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GENERAL AUDITOR
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GENERAL PURPOSE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

DEQUINCY MEMORIAL HOSPITAL

September 30, 1966 and 1965

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Release Date 4-2-97

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INDEPENDENT AUDITORS' REPORT

Board of Directors
DeQuincy Memorial Hospital
DeQuincy, Louisiana

We have audited the accompanying general purpose financial statements of DeQuincy Memorial Hospital, a component unit of the City Council of the City of DeQuincy, Louisiana, as of September 30, 1996 and 1995, and the related statements of revenues, expenses and changes in retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of DeQuincy Memorial Hospital as of September 30, 1996 and 1995, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated March 6, 1997 on our consideration of DeQuincy Memorial Hospital's internal control structure and a report dated March 6, 1997 on its compliance with laws and regulations.

March 6, 1997

Langley, Williams & Co., L.L.C.

DeQuincy Memorial Hospital

BALANCE SHEETS

September 30,

ASSETS

	<u>1996</u>	<u>1995</u>
CURRENT ASSETS		
Cash	\$ 103,177	\$ 328,728
Receivables		
Patient accounts, less allowance for uncollectible patient accounts and contractual adjustments of \$184,884 in 1996 and \$1,078,713 in 1995	1,162,825	463,119
Other	711,378	7,834
Inventories of materials and supplies	78,630	37,343
Prepaid expenses	<u>72,888</u>	<u>115,948</u>
Total current assets	2,139,803	963,972
ASSETS WHOSE USE IS LIMITED	-	485,076
PROPERTY, PLANT and EQUIPMENT, less accumulated depreciation (\$1,492,148 for 1996 and \$3,259,990 for 1995)	1,948,485	2,028,823
OTHER ASSETS		
Other receivables	-	92,999
Bond issuance cost, net of accumulated amortization (\$48,597 for 1996 and \$48,487 for 1995)	<u>16,180</u>	<u>18,250</u>
	<u>16,180</u>	<u>71,349</u>
Total assets	<u>\$ 4,098,478</u>	<u>\$ 3,468,324</u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND FUND EQUITY

	<u>2006</u>	<u>1995</u>
CURRENT LIABILITIES		
Bonds payable, current portion	\$ 171,000	\$ 102,849
Notes payable, current portion	-	17,416
Obligations under capital loans, current portion	23,216	14,258
Accounts payable	854,245	372,412
Accrued liabilities		
Salaries, wages and other compensation	193,844	173,823
Payroll taxes	10,549	1,268
Interest	66,782	3,793
Other	<u>88,021</u>	<u>55,266</u>
Total current liabilities	1,520,814	769,761
LONG-TERM DEBT MATURITIES, less current portion		
Revenue bonds	1,782,000	1,913,000
Public improvement bonds	25,000	50,000
Certificate of indebtedness	80,000	85,000
Obligations under capital loans	<u>2,726</u>	<u>85,608</u>
Total long-term obligations	1,889,726	2,033,608
FUND EQUITY		
Retained earnings - unreserved	688,938	227,771
- reserved	<u>-</u>	<u>405,078</u>
	<u>688,938</u>	<u>632,849</u>
 Total liabilities and fund equity	 \$ 4,059,478	 \$ 3,408,324

