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**WEST LOUISIANA HEALTH
SERVICES, INC.**
Bossier, Louisiana

Financial Statements

Years Ended October 31, 1998 and 1997

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 Board Room office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 08-13-2000

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Founded in 1976

BROUSSARD & COMPANY, APC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Trustees
West Louisiana Health Services, Inc.
DeRidder, Louisiana

We have audited the accompanying statements of financial position of West Louisiana Health Services, Inc. as of October 31, 1998 and 1997, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation'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. 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 opinions, the financial statements referred to above present fairly, in all material respects, the financial position of West Louisiana Health Services, Inc. as of October 31, 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.

Broussard & Company

February 11, 1999
A/B

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WEST LOUISIANA HEALTH SERVICES, INC.
Bossier, Louisiana

Statements of Financial Position
For the Years Ended October 31,

Assets	<u>1998</u>	<u>1997</u>
Current Assets		
Cash and cash equivalents	\$ 616,753	\$ 189,876
Accrued interest receivable	15,294	16,023
Due from Hospital Service District #2 of Bienville Parish	-	360,478
Other receivables - current portion	15,249	26,178
Notes receivable - physicians - current portion	45,945	15,315
Total Current Assets	<u>697,241</u>	<u>1,607,870</u>
Investments	<u>4,794,771</u>	<u>4,413,764</u>
Property, Plant, and Equipment		
Equipment	44,387	70,858
Buildings and improvements	283,126	293,126
Land	549,583	587,183
Less accumulated depreciation	<u>(691,513)</u>	<u>(718,777)</u>
Net Property, Plant, and Equipment	<u>591,683</u>	<u>642,680</u>
Other Assets		
Notes receivable - physician - net of current portion	108,160	72,898
Other receivables - net of current portion	<u>95,478</u>	<u>157,283</u>
Total Other Assets	<u>203,638</u>	<u>230,181</u>
Total Assets	\$ 6,796,733	\$ 6,794,823
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 371,983	\$ 606,888
Accrued payroll	326,812	221,889
Other accrued expenses	232,565	170,860
Due from Hospital Service District #2 of Bienville Parish	100,891	-
Accrued vacation payable	441,733	465,861
Accrued disability benefits	<u>623,964</u>	<u>418,177</u>
Total Current Liabilities	<u>2,100,948</u>	<u>1,883,675</u>
Net Assets - Unrestricted	<u>4,695,785</u>	<u>4,911,148</u>
Total Liabilities and Net Assets	\$ 6,796,733	\$ 6,794,823

The accompanying notes are an integral part of the financial statements.

WEST LOUISIANA HEALTH SERVICES, INC.
Bossier, Louisiana

Statements of Activities
For the Years Ended October 31,

	1996	1997
Unrestricted Net Assets		
Support		
Reimbursements from Hospital Service District #2 of Bossier Parish	\$ 19,410,183	\$ 18,516,686
Interest income	199,187	196,053
Realized gains (loss) on sale	192,950	519,180
Unrealized gains (loss)	161,316	683,668
Other	38,648	136,296
Total Unrestricted Support	20,002,183	19,551,883
Expenses		
Starting expenses	2,211,518	2,149,591
Other professional expenses	9,888,292	9,171,689
General service expenses	2,175,882	2,047,552
Fiscal and administrative service expenses - Hospital District	481,565	4,123,574
Fiscal and administrative service expenses - WLHS	667,918	187,632
Total Expenses	15,425,175	18,780,038
Increase in Unrestricted Net Assets Before Cumulative Effect of Change in Accounting Principle	4,576,983	871,845
Cumulative Effect of Change in Accounting Principle - Unrealized-Gains as of October 31, 1996	-	176,120
Increase in Unrestricted Net Assets	4,576,983	1,047,965
Net Assets at Beginning of Year	4,458,578	3,409,633
Net Assets at End of Year	\$ 9,035,561	\$ 4,457,598

WEST LOUISIANA HEALTH SERVICES, INC.
Bossier, Louisiana

Statements of Cash Flows
For the Years Ended October 31,

	<u>1998</u>	<u>1997</u>
Cash Flows From Operating Activities:		
Excess (deficiency) of revenues over expenses	\$ 116,340	\$ 1,641,695
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation	18,092	34,990
Realized (gain) loss on sale of investments	(192,500)	(219,188)
Unrealized (gain) loss on investments	(140,156)	(379,798)
(Increase) decrease in interest receivable and other receivables	(402,710)	(60,371)
(Increase) decrease in due from Hospital Service District # 2 of Bossier Parish	666,318	(416,718)
Increase (decrease) in accounts payable and other payables	182,478	7,707
Total Adjustments	<u>89,902</u>	<u>(1,315,685)</u>
Net Cash Provided (Used) by Operating Activities	206,242	(311,712)
Cash Flows From Investing Activities:		
Capital expenditures	(104,792)	(18,900)
Proceeds from sale and maturity of investments	1,351,718	1,351,884
Purchase of securities	<u>(2,486,170)</u>	<u>(1,613,268)</u>
Net Cash Provided (Used) by Investing Activities	<u>76,756</u>	<u>(499,876)</u>
Net Increase (Decrease) in Cash	282,998	(810,590)
Cash and Cash Equivalents, beginning of year	<u>189,826</u>	<u>1,009,415</u>
Cash and Cash Equivalents, end of year	<u>\$ 472,824</u>	<u>\$ 198,824</u>

