

TRI-WARD GENERAL HOSPITAL AND CLINIC  
 FINANCIAL STATEMENTS  
 AND  
 INDEPENDENT AUDITORS' REPORT  
 FOR THE YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

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Release Date 8/7/96

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Tri-Ward General Hospital and Clinic  
Bernice, Louisiana

We have audited the accompanying general purpose financial statements of Tri-Ward General Hospital and Clinic as of December 31, 1995, 1994 and 1993, listed in the foregoing table of contents. These financial statements are the responsibility of the District'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 Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provides 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 Tri-Ward General Hospital and Clinic as of December 31, 1995, 1994 and 1993, and the results of its operations and cash flow 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 April 22, 1996 on our consideration of Tri-Ward General Hospital and Clinic's internal control structure and a report dated April 22, 1996 on its compliance with laws and regulations.

Our audits were made for the purpose of forming an opinion on the general purpose financial statements, taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Board of Commissioners  
Tri-Ward General Hospital and Clinic  
Page Two

The accompanying financial statements have been prepared assuming Tri-Ward General Hospital and Clinic will continue as a going concern. As discussed in Note 18 to the financial statements, the District's significant operating losses raise substantial doubt about its ability to continue as a going concern. These losses sustained are due to the District's inability to recruit and retain adequate physician coverage. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.



Certified Public Accountants  
April 22, 1996

HOSPITAL SERVICE DISTRICT WARDS 3, 4 AND 10  
OF THE PARISH OF UNION, STATE OF LOUISIANA  
TRI-WARD GENERAL HOSPITAL AND CLINIC  
HOSPITAL ENTERPRISE FUND  
BALANCE SHEETS  
DECEMBER 31, 1995, 1994 AND 1993

ASSETS	<u>1995</u>	<u>1994</u>	<u>1993</u>
Current Assets			
Cash and cash equivalents	\$ 281,320	\$ 245,113	\$ 68,064
Investments (Note 4)	36,024	14,834	14,834
Assets whose use is limited - required for current liabilities (Note 7)	-0-	1,736	8,293
Accounts receivable less estimated uncollectibles (Note 5)	257,534	255,508	541,054
Inventory	89,986	71,710	54,661
Prepaid expenses	<u>47,357</u>	<u>35,332</u>	<u>62,868</u>
Total Current Assets	712,221	624,233	749,774
Property, plant and equipment, less accumulated depreciation (Note 6)	<u>471,165</u>	<u>421,824</u>	<u>422,726</u>
Total Assets	<u>\$ 1,183,386</u>	<u>\$ 1,046,057</u>	<u>\$ 1,172,500</u>
LIABILITIES AND FUND BALANCE			
Current Liabilities			
Accounts payable	\$ 41,519	\$ 71,528	\$ 120,982
Accrued expenses and withholdings payable (Note 8)	85,686	79,675	86,091
Current installments of capital leases	-0-	-0-	3,071
Current installments of notes and bonds payable	1,284	1,197	32,116
Unearned physician's rent	<u>5,533</u>	<u>-0-</u>	<u>-0-</u>
Total Current Liabilities	<u>134,022</u>	<u>152,400</u>	<u>242,260</u>
Long-Term Debt			
Notes and bonds payable (Note 11)	<u>10,189</u>	<u>11,473</u>	<u>12,670</u>
Total Long-Term Debt	<u>10,189</u>	<u>11,473</u>	<u>12,670</u>
Commitments and contingencies (Note 15)	---	---	---
Fund balance	<u>1,039,175</u>	<u>882,184</u>	<u>917,570</u>
Total Liabilities and Fund Balance	<u>\$ 1,183,386</u>	<u>\$ 1,046,057</u>	<u>\$ 1,172,500</u>

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

HOSPITAL SERVICE DISTRICT WARDS 3, 4 AND 10  
OF THE PARISH OF UNION, STATE OF LOUISIANA  
TRI-WARD GENERAL HOSPITAL AND CLINIC  
HOSPITAL ENTERPRISE FUND  
STATEMENTS OF REVENUES AND EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 1995, 1994 AND 1993

	<u>1995</u>	<u>1994</u>	<u>1993</u>
Net patient service revenue	\$ 1,515,878	\$ 1,395,341	\$ 1,650,344
Other operating revenue	<u>191,758</u>	<u>102,093</u>	<u>8,651</u>
Total operating revenue	<u>1,707,636</u>	<u>1,497,434</u>	<u>1,658,995</u>
Operating expenses			
Nursing services	442,575	387,479	417,891
Other professional services	793,355	708,591	808,759
General services	132,062	114,735	137,446
Fiscal and administrative	214,610	221,770	278,822
Insurance	41,226	42,382	59,970
Employee benefits	173,612	197,120	207,175
Interest	905	1,251	3,810
Depreciation	63,450	55,214	54,703
Provision for bad debts	<u>62,239</u>	<u>39,989</u>	<u>58,010</u>
Total operating expenses	<u>1,924,034</u>	<u>1,768,531</u>	<u>2,026,586</u>
Loss from operations	<u>(216,398)</u>	<u>(271,097)</u>	<u>(367,591)</u>
Nonoperating gains (losses)			
Interest income	14,192	6,532	10,113
Grant revenue (Note 16)	200,000	75,000	100,000
Property tax revenue (Note 7)	141,167	154,179	162,347
Loss on equipment disposal	<u>(3,160)</u>	<u>-0-</u>	<u>-0-</u>
Total nonoperating gains	<u>352,199</u>	<u>235,711</u>	<u>272,460</u>
Excess revenues (expenses)	<u>\$ 135,801</u>	<u>\$ (35,386)</u>	<u>\$ (95,131)</u>