DeQuincy Memorial Hospital

STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS

For the years ended September 30,

	<u>1996</u>	<u>1995</u>
OPERATING REVENUES		
Patient service revenues, less provisions for contractual allowances and uncollectible accounts (\$289,754 for 1996) and \$1,598,181 for 1995)	\$ 5,723,949	\$ 5,642,176
Other	63,983	47,129
Total operating revenues	5,787,932	5,689,305
OPERATING EXPENSES	<u>5,708,885</u>	<u>5,564,626</u>
OPERATING INCOME	89,046	124,679
NONOPERATING REVENUES (EXPENSES)		
State grants	58,714	75,000
Unrestricted gifts	13,084	15,736
Interest income	7,215	19,597
Interest expense	(125,149)	(102,862)
Amortization	(2,159)	(2,289)
Depreciation on rental property	(14,608)	(12,581)
Other	<u>88,272</u>	<u>38,183</u>
Total nonoperating revenues (expenses)	(28,933)	(67,836)
NET INCOME	60,091	156,843
(INCREASE) DECREASE IN RETAINED EARNINGS RESERVED	<u>405,055</u>	<u>(1,848)</u>
NET CHANGE IN UNRESERVED RETAINED EARNINGS FOR YEAR	465,147	155,000
RETAINED EARNINGS-UNRESERVED OCTOBER 1,	<u>217,771</u>	<u>111,416</u>
RETAINED EARNINGS-UNRESERVED SEPTEMBER 30,	<u>\$ 682,918</u>	<u>\$ 227,771</u>

The accompanying notes are an integral part of these statements.

DeQuincy Memorial Hospital
STATEMENTS OF CASH FLOWS

For the years ended September 30,

	<u>1976</u>	<u>1975</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 56,090	\$ 124,185
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:		
Depreciation	232,137	204,828
Amortization	2,190	2,159
Changes in operating assets and liabilities:		
Decrease (Increase) in accounts receivable	(1,463,946)	43,817
Decrease (Increase) in inventories of materials and supplies	(1,266)	(11,677)
Decrease (Increase) in prepaid expenses	42,664	(43,281)
(Decrease) Increase in accounts payable	581,933	(78,546)
Increase (decrease) in accrued liabilities	(172,681)	(48,892)
Net cash flows provided (used) by operating activities	(312,490)	(372,683)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(142,818)	(130,029)
Cash designated as assets whose use is limited	(405,078)	(7,848)
Net cash provided (used) by investing activities	(547,896)	(137,877)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of capital lease obligations	(4,907)	(13,086)
Repayment of long-term obligations	(175,465)	(159,741)
Decrease in other receivables	(52,992)	(18,116)

DeQuincy Memorial Hospital

STATEMENTS OF CASH FLOWS - Continued

For the years ended September 30,

	1996	1995
Net cash used by financing activities	\$ 21,330	\$ 134,651
Net increase (decrease) in cash	(121,571)	30,193
Cash at beginning of year	228,728	198,535
Cash at end of year	\$ 107,157	\$ 228,728
Cash paid during the year for: Interest	\$ 46,196	\$ 124,935

The accompanying notes are an integral part of these statements.

DeQuincy Memorial Hospital

NOTES TO FINANCIAL STATEMENTS

September 30, 1996 and 1995

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The DeQuincy Memorial Hospital is owned by the City of DeQuincy, Louisiana. It is operated by the DeQuincy Memorial Hospital, Inc., a nonprofit corporation under the laws of the State of Louisiana. The organization was created by action of the DeQuincy, Louisiana, City Commission for the sole purpose of managing the hospital. DeQuincy Memorial Hospital, Inc. is a tax-exempt organization operated for charitable purposes within the meaning of Section 501 (C)(3) of the Internal Revenue Code of 1954, as amended. The exempt organization has no assets or liabilities at September 30, 1996.

1. Financial Reporting Entity

This report includes all funds which are controlled by or dependent on the Board of Directors of the Hospital. It has been determined that no other agency should be included in this reporting entity.

As the governing authority of the city, for reporting purposes, the City Council is the financial reporting entity of the City of DeQuincy, Louisiana. The financial reporting entity consists of (a) the primary government (City Council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the City Council for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the City Council to imprint its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City Council.
2. Organizations for which the City Council does not appoint a voting majority but are fiscally dependent on the City Council.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

DeQuincy Memorial Hospital

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1996 and 1995

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Because the City Council financial statements would be misleading if data of the organization was not included because of the nature or significance of the relationship, the Hospital was determined to be a component unit of the City of DeQuincy, Louisiana, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Hospital and do not present information on the City Council, the general government services provided by that government unit, or the other governmental units that comprise the financial reporting entity.

