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**WEST CALCASIEU-CAMERON HOSPITAL**  
**Calcasieu-Cameron**  
**Hospital Service District**  
**Sulphur, Louisiana**

**Financial Statements**  
**December 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 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 7-14-99

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Founded in 1978

# BROUSSARD & COMPANY, APC

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
West Calcasieu-Cameron Hospital  
Calcasieu-Cameron Hospital Service District  
Sulphur, Louisiana

We have audited the general purpose financial statements of West Calcasieu-Cameron Hospital as of and for the years ended December 31, 1998 and 1997, as listed in the table of contents. These general purpose financial statements are the responsibility of the hospital's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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 above present fairly, in all material respects, the financial position of the West Calcasieu-Cameron Hospital as of December 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.

In accordance with Government Auditing Standards, we have also issued a report dated May 20, 1999, on our consideration of West Calcasieu-Cameron Hospital's internal control structure and a report dated May 20, 1999, on its compliance with laws and regulations.

*Broussard & Company*

Lake Charles, Louisiana  
May 20, 1999 (Except for Note 1, as to which the date is June 28, 1999)  
/dkb

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**WEST CALCASIEU CAMERON HOSPITAL**  
**Sulphur, Louisiana**  
**Combined Balance Sheet**  
**December 31, 1998**

	Hospital	Noremac, Inc.	Foundation
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 1,692,676	\$ 209,225	\$ 62,021
Assets whose use is limited - required for current liabilities	189,950	-	-
Certificates of deposit	74,694	-	28,587
Accounts receivable from patients	9,278,496	-	-
Less allowance for uncollectible accounts	(1,978,996)	-	-
Due from Medicare and Medicaid - cost report settlement	286,411	-	-
Due from Noremac	79,491	-	-
Interest receivable	258,302	-	-
Other receivables	196,674	-	-
Inventories	509,990	40,621	8,768
Prepaid expenses	36,876	-	-
Other current assets	28,336	2,299	-
<b>Total Current Assets</b>	<b>10,652,900</b>	<b>252,145</b>	<b>99,376</b>
<b>Assets Whose Use Is Limited</b>			
By board for self-insurance	1,241,062	-	-
By board for capital improvements	9,120,889	-	-
By board for cash required for operations	5,796,121	-	-
By board for deferred compensations	36,088	-	-
Certificate of deposit held in escrow by State Treasurer	125,000	-	-
Unrealized gain on investments	193,188	-	-
<b>Noncurrent Assets Whose Use is Limited</b>	<b>16,512,349</b>	<b>-</b>	<b>-</b>
<b>Property, Plant and Equipment</b>			
Construction-in-progress	1,161,703	-	-
Buildings and improvements	18,222,344	5,333,035	-
Equipment	14,513,965	809,129	-
Less allowance for depreciation	(18,547,438)	(1,017,229)	-
Land and improvements	2,409,188	493,044	-
<b>Net Property, Plant and Equipment</b>	<b>17,759,762</b>	<b>5,617,979</b>	<b>-</b>
<b>Other Assets</b>			
Investment in Noremac	5,744,937	-	-
Cost of bonds issued	83,517	-	-
<b>Total Other Assets</b>	<b>5,828,454</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>\$ 50,753,465</b>	<b>\$ 5,870,124</b>	<b>\$ 99,376</b>

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

	Hospital	Noremac, Inc.	Foundation
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 666,772	\$ -	\$ -
Due to Medicare and Medicaid - cost report settlement	612,680	-	-
Accrued compensation and retirement	291,685	-	-
Accrued health insurance benefits	176,604	-	-
Accrued interest payable	78,617	-	-
Other accrued expenses	134,607	10,410	-
Due to Hospital	-	79,491	-
Current installments on bonds payable	668,000	-	-
Current installments on capital lease obligations	333,595	-	-
Deferred revenue	1,330	35,671	-
<b>Total Current Liabilities</b>	<b>2,963,890</b>	<b>125,572</b>	<b>-</b>
<b>Long-Term Debt</b>			
Hospital revenue bonds payable	8,998,000	-	-
Capital lease obligations	490,456	-	-
<b>Total Long-Term Debt</b>	<b>9,488,456</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>12,452,346</b>	<b>125,572</b>	<b>-</b>
<b>Equity</b>			
Contributed capital	-	5,744,937	-
Retained Earnings	38,301,119	(385)	99,376
<b>Total Equity</b>	<b>38,301,119</b>	<b>5,744,552</b>	<b>99,376</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 50,753,465</b>	<b>\$ 5,870,124</b>	<b>\$ 99,376</b>

**WEST CALCASIEU CAMERON HOSPITAL**  
**Sulphur, Louisiana**  
**Combined Statements of Operations**  
**For The Year Ended December 31, 1998**

	Hospital	Noremac, Inc.	Foundation
<b>NET PATIENT SERVICE REVENUE</b>	\$ 33,182,886	\$ -	\$ -
<b>OTHER REVENUE (EXPENSES)</b>			
Cafeteria and vending machines	232,813	-	-
Record room and miscellaneous	49,668	-	-
Dues	-	330,135	-
Gift shop revenue	-	-	112,245
Donations	199,800	-	7,102
Other revenues	93,666	122,146	30,963
Total Other Revenue (Expenses)	575,947	452,281	150,310
<b>TOTAL REVENUE</b>	33,758,833	452,281	150,310
<b>OPERATING EXPENSES</b>			
Nursing expenses	9,080,363	-	-
Other professional service expenses	11,999,565	356,100	-
General service expenses	2,539,910	-	-
Fiscal and administrative services expenses	6,392,408	-	55,475
Depreciation expense	1,772,909	95,827	-
Provision for bad accounts (net of recoveries)	2,547,703	-	-
Interest expense on bonds	393,223	-	-
Interest expense on leases	66,440	-	-
Total Operating Expenses	34,792,521	451,927	55,475
<b>INCOME (LOSS) FROM OPERATIONS</b>	(1,033,688)	354	94,835
<b>NON-OPERATING REVENUE AND (EXPENSES)</b>			
Rent income	340,045	-	-
Investment income	1,245,486	-	2,697
Miscellaneous	(1,022)	-	-
Total Non-Operating Revenue and (Expenses)	1,584,509	-	2,697
<b>EXCESS OF REVENUE OVER EXPENSES</b>	\$ 550,821	\$ 354	\$ 97,532

