different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's billings at established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement 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 types of exempt inpatient and outpatient services related to Medicare beneficiaries are paid based upon cost reimbursement methodology. The Hospital is paid for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits by the Medicare fiscal intermediary.

- Medicaid - Inpatient services rendered to Medicaid program beneficiaries are generally paid at an all-inclusive per diem rate. Outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon a cost reimbursement methodologies. The Hospital is paid at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and fiscal intermediary audits.

Presented below is a summary of net patient service revenue for the years ended September 30, 1996 and 1995:

	1996	1995
Gross patient service revenue	$ 48,307,439	40,077,799
Less provision for contractual adjustments	18,207,289	13,716,503
	$ 30,100,150	26,361,296

(9) Pension Plan

Substantially all employees of the Hospital are members of the Parochial Employees Retirement System of Louisiana (System), a multiple-employer (cost-sharing), public employee retirement system (PERS), controlled and administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. Employees of the hospital are members of Plan A.

(Continued)

KPMG Peat Marwick LLP

Suite 1100
One Jackson Place
188 East Capitol Street
Jackson, MS 39201

Telephone 601 354 3701

Telefax 601 354 3745

February 3, 1997

CONFIDENTIAL

Mr. Robert R. Stanley
Iberia General Hospital and Medical Center
2315 East Main Street
New Iberia, Louisiana 70560

Dear Dick:

We have audited the financial statements of Iberia General Hospital and Medical Center (the Hospital) for the year ended September 30, 1996, and have issued our report thereon dated February 3, 1997. In planning and performing our audit of the financial statements of the Hospital, 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. We have not considered the internal control structure since the date of our report.

During our audit we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies and are summarized as follows:

Accounts Receivable

During our testwork in patient accounts, we noted certain accounts which appeared to have not been reviewed for collections status in as frequent or timely a fashion as Hospital management has indicated should be the norm. To potentially improve the overall collections cycle and therefore possibly enhance Hospital cash flow, management is working to enhance business office procedures; the following areas might be considered:

- monthly aging reports for each collection clerk's portion of the portfolio are available, which could be regularly reviewed;
- slow-moving accounts could then be identified and investigated; and
- after inquiries are made with related third party payors, the revised status of the account could then be regularly documented in the patient's account activity log.

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LEGISLATIVE AUDITOR

Independent Auditors' Report

Board of Commissioners
Iberia General Hospital and Medical Center
New Iberia, Louisiana:

We have audited the financial statements of Iberia General Hospital and Medical Center, as of and for the year ended September 30, 1996 and have issued our report thereon dated February 3, 1997.

We conducted our audit 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 general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Iberia General Hospital and Medical Center is the responsibility of Iberia General Hospital and Medical Center's management. As part of obtaining reasonable assurance about whether the general purpose 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, the objective of the audit of the financial statements 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 no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

This report is intended for the information of the board of commissioners, management, and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

KPMG Peat Marwick LLP

February 3, 1997

Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the 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 structure and its operation that we consider to be material weaknesses as defined above.

However, we noted other matters involving the internal control structure and its operation that we have communicated to the management of Iberia General Hospital and Medical Center, in a separate letter dated February 3, 1997.

This report is intended for the information of the board of commissioners, management, and the Legislative Auditor. However, this report is a matter of public record, and its distribution is not limited.

KPMG Peat Marwick LLP

February 3, 1997

KPMG Peat Marwick LLP

Suite 3600 One Shell Square
New Orleans, LA 70139-3599

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Independent Auditors' Report

Board of Commissioners
Iberia General Hospital and Medical Center
New Iberia, Louisiana:

We have audited the financial statements of Iberia General Hospital and Medical Center, as of and for the year ended September 30, 1996 and have issued our report thereon dated February 3, 1997.

We conducted our audit 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 general purpose financial statements are free of material misstatement.

