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**GENERAL PURPOSE FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**DEQUINCY MEMORIAL HOSPITAL**

September 30, 1997 and 1996

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 MAR 25 2008

## CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	3
GENERAL PURPOSE FINANCIAL STATEMENTS	
BALANCE SHEETS	4
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS	6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	9
SUPPLEMENTAL INFORMATION	
AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION	20
SCHEDULES OF OPERATING EXPENSES	21
SCHEDULE OF INSURANCE IN FORCE	22
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING	24



# Langley, Williams & Company, L.L.C.

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PHILIP D. HARRIS, JR.  
DANIEL H. CLAY

## 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, 1997 and 1998, 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 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 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, 1997 and 1998, 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 10, 1998 on our consideration of DeQuincy Memorial Hospital's internal control over financial reporting and on tests of its compliance with laws and regulations, contracts and grants.

*Langley, Williams & Co., LLC*

February 10, 1998

## DeQuincy Memorial Hospital

## BALANCE SHEETS

September 30,

## ASSETS

	<u>1997</u>	<u>1996</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 186,666	\$ 107,177
Receivables		
Patient accounts, less allowance for uncollectible patient accounts and contractual adjustments of \$219,193 in 1997 and \$184,804 in 1996	903,640	1,062,829
Other	796,188	711,278
Inventories of materials and supplies	85,536	78,639
Prepaid expenses	<u>15,762</u>	<u>71,886</u>
Total current assets	1,986,632	2,131,809
<b>PROPERTY, PLANT and EQUIPMENT, less accumulated depreciation (\$3,716,323 for 1997 and \$3,493,148 for 1996)</b>	1,927,038	1,949,485
<b>OTHER ASSETS</b>		
Bond insurance cost, net of accumulated amortization (\$56,157 for 1997 and \$48,997 for 1996)	<u>14,000</u>	<u>16,180</u>
<b>Total assets</b>	<b><u>\$ 3,927,731</u></b>	<b><u>\$ 4,097,474</u></b>

The accompanying notes are an integral part of these statements.

**LIABILITIES AND FUND EQUITY**

	<u>1997</u>	<u>1996</u>
<b>CURRENT LIABILITIES</b>		
Bonds payable, current portion	\$ 172,000	\$ 171,000
Notes payable, current portion	11,253	-
Obligations under capital leases, current portion	38,943	25,516
Accounts payable	100,269	954,569
Accrued liabilities		
Salaries, wages and other compensation	207,768	193,801
Payroll taxes	12,086	10,549
Interest	64,270	69,762
Other	<u>118,832</u>	<u>98,621</u>
Total current liabilities	938,629	1,528,814
<b>LONG-TERM OBLIGATIONS, less current portion</b>		
Revenue bonds	1,645,850	1,782,800
Public improvement bonds	-	25,900
Certificate of indebtedness	65,800	88,800
Notes payable	43,660	-
Obligations under capital leases	<u>66,632</u>	<u>2,726</u>
Total long-term obligations	1,822,942	1,899,726
<b>OTHER LIABILITIES</b>	703,840	-
<b>FUND EQUITY</b>		
Retained earnings - unreserved	<u>470,761</u>	<u>688,528</u>
Total liabilities and fund equity	<u>\$ 3,827,731</u>	<u>\$ 4,099,478</u>

## DeQuincy Memorial Hospital

STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS

For the years ended September 30,

	<u>1997</u>	<u>1996</u>
<b>OPERATING REVENUES</b>		
Patient service revenue, less provisions for contractual allowances and uncollectible accounts (\$1,125,664 of 1997 and \$288,754 for 1996)	\$ 3,221,599	\$ 3,717,649
Other	<u>60,386</u>	<u>63,591</u>
Total operating revenues	3,281,985	3,781,240
<b>OPERATING EXPENSES</b>	<u>3,416,124</u>	<u>3,706,856</u>
<b>OPERATING INCOME (LOSS)</b>	( 134,139)	74,384
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State grants	35,000	38,714
Unrestricted gifts	3,679	13,064
Interest income	5,589	7,313
Interest expense	( 122,718)	( 125,140)
Amortization	( 2,159)	( 2,199)
Depreciation on rental property	( 14,694)	( 14,686)
Other	<u>48,818</u>	<u>44,279</u>
Total nonoperating revenues (expenses)	( 48,185)	( 28,185)
<b>NET INCOME (LOSS)</b>	( 218,227)	56,199
<b>(INCREASE) DECREASE IN RETAINED EARNINGS RESERVED</b>	<u>        -</u>	<u>463,678</u>
<b>NET CHANGE IN UNRESERVED RETAINED EARNINGS FOR YEAR</b>	( 218,227)	463,677
<b>RETAINED EARNINGS-UNRESERVED-OCTOBER 1,</b>	<u>688,528</u>	<u>224,851</u>
<b>RETAINED EARNINGS-UNRESERVED-SEPTEMBER 30,</b>	<u>\$ 470,301</u>	<u>\$ 688,528</u>

The accompanying notes are an integral part of these statements.

