

RECEIVED
STATE OF MISSISSIPPI
JUN 20 1990

98102259
1562
24

**OFFICIAL
FILE COPY**
DO NOT SEND OUT

When receiving
copies from this
copy and send
BACK to FILE

--oOo--

FINANCIAL STATEMENTS
HOMER MEMORIAL HOSPITAL
June 30, 1989 and 1990

--oOo--

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

Release Date SEP 2 3 1990

[Handwritten signature]

---ooOoo---

CONTENTS

Financial Statements:

Independent Auditor's Report.....	Page	3
Balance Sheet.....		4
Statements of Revenues and Expenses.....		6
Statements of Changes in Fund Balance.....		7
Statements of Cash Flows.....		8
Notes to Financial Statements.....		10
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.....		19
Data Collection Form.....		23

---ooOoo---

110 Hudson Street, Suite A
Longview, Texas 75701
800.258.1000
Tel. 940.758.1100



NEUMAN, RICHARDSON & CO., L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Paul A. Neuman, CPA
Amy G. Richardson, CPA
— and —
Stephen F. Enck, CPA
Ralph S. Kinnick, CPA
William A. Yoho, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Homer Memorial Hospital
Homer, Louisiana

We have audited the accompanying financial statements of Homer Memorial Hospital, a component unit of the Town of Homer as of June 30, 1998 and 1997. These financial statements are the responsibility of Homer Memorial 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 the standards applicable to financial audits contained in *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 aspects, the financial position of Homer Memorial Hospital as of June 30, 1998 and 1997, 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 based our report dated September 23, 1998, on our consideration of the Homer Memorial Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.


Neuman, Richardson & Co., L.L.P.
September 23, 1998

HOSIER MEMORIAL HOSPITAL
BALANCE SHEETS
June 30, 1998 and 1997

ASSETS	1998	1997
Current Assets:		
Cash and cash equivalents	\$ 362,597	\$ 474,579
Patient receivables, less allowance for contractual adjustment & doubtful accounts of \$1,794,091 - 1998 and \$2,239,962 - 1997	2,281,205	3,125,568
Educational contracts receivable	212,835	162,077
Investments	359,084	276,868
Prepaid expenses	93,632	77,079
Due from health insurance programs	466,195	686,142
Assets whose use is limited for current liabilities	<u>335,567</u>	<u>91,351</u>
Total Current Assets	3,811,011	4,694,063
Assets Whose Use is Limited:		
By board:		
For capital improvements	27,116	36,276
For self-funded insurance	14,929	4,114
For education purposes	13,287	14,975
For contingencies	<u>3,822,943</u>	<u>2,098,820</u>
By grantor:		
For equipment	-	19,686
Under board indenture agreement:	<u>491,711</u>	<u>413,822</u>
	3,328,886	2,969,893
Less portion classified as current	(108,567)	(91,351)
Net Assets Whose Use is Limited	3,220,319	2,478,542
Property and Equipment:		
Land and land improvements	132,668	132,668
Buildings and fixed equipment	3,791,308	3,797,138
Major movable equipment	3,278,862	3,290,697
Equipment under capital lease	<u>300,810</u>	<u>316,524</u>
	6,903,348	6,326,797
Less accumulated depreciation and amortization	(3,903,369)	(3,443,225)
Net Property and Equipment	3,000,079	2,883,572
Other Assets:		
Educational contracts receivable	386,688	272,577
Receivable from physician	171,468	30,000
Rental property, less accumulated depreciation of \$ 17,210 for 1998 and \$ 14,456 for 1997	46,844	50,098
Health services start-up costs	<u>84,117</u>	<u>112,155</u>
Total Other Assets	589,097	464,830
TOTAL ASSETS	<u>\$ 11,297,526</u>	<u>\$ 11,481,807</u>

See Notes to Financial Statements.