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

HOSPITAL SERVICE DISTRICT WARDS 3, 4 AND 10  
 OF THE PARISH OF UNION, STATE OF LOUISIANA  
 TRI-WARD GENERAL HOSPITAL AND CLINIC  
 HOSPITAL ENTERPRISE FUND  
 STATEMENTS OF CHANGES IN FUND BALANCE AND COMPONENTS  
 FOR THE YEAR ENDED DECEMBER 31, 1995, 1994 AND 1993

CHANGES IN FUND BALANCE:

Balance, December 31, 1992	\$ 1,012,701
Expenses and losses in excess of revenues and gains for the year ended December 31, 1993	<u>(95,131)</u>
Balance, December 31, 1993	917,570
Expenses and losses in excess of revenues and gains for the year ended December 31, 1994	<u>(35,386)</u>
Balance, December 31, 1994	882,184
Revenues and gains in excess of expenses and losses for the year ended December 31, 1995	135,801
Unrealized gain on securities	<u>21,190</u>
Balance, December 31, 1995	<u>\$ 1,039,175</u>

COMPOSITION OF FUND BALANCE AT DECEMBER 31, 1995:

Accumulated excess of revenues over expenses	\$ <u>1,039,175</u>
Total Fund Balance	<u>\$ 1,039,175</u>

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

HOSPITAL SERVICE DISTRICT WARDS 3, 4 AND 10  
OF THE PARISH OF UNION, STATE OF LOUISIANA  
TRI-WARD GENERAL HOSPITAL AND CLINIC  
HOSPITAL ENTERPRISE FUND  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

	<u>1995</u>	<u>1994</u>	<u>1993</u>
Cash Flows from Operating Activities:			
Profit (loss) from operations	\$ (216,398)	\$ (271,097)	\$ (367,591)
Adjustments to reconcile net income to net cash provided by operations:			
Noncash items included in net income			
Depreciation	63,450	55,214	54,703
Change in current assets - (increase) decrease			
Accounts receivable (net)	(2,026)	285,546	(214,770)
Inventory	(18,276)	(17,049)	4,404
Prepaid expenses	(12,025)	27,536	(18,505)
Change in current liabilities - increase (decrease)			
Accounts payable	(30,009)	(49,454)	53,470
Accrued expenses and withholdings payable	6,011	(6,416)	7,989
Unearned physician's rent	5,533	-0-	-0-
Interest expense	905	1,251	3,810
Net cash provided (used) by operating activities	<u>(202,835)</u>	<u>25,531</u>	<u>(476,490)</u>
Cash Flows from Investing Activities:			
Proceeds from short-term investment	-0-	-0-	100,000
Investment income	14,192	6,532	10,113
Cash invested in assets whose use is limited	<u>1,736</u>	<u>6,557</u>	<u>2,736</u>
Net cash provided by investing activities	<u>15,928</u>	<u>13,089</u>	<u>112,849</u>
Cash Flows from Non-capital Financing Activity:			
Operating grants received	<u>200,000</u>	<u>75,000</u>	<u>100,000</u>
Net cash provided by non-capital financing activity	<u>200,000</u>	<u>75,000</u>	<u>100,000</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of capital assets	(115,951)	(54,312)	(8,403)
Payments on long-term debt	(1,197)	(32,116)	(30,041)
Payments on capital lease obligations	-0-	(3,071)	(14,281)
Interest expenses on long-term debt	(905)	(1,251)	(3,810)
Property tax receipts	<u>141,167</u>	<u>154,179</u>	<u>162,347</u>
Net cash used by capital and related financing activities	<u>\$ 23,114</u>	<u>\$ 63,429</u>	<u>\$ 105,812</u>

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

HOSPITAL SERVICE DISTRICT WARDS 3, 4 AND 10  
 OF THE PARISH OF UNION, STATE OF LOUISIANA  
 TRI-WARD GENERAL HOSPITAL AND CLINIC  
 HOSPITAL ENTERPRISE FUND  
 STATEMENTS OF CASH FLOWS (Continued)  
 FOR THE YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

	<u>1995</u>	<u>1994</u>	<u>1993</u>
Net increase (decrease) in cash and cash equivalents	\$ 36,207	\$ 177,049	\$ (157,829)
Cash and cash equivalents at beginning of period	<u>245,113</u>	<u>68,064</u>	<u>225,893</u>
Cash and cash equivalents at end of period	<u>\$ 281,320</u>	<u>\$ 245,113</u>	<u>\$ 68,064</u>
Supplemental Disclosures of Cash Information:			
Cash paid during the period for:			
Interest	<u>\$ 905</u>	<u>\$ 1,826</u>	<u>\$ 4,348</u>

Unrealized gains of \$21,190 were recorded to investments and fund balance.

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

HOSPITAL SERVICE DISTRICT WARDS 3, 4 AND 10  
OF THE PARISH OF UNION, STATE OF LOUISIANA  
TRI-WARD GENERAL HOSPITAL AND CLINIC  
HOSPITAL ENTERPRISE FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Hospital Service District Wards 3, 4 and 10 of the Parish of Union, State of Louisiana (referred to as "the District") was created by an ordinance of the Union Parish Police Jury on July 11, 1967, and is referred to as Tri-Ward General Hospital and Clinic.

As governing authority for the parish, for reporting purposes, the Union Parish Police Jury is the financial reporting entity for Union Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Union Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability.

Because the police jury appoints all commissioners of the Union Parish Hospital Service District No. 1, the District has been determined to be a component unit of the Union Parish Police Jury, 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 police jury, the general governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

Reporting Entity

The accompanying financial statements include the accounts and transactions of Hospital Service District Wards 3, 4 and 10 of Union Parish, which includes the activities of Tri-Ward General Hospital and Clinic.

Nature of Business

The District provides outpatient, emergency, and inpatient acute hospital services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

HOSPITAL SERVICE DISTRICT WARDS 3, 4 AND 10  
OF THE PARISH OF UNION, STATE OF LOUISIANA  
TRI-WARD GENERAL HOSPITAL AND CLINIC  
HOSPITAL ENTERPRISE FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The District uses the accrual method of accounting. Revenue is reported when earned, net of the provision for contractual adjustments based upon each payor's agreement with the District. Hospital accounting and reporting procedures conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the Louisiana Governmental Audit Guide, 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.

