

HOSPITAL SERVICE DISTRICT NO. 2

OF THE PARISH OF LASALLE

STATE OF LOUISIANA

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

SEPTEMBER 30, 2001, 2000 AND 1999

AND

INDEPENDENT AUDITORS' REPORT

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 4302

RECEIVED LEGISLATIVE AUDITOR Hospital Service District No. 2, Of the Parish of LaSalle, State of Louisiana02 MAR 28 AM ID: 18 **Financial Statements** And Independent Auditors' Report Years Ended September 30, 2001, 2000 and 1999

Table of Contents

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	Page No.
Independent Auditors' Report on the Financial Statements and Supplementary Information	1
General Purpose Financial Statements	
Enterprise Funds	
Combined Balance Sheets - Unrestricted Funds Combined Statements of Operations - Unrestricted Funds Combined Statements of Changes in Fund Balances - Unrestricted Funds Combined Statements of Cash Flows - Unrestricted Funds Combined Notes to Financial Statements	4 5 6
Debt Service Fund	
Balance Sheets	
General Long-Term Debt Account Group	
Statements of General Long-Term Debt	. 21 . 22
Supplemental Information	
Schedules of Patient Statistics Schedules of Net Patient Service Revenue Schedules of Other Revenue Schedules of Expenses - Salaries and Benefits Schedules of Expenses - Medical Supplies and Drugs Schedules of Expenses - Professional Fees Schedules of Expenses - Other Expenses Schedules of Expenses - Other Expenses Combining Balance Sheet	. 25 . 26 . 27 . 28 . 29 . 30 . 31

Report on Compliance and on Internal Control over Financial Reporting

Based on an Audit of Financial Statements Performed in Accordance

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INDEPENDENT AUDITORS' REPORT

Members

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Board of Commissioners Hospital Service District No. 2, Of the Parish of LaSalle, State of Louisiana Jena, Louisiana

We have audited the accompanying general purpose financial statements of Hospital Service District No. 2, of the Parish of LaSalle, (the "District"), a component unit of the LaSalle Parish Police Jury, for the years ended September 30, 2001, 2000 and 1999, as listed in the foregoing table of contents. 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 audits.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 2, of the Parish of LaSalle as of September 30, 2001, 2000 and 1999, and the results of its operations and cash flows of its proprietary fund types for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with <u>Government Auditing Standards</u>, we have also issued a report dated January 18, 2002, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations, contracts and grants. That report is an integral part of an audit performed in accordance with <u>Government</u>

Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Board of Commissioners Hospital Service District No. 2, Of the Parish of LaSalle, State of Louisiana Page Two

Our audits were performed 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 general purpose financial statements. 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 presented in all material respects in relation to the general purpose financial statements taken as a whole.

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Certified Public Accountants

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January 18, 2002

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LESTER, MILLER & WELLS

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

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Hospital Service District No. 2, Of the Parish of LaSalle, State of Louisiana **Combined Balance Sheets - Unrestricted Funds** September 30, 2001, 2000 and 1999

ASSETS	2001	2000	<u>1999</u>
Current assets: Cash and cash equivalents (Note 3) Assets whose use is limited - required for current	\$ 1,093,703	\$ 240,537	\$ 418,029
liabilities Investments (Note 4) Accounts receivable, net of estimated	25,133 3,054,447	-0- 1,899,860	-0- 2,199,278
uncollectibles (Note 6) Inventory Prepaid expenses	3,688,854 266,324 50,785	2,698,813 244,430 <u>36,593</u>	2,215,815 215,633 40,740
Total current assets		00,000	_5,089,495
Assets whose use is limited under bond covenant agreement (Note 5)	737,388	704,681	652,823
Property, plant and equipment, net (Note 7) Other assets (Note 8)	5,975,522 7,851	5,108,918 7,153	5,265,108 7,153
Total assets	\$ <u>14.900.007</u>	\$ <u>10,940,985</u>	\$ <u>11.014.579</u>
LIABILITIES AND FUND BALANCE			
Current liabilities: Current maturities of long-term debt Accounts payable Accrued expenses and withholdings payable	\$ 245,000 280,192	\$230,000 249,104	\$ 215,000 350,683
(Note 9) Resident deposits Retirement payable	626,204 25,133 <u>193,825</u>	462,448 -0- 240,135	406,731 -0- 210,000
Total current liabilities	1,370,354	1,181,687	1,182,414
Long-term debt, net of current maturities (Note 12)	255,000	500,000	740,000
Total liabilities		1,681,687	
Fund balance - unrestricted	13,274,653	9,259,298	_9,092,165
Total liabilities and fund balance	\$ <u>14.900.007</u>	\$ <u>10.940.985</u>	\$ <u>11.014.579</u>

See accompanying notes to financial statements.

-3-

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Hospital Service District No. 2, Of the Parish of LaSalle, State of Louisiana Combined Statements of Operations - Unrestricted Funds Years Ended September 30, 2001, 2000 and 1999

	2001	2000	1999
Revenue:			
Net patient service revenue	\$14,515,024	\$10,499,606	\$ 9,734,842
Gain (loss) on disposal of equipment	2,594	-0-	24,383
Grant income	-0-	26,649	-0-
Other revenue	564,187	804,504	747,608
Total revenue	15,081,805	11,330,759	10,506,833
Expenses:			
Salaries and benefits	7,164,106	5,970,736	5,628,985
Medical supplies and drugs	1,187,672	973,761	969,422
Insurance	227,732	162,739	166,633
Professional fees	1,169,164	1,339,521	1,298,697
Other expenses	1,948,656	1,567,791	1,475,774
Provision for bad debts	1,170,919	865,898	638,807
Depreciation and amortization	421,046	376,342	355,020
Interest	29,097	41,854	52,051
Total expenses	13,318,392	<u>11,298,642</u>	10,585,389
Operating income (loss)	1,763,413	32,117	(78,556)
Nonoperating income			
Interest income	219,543	135,016	132,394
Excess of revenues over expenses	\$ <u>1,982,956</u>	\$ <u>167.133</u>	\$ <u>53,838</u>

See accompanying notes to financial statements.