HOSNER MEMORIAL HOSPITAL
BALANCE SHEETS - Continued
June 30, 1998 and 1997

LIABILITIES AND FUND BALANCE	1998	1997
Current Liabilities:		
Accounts payable	\$ 90,719	\$ 238,406
Accrued payroll and benefits	414,052	428,003
Accrued uncompensated absences	218,258	218,474
Due to health insurance programs	0-	0-
Interest payable	0-	1,644
Current portion of long-term debt	<u>145,668</u>	<u>108,269</u>
Total Current Liabilities	<u>868,736</u>	<u>1,004,796</u>
Long-Term Debt:		
Capital lease obligations	232,719	55,991
Hospital revenue bonds payable	<u>3,086,429</u>	<u>3,266,907</u>
	3,319,148	3,322,898
Less current portion	(145,668)	(108,269)
Net Long-Term Debt	<u>3,173,480</u>	<u>3,214,629</u>
Fund Balances:		
Unrestricted	7,175,328	7,242,896
Temporarily restricted	<u>0-</u>	<u>19,686</u>
Total Fund Balance	<u>7,175,328</u>	<u>7,262,582</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 11,297,556</u>	<u>\$ 11,481,809</u>

See Notes to Financial Statements.

IRONIC MEMORIAL HOSPITAL
STATEMENTS OF REVENUES AND EXPENSES
Years Ended June 30, 1998 and 1997

	1998	1997
<i>Net Patient Service Revenue</i>	\$ 12,863,440	\$ 13,277,158
<i>Other Operating Revenue</i>	71,884	67,563
Total Revenue	<u>12,935,324</u>	<u>13,344,721</u>
Operating Expenses:		
Salaries and employer benefits	6,959,282	6,811,204
Professional and contractual fees	1,384,635	1,724,057
Supplies and other expenses	3,356,723	3,757,116
Bad debt expense	708,158	499,104
Depreciation	593,374	666,537
Interest	204,385	286,774
Total Operating Expenses	<u>12,788,977</u>	<u>13,624,792</u>
Loss From Operations	(653,736)	(280,099)
Non-Operating Revenue:		
Advances on revenue	358,855	817
Investment income	207,689	143,748
Loss on sale of assets	-	(17,658)
Total Non-Operating Revenue	<u>566,544</u>	<u>126,907</u>
Excess of Expenses Over Revenues	(<u>\$ 87,262</u>)	(<u>\$ 153,183</u>)

See Notes to Financial Statements.

BOWEN MEMORIAL HOSPITAL
STATEMENTS OF CHANGES IN FUND BALANCE
Years Ended June 30, 1998 and 1997

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Balance, June 30, 1996	\$ 7,396,079	\$ 18,034
Investment income from restricted funds	-0-	992
Excess of expenses over revenues	(153,183)	-0-
Balance, June 30, 1997	<u>\$ 7,242,896</u>	<u>\$ 19,026</u>
Purchase of equipment with restricted funds	19,686	(19,686)
Excess of expenses over revenues	(87,262)	
Balance, June 30, 1998	<u>\$ 7,175,320</u>	<u>\$ -0-</u>

See Notes to Financial Statements.

HOMER MEMORIAL HOSPITAL
STATEMENTS OF CASH FLOWS
Years Ended June 30, 1998 and 1997

	1998	1997
From Operating Activities:		
Cash received on patients' accounts	\$ 12,179,564	\$ 11,795,672
Interest received	199,979	144,740
Cash received from sale of receivables, vending, etc.	71,800	62,963
Cash paid in salaries and benefits	(6,385,423)	(6,871,389)
Cash paid in fees and supplies	(4,940,084)	(5,301,459)
Cash paid in interest expense	(205,238)	(205,815)
Net Cash Provided (Used)	661,708	(381,917)
From Non-Capital Financing Activities:		
Taxes received	358,855	817
From Capital and Related Financing Activities:		
Principal payments on long-term debt	(185,486)	(182,179)
From Investing Activities:		
Educational contract advances, net of cancellations & payments	5,193	(34,894)
Proceeds from sale of assets	-	8,150
Advance on physician contract	(141,468)	(39,009)
Decrease (increase) in assets whose use is limited	(759,089)	859,889
Purchase of property and equipment	(128,771)	(189,178)
Net Cash Provided (Used)	(1,023,135)	583,967
Net Increase (Decrease) in Cash and Cash Equivalents	(111,982)	181,688
Cash and Cash Equivalents:		
Beginning of year	434,578	352,890
End of year	<u>\$ 322,597</u>	<u>\$ 434,578</u>

See Notes to Financial Statements.