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

**WEST CALCASIEU CAMERON HOSPITAL**  
**Sulphur, Louisiana**  
**Combined Statement of Retained Earnings**  
**Year Ended December 31, 1998**

	Hospital	Noremac, Inc.	Foundation
<b>RETAINED EARNINGS - January 1, 1998</b>	\$ 37,750,298	\$ 739	\$ 1,844
<b>EXCESS OF REVENUE OVER EXPENSES</b>	550,821	354	97,532
<b>RETAINED EARNINGS - December 31, 1998</b>	<u>\$ 38,301,119</u>	<u>\$ (385)</u>	<u>\$ 99,376</u>

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



**WEST CALCASIEU-CAMERON HOSPITAL**  
**Sulphur, Louisiana**  
**Combined Statements of Cash Flows**  
**December 31, 1998**

	Hospital	Noremac, Inc.	Foundation
<b>Cash Flows From Operating Activities:</b>			
Operating income (loss)	\$ (1,033,688)	\$ 354	\$ 94,833
Adjustments to reconcile net operating income to net cash provided by operating activities:			
Depreciation and amortization	1,837,661	95,669	-
Provision for losses on accounts receivable, net	574,293	-	-
Interest expense	459,663	-	-
Decrease (increase) in receivables	(663,522)	-	-
(Increase) decrease in inventory	26,492	-	(8,768)
(Increase) decrease in prepaid expenses	40,981	-	-
Increase (decrease) in accounts payable and other accrued expenses	(446,990)	115,496	(623)
Total Adjustments	1,828,578	211,165	(9,391)
Net Cash (Used) Provided by Operating Activities	794,890	211,519	85,442
<b>Cash Flows From Investing Activities:</b>			
(Purchase) sale of assets whose use is limited, net	(3,780,916)	-	-
Interest income	1,149,137	-	2,697
Rent income	340,045	-	-
Net Cash (Used) Provided by Investing Activities	(2,291,734)	-	2,697
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Payments for capital expenditures	(2,769,208)	-	-
Bond proceeds	10,000,000	-	-
Principal payment on bonds	(5,334,000)	-	-
Principal payments under capital lease obligations	(333,595)	-	-
Interest paid	(407,649)	-	-
Other	156,824	(2,300)	827
Net Cash Provided (Used) by Capital and Related Financing Activities	1,312,372	(2,300)	827
<b>Net Increase (Decrease) in Cash</b>	(184,472)	209,219	88,966
<b>Cash and Cash Equivalents, Beginning of Year</b>	1,877,148	6	1,642
<b>Cash and Cash Equivalents, End of Year</b>	\$ 1,692,676	\$ 209,225	\$ 90,608
<b>Supplemental Disclosure:</b>			
Cash paid for interest (net of amount capitalized)	\$ 407,649	\$ -	\$ -

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

**WEST CALCASIEU-CAMERON HOSPITAL**  
**Sulphur, Louisiana**  
**Notes to Financial Statements**  
**December 31, 1998 and 1997**

*Note 1 - Organization and Summary of Significant Accounting Policies*

The West Calcasieu-Cameron Hospital is owned and operated by the Calcasieu-Cameron Hospital Service District. The hospital provides inpatient, outpatient, and emergency care services for residents of southwest Louisiana. It is operated as a nonprofit corporation organized by the Calcasieu and Cameron Parish Police Juries under the provision of Chapter 10 of Title 46 of the Louisiana revised statutes of 1950. The governing authority of the Hospital Service District is a Board of Commissioners appointed to office by the Calcasieu and Cameron Parish Police Juries.

GASB No. 20 requires that governments' proprietary activities apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins. Governments are given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The hospital has elected not to implement FASB Statements and Interpretations issued after November 30, 1989.

Reporting Entity - As more fully described in the paragraph above, the Hospital Service District is a component unit of the Calcasieu and Cameron Parish Police Juries. Also, the following entities are considered component units of the Hospital; The West Calcasieu-Cameron Hospital Service Corporation (Foundation) and NOREMAC, Inc. Component units are entities for which the hospital is considered financially accountable.

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

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. 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.

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.

**WEST CALCASIEU-CAMERON HOSPITAL**  
**Sulphur, Louisiana**  
**Notes to Financial Statements (Continued)**  
**December 31, 1998 and 1997**

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

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 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.

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.

Property, Plant, and Equipment - Property, plant, and equipment of the hospital is recorded at cost. Depreciation is recorded using the straight-line method in amounts sufficient to amortize the cost of its assets over their estimated useful lives

The estimated useful lives of the various assets follow guidelines established by the American Hospital Association, and are categorized as follows:

	<u>Life</u>
Hospital equipment	4 - 25 years
Buildings and improvements	5 - 50 years
Parking lots	15 - 25 years
Land improvements	15 - 20 years

The costs of maintenance and repairs 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.

Inventories - Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consist primarily of medical products and medicines.

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.

**WEST CALCASIEU-CAMERON HOSPITAL**  
**Sulphur, Louisiana**  
**Notes to Financial Statements (Continued)**  
**December 31, 1998 and 1997**

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

Amortization of Debt Issuance Costs - Debt issuance costs are deferred and amortized using the straight-line method over the term of the related debt.

Capitalization of Interest - FAS-34 (Capitalization of Interest Costs) requires that interest expenditures incurred during construction of assets be capitalized. FAS-62 (Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants) concludes that constructed assets financed with the proceeds of tax-exempt debt (if those funds are externally restricted to finance the acquisitions of the asset or used to service the related debt) should include capitalized interest only to the extent that interest cost exceeds interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowing. Net interest costs capitalized totaled \$20,371 and \$65,816 during 1998 and 1997, respectively.

Change in Accounting - During the year ended December 31, 1998, the hospital adopted the provisions of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and For External Investment Pools". This statement requires governmental entities to report investment in debt and equity securities at fair value. The financial statements for the year ended December 31, 1997 have been restated to conform with the provision of GASB 31. Prior to restatement, the hospital reported an excess of revenue over expenses of \$547,236. As a result of restatement, beginning retained earnings increased \$96,840.