2. Fund Accounting

The accounts of the Hospital are organized on the basis of a fund. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The Hospital's financial statements reflect an enterprise fund.

The Enterprise Fund is 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 purposes.

3. Basis of Accounting

The enterprise fund is accounted for using the accrual basis of accounting. Their expenses are recognized when they are incurred.

4. Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Hospital considers all highly liquid debt instruments purchased with a maturity of three months or less and which are considered to be cash equivalents.

5. Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. 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.

DeQuincy Memorial Hospital

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1986 and 1985

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Inventories

Inventories of materials and supplies are stated at the lower of cost or market, cost is determined by using the first-in, first-out method.

7. Depreciation and Amortization

Property, plant and equipment are recorded at cost, or in the case of gifts, at fair market value at the date of contribution. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on a straight-line basis. Depreciation expense for the years ended September 30, 1986 and 1985 is \$217,551 and \$222,348 for operations and \$14,896 and \$13,681 on the medical office building.

Deferred bond issue cost is amortized on the straight-line method over the lives of the related bond issues.

8. Vacation and Sick Leave

The Hospital provides its permanent full-time employees with accrued paid vacation of 10 to 20 days depending upon length of service. Vacation leave is available for use by employees in the fiscal year succeeding the year it was earned and can not be accumulated or postponed until the following year. Upon termination of employment, any earned vacation will be paid, provided the termination is in good standing and with proper notice.

The Hospital's liability for accumulated unpaid annual leave of \$58,639 and \$47,514 has been recorded in accrued liabilities as salaries, wages and other compensation for 1986 and 1985.

Full-time employees become eligible for three work days of paid sick leave and begin earning additional leave at the rate of one day per month, to a maximum accumulation of 65 days. Upon termination of employment, sick leave is accrued.

9. Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

DeQuincy Memorial Hospital

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1986 and 1985

NOTE B - CHARITY CARE

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics. The following information measures the level of charity care provided during the year ended September 30, 1986 and 1985.

	1986	1985
Charges forgone, based on established rates	\$ 75,670	\$ 424,674
Estimated costs and expenses incurred to provide charity care	\$ 23,459	\$ 112,201
Equivalent percentage of charity care patients to all patients	.04%	.07%

NOTE C - NET PATIENT SERVICE REVENUE

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

MEICARE: 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. Inpatient nonacute services, certain outpatient services, and clerical, capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a variable rate with final settlement determined after submission of annual cost reports by the Hospital and audit thereof by the Medicare fiscal intermediary. The Hospital'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 Hospital. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 1984.

MEICAID: Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a variable rate with final settlement determined after submission of annual cost reports by the Hospital and audit thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 1984.

DeQuincy Memorial Hospital

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1996 and 1995

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

NOTE D - NON-COMPLIANCE WITH BOND INDENTURE AGREEMENT

Under terms of revenue bond indenture agreements, the Hospital is required to maintain a sinking fund and a reserve and contingency fund. The required balance of these funds at September 30, 1996 was \$169,873 and \$283,521, respectively. These accounts were unfunded at September 30, 1996.

NOTE E - CASH AND TIME DEPOSITS

Under state law, the Hospital's deposits must be secured by federal deposit insurance or the pledge of securities owned by the financial institution. At September 30, 1996, the Hospital's bank balance was \$263,113. All of this balance was covered by federal depository insurance or by collateral held by the Hospital's agent in the Hospital's name.