HONER MEMORIAL HOSPITAL
STATEMENTS OF CASH FLOWS - Continued
Years Ended June 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
Reconciliation of Net Income to Net Cash Flows From Operating Activities		
Loss from operations:	(\$ 693,756)	(\$ 280,090)
Adjustments:		
Depreciation	565,274	666,537
Provision for bad debts	708,158	459,184
Income received	158,879	344,741
Increase (decrease) in operating assets:		
Gross patient accounts receivable, net of bad debts	156,207	(1,015,994)
Inventories	(82,155)	(30,193)
Prepaid expenses	(18,555)	2,948
Due from health insurance programs	(20,853)	446,142
Start-up costs	28,898	78,382
Increase (decrease) in operating liabilities:		
Accounts payable	(143,696)	118,453
Accounts payroll and benefits	(13,953)	(41,381)
Accrued uncompensated absences	(10,138)	18,768
Due to health insurance programs	0-	(19,621)
Interest payable	(1,648)	41
Total Adjustments	<u>1,315,444</u>	<u>(101,827)</u>
Net Cash Used in Operating Activities	<u>\$ 651,392</u>	<u>(\$ 381,917)</u>

Supplemental Disclosures on Non-cash Financing Activities:

During 1998, the Hospital purchased equipment for \$ 183,656 through capital lease arrangements.

See Notes to Financial Statements.

HOMER MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
June 30, 1998 and 1997

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Homer Memorial Hospital is an enterprise fund of the Town of Homer, Louisiana, and is exempt from income taxes. The hospital is an acute care facility which is controlled by a board of directors, who are a separate and distinct body from the Selectman of the Town of Homer. The board members consist of citizens appointed by the Mayor and Selectman of the Town of Homer. The board members serve without compensation.

Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Temporarily Restricted Fund Balance

Temporarily restricted funds are those whose use by the Hospital has been limited by donors to a specific time period or purpose. These funds at year-end consist of unspent grant funds received from the State of Louisiana to be used for the purchase of tele-radiology equipment. During 1998, the funds were used toward the purchase of radiology equipment.

Net Patient Service Revenue

Net patient service revenue is reported at 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.

Patient Receivables

Receivables are stated at the full value of all charges incurred by the patient. Allowances have been provided for the estimated accounts uncollectible and for third-party contractual adjustments at year end. Receivables are written off as the accounts are determined to be uncollectible.

Inventories

Inventories represent dietary and medical supplies on hand and are valued at the lowest invoice price which approximates the lower of cost (first-in, first-out method) or market.

Prepaid Expenses

Prepaid expenses are amortized on a straight-line basis over the term of the respective items.

HOMER MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
June 30, 1998 and 1997

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Assets Whose Use is Limited

Assets whose use is limited represents cash which has either been designated by the Board of Directors or which is required to be maintained separately due to bond indenture, donor, or grant requirements. Board-designated assets may, at the board's discretion, be subsequently used for other purposes. Amounts required to meet current liabilities of the hospital have been reclassified in the balance sheet at June 30, 1998 and 1997.

Property and Equipment

Property and equipment is recorded at cost, and depreciation is computed using the straight-line method. Estimated useful lives range from 5 to 33 years on buildings and fixed equipment and 3 to 20 years on movable equipment.

Property Tax Revenues

Ad valorem tax revenues consist of tax proceeds received by the Hospital from Claiborne Parish Hospital District No. 2, which was created in 1988, by the Police Jury and approved by the Parish voters on September 15, 1988, to levy a tax mill tax on property for ten years. During 1997, the District did not levy the property tax; however, the tax was re-instated in 1998. Due to the fact that the District is a separate entity controlled by a separate board of directors, the Hospital cannot levy the property tax. Accordingly, taxes receivable are not reflected in the accompanying financial statements.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, all cash that is not limited to use is treated as cash and cash equivalents.

Pledged Assets

The hospital's property and equipment is pledged as collateral on the Hospital Revenue Bonds in the original amount of \$ 3,800,000.

NOTE 2 - HEALTH INSURANCE PROGRAM REIMBURSEMENT

The Hospital participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. For the years ended June 30, 1998 and 1997, 71% and 57%, respectively, of the Hospital's patient revenues were generated by services furnished to Medicare and Medicaid program beneficiaries. A summary of the payment arrangements 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. Inpatient nonacute services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries

ROMER MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
June 30, 1998 and 1997

NOTE 2 - HEALTH INSURANCE PROGRAM REIMBURSEMENT - Continued

are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with the final settlement determined after submission of annual cost reports by the Hospital and audits 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 June 30, 1998.