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

In planning and performing our audit of the financial statements of Iberia General Hospital and Medical Center for the year ended September 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

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

IBERIA GENERAL HOSPITAL AND MEDICAL CENTER

Schedule of Governing Board Expenses

Years ended September 30, 1996 and 1995

	1996	1995
J. D. Dugas	$ 560	720
A. W. Pratt	640	800
Don Sigue	600	760
Paul Voorhies	-	320
Mark Pharr	600	40
Dr. J.B. Henderson	-	640
Dr. James Falterman	480	280
Dr. James Hebert	-	40
Bill Miller	440	600
R. Romero	120	-
	$ 3,440	4,200

IBERIA GENERAL HOSPITAL AND MEDICAL CENTER

Schedule of Other Operating Revenues

Years ended September 30, 1996 and 1995

	1996	1995
Dietary	$ 143,917	123,914
Vending machine	12,383	12,129
Medical records	4,261	5,397
Nutrition service	10,730	13,404
Other	1,523	3,483
	$ 172,814	158,327

IBERIA GENERAL HOSPITAL AND MEDICAL CENTER

Notes to Financial Statements

(10) Pending Litigation

As of September 30, 1996, there were several cases of pending litigation against the Hospital. The Louisiana Hospital Association Trust Fund covers the Hospital for the first $100,000 of liability and an additional $400,000 of coverage is provided through the State of Louisiana, Patient's Compensation Fund. A recent court case has affirmed the constitutionality of the $500,000 limit under the Medical Malpractice Act. Management is of the opinion that no claims will exceed insurance coverage.

(11) Major Sources of Revenue

The Hospital participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Hospital derived 66% and 64% of its gross patient revenue in 1996 and 1995, respectively, from patients covered by the Medicare and Medicaid programs.

(12) Charity Care - Criminal Justice Facility

The Hospital provides four full-time nurses at the Criminal Justice Facility to provide medical assistance to the individuals in the facility. The Hospital does not maintain records to identify and monitor the level of charity care it provides under this program; however, the total cost of providing this service for the year ended September 30, 1996 was $125,092.

(13) Sick Days

Under the Hospital's sick leave policy, employees accrue sick leave each pay period. Sick leave accumulated prior to January 1, 1993, will be allowed upon retirement as a cash bonus or as time off prior to retirement. The accumulated sick leave and the rate of pay were frozen as of that date. Any sick leave accumulated after that date will not be considered upon termination of employment or at retirement. At September 30, 1996 and 1995, the total accumulated sick leave available at retirement was $364,591 and $388,417, respectively.

(14) Compensated Absences

At September 30, 1996 and 1995, employees of the Hospital have accumulated and vested $635,569 and $551,944, respectively, of employee leave benefits. This is recorded as an obligation of the Hospital.

(Continued)

Medicare and Medicaid Log Reconciliation

We noted that periodic reconciliations of the Hospital's Medicare and Medicaid logs to the related remittance advices are not regularly performed. While this is not a critical internal control, we do suggest that periodic reconciliations to Medicare and Medicaid provider summary reports be performed. This procedure would serve as an additional "check" to ensure that the fiscal intermediary summary reports are appropriately capturing and classifying third-party payer revenues, which in turn might enhance cost reporting for the Hospital.

Allowances for Managed Care Contractual Adjustments

The Hospital's current practice is to record contractual adjustments for managed care (including Blue Cross) accounts at the time of remittance, versus posting an allowance for such contractual adjustments. This practice is not unusual within the industry, as managed care activity has traditionally not evidenced a volume level requiring a balance sheet allowance for related accounts receivable.

The above notwithstanding, given recent increases in the Hospital's managed care volumes, we believe that regular internal financial reporting might be improved by regularly establishing and adjusting an allowance for contractual adjustments for managed care accounts, including Blue Cross. Management might consider recording such an allowance in the financial statements.