-4-

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Hospital Service District No. 2, Of the Parish of LaSalle, State of Louisiana Combined Statements of Changes in Fund Balances - Unrestricted Funds Years Ended September 30, 2001, 2000 and 1999

	Hospital	Nursing Home	Total <u>Unrestricted</u>
Fund balance, September 30, 1998	\$ 9,038,327	\$-0-	\$ 9,038,327
Excess of revenues over expenses	53,838	<u>-0-</u>	53,838
Fund balance, September 30, 1999	9,092,165	-0-	9,092,165
Excess of revenues over expenses	167,133	-0-	167,133
Fund balance, September 30, 2000	9,259,298	-0-	9,259,298
Transfer - LaSalle Nursing Home Excess of revenues over expenses	-0- 845,254	2,032,399 1,137,702	2,032,399 <u>1,982,956</u>

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\$<u>10.104.552</u> \$<u>3.170.101</u> \$<u>13.274.653</u>

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COMPOSITION OF FUND BALANCE AT SEPTEMBER 30, 2001:

Contributions	\$ 2,581,443	\$ 2,032,399	\$ 4,613,842
Accumulated excess of revenues over expenses	7,523,109	1,137,702	8,660,811
Total fund balance	\$ <u>10,104,552</u>	\$ <u>3.170.101</u>	\$ <u>13,274.653</u>

See accompanying notes to financial statements.

-5-

Hospital Service District No. 2, Of the Parish of LaSalle, State of Louisiana Combined Statements of Cash Flows - Unrestricted Funds Years Ended September 30, 2001, 2000 and 1999

	2001	2000	1999
Cash flows from operating activities:	.	.	.
Operating income (loss)	\$ 1,763,413	\$ 32,117	\$ (78,556)
Interest expense considered capital financing	00.007	44.054	E0.0E4
activity Adjustments to recording income to	29,097	41,854	52,051
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	421,046	376,342	355,020
Amortization of discount	(12,008)	-0-	-0-
Provision for bad debts	1,170,919	865,898	638,807
(Gain) loss on disposal of assets	(2,594)	-0-	(24,383)
(Increase) decrease in:	(_,001)	· ·	(_ ,,)
Net patient accounts receivable	(1,668,176)	(1,328,321)	(982,175)
Estimated third party payor settlements	(105,557)	(22,194)	(88,318)
Inventory	(5,032)	(28,797)	(10,904)
Prepaid expenses	16,722	4,147	13,664
Other receivables	37,239	1,619	(177)
Increase (decrease) in:			
Accounts payable	31,088	(101,579)	122,890
Accrued expenses and withholdings payable	66,091	66,755	30,337
Estimated third party payor settlements	-0-	(11,038)	11,038
Retirement payable	<u> (46,310</u>)	30,135	52,871
Net cash provided by operating activities	_1,695,938	<u> (73,062</u>)	92,165
Cash flows from investing activities:			
Purchase of investments	(3,051,859)	(1,899,860)	(2,199,278)
Proceeds from investing activities	2,199,860	2,199,278	2,892,972
Investment income	191,862	107,903	109,890
Net cash provided (used) by investing activities	\$ <u>(660,137</u>)	\$407,321	\$ <u>803,584</u>

See accompanying notes to financial statements.

-6-

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Hospital Service District No. 2, Of the Parish of LaSalle, State of Louisiana Combined Statements of Cash Flows (Continued) Unrestricted Funds Years Ended September 30, 2001, 2000 and 1999

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	2001	2000	1999
Cash flows from capital and related financing activities:			
Purchase of property and equipment	\$ (376,376)	\$ (220,151)	\$ (507,983)
Proceeds from sales of capital assets	2,594	-0-	24,383
Purchase of investments - bond reserves	(737,388)	(704,681)	(518,413)
Principal paid on long-term debt	(230,000)	(225,000)	(195,000)
Interest paid on long-term debt	(29,097)	(41,854)	(52,051)
Proceeds from investments - bond reserves	704,681	652,823	495,909
Investment income	27,680	27,112	22,504
Net cash used by capital and related			
financing activities	<u> (637,906)</u>	<u>(511,751)</u>	(730,651)

Net increase (decrease) in cash and cash equivalents

Cash transferred from Nursing Home

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Cash and cash equivalents, beginning of year

Cash and cash equivalents, end of year

Supplemental disclosures of cash flow information:

Cash paid during the period for: Interest

165,098	(177,492)	397,895
-0-	-0-	455,271
252,931	418,029	240,537
\$ <u>418.029</u>	\$ <u>240,537</u>	\$ <u>1,093,703</u>

\$<u>29.097</u> \$<u>41.854</u> \$<u>52.051</u>

See accompanying notes to financial statements.

-7-

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

LaSalle Parish Hospital Service District No. 2, State of Louisiana (referred to as "the District") was created in 1968 by the LaSalle Parish Police Jury.

The District is a political subdivision of the LaSalle Parish Police Jury whose jurors are elected officials. Its five Commissioners are appointed by the LaSalle Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the LaSalle Parish Police Jury is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the LaSalle Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. 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.

On April 18, 2001 the District resumed control of LaSalle Nursing Home. LaSalle General Hospital and LaSalle Nursing Home are both enterprise funds within the District. This change in control has allowed the District to take advantage of an opportunity to participate in an Intergovernmental Transfer Program as envisioned by Act No. 143 of the First Extraordinary Session of 2000. Participation in this program will enhance the District's ability to provide quality care to the elderly and infirm nursing home patients of LaSalle Parish.

Nature of Business

The District provides outpatient, emergency, skilled nursing, acute inpatient hospital services, home health services, and long-term inpatient intermediate and skilled nursing services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Enterprise Fund

Enterprise funds are used to account for operations (a) 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, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other



-8-

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Audit and Accounting Guide - Health Care Organizations, 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 LaSalle Parish residents and grants credit to patients, substantially all of whom are local residents.