Medicaid - Prior to July 1, 1994, inpatient acute care services rendered to Medicaid program beneficiaries are paid at established daily rates for each patient day. Outpatient services are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate during the fiscal year. These rates may be adjusted by the fiscal intermediary during the fiscal year. Final settlement is determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through June 30, 1994.

Since July 1, 1994, the Hospital has been paid for substantially all services rendered to inpatient Medicaid program beneficiaries under prospectively determined rates, which are paid on a per diem basis. Costs incurred on services rendered to Medicaid inpatients which exceed the prospectively determined payment rates are not recoverable from the Medicaid program or its beneficiaries. No changes were made to the outpatient reimbursement.

NOTE 3 - NET PATIENT SERVICE REVENUE

The following is a summary of net patient service revenue for the years ended June 30, 1998 and 1997.

	<u>1998</u>	<u>1997</u>
Inpatient charges	\$ 18,216,588	\$ 18,582,776
Outpatient charges	6,955,849	9,263,734
Total patient charges	<u>25,172,437</u>	<u>27,846,510</u>
Medicare and Medicaid contractual adjustments	(4,776,329)	(6,159,887)
Medicaid disproportionate payments	526,021	-
Charity care charges/forfeits	(75,586)	(56,845)
Administrative, PPO, and other adjustments	(386,953)	(313,639)
Net patient service revenue	<u>\$ 12,863,440</u>	<u>\$ 13,277,139</u>

**HOMER MEMORIAL HOSPITAL,
NOTES TO FINANCIAL STATEMENTS
June 30, 1998 and 1997**

NOTE 4 - INDIGENT CARE

The Hospital provides services for the indigent who qualify under guidelines established by the Hospital. These guidelines determine eligibility based on income, residency, resources, and household composition. The Hospital maintains records to identify and monitor the level of indigent care it provides. These records include the amount of charges written-off for services and supplies furnished under its indigent care policy.

The following information measures the level of charity care provided during the years ended June 30, 1998 and 1997:

	1998	1997
Charges forgone based on established rates	\$ 75,586	\$ 56,845
Estimated costs and expenses incurred to provide charity care	\$ 54,000	\$ 38,800

NOTE 5 - EDUCATIONAL CONTRACTS RECEIVABLE

The Hospital provides educational assistance to selected medical students and certain employees who contractually agree to return to the Hospital's service area after graduation. Under the terms of these contracts, the Hospital advances funds to assist the students in their educational costs. Employees agree to repay the loans through extended years of service at the Hospital. Medical students repay the loan by practicing in the Hospital service area for a period of years.

The loans, including interest, become immediately due and payable to the Hospital if the employee or medical student does not provide services for the Hospital for the full period of time within the contract. These loans are classified as current assets in the financial statements. The following is a summary of the net educational contracts receivable at June 30, 1998 and 1997:

	1998	1997
Balance, beginning of year	\$ 435,054	\$ 390,160
Educational advances	46,825	54,703
Accrual of interest on balances due	67,640	-
Cancellation and repayments of contracts	(49,998)	(19,689)
Balance, end of year	<u>\$ 498,521</u>	<u>\$ 414,574</u>

HOMER MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
 June 30, 1988 and 1987

NOTE 7 - HOSPITAL REVENUE BONDS - Continued

Sinking fund requirements - the Hospital is required to make monthly deposits of \$ 23,608. In June, 1981, the Hospital began paying the debt in monthly installments in lieu of establishing a sinking fund. Accordingly, a sinking fund is not reflected in the financial statements.

Reserve fund requirements - the Hospital is required to make monthly deposits of \$ 2,361 until the fund has accumulated \$ 283,290.

Contingency fund requirements - the Hospital is required to make monthly deposits of \$ 1,194.

Actual and required balances of the reserve fund and contingency fund at June 30, 1988 is as follows:

	<u>Actual</u>	<u>Required</u>	<u>Excess</u>
Reserve fund	\$ 317,935	\$ 221,910	\$ 96,025
Contingency fund	192,736	112,236	80,500
Total	<u>\$ 510,671</u>	<u>\$ 334,146</u>	<u>\$ 176,525</u>

Farmers Home Administration permits the Hospital to pay on the principal and interest monthly in lieu of annually. The monthly payments are applied to reduce the principal debt when paid. Assuming the continuation of monthly payments, future principal and interest requirements on the bonded debt for the next five fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
1989	\$ 90,838	\$ 182,652	\$ 273,490
2000	96,348	188,342	284,690
2001	102,418	193,872	296,290
2002	108,870	199,428	308,298
2003	115,728	205,562	321,290

NOTE 8 - PENSION PLAN

All Hospital full-time employees participate in the Municipal Employees' Retirement System, State of Louisiana ("System"), a multiple employer public employees retirement system (PERS). The payroll for Hospital employees covered by the System for the year ended June 30, 1988, was approximately \$4,841,000; the Hospital's total payroll was approximately \$5,634,000.

Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week, not participating in another publicly funded retirement system, and under the age of sixty at the date of employment.

The system is comprised of two plans. "Plan A" combines the original plan and a supplemental plan while "Plan B" involves only the original plan. Any member of Plan A can retire provided he/she is

**BROWER MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
June 30, 1998 and 1997**

NOTE B - PENSION PLAN - Continued

age fifty-five with twenty-five years of creditable service; is age sixty with a minimum of ten years of creditable service or at any age with thirty or more years of creditable service. A member of Plan B can only provide health is age fifty-five with thirty years of creditable service or is age sixty with a minimum of ten years of creditable service.

In lieu of terminating employment and accepting a service retirement allowance, any member of Plan A or B with thirty years of service at age fifty-five; twenty years of service at age sixty; fifteen years of service at age sixty-two; or ten years of service at age sixty-five may elect to participate in the deferred retirement option plan (DROOP) for up to two years and defer the receipt of benefits. Upon commencement of participation in the DROOP plan, membership in the System terminates. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would have been payable, had the person elected to cease employment and receive a service retirement allowance are paid into the DROOP fund. This fund does not earn interest. In addition, no cost of living increases are payable to participants until employment which made them eligible to become members of the System has been terminated for a least one full year.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the plan may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his actual balance in that fund, or any other method of payment if approved by the board of trustees. The monthly benefits that were being paid into the deferred retirement option plan fund will begin to be paid to the retiree. If a participant dies during the participation in the plan, a lump sum equal to his account balance in the plan fund shall be paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of the two year, payments into the plan fund cease and the person resumes active contributing membership in the System. Additional accrued benefits are based on final average compensation used to calculate the member's original benefit unless the additional period of service is at least thirty-six months.

Generally, the monthly amount of retirement allowance for any member of Plan A or Plan B shall consist of an amount equal to three percent or two percent, respectively, of the member's final compensation multiplied by his/her years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. Both plans provide for death and disability benefits. Benefits and employer/employee obligations to contribute are established by state statute.

Each participating employer of Plan A contributes an amount equal to 6.75% of each and every member's earnings. Each employee in Plan A contributes 9.25% of monthly earnings. Under Plan B, each participating employer contributes an amount equal to 3.75% of each and every member's earnings. Each employee in Plan B contributes 5.00% of monthly earnings. The System also receives 1% of 1% of ad valorem taxes collected within the parishes of Louisiana, except for Orleans Parish.

BRIMER MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
June 30, 1998 and 1997

NOTE 8 - PENSION PLAN - Continued

Tax monies are apportioned between Plan A and Plan D in proportion to the solution of plan participants. These additional sources of income are used as additional employer contributions. The remaining employer contributions are determined according to actuarial requirements and are set annually. The contribution requirement for the year ended June 30, 1998 was approximately \$726,000, which consisted of \$278,000 from the Hospital and \$448,000 from the employees.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted to the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PBES and employees. The System does not make separate measurements of assets and pension benefit obligation for individual employees. The pension benefit obligation at June 30, 1997, (the latest actuarial report furnished to the hospital, for the System as a whole, determined through an actuarial valuation performed as of that date (valued at market) was approximately \$ 380 million. The System's net assets available or benefits as that date (valued at cost) was approximately \$483 million, leaving an unfunded pension benefit obligation of \$60 million. The Hospital's contribution for the year ended June 30, 1997, represented approximately 40% of total contributions paid by all participating entities. Five-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's annual financial report. No securities of the Hospital are held by the System.

NOTE 9 - OFF BALANCE SHEET RISKS

Concentration of credit

The Hospital operates in Iberia, Louisiana, and grants credit on its services to its patients, substantially all of whom are local residents of the Parish. Generally, the Hospital accepts assignments of patients' benefits payable under either public or private insurance programs or policies in lieu of collateral to secure its patient accounts receivable. At June 30, 1998 and 1997, approximately 52% and 72%, respectively, of patient accounts receivable was related to beneficiaries of the Medicare and Medicaid programs. Future changes (if any) occurring within the local economy or the Medicare and Medicaid reimbursement methods can significantly affect the operations of the Hospital.

