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GENERAL PURPOSE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

DEQUINCY MEMORIAL HOSPITAL

September 30, 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.

MAR 10 1999

Release Date _____

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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, 1998 and 1997, 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, 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 December 15, 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., L.L.C.

December 15, 1998

DeQuincy Memorial Hospital

BALANCE SHEETS

September 30,

ASSETS

	<u>1998</u>	<u>1997</u>
CURRENT ASSETS		
Cash	\$ 93,897	\$ 186,666
Receivables		
Patient accounts, less allowance for uncollectible patient accounts and contractual adjustments of \$552,889 in 1998 and \$255,193 in 1997	1,001,955	902,603
Other	607,933	796,106
Inventories of materials and supplies	81,983	85,526
Prepaid expenses	<u>30,944</u>	<u>15,762</u>
Total current assets	1,816,712	1,986,663
PROPERTY, PLANT and EQUIPMENT, less accumulated depreciation (\$3,987,177 for 1998 and \$3,735,223 for 1997)	1,681,692	1,927,038
OTHER ASSETS		
Bond issuance cost, net of accumulated amortization (\$52,917 for 1998 and \$50,757 for 1997)	<u>11,870</u>	<u>14,030</u>
Total assets	<u>\$ 3,510,274</u>	<u>\$ 3,927,731</u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND FUND EQUITY

	<u>1998</u>	<u>1997</u>
CURRENT LIABILITIES		
Bonds payable, current portion	\$ 232,149	\$ 172,000
Notes payable, current portion	12,632	11,252
Obligations under capital leases, current portion	71,891	38,945
Accounts payable	562,459	310,269
Accrued liabilities		
Salaries, wages and other compensation	170,811	207,768
Payroll taxes	6,356	12,086
Interest	109,662	64,270
Other	<u>104,725</u>	<u>114,035</u>
Total current liabilities	1,270,685	930,625
LONG-TERM OBLIGATIONS, less current portion		
Revenue bonds	1,507,850	1,649,850
Certificate of indebtedness	50,000	65,000
Notes payable	31,482	45,660
Obligations under capital leases	<u>7,566</u>	<u>60,055</u>
Total long-term obligations	1,596,898	1,820,565
OTHER LIABILITIES	649,726	705,840
FUND EQUITY		
Retained earnings (deficit) - unreserved	<u>(7,035)</u>	<u>470,701</u>
Total liabilities and fund equity	<u>\$ 3,510,274</u>	<u>\$ 3,927,731</u>

DeQuincy Memorial Hospital

STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS

For the years ended September 30,

	<u>1998</u>	<u>1997</u>
OPERATING REVENUES		
Patient service revenue, less provisions for contractual allowances and uncollectible accounts (\$1,239,124 for 1998 and \$1,125,664 for 1997)	\$ 4,453,041	\$ 5,221,990
Other	<u>60,846</u>	<u>64,246</u>
Total operating revenues	4,513,887	5,286,236
OPERATING EXPENSES	<u>4,916,740</u>	<u>5,456,124</u>
OPERATING (LOSS)	(402,853)	(169,888)
NONOPERATING REVENUES (EXPENSES)		
State grants	-	35,000
Unrestricted gifts	10,000	1,679
Interest income	6,554	5,597
Interest expense	(112,045)	(122,718)
Amortization	(2,159)	(2,159)
Depreciation on rental property	(14,606)	(14,606)
Other	<u>37,373</u>	<u>48,858</u>
Total nonoperating (expenses)	(<u>74,883</u>)	(<u>48,349</u>)
NET (LOSS)	(477,736)	(218,237)
RETAINED EARNINGS-UNRESERVED OCTOBER 1,	<u>470,701</u>	<u>688,938</u>
RETAINED EARNINGS(DEFICIT)-UNRESERVED SEPTEMBER 30,	\$(<u>7,035</u>)	\$ <u>470,701</u>

The accompanying notes are an integral part of these statements.