The District's estimate of collectibility is based on an evaluation of historical collections compared to gross revenues to establish an allowance for uncollectible accounts.

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.

Significant Concentration of Economic Dependence

The District has an economic dependence on a small number of staff physicians who admit over 90% of the District's patients. Revenues from Medicare and Medicaid are significant. Accordingly, government changes in reimbursement significantly impact the District.

Inventory

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

Statement of Revenues and Expenses

For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as revenues and expenses. Peripheral or incidental transactions are reported as gains and losses.

-9-

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

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

Property, Plant and Equipment

Buildings	25 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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

Resident Deposits

The Nursing Home manages residents' personal funds that are shown on the financial statements as "Assets whose use is limited" with a related liability, "Resident deposits".

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:

	2001	2000	1999
Petty cash	\$ 1,235	\$ 985	\$ 985
Checking and Savings	_1,092,468	239,552	417,044
Total	\$_1.093.703	\$240.537	\$418.029



Four hundred thousand dollars of the above amount is covered by federal depository insurance. The remaining balance, with the exception of petty cash, is covered by collateral held by the pledging financial institution's trust departments in the District's name.

-10-

NOTE 4 - INVESTMENTS

The District's investments consist of certificates of deposit and a United States Treasury Bill with a maturity value of \$300,000 maturing on January 4, 2002. The Treasury Bill is held in safekeeping at First National Bank, Baton Rouge, Louisiana. The book value approximates market at September 30, 2001. The District considers certificates of deposit with original maturities in excess of 90 days to be temporary cash investments. These certificates of deposit were covered by collateral held by the pledging financial institution's trust departments in the District's name.

NOTE 5 - ASSETS WHOSE USE IS LIMITED

Assets whose use is limited consists of the following items at September 30:



Revenue Bond Sinking Fund	\$ 164,182	\$ 159,155	\$ 134,410
Revenue Bond Reserve Fund	573,206	545,526	<u> </u>
Total	\$ <u>737,388</u>	\$ <u>704,681</u>	\$ <u>652.823</u>

2001

The Revenue Bond Sinking Fund and Revenue Bond Reserve Fund were required by the Farmers Home Administration revenue bond contract. Monthly transfers from the operating account are required by the revenue bond agreement,

NOTE 6 - ACCOUNTS RECEIVABLE

A summary of accounts receivable as of September 30, is presented below:

	2001	2000	1999
Patients	\$ 4,010,155	\$ 2,953,868	\$ 2,363,728
Estimated third-party payor settlements	262,584	171,649	149,455
Other receivables	<u>5,156</u>	33,557	<u>. 35,176</u>
	4,277,895	3,159,074	2,548,359
Estimated uncollectibles	<u>(589,041)</u>	<u>(460,261)</u>	(332,544)
Total	\$ <u>3.688.854</u>	\$ <u>.2.698.813</u>	\$ <u>2,215,815</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 September 30, 2001, 2000 and 1999 follows:

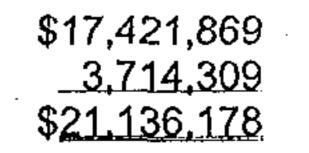
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<u>1999</u>

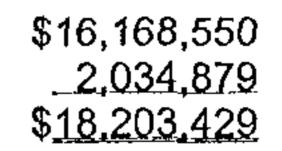
<u>2000</u>

Medicare patients Medicaid patients Total

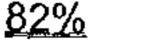
Percent of all patients

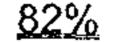


-11-



\$16,365,439 1,545,760 \$<u>17,911,199</u>







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NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended September 30, 2001:

	ASSET COST							
	Septe	ember 30,					Se	ptember 30,
		2000		Additions		Deletions	-	2001
Land	\$	125,328	\$	28,565	\$	-0-	\$	153,893
Land improvements		183,543		9,850		-0-		193,393
Buildings and fixed								
equipment		8,659,524		1,105,452		245		9,764,731
Moveable equipment		2,686,884		748,534		110,227		3,325,191
Construction in process		-0-	-	15,394		-0-	<u>+</u>	15,394
Total	\$ <u>1</u>	1.655.279	\$_	<u>1.907.795</u>	\$_	110,472	\$	13,452,602

ACCUMULATED DEPRECIATION

	•	ember 30, 2000		Additions		Deletions	Se	ptember 30, 2001
Land improvements Buildings and fixed	\$	148,343	\$	8,868	\$	- 0-	\$	157,211
equipment		4,387,806		498,417		245		4,885,978
Moveable equipment		2,010,212	_	533,909		110,230		2,433,891
Total	\$	<u>6.546.361</u>	\$_	<u> </u>	\$_	110,475	\$	7.477.080

Included in the addition column are \$1,618,853 and \$652,692 of transferred assets and accumulated depreciation, respectively.

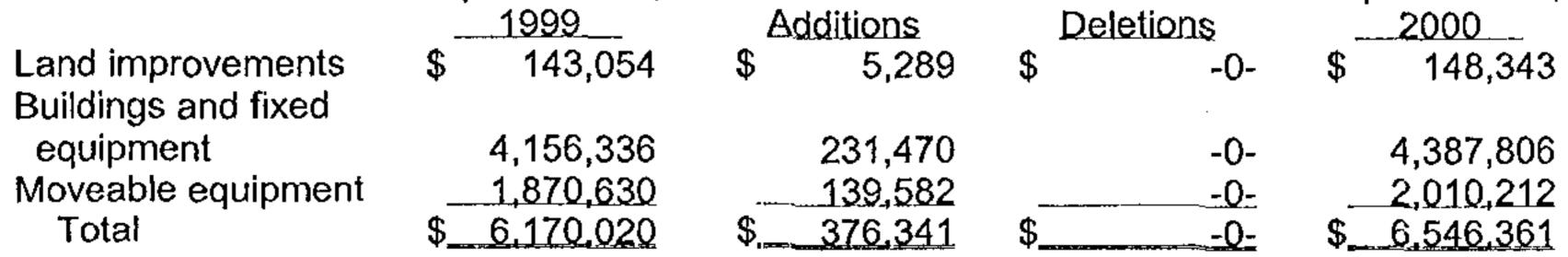
The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended September 30, 2000:

• · · ·	ASSET COST							
	Sept	tember 30,					Sep	tember 30,
		1999	Add	ditions	De	eletions		2000
Land	\$	125,328	\$	-0-	\$	-0-	\$	125,328
Land improvements		179,045		4,498		-0-		183,543
Buildings and fixed								
equipment		8,626,674		32,850		-0-		8,659,524
Moveable equipment		2,504,081	·	<u>182,803</u>		-0-		2,686,884
Total	\$ <u>_1</u>	<u>1,435,128</u>	\$	220.151	\$ <u></u>	-0-	\$ <u>_1</u>	1.655.279

ACCUMULATED DEPRECIATION

September 30,

September 30,



-12-

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NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	ASSET COST					
	September 30,			September 30,		
	1998	Additions	Deletions	1999		
Land	\$ 60,328	\$ 65,000	\$-0-	\$ 125,328		
Land improvements	179,045	-0-	-0-	179,045		
Buildings and fixed						
equipment	8,441,279	185,395	-0-	8,626,674		
Moveable equipment	2,246,837	257,832	588	2,504,081		
Total	\$ <u>10,927,489</u>	\$ <u>508,227</u>	\$ <u>.588</u>	\$ <u>11,435,128</u>		

ACCUMBLI ATEN DEDDECIATION

	September 30,			September 30,
	1998	Additions	Deletions	1999
Land improvements Buildings and fixed	\$ 137,694	\$ 5,360	\$-0-	\$ 143,054
equipment	3,941,159	215,177	-0-	4,156,336
Moveable equipment	<u>1,736,735</u>	134,483	588	_1,870,630
Total	\$ <u>5.815.588</u>	\$ <u>355.020</u>	\$ <u>588</u>	\$ <u>6,170,020</u>

NOTE 8 - OTHER ASSETS

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Other assets at September 30, consist of the following:

	2001		<u>2000</u>		<u>1999</u>	
Silver recovered from x-ray films Startup costs, net Deposits	\$	7,153 673 25	\$	7,153 -0- -0-	\$	7,153 -0- -0-
Total	\$	7.851	\$	7.153	\$ <u></u>	7.153

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-13-

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NOTE 9 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

Accrued expenses and withholdings payable at September 30 consist of the following:

	2001	2000	1999
Accrued employee insurance payable State unemployment taxes payable	\$	\$	\$ 80,428 733
Accrued interest payable	13,889	21,291	26,687
Accrued salaries and fees payable Accrued compensated absences	178,801 265,693	144,284 196,666	108,555 172,686
Payroll withholdings Third party payable	34,846 -0-	4,924 -0-	6,604 11,038
Provider tax payable	19,593	-0-	-0-

Total

NOTE 10 - 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, sick 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 11 - PENSION PLAN

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The Hospital has a qualified contributory defined contribution plan providing retirement benefits for substantially all of its employees. Annually, the District contributes 5.1 percent of the salary of eligible employees to the plan. The plan administrator is ITT Hartford. For the year ended September 30, 2001, employee contributions were \$287,293 and employer contributions were \$258,435.

The Nursing Home sponsors a tax-deferred annuity arrangement (exempt under Section 403(b) of the Internal Revenue Code) that covers key employees who have completed at least 1000 hours of service per year. Employees may elect to make contribuitons of up to \$10,000 to the annuity through a salary reduction agreement. The Nursing Home bonuses participating employees 50% of their contributions currently. This percentage is at the board's discretion and is reviewed each year. For the years ended September 30, 2001, 2000 and 1999, the amount of pension expense was \$4,603, \$8,256, and \$7,679 respectively.

-14-

NOTE 12 - LONG-TERM DEBT

A summary of long-term debt, including capital lease obligations at September 30, 2001, 2000 and 1999 follows:

	2001	2000	1999
5.0 percent revenue bonds due March 10, 2003, collateralized by a pledge of the District's revenues	\$ <u>500,000</u>	\$ <u>730,000</u>	\$ <u>955,000</u>
Total long-term debt	500,000	730,000	955,000
Less current maturities of long-term debt	245,000	_230,000	_215,000
Long-term debt, net of current maturities	\$ <u>255,000</u>	\$ <u>500,000</u>	\$ <u>740.000</u>

A table of annual debt service requirements follows:



NOTE 13 - 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 appropriateness of their admission are subject to an independent review by a peer review organization under contract with the District. Home health is reimbursed based upon a cost reimbursement methodology which is subject to limits on a cost per visit as well as per beneficiary basis. The District's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 1998.

Medicaid - Medicaid inpatient services are reimbursed based on a prospectively determined per diem rate. Most Medicaid outpatient services are reimbursed under a cost reimbursement methodology. The District is reimbursed at a tentative rate for cost based services 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 September 30, 1997.

-15-

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NOTE 13 - NET PATIENT SERVICE REVENUE (Continued)

Blue Cross - Inpatient services rendered to Blue Cross subscribers are reimbursed at prospectively determined rates per day of hospitalization. The prospectively determined per-diem rates are not subject to retroactive adjustment.

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 14 - 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 healthcare provider settlement for professional liability to \$100,000 per occurrence and limiting the PCF's exposure to \$400,000 per occurrence.

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

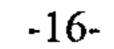
NOTE 15 - COMMITMENTS AND CONTINGENCIES

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:

Governmental Third Party Reimbursement Programs (Note 6) - 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.



