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**HOOD MEMORIAL HOSPITAL**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 1998 AND 1997**

**COMMISSIONERS**  
W. D. Kent, D.V.M., Chairman  
Earle Cefalu, Jr.  
Larry Mobley  
C.G. Forrest, M.D.  
William K. Hood

**HOSPITAL ADMINISTRATOR**  
A.D. Richardson

**ASSISTANT ADMINISTRATOR**  
Claude Jones, Jr.

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, when appropriate, at the office of the parish clerk of court.

Release Date: March 15, 1999

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**REPORT OF INDEPENDENT AUDITORS**

Board of Commissioners  
Hood Memorial Hospital  
Hospital Service District No. 2 of  
Tangipahoa Parish, Louisiana

We have audited the accompanying balance sheets of Hood Memorial Hospital (the Hospital – Hospital Service District No. 2 of Tangipahoa Parish a component unit of Tangipahoa Parish, Louisiana) as of September 30, 1998 and 1997, and the related statements of revenue, expenses, and fund balances, 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.

Except as discussed in the following paragraph, we conducted our audits in accordance with generally accepted auditing standards and in accordance with the standards for financial audits contained in Government Auditing Standards (1994 Revision), 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.

Governmental Accounting Standards Board Technical Bulletin 98-1, Disclosures about Year 2000 Issues, requires disclosure of certain matters regarding the year 2000 issue. The Hospital has included such disclosures in Note 6. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the Hospital's disclosures with respect to the year 2000 issue made in Note 6. Further, we do not provide assurance that the Hospital is or will be year 2000 ready, that the Hospital's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Hospital does business will be year 2000 ready.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the financial statements referred to above present fairly, in all material respects, the financial position of Hood Memorial Hospital at 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 22, 1998, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in pages 12 and 13 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 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.

December 22, 1998

*James R. Douglas, Ltd.*

James R. Douglas, Ltd.  
Certified Public Accountants

## BALANCE SHEETS

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## HOOD MEMORIAL HOSPITAL

	SEPTEMBER 30	
	1998	1997
ASSETS		
CURRENT ASSETS		
Cash	\$ 658,145	\$ 477,935
Patient accounts receivable, less allowances for uncollectible accounts (1998 and 1997 - \$230,000)	1,833,014	1,926,482
Amounts due from medicare and medicaid intermediaries	462,259	160,212
Inventories	147,534	133,305
Prepaid expenses and other debits	29,096	31,286
	<u>3,130,048</u>	<u>2,729,220</u>
	TOTAL CURRENT ASSETS	
ASSETS WHOSE USE IS LIMITED		
Board designated funds:		
Cash equivalents	-	208,458
Investments	1,954,495	1,746,037
Accrued interest receivable	5,878	3,751
	<u>1,960,373</u>	<u>1,958,246</u>
PROPERTY AND EQUIPMENT, net	<u>2,387,533</u>	<u>2,567,075</u>
OTHER ASSETS	<u>19,322</u>	<u>31,967</u>
	<u>7,497,276</u>	<u>7,286,508</u>
	TOTALS	
LIABILITIES AND FUND BALANCES		
CURRENT LIABILITIES		
Trade accounts payable	263,384	457,561
Employee compensation payable	58,023	50,123
Reserve for estimated claims	150,000	50,000
Amounts due to medicare and medicaid intermediaries	127,074	58,562
	<u>598,481</u>	<u>616,246</u>
	TOTAL CURRENT LIABILITIES	
FUND BALANCES	<u>6,898,795</u>	<u>6,670,262</u>
	<u>7,497,276</u>	<u>7,286,508</u>
	TOTALS	