*Note 2 - Assets Whose Use is Limited*

Assets whose use is limited include investments (reported at fair value) set aside by the Board for capital improvements, self-insurance, required liquidity for operations and other liabilities. Also, included are assets held by trustees under bond indenture agreements and malpractice insurance arrangements.

Assets whose use is limited are categorized into these three categories of credit risk:

- (1) Insured or registered, or securities held by the hospital or its agent in the hospital's name.
- (2) Uninsured and unregistered, with securities held by the counter party's trust department or agent in the hospital's name.
- (3) Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent but not in the hospital's name.

**WEST CALCASIEU-CAMERON HOSPITAL**  
**Sulphur, Louisiana**  
**Notes to Financial Statements (Continued)**  
**December 31, 1998 and 1997**

**Note 2 - Assets Whose Use is Limited (Continued):**

At year end, the hospital's composition of assets whose use is limited were as follows:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>
Cash	\$ -	\$ -	\$ 189,950	\$ 189,950
Certificates of deposit	136,088	-	25,000	161,088
U.S. Treasury obligations	-	14,283,400	-	14,283,400
Government mortgaged	-	135,817	-	135,817
<b>Total</b>	<u>\$ 136,088</u>	<u>\$ 14,419,217</u>	<u>\$ 214,950</u>	<u>\$ 14,770,255</u>
Investments not subject to categorization:				
Mutual funds				<u>1,932,044</u>
<b>Total Assets Whose Use Is Limited</b>				<u>\$ 16,702,299</u>

Under state law, the municipality may invest in United States bonds, treasury notes, or certificates. These are classified as investments. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.

**Note 3 - Hospital Revenue Bonds Payable**

<p>\$5,000,000 Calcasieu-Cameron Hospital Service District Hospital Revenue Refunding Bonds, 1998 Series A, due in semi-annual installments of \$289,000 to \$164,906 through May 1, 2013; interest at 4.88%</p>	\$ 4,833,000
<p>\$5,000,000 Calcasieu-Cameron Hospital Service District Hospital Revenue Bonds, 1998 Series B, due in semi-annual installments of \$289,000 to \$164,906 through May 1, 2013; interest at \$4.88%</p>	<u>4,833,000</u>
	<u>\$ 9,666,000</u>

**WEST CALCASIEU-CAMERON HOSPITAL**  
**Sulphur, Louisiana**  
**Notes to Financial Statements (Continued)**  
**December 31, 1998 and 1997**

**Note 3 - Hospital Revenue Bonds Payable (Continued):**

The annual installments to amortize all debt outstanding as of December 31, 1998 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1999	\$ 668,000	\$ 471,701	\$ 1,139,701
2000	668,000	439,102	1,107,102
2001	668,000	406,504	1,074,504
2002	668,000	373,906	1,041,906
2003	668,000	341,307	1,009,307
2004 and thereafter	<u>6,326,000</u>	<u>1,620,648</u>	<u>7,946,648</u>
	<u>\$ 9,666,000</u>	<u>\$ 3,653,168</u>	<u>\$13,319,168</u>

**Note 4 - Compliance with Bond Resolution**

All reserve, contingency, and debt service funds as required by the revenue bond issue have been established and properly maintained.

**Note 5 - Hospital Insurance**

Effective April 1, 1976, the hospital became a member of the Louisiana Patient's Compensation Fund of the Investors Malpractice Insurance Company for the purpose of obtaining malpractice insurance. The hospital has placed \$125,000 on deposit under the custody of the Louisiana State Treasurer. All participating hospitals share proportionately in the expense of the fund.

**Note 6 - 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 the employee benefit trust. A portion of the monthly contributions is used to purchase a re-insurance contract that covers individual claims exceeding \$70,000.

The hospital is a guarantor for patient's receivables that have been financed through a local bank. The outstanding balance of these loans at December 31, 1998 was \$678,909.

**Note 7 - Compensation of the Board of Directors**

The members of the Board of Directors of West Calcasieu-Cameron Hospital serve without pay, and accordingly, received no compensation during 1998 and 1997.

**WEST CALCASIEU-CAMERON HOSPITAL**  
**Sulphur, Louisiana**  
**Notes to Financial Statements (Continued)**  
**December 31, 1998 and 1997**

**Note 8 - Cash and Cash Equivalents**

The hospital considers all short-term investments with an original maturity of three months or less to be cash equivalents, excluding amounts whose use is limited.

**Note 9 - Accrued Compensation**

Accrued payroll for the years ended December 31, 1998 and 1997, paid in the subsequent year, totaled \$197,573 and \$751,064, respectively. Accrued compensation totaling \$99,906 and \$92,798 for the years ended December 31, 1998 and 1997, respectively, has also been accrued at the employees' present salary levels for vacation time earned, but unpaid as of the end of the year.

**Note 10- Leases**

The hospital has entered into several lease agreements as lessee for financing the acquisition of medical equipment and buildings. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the lower of the present value of the future minimum lease payments or the fair value of the assets. The assets are depreciated over the lesser of their lease terms or their estimated productive lives, depending on the capital lease criteria met. The capitalized cost on such leases was \$1,769,513 for 1998 and \$2,065,576 for 1997. The accumulated depreciation on such leases under capital lease obligations was \$767,362 at December 31, 1998 and \$705,299 at December 31, 1997. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at December 31, 1998:

<u>Year Ending December 31,</u>	
1999	\$ 407,498
2000	288,454
2001	135,982
2002	92,854
2003	<u>29,007</u>
Total Minimum Lease Payments	953,795
Less: Amount Representing Interest	129,744
Present Value of Future Minimum Lease Payments	<u>\$ 824,051</u>

The hospital leases part of the hospital facilities under an operating lease to a provider of long-term acute care services. The lease term is effective until September 30, 2001. The cost of the property is \$153,699 and the accumulated depreciation is \$77,884. At December 31, 1998, future minimum lease receipts were as follows:

**WEST CALCASIEU-CAMERON HOSPITAL**  
**Sulphur, Louisiana**  
**Notes to Financial Statements (Continued)**  
**December 31, 1998 and 1997**

**Note 10-**      **Leases (Continued):**

Year Ending December 31,

1999	\$ 178,800
2000	239,544
2001	179,698

**Note 11-**      **Malpractice**

Malpractice claims have been asserted against West Calcasieu-Cameron Hospital by various claimants. The claims are in various stages of processing, and some may ultimately be brought to trial. In the opinion of counsel, the outcome of these actions will not have a significant effect on the financial position or the results of operations of West Calcasieu-Cameron Hospital. Incidents occurring through December 31, 1998 may result in the assertion of additional claims. Other claims may be asserted arising from past services provided. Management is unable to estimate the ultimate cost, if any, of the resolution of such potential claims and, accordingly, no accrual has been made for them; however, management believes that these claims, if asserted, may result in a maximum out-of-pocket expense of approximately \$200,000 to \$250,000. Management believes all other asserted claims would be settled within the limits of insurance coverage.