NOTE 15 - COMMITMENTS AND CONTINGENCIES (Continued)

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

Medicaid Uncompensated Cost - The District received interim amounts of \$573,083, \$43,375 and \$75,669 for Medicaid and self-pay uncompensated care services for the years ended September 30, 2001, 2000 and 1999, respectively. The interim amounts received are based upon uncompensated cost incurred in previous years. Current regulations require retroactive audit of the claimed uncompensated cost and comparison to the interim amounts paid by Medicaid in each fiscal year. Any overpayments will be recouped by Medicaid and the District has not made any provisions for such recoupments. Management contends interim amounts paid reasonably estimate final settlement. To the extent management's estimates differ from actual results, the differences will be used to adjust income for the period when differences arise.

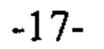
The healthcare industry is subject to numerous laws and regulations of Federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participating requirements, reimbursement for patient 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 providers. Violations of these laws and regulations could result in expulsion from government 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 Hospital is in compliance with fraud and abuse statutes 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.

Professional Liability Risk (Note 14) - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

Workmen's Compensation Risk - The District participates in the Louisiana Hospital Association Self-Insurance Workmen's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. Accordingly, the District is contingently liable for assessments by the Louisiana Hospital Association Trust Fund. The District's balance in the Louisiana Hospital Association Trust Fund is \$233,846.

Litigation and Other Matters - Various claims in the ordinary course of business are pending against the District. In the opinion of management and counsel, insurance is sufficient to cover adverse

legal determinations in those cases where a liability can be measured.



NOTE 16 - CHARITY CARE

The District has a policy of providing charity care to indigent patients who meet certain criteria under its charity care policy. The cost of the charity care was \$8,836, \$25,212 and \$55,770 for the fiscal years ended in 2001, 2000 and 1999, respectively.

NOTE 17 - OPERATING LEASES

Leases that do not meet the criteria for capitalization are classified as operating leases with related rental charged to operations as incurred. The following is a schedule by year of future minimum lease payments under operating leases as of September 30, 2001, that have initial or remaining lease terms in excess of one year.

Year Ending September 30

Amount

2002	\$ 9,082
2003	4,541

Total minimum lease payments \$<u>13,623</u>

NOTE 18 - INTERGOVERNMENTAL TRANSFER PROGRAM

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As of April 23, 2001, the District entered into a cooperative endeavor agreement with the State of Louisiana, through the Department of Health and Hospitals ("DHH"), for the purpose of DHH's Nursing Home Intergovernmental Transfer Program. This program enables DHH to pay Medicaid Enhancement Pool payments to qualified parish-owned nursing facilities. The agreement remains in effect for three years. The program will further the health safety and welfare of the elderly and infirm citizens of LaSalle Parish. The District received \$932,260 under this program for the year ended September 30, 2001.

-18-

Hospital Service District No. 2, Of the Parish of LaSalle, State of Louisiana Debt Service Fund Balance Sheets September 30, 2001, 2000 and 1999

Assets:	<u>2001</u>	2000	1999
Cash Certificates of deposit	\$	\$ 11,100 <u>394,790</u>	\$
Total assets	\$ <u>401.894</u>	\$ <u>405,890</u>	\$ <u>398.923</u>
Fund Balance:			
Fund balance	\$ <u>401.894</u>	\$ <u>405.890</u>	\$ <u>398.923</u>

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See accompanying notes to financial statements.

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-19-

Hospital Service District No. 2, Of the Parish of LaSalle, State of Louisiana Debt Service Fund Statements of Revenues and Expenditures And Changes in Fund Balance Years Ended September 30, 2001, 2000 and 1999

	2001	2000	1999
Revenue: Ad valorem taxes Interest income	\$	\$ 109,609 <u>3,926</u>	\$ 102,165 <u>3,869</u>
Total revenue	102,395	113,535	106,034
Expenditures:			
Bonds redeemed	95,000	90,000	85,000
Interest on bonds	11,211	16,388	21,275
Fiscal agent fees	180	180	180
Total expenditures	106,391	106,568	106,455

Excess of revenue (expenditures)	(3,996)	6,967	(421)
Fund balance, beginning of year	405,890	398,923	399,344
Fund balance, end of year	\$ <u>401,894</u>	\$ <u>405.890</u>	\$ <u>398.923</u>

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See accompanying notes to financial statements.



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Hospital Service District No. 2, Of the Parish of LaSalle, State of Louisiana General Long-Term Debt Account Group Statements of General Long-Term Debt Years Ended September 30, 2001, 2000 and 1999

AMOUNT AVAILABLE AND TO BE PROVIDED FOR PAYMENT OF GENERAL LONG-TERM DEBT	2001	<u>2000</u>	<u>1999</u>
Serial Bonds Amount available in Debt Service Fund Amount to be provided Total	\$ 401,894 (301,894) \$100,000	\$ 405,890 (210,890) \$195,000	\$398,923 (113,923) \$ <u>285,000</u>
GENERAL LONG-TERM DEBT PAYABLE			
Serial Bonds Payable	\$ <u>100.000</u>	\$ <u>195,000</u>	\$ <u>285.000</u>

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See accompanying notes to financial statements.

-21-

Hospital Service District No. 2, Of the Parish of LaSalle, State of Louisiana Debt Service Fund and General Long-Term Debt Account Group Notes to Financial Statements Years Ended September 30, 2001, 2000 and 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Debt Service

The debt service fund was established to receive ad valorem taxes collected and to repay bonds and the interest thereon. Taxes received cannot be commingled with other funds and can be used only for the designated purpose.

General Long-Term Debt Account Group

The general long-term debt account group is a self-balancing group of accounts which includes unmatured public improvement bonds that are funded by ad valorem tax revenues.

Basis of Accounting

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. Property tax revenues are recognized when they become available. Available includes those property taxes collected.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt which is recognized when due.

Budgets

Expenditures of the debt service fund are controlled through debt service commitments. No legal budget is required for this fund.

