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**ST. LANDRY PARISH HOSPITAL  
SERVICE DISTRICT NO. 1**  
Eunice, Louisiana

Financial Report

Year Ended May 31, 1999

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the hospital, or its board, or other appropriate public 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 1-26-00

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(A Corporation of Certified Public Accountants)

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Board of Commissioners  
St. Landry Parish Hospital Service District No. 1  
Eunice, Louisiana

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We have audited the accompanying general purpose financial statements of St. Landry Parish Hospital Service District No. 1, Eunice, Louisiana, (the "District"), a component unit of the Police Jury of St. Landry Parish as of and for the year ended May 31, 1999. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. 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 audit provides a reasonable basis for our opinion.

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.

Member of:  
American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

Board of Commissioners  
St. Landry Parish Hospital Service District No. 1  
Page 2

St. Landry Parish Hospital Service District No. 1 has omitted such disclosures. We do not provide assurance that the District is or will be year 2000 ready, the District's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the District does business will be year 2000 ready.

In addition, we were unable to satisfy ourselves regarding the amount at which the investment in a joint venture is recorded in the accompanying general purpose financial statements. The District's deficit in the investment in joint venture is stated at \$576,840 at May 31, 1999.

In our opinion, except for the omission of the information discussed regarding disclosures about Year 2000 Issues, and for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves about the investment in the joint venture, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of St. Landry Parish Hospital Service District No. 1 as of May 31, 1999, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 17, 1999, on our consideration of St. Landry Parish Hospital Service District's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental 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 St. Landry Parish Hospital Service District No. 1. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Dannall, Sikes & Frederick*  
A Corporation of Certified Public Accountants

Eunice, Louisiana  
November 17, 1999

## ST. LANDRY PARISH HOSPITAL SERVICE DISTRICT NO. 1

Balance Sheet  
May 31, 1999

## ASSETS

Current assets	
Cash and cash equivalents	\$ 10,415
Other receivables	44,202
Property, plant and equipment, net	<u>2,675,225</u>
Total assets	<u>\$ 2,729,842</u>

## LIABILITIES AND FUND EQUITY

Current liabilities	
Accounts payable	\$ 385,408
Current maturities of long-term debt	50,222
Current maturities of obligations under capital leases	50,575
Estimated third-party payor settlement	44,202
Deferred revenue	<u>28,750</u>
Total current liabilities	<u>559,157</u>
Deficit in joint venture	576,840
Long-term debt, net of current maturities	130,812
Obligations under capital leases, net of current maturities	<u>27,430</u>
	<u>735,082</u>
Total liabilities	<u>1,294,239</u>
Fund equity	<u>1,435,603</u>
Total liabilities and fund equity	<u>\$ 2,729,842</u>

See accompanying notes to financial statements.

ST. LANDRY PARISH HOSPITAL SERVICE DISTRICT NO. 1

Statement of Operations  
Year Ended May 31, 1999

OPERATING REVENUE	
Lease revenue	<u>\$ 33,670</u>
OPERATING EXPENSES	
Depreciation	72,929
Interest expense	<u>7,560</u>
	<u>80,489</u>
Loss from operations	<u>(46,819)</u>
NONOPERATING REVENUE	
Interest income	<u>64</u>
Loss From Continuing Operations	<u>(46,755)</u>
DISCONTINUED OPERATIONS	
Loss from discontinued operations	(1,164,475)
Gain on disposal of discontinued operations	<u>1,364,875</u>
	<u>200,400</u>
Net Income	<u>\$ 153,645</u>

See accompanying notes to financial statements.