Income Taxes

The entity is a political subdivision and exempt from taxation.

Credit Risk

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

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.

Significant Concentration of Economic Dependence

The District has an economic dependence on a small number of staff physicians. Two physicians admit over 90% of the Hospital's patients.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Inventory

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

Financial Statement Presentation

Certain amounts in the 1993 and 1994 financial statements have been restated to conform to the classification adopted in 1995.

HOSPITAL SERVICE DISTRICT WARDS 3, 4 AND 10  
 OF THE PARISH OF UNION, STATE OF LOUISIANA  
 TRI-WARD GENERAL HOSPITAL AND CLINIC  
 HOSPITAL ENTERPRISE FUND  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, Plant and Equipment

Property, plant and equipment is recorded at cost for purchased assets or, if applicable, at fair market value on the date of donation. The District uses straight-line depreciation for financial reporting and third party reimbursement. The following estimated useful lives are generally used.

Buildings	15 to 40 years
Machinery and Equipment	5 to 20 years
Furniture and Fixtures	5 to 15 years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations when incurred.

The cost of assets retired or otherwise disposed of and related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently.

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist primarily of deposits in checking, money market and certificates of deposits with original maturities of 90 days or less. The following is a summary of cash and cash equivalents:

	<u>1995</u>	<u>1994</u>	<u>1993</u>
Petty cash	\$ 305	\$ 305	\$ 305
Checking	19,533	46,988	6,712
Investment account	<u>261,482</u>	<u>197,820</u>	<u>61,047</u>
Total	<u>\$ 281,320</u>	<u>\$ 245,113</u>	<u>\$ 68,064</u>

One hundred thousand dollars of the above amount is covered by federal depository insurance. The remaining balances on December 31, 1995, 1994 and 1993, with the exception of petty cash, are covered by collateral held by the pledging financial institution's trust departments in the District's name.

HOSPITAL SERVICE DISTRICT WARDS 3, 4 AND 10  
 OF THE PARISH OF UNION, STATE OF LOUISIANA  
 TRI-WARD GENERAL HOSPITAL AND CLINIC  
 HOSPITAL ENTERPRISE FUND  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

NOTE 4 - INVESTMENTS

The District considers certificates of deposit with original maturities in excess of 90 days to be temporary cash investments.

Investments in marketable equity securities at December 31 were as follows:

	<u>Shares</u>	-----Fair Value-----		
		<u>1995</u>	<u>1994</u>	<u>1993</u>
Consolidated Natural Gas	11	\$ 499	\$ 391	\$ 517
Exxon Corporation	200	16,100	12,150	12,625
Warner Lambert	200	19,425	15,400	13,500
Total Market Value		<u>36,024</u>	<u>27,941</u>	<u>26,642</u>
Less: Carrying Value, at Cost		<u>(14,834)</u>	<u>(14,834)</u>	<u>(14,834)</u>
Unrealized Gain		<u>\$ 21,190</u>	<u>\$ 13,107</u>	<u>\$ 11,808</u>

As of January 1, 1995, the District recorded these registered securities under the provisions of the FASB Statement No. 115. These securities are classified as available for sale and are therefore recorded at fair value and unrealized gains are recognized as a component of fund equity. Fair values are based upon quoted market prices.

NOTE 5 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>1995</u>	<u>1994</u>	<u>1993</u>
Patients	\$ 396,648	\$ 305,982	\$ 263,194
Estimated Medicare and Medicaid program settlements	<u>8,886</u>	<u>87,526</u>	<u>406,384</u>
	405,534	393,508	669,578
Estimated uncollectibles	<u>(148,000)</u>	<u>(138,000)</u>	<u>(128,524)</u>
Total	<u>\$ 257,534</u>	<u>\$ 255,508</u>	<u>\$ 541,054</u>

The District generates a substantial portion of its charges from the Medicare and Medicaid programs at discounted rates. A summary of gross Medicare and Medicaid charges for the years ended December 31, 1995, 1994 and 1993 follows:

	<u>1995</u>	<u>1994</u>	<u>1993</u>
Medicare patients	\$ 1,007,090	\$ 1,040,017	\$ 1,031,393
Medicaid patients	<u>102,225</u>	<u>107,809</u>	<u>98,451</u>
Total	<u>\$ 1,109,315</u>	<u>\$ 1,147,826</u>	<u>\$ 1,129,844</u>
Percent of all patients	<u>60%</u>	<u>73%</u>	<u>65%</u>

HOSPITAL SERVICE DISTRICT WARDS 3, 4 AND 10  
OF THE PARISH OF UNION, STATE OF LOUISIANA  
TRI-WARD GENERAL HOSPITAL AND CLINIC  
HOSPITAL ENTERPRISE FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

NOTE 5 - ACCOUNTS RECEIVABLE

Since the District serves such a high percentage of Medicare patients, it qualifies for special Medicare payments as a "Medicare Dependent Hospital". Effective October 1, 1994, payments under this provision of the law have been eliminated. Amounts included in income for each reporting year are as follows:

	<u>1995</u>	<u>1994</u>	<u>1993</u>
Medicare Dependent Payments	\$ <u>-0-</u>	\$ <u>98,273</u>	\$ <u>212,461</u>

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended December 31, 1995:

	<u>ASSET COST</u>			<u>December 31,</u> <u>1995</u>
	<u>December 31,</u> <u>1994</u>	<u>Additions</u>	<u>Deletions</u>	
Land	\$ 23,454	\$ -0-	\$ -0-	\$ 23,454
Land improvements	3,467	-0-	-0-	3,467
Buildings and rent property	395,295	21,922	-0-	417,217
Fixed equipment	244,322	-0-	-0-	244,322
Major moveable equipment	539,330	94,029	56,537	576,822
Minor equipment	<u>1,177</u>	<u>-0-</u>	<u>-0-</u>	<u>1,177</u>
Total	<u>\$ 1,207,045</u>	<u>\$ 115,951</u>	<u>\$ 56,537</u>	<u>\$ 1,266,459</u>