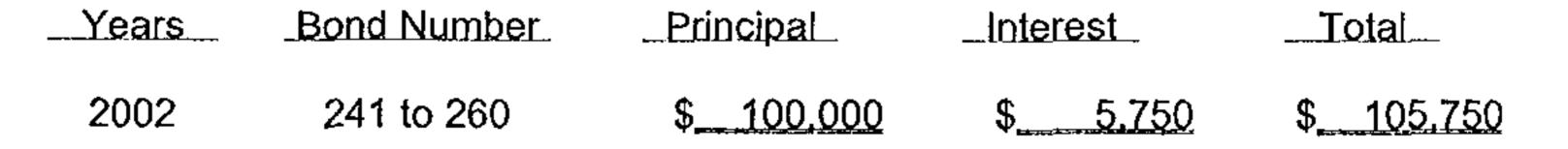
NOTE 2 - DEPOSITS

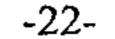
Certificates of Deposit at September 30, 2001, 2000 and 1999 with the depository bank are secured at the balance sheet date by federal depository insurance coverage and by pledged securities.

NOTE 3 - SERIAL BONDS PAYABLE

Public Improvement Bonds dated May 1, 1977, mature serially in \$5,000 denominations on May 1st of each year with interest payable on May 1st and November 1st at various rates from 5% to 5.6% per annum. In October of 2001, these bonds were redeemed.

At September 30, 2001, there were outstanding bonds in an amount of \$1000, as detailed below:





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SUPPLEMENTAL INFORMATION

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Hospital Service District No. 2, Of the Parish of LaSalle, State of Louisiana Schedules of Patient Statistics Years Ended September 30, 2001, 2000 and 1999

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	2001	2000	<u>1999</u>
Number of Hospital Patient Days of Care			
Medicare	9,646	9,514	10,054
Medicaid	1,570	1,257	1,084
Other	748	638	606
Total	11.964	11.409	11.744
Number of Hospital Patient Discharges			
Medicare	1,265	1,281	1,311
Medicaid	327	247	189
Other	180	172	131
Total	<u> </u>	1.700	<u>1.631</u>

Average Length of Patient Stay

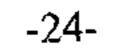
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Medicare	7.62	7.50	7.84
Medicaid	4.80	5.22	4.62
Other	4.15	3.71	4.07
All Patients	6.75	6.78	7.20
Number of Surgical Cases	<u> 14</u>	26	31
Number of Home Health Visits	7.487	8,274	10,810
Number of Emergency Room Visits	8.703	<u>8.243</u>	7,461



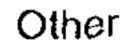
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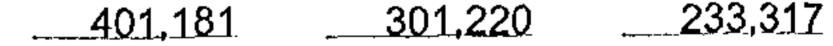
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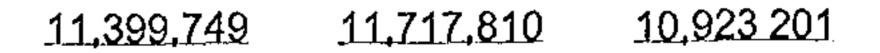
Hospital Service District No. 2, Of the Parish of LaSalle, State of Louisiana Schedules of Net Patient Service Revenue Unrestricted Fund Years Ended September 30, 2001, 2000 and 1999

	2001	2000	<u>1999</u>
Routine services:	* • • • • • • • • • • • • • • • • • • •	A A A A A A A A A A	• • • • • • • • • • •
Adult and pediatric	\$ 2,902,352	\$ 2,626,140	\$ 2,554,106
Swing bed	366,984	302,876	259,730
Nursing home services	<u>1,725,459</u>	-0-	<u>-0-</u>
Total routine services	4,994,795	<u>_2,929,016</u>	<u>2,813,836</u>
Other professional services:			
Operating room	156,223	182,352	157,291
Recovery room	9,376	9,881	12,817
Anesthesiology	95,537	111,379	109,868
Radiology	1,723,672	1,733,574	1,392,405
Laboratory and blood	2,857,030	2,804,060	2,657,622
IV therapy	574,924	530,093	501,165
Respiratory therapy	1,654,300	1,649,688	1,604,171
Physical therapy	537,839	616,730	478,835
Occupational therapy	16,809	27,704	6,668
Speech therapy	5,312	6,342	3,958
EEG, EKG, telemetry	1,402,287	1,288,762	1,324,371
Medical supply	1,182,061	1,073,039	1,094,193
Pharmacy	6,788,460	5,820,213	5,393,682
Grand care	772,431	750,290	589,899
Wound care	221,180	21,353	3,740
Wellness center	45,296	51,190	12,083
Emergency service	1,389,952	878,508	674,923
Observation room	6,611	33,260	39,409
Ambulance service	496,098	554,532	408,880
Home health services	984,580	1,145,450	_1,378,227
Total other professional services	20,919,978	19,288,400	17,844,207
Total patient service revenue	25,914,773	22,217,416	20,658,043
Deductions from revenue:			
Medicare and Medicaid contractual			
adjustments	12,485,864	11,426,148	10,700,628
Medicaid Dispro payment	(573,083)	(43,375)	(75,669)
Intergovernmental transfer payment	(932,260)	-0-	-0-
Employee discounts	9,211	8,605	9,155
Uncompensated services	8,836	25,212	55,770
Ollosinponoaloa oornooo	101 101	201 220	222 217



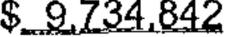


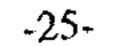
Total deductions from revenue



Net patient service revenue







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Hospital Service District No. 2, Of the Parish of LaSalle, State of Louisiana Schedules of Other Revenue Unrestricted Fund Years Ended September 30, 2001, 2000 and 1999

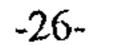
		2001		2000		1999
Purchase discounts taken	\$	3,633	\$	3,020	\$	4,029
Nursing Home contract		202,196		388,195		384,633
Cafeteria		127,892		131,659		123,619
Cot rentals		1,470		1,146		1,457
Medical record abstracts		5,624		5,255		5,715
Vending		1,978		1,406		1,321
Rental income		72,500		114,000		114,000
Ambulance reimbursement		116,409		113,400		80,333
Nursing Home accounting fees		4,725		8,100		8,100
Doctors' billing		27,300		24,150		23,385
Miscellaneous revenue		460	.	14,173		1,016
Tatal	¢	56/ 197	¢	804 504	¢	747 608

