
| Bank service charge                      | <u>-0-</u>      | <u>-0-</u>       | <u>-0-</u>       |
| Total expenditures                       | <u>-0-</u>      | <u>-0-</u>       | <u>-0-</u>       |
| Excess of revenues over expenditures     | 538             | 1,330            | 1,148            |
| Fund balance, beginning of year          | <u>49,612</u>   | <u>48,282</u>    | <u>47,134</u>    |
| Transferred to Hospital Service District | <u>(50,150)</u> | <u>-0-</u>       | <u>-0-</u>       |
| Fund balance, end of year                | <u>\$ -0-</u>   | <u>\$ 49,612</u> | <u>\$ 48,282</u> |

See accompanying notes to financial statements

NATCHITOCHEs PARISH HOSPITAL SERVICE DISTRICT  
DEBT SERVICE FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1999, 1998 AND 1997

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The modified accrual basis of accounting is used to record revenues and expenditures. Expenditures are recorded at the time liabilities are incurred and revenues are recorded when they become measurable and available. Available includes those tax receivables expected to be collected within 60 days after year-end.

NOTE 2 - DEPOSITS

All amounts that are included in cash and cash equivalents are fully insured by the financial institutions or covered by a pledge of securities as discussed in Note 2 to Combined Financial Statements.

NOTE 3 - PUBLIC IMPROVEMENT BONDS

During 1978, the Natchitoches Parish Hospital Service District sold public improvement hospital bonds in the amount of four million five hundred thousand dollars (\$4,500,000). The first interest payment was made April 1, 1979, with payments of interest semi-annually thereafter. The first principal payment was April 1, 1980. On October 1, 1985, \$784,246 was deposited in an irrevocable trust and zero coupon United States of America Treasury securities were purchased. The securities have a face value of \$3,090,000 and earn effective rates between 10.6% and 11.2%. The purchased securities began maturing in February 1995, and will be used to pay interest and principal due from April 1, 1995, until the 1978 bond issue is paid in full. An accounting defeasance occurred in February 1995. Since the bonds are now completely defeased, no accounting is required on the District Books.



**SUPPLEMENTARY INFORMATION**

NATCHITOCHEs PARISH HOSPITAL SERVICE DISTRICT  
SCHEDULE OF NET PATIENT SERVICE REVENUE  
YEARS ENDED JUNE 30, 1999, 1998 AND 1997

|                                  | 1999                    | 1998                    | 1997                    |
|----------------------------------|-------------------------|-------------------------|-------------------------|
| Daily patient services:          |                         |                         |                         |
| Routine nursing                  | \$ 2,824,345            | \$ 2,439,490            | \$ 2,208,340            |
| Intensive care                   | 979,790                 | 689,580                 | 550,895                 |
| Nursery                          | 260,110                 | 259,925                 | 242,455                 |
| Long-term care                   | 2,717,435               | 2,637,537               | 2,468,179               |
| Swing bed                        | 27,265                  | 15,200                  | 13,205                  |
| Geriatric psych                  | <u>2,190,580</u>        | <u>3,514,365</u>        | <u>2,781,722</u>        |
| <br>Total daily patient services | <br><u>8,999,525</u>    | <br><u>9,556,097</u>    | <br><u>8,264,796</u>    |
| Other professional services:     |                         |                         |                         |
| Operating and recovery room      |                         |                         |                         |
| Inpatient                        | 1,257,326               | 951,182                 | 918,787                 |
| Outpatient                       | <u>2,279,605</u>        | <u>1,530,384</u>        | <u>1,173,917</u>        |
| <br>Total                        | <br><u>3,536,931</u>    | <br><u>2,481,566</u>    | <br><u>2,092,704</u>    |
| Labor and delivery               |                         |                         |                         |
| Inpatient                        | 680,716                 | 725,369                 | 647,695                 |
| Outpatient                       | <u>145,339</u>          | <u>140,118</u>          | <u>94,927</u>           |
| <br>Total                        | <br><u>826,055</u>      | <br><u>865,487</u>      | <br><u>742,622</u>      |
| Anesthesia                       |                         |                         |                         |
| Inpatient                        | 631,760                 | 598,618                 | 636,477                 |
| Outpatient                       | <u>578,427</u>          | <u>416,160</u>          | <u>469,460</u>          |
| <br>Total                        | <br><u>1,210,187</u>    | <br><u>1,014,778</u>    | <br><u>1,105,937</u>    |
| Radiology, ultrasound & CT scan  |                         |                         |                         |
| Inpatient                        | 1,291,254               | 842,584                 | 719,223                 |
| Outpatient                       | 2,745,706               | 2,142,185               | 1,940,914               |
| Skilled nursing services         | -0-                     | 34,339                  | 34,619                  |
| Swing bed                        | -0-                     | -0-                     | 147                     |
| Geriatric psych                  | <u>-0-</u>              | <u>18,990</u>           | <u>16,481</u>           |
| <br>Total                        | <br><u>4,036,960</u>    | <br><u>3,038,098</u>    | <br><u>2,711,384</u>    |
| Laboratory                       |                         |                         |                         |
| Inpatient                        | 3,047,726               | 2,312,415               | 1,866,737               |
| Outpatient                       | 2,394,253               | 1,861,976               | 1,607,181               |
| Skilled nursing services         | -0-                     | 146,680                 | 140,231                 |
| Swing bed                        | -0-                     | 64,376                  | 44,947                  |
| Geriatric psych                  | <u>-0-</u>              | <u>-0-</u>              | <u>1,092</u>            |
| <br>Total                        | <br><u>\$ 5,441,979</u> | <br><u>\$ 4,385,447</u> | <br><u>\$ 3,660,188</u> |