NOTE F - ACCOUNTS RECEIVABLE

Accounts receivable at September 30, consist of the following:

	<u>1996</u>	<u>1995</u>
Patient receivables		
0-30 days	\$ 681,647	\$ 617,611
31-60 days	338,061	419,579
61-90 days	93,280	194,586
91 days and older	<u>432,781</u>	<u>410,086</u>
	1,545,769	1,641,862

DeQuincy Memorial Hospital

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1996 and 1995

NOTE F - ACCOUNTS RECEIVABLE - Continued

Other receivables and interest receivable	711,278	68,957
	<u>3,258,987</u>	<u>1,702,789</u>
Less allowances for uncollectible patient accounts and contractual adjustments	(384,884)	(1,178,712)
	<u>\$ 1,874,103</u>	<u>\$ 524,076</u>

NOTE G - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and accumulated depreciation are as follows:

	<u>1996</u>	<u>1995</u>
Land	\$ 28,000	\$ 28,000
Land improvements	39,512	18,912
Building and fixed equipment	3,214,322	3,104,379
Paving	186,368	186,368
Equipment under capital leases	96,540	96,341
Movable furniture and equipment	1,448,583	1,415,746
Medical office building- rental property	447,307	447,307
	<u>3,441,633</u>	<u>5,298,813</u>
Less accumulated depreciation	<u>3,482,148</u>	<u>3,258,990</u>
	<u>\$ 1,049,485</u>	<u>\$ 2,039,823</u>

DeQuincy Memorial Hospital

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1996 and 1995

NOTE II - LONG-TERM DEBT AND CAPITAL LEASES

A summary of long-term debt and capital leases at September 30, 1996 and 1995, follows:

	<u>1996</u>	<u>1995</u>
300,000 of Hospital Revenue Bonds, 1981 Series, Dated February 9, 1982, Bearing 5% interest, payable in yearly installments on January 15, to Farmers Home Administration, collateralized by property and plant.	\$ 138,000	\$ 141,974
31,000,000 of Hospital Revenue Bonds, 1979 2nd Series, Dated November 14, 1979, Bearing 5% interest, payable in yearly installments on January 15, to Farmers Home Administration, collateralized by property and plant.	478,000	491,341
32,000,000 of Hospital Revenue Bonds of the City of DeQuincy, State of Louisiana, Dated January 18, 1979, Bearing 5% interest, payable in yearly installments on January 15, to Farmers Home Administration, collateralized by property and plant.	1,305,000	1,346,734
300,000 of Public Improvement Bonds of the City of DeQuincy, State of Louisiana, Dated June 1, 1978, Bearing variable interest rate presently at 3.25%, principal payments yearly on June 1 to Security National Bank, with interest payments on June 1 and December 1, collateralized by property and equipment.	50,000	75,000

DeQuincy Memorial Hospital

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1996 and 1995

NOTE H - LONG-TERM DEBT AND CAPITAL LEASES - Continued

	<u>1996</u>	<u>1995</u>
\$125,000 Certificate of Indebtedness of the City of DeQuincy, State of Louisiana, in Series, Dated December 1, 1991, Bearing 6.75% Interest, principal payments yearly on December 1 to City of DeQuincy, with interest payments on June 1 and December 1, unamortized.	95,000	165,800
3.5% note payable to First National Bank of Lake Charles, Louisiana, Dated August 2, 1993 payable in monthly installments of \$1,340 including interest, collateralized by equipment.	14,900	14,900
	<u>2,058,000</u>	<u>2,174,618</u>
Less current installments of long-term debt:	<u>171,000</u>	<u>116,618</u>
Long-term debt excluding current installments	\$ 1,887,000	\$ 2,058,000
Capital lease obligations, at varying rates of imputed interest from 3.5% to 9.05%, collateralized by leased equipment.	\$ 20,042	\$ 20,948
Less current portion of capital lease obligations	<u>21,718</u>	<u>14,218</u>
Capital lease obligations excluding current portion	\$ 3,724	\$ 16,730

Under terms of the bond indentures, the Hospital is required to maintain funds in the bond sinking fund, bond reserve fund, and the bond contingency fund. (See Note D)

DeQuincy Memorial Hospital

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1996 and 1995

NOTE II - LONG-TERM DEBT AND CAPITAL LEASES - Continued

Scheduled principal repayments on long-term debt and payments on capital lease obligations for the next five years following September 30, 1996 are as follows:

	<u>Long-term Debt</u>	<u>Obligations Under Capital Leases</u>
1997	\$ 171,000	\$ 23,314
1998	171,000	2,726
1999	157,000	-
2000	162,000	-
2001	<u>173,000</u>	<u>-</u>
Total	\$ 835,000	\$ 26,040

NOTE I - RETIREMENT PLANS

The Hospital has no retirement plan covering any employees. All employees are covered under the federal social security system.