	<u>ACCUMULATED DEPRECIATION</u>			<u>December 31,</u> <u>1995</u>
	<u>December 31,</u> <u>1994</u>	<u>Additions</u>	<u>Deletions</u>	
Land improvements	\$ 1,834	\$ 115	\$ -0-	\$ 1,949
Buildings and rent property	228,252	17,396	-0-	245,648
Fixed equipment	159,026	10,718	-0-	169,744
Major moveable equipment	<u>396,109</u>	<u>35,221</u>	<u>53,377</u>	<u>377,953</u>
Total	<u>\$ 785,221</u>	<u>\$ 63,450</u>	<u>\$ 53,377</u>	<u>\$ 795,294</u>

HOSPITAL SERVICE DISTRICT WARDS 3, 4 AND 10  
OF THE PARISH OF UNION, STATE OF LOUISIANA  
TRI-WARD GENERAL HOSPITAL AND CLINIC  
HOSPITAL ENTERPRISE FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

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 December 31, 1994:

	December 31, 1993	ASSET COST		December 31, 1994
		Additions	Deletions	
Land	\$ 23,454	\$ -0-	\$ -0-	\$ 23,454
Land improvements	3,467	-0-	-0-	3,467
Buildings and rent property	371,616	23,679	-0-	395,295
Fixed equipment	241,601	2,721	-0-	244,322
Major moveable equipment	511,418	27,912	-0-	539,330
Minor equipment	1,177	-0-	-0-	1,177
Total	\$ <u>1,152,733</u>	\$ <u>54,312</u>	\$ <u>-0-</u>	\$ <u>1,207,045</u>

	December 31, 1993	ACCUMULATED DEPRECIATION		December 31, 1994
		Additions	Deletions	
Land improvements	\$ 1,719	\$ 115	\$ -0-	\$ 1,834
Buildings and rent property	214,209	14,043	-0-	228,252
Fixed equipment	148,178	10,848	-0-	159,026
Major moveable equipment	365,901	30,208	-0-	396,109
Total	\$ <u>730,007</u>	\$ <u>55,214</u>	\$ <u>-0-</u>	\$ <u>785,221</u>

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended December 31, 1993:

	December 31, 1992	ASSET COST		December 31, 1993
		Additions	Deletions	
Land	\$ 23,454	\$ -0-	\$ -0-	\$ 23,454
Land improvements	3,467	-0-	-0-	3,467
Buildings and rent property	366,273	5,343	-0-	371,616
Fixed equipment	240,741	860	-0-	241,601
Major moveable equipment	509,218	2,200	-0-	511,418
Minor equipment	1,177	-0-	-0-	1,177
Total	\$ <u>1,144,330</u>	\$ <u>8,403</u>	\$ <u>-0-</u>	\$ <u>1,152,733</u>

HOSPITAL SERVICE DISTRICT WARDS 3, 4 AND 10  
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NOTE 6 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	December 31, 1992	<u>ACCUMULATED DEPRECIATION</u>		December 31, 1993
		<u>Additions</u>	<u>Deletions</u>	
Land improvements	\$ 1,604	\$ 115	\$ -0-	\$ 1,719
Buildings and rent property	201,048	13,161	-0-	214,209
Fixed equipment	137,398	10,780	-0-	148,178
Major moveable equipment	<u>335,254</u>	<u>30,647</u>	<u>-0-</u>	<u>365,901</u>
Total	<u>\$ 675,304</u>	<u>\$ 54,703</u>	<u>\$ -0-</u>	<u>\$ 730,007</u>

Property, plant and equipment includes fully depreciated assets which are still in service in the amount of \$298,678 for 1995, \$346,515 for 1994 and \$337,831 for 1993.

NOTE 7 - ASSETS WHOSE USE IS LIMITED

Assets whose use is limited consist of property taxes that have been collected for (a) retirement of bonds and (b) maintenance and operation of the facility. The taxes are collected by the Union Parish Sheriff's office for an 8% collection fee. Property tax notices are mailed by November 15 each year and are due by December 31. The tax millage for the retirement of bonds is for 2.80 mills, which expires in 1994. The special maintenance and operation millage is a ten-year tax assessed on all taxable property within the District at the rate of 10.45 mills. The 5.11 mills expires December 31, 1995. The 5.34 mills, which expired in 1991, has been renewed for the period 1992 through 2001.

NOTE 8 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

Accrued expenses and withholdings payable at December 31, 1995, 1994 and 1993, consist of the following:

	<u>1995</u>	<u>1994</u>	<u>1993</u>
Accrued payroll taxes	\$ 1,757	\$ 1,250	\$ 1,038
State and federal income taxes payable	8,215	6,628	7,801
Social security tax payable	6,173	5,230	4,551
State unemployment tax payable	1,508	4,849	4,724
Accrued vacation, holiday & sick	45,038	43,409	51,192
Accrued payroll	22,995	18,309	16,210
Accrued interest payable	<u>-0-</u>	<u>-0-</u>	<u>575</u>
Total	<u>\$ 85,686</u>	<u>\$ 79,675</u>	<u>\$ 86,091</u>

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NOTE 9 - COMPENSATED ABSENCES

Employees of the District are entitled to paid vacation and sick days depending on job classification, length of service and other factors. It is impracticable to estimate the amount of accrued compensation for future unvested sick days and, accordingly, no liability has been recorded in the accompanying financial statements. However, vested vacation and paid days off have been recorded as a liability in the accompanying financial statements at employee earning rates in effect at the balance sheet date.