NATCHITOCHEs PARISH HOSPITAL SERVICE DISTRICT  
 SCHEDULE OF NET PATIENT SERVICE REVENUE (Continued)  
 YEARS ENDED JUNE 30, 1999, 1998 AND 1997

|                          | <u>1999</u>      | <u>1998</u>      | <u>1997</u>      |
|--------------------------|------------------|------------------|------------------|
| Blood                    |                  |                  |                  |
| Inpatient                | \$ 84,918        | \$ 49,954        | \$ 21,855        |
| Outpatient               | 29,590           | 16,269           | 12,943           |
| Skilled nursing services | -0-              | 650              | 332              |
| Swing bed                | -0-              | 292              | -0-              |
| Geriatric psych          | <u>-0-</u>       | <u>795</u>       | <u>-0-</u>       |
| Total                    | <u>114,508</u>   | <u>67,960</u>    | <u>35,130</u>    |
| Inhalation therapy       |                  |                  |                  |
| Inpatient                | 1,452,690        | 1,295,362        | 968,886          |
| Outpatient               | 152,619          | 134,150          | 103,177          |
| Skilled nursing services | -0-              | 3,779            | 111,939          |
| Swing bed                | -0-              | -0-              | 1,848            |
| Geriatric psych          | <u>-0-</u>       | <u>2,865</u>     | <u>2,466</u>     |
| Total                    | <u>1,605,309</u> | <u>1,436,156</u> | <u>1,188,316</u> |
| Speech therapy           |                  |                  |                  |
| Inpatient                | 6,300            | -0-              | -0-              |
| Outpatient               | <u>27,160</u>    | <u>-0-</u>       | <u>-0-</u>       |
| Total                    | <u>33,460</u>    | <u>-0-</u>       | <u>-0-</u>       |
| Physical therapy         |                  |                  |                  |
| Inpatient                | 150,926          | 31,546           | 35,320           |
| Outpatient               | 151,226          | 94,235           | 97,545           |
| Skilled nursing services | -0-              | 6,591            | 11,505           |
| Geriatric psych          | <u>-0-</u>       | <u>2,090</u>     | <u>2,255</u>     |
| Total                    | <u>302,152</u>   | <u>134,462</u>   | <u>146,625</u>   |
| Occupational therapy     |                  |                  |                  |
| Inpatient                | 55,136           | 1,446            | -0-              |
| Outpatient               | 43,361           | 18,014           | -0-              |
| Skilled nursing services | -0-              | 160              | -0-              |
| Geriatric psych          | <u>-0-</u>       | <u>26,936</u>    | <u>-0-</u>       |
| Total                    | <u>\$ 98,497</u> | <u>\$ 46,556</u> | <u>\$ -0-</u>    |

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT  
 SCHEDULE OF NET PATIENT SERVICE REVENUE (Continued)  
 YEARS ENDED JUNE 30, 1999, 1998 AND 1997

|                          | <u>1999</u>      | <u>1998</u>       | <u>1997</u>      |
|--------------------------|------------------|-------------------|------------------|
| Electrocardiology        |                  |                   |                  |
| Inpatient                | \$ 441,579       | \$ 237,102        | \$ 138,213       |
| Outpatient               | 689,813          | 335,503           | 187,953          |
| Skilled nursing services | -0-              | 1,300             | 2,225            |
| Swing bed                | -0-              | -0-               | 225              |
| Geriatric psych          | <u>-0-</u>       | <u>4,288</u>      | <u>3,913</u>     |
| Total                    | <u>1,131,392</u> | <u>578,193</u>    | <u>332,529</u>   |
| Central services         |                  |                   |                  |
| Inpatient                | 2,921,867        | 2,339,495         | 2,109,282        |
| Outpatient               | 443,271          | 328,935           | 301,694          |
| Skilled nursing services | 1,037            | 210,532           | 282,303          |
| Swing bed                | -0-              | -0-               | 1,129            |
| Geriatric psych          | <u>-0-</u>       | <u>16,412</u>     | <u>11,706</u>    |
| Total                    | <u>3,366,175</u> | <u>2,895,374</u>  | <u>2,706,114</u> |
| Pharmacy                 |                  |                   |                  |
| Inpatient                | 4,833,425        | 3,776,545         | 3,393,198        |
| Outpatient               | 1,379,351        | 1,000,529         | 793,897          |
| Skilled nursing services | -0-              | 132,460           | 134,162          |
| Swing bed                | -0-              | -0-               | 2,803            |
| Geriatric psych          | <u>-0-</u>       | <u>97,879</u>     | <u>62,041</u>    |
| Total                    | <u>6,212,776</u> | <u>5,007,413</u>  | <u>4,386,101</u> |
| Cardiac rehab            |                  |                   |                  |
| Inpatient                | 18,762           | 902               | 2,111            |
| Outpatient               | 174,765          | 187,430           | 163,204          |
| Skilled nursing services | <u>-0-</u>       | <u>13,035</u>     | <u>1,359</u>     |
| Total                    | <u>193,527</u>   | <u>201,367</u>    | <u>166,674</u>   |
| Emergency room           |                  |                   |                  |
| Inpatient                | 448,317          | 429,764           | 454,362          |
| Outpatient               | 3,064,212        | 2,187,455         | 2,217,008        |
| Skilled nursing services | -0-              | -0-               | 27               |
| Geriatric psych          | <u>-0-</u>       | <u>2,729</u>      | <u>3,129</u>     |
| Total                    | <u>3,512,529</u> | <u>2,619,948</u>  | <u>2,674,526</u> |
| Observation              |                  |                   |                  |
| Outpatient               | \$ <u>28,162</u> | \$ <u>136,656</u> | \$ <u>81,139</u> |