**Note 12-**      **Retained Earnings**

The following is a composition of retained earnings at December 31, 1998:

	<u>Hospital</u>	<u>Noremac, Inc.</u>	<u>Foundation</u>
Designated for self-insurance, construction, future expansion, fixed assets, deferred compensation	\$16,702,299	\$ -	-
Unreserved-undesignated	<u>21,598,820</u>	<u>( 385)</u>	<u>99,376</u>
	<u>\$38,301,119</u>	<u>\$ ( 385)</u>	<u>\$ 99,376</u>

**Note 13-**      **Retirement Commitments**

Full-time employees of the Hospital are members of the Parochial Employees' Retirement System of Louisiana, a multi-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. Eligible employees of the Hospital are members of Plan A.



**WEST CALCASIEU-CAMERON HOSPITAL**  
**Sulphur, Louisiana**  
**Notes to Financial Statements (Continued)**  
**December 31, 1998 and 1997**

**Note 13- Retirement Commitments (Continued):**

Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 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% 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 1% 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 above 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 1/4 of 1% 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. Data concerning the actuarial status of the System are not available for 1998.

The pension benefit obligation as of December 31, 1997 follows:

RETIREMENT SYSTEM	<u>Plan A</u>	<u>Plan B</u>
Net Assets	\$ 874,023,941	\$ 60,674,072
Pension Benefit Obligations	<u>(881,981,793)</u>	<u>(45,929,455)</u>
Unfunded Pension Benefit Obligation	<u>\$( 7,957,852)</u>	
Excess Assets		<u>\$ 14,744,617</u>

The pension benefit obligation is a standardized measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rated 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 PERS and employers. The System does not make separate measurements of assets and pension benefit obligations for individual employers.

**WEST CALCASIEU-CAMERON HOSPITAL**  
**Sulphur, Louisiana**  
**Notes to Financial Statements (Continued)**  
**December 31, 1998 and 1997**

**Note 13-**      **Retirement Commitments (Continued):**

Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's December 31, 1998, comprehensive annual financial report. The district does not guarantee the benefits granted by the System.

Contributions to the system are made by both employees and the hospital as a percentage of salaries. The payroll for the hospital employees covered by the system for the year ended December 31, 1998 was \$14,058,670; the hospital's total payroll was \$15,060,902. Covered employees are required to contribute 9.5%. The hospital contributed \$1,089,547 (7.75% of covered payroll) to this system during the year as its share.

**Note 14-**      **Cash, Cash Equivalents and Certificates of Deposit**

At December 31, 1998, the hospital had cash, cash equivalents and certificates of deposit (book balances) totaling \$2,117,508. Of that balance, \$189,950 is included in Assets Whose Use is Limited (Note 2).

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 1998, the hospital has \$636,595 in deposits (collected bank balances). These deposits are secured from risk by \$490,607 of federal deposit insurance and \$446,201 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the hospital that the fiscal agent has failed to pay deposited funds upon demand.

**Note 15-**      **Prior Year Balances**

Certain prior year amounts have been reclassified to conform with current year presentation.

**WEST CALCASIEU-CAMERON HOSPITAL**  
**Sulphur, Louisiana**  
**Notes to Financial Statements (Continued)**  
**December 31, 1998 and 1997**

**Note 16- Concentrations of Credit Risk**

The hospital is located in Sulphur, Louisiana. The Hospital grants credits without collateral to its patients, most of them are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows:

	<u>1998</u>	<u>1997</u>
Medicare	36%	36%
Medicaid	13	11
Other	<u>51</u>	<u>53</u>
	<u>100%</u>	<u>100%</u>

The hospital routinely invests its funds in money market mutual funds. The funds generally invest in highly liquid U.S. Government and agency obligations. Investments in money market funds are not insured or guaranteed by the U.S. Government; however, management believes that credit risk related to these investments is minimal.

**Note 17- Post Employment Benefits**

The hospital provides post retirement health care benefits to all employees who retire and meet the retirement criteria of the Parochial Employees' Retirement System of Louisiana. Currently, 66 retirees meet those eligibility requirements. Expenditures for post retirement health care benefits are recognized as retirees report claims incurred, and include a provision for estimated claims incurred, but not yet reported to the hospital. Information regarding expenditures for post retirement health care for 1998 and 1997 was not maintained.

**Note 18- Charity Care**

The amount of charges foregone for services and supplies furnished under the hospital's charity care policy aggregated approximately \$194,083 and \$284,497 in 1998 and 1997, respectively.

**Note 19- Construction in Progress**

The hospital has several construction projects in progress at December 31, 1998. The following is a schedule of the major projects.

	<u>Estimated Total Costs</u>	<u>Costs Incurred To Date</u>	<u>Estimated Completion Date</u>
Tower Construction (2 phases)	\$4,931,857	\$1,137,641	2000
Westside Parking Lot	222,289	192,508	01/99

**WEST CALCASIEU-CAMERON HOSPITAL**  
**Sulphur, Louisiana**  
**Notes to Financial Statements (Continued)**  
**December 31, 1998 and 1997**

*Note 20-*      **Contributed Capital**

Contributed capital represent buildings, equipment, and land transferred from the hospital to NOREMAC, Inc., during 1998.