Total

\$<u>564.187</u> <u>\$804.504</u> <u>\$747.608</u>

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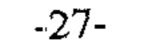
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Hospital Service District No. 2, Of the Parish of LaSalle, State of Louisiana Schedules of Expenses - Salaries and Benefits Unrestricted Funds Years Ended September 30, 2001, 2000 and 1999

		2001		2000		1999	
Salaries:	•	000 740	æ	700 440	¢	620 771	
Administration	\$	863,713	\$	702,442	\$	680,771	
Plant operations and maintenance		212,848		197,669		185,670	
Laundry		103,273		101,403		97,599	
Housekeeping		197,053		109,184		98,998	
Dietary and cafeteria		350,156		325,178		315,084	
Nursing administration		229,346		187,330		182,850	
Medical records		110,886		99,220		90,247	
Nursing services		1,829,566		1,219,619		1,153,339	
Grand care		116,622		117,410		115,231	
Wellness center		38,758		34,373		9,986	
Operating room		37,126		38,718		38,797	
Recovery room		3,595		3,653		4,726	
Radiology		144,503		132,416		118,500	
Laboratory		166,756		159,953		140,252	
Respiratory therapy		185,285		177,976		169,380	
Physical therapy		138,754		51,849		47,257	
Central supply		97,534		92,239		87,375	
Pharmacy		156,392		148,267		136,449	
Emergency room		525,128		456,345		394,305	
Observation		-0-		2,660		3,775	
Ambulance		176,468		167,007		155,709	
Home health	-	346,088	-	371,146	-	411,463	
Total salaries		6,029,850	-	4,896,057	-	4,637,763	
FICA/Social Security		152,026		91,556		87,746	
Hospitalization insurance		529,721		526,280		450,886	
Other		452,509	-	456,843	-	452,590	
Total benefits		1,134,256	-	1,074,679	-	991,222	
Total salaries and benefits	\$	7,164,106	\$_	<u>5.970,736</u>	\$_	<u>5,628,985</u>	



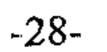
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Hospital Service District No. 2, Of the Parish of LaSalle, State of Louisiana Schedules of Expenses - Medical Supplies and Drugs Unrestricted Funds Years Ended September 30, 2001, 2000 and 1999

		2001		2001 2000		<u> 1999</u>
Nursing services	\$	23,770	\$	20,405	\$ 18,163	
Grand care		41		34	137	
Wellness center		301		61	34	
Operating room		9,741		10,300	18,381	
Anesthesiology		252		266	429	
Radiology		66,084		69,032	41,220	
Laboratory and blood		22,898		17,039	12,851	
IV therapy		89,762		81,361	86,669	
Respiratory therapy		19,968		23,431	26,426	
Physical therapy		3,026		5,844	3,516	
Telemetry		3,964		5,129	4,566	
Central supply		81,360		88,326	99,056	
Pharmacy		761,316		604,308	609,169	
Emergency room		8,817		8,203	6,980	
Ambulance	·	7,463		6,893	6,382	
Home health		23,454		33,129	35,443	
Nursing home supplies		65,455		-0-	 -0-	
Total medical supplies and drugs	\$ <u>1</u>	<u>187.672</u>	\$	<u>973,761</u>	\$ <u>969,422</u>	

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Hospital Service District No. 2, Of the Parish of LaSalle, State of Louisiana Schedules of Expenses - Professional Fees Unrestricted Funds Years Ended September 30, 2001, 2000 and 1999

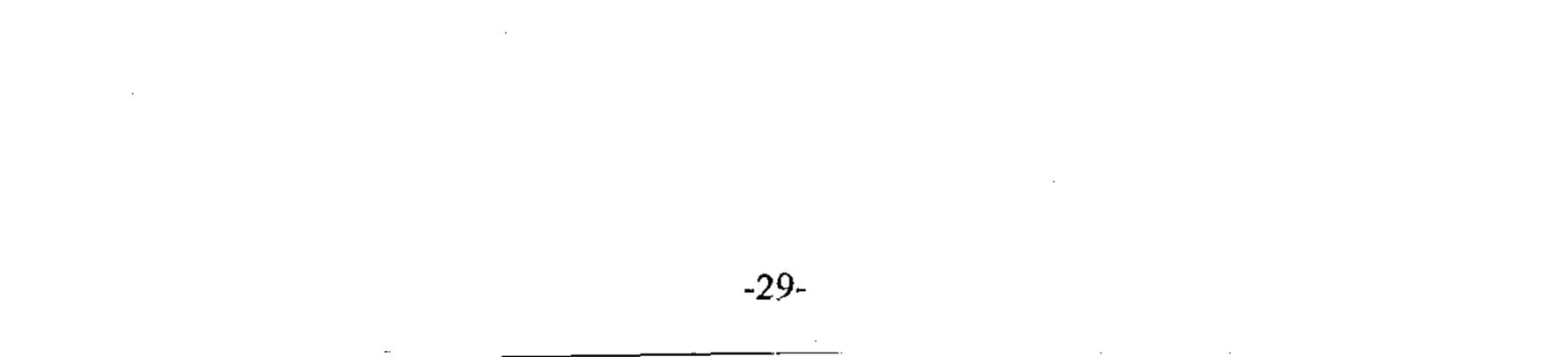
	2001	2000		<u>1999</u>
Swing bed	\$ 385	\$ 344	\$	523
Grand care	57,778	57,915		59,636
Anesthesiology	88,671	75,775		64,264
Radiology	113,584	128,289		61,000
Laboratory	113,060	89,473		152,931
Physical therapy	34,406	195,778		163,880
Occupational therapy	4,440	6,800		1,400
Speech therapy	2,025	3,040		2,150
EKG, EEG	65,475	76,915		129,725
Emergency room	666,980	668,820		639,484
Home health	19,444	36,372		23,704
Pharmacy	2,916	 -0-	•	-0-