NATCHITOCHEs PARISH HOSPITAL SERVICE DISTRICT  
 SCHEDULE OF NET PATIENT SERVICE REVENUE (Continued)  
 YEARS ENDED JUNE 30, 1999, 1998 AND 1997

|   | 1999                 | 1998                 | 1997                 |
|---|----------------------|----------------------|----------------------|
| Ambulance<br>Outpatient                         | \$ <u>1,159,846</u>  | \$ <u>930,228</u>    | \$ <u>874,292</u>    |
| Home health<br>All disciplines                  | <u>327,162</u>       | <u>713,567</u>       | <u>838,723</u>       |
| Partial hospitalization<br>All disciplines      | <u>666,071</u>       | <u>375,850</u>       | <u>348,825</u>       |
| Total other professional services               | <u>33,803,678</u>    | <u>26,929,106</u>    | <u>24,091,829</u>    |
| Total patient service charges                   | <u>42,803,203</u>    | <u>36,485,203</u>    | <u>32,356,625</u>    |
| Contractual adjustments - Medicare and Medicaid | 14,825,452           | 10,902,872           | 9,256,507            |
| Contractual adjustments - other                 | 1,749,968            | 1,251,407            | 1,203,295            |
| Free care                                       | 60,192               | 118,329              | 44,853               |
| Other deductions                                | 35,532               | 57,651               | 12,566               |
| Uncompensated care reimbursement                | <u>(216,180)</u>     | <u>-0-</u>           | <u>-0-</u>           |
| Total allowances                                | <u>16,454,964</u>    | <u>12,330,259</u>    | <u>10,517,221</u>    |
| Net patient service revenue                     | <u>\$ 26,348,239</u> | <u>\$ 24,154,944</u> | <u>\$ 21,839,404</u> |

NATCHITOCHEs PARISH HOSPITAL SERVICE DISTRICT  
 SCHEDULE OF OTHER REVENUE  
 YEARS ENDED JUNE 30, 1999, 1998 AND 1997

|                         | <u>1999</u>             | <u>1998</u>           | <u>1997</u>           |
|-------------------------|-------------------------|-----------------------|-----------------------|
| Other revenue:          |                         |                       |                       |
| Rental income           | \$ 503,255              | \$ 238,610            | \$ 134,478            |
| Medical records         | 10,155                  | -0-                   | -0-                   |
| Dietary sales           | 387,696                 | 446,637               | 401,576               |
| Vending revenue         | 58,956                  | 48,917                | 43,121                |
| LHA trust               | 219,299                 | 37,914                | 23,703                |
| Other                   | 27,316                  | 48,494                | 9,246                 |
| Janitorial revenue      | <u>20,000</u>           | <u>20,002</u>         | <u>20,000</u>         |
| <br>Total other revenue | <br>\$ <u>1,226,677</u> | <br>\$ <u>840,574</u> | <br>\$ <u>632,124</u> |

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT  
 SCHEDULE OF EXPENSES - SALARIES AND BENEFITS  
 UNRESTRICTED FUND  
 YEARS ENDED JUNE 30, 1999, 1998 AND 1997

|                                    | <u>1999</u>          | <u>1998</u>         | <u>1997</u>         |
|------------------------------------|----------------------|---------------------|---------------------|
|                                    | \$ 23,804            | \$ -0-              | \$ -0-              |
| Human resources                    | 162,536              | 210,047             | 210,278             |
| Administration                     | 54,330               | 36,926              | 32,261              |
| Data processing                    | 168,094              | 115,781             | 134,307             |
| Accounting                         | 109,793              | 27,500              | 22,977              |
| Admitting                          | 253,673              | 214,988             | 176,587             |
| Business office                    | 336,716              | 291,647             | 289,163             |
| Housekeeping                       | 276,158              | 285,089             | 236,531             |
| Dietary and cafeteria              | 58,365               | 68,551              | 53,604              |
| Laundry                            | 89,776               | 80,238              | 88,824              |
| Plant operations and maintenance   | 288,514              | 238,344             | 227,339             |
| Nursing administration             | 13,157               | 12,267              | 11,576              |
| Central services                   | 219,181              | 173,173             | 148,310             |
| Medical records                    | 1,300,775            | 1,086,224           | 1,001,483           |
| Nursing services                   | 378,303              | 293,689             | 273,832             |
| ICU                                | 379,412              | 359,265             | 39,769              |
| Geriatric psych                    | 94,876               | 91,007              | 59,833              |
| Nursery                            | 1,425,744            | 1,392,455           | 1,311,625           |
| Long-term care                     | 346,635              | 282,809             | 251,302             |
| Operating room                     | 314,400              | 285,956             | 286,547             |
| Labor and delivery                 | 359,401              | 376,188             | 359,735             |
| Anesthesia                         | 383,678              | 267,665             | 242,513             |
| Radiology                          | 279,034              | 252,772             | 235,933             |
| Laboratory                         | 237,047              | 192,042             | 182,715             |
| Respiratory therapy                | 12,758               | -0-                 | -0-                 |
| Speech therapy                     | 148,013              | 76,389              | 74,283              |
| Physical therapy                   | 45,646               | 31,920              | -0-                 |
| Occupational therapy               | 59,550               | 41,733              | -0-                 |
| Cardiovascular                     | 81,208               | 69,702              | 66,757              |
| Purchasing                         | 163,118              | 136,717             | 121,484             |
| Pharmacy                           | 108,650              | 96,744              | 96,563              |
| Cardiac rehab                      | 456,963              | 427,858             | 424,325             |
| Emergency room                     | 380,550              | 306,173             | 290,521             |
| Ambulance                          | 236,146              | 339,329             | 339,090             |
| Home health                        | 56,514               | 47,635              | 42,174              |
| Partial hospitalization            | <u>56,514</u>        | <u>47,635</u>       | <u>42,174</u>       |
| <b>Total salaries</b>              | <u>9,302,518</u>     | <u>8,208,823</u>    | <u>7,332,241</u>    |
| FICA and Medicare tax              | 682,109              | 594,279             | 530,908             |
| Hospital insurance                 | 212,422              | 233,484             | 135,263             |
| Workers compensation insurance     | 7,848                | 33,385              | 48,016              |
| Unemployment taxes                 | <u>11,326</u>        | <u>18,950</u>       | <u>20,079</u>       |
| <b>Total benefits</b>              | <u>913,705</u>       | <u>880,098</u>      | <u>734,266</u>      |
| <b>Total salaries and benefits</b> | <u>\$ 10,216,223</u> | <u>\$ 9,088,921</u> | <u>\$ 8,066,507</u> |