* * * * *

Dick, please accept our thanks to management and other employees of the Hospital for their cooperation and courtesy over the course of the 1996 audit. We would, of course, be pleased to discuss these comments and recommendations with you at any time.

This report is intended solely for the information and use of the board, management and others within the Hospital.

Very truly yours,

KPMG Peat Marwick LLP

Brad

Brad R. Benton
Partner

BRB:jm

IBERIA GENERAL HOSPITAL AND MEDICAL CENTER

Notes to Financial Statements

All permanent employees working at least 28 hours per week and who are paid wholly or in part from Hospital funds are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, or after age 55 with 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 per cent of their final-average salary for each year of creditable service. However, for those employees who were members of the supplemental plan only prior to January 1, 1980, the benefit is equal to one percent of final-average salary, plus $24 for each year of supplemental-plan-only service earned prior to January 1, 1980. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated previously and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

Contributions to the System include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge parishes. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. State statute requires covered employees to contribute a percentage of their salaries to the System. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by an actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

Membership and covered payroll under the plan as of September 30, 1996 was 397 employees with a total covered payroll of $10,728,978. The total payroll for the 505 employees of the Hospital for the year ended September 30, 1996 was $11,321,365.

The contribution rates (as a percentage of covered salaries) as of September 30, 1996, established by state law based upon actuarial valuations, were 9.50% for employees and 7.25% for employers. Total contributions to the System for the years ended September 30, 1996 were $1,812,125, which consisted of $795,219 from the Hospital and $1,016,906 from the employees. The employer and employee contributions represented 7.41% and 9.50% of total covered payroll, respectively.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of the projected salary measures and stop-rate benefits estimated to be payable in the future as a result of employee service to date. The measure,

(Continued)

replacements or improvements to the Hospital. These funds are shown as designated assets whose use is limited in the accompanying financial statements.

(7) Leases

The Hospital leases various equipment which cost has been capitalized and is included in property and equipment. The lease amortization is included in depreciation expense.

Future minimum lease payments on the capital assets are as follows:

1997	$ 134,578
1998	28,889
Total minimum lease payments	163,467
Amount representing interest	7,143
Present value of minimum lease payments	156,324
Less current portion	127,826
Total long-term portion	$ 28,498

The Hospital leases office space and clinical facilities, generally to members of its medical staff, under operating leases whose terms range from month-to-month up to 3 years. Assets held for lease at September 30, 1996 consist of buildings and improvements with an original cost of $2,150,439 and fixed equipment with an original cost of $148,665. Accumulated depreciation of the leased assets totaled $721,567 at September 30, 1996. The future minimum lease payments to be received from these leases follow:

Year ending September 30,	
1997	$ 81,156
1998	21,480
1999	15,440

Rental expense for operating leases was $364,509 in 1996 and $184,046 in 1995.

(8) Net Patient Service Revenue

The Hospital has agreements with governmental and other third-party payors that provide for reimbursement to the Hospital at amounts

IBERIA GENERAL HOSPITAL AND MEDICAL CENTER

Notes to Financial Statements

(6) Long-term Debt

Long-term debt at September 30, 1996 and 1995 consisted of the following:

	1996	1995
6% bonds dated November 26, 1979, payable in semiannual installments (including interest) to November 26, 2009, secured by hospital revenues	$ 3,738,065	3,913,765
6% bonds dated November 26, 1980, payable in semiannual installments (including interest) to May 26, 2010, secured by hospital revenues	3,758,000	3,923,000
	7,496,065	7,836,765
Less current portion	361,400	340,700
Total long-term debt	$ 7,134,665	7,496,065

Aggregate maturities of the Hospital's long-term debt are as follows:

Year ending September 30,	Principal payments	Interest payments	Total
1997	$ 361,400	444,429	805,829
1998	384,752	422,397	807,149
1999	408,795	398,954	807,749
2000	433,571	374,058	807,629
2001	460,126	347,663	807,789
Thereafter	5,447,421	1,639,527	7,086,948
	$ 7,496,065	3,627,028	11,123,093