NOTE J - OPERATING LEASES

Leases that do not meet the criteria for capitalization are classified as operating leases with related costs charged to operations as incurred.

As of September 30, 1996, there are no operating leases that have initial or remaining lease terms in excess of one year.

Total rental expense in 1996 and 1995 for all operating leases was approximately \$35,377 and \$35,800 respectively.

DeQuincy Memorial Hospital

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1996 and 1995

NOTE K - CONCENTRATIONS OF CREDIT RISK

The Hospital is located in DeQuincy, Louisiana. The Hospital grants credits without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers was as follows for 1996:

Medicare	67%
Medicaid	8
Other third-party	11
Patients	<u>18</u>
	100%

NOTE L - STATE GRANTS

For the year ended September 30, 1996 and 1995, the Hospital received grants of \$58,114 and \$75,900, respectively. These grants were provided, in accordance with the provisions of the Louisiana Procedure Act, LSA R.S. 49:550 et seq., to help small rural hospitals with quality emergency health services to indigent and low income persons in rural areas.

SUPPLEMENTAL INFORMATION



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REVENUE, FINANCIAL
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PROPERTY INSPECTION,
DEPARTMENT OF JUSTICE

MEMBER S. 101.7

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors
DeQuincy Memorial Hospital
DeQuincy, Louisiana

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole of DeQuincy Memorial Hospital, a component unit of the City Council of the City of DeQuincy, Louisiana, for the years ended September 30, 1996 and 1995, which are presented in the preceding section of this report. The supplemental information presented hereinafter is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information presented on page 21 has been subjected to the audit procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The schedule shown on pages 22 and 23 is presented as required by the Farmer's Home Administration. This data has been summarized from hospital records and was not subjected to the audit procedures applied in the audit of the basic financial statements. Accordingly, we do not express an opinion on such data.

March 8, 1997

Langley, Williams & Co., L.L.C.

DeQuincy Memorial Hospital

SCHEDULE OF OPERATING EXPENSES

For the years ended September 30,

	<u>1996</u>	<u>1995</u>
Routine nursing services	\$ 386,793	\$ 422,459
Surgery and recovery	299	4,882
Central supply	23,269	17,493
Telamedicine	7,329	-
Laboratory	279,421	249,291
EKG and EEG	1,045	2,227
Blood bank	7,982	7,399
Radiology	151,437	189,748
Radiology	169,798	169,546
Pharmacy	177,637	111,789
Respiratory therapy	89,627	98,799
Physical therapy	1,975	6,353
Nuclear medicine	-	27,182
Ultra sound	48,849	286,768
Dietary	31,697	35,199
Laundry	57,742	64,276
Purchasing	861,372	678,894
Home health	368,843	526,512
Burn clinic	88,819	93,731
Housekeeping	162,460	156,329
Plant operations and maintenance	14,735	36,051
Communications	157,072	164,989
Patient accounting	688,238	526,112
Administrative	179,173	179,163
Paracenter and employee benefits	964	18,899
Miscellaneous	68,629	79,795
Medical records	51,993	50,799
Nursing administration	217,551	122,548
Depreciation	26,717	30,773
Infection control	87	14
In-service	2,689	12,800
Public relations	164,932	-
Physician contractual guarantee	363,184	419,926
Emergency room	717,861	-
Psychiatric	12,893	1,370,499
Intensive therapy	-	-
	<u>\$ 3,882,880</u>	<u>\$ 3,365,628</u>

