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**ABROM KAPLAN MEMORIAL HOSPITAL  
EMPLOYEE BENEFIT PLAN**

*Kaplan, Louisiana*

Financial Statement

Year Ended September 30, 1998

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

Release Date MAY 12 1999

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## Independent Auditor's Report

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To the Board of Trustees of  
Abrom Kaplan Memorial Hospital  
Employee Benefit Plan  
Kaplan, Louisiana

We have audited the accompanying statements of net assets available for benefits and of plan benefit obligations of the Abrom Kaplan Memorial Hospital Employee Benefit Plan as of September 30, 1998 and the related statements of changes in net assets available for benefits and of changes in plan benefit obligations for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. 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 audit provides a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, requires disclosure of certain matters regarding the year 2000 issue in order for financial statements to be prepared in conformity with generally accepted accounting principles. Such required disclosures include:

- any significant amount of resources committed to make computer systems and other electronic equipment year 2000-compliant;
- a general description of the year 2000 issue, including a description of the stages of work in process or completed as of the end of the reporting period to make computer systems and other electronic equipment critical to conducting operations year 2000-compliant; and
- the additional stages of work necessary for making the computer systems and other electronic equipment year 2000-compliant.

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The Abrom Kaplan Memorial Hospital Employee Benefit Plan has omitted such disclosures. We do not provide assurance that the Plan is or will be year 2000 ready, that the Plan's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Plan does business will be year 2000 ready.

In our opinion, except for the omission of the information discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial status of the Plan, as of September 30, 1998, and the changes in its financial status for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated December 18, 1998, on our consideration of the Plan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, grants and contracts.

*Dannall, Sikes & Frederick*  
A Corporation of Certified Public Accountants

Eunice, Louisiana  
December 18, 1998

ABROM KAPLAN MEMORIAL HOSPITAL EMPLOYEE BENEFIT PLAN

Statement of Net Assets Available for Benefits  
September 30, 1998

Cash	\$ 5,624
Insurance reimbursement receivable	<u>35,789</u>
Net assets available for benefits	<u>\$ 41,413</u>

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

ABROM KAPLAN MEMORIAL HOSPITAL EMPLOYEE BENEFIT PLAN

Statement of Changes in Net Assets Available for Benefits  
Year Ended September 30, 1998

Additions to net assets attributed to:

Contributions

Plan sponsor

\$ 118,415

Participants

44,879

Total additions

163,294

Deductions from net assets attributed to:

Health care benefits paid to participants

87,331

Insurance premiums paid for stop loss coverage

49,798

Administrative expense

5,525

Total deductions

142,654

Net increase during year

20,640

Net assets available for benefits:

Beginning of year

20,773

End of year

\$ 41,413

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

ABROM KAPLAN MEMORIAL HOSPITAL EMPLOYEE BENEFIT PLAN

Statement of Plan's Benefit Obligations  
September 30, 1998

Amounts currently payable to or for participants and dependents:	
Health claims payable	\$ 11,710
Other obligations for current benefit coverage:	
Claims incurred but not reported	<u>27,282</u>
Plan's total benefit obligations	<u>\$ 38,992</u>

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

ABROM KAPLAN MEMORIAL HOSPITAL EMPLOYEE BENEFIT PLAN

Statement of Changes in Plan's Benefit Obligations  
Year Ended September 30, 1998

Amounts currently payable to or for participants and dependents:	
Balance, beginning of year	\$ 6,273
Claims reported and approved for payment	92,768
Claims paid	<u>(87,331)</u>
Balance, end of year	<u>11,710</u>
Other obligations for current benefit coverage:	
Balance, beginning of year	8,310
Net change during year for claims incurred but not reported	<u>18,972</u>
Balance, end of year	<u>27,282</u>
Plan's total benefit obligations at end of year	<u>\$ 38,992</u>

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



## ABROM KAPLAN MEMORIAL HOSPITAL EMPLOYEE BENEFIT PLAN

### Notes to Financial Statements

#### NOTE 1 DESCRIPTION OF PLAN

The following description of the Abrom Kaplan Memorial Hospital Employee Benefit Plan ("Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

##### A. General

The Plan provides health benefits covering substantially all active employees (participants) of Hospital Services District No. 1, Parish of Vermilion, d/b/a Abrom Kaplan Memorial Hospital (Plan Sponsor).