The 6% bonds dated November 26, 1980 and 1979 are outstanding under debt agreements which require the Hospital to establish a bond sinking fund, bond reserve fund, and a depreciation reserve account. The Hospital must deposit one-sixth of the next scheduled principal and interest payment into the bond sinking fund each month. The balance in the bond reserve fund must be equal to the maximum annual principal and interest payment provided for under the bond repayment schedule. Deposits into the depreciation reserve account are to be equal to ten percent of the depreciation on assets purchased with the proceeds from the bond issue. The funds in the depreciation reserve account may be used to meet the requirements of the bond sinking fund, bond reserve fund or to make

(Continued)

A reconciliation of carrying value of bank deposits to the balance sheets follows:

	1996	1995
Cash and cash equivalents	$ 1,426,045	2,245,544
Cash and cash equivalents in assets limited as to use:		
By board for capital improvement	11,436	329,921
By bond agreement for repayment of principal debt	1,153,799	1,525,936
Under self-insurance arrangement	50,934	266,053
	$ 2,642,214	4,367,454

(4) Assets Limited as to Use

Governmental accounting standards require that the carrying amounts of investments as of the balance sheet date be categorized according to the level of credit risk associated with the Hospital's investments at the time. The level of credit risk is defined as follows:

Category 1 - Insured (including government securities) or registered, or collateralized with securities held by the Hospital or its agent in the Hospital's name.

Category 2 - Uninsured and unregistered, collateralized with securities held by the counterparty's trust department or agent in the Hospital's name.

Category 3 - Uninsured and unregistered, or uncollateralized, including balances collateralized with securities held by the pledging financial institution, but not in the Hospital's name.

(Continued)

(n) Reclassifications

Certain reclassifications have been made in the 1995 financial statements to conform with the 1996 presentation.

(2) Cash and Cash Equivalents

Cash and cash equivalents include cash on deposit and money market accounts excluding amounts whose use is limited. At September 30, 1996 and 1995, the Hospital had cash as follows:

	1996	1995
Interest-bearing demand deposits	$ 890,402	1,755,958
Demand deposits	278	10,176
Money market accounts	535,285	479,410
Petty cash	2,685	2,385
	$ 1,428,650	2,247,929

(3) Bank Deposits

Under state law, the bank balances of bank deposits and cash balances included in assets limited as to use, as discussed in note 4, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent. At September 30, 1996 and 1995, the market value of pledged securities plus the federal deposit insurance exceeded the amount on deposit with the fiscal agent banks. At September 30, 1996 and 1995, the Hospital had bank deposits as follows:

	1996	1995
Secured by Federal Deposit	$ 210,927	342,319
Collateralized by securities held by the pledging financial institution's trust department in the Hospital's name	2,474,903	4,065,661
Total	$ 2,685,830	4,407,980
Carrying value	$ 2,642,214	4,367,454

(Continued)

IBERIA GENERAL HOSPITAL AND MEDICAL CENTER

Notes to Financial Statements

(j) 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, such amounts are not reported as revenue.

(k) Income Taxes

The Hospital qualifies as tax-exempt under existing provisions of the Internal Revenue Code and its income, generally, is not subject to Federal or state income taxes.

(l) Bond Issuance Costs

Expenses related to issuance of bonds are deferred and amortized over the period the bonds will remain outstanding.

(m) Deferred Compensation

The Hospital offers its employees a deferred compensation plan created by the state of Louisiana in accordance with Internal Revenue Code Section 457. The plan permits all Hospital employees to defer a portion of their salary until future years. The amount deferred is not available to employees until termination, retirement, death or an unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the state (without being restricted to the provisions of benefits under the plan), subject only to the claims of the state's general creditors. Participants' rights under the plan are equal to those of general creditors of the state in an amount equal to the fair value of the deferred account for each participant.