ST. LANDRY PARISH HOSPITAL SERVICE DISTRICT NO. 1

Statement of Cash Flows  
Year Ended May 31, 1999

Reconciliation of operating income to net cash provided by operating activities:	\$ 153,645
Net income	\$ 153,645
Adjustments to reconcile net income to net cash used by operating activities:	
Depreciation	397,140
Amortization	15,418
Loss on sale of fixed assets	35,549
Provision for bad debts	439,502
Changes in assets and liabilities:	
Patient accounts receivable	2,209,556
Other receivables	(33,106)
Inventories	247,937
Prepaid expenses	227,961
Accounts payable	(293,469)
Accrued expenses	(748,135)
Due from intermediaries	176,905
Due to intermediaries	52,432
Other assets	1,700
Deferred revenue	<u>(21,461)</u>
Net cash provided by operating activities	<u>2,861,574</u>
Cash flow from non-capital financing activities:	
Proceeds from borrowings under loan agreements	3,974,338
Payments for borrowings under loan agreements	<u>(7,344,604)</u>
Net cash used by non-capital financing activities	<u>(3,370,266)</u>
Cash flow from capital and related financing activities:	
Principal paid on long-term debt	(450,739)
Proceeds from disposal of fixed assets	543,522
Principal paid on capital lease obligations	(84,517)
Purchase of property and equipment	<u>(263,274)</u>
Net cash used by capital and related financing activities	<u>(255,008)</u>
Net decrease in cash and cash equivalents	(763,700)
Cash and cash equivalents, beginning of year	<u>774,115</u>
Cash and cash equivalents, end of year	<u>\$ 10,415</u>

See accompanying notes to financial statements.

ST. LANDRY PARISH HOSPITAL SERVICE DISTRICT NO. 1

Statement of Changes in Fund Equity  
Year Ended May 31, 1999

	<u>Retained Earnings</u>	<u>Contributed Capital</u>	<u>Total</u>
BALANCE, May 31, 1998	\$ (26,679)	\$1,308,637	\$1,281,958
Net income	<u>153,645</u>	<u>-</u>	<u>153,645</u>
BALANCE, May 31, 1999	<u>\$ 126,966</u>	<u>\$1,308,637</u>	<u>\$1,435,603</u>

See accompanying notes to financial statements.

# ST. LANDRY PARISH HOSPITAL SERVICE DISTRICT NO. 1

## Notes to Financial Statements

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Legal Organization

The St. Landry Parish Hospital Service District No. 1, (referred to as the "District") was created by an ordinance of the St. Landry Parish Police Jury. The governing board of the District consists of six members appointed by the Jury and the chief of the medical staff. Because the police jury appoints the majority of the commissioners of the St. Landry Parish Hospital Service District No. 1, the police jury is considered to have the ability to impose its will on the District and therefore the District is a component unit of the St. Landry 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 police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

#### Nature of Business

The District provides a variety of healthcare services including: 1) inpatient services such as acute, psychiatric and skilled nursing, through "swing beds"; 2) outpatient services such as diagnostic and therapeutic ancillaries, emergency room and physician specialty clinics; 3) other services such as home health. Effective February 22, 1999, the District ceased providing healthcare services and began leasing the facility and equipment to PHC-Eunice, a subsidiary of Province Healthcare, Inc.

#### Proprietary Fund Accounting

The District utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual method. 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 Audit and Accounting Guide - Health Care Organizations, published by the American Institute of Certified Public Accountants, and standards established by the Governmental Accounting Standards Board (GASB), which is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

#### 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. Equipment under capital lease obligations is amortized using the straight-line method over the life of the asset if there is a bargain purchase option or transfer of title. If there is no bargain purchase option or transfer of title, the leased asset is amortized over the lease term. Such amortization is included in depreciation in the financial statements.

ST. LANDRY PARISH HOSPITAL SERVICE DISTRICT NO. 1

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Income Taxes

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Accounting Standards

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the District has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB).

Risk Management

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims did not exceed this commercial coverage. The District is self-insured for medical malpractice claims and judgments, as discussed in Note 11.

ST. LANDRY PARISH HOSPITAL SERVICE DISTRICT NO. 1

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

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 payer.

NOTE 2 CASH AND CASH EQUIVALENTS

Under state laws, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At May 31, 1999, the District has cash and cash equivalents (book balances) totaling \$10,415.

These deposits are stated at cost, which approximates market. Under state laws, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at May 31, 1999, totaled \$10,415 and were fully secured by federal deposit insurance.

NOTE 3 NET PATIENT SERVICE REVENUE

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. Management has recorded estimates of charge reductions based upon historical collections with adjustment to current payment arrangements. A summary of the payment arrangements with major third-party payers follows:

Medicare - Inpatient acute care services rendered to Medicare beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services and 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 and audits thereof by the Medicare fiscal intermediary. Cost reports have been audited through year end May 31, 1997.

ST. LANDRY PARISH HOSPITAL SERVICE DISTRICT NO. 1

Notes to Financial Statements

NOTE 3 NET PATIENT SERVICE REVENUE (Continued)

Medicaid - Inpatient and outpatient services rendered to Medicaid recipients are reimbursed under prospective per diems and a cost reimbursement methodology, respectively. Cost reimbursements are 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. Cost reports have been audited for year ends through May 31, 1997.