##### B. Benefits

The Plan provides health benefits to the plan sponsor's full-time employees (working at least 35 hours per week) and their covered dependents.

Health claims of participants and dependents are processed by Gulf South Administrators (Plan Supervisor), but the responsibility for payments to participants and providers is retained by the Plan.

##### C. Contributions

Participants contribute specified amounts determined periodically by the Plan Sponsor.

##### D. Administrative Expenses

The Plan's administrative expenses are partially absorbed by the Plan Sponsor.

##### E. Other

Although it has not expressed any intention to do so, the Plan Sponsor has the right under the Plan to modify the benefits provided to active employees, to discontinue its contributions at any time, and to terminate the Plan.

#### NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Basis of Accounting

The financial statements of the Plan are prepared using the accrual method of accounting.

##### B. Use of Estimates

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

ABROM KAPLAN MEMORIAL HOSPITAL EMPLOYEE BENEFIT PLAN

Notes to Financial Statements

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Plan Benefits

Plan liabilities for health claims incurred but not reported as of September 30, 1998 are based upon estimates developed by the Plan Supervisor.

NOTE 3 BENEFIT OBLIGATIONS

Health costs incurred by participants and dependents are partially covered by "stop loss" insurance contract maintained by the Plan. Under the contract the Plan's net claim limit per covered person is \$15,000 and the maximum limit of liability for all covered persons is \$1,000,000. It is the present intention of the Plan Sponsor and the Plan to continue obtaining the above insurance coverage for benefits.

**INTERNAL CONTROL AND COMPLIANCE**



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## Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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The Board of Trustees  
Abrom Kaplan Memorial Hospital  
Employee Benefit Plan  
Kaplan, Louisiana

We have audited the general purpose financial statements of Abrom Kaplan Memorial Hospital Employee Benefit Plan, as of and for the year ended September 30, 1998, and have issued our report thereon dated December 18, 1998, which was qualified due to the omission of the year 2000 disclosures that are required by governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*. 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 the Plan'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 those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying schedule of findings and questioned costs as item 98-1.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Plan'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

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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.

This report is intended for the information of management and Board of Trustees. However, this report is a matter of public record and its distribution is not limited.

*Dannall, Sikes & Frederick*  
A Corporation of Certified Public Accountants

Eunice, Louisiana  
December 18, 1998

ABROM KAPLAN MEMORIAL HOSPITAL EMPLOYEE BENEFIT PLAN

Schedule of Prior Year Findings  
Year Ended September 30, 1998

The Schedule of prior year findings is not applicable since the Plan has not been previously audited.

ABROM KAPLAN MEMORIAL HOSPITAL EMPLOYEE BENEFIT PLAN

Schedule of Findings and Questioned Costs  
Year Ended September 30, 1998

Part I Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report

A qualified opinion has been issued on the Hospital's financial statements as of and for the year ended September 30, 1998.

Reportable Conditions -- Financial Reporting

There were no reportable conditions in internal control noted during the audit of the financial statements.

Material Noncompliance - Financial reporting

One instance of material noncompliance was noted during the audit as described in item 98-1 in Part II.

FEDERAL AWARDS

This section is not applicable for the year ended September 30, 1998.

MANAGEMENT LETTER

This section is not applicable for the year ended September 30, 1998.

Part II Findings Relating to an Audit in Accordance with Government Auditing Standards

98-1 Violation of Louisiana Audit Law

Finding:

The Plan did not comply with the provisions of the state audit law, LSA-RS 24:513 requiring audits to be completed within six months of the fiscal year end.

Recommendation:

The Plan should implement procedures to ensure compliance with applicable laws.

Part III Findings and Questioned Costs Relating to Federal Programs

This section is not applicable for the year ended September 30, 1998.

ABROM KAPLAN MEMORIAL HOSPITAL EMPLOYEE BENEFIT PLAN

Management corrective Action Plan  
Year Ended September 30, 1998

98-1 Violation of Louisiana Audit Law

Efforts will be made in the future to ensure compliance with applicable laws.