DeQuincy Memorial Hospital
SCHEDULE OF INSURANCE IN FORCE

September 30, 1998

COMPANY	Policy Number	Term	Coverage and Limits of Liability			
The St. Paul Insurance Company	HR00100714	12/15/95 to 12/15/98	General Liability - Each-occurrence limit \$ 1,000,000 Fire damage 100,000 Medical 3,000			
			Personal injury & Advertising injury 1,000,000 Total Limit 1,000,000			
			Automobile Liability - For accident 500,000			
			Professional Liability - For one person 100,000 Total Limit 500,000			
			Property Protection - Hospital Building 3,504,500 Co-insurance 80% Contents 774,100 Co-insurance 90% Deductible 5,000			
			Property Protection - Clinic Building 477,500 Co-insurance 80% Deductible 5,000			
			Miscellaneous Property Protection - X-Ray equipment 111,000			
			Accounts Receivable Protection - Limit of coverage 1,000,000			
			Medical Employees Deliberate Protection Total limit 100,000 Deductible 5,000			
			The St. Paul Insurance Company	3050290396	12/15/95 to 12/31/98	Directors Liability Umbrella - Each occurrence and annual aggregate 1,000,000 Deductible 10,000

DeQuincy Memorial Hospital

SCHEDULE OF INSURANCE IN FORCE - CONTINUED

September 30, 1990

COMPANY	POLICY NUMBER	TERM	COVERAGE AND LIMITS/DELIABILITY
The St. Paul Insurance Company	MBMAN0011	12/15/85 to 12/15/90	Directors Liability Policy Limit 1,000,000
Commercial Union Insurance Co.	MBN011910	12/15/89 to 12/15/95	Risks and machinery Policy limit 5,000,000 Deductible 1,000
Louisiana Police's Compensative Fund	1800508710	12/15/89 to 12/15/90	Physician's malpractice Per claim 100,000 Aggregate 900,000
BBDO	WC-568-95	1/1/90 to 1/31/97	Employee's Liability - Diverse policy limit 500,000 Diverse each employee 100,000 Dually injury-accident 100,000



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

Board of Directors
DeQuincy Memorial Hospital
DeQuincy, Louisiana

We have audited the financial statements of DeQuincy Memorial Hospital, a component unit of the City Council of the City of DeQuincy, Louisiana, for the years ended September 30, 1996 and 1995, and have issued our report thereon dated March 8, 1997.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audits of the financial statements of DeQuincy Memorial Hospital, for the years ended September 30, 1996 and 1995, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

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

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories: financing, receipts, disbursements, and external financial reporting.

For all of the control categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level of risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we considered to be material weaknesses as defined above.

This report is intended for the information of management, and other state and Federal agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

March 8, 1989

Roy J. Williams & Co., LLC



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
DeQuincy Memorial Hospital
DeQuincy, Louisiana

We have audited the financial statements of DeQuincy Memorial Hospital, a component unit of the City Council of the City of DeQuincy, Louisiana, as of and for the years ended September 30, 1996 and 1995, and have issued our report thereon dated March 6, 1997.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

The results of our tests disclosed the following instance of noncompliance that is required to be reported herein under Government Auditing Standards for which the ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in DeQuincy Memorial Hospital's 1996 financial statements.

Under terms of the revenue bond indenture agreements, the Hospital is required to maintain a sinking fund and a reserve and contingency fund. The required balance of these funds at September 30, 1996 was \$158,873 and \$283,921, respectively. These accounts were unfunded at September 30, 1996.

We considered this instance of noncompliance in forming our opinion on whether DeQuincy Memorial Hospital's 1996 general purpose financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated March 6, 1997, on those general purpose financial statements.

DeQuincy Memorial Hospital

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

March 6, 1993 *Raymond W. Williams, Sr., RLL*