Cash balances

At June 30, 1998, the aggregate carrying amount of cash, including assets whose use is limited, was \$3,681,583 that are invested in one bank and the Louisiana Asset Management Pool. The corresponding bank and pool balances totaled \$3,743,840. The difference between the carrying amount reported by the Hospital and the bank and pool balances represents deposits and checks which

HOMER MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
June 30, 1998 and 1997

NOTE 9 - OFF BALANCE SHEET RISKS - Continued

had not cleared the bank at June 30, 1998. All funds are fully secured by either FDIC coverage or securities pledged against the deposits. At June 30, 1998, the pledged securities were approximately \$780,000 in excess of the actual deposits.

Volume of services

The District is dependent upon local physicians practicing in the immediate service area for its volume of patients. Any decrease in the number of physicians from the current level can significantly affect hospital operations.

NOTE 10 - CONTINGENCIES

The Hospital is the defendant in certain litigation arising in the normal course of its business. In the opinion of management and the Hospital's legal counsel, the claims are without merit and the awards for damages (if any) resulting from these claims will not exceed the applicable insurance coverage. Therefore, the Hospital has made no provision for a loss contingency related to these suits in the financial statements.



NEUMAN, RICHARDSON & CO., L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors
Homer Memorial Hospital
Homer, Louisiana

We have audited the financial statements of Homer Memorial Hospital, a component unit of the Town of Homer, as of and for the year ended June 30, 1998, and have issued our report thereon dated September 23, 1998. We conducted our audit in accordance with generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Homer Memorial Hospital's financial statements are free of material misstatements, 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 these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Homer Memorial Hospital's internal control over financial reporting 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 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 risk that misstatements 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 over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Homer Memorial Hospital in a separate letter dated September 23, 1998.

This report is intended for the information of the board of directors, management, and the Legislative Auditor's Office of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.

Norman Richardson & Co.
Norman, Richardson & Co., L.L.P.
September 23, 1988

11. ADDRESS(es) OF PLACE(S) WHERE REPORT WAS OBTAINED (Printing Capitalized) (No.)	Reviewed <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/>	<input type="checkbox"/> No Longer Applicable
_____	Reviewed <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/>	<input type="checkbox"/> No Longer Applicable
_____	Reviewed <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/>	<input type="checkbox"/> No Longer Applicable
_____	Reviewed <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/>	<input type="checkbox"/> No Longer Applicable
_____	Reviewed <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/>	<input type="checkbox"/> No Longer Applicable

AGENCY SIGNATURE _____

Date _____

COLUMN OF LEGISLATIVE AGENCY

AGENCY NO. _____

FILE NO. _____

FILE NO. _____

FOR USE BY LEGISLATIVE AUDITOR

Date Report Received _____

Date Processed _____

Legislative Audit Agency (LAAA)	Are there (potential) findings (RISK SCORE)	Yes or No
Director of Attorney	Are there findings of control loss?	Yes or No
Board of Ethics	Are there findings of ethics, integrity, or related parties?	Yes or No
State Board of Accountancy (SBA)	Are there any findings relating to violations of professional conduct?	Yes or No
	Does the report express strong concerns or reservations?	Yes or No
	Does the entity have a deficit greater than 5% of revenue? (Yes, identify the reported deficit)	Yes or No
High Profile	Are there any significant findings?	Yes or No

Report Approved for Release _____

Date _____

Page 4 of 5

(A=No Comments, B=Management Letter Comments Only, C=Control/Compliance Report(s) Generated, D=Significant Deficiency) (Yes/No) For grading purposes, schedules of remedial findings are treated as a management letter

REPORT DISTRIBUTION

File Room (original/working copy)	1	State of Idaho (State DAF/2nd/3rd)	See Below
Attorney General	1	Investigative Group (Control/Audit)	1
Chief of Staff	1	Board of Ethics	1
Human Office	1	Actuarial Section (State/Statewide Retirement Systems)	1
Information Office	1	Engagement Manager (SBA's Copy)	1
Division Attorney	1	Quality Assurance	1
Legislative Auditor (High Profile)	1	_____ (Public Government)	1
Analyst (Legislative Auditor (High Profile)	1	City/Town/Village of _____	1
Office (High Profile)	1	Other _____	1
Press Release Draft (High Profile)	1	Other _____	1
Files	1		
Archives	1	Exhibition approval (initials) _____	
Legislative Audit Advisory Council	1	Copies needed _____ Copies TRM _____	