Total professional fees

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Hospital Service District No. 2, Of the Parish of LaSalle, State of Louisiana Schedules of Expenses - Other Expenses Unrestricted Funds Years Ended September 30, 2001, 2000 and 1999

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	2	2001		2000		<u>1999</u>
Contract services	\$	5,843	\$	-0-	\$	2,500
Consultants		24,128		11,095		10,140
Legal	Ş	99,170		58,590		29,340
Supplies	76	62,498	6	94,349		673,516
Repairs and maintenance	37	70,424	3	10,337		300,076
Utilities	26	64,512	2	12,647		196,073
Telephone	ŧ	55,307	:	50,347		50,239
Travel	E	58,759	:	55,797		53,430
Rentals	Ę	57,513		41,542		42,039
Advertising		21,524		14,902		14,235
Recruitment		2,874		-0-		-0-
Dues and subscriptions	Ę	57,539		74,851		50,118
Miscellaneous	4	49,550	4	43,334		54,068
Provider tax	1(<u> 9,015</u>		-0-	<u></u>	-0-
Total other expenses	\$ <u>1.94</u>	<u>18.656</u>	\$ <u>1,5</u>	6 <u>7,791</u>	\$ <u>1</u>	<u>.475.774</u>

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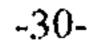
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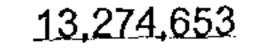


Hospital Service District No. 2, Of the Parish of LaSalle, State of Louisiana Combining Balance Sheet - Unrestricted Funds September 30, 2001

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	LaSalle General <u>Hospital</u>	LaSalle Nursing Home	Eliminating Entries Combined
ASSETS			
Current assets: Cash and cash equivalents (Note 3) Assets whose use is limited -	\$ 373,015	\$ 720,688	\$ 1,093,703
required for current liabilities Investments (Note 4)	-0- 1,718,642	25,133 1,335,805	25,133 3,054,447
Accounts receivable, net of estimated uncollectibles (Note 6) Inventory	3,421,284 255,211 <u>36,997</u>	307,239 11,113 13,788	(39,669) 3,688,854 266,324 50,785
Prepaid expenses Total current assets	5,805,149	_2,413,766	8,179,246
Assets whose use is limited under bond covenant agreement (Note 5)	737,388	-0-	737,388
Property, plant and equipment, net (Note 7) Other assets (Note 8)	5,009,361 7,153	966,161 698	5,975,522 7,851
Total assets	\$ <u>11,559.051</u>	\$ <u>3.380.625</u>	\$ <u>14.900.007</u>
LIABILITIES AND FUND BALANCE			
Current liabilities: Current maturities of long-term debt Accounts payable Accrued expenses and withholdings	\$ 245,000 240,498	\$-0- 79,363	\$ 245,000 (39,669) 280,192
payable (Note 9) Resident deposits Retirement payable	520,176 -0- <u>193,825</u>	106,028 25,133 <u>-0-</u>	626,204 25,133 193,825
Total current liabilities	_1,199,499	210,524	_1,370,354
Long-term debt, net of current maturities (Note 12)	255,000	-0-	255,000
Total liabilities	_1,454,499	210,524	_1,625,354

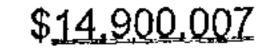
10,104,552 _3,170,101



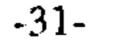
Total liabilities and fund balance \$<u>11.559.051</u> \$<u>3.380.625</u>

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Fund balance - unrestricted



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Hospital Service District No. 2, Of the Parish of LaSalle, State of Louisiana **Combining Statement of Operations - Unrestricted Funds** Year Ended September 30, 2001

	LaSalle General <u>Hospital</u>	LaSalle Nursing Home	Eliminating Entries	Combined
Revenue:	#44.000.000	A A A A A A A A A A	Φ (7 .000)	ФАА БАБ ООА
Net patient service revenue	\$11,889,000	\$ 2,633,110	\$ (7,086)	\$14,515,024
Gain (loss) on disposal of equipment	2,594	-0-		2,594
Grant income	-0-	-0-		-0-
Other revenue	790,034	6,844	(232,691)	-
Total revenue	12,681,628	2,639,954		<u>15,081,805</u>
Expenses:				
Salaries and benefits	6,349,472	814,634		7,164,106
Medical supplies and drugs	1,122,217	65,455		1,187,672
Insurance	208,852	18,880		227,732
Professional fees	1,160,860	15,390	(7,086)	1,169,164
Other expenses	1,622,848	558,499	(232,691)	1,948,656
Provision for bad debts	1,153,236	17,683		1,170,919
Depreciation and amortization	388,499	32,547		421,046
Interest	29,097	-0-		29,097
Total expenses	12,035,081	1,523,088		<u>13,318,392</u>
Operating income (loss)	646,547	1,116,866		1,763,413
Nonoperating income				
Interest income	198,707	20,836		219,543
Excess of revenues over expenses	\$ <u>845.254</u>	\$ <u>1.137.702</u>		\$ <u>1.982.956</u>

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

Melanie I. Layssard, CPA Brenda J. Lloyd, CPA

LESTER, MILLER & WELLS

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

Board of Commissioners Hospital Service District No. 2, Of the Parish of LaSalle, State of Louisiana Jena, Louisiana

We have audited the general purpose financial statements of the LaSalle General Hospital Service District No. 2 of the Parish of LaSalle the ("District"), as of and for the years ended September 30, 2001, 2000 and 1999, and have issued our report thereon dated January 18, 2002. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States.

Compliance

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

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 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.

Board of Commissioners Hospital Service District No. 2, Of the Parish of LaSalle, State of Louisiana Page Two

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. However, this report is a matter of public record and its distribution is not limited.

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Certified Public Accountants

January 18, 2002

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