See notes to financial statements

STATEMENTS OF REVENUE, EXPENSES, AND FUND BALANCES

HOOD MEMORIAL HOSPITAL

	YEAR ENDED SEPTEMBER 30	
	1998	1997
REVENUE		
Net patient service revenue	\$7,321,663	\$7,713,564
Other revenue	131,793	56,401
	<u>7,453,456</u>	<u>7,769,965</u>
	TOTAL REVENUE	
EXPENSES		
Nursing services	1,726,735	2,124,666
Other professional services	3,231,470	3,271,359
General services	522,407	482,073
Fiscal and administrative services	1,087,422	947,869
Bad debts	492,927	519,212
Depreciation and amortization	295,762	266,327
	<u>7,356,723</u>	<u>7,611,506</u>
	TOTAL EXPENSES	
	INCOME FROM OPERATIONS	
	<u>96,733</u>	<u>158,459</u>
NONOPERATING GAINS		
Interest earned	131,800	140,763
Grant income	-	25,000
	<u>131,800</u>	<u>165,763</u>
	NONOPERATING GAINS	
REVENUE AND GAINS IN EXCESS OF EXPENSES	228,533	324,222
FUND BALANCE, Beginning of year	<u>6,670,262</u>	<u>6,346,040</u>
FUND BALANCE, End of year	<u>6,898,795</u>	<u>6,670,262</u>

See notes to financial statements

**STATEMENTS OF CASH FLOWS**

**HOOD MEMORIAL HOSPITAL**

	YEAR ENDED SEPTEMBER 30	
	1998	1997
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating Income	\$ 96,733	\$158,459
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	295,762	266,328
Changes in -		
Accounts receivable	(140,067)	(419,867)
Other assets	(14,166)	2,103
Accounts payable	(194,177)	203,071
Reserves	100,000	50,000
Accrued expenses	7,900	9,668
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>151,985</u>	<u>269,762</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Grant income	<u>-</u>	<u>25,000</u>
<b>CASH FLOWS FROM CAPITAL ACTIVITIES</b>		
Purchase of property and equipment	<u>(103,575)</u>	<u>(1,300,069)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	131,800	140,763
Maturity of U. S. Treasury obligations	-	987,546
Purchase of U. S. Treasury obligations	-	(407,627)
Matured certificates of deposits	208,458	847,625
Purchase of certificates of deposit and cash equivalents	(208,458)	(1,144,495)
NET CASH PROVIDED / USED BY INVESTING ACTIVITIES	<u>131,800</u>	<u>423,812</u>
NET INCREASE (DECREASE) IN CASH	180,210	(581,495)
Cash at beginning of year	<u>477,935</u>	<u>1,059,430</u>
CASH AT END OF YEAR	<u>658,145</u>	<u>477,935</u>

See notes to financial statements

**HOOD MEMORIAL HOSPITAL**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Hood Memorial Hospital (the Hospital) is a nonprofit organization created by the Tangipahoa Parish Police Jury (as Hospital Service District No. 2 of Tangipahoa Parish, Louisiana), on November 17, 1964 (re-created on October 19, 1965) under the provisions of Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950 and is exempt from Federal and state income taxes. The governing authority of the District is the Tangipahoa Parish Police Jury and accordingly, appoints members to the Hospital Board. The Board exercises all administrative functions with respect to the operation and management of the Hospital. The Hospital reports in accordance with the American Institute of Certified Public Accountants' (AICPA) "Audits of Providers of Health Care Services" and, as a governmental entity, also provides certain disclosures required by the Governmental Accounting Standards Board. In preparing the financial statements, the Hospital is required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Significant accounting policies used by the Hospital in preparing and presenting its financial statements are summarized below.

Inventory: Inventory is valued at the most recent invoice price. This method approximates the lower of cost (first-in, first-out method) or market.

Assets whose use is limited: Assets whose use is limited include assets set aside by the Board of Commissioners for future capital improvements (over which the Board retains control and may at its discretion subsequently use for other purposes).

Investments: Investments (which consist of bank certificates of deposit with original maturities of more than three months when purchased and U.S. Treasury obligations) are stated at cost or amortized cost, as applicable, plus accrued interest.