1711 Lakeshore Blvd., Suite 4
Baton Rouge, Louisiana 70801
504-755-6400
FAX 504-755-1400

NEUMAN, RICHARDSON & CO., L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Don L. Newman, CPA
Ray G. Richardson, CPA
— 104340—
Stephen T. DeLoach, CPA
Joseph S. Grunsky, CPA
William A. Spivey, CPA

To the Board of Directors
Homer Memorial Hospital
Homer, Louisiana

In planning and performing the audit of the financial statements of Homer Memorial Hospital for the year ended June 30, 1998, 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. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Hospital's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Board Approval of Fixed Asset Additions

Comments:

It is our understanding that the board is to approve all fixed asset additions of \$ 2,500 or more. We did not notice any board approval within the board minutes for the following addition:

<u>Date</u>	<u>Yearling</u>	<u>Exp</u>	<u>Amount</u>
4/28/98	Stapletons Floor Covering	X-ray floor covering	\$ 2,878.00

This expenditure was reclassified as an equipment addition through an audit adjustment; therefore, it was not initially presented to the board for approval.

Hospital's Response:

This was an apparent oversight by the hospital as we normally have all additions to the equipment account and major repairs presented for board approval. Since this was initially recorded as a repair expense, it was not listed on the equipment additions schedule presented to the board for approval. We will strive to also report major repairs to the board.

Board Approval of Specific Transactions

Comments:

In our review of board minutes, we did not notice any approval for the line of credit (with an outstanding balance of \$ 171,468 on June 30, 1998) for Dr. Elizabeth Drey which

began in September, 1993. Also, a signed copy of this contract could not be located when we conducted the field work of the audit.

Hospital's Response:

The contract was in the hands of our attorney. We have now furnished you a copy of this signed contract.

Cost Report Statistics

Comments:

Despite the introduction of DRG's in the early 1980's, and the recent passage of the Balanced Budget Act of 1993, cost reimbursement issues can continue to have a positive financial impact on the Hospital. Accordingly, there is still room for additional reimbursement in the next few years if accurate and timely statistics are maintained.

For example, Medicare has recently broadened the allocation methods for medical records. As a result of this coupled with the square footage performed by us, we recently reopened or amended your cost reports for 1995 and 1996 and have received additional reimbursement of \$ 9,463 and \$ 47,736 respectively.

Examples where the accumulation of cost report statistics was lacking in the current year were in the following areas:

<u>Cost Report Statistics</u>	<u>Comments</u>
DRU meals served	Not maintained from July through March
ER physician admin. time	Not maintained (Optional)
Injury and accident time	Not maintained

Hospital's Response:

Since April, 1998, DRU meals have been maintained which not only include patient meals, but employee and guest meals. We understand the ER physician's administrative time is optional and not necessarily required. We will strive to maintain a log of the physician's time while in the ER. Our contract with LSU Medical School indicates that they are responsible for maintaining time studies of the injuries and accidents. We will communicate to them the importance of maintaining these time schedules.

Y2K compliance comments

Comments:

We understand the Hospital is currently reviewing all computer applications to ensure they are compliant with the year 2000. We encourage the continuation of this process to remain in compliance with current Medicare requirements as well as avoiding future malfunctions of the various technological systems and equipment at the Hospital.

Hospital's Response:

We have recently accepted the bid on a new software system that is Y2K compatible. In addition, we have been in contact with all known hardware and software vendors concerning their compliance with the Y2K situation.

Summary of Prior Year Findings

We have reviewed the Hospital's responses to items noted in the previous year's management letter concerning (1) board minutes; (2) Payroll account reconciliation; and (3) DRG reimbursement changes. Based on our review, we believe the Hospital has responded appropriately to these findings.

We appreciate the opportunity to serve you with your accounting needs and the many courtesies extended to us while visiting at the Hospital. This letter is intended solely for the benefit of management and the Board of Directors and is not intended for any other purpose.



Norman Richardson & Co., L.L.P.

September 23, 1998