NOTE 10 - CAPITAL LEASES

The District leases equipment under capital leases expiring in various years through 1994. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or fair value of the asset. The assets are depreciated over their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense.

The following is a summary of property held under capital leases:

	<u>1995</u>	<u>1994</u>	<u>1993</u>
Chemical analyzer	\$ -0-	\$ -0-	\$ 50,150
Less: Accumulated depreciation	<u>-0-</u>	<u>-0-</u>	<u>(27,873)</u>
Total	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 22,277</u>

The capital leases are paid in full and therefore there are no minimum future lease payments under capital leases as of December 31, 1995.

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NOTE 11 - NOTES AND BONDS PAYABLE

The following is a summary of notes and bonds payable at December 31, 1995, 1994 and 1993:

	<u>1995</u>	<u>1994</u>	<u>1993</u>
First Union Mortgage company 7.00% note due in 252 payments of \$171 per month through February 2003, secured by house and property in Bernice, Louisiana.	\$ 11,473	\$ 12,670	\$ 13,786
Public improvement bonds dated February 1, 1969, at 4 1/2% to 5 1/2%, due in semi-annual installments through March 1994. These bonds are being retired by a 2.5 millage tax on the assessed valuation of all taxable property in the Hospital Service District.	-0-	-0-	31,000
Total	11,473	12,670	44,786
Less: Current maturities	(1,284)	(1,197)	(32,116)
Long-Term Maturities	<u>\$ 10,189</u>	<u>\$ 11,473</u>	<u>\$ 12,670</u>

A table of total debt service requirements follows:

<u>FISCAL YEAR</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1996	\$ 1,284	\$ 762	\$ 2,046
1997	1,376	670	2,046
1998	1,476	570	2,046
1999	1,582	464	2,046
2000	1,697	349	2,046
2001	1,820	226	2,046
2002	1,951	95	2,046
2003	287	2	289
	<u>\$ 11,473</u>	<u>\$ 3,138</u>	<u>\$ 14,611</u>

NOTE 12 - NET PATIENT SERVICE REVENUE

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain outpatient services related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's classification of patients under the Medicare program and the

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NOTE 12 - NET PATIENT SERVICE REVENUE (Continued)

appropriateness of their admission are subject to an independent review by a peer review organization under contract with the District. The District's Medicare cost reports have been audited by the Medicare fiscal intermediary through December 31, 1994.

Medicaid - Until July 1, 1994, inpatient services were reimbursed based upon the lesser of reasonable costs (subject to certain limits) or charges to the patient. As of July 1, 1994, the program reimbursement is based upon a prospectively determined per diem rate. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through December 31, 1994.

The District has entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment under these agreements include discounts from established charges and prospectively determined daily rates.

NOTE 13 - PROFESSIONAL LIABILITY RISK

The District participates in the Louisiana Patient's Compensation Fund ("PCF") 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. The constitutionality of this legislation has not been tested by the courts, although the Louisiana Supreme Court has decided that this limit does not apply in cases of strict liability.

The District's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability and worker's compensation. 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 of equity in the trust in its financial statements as prepaid insurance and insurance expense or a reduction thereof. Any return of equity reduces the prepaid balance.

NOTE 14 - BUSINESS AND CREDIT CONCENTRATIONS

The District grants credit to patients, substantially all of whom are local residents, under terms requiring timely repayment. The District generally does not require collateral or other security in extending credit to patients;

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NOTE 14 - BUSINESS AND CREDIT CONCENTRATIONS (Continued)

however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, Blue Cross, and commercial insurance policies).

The mix of gross receivables from patients and third-party payors at December 31 was as follows:

	<u>1995</u>	<u>1994</u>	<u>1993</u>
Medicare and Medicaid	37%	33%	56%
Commercial Insurance	11%	8%	9%
Patients	35%	43%	35%
Contract	17%	16%	---

NOTE 15 - COMMITMENTS AND 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 Charges (Note 5) - 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.

Further, in order to continue receiving reimbursement from the Medicare program, the District entered into an agreement with a government agent allowing the agent access to the District's Medicare patient medical records for purposes of making medical necessity and appropriate level of care determinations. The agent has the ability to deny reimbursement for Medicare patient claims which have already been paid to the District. The amount of such adjustments cannot reasonably be determined.

Professional Liability Risk (Note 13) - 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.

Worker's Compensation Risk - The District carries worker's compensation insurance through the Louisiana Hospital Association 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.

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NOTE 15 - COMMITMENTS AND CONTINGENCIES (Continued)

Accordingly, the District is contingently liable for assessments by the Louisiana Hospital Association Trust Fund. The District has included these allocations of equity in the trust in its financial statements as prepaid insurance and insurance expense or a reduction thereof. Any return of equity reduces the prepaid balance.

NOTE 16 - GRANT REVENUE

The Department of Health and Hospitals awarded the District a physician subsidy grant of \$100,000 in 1993 under the provisions of Act 394. The District was awarded emergency room operational grants of \$75,000 and \$100,000 through the Louisiana Department of Health and Hospitals during 1994 and 1993, respectively. The funds were provided for rural health care under Act 810 by the State of Louisiana and were to be used for operation of the emergency room. In 1995, the Louisiana Department of Health and Hospitals awarded the District a \$50,000 physician's grant. Additionally in 1995, the District received a \$150,000 primary care clinic grant.

NOTE 17 - FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Assets limited as to use: These assets consist of cash and cash equivalents. The carrying amount reported in the balance sheet approximates fair value.

Long-term investments: Fair values are based on quoted market prices.

Accounts payable and accrued expenses: The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates its fair value.

Long-term debt: Fair values of the Hospital's mortgage note and bonds are approximately equal to the carrying amounts due to the nearness of maturity of the bonds and immateriality of the mortgage note.