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT  
 SCHEDULE OF EXPENSES - MEDICAL SUPPLIES AND DRUGS  
 UNRESTRICTED FUND  
 YEARS ENDED JUNE 30, 1999, 1998 AND 1997

|                                       | <u>1999</u>             | <u>1998</u>             | <u>1997</u>             |
|---------------------------------------|-------------------------|-------------------------|-------------------------|
| Nursing services                      | \$ 94,316               | \$ 83,621               | \$ 63,078               |
| ICU                                   | 31,148                  | 21,416                  | 15,604                  |
| Geriatric psych                       | 14,965                  | 12,421                  | 8,353                   |
| Nursery                               | 32,859                  | 23,606                  | 23,513                  |
| Long-term care                        | 236,164                 | 256,304                 | 249,665                 |
| Operating room                        | 597,161                 | 360,503                 | 297,749                 |
| Labor and delivery                    | 42,841                  | 60,822                  | 60,019                  |
| Anesthesiology                        | 33,596                  | 22,620                  | 26,686                  |
| Radiology, nuclear medicine, CAT scan | 178,071                 | 104,766                 | 85,590                  |
| Laboratory and blood                  | 362,469                 | 328,736                 | 272,756                 |
| Respiratory therapy                   | 14,356                  | 77,212                  | 65,915                  |
| Physical therapy                      | 10,795                  | 2,778                   | 1,773                   |
| EKG                                   | 13,974                  | 14,748                  | 4,749                   |
| Central supply                        | 226,045                 | 180,893                 | 141,038                 |
| Pharmacy                              | 1,054,907               | 751,160                 | 619,078                 |
| Cardiac rehab                         | 3,250                   | 1,439                   | 2,106                   |
| Emergency room                        | 76,859                  | 70,188                  | 71,435                  |
| Ambulance                             | 26,699                  | 17,843                  | 16,561                  |
| Home health                           | <u>16,804</u>           | <u>20,058</u>           | <u>17,968</u>           |
| <br>Total medical supplies and drugs  | <br>\$ <u>3,067,279</u> | <br>\$ <u>2,411,134</u> | <br>\$ <u>2,043,636</u> |



NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT  
 SCHEDULE OF EXPENSES - MEDICAL, PROFESSIONAL AND  
 CONSULTING SERVICES  
 UNRESTRICTED FUND  
 YEARS ENDED JUNE 30, 1999, 1998 AND 1997

|                                 | <u>1999</u>             | <u>1998</u>             | <u>1997</u>             |
|---------------------------------|-------------------------|-------------------------|-------------------------|
| Routine nursing                 | \$ -0-                  | \$ 1,735                | \$ 12,607               |
| ICU                             | 7,800                   | -0-                     | -0-                     |
| Geriatric psych                 | 89,000                  | 581,539                 | 1,896,000               |
| LTCU                            | 18,927                  | 29,072                  | 28,252                  |
| Operating room                  | 100                     | 9,600                   | 22,400                  |
| Anesthesiology                  | 120,238                 | 350                     | 8,770                   |
| Radiology, ultrasound, CAT scan | 104,378                 | 351,332                 | 316,784                 |
| Laboratory                      | 73,953                  | 66,375                  | 52,549                  |
| Respiratory therapy             | 5,325                   | 3,585                   | 2,640                   |
| Physical therapy                | 27,319                  | 275                     | -0-                     |
| Occupational therapy            | -0-                     | -0-                     | 175                     |
| EKG                             | -0-                     | -0-                     | 33,500                  |
| Pharmacy                        | 7,789                   | 7,462                   | 2,767                   |
| Emergency room                  | 760,528                 | 779,068                 | 825,088                 |
| Home health                     | 6,425                   | 6,000                   | 4,665                   |
| Partial hospitalization         | 445,650                 | 456,692                 | 339,973                 |
| Other                           | 220                     | -0-                     | -0-                     |
| Sleep study                     | <u>77,510</u>           | <u>-0-</u>              | <u>-0-</u>              |
| <br>Total professional fees     | <br><u>\$ 1,745,162</u> | <br><u>\$ 2,293,085</u> | <br><u>\$ 3,546,170</u> |

NATCHITOCHEs PARISH HOSPITAL SERVICE DISTRICT  
SCHEDULE OF EXPENSES - OTHER  
UNRESTRICTED FUND  
YEARS ENDED JUNE 30, 1999, 1998 AND 1997

|                                   | <u>1999</u>             | <u>1998</u>             | <u>1997</u>             |
|-----------------------------------|-------------------------|-------------------------|-------------------------|
| Service fees                      | \$ 843,470              | \$ 433,006              | \$ 202,325              |
| Legal and accounting              | 76,336                  | 99,717                  | 57,551                  |
| Non-medical supplies              | 1,150,331               | 1,048,278               | 992,639                 |
| Repairs and maintenance           | 363,194                 | 205,443                 | 214,916                 |
| Utilities                         | 898,633                 | 887,126                 | 923,939                 |
| Telephone                         | 66,942                  | 62,578                  | 59,759                  |
| Travel and fuel - home health     | 21,917                  | 39,238                  | 47,099                  |
| Travel and fuel - Meals on Wheels | 20,252                  | 18,687                  | 19,316                  |
| Travel and fuel - ambulance       | 12,215                  | 10,935                  | 14,181                  |
| Travel and fuel - other           | 51,259                  | 18,108                  | 15,456                  |
| Rental expense                    | 76,695                  | 119,271                 | 119,594                 |
| Education expense                 | 15,341                  | 15,676                  | 22,715                  |
| Scholarships                      | 4,504                   | 16,361                  | 4,865                   |
| License, dues, subscriptions      | 55,085                  | 47,470                  | 45,605                  |
| Patient days tax                  | 131,647                 | 164,874                 | 147,202                 |
| Advertising                       | 75,654                  | 36,516                  | 30,405                  |
| Recruitment                       | 200,139                 | 204,935                 | 27,385                  |
| Other                             | <u>38,695</u>           | <u>119,663</u>          | <u>54,288</u>           |
| <br>Total other                   | <br><u>\$ 4,102,309</u> | <br><u>\$ 3,547,882</u> | <br><u>\$ 2,999,240</u> |

## NATCHITOCHEES PARISH HOSPITAL SERVICE DISTRICT

### HISTORY

The Natchitoches Parish Hospital was built by the people of the Parish of Natchitoches, Louisiana, in cooperation with the United States Government, and is operated by the Natchitoches Parish Hospital Service District as created by the Police Jury of Natchitoches Parish, Louisiana.