**SUPPLEMENTARY INFORMATION**



Founded in 1978

# BROUSSARD & COMPANY, APC

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Commissioners  
West Calcasieu-Cameron Hospital  
Calcasieu-Cameron Hospital Service District  
Sulphur, Louisiana

Our report on our audits of the basic financial statements of West Calcasieu-Cameron Hospital as of December 31, 1998 and 1997, and for the years then ended appears on page 1. The audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 20-30 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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 supplementary information on pages 31-32 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that West Calcasieu-Cameron Hospital is or will become year 2000 compliant, that West Calcasieu-Cameron Hospital's year 2000 remediation efforts will be successful in whole or in part, or that parties with which West Calcasieu-Cameron Hospital does business are or will become year 2000 compliant.

*Broussard & Company*

Lake Charles, Louisiana

May 20, 1999 (Except for Note 1, as to which the date is June 28, 1999)

/dkb

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### LAKE CHARLES OFFICE

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**WEST CALCASIEU CAMERON HOSPITAL**  
**Sulphur, Louisiana**  
**Balance Sheets**  
**December 31,**

	<b>1998</b>	<b>1997</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,692,676	\$ 1,877,148
Assets whose use is limited - <i>required for current liabilities</i>	189,950	106,667
Certificates of deposit	74,694	99,160
Accounts receivable from patients	9,278,496	8,743,246
Less allowance for uncollectible accounts	(1,978,996)	(1,404,703)
Due from Medicare and Medicaid - cost report settlement	286,411	494,304
Due from Noremac	79,491	-
Other receivables	196,674	-
Interest receivable	258,302	198,302
Inventories	509,990	536,482
Prepaid expenses	36,876	77,857
Other current assets	28,336	3,739
<b>Total Current Assets</b>	<b>10,652,900</b>	<b>10,732,202</b>
<b>Assets Whose Use Is Limited</b>		
By board for self-insurance	1,241,062	441,653
By board for capital improvements	9,120,889	24,444
By board for cash required for operations	5,796,121	11,892,940
By board for <i>deferred compensations</i>	36,088	54,208
Certificate of deposit held in escrow by State Treasurer	125,000	125,000
Unrealized gain on investments	193,188	96,839
<b>Noncurrent Assets Whose Use     is Limited</b>	<b>16,512,349</b>	<b>12,635,084</b>
<b>Property, Plant and Equipment</b>		
Construction-in-progress	1,161,703	508,328
Buildings and improvements	18,222,344	22,962,995
Equipment	14,513,965	14,340,615
Less allowance for depreciation	(18,547,438)	(17,956,299)
Land and improvements	2,409,188	2,825,674
<b>Net Property, Plant and Equipment</b>	<b>17,759,762</b>	<b>22,681,313</b>
<b>Other Assets</b>		
Investment in Noremac	5,744,937	-
Cost of bonds issued	83,517	60,353
<b>Total Other Assets</b>	<b>5,828,454</b>	<b>60,353</b>
<b>TOTAL ASSETS</b>	<b>\$ 50,753,465</b>	<b>\$ 46,108,952</b>

**WEST CALCASIEU CAMERON HOSPITAL**  
**Sulphur, Louisiana**  
**Balance Sheets**  
**December 31,**

	1998	1997
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 666,772	\$ 735,918
Due to Medicare and Medicaid - cost report settlement	612,680	-
Accrued compensation and retirement	291,685	1,422,072
Accrued health insurance benefits	176,604	176,604
Accrued interest payable	78,617	26,603
Other accrued expenses	134,607	11,525
Current installments on bonds payable	668,000	1,000,000
Current installments on capital lease obligations	333,595	318,949
Deferred revenue	1,330	36,567
<b>Total Current Liabilities</b>	<b>2,963,890</b>	<b>3,728,238</b>
<b>Long-Term Debt</b>		
Hospital revenue bonds payable	8,998,000	4,000,000
Capital lease obligations	490,456	630,417
<b>Total Long-Term Debt</b>	<b>9,488,456</b>	<b>4,630,417</b>
<b>Total Liabilities</b>	<b>12,452,346</b>	<b>8,358,655</b>
<b>Equity</b>	<b>38,301,119</b>	<b>37,750,298</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 50,753,465</b>	<b>\$ 46,108,953</b>



**WEST CALCASIEU CAMERON HOSPITAL**  
**Sulphur, Louisiana**  
**Statements of Income**  
**For The Years Ended December 31,**

	1998	1997
<b>NET PATIENT SERVICE REVENUE</b>	\$ 33,182,886	\$ 35,354,550
<b>OTHER REVENUE (EXPENSES)</b>		
Cafeteria and vending machines	232,813	226,395
Record room and miscellaneous	49,668	52,857
Donations	199,800	300
Other revenues	93,666	12
Total Other Revenue (Expenses)	575,947	279,564
<b>TOTAL REVENUE</b>	33,758,833	35,634,114
<b>OPERATING EXPENSES</b>		
Nursing expenses	9,080,363	9,084,239
Other professional service expenses	11,999,565	13,107,936
General service expenses	2,539,910	2,692,911
Fiscal and administrative services expenses	6,392,408	6,594,608
Depreciation expense	1,772,909	1,783,980
Provision for bad accounts (net of recoveries)	2,547,703	2,673,077
Interest expense on bonds	393,223	251,517
Interest expense on leases	66,440	70,919
Total Operating Expenses	34,792,521	36,259,187
<b>INCOME (LOSS) FROM OPERATIONS</b>	(1,033,688)	(625,073)
<b>NON-OPERATING REVENUE AND (EXPENSES)</b>		
Rent income	340,045	318,220
Investment income	1,245,486	919,171
Miscellaneous	(1,022)	31,757
Total Non-Operating Revenue and (Expenses)	1,584,509	1,269,148
<b>EXCESS OF REVENUE OVER EXPENSES</b>	\$ 550,821	\$ 644,075

**WEST CALCASIEU CAMERON HOSPITAL**  
**Sulphur, Louisiana**  
**Statements of Retained Earnings**  
**For the Years Ended December 31,**

	<u>1998</u>	<u>1997</u>
<b>RETAINED EARNINGS - January 1</b>	\$ 37,750,298	\$ 37,106,222
<b>EXCESS OF REVENUES OVER (UNDER) EXPENSES</b>	550,821	644,076
<b>RETAINED EARNINGS - December 31</b>	<u>\$ 38,301,119</u>	<u>\$ 36,462,146</u>