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

NOTE 4 PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended May 31, 1999.

	Cost	Accumulated Depreciation	Book Value
Land	\$ 165,468	\$ -	\$ 165,468
Buildings	5,960,804	3,820,908	2,139,896
Equipment	4,388,570	4,093,062	295,508
Equipment under capital lease obligations	<u>370,554</u>	<u>296,201</u>	<u>74,353</u>
	<u>\$10,885,396</u>	<u>\$ 8,210,171</u>	<u>\$ 2,675,225</u>

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

Buildings	10 - 40 years
Equipment	3 - 15 years

ST. LANDRY PARISH HOSPITAL SERVICE DISTRICT NO. 1

Notes to Financial Statements

NOTE 5 LONG-TERM DEBT

Note payable, due in 120 monthly installments of \$772, bearing interest at 7.5% per annum, secured by office building	\$ 35,270
Note payable, due in 96 monthly installments of \$4,772, bearing interest at 11% per annum, secured by office building	<u>145,764</u>
	181,034
Less current maturities of long term debt	<u>50,222</u>
Long-term debt net of current maturities	<u>\$ 130,812</u>

Scheduled principal repayments on long-term debt over the next five years are as follows:

Year Ending May 31,	Mortgage Notes
2000	\$ 50,223
2001	55,773
2002	61,942
2003	8,566
2004	<u>4,530</u>
	<u>\$ 181,034</u>

NOTE 6 CAPITAL LEASE OBLIGATIONS

Capital lease obligations, at varying rates of imputed interest from 7.0% to 15.0% collateralized by leased equipment	\$ 78,005
Less current maturities of capital lease obligations	<u>50,575</u>
	<u>\$ 27,430</u>

Minimum future lease payments, including interest, under capital leases as of May 31, 1999,  
are:

2000	\$ 54,945
2001	<u>28,122</u>
	83,067
Less amount representing interest	<u>5,062</u>
	<u>\$ 78,005</u>

The District has subleased the equipment referred to above which require monthly payments equal to the future minimum lease payment as stated above.

ST. LANDRY PARISH HOSPITAL SERVICE DISTRICT NO. 1

Notes to Financial Statements

NOTE 7 OPERATING LEASES

The District leases various equipment under operating leases expiring at various dates through August 2003. Total operating lease payments in 1999 were \$146,234.

The following is an annual schedule of future minimum lease payments under operating leases as of May 31, 1999, that have initial or remaining lease terms in excess of one year.

<u>Year Ending May 31,</u>	<u>Amount</u>
2000	\$ 70,740
2001	46,870
2002	32,453
2003	31,711
2004	<u>331</u>
	<u>\$182,105</u>

The District leases property, plant and equipment to PHC-Eunice, Inc. (See Note 12) under a noncancellable, operating lease for a term effective February 22, 1999 to June 30, 2008 with the option to extend the lease for an additional five year term. The following is a schedule by year of future minimum rentals under the lease as of May 31, 1999:

<u>Year Ending May 31,</u>	<u>Amount</u>
2000	\$ 192,211
2001	141,518
2002	98,979
2003	45,742
2004	5,732
Thereafter	<u>100,000</u>
	<u>\$584,182</u>

NOTE 8 SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information for the year ended May 31, 1999 is as follows:

The District paid \$368,475 for interest during 1999.

ST. LANDRY PARISH HOSPITAL SERVICE DISTRICT NO. 1

Notes to Financial Statements

NOTE 9 INVESTMENT IN JOINT VENTURE

During October, 1996, the District entered a joint venture agreement with Louisiana Health Systems Corporation (the System) whereby the District participated on a 50% basis in profits and losses of the joint venture. Effective March 9, 1998, the joint venture ceased operations through dissolution. As of May 31, 1999, the District's investment in the joint venture is a deficit of \$576,840.

NOTE 10 RETIREMENT PROGRAM

The Parochial Employee Retirement System (the "System") of Louisiana is the administrator of the cost sharing multiple-employer plan, a Public Employee Retirement System (PERS), in which the District is a member. The Retirement System is governed by the Louisiana Revised Statutes, Title 11, Sections 1901 through 2015, specifically, and other general laws of the State of Louisiana.

Because the District is a member of the Retirement System, participating in Plan A, membership for all employees is mandatory. Any permanent District employee working at least 28 hours per week is covered. Employee contributions are established by Statute at 9.5% of total compensation. Employer contributions are actuarially determined every fiscal year.