The state has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The state believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

(Continued)

(f) Assets Limited as to Use

Assets limited as to use include:

- Assets set aside by the Hospital's Board of Commissioners for future capital improvements and debt service, over which the Board retains control and may at its discretion subsequently use for other purposes, and

- Assets set aside under indenture agreements and self-insurance trust arrangements.

(g) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Donated equipment is recorded at fair value at date of donation, which is then treated as cost. Equipment under capital lease is stated at the lower of the present value of minimum lease payments at the beginning of the lease term or fair value at the inception of the lease.

Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets. Equipment held under capital lease is amortized on the straight-line method over the shorter of the lease term or estimated useful life of the asset.

(h) 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 revenue and expenses. Peripheral or incidental transactions are reported as gains and losses.

(i) 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.

Retroactively calculated contractual adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted as final settlements are determined.

(Continued)

IBERIA GENERAL HOSPITAL AND MEDICAL CENTER

Statements of Revenues and Expenses
and Changes in Fund Balance

Years ended September 30, 1996 and 1995

	1996	1995
Net patient service revenue (note 8)	$ 30,100,150	26,361,296
Other operating revenues	172,814	158,327
Total revenue	30,272,964	26,519,623
Operating expenses:		
Salaries and related expenses	13,811,052	12,367,669
Professional fees	1,773,601	1,233,761
Physician fees	1,507,315	1,424,554
Supplies	4,852,824	4,435,267
Other services and expenses	967,393	640,001
Insurance	273,896	254,076
Repairs and maintenance	751,434	596,999
Utilities expense	477,021	465,090
Depreciation and amortization	1,750,937	1,691,172
Interest expense	486,932	543,021
Provision for doubtful accounts	2,367,443	1,644,156
Total expenses	29,019,848	25,295,766
Income from operations	1,253,116	1,223,857
Nonoperating gains (losses):		
Rental income (loss), net	10,522	(72,927)
Interest income	88,371	103,851
Loss on sale of fixed assets	(1,855)	(26,363)
Other	17,065	63,565
Net nonoperating gains	114,103	68,126
Revenue and gains in excess of expenses	1,367,219	1,291,983
Fund balance at beginning of year	13,219,811	11,927,828
Fund balance at end of year	$ 14,587,030	13,219,811

See accompanying notes to financial statements.

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IBERIA GENERAL HOSPITAL AND MEDICAL CENTER

Financial Statements and Schedules

September 30, 1996 and 1995

With Independent Auditors' Report Thereon

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

Release Date MAY 07 1997

which is the actuarial present value of credited projected benefits, is intended to help users assess the funding status of the pension plan on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The plan in which the Hospital participates does not make separate measurements of assets and pension benefit obligations for individual employers. The pension benefit obligation at December 31, 1995 for the system as a whole, determined through an actuarial valuation performed as of that date, was $762,893,530. The system's net assets available for benefits on December 31, 1995 were $647,645,108, leaving an unfunded pension benefit obligation of $115,248,422. The information at December 31, 1995 is the most recent information available. The Hospital's contribution for the year ended December 31, 1995 represented approximately 3.66% of the total contributions required by all participating entities.

The pension benefit obligation of the plan was computed as a part of the actuarial valuation performed as of December 31, 1995. Significant actuarial assumptions used in the valuation includes:

Investment return	8%
Salary growth	5.50%
Mortality rates	1971 Group Annuity Male and Female Mortality Tables

The foregoing actuarial assumptions are based upon the presumption that the plan will continue. If the plan was to terminate, different actuarial assumptions and other factors might be applicable in determining the pension benefit obligation.

Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the pension benefit obligations. The unfunded pension benefit obligation of the plan is being amortized over a forty-year period which began on December 31, 1989.

More information including ten-year historical information, is available in the Parochial Employees' Retirement System II of Louisiana's issued annual report. Additional information includes discussions on the progress made in accumulating sufficient assets to pay benefits when due and detailed information on the investment portfolio.