**WEST CALCASIEU-CAMERON HOSPITAL**  
**Sulphur, Louisiana**  
**Statements of Cash Flows**  
**For the Years Ended December 31,**

	<u>1998</u>	<u>1997</u>
<b>Cash Flows From Operating Activities:</b>		
Operating income (loss)	\$ <u>(1,033,688)</u>	\$ <u>(625,073)</u>
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	1,837,661	1,795,625
Provision for losses on accounts receivable, net	574,293	(357,645)
Interest expense	459,663	322,436
Decrease (increase) in receivables	(663,522)	1,498,211
(Increase) decrease in inventory	26,492	(38,154)
(Increase) decrease in prepaid expenses	40,981	38,209
Increase (decrease) in accounts payable and other accrued expenses	<u>(446,990)</u>	<u>760,101</u>
Total Adjustments	<u>1,828,578</u>	<u>4,018,783</u>
Net Cash (Used) Provided by Operating Activities	<u>794,890</u>	<u>3,393,710</u>
<b>Cash Flows From Investing Activities:</b>		
(Purchase) sale of assets whose use is limited, net	(3,780,916)	825,683
Investment income	1,149,137	822,332
Rent income	<u>340,045</u>	<u>318,220</u>
Net Cash (Used) Provided by Investing Activities	<u>(2,291,734)</u>	<u>1,966,235</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Payments for capital expenditures	(2,769,208)	(2,556,174)
Bond proceeds	10,000,000	-
Principal payment on bonds	(5,334,000)	(1,000,000)
Principal payments under capital lease obligations	(333,595)	(424,610)
Interest paid	(407,649)	(327,103)
Other	<u>156,824</u>	<u>30,360</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>1,312,372</u>	<u>(4,277,527)</u>
Net Increase (Decrease) in Cash	(184,472)	1,082,418
Cash and Cash Equivalents, Beginning of Year	<u>1,877,148</u>	<u>794,730</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,692,676</u>	<u>\$ 1,877,148</u>
<b>Supplemental Disclosure:</b>		
Cash paid for interest (net of amount capitalized)	\$ 407,649	\$ 327,103

**WEST CALCASIEU CAMERON HOSPITAL**  
**Sulphur, Louisiana**  
**Schedules of Nursing Revenues**  
**Years Ended December 31,**

	1998	1997
<b>NURSING REVENUES</b>		
Revenue from daily patient services		
Medical and surgical - revenue	\$ 3,457,043	\$ 3,507,203
Intensive care - revenue	1,195,160	1,237,573
Nursery - revenue	274,113	388,859
Total Revenue from Daily Patient Services	4,926,316	5,133,635
Operating room - revenue	6,252,109	5,304,086
Delivery room - revenue	1,516,452	1,978,306
Recover room - revenue	1,292,973	1,169,916
Central supply - revenue	5,070,250	5,000,518
Emergency room - revenue	1,057,743	828,426
<b>TOTAL NURSING REVENUES</b>	<b>\$ 20,115,843</b>	<b>\$ 19,414,887</b>

**WEST CALCASIEU CAMERON HOSPITAL**  
**Sulphur, Louisiana**  
**Schedules of Other Professional Revenues**  
**Years Ended December 31,**

	<u>1998</u>	<u>1997</u>
<b>OTHER PROFESSIONAL SERVICE REVENUES</b>		
Anesthesiology - revenue	\$ 413,069	\$ 391,023
Radiology - revenue	5,101,724	5,047,429
Laboratory - revenue	5,431,138	4,950,563
Cardiology, EKG and EEG - revenue	1,238,672	1,010,613
Physical therapy - revenue	1,116,291	1,430,654
Orthopedic - revenue	131,123	123,692
Nuclear Medicine - revenue	832,923	598,485
Pharmacy - revenue	6,998,837	6,477,307
Respiratory therapy - revenue	4,536,128	4,296,833
Dietary - long term care - revenue	190,320	183,528
Ambulance service - revenue	1,135,546	1,188,185
Emergency room physicians prof. fees - revenue	1,131,910	1,182,511
Occupational therapy - revenue	417,861	452,786
Home health care - revenue	2,134,335	2,434,447
Work hardening - revenue	25,972	67,792
Day care - revenue	378,225	357,084
Therapeutic riding - revenue	158,113	190,502
Wellness center - revenue	717,544	895,492
Plant and industry services - revenue	167,732	134,522
Off site clinics - revenues	988,735	1,178,787
Transitional care unit - revenue	2,724,242	3,639,872
<b>TOTAL OTHER PROFESSIONAL SERVICE REVENUES</b>	<u>\$ 35,970,440</u>	<u>\$ 36,232,107</u>

**WEST CALCASIEU CAMERON HOSPITAL**  
**Sulphur, Louisiana**  
**Schedules of Nursing Expenses**  
**Years Ended December 31,**

	1998	1997
<b>NURSING EXPENSES</b>		
Nursing services - salaries	\$ 2,150,818	\$ 2,108,217
Nursing services - administrative salaries	735,555	755,459
Nursing services - expenses	244,865	241,619
Central supply - salaries	143,010	145,896
Central supply - expense	1,342,809	1,386,203
Operating room - salaries	714,500	708,075
Operating room - expenses	512,938	561,193
Delivery room - salaries	190,307	259,906
Delivery room - expenses	84,595	44,745
Nursery - salaries	54,154	76,600
Nursery - expenses	17,489	26,450
Recovery room - salaries	122,120	127,701
Recovery room - expenses	5,113	3,535
Intensive care - salaries	621,233	723,108
Intensive care - expenses	70,975	14,606
Emergency room - salaries	764,615	741,133
Emergency room - expenses	114,343	83,305
Emergency room - professional fees	1,190,924	1,076,488
<b>TOTAL NURSING EXPENSES</b>	<b>\$ 9,080,363</b>	<b>\$ 9,084,239</b>

**WEST CALCASIEU CAMERON HOSPITAL**  
**Sulphur, Louisiana**  
**Schedules of Other Professional Services**  
**Years Ended December 31, 1998**