The following is a comparison of carrying amounts and fair values of the District's financial instruments:

	<u>1995</u>		<u>1994</u>		<u>1993</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$281,320	\$281,320	\$245,113	\$245,113	\$ 68,064	\$ 68,064
Assets limited as to use	-0-	-0-	1,736	1,736	8,293	8,293
Long-term investments	14,834	36,024	14,834	27,941	14,834	26,642
Accounts payable and accrued expenses	127,205	127,205	151,203	151,203	207,073	207,073
Long-term debt	11,473	11,473	12,670	12,670	47,857	47,857

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NOTE 18 - GOING CONCERN ISSUE

The financial statements have been prepared on the assumption that the District is a going concern. The District has experienced six straight years where operating expenses have exceeded operating revenues. The District's significant operating losses have been due to its inability to recruit and retain physicians. To provide additional revenues and further utilize space, in August, 1994, the District began leasing a portion of the hospital (including 14 beds) to Red River Health Care for a community rehab hospital. During 1995, the district contracted with two physicians and established a rural health clinic. A \$150,000 Primary Care Clinic Grant was received in May 1995 for this purpose.

SUPPLEMENTAL INFORMATION

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 PATIENT STATISTICS  
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	<u>1995</u>	<u>1994</u>	<u>1993</u>
Number of Hospital Patient Days			
Medicare	850	1,180	1,345
Medicaid	62	104	122
Other	<u>58</u>	<u>69</u>	<u>185</u>
Total	<u><u>970</u></u>	<u><u>1,353</u></u>	<u><u>1,652</u></u>
Number of Hospital Patient Discharges			
Medicare	167	196	212
Medicaid	15	25	25
Other	<u>16</u>	<u>29</u>	<u>49</u>
Total	<u><u>198</u></u>	<u><u>250</u></u>	<u><u>286</u></u>
Average Number of Days of a Hospital Patient Stay:			
Medicare	5.09	6.02	6.34
Medicaid	4.13	4.16	4.88
Other	<u>3.63</u>	<u>2.38</u>	<u>3.78</u>
Overall	<u><u>4.90</u></u>	<u><u>5.41</u></u>	<u><u>5.78</u></u>
Number of Emergency Room Visits	<u><u>979</u></u>	<u><u>883</u></u>	<u><u>1,074</u></u>

HOSPITAL SERVICE DISTRICT WARDS 3, 4 AND 10  
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 TRI-WARD GENERAL HOSPITAL AND CLINIC  
 HOSPITAL ENTERPRISE FUND  
 NET PATIENT SERVICE REVENUE  
 FOR THE YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

	<u>1995</u>	<u>1994</u>	<u>1993</u>
Daily Patient Services:			
Room and board	\$ <u>146,984</u>	\$ <u>204,909</u>	\$ <u>246,260</u>
Total Daily Patient Services	<u>146,984</u>	<u>204,909</u>	<u>246,260</u>
Other Professional Services:			
Oxygen			
Inpatient	76,808	44,900	64,928
Outpatient	<u>33,917</u>	<u>6,378</u>	<u>3,497</u>
Total oxygen	<u>110,725</u>	<u>51,278</u>	<u>68,425</u>
Emergency room			
Inpatient	5,506	4,099	2,840
Outpatient	<u>87,094</u>	<u>60,614</u>	<u>67,458</u>
Total emergency room	<u>92,600</u>	<u>64,713</u>	<u>70,298</u>
Medical Supply			
Inpatient	116,948	128,721	162,990
Outpatient	<u>65,848</u>	<u>27,901</u>	<u>24,345</u>
Total medical supply	<u>182,796</u>	<u>156,622</u>	<u>187,335</u>
Laboratory			
Inpatient	82,084	104,440	151,370
Outpatient	<u>266,269</u>	<u>205,022</u>	<u>198,133</u>
Total Laboratory	<u>348,353</u>	<u>309,462</u>	<u>349,503</u>
Blood			
Inpatient	6,879	6,638	9,923
Outpatient	<u>6,722</u>	<u>7,617</u>	<u>3,615</u>
Total blood	<u>13,601</u>	<u>14,255</u>	<u>13,538</u>
EKG			
Inpatient	10,338	12,936	16,217
Outpatient	<u>22,653</u>	<u>19,056</u>	<u>13,907</u>
Total EKG	<u>\$ 32,991</u>	<u>\$ 31,992</u>	<u>\$ 30,124</u>

(Continued)

HOSPITAL SERVICE DISTRICT WARDS 3, 4 AND 10  
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TRI-WARD GENERAL HOSPITAL AND CLINIC  
HOSPITAL ENTERPRISE FUND  
NET PATIENT SERVICE REVENUE (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

	<u>1995</u>	<u>1994</u>	<u>1993</u>
Radiology			
Inpatient	\$ 30,608	\$ 33,670	\$ 36,837
Outpatient	<u>56,128</u>	<u>55,245</u>	<u>51,790</u>
Total radiology	<u>86,736</u>	<u>88,915</u>	<u>88,627</u>
Monitor			
Inpatient	26,387	39,663	42,686
Outpatient	<u>7,598</u>	<u>7,597</u>	<u>6,946</u>
Total monitor	<u>33,985</u>	<u>47,260</u>	<u>49,632</u>
IV solutions	<u>46,109</u>	<u>55,850</u>	<u>57,349</u>
Pharmacy			
Inpatient	130,221	150,219	177,961
Outpatient	<u>259,757</u>	<u>57,651</u>	<u>30,105</u>
Total pharmacy	<u>389,978</u>	<u>207,870</u>	<u>208,066</u>
Clinic/Rural Health Clinic			
Physician services	335,871	313,912	357,394
Ancillary income	<u>20,718</u>	<u>23,700</u>	<u>14,263</u>
Total Clinic/Rural Health Clinic	<u>356,589</u>	<u>337,612</u>	<u>371,657</u>
Total Other Professional Services	<u>1,694,463</u>	<u>1,365,829</u>	<u>1,494,554</u>
Gross Patient Service Revenue	1,841,447	1,570,738	1,740,814
Deductions from Revenue	<u>325,569</u>	<u>175,397</u>	<u>90,470</u>
Net Patient Service Revenue	<u>\$ 1,515,878</u>	<u>\$ 1,395,341</u>	<u>\$ 1,650,344</u>