DeQuincy Memorial Hospital
STATEMENTS OF CASH FLOWS

For the years ended September 30,

	<u>1998</u>	<u>1997</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)	\$(477,736)	\$(218,237)
Adjustments to reconcile net (loss) to net cash provided (used) by operating activities:		
Depreciation	251,953	243,424
Amortization	2,159	2,159
Changes in operating assets and liabilities:		
Decrease in accounts receivable	88,821	260,222
Decrease (increase) in inventories of materials and supplies	3,543	(6,887)
Decrease (increase) in prepaid expenses	(15,182)	58,122
(Decrease) increase in accounts payable	252,190	(644,096)
(Decrease) increase in accrued liabilities	<u>(46,462)</u>	<u>26,026</u>
Net cash flows provided (used) by operating activities	<u>59,286</u>	<u>(279,267)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	<u>(6,606)</u>	<u>(220,630)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of capital lease obligations	(19,543)	(52,189)
Repayment of long-term obligations	(109,649)	(178,604)
(Increase) in other receivables	-	(84,828)
Proceeds of capital lease financing	-	123,801
Proceeds of long-term debt	-	65,366
Increase (decrease) in other liabilities	<u>(16,257)</u>	<u>705,840</u>

DeQuincy Memorial Hospital

STATEMENTS OF CASH FLOWS - Continued

For the years ended September 30,

	<u>1998</u>	<u>1997</u>
Net cash provided (used) by financing activities	\$(<u>145,449</u>)	\$ <u>579,386</u>
Net increase (decrease) in cash	(92,769)	79,489
Cash at beginning of year	<u>186,666</u>	<u>107,177</u>
Cash at end of year	\$ <u><u>93,897</u></u>	\$ <u><u>186,666</u></u>
<u>Cash paid during the year for:</u>		
Interest	\$ 66,653	\$ 128,210

The accompanying notes are an integral part of these statements.

DeQuincy Memorial Hospital

NOTES TO FINANCIAL STATEMENTS

September 30, 1998 and 1997

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, 1998 and 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, 1998 and 1997

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, 1998 and 1997

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, 1998 and 1997 is \$237,347 and \$228,818 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 \$53,813 and \$80,534 has been recorded in accrued liabilities as salaries, wages and other compensation for 1998 and 1997.

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 65 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, 1998 and 1997

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

10. Use of Estimates

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

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, 1998 and 1997.

	<u>1998</u>	<u>1997</u>
Charges forgone, based on established rates	\$ -	\$ 6,517
Estimated costs and expenses incurred to provide charity care	\$ -	\$ 2,020
Equivalent percentage of charity care patients to all patients	.00%	.01%

NOTE C - NET PATIENT SERVICE REVENUE

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

DeQuincy Memorial Hospital

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1998 and 1997

NOTE C - NET PATIENT SERVICE REVENUE - Continued

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.

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	\$ 18,708
Reserve Fund	\$ 1,871
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, 1998, the Hospital's bank balance was \$139,245. All of this balance was covered by federal depository insurance or by collateral held by the Hospital's agent in the Hospital's name.

DeQuincy Memorial Hospital

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1998 and 1997

NOTE F - ACCOUNTS RECEIVABLE

Accounts receivable at September 30, consist of the following:

	<u>1998</u>	<u>1997</u>
Patient receivables		
0-30 days	\$ 466,318	\$ 401,353
31-60 days	257,211	192,951
61-90 days	115,052	87,228
91 days and older	<u>716,263</u>	<u>476,264</u>
	1,554,844	1,157,796
Other receivables and interest receivable	<u>607,933</u>	<u>796,106</u>
	2,162,777	1,953,902
Less allowances for uncollectible patient accounts and contractual adjustments	<u>552,889</u>	<u>(255,193)</u>
	<u>\$ 1,609,888</u>	<u>\$ 1,698,709</u>

NOTE G - PROPERTY, PLANT AND EQUIPMENT

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

	<u>1998</u>	<u>1997</u>
Land	\$ 28,000	\$ 28,000
Land improvements	10,512	10,512
Building and fixed equipment	3,214,322	3,214,322
Paving	196,368	196,368
Equipment under capital leases	236,291	236,291
Moveable furniture and equipment	1,536,068	1,529,460
Medical office building- rental property	<u>447,308</u>	<u>447,308</u>
	5,668,869	5,662,261
Less accumulated depreciation	<u>(3,987,177)</u>	<u>(3,735,223)</u>
	<u>\$ 1,681,692</u>	<u>\$ 1,927,038</u>

DeQuincy Memorial Hospital

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1998 and 1997

NOTE H - LONG-TERM DEBT AND CAPITAL LEASES

A summary of long-term debt and capital leases at September 30, 1998 and 1997, follows:

	<u>1998</u>	<u>1997</u>
\$200,000 of Hospital Revenue Bonds, 1981 Series, Dated February 9, 1982, Bearing 5% interest, payable in yearly installments on January 19, to Farmers Home Administration, collateralized by property and plant.	\$ 125,000	\$ 131,982
\$1,000,000 of Hospital Revenue Bonds, 1979 2nd Series, Dated November 14, 1979, Bearing 5% interest, payable in yearly installments on January 19, to Farmers Home Administration, collateralized by property and plant.	370,000	419,868
\$2,100,000 of Hospital Revenue Bonds of the City of DeQuincy, State of Louisiana, Dated January 19, 1979, Bearing 5% interest, payable in yearly installments on January 19, to Farmers Home Administration, collateralized by property and plant.	1,230,000	1,230,000
\$300,000 of Public Improvement Bonds of the City of DeQuincy, State of Louisiana, Dated June 1, 1978, Bearing variable interest rate, 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

DeQuincy Memorial Hospital

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1998 and 1997

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

	<u>1998</u>	<u>1997</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.	65,000	80,000
6.45% note payable to First National Bank of Lake Charles, Louisiana, Dated August 2, 1996 payable in monthly installments of \$1,259 including interest, collateralized by equipment.	<u>44,113</u> 1,834,113	<u>56,912</u> 1,943,762
Less current installments of long-term debt	<u>(244,781)</u>	<u>(183,252)</u>
Long-term debt excluding current installments	<u>\$ 1,589,332</u>	<u>\$ 1,760,510</u>
Capital lease obligations, at varying rates of imputed interest from 5.5% to 9.69%, collateralized by leased equipment.	\$ 79,457	\$ 99,000
Less current portion of capital lease obligations	<u>(71,891)</u>	<u>(38,945)</u>
Capital lease obligations excluding current portion	<u>\$ 7,566</u>	<u>\$ 60,055</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, 1998 and 1997

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

Scheduled principal repayments on long-term debt and payments on capital lease obligations for the next five years following September 30, 1998 are as follows:

	<u>Long-term Debt</u>	<u>Obligations Under Capital Leases</u>
1999	\$ 244,781	\$ 71,891
2000	175,472	7,566
2001	187,366	-
2002	191,644	-
2003	<u>173,000</u>	<u>-</u>
Total	<u>\$ 972,263</u>	<u>\$ 79,457</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, 1998, there are no operating leases that have initial or remaining lease terms in excess of one year.

Total rental expense in 1998 and 1997 for all operating leases was approximately \$40,402 and \$52,893 respectively.

DeQuincy Memorial Hospital

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1998 and 1997

NOTE K - CONCENTRATIONS OF CREDIT RISK

The Hospital is located in DeQuincy, Louisiana. The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payers was as follows for 1998:

Medicare	55%
Medicaid	9
Other third-party	13
Patients	<u>23</u>
	<u>100%</u>

NOTE L - STATE GRANTS

For the year ended September 30, 1997, the Hospital received a grant of \$35,000. This grant was provided, in accordance with the provisions of the Louisiana Procedure Act, LSA R.S. 49:950 et seq., to help small rural hospitals with quality emergency health services to indigent and low income persons in rural areas.

NOTE M - OTHER LIABILITIES

The Hospital entered into a tentative agreement with a creditor to pay the previously disputed professional fees in the amount of \$689,583 in monthly installments of \$5,000. The debt bears interest at 3% per annum.

NOTE N - SUBSEQUENT EVENTS

The City of DeQuincy advertised for and received bids on December 15, 1998 regarding the sale of the Hospital. The City plans to call a special election during 1999 to receive the approval from voters to finalize any potential sale.

NOTE O - CHANGE IN ESTIMATE

The Hospital elected to change the number of accounts receivable days included in the allowance for bad debts. The effect of this change resulted in a decrease in net income of \$81,369.

SUPPLEMENTAL INFORMATION



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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, 1998 and 1997, 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., L.L.C.

December 15, 1998

DeQuincy Memorial Hospital

SCHEDULES OF OPERATING EXPENSES

For the years ended September 30,

	<u>1998</u>	<u>1997</u>
Routine nursing service	\$ 476,321	\$ 375,902
Central supply	26,494	29,266
Telemedicine	-	3,564
Laboratory	267,849	269,122
EKG and EEG	1,380	1,813
Blood bank	12,812	11,428
Radiology	254,419	269,797
Pharmacy	181,362	191,340
Respiratory therapy	139,096	144,335
Physical therapy	87,556	91,737
Nuclear medicine	9,669	4,485
Ultra sound	97,940	78,385
Dietary	225,461	236,151
Laundry	37,675	43,063
Purchasing	42,162	52,508
Home health	741,569	997,843
Rural clinic	218,995	287,765
Housekeeping	85,017	90,402
Plant operations and maintenance	142,094	143,878
Communication	20,662	20,827
Patient accounting	139,877	152,479
Administration	679,894	829,587
Personnel and employce benefits	177,733	177,544
Miscellaneous	238	-
Medical records	58,286	60,279
Nursing administration	39,055	49,452
Depreciation	237,347	228,817
Infection control	26,351	26,880
In-service	1,348	724
Public relations	2,312	3,738
Physician contractual guarantee	30,836	146,077
Emergency room	340,694	366,298
Psychiatric	79,548	17,586
Intravenous therapy	16,297	13,997
Operating room	18,391	26,342
Discharge planning	-	12,713
	<u>\$ 4,916,740</u>	<u>\$ 5,456,124</u>

