

ARTHUR ANDERSEN LLP

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PLAQUEMINES PARISH COMPREHENSIVE CARE CENTER

FINANCIAL STATEMENTS AS OF
DECEMBER 31, 1998 AND 1997
TOGETHER WITH AUDITORS' REPORT

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date MAY 26 1999

PLAQUEMINES PARISH COMPREHENSIVE CARE CENTER

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ARTHUR ANDERSEN LLP

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Board of Commissioners
Hospital Service District Number 1 of Plaquemines
Parish, Louisiana
Port Sulphur, Louisiana:

We have audited the accompanying balance sheets of Plaquemines Parish Comprehensive Care Center (Hospital Service District Number 1 of Plaquemines Parish, Louisiana) (the Center) as of December 31, 1998 and 1997, and the related statements of revenues and expenses and fund balance and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and in accordance with the standards for financial audits contained in Government Auditing Standards (1994 Revision) issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of December 31, 1998 and 1997, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Center will continue as a going concern. As discussed in Note 4 to the financial statements, the Center's results from operations raise substantial doubt about the Center's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 4. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with Government Auditing Standards, we have also issued a report on our consideration of the Center's compliance and internal control over financial reporting dated April 23, 1999.

The Year 2000 supplementary information on page 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB), and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because disclosure criteria specified by GASB Technical Bulletin 98-1 as amended are not sufficiently specific to permit meaningful results from the prescribed procedures. In addition, we do not provide assurance that the Center is or will become Year 2000 compliant, that the Center's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Center does business are or will be Year 2000 compliant.

Arthur Andersen LLP

New Orleans, Louisiana,
April 23, 1999

PLAQUEMINES PARISH COMPREHENSIVE CARE CENTER

BALANCE SHEETS

DECEMBER 31, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
<u>ASSETS</u>		
CASH AND CASH EQUIVALENTS	\$ 14,448	\$ 16,443
CURRENT ASSETS:		
Ad valorem tax revenue receivable (Note 3)	1,084,166	968,401
Patient accounts receivable, net of estimated uncollectibles of \$372,850 in 1998 and \$155,858 in 1997	385,815	446,396
Inventories and prepaids	67,055	66,250
Due from WIC program	<u>13,181</u>	<u>24,681</u>
Total current assets	1,564,665	1,522,171
Property and equipment, net of accumulated depreciation of \$598,525 in 1998 and \$564,556 in 1997	<u>47,801</u>	<u>81,770</u>
Total	<u>\$1,612,466</u>	<u>\$1,603,941</u>
<u>LIABILITIES AND FUND BALANCE</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 243,853	\$ 169,990
Amounts due Medicare/Medicaid programs	56,406	159,406
Accrued expenses	<u>27,979</u>	<u>35,230</u>
Total current liabilities	<u>328,238</u>	<u>364,626</u>
Advances from Plaquemines Parish (Note 4)	<u>225,000</u>	<u>225,000</u>
FUND BALANCE:		
Designated	310,972	310,972
Undesignated	<u>748,256</u>	<u>703,343</u>
Total fund balance	<u>1,059,228</u>	<u>1,014,315</u>
Total	<u>\$1,612,466</u>	<u>\$1,603,941</u>

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

PLAQUEMINES PARISH COMPREHENSIVE CARE CENTER

STATEMENTS OF REVENUES AND EXPENSES AND FUND BALANCE

YEARS ENDED DECEMBER 31, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
OPERATING REVENUES:		
Net patient service revenue	\$1,164,980	\$1,514,560
Ad valorem tax revenue (Note 3)	1,145,000	1,121,658
WIC program grant	53,317	48,819
Interest income	18,469	19,336
Rental income	15,105	5,580
Other operating revenue	<u>8,424</u>	<u>2,805</u>
Total operating revenues	<u>2,405,295</u>	<u>2,712,758</u>
OPERATING EXPENSES:		
Salaries and related expenses	925,366	1,122,559
Professional fees	500,273	446,812
Provision for bad debts	294,096	381,492
Medical supplies	168,536	165,772
Contract labor	133,685	130,502
Management fees	54,750	72,000
Travel and seminars	19,820	51,633
Repairs and maintenance	51,059	47,758
Purchased services	36,336	39,913
Depreciation and amortization	33,969	36,188
Utilities and telephone	33,612	33,440
Insurance	26,610	25,969
Administrative supplies	22,698	23,752
Computer services	9,789	19,656
Rentals	12,700	11,891
Other	<u>37,083</u>	<u>43,526</u>
Total operating expenses	<u>2,360,382</u>	<u>2,652,863</u>
EXCESS OF REVENUES OVER EXPENSES	44,913	59,895
FUND BALANCE AT BEGINNING OF YEAR	<u>1,014,315</u>	<u>954,420</u>
FUND BALANCE AT END OF YEAR	<u>\$1,059,228</u>	<u>\$1,014,315</u>