## DeQuincy Memorial Hospital

## STATEMENTS OF CASH FLOWS

For the year ended September 30,

	<u>1997</u>	<u>1996</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ ( 218,237)	\$ 56,091
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	243,424	232,157
Amortization	3,199	3,160
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	260,222	(1,403,846)
Decrease (increase) in inventories of materials and supplies	( 6,887)	( 1,296)
Decrease (increase) in prepaid expenses	58,122	42,064
(Decrease) increase in accounts payable	( 644,956)	583,553
Increase (Decrease) in accrued liabilities	<u>26,028</u>	<u>177,481</u>
Net cash flows provided (used) by operating activities	<u>( 179,267)</u>	<u>( 112,436)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	( 226,634)	( 142,818)
Cash designated as assets whose use is limited	<u>      </u>	<u>402,826</u>
Net cash provided (used) by investing activities	<u>( 226,634)</u>	<u>160,008</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of capital lease obligations	( 52,189)	( 4,967)
Repayment of long-term obligations	( 178,664)	( 119,485)
(Increase) Decrease in other receivables	( 84,828)	32,999
Proceeds of capital lease financing	123,801	-
Proceeds of long-term debt	65,366	-
Increase in other liabilities	<u>205,840</u>	<u>      </u>

DeQuincy Memorial Hospital  
 STATEMENTS OF CASH FLOWS - Continued  
 For the years ended September 30,

	<u>1993</u>	<u>1992</u>
Net cash provided (used) by financing activities	\$ <u>579,286</u>	\$ <u>21,873</u>
Net increase (decrease) in cash	79,489	( 121,531)
Cash at beginning of year	<u>103,177</u>	<u>328,728</u>
Cash at end of year	\$ <u>182,666</u>	\$ <u>207,197</u>
Cash paid during the year for:		
Interest	\$ 138,210	\$ 46,196

The accompanying notes are an integral part of these statements.



DeQuincy Memorial Hospital

NOTES TO FINANCIAL STATEMENTS

September 30, 1997 and 1996

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, 1997.

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 impose 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, 1997 and 1996

#### 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 unrestricted 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, 1997 and 1998

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, 1997 and 1998 is \$228,818 and \$217,531 for operations and \$14,606 and \$14,606 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 annual 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 \$80,534 and \$58,639 has been recorded in accrued liabilities to salaries, wages and other compensation for 1997 and 1998.

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 63 days. Upon termination of employment, sick leave is canceled.

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, 1997 and 1996

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, 1997 and 1996.

	<u>1997</u>	<u>1996</u>
Charges forgone, based on established rates	\$ 8,217	\$ 35,679
Estimated costs and expenses incurred to provide charity care	\$ 2,600	\$ 23,459
Equivalent percentage of charity care patients to all patients	.01%	.03%

NOTE C - NET PATIENT SERVICE REVENUE

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

**MEDICARE:** Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services, certain outpatient services, and dental 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 tentative rate with 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 costs reports have been audited by the Medicare fiscal intermediary through September 30, 1995.

**MEDICAID:** Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement 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 September 30, 1995.

DeQuincy Memorial Hospital

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1997 and 1996

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 respective amounts required to be deposited monthly are as follows:

Sinking Fund	\$ 18,425
Reserve Fund	\$ 1,843
Contingency Fund	\$ 1,785

These accounts were unfunded as of the date of this report.

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, 1997, the Hospital's bank balance was \$188,888. 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:

## DeQuincy Memorial Hospital

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1997 and 1996

## NOTE F - ACCOUNTS RECEIVABLE - Continued

	<u>1997</u>	<u>1996</u>
Patient receivables:		
0-30 days	\$ 481,350	\$ 681,647
31-60 days	182,951	338,081
61-90 days	87,328	95,209
91 days and older	<u>436,264</u>	<u>432,781</u>
	1,187,793	1,547,708
Other receivables and interest receivable	<u>786,106</u>	<u>711,078</u>
	1,973,900	2,258,787
Less allowances for uncollectible patient accounts and contractual adjustments	<u>( 265,180)</u>	<u>( 384,884)</u>
	<u>\$ 1,693,708</u>	<u>\$ 1,874,160</u>