In consideration of an agreement between the Police Jury of Natchitoches Parish, Louisiana, and the Natchitoches Parish Hospital Service District whereby the Police Jury agreed to construct, complete and equip a hospital in Natchitoches Parish, the Hospital Service District agrees to do and perform the following:

1. To operate the District for the duration of this twenty-year agreement as a non-profit institution in accordance with an agreement entered into by and between the Parish and the United States.
2. To maintain and operate the District and assume and pay the expenses of operations and maintenance to the extent of the income and revenues derived therefrom.
3. To have full and complete charge of the management and operation of the District and conduct and operate said District at all times in accordance with acceptable standards of hospital practice.

The Parish covenants to do and perform, as consideration for this agreement, the following:

1. To equip the hospital building for hospital purposes with modern equipment sufficient to meet the needs of present day hospital practice. If, however, the District desires to replace said equipment with new equipment, it may do so, and said new equipment shall be and remains the property of the Parish if paid for out of the income resulting from the operation of the District. It is understood and agreed, however, that the Parish shall not be responsible for the securing of additional equipment other than that already purchased or installed when the District takes possession of the premises.
2. To levy the special tax of one mill on the dollar of all property subject to state taxation in the Parish for a period of three years beginning with the year 1956, as authorized by the special election held in the Parish on November 15, 1955, and the Parish shall pay to the District the net proceeds of said tax, as when collected. Said net proceeds shall be used by the District solely to defray the costs of operating and maintaining the District described herein, and proceeds at such intervals as the Parish may require.

During the year ended September 30, 1965, the Natchitoches Parish Hospital was enlarged by the addition of a nursing home, an autopsy room, new patient rooms and additional administrative and storage space. The new construction was financed by: (1) a grant from the United States Government under the Hill-Burton Act in the amount of \$307,000; (2) proceeds of a \$400,000 bond issue; and, (3) revenues of the Natchitoches Parish Hospital. The \$400,000 of Natchitoches Parish, Louisiana, Hospital Improvement Revenue Bonds, 3 1/2%, Series 1963, were purchased by the United States of America, Housing and Home Finance Agency. These bonds were retired in 1979.

## NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT

### HISTORY (Continued)

On June 14, 1977, a seven million dollar (\$7,000,000) bond issue was passed by the people of Natchitoches Parish. The seven million dollars (\$7,000,000) consisted of four million five hundred thousand dollars (\$4,500,000) of Public Improvement Bonds to be paid by ad valorem taxes. Two million five hundred thousand dollars (\$2,500,000) were to be Revenue Bonds and were to be paid off out of the general operating revenue of the District. Pursuant to a public hearing held on March 6, 1979, the District was authorized to issue \$4,500,000 of Hospital Revenue Bonds in lieu of the \$2,500,000 of Hospital Revenue Bonds.

On May 22, 1978, the Public Improvement Bonds were sold. The Public Improvement Hospital Bonds are dated April 1, 1978, and are in denominations of five thousand dollars (\$5,000) each, and bear interest at a rate or rates not exceeding six and one-half percent (6 1/2%) per annum on any bond in any interest payment period. Said interest to be payable April 1, 1979, and semi-annually thereafter on April 1st and October 1st of each year. Bonds numbered 204 to 900, inclusive, are callable for redemption by the District in the inverse order of their maturities, and if less than a full maturity, then by lot within such maturity, on any interest payment date on or after April 1, 1988, at the principal amount thereof and accrued interest to the date fixed for redemption, provided that official notice of such call of any of the bonds for redemption date by means of publication of an appropriate notice one time in a financial newspaper or journal published in the City of New York, or in the City of New Orleans, Louisiana, and sent by registered mail to the place of payment of the bonds. Bonds of this issue numbered 1 to 203, inclusive, are not callable for redemption prior to their stated dates of maturity. The bonds are secured by a special tax to be imposed and collected annually in excess of all other taxes on all the property subject to taxation within the territorial limits of the District. On October 1, 1985, funds were deposited in an irrevocable trust and zero coupon United States of America Trust securities were purchased. The securities began maturing in February 1995, and will be used to pay payments on the bonds until payment in full. No collections of taxes were required after that time.

In May, 1979, the Hospital Revenue Bonds were sold. These bonds are dated April 1, 1979, and are in denominations of five thousand dollars (\$5,000) each, and bear interest at a rate or rates not exceeding seven and seven-eighths percent (7 7/8%) per annum on any bond in any interest period. Said interest to be payable October 1, 1979, and semi-annually thereafter on April 1st and October 1st of each year.

The Series 1979 Revenue Bonds are also subject to redemption in whole, at any time, or in part, at any interest payment date, at the option of the District upon the occurrence of any of the following conditions or event: (1) if title to, or the permanent use of, or use for a limited period of, substantially all of the District is condemned; or (2) if the title to substantially all of the District is found to be deficient to the extent that the Hospital is untenable or the efficient utilization of the District by the District is substantially impaired; or (3) if substantially all of the District is damaged or destroyed by fire or other casualty; or (4) if as a result of any changes in the Constitution of the United States of America or of the State of Louisiana or of legislative or administrative action, or failure of administrative action, by the United States or the State of Louisiana, or any agency or political subdivision thereof, or by reason of any judicial decision, (i) the Resolution becomes void or unenforceable or impossible to perform without unreasonable delay or (ii) unreasonable burdens or excessive liabilities are imposed on the District, including without limitation Federal, state or other ad valorem property, income or other taxes being imposed on the property of the District. In the event of such redemption, the Bonds shall be subject to redemption at the principal amount thereof plus accrued interest to the date of redemption, but without premium.