DeQuincy Memorial Hospital
 SCHEDULE OF INSURANCE IN FORCE
 September 30, 1998

<u>COMPANY</u>	<u>Policy Number</u>	<u>Term</u>	<u>Coverage and Limits of Liability</u>
The St. Paul Insurance Company	HK00300878	12/15/97 to 12/15/98	<p style="text-align: right;">General Liability-</p> 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 one person 100,000 Total Limit 900,000 Property Protection - Hospital Building 3,924,960 Co-insurance 90% Contents 774,180 Co-insurance 90% Deductible 5,000 Property Protection - Clinic Building 477,360 Co-insurance 80% Deductible 5,000 Mobile Building 56,413 Co-insurance 90% Personal Property 30,000 Miscellaneous Property Protection - X-Ray equipment 222,000 Accounts Receivable Protection - Limit of coverage 2,000,000 Blanket Employees Dishonesty Protection Total limit 100,000 Deductible 5,000
The St. Paul Insurance Company	503XB7013	12/15/97 to 12/15/98	<p style="text-align: right;">Excess Liability Umbrella -</p> Each occurrence and annual aggregate 1,000,000 Deductible 10,000

DeQuincy Memorial Hospital

SCHEDULE OF INSURANCE IN FORCE - CONTINUED

September 30, 1998

<u>COMPANY</u>	<u>Policy Number</u>	<u>Term</u>	<u>Coverage and Limits of Liability</u>
The St. Paul Insurance Company	503MA6479	12/15/97 to 12/15/98	Directors Liability Policy Limit 1,000,000
Commercial Union Insurance Co.	MER351916	12/15/97 to 12/15/98	Boiler and machinery Policy limit 5,000,000 Deductible 1,000
Louisiana Patient's Compensation Fund	DM06622063	5/26/98 to 5/26/99	Physician's malpractice Per claim 100,000 Aggregate 300,000
BICO	W981132993	1/19/98 to 1/19/99	Employers Liability - Disease policy limit 500,000 Disease each employee 500,000 Bodily injury-accident 500,000



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

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DAPHNE B. CLARK

J. AARON COOPER
LISA A. KELLER

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, 1998 and 1997, and have issued our report thereon dated December 15, 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 those 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, 1998 and 1997, 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.

Langley, Williams & Co., LLC

December 15, 1998

DeQuincy Memorial Hospital

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended September 30, 1998

FISCAL YEAR FINDING INITIALLY OCCURRED - September 30, 1995

Description of findings - Bond indenture agreements require monthly deposits to a Bond Sinking Fund in the amount of \$18,708, Bond Reserve Fund of \$1,871, and Bond Contingency Fund of \$1,785. No deposits have been made to these funds.

CORRECTIVE ACTION TAKEN - None

Planned Corrective Action -Management is actively pursuing improvements in the operating conditions of the Hospital so as to provide adequate funding for all bond funds. These actions include but are not limited to the recruitment of new doctors, implementing specialized health care programs, new affiliation agreements, and cost cutting measures. Additionally the City of DeQuincy received bids relating to the potential sale of the Hospital on December 15, 1998.

DeQuincy Memorial Hospital

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT
FINDINGS

For the year ended September 30, 1998

Description of findings - Bond indenture agreements require monthly deposits to a Bond Sinking Fund in the amount of \$18,708, Bond Reserve Fund of \$1,871, and Bond Contingency Fund of \$1,785. No deposits have been made to these funds.

Planned Corrective Action - Management is actively pursuing improvements in the operating conditions of the Hospital so as to provide adequate funding for all Bond Funds. These actions include but are not limited to the recruitment of new doctors, implementing specialized health care programs, new affiliation agreements, and cost cutting measures. Additionally the City of DeQuincy received bids relating to the potential sale of the Hospital on December 15, 1998.

Name of person to contact - Michael Daiken - Administrator

Anticipated Completion Date - Uncertain.