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

PLAQUEMINES PARISH COMPREHENSIVE CARE CENTER

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of revenues over expenses	\$ 44,913	\$ 59,895
Depreciation and amortization	33,969	36,188
Adjustments to reconcile to net cash provided by operating activities:		
(Increase) decrease in ad valorem tax revenue receivable	(115,765)	30,053
Decrease in net patient accounts receivable	60,581	33,895
(Increase) decrease in receivable from WIC program	11,500	(12,681)
Increase in inventories and prepaids	(805)	(1,842)
Increase (decrease) in accounts payable and accrued expenses	66,612	(13,036)
Decrease in amounts due Medicare/Medicaid programs	<u>(103,000)</u>	<u>(116,029)</u>
Net cash provided by (used in) operating activities	<u>(1,995)</u>	<u>16,443</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,995)	16,443
CASH AND CASH EQUIVALENTS, beginning of year	<u>16,443</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 14,448</u>	<u>\$ 16,443</u>

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

PLAQUEMINES PARISH COMPREHENSIVE CARE CENTER

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization - Plaquemines Parish Comprehensive Care Center (Hospital Service District Number 1 of Plaquemines Parish, Louisiana) (the Center) is organized under powers granted to parishes in the Louisiana Revised Statutes and is exempt from Federal and state income taxes. All corporate powers are vested in a Board of Commissioners appointed by the Plaquemines Parish Commission Council. Prior to January 1, 1990, the Center operated as Plaquemines Parish General Hospital (the Hospital). The Center has been managed by West Jefferson Service Corporation since March 14, 1990. Effective July 7, 1998, Plaquemines Parish Home Health Agency, a component of the Center, ceased operations.

Basis of Accounting - The financial statements are prepared in accordance with generally accepted accounting principles (GAAP) on the going concern basis which contemplates the realization of assets and liquidation of liabilities in the ordinary course of business. As discussed in Note 4, certain conditions indicate the Center may be unable to continue as a going concern.

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

Certain prior year amounts have been reclassified to conform with current year presentation.

Net Patient Service Revenue - The Center has agreements with third-party payors that provide for reimbursement to the Center at amounts different from its established rates. Medicare and Medicaid home health services, bad debts and capital costs have been generally reimbursed on a cost basis, subject to certain limits. Amounts receivable under these programs are subject to audit and retroactive adjustment by the program intermediary. Provisions for estimated retroactive adjustments are provided in the period the related services are rendered. The difference between the final settlement amount and the recorded estimate for any one year is reported as an adjustment to net patient service revenues in the year final settlement is determined. The Center's Medicare and Medicaid cost reports have been audited by the program intermediary through December 31, 1995.

Income Taxes - The Center is a governmental entity under Section 517 of the Internal Revenue Code and is therefore exempt from Federal income taxes.

Cash and Cash Equivalents - Cash and cash equivalents, for cash flow statement purposes, include investments in highly liquid debt instruments with a maturity of three months or less, including amounts whose use is limited by board designation.

Inventories - Inventories are valued at the lower of cost, determined using the first-in, first-out method, or market.

Property and Equipment - Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 3 to 15 years.

Charity Care - The Center does not have a formal charity care policy, nor does it maintain detailed records of the amount of charity care it provides.

2. EMPLOYEE RETIREMENT PLAN:

The Center participates in a defined contribution retirement plan administered by the Parochial Employees' Retirement System of Louisiana. All employees who meet certain minimum eligibility requirements become members of the Plan upon employment. The Plan Agreement provides that participating employees contribute 9.5% of their gross compensation through payroll deductions. The Center contributed 7.75% and 7.25% of participants' gross compensation in 1998 and 1997, respectively. Participants become fully vested in their share of the Center's matching contribution after 10 years of service.

Total payroll, covered payroll, employee contributions and Center contributions for the year ended December 31, 1998 and 1997 were:

	<u>1998</u>	<u>1997</u>
Total payroll	\$ 785,851	\$ 950,823
Covered payroll	\$ 656,279	\$ 852,499
Employee contributions	\$ 62,348	\$ 80,987
Center contributions	\$ 50,842	\$ 66,070

3. AD VALOREM TAX REVENUES:

The Hospital Service District levies an annual ad valorem tax on all property subject to taxation in the District. The tax is collected to defray the cost of the Center's operations and was 2.54 mills for 1998 and 1997.

4. RELATED PARTY TRANSACTIONS:

Plaquemines Parish periodically advances funds to the Center to fund operating deficits and certain equipment additions. Amounts advanced are based primarily on the Center's budgeted deficit for the year. The Center owed the Parish \$225,000 at December 31, 1998 and 1997.