HOSPITAL SERVICE DISTRICT WARDS 3, 4 AND 10  
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 DEDUCTIONS FROM REVENUE  
 FOR THE YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

	<u>1995</u>	<u>1994</u>	<u>1993</u>
Medicare and Medicaid contractual adjustments	\$ 212,903	\$ 170,059	\$ 94,971
Administrative and other adjustments	1,192	2,842	(1,717)
Champus/Champus VA adjustments	71	2,264	(2,784)
Rehab adjustments	<u>111,403</u>	<u>232</u>	<u>-0-</u>
 Total Deductions from Revenue	 <u>\$ 325,569</u>	 <u>\$ 175,397</u>	 <u>\$ 90,470</u>

OTHER OPERATING REVENUE  
 FOR THE YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

	<u>1995</u>	<u>1994</u>	<u>1993</u>
Cafeteria	\$ -0-	\$ -0-	\$ 34
Rehab Dietary	834	116	-0-
Vending machine	908	557	574
Medical records	279	519	622
Contributions	7,468	-0-	-0-
Discounts taken	4,066	1,180	602
Rental income	157,738	87,350	3,500
Kid Med revenue	3,264	5,780	1,380
Miscellaneous revenue	<u>17,201</u>	<u>6,591</u>	<u>1,939</u>
 Total Other Operating Revenue	 <u>\$ 191,758</u>	 <u>\$ 102,093</u>	 <u>\$ 8,651</u>

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 HOSPITAL ENTERPRISE FUND  
 OPERATING EXPENSES - NURSING SERVICES  
 FOR THE YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

	<u>1995</u>	<u>1994</u>	<u>1993</u>
Nursing Administration - Salaries	\$ <u>73,240</u>	\$ <u>77,707</u>	\$ <u>84,731</u>
Nursing Service			
Salaries	323,062	292,416	300,032
Other	<u>46,273</u>	<u>17,356</u>	<u>33,128</u>
Total	<u>369,335</u>	<u>309,772</u>	<u>333,160</u>
Total Nursing Service			
Salaries	396,302	370,123	384,763
Other	<u>46,273</u>	<u>17,356</u>	<u>33,128</u>
Total	<u>\$ 442,575</u>	<u>\$ 387,479</u>	<u>\$ 417,891</u>

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 OPERATING EXPENSES - OTHER PROFESSIONAL SERVICES  
 FOR THE YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

	<u>1995</u>	<u>1994</u>	<u>1993</u>
Physicians			
Salaries	\$ 250,280	\$ 204,125	\$ 243,899
Other	<u>13,540</u>	<u>9,889</u>	<u>101,467</u>
Total	<u>263,820</u>	<u>214,014</u>	<u>345,366</u>
Radiology			
Salaries	46,462	40,691	45,671
Other	<u>22,883</u>	<u>17,629</u>	<u>16,776</u>
Total	<u>69,345</u>	<u>58,320</u>	<u>62,447</u>
Laboratory and Blood			
Salaries	81,408	80,275	80,667
Other	<u>69,994</u>	<u>65,912</u>	<u>86,964</u>
Total	<u>151,402</u>	<u>146,187</u>	<u>167,631</u>
Monitor supplies	<u>264</u>	<u>420</u>	<u>155</u>
Cardiovascular services	<u>800</u>	<u>1,000</u>	<u>300</u>
Oxygen	<u>7,057</u>	<u>10,189</u>	<u>10,567</u>
EKG			
Salaries	3,231	2,927	2,840
Other	<u>3,278</u>	<u>3,310</u>	<u>863</u>
Total	<u>6,509</u>	<u>6,237</u>	<u>3,703</u>
Pharmacy			
Salaries	21,084	11,933	10,102
Other	<u>88,381</u>	<u>59,967</u>	<u>85,221</u>
Total	<u>109,465</u>	<u>71,900</u>	<u>95,323</u>
Medical Records			
Salaries	20,854	28,632	35,768
Other	<u>1,002</u>	<u>650</u>	<u>1,446</u>
Total	<u>\$ 21,856</u>	<u>\$ 29,282</u>	<u>\$ 37,214</u>

HOSPITAL SERVICE DISTRICT WARDS 3, 4 AND 10  
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 HOSPITAL ENTERPRISE FUND  
 OPERATING EXPENSES - OTHER PROFESSIONAL SERVICES (continued)  
 FOR THE YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

	<u>1995</u>	<u>1994</u>	<u>1993</u>
Emergency Room			
Salaries	\$ 20,099	\$ 23,089	\$ 23,141
Other	<u>142,738</u>	<u>147,953</u>	<u>62,912</u>
Total	<u>162,837</u>	<u>171,042</u>	<u>86,053</u>
Total Other Professional Services			
Salaries	443,418	391,672	442,088
Other	<u>349,937</u>	<u>316,919</u>	<u>366,671</u>
Total	<u>\$ 793,355</u>	<u>\$ 708,591</u>	<u>\$ 808,759</u>

HOSPITAL SERVICE DISTRICT WARDS 3, 4 AND 10  
 OF THE PARISH OF UNION, STATE OF LOUISIANA  
 TRI-WARD GENERAL HOSPITAL AND CLINIC  
 HOSPITAL ENTERPRISE FUND  
 OPERATING EXPENSES - GENERAL SERVICES  
 FOR THE YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