## NATCHITOCHEES PARISH HOSPITAL SERVICE DISTRICT

### HISTORY (Continued)

The Series 1979 Bonds are issued pursuant to a Resolution, under which payment of the principal of, redemption premium, if any, and interest on the Series 1979 Bonds is secured by a pledge of the income, revenues, receipts and accounts receivable derived by, payable or accruing to the District by reason of its operation of the District, subject to payment of the operating expenses of the District.

The Series 1979 Bonds are limited obligations of the District which are payable solely from revenues derived by the District from its operation of the Hospital. The Series 1979 Bonds are not an indebtedness or pledge of the general credit of the State of Louisiana, the Parish or City of Natchitoches or the District. Neither the District nor any of the assets of the District are pledged or mortgaged as security for the Series 1979 Revenue Bonds.

On February 26, 1980, the Louisiana State Bond Commission approved a notice of intention to issue not exceeding \$750,000 of Hospital Revenue Bonds to bear interest at rates not exceeding 9 1/4% per annum, the proceeds of which will be used for the purpose of constructing improvements to the existing facilities or to provide additional facilities, said bonds are to be secured by and payable solely from the District from operations, to mature at such time not exceeding 30 years from date of issuance, and subject further to the approval of the Natchitoches Parish Police Jury. In lieu of issuing these bonds the District made an application for the approval to the State Bond Commission to issue \$500,000 of Certificates of Indebtedness at an interest rate not to exceed eleven and one-half percent per annum. This application was approved on September 1, 1981. The \$500,000 in Certificates of Indebtedness were issued on April 6, 1982. Certificates totaling \$150,000 were issued to each of three banks in Natchitoches. These Certificates of Indebtedness were paid in full on September 28, 1984.

On November 20, 1985, the District's Commissioners resolved to donate a portion of land to the Natchitoches Parish Police Jury so they may construct a parish health clinic. The act of donation was made by resolution of the Board of Commissioners on October 23, 1987. The District's basis in the donated land was \$8,200.

An ambulance service tax is collected by the Natchitoches Parish Police Jury. The tax money is forwarded to the District upon submitting ambulance cost for the year. A ten-year renewal was passed in 1986. The voters of Natchitoches Parish voted not to renew this tax in July 1996.

Effective January 30, 1987, the Long-Term Care Unit qualified as a Medicare participating skilled nursing facility. As of September 25, 1987, a home health program was begun.

On December 1, 1988, the District began renting office space for four physicians in a newly constructed physician office building.

During the year ended June 30, 1990, the District purchased approximately ten acres of land on Keyser Avenue. The state of Louisiana expropriated one quarter acre for road right-of-way.

During the year ended June 30, 1991, the District began an \$845,000 renovation of the fourth and fifth floors of the Hospital which include two additional elevators and a rehabilitation fitness center. The Hospital began redecorating and refurnishing 84 patient rooms. These renovations were completed in fiscal year 1992.

## NATCHITOCHEES PARISH HOSPITAL SERVICE DISTRICT

### HISTORY (Continued)

During the year ended June 30, 1992, the District began replacing the chillers and completed replacement of the chillers in fiscal year 1993. The Hospital began and nearly completed a building to be rented as a dialysis center.

During the year ended June 30, 1994, the District completed construction of the dialysis center and began construction of rental facilities for a mental health unit and an obstetrics/gynecology doctors' office. The District also refinanced \$3,600,000 of Revenue bonds. As with the 1979 series, the \$3,560,000 of Series 1994 Bonds, dated May 19, 1994, are obligations of the District which are payable from revenues derived by the District from its operation of the Hospital. The interest rates vary from 3.95% to 5.5%

The District completed construction of the mental health unit, the obstetrics/gynecology doctors' office, senior care center and remodeling of the labor and delivery rooms during this fiscal year ended June 30, 1995. A cooperative endeavor with Northwest Psychiatry, Inc. resulted in the establishment of an adolescent psychiatric program in Natchitoches Parish. Additionally, the Hospital began its own geriatric psychiatric program on the hospital campus just prior to year end.

Effective July 1, 1995, the Hospital's geriatric psychiatric unit received "Distinct Part" status which provides for reasonable cost reimbursement of necessary services to Medicare patients. In February 1996 the cooperative endeavor with Northwest Psychiatry, Inc. ended as Medicaid, the primary payor source for the adolescent facility, tightened its admission and length of stay criteria. The result was an inadequate census and the unit was closed.

The District began leasing twenty-one beds and selling ancillary services to Satellite Rehab, Inc., a separately licensed hospital and unrelated party, on December 1, 1997. Satellite Rehab, Inc. offers inpatient rehabilitative services.

Also, on December 1, 1997, the District entered into a management agreement with Christus Health (the "Manager"). The Manager is responsible for providing an administrator for routine administrative services, making recommendations for the overall rate structure, preparing monthly reports to the Board, managing cash and investments, preparing annual budgets and reviewing the insurance program. The Board of Commissioners retained all authority and control over the District.

NATCHITOCHEs PARISH HOSPITAL SERVICE DISTRICT  
 SCHEDULE OF PER DIEM  
 OR OTHER AMOUNTS PAID TO OR ON BEHALF OF COMMISSIONERS  
 FOR THE TWELVE MONTHS ENDED JUNE 30, 1999

| <u>Board Member</u>      | <u>Other Amounts<br/>Paid on Behalf of<br/>Commissioners</u> | <u>Per Diem Amounts<br/>Paid on Behalf of<br/>Commissioners</u> |
|--------------------------|--|---|
| Ronald Corkern, Chairman | \$ 480   | \$ -0-  |
| Nora Listach, Jr.        | 490  | -0-   |
| Dr. Wilhelmena Wise      | -0-  | -0-   |
| Coley Gahagan            | 360  | -0-   |
| Sam Parker               | 479  | -0-   |
| Sam Holland              | 600  | -0-   |
| George Celles, IV        | <u>640</u>   | <u>-0-</u>  |
|                          | <u>\$3,049</u>   | <u>\$ -0-</u>   |