The Center's building and land as well as certain building improvements were built and purchased with funds provided by Plaquemines Parish, which formerly operated the Center. The Hospital Service District was created in 1980 and assumed operations of the Center; however, Plaquemines Parish retained ownership of the land and building and, accordingly, such assets are not included in the accompanying balance sheets. The Center has use of the facility without the payment of rent. In addition, the Center collects rents on the Physician's Office Building which is owned by Plaquemines Parish. Virtually all utilities expenses of the Center are paid by the Parish.

The Center is dependent upon the financial resources of Plaquemines Parish to satisfy its obligations. As the Parish is committed to the continuance of a public healthcare facility for residents of the Parish, it is expected that the Parish will continue to provide financial support to the Hospital Service District's operations. The Center would be unable to continue operations without the financial support of the Parish.

5. MALPRACTICE INSURANCE:

During 1976, the State of Louisiana enacted legislation that created a statutory limit of \$500,000 for each medical professional liability claim and established the Louisiana Patient Compensation Fund (State Insurance Fund) to provide professional liability insurance to participating health care providers. The Center participates in the State Insurance Fund, which provides up to \$400,000 coverage for settlement amounts in excess of \$100,000 per claim. The Center is insured for malpractice claims with respect to the first \$100,000 of each claim (up to an annual limit of \$300,000) by a major insurance company.

6. COMMITMENTS:

The Center has an available unsecured line of credit with a bank in the amount of \$500,000 at December 31, 1998. No amounts were outstanding under this line of credit at December 31, 1998. Interest varies at the prime rate less 1% (6.75% at December 31, 1998).

7. AMOUNTS PAID TO GOVERNING BOARD MEMBERS:

The Hospital Board of Commissioners received the following compensation from the Center for services as Commissioners during 1998:

Joseph Ansardi	\$ 240
Paul Broussard	320
Don Hamby	160
Angeline Jones	160
Nancy Lahaye	280
Gwen Mullen	240
Bobbie Coon	200
Kim Vaughan	200
Mary Ann Braud	<u>40</u>
	<u>\$1,840</u>

8. GOVERNMENTAL REGULATIONS:

The healthcare industry is subject to numerous laws and regulations of Federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Center is in compliance with fraud and abuse as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Legislation and regulation at all levels of government have affected and are likely to continue to affect the operation of the Center. Federal healthcare reform legislation proposals debated in Congress in recent years have included the imposition of price controls and/or healthcare spending budgets or targets, significant reductions in Medicare and Medicaid program reimbursement to hospitals and the promotion of a restructured delivery and payment system focusing on competition among providers based on price and quality, managed care and steep discounting or capitated payment arrangements with many, if not all, of the Center's principal payors. It is not possible at this time to determine the impact on the Center of government plans to reduce Medicare and Medicaid spending, government implementation of national and state healthcare reform or market-initiated delivery system and/or payment methodology changes. However, such changes could have an adverse impact on operating results, cash flows and estimated debt service coverage of the Center in future years.

"YEAR 2000" SUPPLEMENTARY INFORMATION

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the Center's operations as early as fiscal year 1999. The Center has completed an inventory of computer systems that may be affected by the Year 2000 issue and that are necessary to conducting Center operations. The Center's patient registration and billing system are currently Year 2000 compliant. The Center is in the process of replacing its financial accounting system with software products from third party vendors that are Year 2000 compliant. This process should be complete by September 1999. The Center's primary clinical system is Year 2000 compliant and its medical equipment is currently being evaluated for compliance. The Center expects to complete remediation, testing, and validation of all critical systems by September 1999.

ARTHUR ANDERSEN LLP

INDEPENDENT AUDITORS' REPORT

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

To the Board of Commissioners:

We have audited the financial statements of Plaquemines Parish Comprehensive Care Center (Hospital Service District Number 1 of Plaquemines Parish, Louisiana) (the Center) as of and for the year ended December 31, 1998, and have issued our report thereon dated April 23, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

New Orleans, Louisiana,
April 23, 1999

Arthur Andersen LLP

**Plaquemines Parish Comprehensive Care Center
Schedule of Findings and Questioned Costs
Year Ended December 31, 1998**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Qualified (1)
Internal control over financial reporting - Material weaknesses identified:	None
Reportable conditions identified:	None
Noncompliance material to financial statements noted:	None

Federal Awards

Internal control over major programs - Material weaknesses identified:	None
Reportable conditions identified:	None
Type of auditor's report issued on compliance for major programs:	Unqualified
Audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a):	None

Identification of Major Program:

<u>CFDA No.</u>	<u>Program</u>
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None

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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Auditee qualified as low-risk/not low-risk auditee	Low-risk
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(1) Qualified due to doubt regarding ability of the Center to continue as a going concern.

Section II - Financial Statement Findings:	None
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Section III - Federal Award Findings and Questioned Costs:	None
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