	<u>1995</u>	<u>1994</u>	<u>1993</u>
Dietary			
Salaries	\$ 10,198	\$ 10,460	\$ 10,491
Other	<u>17,746</u>	<u>19,725</u>	<u>25,129</u>
Total	<u>27,944</u>	<u>30,185</u>	<u>35,620</u>
Housekeeping			
Salaries	13,509	13,154	19,224
Other	<u>11,093</u>	<u>3,865</u>	<u>6,178</u>
Total	<u>24,602</u>	<u>17,019</u>	<u>25,402</u>
Laundry			
Salaries	-0-	5,539	8,637
Other	<u>8,131</u>	<u>2,721</u>	<u>2,024</u>
Total	<u>8,131</u>	<u>8,260</u>	<u>10,661</u>
Maintenance			
Salaries	16,699	14,611	11,719
Other	<u>54,686</u>	<u>44,660</u>	<u>54,044</u>
Total	<u>71,385</u>	<u>59,271</u>	<u>65,763</u>
Total General Services			
Salaries	40,406	43,764	50,071
Other	<u>91,656</u>	<u>70,971</u>	<u>87,375</u>
Total	<u>\$ 132,062</u>	<u>\$ 114,735</u>	<u>\$ 137,446</u>

HOSPITAL SERVICE DISTRICT WARDS 3, 4 AND 10  
 OF THE PARISH OF UNION, STATE OF LOUISIANA  
 TRI-WARD GENERAL HOSPITAL AND CLINIC  
 HOSPITAL ENTERPRISE FUND  
 OPERATING EXPENSES - FISCAL AND ADMINISTRATIVE  
 FOR THE YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

	<u>1995</u>	<u>1994</u>	<u>1993</u>
Salaries	\$ 116,577	\$ 111,867	\$ 103,013
Physician recruitment	82	5,728	31,104
Accounting and legal	19,654	23,034	21,199
Collection fees	2,318	2,184	4,449
Consultant fees	1,314	16,303	57,000
Board member compensation	1,680	1,520	1,720
Licenses and taxes	2,584	5,603	3,830
Rental and repairs	11,055	12,078	9,981
Office supplies	11,625	8,872	8,876
Telephone	9,862	9,079	10,265
Travel	531	1,066	2,820
Dues and subscriptions	5,542	2,691	3,867
Public relations	3,884	720	3,141
Nursing scholarships	-0-	683	(3,462)
Tax assessor fees	24,207	17,234	17,979
Other	3,695	3,108	3,040
	<hr/>	<hr/>	<hr/>
Total Fiscal and Administrative Expenses	\$ <u>214,610</u>	\$ <u>221,770</u>	\$ <u>278,822</u>

HOSPITAL SERVICE DISTRICT WARDS 3, 4 AND 10  
 OF THE PARISH OF UNION, STATE OF LOUISIANA  
 TRI-WARD GENERAL HOSPITAL AND CLINIC  
 HOSPITAL ENTERPRISE FUND  
 PER DIEM AND  
 OTHER COMPENSATION PAID TO BOARD MEMBERS  
 FOR THE YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

	<u>1995</u>	<u>1994</u>	<u>1993</u>
Board Members:			
Pat Risinger	\$ -0-	\$ 320	\$ 440
Morris Henry	-0-	-0-	240
Sammye Telford	-0-	40	440
L. A. Nute	-0-	-0-	240
W. C. Reeves	-0-	-0-	-0-
Oda Rockett	280	440	160
Isaac Payne	440	360	200
Clifton McIntosh	480	280	-0-
Melvin Stone	<u>480</u>	<u>80</u>	<u>-0-</u>
 Totals	 <u>\$ 1,680</u>	 <u>\$ 1,520</u>	 <u>\$ 1,720</u>

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
STRUCTURE RELATED MATTERS NOTED IN A FINANCIAL  
STATEMENT AUDIT CONDUCTED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

Board of Commissioners  
Hospital Service District Wards 3, 4 and 10  
of the Parish of Union, State of Louisiana  
Tri-Ward General Hospital and Clinic  
Bernice, Louisiana

We have audited the financial statements of Tri-Ward General Hospital and Clinic (the District) for the years ended December 31, 1995, 1994, and 1993, and have issued our report thereon dated April 22, 1996.

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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the District is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audits of the financial statements of the District for the years ended December 31, 1995, 1994 and 1993, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Board of Commissioners  
Tri-Ward General Hospital and Clinic  
Page Two

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The schedule that accompanies this letter summarizes comments and suggestions regarding these matters.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described on the accompanying schedule is a material weakness.

This report is intended for the information of the Board of Commissioners, management and the office of the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Easley, Lester & Wells*  
Certified Public Accountants

April 22, 1996

TRI-WARD GENERAL HOSPITAL AND CLINIC  
AUDITOR'S COMMENTS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 1995

FY 94 RECOMMENDATIONS

We are pleased to see that the charge structure has now been updated as recommended in the prior year audit.

A summary of current reportable conditions follows:

Condition: Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording and custody functions.

Recommendations: We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes 1) separating transaction authorization from custody of related asset; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operational responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

Response: It is not practicable or cost effective to achieve the total segregation of duties with the number of available employees. However, management will segregate wherever possible and supervise and review in the other areas.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
LAWS AND REGULATIONS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS ISSUED BY THE GAO

Board of Commissioners  
Hospital Service District Wards 3, 4 and 10  
of the Parish of Union, State of Louisiana  
(Tri-Ward General Hospital and Clinic)  
Bernice, Louisiana

We have audited the financial statements of Tri-Ward General Hospital and Clinic (the District) as of and for the years ended December 31, 1995, 1994 and 1993, and have issued our report thereon dated April 22, 1996.

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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

While performing our audits, we read the responses to the questions in the attached Systems Survey and Compliance Questionnaire completed by management and adopted by the Board of Commissioners and found no evidence that would indicate that the Hospital Service District had not answered the questions correctly. However, it should be noted that our audit was not directed primarily towards the answers to the questions in the questionnaire.

Compliance with laws, regulations, contracts and grants applicable to Tri-Ward General Hospital and Clinic is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not provide such an opinion.

The results of our test disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.