(Continued)

KPMG Peat Marwick LLP

Suite 3500 One Shell Square
New Orleans, LA 70139-3599

Independent Auditors' Report

The Board of Commissioners
Iberia General Hospital and Medical Center
New Iberia, Louisiana

We have audited the accompanying balance sheets of Hospital Service District No. 1 of Iberia Parish, Louisiana (Iberia General Hospital and Medical Center) (Iberia) as of September 30, 1996 and 1995, and the related statements of revenues and expenses and changes in fund balance and cash flows for the years then ended. These financial statements are the responsibility of Iberia's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Iberia General Hospital and Medical Center 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 February 3, 1997, on our consideration of Iberia General Hospital and Medical Center's internal control structure and a report, dated February 3, 1997, on its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is

(1) Organization and Summary of Significant Accounting Policies

Iberia General Hospital and Medical Center (the Hospital) operates under the jurisdiction of the Iberia Parish Council of Iberia Parish, Louisiana (Parish) as Iberia Parish Hospital Service District No. 1, as an acute care hospital. The significant accounting policies used by the Hospital in preparing and presenting its financial statements are summarized as follows:

(a) Inventories

Inventories of drugs and supplies are stated at the lower of cost (first-in, first-out) or market.

(b) Use of Estimates

Management of the Hospital has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

(c) Proprietary Fund Accounting

The Hospital utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual.

(d) Accounting Standards

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989.

(e) Cash and Cash Equivalents

The Hospital considers investments in highly liquid debt instruments with an original maturity of three months or less as cash and cash equivalents.

(Continued)

not a required part of the basic financial statements. Such supplementary information for 1996 and 1995 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG Peat Marwick LLP

February 3, 1997

IBERIA GENERAL HOSPITAL AND MEDICAL CENTER

Balance Sheets

September 30, 1996 and 1995

Assets	1996	1995
Current assets:		
Cash and cash equivalents (note 2)	$ 1,428,650	2,247,929
Accounts receivable, less allowance for doubtful accounts of $1,730,147 in 1996 and $1,497,993 in 1995	8,144,050	5,676,993
Other receivables	12,288	4,262
Inventories	927,871	885,674
Prepaid expenses	73,226	56,549
Due from third party payors	701,153	465,333
Notes receivable	33,506	8,572
Assets limited as to use and that are required for current liabilities (note 4)	412,334	606,753
Total current assets	11,733,078	9,952,065
Assets limited as to use is (note 4):		
Cash and cash equivalents held for plant replacement and expansion	11,436	329,921
Cash and cash equivalents held for principal and interest payments on bonds	1,153,799	1,525,936
Cash and cash equivalents held under self-insurance arrangements	50,934	266,053
Total assets limited as to use	1,216,169	2,121,910
Less assets limited as to use and that are required for current liabilities	412,334	606,753
Noncurrent assets whose use is limited	803,835	1,515,157
Property, plant and equipment, net (note 5)	15,358,867	13,365,871
Notes receivable, excluding current portion	38,258	25,779
Bond issuance costs, net	36,115	38,563
Total assets	$ 27,970,153	24,897,435

Liabilities and Fund Balance	1996	1995
Current liabilities:		
Current maturities of long-term debt (note 6)	$ 361,400	340,700
Current obligations under capital lease (note 7)	127,826	408,835
Notes payable to banks	1,000,000	-
Accounts payable	2,791,757	1,346,004
Accrued salaries and related expenses	1,386,624	1,343,729
Accrued interest payable	187,402	197,549
Total current liabilities	5,855,009	3,636,817
Long-term liabilities:		
Long-term debt, excluding current maturities (note 6)	7,134,665	7,496,065
Obligations under capital lease, excluding current portion (note 7)	28,498	156,325
Post retirement benefits payable (note 13)	364,951	388,417
Total liabilities	13,383,123	11,477,624
Fund balance	14,587,030	13,419,811
Commitments and contingencies (notes 6, 7, 8, 9, 10, 12, 15, and 17)		
Total liabilities and fund balance	$ 27,970,153	24,897,435

See accompanying notes to financial statements.