WEST LOUISIANA HEALTH SERVICES, INC.
DeRidder, Louisiana

Notes to Financial Statements
October 31, 1998 and 1997

Note 1 - Organization and Summary of Significant Accounting Policies

Business and Nature of Activities

The physical facilities of Beauregard Memorial Hospital are owned by the Hospital Service District #7 of Beauregard Parish. On June 6, 1978, the Board of Commissioners of the Hospital Service District entered into an agreement with the Board of Trustees of Beauregard Memorial Hospital (a non-profit corporation) to manage and operate the hospital facilities. Under the terms of this agreement, which will expire in 99 years from the date executed if all the renewal period options are exercised, the Board of Trustees of Beauregard Memorial Hospital would collect all revenues and deposit to the account of the Hospital Service District and pay all necessary expenses incurred during the normal operations of the hospital. The Hospital Service District would reimburse Beauregard Memorial Hospital for these expenses.

During the year ended October 31, 1984, the Board of Trustees of Beauregard Memorial Hospital elected to change their name to the Board of Trustees of West Louisiana Health Services, Inc. West Louisiana Health Services, Inc. (organization) operates the Hospital facility known as Beauregard Memorial Hospital.

Financial Statement Presentation

In 1993, the Organization adopted Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Income Taxes

West Louisiana Health Services, Inc. is a nonprofit corporation as described in Code Section 501(c)(3) of the Internal Revenue Service and is exempt from Federal and State income taxes on related income pursuant to Section 501(c) of the code.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Continued

WEST LOUISIANA HEALTH SERVICES, INC.
De Ridder, Louisiana

Notes to Financial Statements (Continued)
October 31, 1998 and 1997

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Increase in Unrestricted Net Assets

The statements of activities include excess of operating expenses over operating and nonoperating revenues. Changes in unrestricted net assets which are excluded from excess operating expenses over revenues, consistent with industry practice, may include, but are not limited to, unrealized gains and loss on investment other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets.

Buildings and Equipment

Property, plant, and equipment are recorded at cost. Depreciation expense amounted to \$18,002 and \$24,093 for the years ended October 31, 1998 and 1997, respectively. Property, plant, and equipment are depreciated using the straight-line method over the estimated useful lives of the various assets shown below:

	Method	Life
Buildings	SL	15 - 20 Years
Equipment	SL	4 - 10 Years

The costs of maintenance and repair of property and equipment are charged to expense as incurred. Expenditures for additions, improvements, and replacements are capitalized. The cost and related accumulated depreciation of property and equipment retired are removed from the accounts and any resulting gain or loss is recognized.

Investments

The Organization changed its policy of accounting for investments in equity securities with readily determinable fair values and all debt securities from lower of cost or market to fair value in accordance with SFAS No. 124, "Accounting for Certain Investments Held for Non-Financial Organizations". The Organization adopted the provisions of SFAS No. 124 by recognizing the cumulative effect of the change in the year of change.

Cash and Cash Equivalents

The Organization considers all short-term unrestricted investments with an original maturity of three months or less to be cash equivalents.

WEST LOUISIANA HEALTH SERVICES, INC.
DeRidder, Louisiana

Notes to Financial Statements (Continued)
October 31, 1998 and 1997

Note 2 - Defined Contribution Plan

The Hospital provides pension benefits for all of its full-time and part-time employees who meet certain age and service requirements through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. The Hospital contributes 5% of eligible participants' compensation. The participant is required to contribute 3% of compensation. The Hospital's contributions for each employee (and plan earnings allocated to the employee's account) are fully vested after six years service. Hospital contributions for, and plan earnings forfeited by, employees who leave employment before six years of service are used to reduce the Hospital's current period contribution requirements.

The Hospital's total payroll in fiscal year 1998 was \$8,825,226. The Hospital's contributions were calculated using the base salary amount of \$1,762,783. The Hospital's 5% contribution of covered employees, net of forfeitures, amounted to \$269,126. The eligible employees 3% contribution amounted to \$173,483.