## NOTE G - PROPERTY, PLANT AND EQUIPMENT

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

	<u>1997</u>	<u>1996</u>
Land	\$ 28,000	\$ 28,000
Land improvements	10,512	10,512
Building and fixed equipment	3,214,333	3,214,333
Paving	196,368	196,368
Equipment under capital leases	296,291	96,341
Movable furniture and equipment	1,579,463	1,448,583
Medical office building- rental property	<u>487,368</u>	<u>483,307</u>
	5,661,341	5,441,873
Less accumulated depreciation	<u>(3,733,221)</u>	<u>(3,482,148)</u>
	<u>\$ 1,927,020</u>	<u>\$ 1,959,482</u>

DeQuincy Memorial Hospital

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1997 and 1996

NOTE III - LONG-TERM DEBT AND CAPITAL LEASES

A summary of long-term debt and capital leases at September 30, 1997 and 1996, follows:

	<u>1997</u>	<u>1996</u>
\$200,000 of Hospital Revenue Bonds, 1981 Series, Dated February 9, 1982, Bearing 7% interest, payable in yearly installments on January 15, to Farmers Home Administration, collateralized by property and plant.	\$ 131,882	\$ 138,000
\$1,000,000 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.	419,888	470,000
\$2,100,000 of Hospital Revenue Bonds of the City of DeQuincy, State of Louisiana, Dated January 15, 1979, Bearing 9% interest, payable in yearly installments on January 15, to Farmers Home Administration, collateralized by property and plant.	1,293,000	1,385,000
\$300,000 of Public Improvement Bonds of the City of DeQuincy, State of Louisiana, Dated June 1, 1978, Bearing variable interest rate presently at 5.91%, principal payments yearly on June 1 to Security National Bank, with interest payments on June 1 and December 1, collateralized by property and equipment.	25,000	90,000

## DeQuincy Memorial Hospital

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1997 and 1996

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

	<u>1997</u>	<u>1996</u>
\$135,000 Certificate of Indebtedness of the City of DeQuincy, State of Louisiana, 1st 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, unsecured.	80,000	95,000
6.45% note payable to First National Bank of Lake Charles, Louisiana, Dated August 2, 1998 payable in monthly installments of \$1,219 including interest, collateralized by equipment.	<u>56,912</u> 1,943,762	<u>5</u> 2,084,000
Less current installments of long-term debt	( 183,252)	( 171,080)
Long-term debt excluding current installments	<u>\$ 1,760,410</u>	<u>\$ 1,887,000</u>
Capital lease obligations, at varying rates of imputed interest from 5.5% to 9.65%, collateralized by leased equipment.	\$ 64,800	\$ 36,042
Less current portion of capital lease obligations	( 38,945)	( 23,316)
Capital lease obligations excluding current portion	<u>\$ 25,855</u>	<u>\$ 12,726</u>

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, 1997 and 1996

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

Scheduled principal payments on long-term debt and payments on capital lease obligations for the next five years following September 30, 1997 are as follows:

	<u>Long-term Debt</u>	<u>Obligations Under Capital Leases</u>
1998	\$ 183,293	\$ 38,945
1999	169,324	41,387
2000	175,148	18,468
2001	172,064	-
2002	<u>186,192</u>	<u>-</u>
Total	<u>\$ 885,912</u>	<u>\$ 99,000</u>

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 rentals charged to operations as incurred.

As of September 30, 1997, there are no operating leases that have initial or remaining lease terms in excess of one year.

Total rental expense in 1997 and 1996 for all operating leases was approximately \$52,893 and \$58,327 respectively.

DeQuincy Memorial Hospital

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1997 and 1996

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 payors was as follows for 1997:

Medicare	65%
Medicaid	8
Other third-party	13
Patients	<u>14</u>
	<u>100%</u>

NOTE L - STATE GRANTS

For the year ended September 30, 1997 and 1996, the Hospital received grants of \$25,000 and \$50,714, respectively. These grants were provided, in accordance with the provisions of the Louisiana Procedure Act, LSA R.S. 49:560 et seq., to help small rural hospitals with quality emergency health services to indigent and low income persons in rural areas.



# Langley, Williams & Company, L.L.C.

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SECURITIES DIVISION  
1900

LETTERS LOCATED IN  
CERTAIN VOLUMES  
RECORDS FILED UNDER  
FOLDER 8, VOLUME 40  
DATED 8/14/98

## 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, 1987 and 1996, 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.