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT  
 COMBINED SCHEDULE OF BONDS PAYABLE  
 JUNE 30, 1999

| NATCHITOCHE PARISH<br>HOSPITAL | RATES     | PAYMENT<br>DATES | ISSUE<br>DATES | FINAL<br>MATURITY<br>DATE | ANNUAL<br>SERIAL<br>PAYMENTS   | BONDS              |                    |                     |                    |
|--------------------------------|-----------|------------------|----------------|---------------------------|--|--------------------|--------------------|---------------------|--------------------|
|                                |           |                  |                |                           |  | AUTHORIZED         | ISSUED             | RETIRED             | OUTSTANDING        |
| Revenue bonds                  | 5.5-3.95% | 4/1; 10/1        | 5/9/94         | 10/1/2003                 | 380,000 (1999)<br>390,000 (2000)<br>415,000 (2001)<br>440,000 (2002)<br>460,000 (2003) | <u>\$3,560,000</u> | <u>\$3,560,000</u> | <u>\$ 1,475,000</u> | <u>\$2,085,000</u> |



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

Paul G. Mathews, CPA  
Melanie I. Sarver, CPA

**LESTER, MILLER & WELLS**  
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS  
3600 BAYOU RAPIDES ROAD  
ALEXANDRIA, LOUISIANA 71303

Telephone (318) 487-1450  
Facsimile (318) 445-1184

Members  
American Institute of CPA's  
Society of Louisiana CPA's

Mailing Address:  
P.O. Box 8758  
Alexandria, LA 71306-1758

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

Board of Commissioners  
Natchitoches Parish Hospital Service District  
Natchitoches, Louisiana

We have audited the general purpose financial statements of the Natchitoches Parish Hospital Service District (the "District" or the "Hospital") as of and for the years ended June 30, 1999, 1998 and 1997, and have issued our report thereon dated October 27, 1999, which was qualified due to the omission of the year 2000 disclosures that are required by Governmental Accounting Standards Board Technical Bulletin 98-1, Disclosures about Year 2000 Issues. We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits 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 District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule.

Board of Commissioners  
Natchitoches Parish Hospital Service District  
Page Two

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 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. 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, of the reportable conditions described above, we consider items 1 to 4 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated October 27, 1999.

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

*Lester, Miller & Wells*  
Certified Public Accountants

October 27, 1999

Natchitoches Parish Hospital Service District  
Auditors' Comments and Recommendations  
For the Twelve Months Ended June 30, 1999

General

We were pleased to find improvements in most areas where recommendations were made as a result of the 1998 audit. Our comments and recommendations with management's responses are repeated from last year with our assessment of resolution in 1999. Following the remarks related to 1998 are our 1999 comments and recommendations with management's responses.

1998 Material Weaknesses

1. Cash Receipts

\*\* Condition: Last year we found late postings of cash receipts. This year, two of ten cash receipts tested were posted with an incorrect date. Further inquiry found cash receipts lists as of the end of the month were not posted for a week or more while month end processing was given priority. Additionally, cash receipt numbers were not used in sequential order.

\*\* Recommendation: Cash received and deposited each day should be promptly listed and posted to produce accurate records and minimize the effort needed to reconcile cash and accounts receivable balances. Receipts should be used in sequential order to produce a reasonable audit trail.

\*\* Response: Management will work toward the goal to see that all cash receipts are posted the day received. With the current computer system, however, the control would be difficult to implement. The new computer system which will be installed shortly will have the ability to control cash receipt numbers.

\*\* Resolution: This matter has been partially resolved. The cash receipt numbers are used in sequential order. However, the postings of the cash receipts were not done in a timely manner.

2. Bad Debt Write-offs

\*\* Condition: Last year's recommendations to implement control totals and reconcile posted balances to authorized write-off amounts were not begun. Current procedures include providing data processing with a list which could be altered without detection.

\*\* Recommendation: We recommend completion of write-off lists with control totals that are properly approved by management before posting. Subsequently, postings should be reconciled to the approved lists and totals.

\*\* Response: Management agrees this reconciliation is needed and will begin using one immediately.

\*\* Resolution: This matter has been resolved.

Natchitoches Parish Hospital Service District  
Auditors' Comments and Recommendations (Continued)  
For the Twelve Months Ended June 30, 1999

Page Two

3. Classification Errors

\*\* Condition: In prior years we recommended monthly reconciliations of major subsidiary records to the general ledger and at least quarterly reconciliations for the other balance sheet accounts. Uncompleted reconciliations and inconsistent assignment of expense resulted in an excessive number of adjusting entries.

\*\* Recommendation: We recommend timely completion of reconciliations to allow generation of accurate financial statements on which management decisions can be based. Examples of major subsidiary records would include, but are not limited to: bank balances; patient accounts receivable; vendor accounts payable; physician receivables (guarantees, rents, etc.); reasonableness tests of charges using medical records days; payroll withholding disbursements; property, plant and equipment records; fund balance; etc. We suggest account classifications be included on purchase order request from managers to minimize inconsistent assignment of expenses.

\*\* Response: Again this year there has been turnover of key accounting personnel. We have a new accountant that will work with our auditors to insure that all required reconciliations are prepared timely.

\*\* Resolution: This matter has been resolved, with the exception of the bank reconciliations as noted in the 1999 comments.

4. Physician Receivables, Loans, and Guarantees

\*\* Condition: As in previous years, physician contracts are not monitored monthly to avoid excessive payments under income guarantees or to perform timely billing of rents and other amounts due the Hospital.

\*\* Recommendation: We recommend the responsibility for financial adherence to physician contracts be assigned to an individual in the accounting department. Regular supervisory review of physician contract reporting and payment compliance must be performed.

\*\* Response: Procedures will be implemented to correctly account for physician receivables, loans and guarantees, with monthly billing of receivables, monitoring of loan balances, and amortization of guarantees.

\*\* Resolution: This matter has been resolved.