Retirement System members vest after 10 years of creditable service. Under Plan A members are eligible for normal retirement with 30 years of creditable service regardless of age, 25 years of creditable service and at least age 55, 10 years of creditable service and at least age 60. The retirement allowance is equal to three percent of the member's final average compensations (average of the highest consecutive 36 months) multiplied by the years of creditable service. Any employee who was a member prior to January 1, 1980, has benefit earned for service credited prior to that date on the basis of one percent of final compensation plus two dollars per month for each year credited prior to the revision date and three percent of final compensation for each year of service credited after January 1, 1980. The retirement allowance may not exceed the greater of one hundred percent of a member's final salary (last 12 months) or the final average compensation. The system also provides death and disability benefits which require five years of creditable service for eligibility.

District payroll and contributions for the year ended May 31, 1999 are summarized below:

	<u>1999</u>
District covered payroll	\$2,748,058
District total payroll	3,194,232
District employee contribution (9.0%)	261,066
District employer contribution (7.75%)	212,975
System employer contributions at December 31, 1998	24,904,461
System employee contributions at December 31, 1998	29,835,534

ST. LANDRY PARISH HOSPITAL SERVICE DISTRICT NO. 1

Notes to Financial Statements

NOTE 10 RETIREMENT PROGRAM (Continued)

The actuarial funding method utilized to determine contributions for Plan A is the Frozen Attained Age Normal Cost Method. The System actuarial determined employer net contribution for 1999 is \$15,645,261 or 4.5% of Plan A payroll.

The pension benefit obligation, which is the actuarial present value of credited projected benefits, is a standardized disclosure measure of present value of pension benefits, adjusted for the estimated to be payable in the future as a result of employees service to date. The System does not make separate measurements of assets and pension benefit obligations for individual employers. The pension benefit obligation for Plan A at December 31, 1998, for the System as a whole, determined through actuarial valuation performed as of that date, was \$959,044,243. The System's net assets available for benefits on that date was \$960,159,912, exceeding the pension benefit obligation by \$1,115,669.

Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's December 31, 1998 financial report. The District does not guarantee benefits granted by the System.

NOTE 11 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 Revenues (Note 1) - Cost reimbursements are subject to examination by agencies administering the Medicare and Medicaid programs. The Medicare program has discontinued its cost-based reimbursement system for inpatient services. Currently, the District receives a fixed fee for each patient as determined by the government using the patient's diagnosis. 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. The amount of such adjustments cannot reasonably be determined.

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. The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund.

ST. LANDRY PARISH HOSPITAL SERVICE DISTRICT NO. 1

Notes to Financial Statements

NOTE 11 COMMITMENTS AND CONTINGENCIES (Continued)

Litigation – The District has been named a defendant in various lawsuits. These suits are pending as of May 31, 1999 and the amounts, if any, resulting from settlement of these pending claims can not be reasonable determined by management and legal counsel.

NOTE 12 DISCONTINUED OPERATIONS

Effective February 22, 1999, the District ceased operation of the hospital, dba Eunice Community Medical Center, and began leasing all property, plant and equipment to PHC-Eunice, Inc. under an operating lease. In addition, PHC-Eunice, Inc. purchased certain assets and assumed certain liabilities of the District including, but not limited to, cash, accounts receivable, inventory, other assets, accounts payable and accrued liabilities. Operating results of the hospital are shown separately as discontinued operations in the accompanying Statement of Operations. Details of the discontinued operations are as follows:

Revenue:	
Net patient service revenue	\$ 7,632,323
Other	<u>368,997</u>
Total revenue	<u>8,001,320</u>
Expenses:	
Salaries and benefits	3,357,424
Medical supplies and drugs	1,388,608
Professional fees	2,270,773
Licenses, dues and subscriptions	19,958
Maintenance and repairs	95,041
Rentals and leases	159,239
Utilities	253,389
Travel	47,785
Other expenses	41,040
Insurance	392,492
Depreciation and amortization	339,629
Interest	360,915
Provision for bad debt	<u>439,502</u>
Total expenses	<u>9,165,795</u>
Operating loss	<u><u>\$(1,164,475)</u></u>

**INTERNAL CONTROL AND COMPLIANCE**



# Darnall, Sikes & Frederick

(A Corporation of Certified Public Accountants)

## Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance with Government Auditing Standards

The Board of Commissioners  
St. Landry Parish Hospital Service District No. 1  
Eunice, Louisiana

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We have audited the general purpose financial statements of the St. Landry Parish Hospital Service District No. 1 (the "District"), a component unit of the Police Jury of St. Landry Parish, and for the year ended May 31, 1999, and have issued our report thereon dated November 17, 1999. We have 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 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 general purpose 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 two instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as items 99-1 and 99-2.