*Langley Williams & Co., LLC*

February 10, 1998

## DeQuincy Memorial Hospital

## SCHEDULE OF OPERATING EXPENSES

For the years ended September 30,

	<u>1987</u>	<u>1986</u>
Baseline nursing services	\$ 170,900	\$ 186,750
Surgery and recovery	-	399
Central supply	29,366	21,260
Telemedicine	1,384	7,129
Laboratory	269,125	279,491
EKG and EEG	1,803	2,041
Blood bank	11,428	3,962
Histology	268,797	152,437
Pharmacy	191,348	189,798
Respiratory therapy	144,315	117,317
Physical therapy	91,717	89,427
Nuclear medicine	4,483	3,879
Ultra sound	78,189	49,689
Dietary	216,151	218,682
Laundry	43,083	31,697
Purchasing	52,988	57,742
Home health	997,843	861,972
Rental clinic	287,765	296,842
Housekeeping	90,400	86,819
Plant operations and maintenance	143,879	182,444
Communication	25,821	14,710
Patient accounting	132,479	157,073
Administration	829,287	688,358
Personnel and employee benefits	177,344	179,133
Miscellaneous	-	14,900
Medical records	68,279	68,600
Nursing administration	48,493	51,999
Depreciation	228,817	217,501
Infection control	26,888	26,717
Intensive	724	97
Public relations	1,718	2,689
Physician contractual guarantees	146,077	144,852
Emergency room	366,298	262,184
Psychiatric	17,386	757,861
Intensive-care therapy	12,997	12,842
Operating room	28,342	-
Discharge planning	12,712	-
	<u>\$ 4,126,124</u>	<u>\$ 4,796,824</u>

## DeQuincy Memorial Hospital

## SCHEDULE OF INSURANCE IN FORCE

September 30, 1987

COMPANY	Policy Number	Term	Coverage and Limits of Liability
The St. Paul Insurance Company	HR 00000022	12/1/86 to 12/31/87	General Liability:
			Each event limit: \$ 1,000,000
			Fire-Damage 100,000
			Medical 5,000
			Personal injury & Advertising, Injury 1,000,000
			Total Limit 1,000,000
			Automobile Liability -
			Per accident 500,000
			Professional Liability -
			Per case per-son 100,000
			Total Limit 500,000
			Property Protection - Hospital
			Building 1,204,200 Co-insurance 80%
			Contents 774,000 Co-insurance 80%
Deductible 5,000			
Property Protection - Clinic			
Building 471,160 Co-insurance 80%			
Deductible 5,000			
Mobile Building 26,410 Co-insurance 90%			
Miscellaneous Property Protection -			
X-Ray equipment 117,000			
Accounts Receivable Protection -			
Limit of coverage 1,700,000			
Blanket Employees/Contractor Protection			
Total limit 100,000			
Deductible 5,000			
The St. Paul Insurance Company	SR 0000006	12/03/86 to 12/31/87	Excess Liability Umbrella -
			Each occurrence and annual aggregate 1,000,000
			Deductible 10,000

DeCadey Memorial Hospital

SCHEDULE OF INSURANCE IN FORCE - CONTINUED

September 30, 1997

<u>COMPANY</u>	<u>Policy Number</u>	<u>Term</u>	<u>Coverage and Limits of Liability</u>
The St. Paul Insurance Company	502646476	12/15/96 to 12/15/97	Directors Liability Policy Limit 1,000,000
Commercial Union Insurance Co.	WM1501185	12/15/96 to 12/15/97	Boiler and machinery Policy limit 5,000,000 Deductible 1,000
Louisiana Patient's Compensation Fund	HS08300476	12/15/96 to 12/15/97	Physician's malpractice Per claim 100,000 Aggregate 800,000
BECO	WC-560-R	1/1/97 to 1/1/98	Employers Liability - Disease policy limit 500,000 Disease each employee 100,000 Bodily injury-accident 100,000



# Langley, Williams & Company, L.L.C.

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PHYSICIAN SERVICES OF  
DEQUINCY HOSPITAL

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

Board of Directors  
DeQuincy Memorial Hospital  
DeQuincy, LA

We have audited the financial statements of DeQuincy Memorial Hospital as of and for the years ended September 30, 1997 and 1996, and have issued our report thereon dated February 10, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether DeQuincy Memorial Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did disclose the following instance of noncompliance that is required to be reported 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 financial statements. Under terms of the revenue bond indenture agreements, the Hospital is required to make monthly deposits into sinking and reserve and contingency funds. For the years ended September 30, 1997 and 1996, these amounts were unfunded.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered DeQuincy 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 level the 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.

Board of Directors  
DeQuincy Memorial Hospital  
Page 2

This report is intended for the information of management and other state and federal agencies. However, this report is a matter of public record and its distribution is not limited.

February 10, 1988

Raymond Williams, Jr., LLC