IBERIA GENERAL HOSPITAL AND MEDICAL CENTER

Notes to Financial Statements

A summary of the carrying value of investments follows:

		1996	1995	Category
By board for capital improvements:				
Money market funds	$	8,736	109,454	-
Demand deposits		2,700	220,467	1
By board for repayment of principal debt - money market funds		1,153,799	1,525,936	-
Under self-insurance arrangement - demand deposits		50,934	266,053	1
	$	1,216,169	2,121,910	

(5) Property and Equipment

Property and equipment, by major category, are as follows:

	1996	1995
Land and improvements	$ 1,209,825	1,164,161
Building and improvements	10,908,668	10,756,934
Fixed equipment	4,382,800	4,382,800
Major movable equipment	12,027,405	10,851,397
Construction in progress	2,712,631	358,817
	31,241,329	27,514,109
Less accumulated depreciation	16,190,067	14,571,056
	15,051,262	12,943,053
Equipment under capital lease obligations	1,101,804	1,101,804
Less accumulated amortization	794,199	678,986
	$ 15,358,867	13,365,871

Estimated costs to complete construction in progress at September 30, 1996 are approximately $303,000.

(Continued)

IBERIA GENERAL HOSPITAL AND MEDICAL CENTER

Statements of Cash Flows

Years ended September 30, 1996 and 1995

	1996	1995
Cash flows from operating activities:		
Income from operations	$ 1,253,116	1,223,857
Interest expense considered capital financing activity	486,932	543,021
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation and amortization	1,750,937	1,691,172
Provision for doubtful accounts	2,067,443	1,496,247
Changes in operating assets and liabilities:		
Increase in patient receivables	(4,534,500)	(1,297,195)
(Increase) decrease in other receivables	(45,439)	22,851
(Increase) decrease in prepaid expenses and other assets	(16,677)	29,562
(Increase) decrease in inventories	(42,197)	75,062
(Increase) decrease in third party receivables	(235,820)	173,703
Increase (decrease) in accounts payable and accrued interest	1,435,606	(138,777)
Increase in accrued salaries and related expenses	19,429	311,929
Net cash provided by operating activities	2,138,830	4,131,432
Cash flows from investing activities:		
Net rental receipts (expenses)	10,522	(72,927)
Investment in earnings	88,371	103,851
Other miscellaneous receipts	7,965	66,665
Net cash provided by investing activities	106,858	97,589
Cash flows from capital and related financing activities:		
Acquisitions of property, plant and equipment	(3,743,340)	(2,328,710)
Proceeds from issuance of debt	1,000,000	-
Principal paid on long-term debt and capital leases	(749,536)	(846,648)
Interest paid on long-term debt and capital leases	(486,932)	(543,021)
Donations received	9,100	-
Net cash used in capital and related financing activities	(3,970,708)	(3,718,379)

(Continued)

IBERIA GENERAL HOSPITAL AND MEDICAL CENTER

Statements of Cash Flows, Continued

	1996	1995
Net (decrease) increase in cash and cash equivalents	$ (1,725,020)	510,642
Cash and cash equivalents at beginning of year	4,369,839	3,859,197
Cash and cash equivalents at end of year	$ 2,644,819	4,369,839
Reconciliation of cash and cash equivalents to the balance sheet:		
Cash and cash equivalents in current assets	1,428,650	2,247,929
Cash and cash equivalents in assets limited as to use:		
By board for capital improvements	11,436	329,921
By board for repayment of principal debt	1,153,799	1,525,936
Under self-insurance arrangement	50,934	266,053
	$ 2,644,819	4,369,839

See accompanying notes to financial statements.