Natchitoches Parish Hospital Service District  
Auditors' Comments and Recommendations (Continued)  
For the Twelve Months Ended June 30, 1999

Page Three

5. Patient Accounts Receivable

\*\* Condition: Last year we suggested reporting commercial carrier and/or employer group charges and accounts receivable separately for each carrier or group so related allowances can be properly estimated. The new computer system was to correct this problem, but has not been installed and alternative measures were not implemented.

\*\* Recommendation: Our recommendation is the same as last year.

\*\* Response: Management agrees that information should be reviewed separately. Steps will be taken to correct this problem.

\*\* Resolution: This matter has been resolved.

6. Miscellaneous Accounts

\*\* Condition: There are several "miscellaneous" accounts on the ledger where receipts are posted with the expectation the posting will be reversed or reviewed and reclassified.

\*\* Recommendation: Review and adjust these accounts monthly.

\*\* Response: Monthly reviews and reclasses will be made.

\*\* Resolution: This matter has been resolved.

7. Purchasing

\*\* Condition: Purchase orders and receiving reports are not being received in accounts payable in a timely manner. This results in invoices not being paid timely and the District being charged late fees and interest. Also, the purchasing director picks up the incoming mail from the post office.

\*\* Recommendation: Purchase orders and receiving reports should be forwarded to accounts payable the same day ordered and when materials are received. An employee not involved in purchasing or cash receipts should pick up the mail each day and deliver it to administration for distribution, opening and making cash receipts control lists for deposits.

\*\* Response: The District will comply with the recommendation. We will monitor compliance through accounts payable.

\*\* Resolution: This matter has been resolved.

Natchitoches Parish Hospital Service District  
Auditors' Comments and Recommendations (Continued)  
For the Twelve Months Ended June 30, 1999

Page Four

1998 Other Recommendations to Management

1. Cost Reporting

\*\* Condition: Medicare's periodic interim payment (PIP) method of reimbursement requires an 85% current status for inpatient claims. PIP provides prompt, even cash flow. Management has frequently received warnings that the Hospital is not meeting Medicare's requirements, including a 7.19% current status in March 1996. For the last two years, delinquent billings have resulted in PIP payments being reduced and interim payments returned to Medicare. Delays in obtaining Medicare payments have caused cash flow difficulties. Continued delays in billing Medicare will result in more cash flow problems and removal from the PIP method of reimbursement. This is significant because the 3 week PIP delay in getting paid for inpatient Medicare activity would increase to the 4 or 5 months it is taking to get inpatient Medicare claims processed. This could reduce cash by more than \$1,000,000.

\*\* Recommendation: Management must regularly monitor and insure timely completion of charts by physicians and medical records, and related billing by the business office.

\*\* Response: This has been discussed with the medical staff on several occasions. No billing can be completed until physicians complete their records. Management is working with physicians to have them complete their records on a more timely basis.

\*\* Resolution: This matter has not been resolved.

2. Gala Fund Raiser

\*\*Condition: Support is needed to provide evidence of the fair value of the portion of the ticket sales that is considered a contribution.

\*\*Recommendation: Evidence should be gathered annually to support the value of the contribution portion of the ticket sales.

\*\*Response: We have developed a formula for identifying fair market value and the contribution portion of our tickets.

\*\* Resolution: This matter has been resolved.

Natchitoches Parish Hospital Service District  
Auditors' Comments and Recommendations (Continued)  
For the Twelve Months Ended June 30, 1999

Page Five

1998 Compliance Issues

1. Outstanding Checks

\*\* Condition: There are several outstanding checks dating back to 1991.

\*\* Recommendation: Outstanding checks greater than one year old should be reported to the State of Louisiana as unclaimed property.

\*\* Response: The District will turn over the unclaimed checks to the State of Louisiana.

\*\* Resolution: This matter has been resolved.

1999 Material Weaknesses

1. Checking Account Reconciliations

\*\* Condition: During the first half of the fiscal year, reconciliations of bank statements to the related general ledger balances were completed, but correcting entries were not posted to the general ledger. During the last half of the fiscal year, reconciliations of bank statements to the related general ledger balances were not completed in a timely manner. Failure to record transactions caused inaccurate financial statement presentation of cash and third-party related receivables.

\*\* Recommendation: Bank statements must be reconciled with general ledger balances on a monthly basis to control cash balances and properly report amounts on the financial statements.

\*\* Response: All bank accounts will be reconciled monthly to the general ledger.

2. Computer System

\*\* Condition: The computer system is not able to generate and print large files, such as the Medicare logs, in a timely manner. Without certain reports, the Hospital is not able to provide accurate financial data to the Board.

\*\* Recommendation: Obtain the necessary updates for the computer system in order to process large data files in a timely manner.

\*\* Response: The computer system was upgraded in September 1999 which has greatly improved the efficiency of generating reports.

Natchitoches Parish Hospital Service District  
Auditors' Comments and Recommendations (Continued)  
For the Twelve Months Ended June 30, 1999

Page Six

3. Accounts Receivable

**\*\* Condition:** The gross accounts receivable balance has increased approximately 56% while inpatient services have increased only 5% plus some price increases. The major increase in accounts receivable was from the increase in the number of accounts. Also, the number of accounts written-off decreased in comparison to last year. The significant increase in patient accounts leads to reduced manageability, a decrease in collection efforts and more difficulty in estimating allowances for contractual adjustments and bad debts.

**\*\* Recommendation:** We recommend maintaining adequate staff to support the increase in the number of patient accounts and complexity of billing requirements and/or contract with a third party to help in reducing the number of patient accounts.

**\*\* Response:** The increase in gross accounts receivable was due to various factors, such as the delay in processing claims during the computer conversion and requiring a diligent effort in the account write-off process. The District has recently evaluated the billing problems and has established a Performance Improvement Team to review and make recommendations for improvement. Management is working to reduce self-pay balances and with third-party billers for electronic billing of the non-governmental accounts to collect amounts owed the District.

4. Payroll

**\*\* Condition:** Of the eleven timecards inspected, seven did not contain the employee's signature.

**\*\* Recommendation:** We recommend developing procedures to insure the employees sign their timecards attesting to accuracy of time worked.

**\*\* Response:** The District will comply with the recommendation.