	1998	1997
<b>OTHER PROFESSIONAL SERVICE EXPENSES</b>		
Anesthesiology - expenses	\$ 382,147	\$ 427,417
Radiology - salaries	598,347	593,782
Radiology - expenses	826,227	929,107
Laboratory - salaries	778,169	769,001
Laboratory - expenses	892,310	745,529
Cardiology, EKG and EEG - salaries	169,675	178,321
Cardiology, EKG and EEG - expenses	36,250	56,372
Physical therapy - salaries	488,141	478,019
Physical therapy - expenses	34,980	221,452
Orthopedic room - expenses	38,673	37,240
Pharmacy - salaries	339,910	333,612
Pharmacy - supplies	1,125,766	1,066,486
Respiratory therapy - salaries	362,996	349,093
Respiratory therapy - expenses	149,431	120,358
Ambulance service - salaries	934,752	955,412
Ambulance service - expenses	71,812	86,813
Medical records - salaries	227,692	229,568
Medical records - expenses	54,940	61,179
Nuclear Medicine - salaries	38,734	44,987
Nuclear Medicine - expenses	80,136	101,744
Ultrasound - salaries	63,490	53,219
Ultrasound - expenses	31,537	9,755
Home health care - salaries	776,440	797,250
Home health care - expenses	237,849	282,823
Work hardening - salaries	63,369	60,631
Work hardening - expenses	1,088	2,334
Day care - salaries	303,394	296,427
Day care - expenses	30,827	30,160
Occupational therapy - salaries	201,832	177,536
Occupational therapy - expenses	9,917	33,203
Off site clinic - salaries	521,157	796,792
Off site clinic - expenses	1,246,809	1,280,906
Wellness center - salaries	347,008	541,467
Wellness center - expenses	56,577	126,336
Therapeutic riding - salaries	65,816	74,824
Therapeutic riding - expenses	22,320	36,925
Transitional care unit - salaries	329,080	387,684
Transitional care unit - expenses	59,967	334,172
<b>TOTAL OTHER PROFESSIONAL SERVICE EXPENSES</b>	<b>\$ 11,999,565</b>	<b>\$ 13,107,936</b>

**WEST CALCASIEU CAMERON HOSPITAL**  
**Sulphur, Louisiana**  
**Schedules of General Service Expenses**  
**Years Ended December 31,**

	1998	1997
<b>GENERAL SERVICE EXPENSES</b>		
Dietary - salaries	\$ 414,050	\$ 426,079
Dietary - food	318,852	311,477
Dietary - expenses	74,247	79,442
Housekeeping - salaries	253,811	271,785
Housekeeping - expenses	98,623	111,765
Laundry - salaries	88,237	87,155
Laundry - expenses	61,306	56,734
Operating and maintenance of plant - salaries	502,456	537,024
Operating and maintenance of plant - expenses	728,328	811,450
<b>TOTAL GENERAL SERVICE EXPENSES</b>	<b>\$ 2,539,910</b>	<b>\$ 2,692,911</b>



**WEST CALCASIEU CAMERON HOSPITAL**  
**Sulphur, Louisiana**  
**Schedules of Fiscal and Administrative Service Expenses**  
**Years Ended December 31,**

	1998	1997
<b>FISCAL AND ADMINISTRATIVE SERVICE EXPENSES</b>		
Administrative - salaries	\$ 1,489,108	\$ 1,586,419
Administrative - general expenses	1,969,705	1,921,294
Payroll taxes and benefits	2,576,951	2,597,260
Insurance and liability claims	291,906	477,990
Amortization of bond costs	64,738	11,645
Depreciation expense	1,772,909	1,783,980
<b>TOTAL FISCAL AND ADMINISTRATIVE SERVICE EXPENSES</b>	<b>\$ 8,165,317</b>	<b>\$ 8,378,588</b>

**WEST CALCASIEU-CAMERON HOSPITAL**  
**Sulphur, Louisiana**  
**Year 2000 Compliance (Unaudited)**  
**December 31, 1998**

**WHAT IS THE YEAR 2000 PROBLEM?**

The root of the Year 2000 problem is the implementation of the year as two-digits in many systems, equipment, devices, and products that perform date computations. This can be misread, thereby misinterpreting "2000" as "1900". Without corrections, any calculation or transaction that involves a date, such as date of birth, expiration dates, etc., may yield incorrect results.

Due to their inability to properly interpret dates beyond 1999 some devices will need upgrades or replacement. Some equipment will function with the arrival of Year 2000, but will experience errors, some will not affect patient care, but could display/print incorrect information.

What equipment is at risk? Every piece of biomedical equipment that contains an embedded chip or microprocessor needs to be evaluated and tested, anything that uses a date or contains a computer chip, many of which are date-sensitive. Equipment/devices that includes a PC processor dedicated to the equipment function should also be evaluated and tested. Determine if the vendor is responsible for the PC and the devices.

Problems could occur in the following:

Lab instruments, patient monitors, electrocardiographic recorders, infusion pumps, dialysis machines, intravenous drips, MRIs, Cat Scanners. Information systems, system interfaces, computer hardware and software. Automated security systems, environmental systems, including building controls, fire alarm systems, and elevators.

Hospitals are vulnerable in areas such as dosages, and where lengths of time are to be calculated.

The other complicating factor in the millennium problem is the leap year calculation. The standard logic used to calculate the leap year will not work in the Year 2000.

**SOLUTIONS**

The solution utilizes a two-phased approach to defining, analyzing, designing, and implementing Year 2000 compliance projects. The first phase consists of impact analysis and assessment for the purpose of documenting the project scope and definition. The second phase consists of planning, renovation, and implementation. The Hospital has estimated that approximately \$750,000 could be expended on Year 2000 compliance projects.

Approximately \$35,000 has been expended in 1998.

**WEST CALCASIEU-CAMERON HOSPITAL**  
**Sulphur, Louisiana**  
**Year 2000 Compliance (Unaudited) (Continued)**  
**December 31, 1998**

Critical steps in the two phases are as follows:

**AWARENESS STAGE:**

Create an overall awareness of the problem at all levels and educate the entire staff. Each department will identify the items that could possibly be affected and submit an inventory form to the MIS team who will develop an inventory database for the entire hospital. Include all medical and environmental devices, computer hardware and software. Break down the inventory by IS systems, clinical and environmental equipment/systems.