### 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. 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

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relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of commissioners, management and others within the organization and is not intended to and should not be used by anyone other than these specified parties.

*Dannall, Sikes & Frederick*  
A Corporation of Certified Public Accountants

Eunice, Louisiana  
November 17, 1999

ST. LANDRY PARISH HOSPITAL SERVICE DISTRICT NO. 1

Summary Schedule of Prior Year Findings  
Year Ended May 31, 1999

- 98-1 Finding: Inadequate Segregation of Duties  
Status: Resolved.
- 98-2 Finding: Accounting Records  
Status: Resolved.
- 98-3 Finding: Physical Inventory  
Status: Not applicable as of May 31, 1999.
- 98-4 Finding: Violation of Bid Law  
Status: Unresolved. See current year finding 99-1.

ST. LANDRY PARISH HOSPITAL SERVICE DISTRICT NO. 1

Schedule of Findings and Questioned Costs  
Year Ended May 31, 1999

Part 1 Summary of Auditor's Results

Financial Statements

Auditor's Report – Financial Statements

A qualified opinion has been issued on St. Landry Parish Hospital Service District No. 1 (the "District") financial statements as of and for the year ended May 31, 1999. The qualified opinion is attributed to the omission of year 2000 compliance disclosures and the amount at which the investment in joint venture is recorded.

Reportable Conditions – Financial Reporting

There were no reportable conditions in internal control over financial reporting disclosed during the audit of the general purpose financial statements.

Material Noncompliance – Financial Reporting

There were two instances of material noncompliance noted during the audit as described in Part 2 as items 99-1 and 99-2.

Federal Awards

This section not applicable for the fiscal year ended May 31, 1999.

Part 2: Findings Relating to an Audit in Accordance with Governmental Auditing Standards

99-1 Violation of Louisiana Bid Law

Criteria:

Governmental entities must comply with all applicable Louisiana laws.

Finding:

The District did not comply with the provisions of the public bid law, LSA-RS 38:2212 regarding purchases in excess of \$15,000.

Recommendation:

The District should implement procedures to insure that all applicable laws are complied with.

ST. LANDRY PARISH HOSPITAL SERVICE DISTRICT NO. 1

Schedule of Findings and Questioned Costs (Continued)  
Year Ended May 31, 1999

99-2 Violation of Louisiana Audit Law

Criteria:

Governmental entities must comply with all applicable Louisiana Laws.

Finding:

The District did not comply with the provisions of the state audit law, LSA-RS 24:513 requiring audits to be completed within six months of the period ended under audit. Due to management turnover, the issuance of the financial statements was delayed.

Recommendation:

The District should implement procedures to ensure compliance with all applicable laws.

Part 3: Findings and Questioned Cost Relating to Federal Programs

This section is not applicable for the year ended May 31, 1999, because the District did not meet the requirements to have a single audit in accordance with OMB Circular A-133.

ST. LANDRY PARISH HOSPITAL SERVICE DISTRICT NO. 1

Management's Corrective Action Plan For Current Year Findings  
Year Ended May 31, 1999

Response to finding:

99-1 Violation of Louisiana Bid Law

Procedures have been implemented to insure that Louisiana bid laws are complied with.

99-2 Violation of Louisiana Audit Law

Procedures have been implemented to insure that Louisiana audit laws are complied with.

**SUPPLEMENTAL INFORMATION**

ST. LANDRY PARISH HOSPITAL SERVICE DISTRICT NO. 1

Schedule of Per Diem Paid to Commissioners  
Year Ended May 31, 1999

<u>Board Member</u>	<u>Amount</u>
N. J. "Chip" Thibodeaux, Chairman	\$ 320
Reginald. A. Keller, vice Chairman	320
Dr. Brian N. Heinen	200
Shelia Mouton	120
Harvey Gil	200
Darryl Feucht	-
Bobby Quirk, Jr.	-
Thomas Myers - resigned March 31, 1999	320
Jenny Dischler - term expired September 13, 1998	80
Kirk Stelly - resigned March 16, 1999	200