Note 3 - Due from Hospital Service District #2 of Bossier Parish

At October 31, 1998 and 1997, West Louisiana Health Services, Inc. had a balance payable of \$108,571, and a balance receivable totaling \$565,478, respectively, to/from the Hospital Service District #2 of Bossier Parish. These balances arise principally from the timing difference of recording accounts payable and account liabilities on the books of West Louisiana Health Services, Inc. and the actual payment by the Hospital Service District #2 of Bossier Parish.

Note 4 - Accrued Compensated Absences

Employees of the hospital are entitled to compensated absences. Compensated absences totaling \$887,687 and \$824,820 for the years ended October 31, 1998 and 1997, respectively, are a vested benefit, and are accrued in the financial statements.

Note 5 - Other Receivables

	<u>October 31,</u> <u>1998</u>	<u>October 31,</u> <u>1997</u>
Details of other receivables are:		
Physician Income Guarantees		
Reimbursement Receivable	\$ 30,718	\$ 32,740
Educational Assistants/Physician		
Recruitment Advances	34,760	132,958
Other	16,242	12,682
Total Other Receivables	<u>\$ 111,822</u>	<u>\$ 181,382</u>

Continued

WEST LOUISIANA HEALTH SERVICES, INC.
 De Ridder, Louisiana

Notes to Financial Statements (Continued)
 October 31, 1998 and 1997

Note 6 - Investments

The amortized cost and fair values of investment securities as of October 31, 1998 are as follows:

	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain/(Loss)</u>
Obligations of U.S. Government Agencies	\$ 448,595	\$ 471,581	\$ 22,986
Mortgage-Backed Securities	1,178,873	1,204,975	26,098
Corporate Debt/Other	177,287	206,110	28,823
Common Stocks	<u>2,119,288</u>	<u>2,756,165</u>	<u>636,877</u>
	<u>\$ 4,823,043</u>	<u>\$ 5,438,831</u>	<u>\$ 614,783</u>

The amortized cost and fair values of investment securities as of October 31, 1997 are as follows:

	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Unrealized (Gain) (Loss)</u>
Obligations of U.S. Government Agencies	\$ 499,678	\$ 499,040	\$(638)
Mortgage-Backed Securities	1,133,384	1,095,634	(37,750)
Corporate Debt/Other	279,770	281,328	1,558
Common Stocks	<u>1,751,874</u>	<u>1,532,452</u>	<u>(219,422)</u>
	<u>\$ 3,664,506</u>	<u>\$ 3,408,454</u>	<u>\$ (256,052)</u>

Note 7 - Financial Instruments With Off-Balance-Sheet Risk

The Organization had deposits on hand with financial institutions and brokerage firms in excess of insurance limits as of October 31, 1998 and 1997. Uninsured amounts in excess of FDIC and SIPC limits totaled \$208,624 and \$177,628, respectively, as of October 31, 1998 and 1997. Management believes that credit risk related to these deposits is minimal.

Note 8 - Note Accounts - Clinics

Note receivable (dated August 28, 1998), due in 60 installments of \$2,814.26, with interest at 8.0% per annum. This note is secured by mortgage on equipment.

Note receivable (dated October 23, 1998), due in monthly installments of \$4,807.13, with interest at 8.5% per annum until paid. This note is secured by mortgage on real estate.

Note receivable (dated November, 1996), due in equal monthly installments of \$185.65, with interest at 8.25% per annum through the year 2005. This note is unsecured.

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WEST LOUISIANA HEALTH SERVICES, INC.
DeBakee, Louisiana

Notes to Financial Statements (Continued)
October 31, 1998 and 1997

Note 9 - Related Party Transactions

The Organization leases a building from a board member for \$1,200 a month under a three year lease agreement. Total lease and other payments made for fiscal year October 31, 1998 were \$7,200. Also, the Hospital paid insurance premiums of \$97,609 to an insurance company whose employee the board member's husband.

The Organization also utilizes the professional services of a local psychology clinic which employs a board member of the Organization. Total payments to the clinic were \$11,873.

The Hospital has agreed to purchase the building (clinic) of a member of the Organization's board. The purchase price is \$199,000 (appraisal value) and the sale will be complete in 1999.

Note 10 - Income Guarantees

The Organization has entered into contracts with several local physicians. Under the contracts, the Organization guarantees net practice physician income ranging from \$100,000 to \$300,000. The total income guarantees aggregate \$420,000. These amounts are offset with physician monthly net income and advances are made if required.

Note 11 - Contingencies

The hospital is self-insured for employee medical benefits. Under this arrangement, the employees contribute a portion of the cost with the hospital paying the difference to a third-party administrator. A portion of the monthly contribution is used to purchase a re-insurance contract that covers individual claims exceeding \$50,000. The accrued liability for incurred, but not reported health insurance benefit claims at October 31, 1998 was \$223,569.