**ASSESSMENT STAGE:**

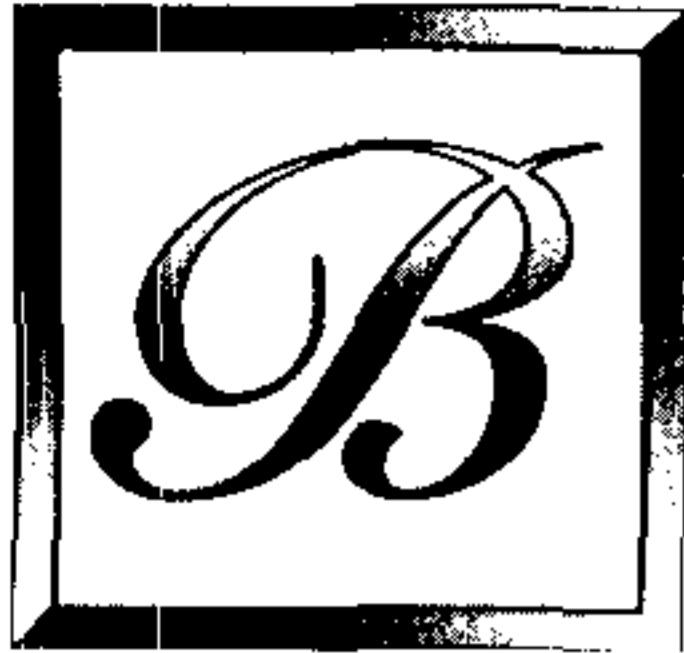
Analyze vendor software solutions. Test and develop possible solutions for all other applications. Determine if 8 digit date is necessary for proper use of equipment. Define how noncompliant system will be made compliant. Examine possible cost. Examine any contractual documents, warranties, and service agreements that may have an impact on the resolution of the Year 2000 problem. Contact the suppliers of the devices identified as possible problems. Suppliers should offer a resolution if there is a Year 2000 problem.

**REMEDIATION STAGE:**

Identify those that are vital to the business and can't be replaced. Work on critical systems first. Create a plan for the hospital's main information system (the AS400 and all software running on it). Select a solution that best meets the hospital's needs. Plan to revise procedure if necessary and educate staff on proposed changes. Get a signed Year 2000 compliance statement from vendors.

**VALIDATION STAGE:**

Text all fixes to medical equipment. Test all upgrades and enhancements to hardware and software. Ensure all changes are implemented on time against a firm deadline. Implement critical application first. Provide end user training.



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# **BROUSSARD & COMPANY, APC**

**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
STRUCTURE BASED ON A FINANCIAL STATEMENT AUDIT  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
West Calcasieu-Cameron Hospital  
Calcasieu-Cameron Hospital Service District  
Sulphur, Louisiana

We have audited the general purpose financial statements of West Calcasieu-Cameron Hospital, as of and for the year ended December 31, 1998, and have issued our report thereon dated May 20, 1999 and June 28, 1999.

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 financial statements are free of material misstatements.

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

In planning and performing our audit of the general purpose financial statements of West Calcasieu-Cameron Hospital, for the year ended December 31, 1998, 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.

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Board of Commissioners  
West Calcasieu-Cameron Hospital  
Sulphur, Louisiana

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the primary government 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.

This report is intended for the information of the management of West Calcasieu-Cameron Hospital. However, this report is a matter of public record and its distribution is not limited.

*Broussard & Company*

Lake Charles, Louisiana  
May 20, 1999  
/dkb



*Founded in 1978*

## **BROUSSARD & COMPANY, APC**

**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
BASED ON A FINANCIAL STATEMENT AUDIT  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
West Calcasieu-Cameron Hospital  
Calcasieu-Cameron Hospital Service District  
Sulphur, Louisiana

We have audited the general purpose financial statements of West Calcasieu-Cameron Hospital, as of and for the year ended December 31, 1998, and have issued our report thereon dated May 20, 1999 and June 28, 1999.

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 financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to West Calcasieu-Cameron Hospital, is the responsibility of management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of West Calcasieu-Cameron Hospital's compliance with certain provision of laws, regulations, contracts and grants. However, the objective of our 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 indicate that, with respect to the items tested, West Calcasieu-Cameron Hospital complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that West Calcasieu-Cameron Hospital had not complied, in all material respects, with those provisions.

This report is intended for the information of the management of West Calcasieu-Cameron Hospital. However, this report is a matter of public record and its distribution is not limited.

*Broussard & Company*

Lake Charles, Louisiana  
May 20, 1999  
/dkb

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**WEST CALCASIEU-CAMERON HOSPITAL**  
**Sulphur, Louisiana**  
**Schedule of Findings**  
**December 31, 1998**

**A. Financial Statement Items**

1. Unqualified opinion on the general purpose financial statements.
2. Reportable conditions in internal control – Refer to B-1.
3. No instances of noncompliance noted.

**B. GAGAS Findings**

1. None.

**WEST CALCASIEU-CAMERON HOSPITAL**  
**Sulphur, Louisiana**  
**Summary Schedule of Prior Audit Findings and Corrective Action Plan**  
**December 31, 1998**

97-1    PUBLIC BID LAW

Finding - The building renovations and improvements on the Maplewood Clinic approximated \$270,000 and Westlake Phase II approximated \$128,000. Public Bid Law requires construction projects, including labor, materials, and equipment, that exceed \$100,000 should be advertised for bid and the contract shall be let to the lowest responsible bidder. Neither of the previously mentioned projects was advertised for bid.

Management's Response - All future construction projects will be reviewed by management to determine if the total budgeted costs approach \$100,000. If the estimated costs are close to \$100,000, management will obtain at least two quotes to complete the project to determine if it is necessary to advertise for bids as required under state law.

97-2    PLEDGED COLLATERAL

Louisiana Revised Statute 39:1225 requires cash, cash equivalents, and certificates of deposit be secured by federal deposit insurance and the pledge of securities owned by the fiscal agent banks if necessary.

Finding - The Hospital had deposits with a financial institution in excess of federal deposit insurance and pledged collateral of \$356,174.

Management's Response - Management has communicated the problem with the financial institution and the matter has been corrected.