Property and equipment: Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method as follows:

Buildings and land improvements	10-40 years
Fixed equipment	20 years
Major movable equipment	5-20 years

Net patient service revenues: The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenues are reported at the estimated net amounts realizable from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements. 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. Government health care program receivables include settlements for fiscal years subsequent to the fiscal year ended September 30, 1995 which are subject to audit and retroactive adjustment by the intermediary and the Department of Health and Human Services. Payment arrangements with major third-party payors are summarized below:

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge which 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 costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is paid 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.

Medicaid - Reimbursement for inpatient services rendered to Medicaid program beneficiaries is based on a per diem methodology which is not subject to settlement. Reimbursement for outpatient services is based on actual cost or fee schedule rates, depending upon the types of services performed, with final settlement determined after submission of annual cost reports and audits by the Medicaid fiscal intermediary.

HOOD MEMORIAL HOSPITAL

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Commercial Insurance - The Hospital has 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.

The Hospital derives a significant amount (approximately 73% for the year ended September 30, 1998 and 79% for the year ended September 30, 1997) of its net patient service revenues from patients covered by the Medicare and Medicaid programs.

Free care: The Hospital did not provide free care during the years ended September 30, 1998 and 1997.

Self-insured medical claims: The Hospital is self-insured for employee medical claims up to predetermined stop-loss amounts. Claims in excess of the stop-loss amounts are insured through a commercial insurance carrier. Management accrues its best estimate of probable claim amounts incurred but not reported based on its previous loss experience.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The nature of the Hospital's cash and short-term investments at September 30, 1998 and 1997 are:

	1998	1997
Cash	\$ 658,145	\$ 477,935
Money market funds	-	208,458
Certificates of deposit ( with maturities of more than three months when purchased)	1,954,495	1,536,037
U. S. Treasury obligations	-	210,000
Accrued interest receivable	5,878	3,751
	<u>2,618,518</u>	<u>2,436,181</u>

These balances are presented in the balance sheets and summarized below:

	1998	1997
Current assets:		
Cash	\$ 658,145	\$ 477,935
Assets whose use is limited:		
Cash equivalents	-	208,458
Investments	1,954,495	1,746,037
Accrued interest receivable	5,878	3,751
	<u>2,618,518</u>	<u>2,436,181</u>

Louisiana state statutes authorize the Hospital to invest in direct obligations of the U. S. Government, certificates of deposit of state banks and national banks having their principal office in the State of Louisiana, federally insured investments, guaranteed investment contracts issued by a financial institution having one of the two highest rating categories published by Standard & Poor's or Moody's, and mutual or trust funds registered with the Securities and Exchange Commission (provided the underlying investments of these funds meet certain restrictions). Statutes also require that all of the deposits of the Hospital be protected by insurance or collateral. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance. The bank balances of deposits at September 30, 1998 were not fully secured by the pledge of securities.

**HOOD MEMORIAL HOSPITAL****2. CASH, CASH EQUIVALENTS, AND INVESTMENTS – CONTINUED**

As of September 30, 1998, the balances reported by banks for cash and certificates of deposit totaled \$2,688,588. Of the \$2,688,588, \$300,000 was covered by federal depository insurance, \$2,252,551 was collateralized with securities held by the pledging bank in the Hospital's name (Category 3), and \$136,037 was not collateralized.

The Hospital's deposits are categorized to give an indication of the level of risk assumed by the Hospital. The categories are described as follows:

- Category 1: Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- Category 3: Collateralized with securities held by the pledging financial institution's trust department or agent but not in the entity's name.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of Governmental Accounting Standards Board 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 district that the fiscal agent has failed to pay deposited funds upon demand.

**3. GROUP ANNUITY CONTRACT**

Under the terms of a group annuity contract entered into between American United Life Insurance Company and the Louisiana Hospital Association, eligible employees of the Hospital may enter into an agreement with the Company to contribute 3% of their gross salary to a group annuity contract. The Hospital is then obligated to contribute 5% to the contract, for a total of 8%. Once the contributions are made, the Hospital has no further liability.

**4. PROPERTY AND EQUIPMENT**

A summary of property and equipment at September 30, 1998 and 1997, follows:

	1998	1997
Land	\$ 87,893	\$ 87,893
Land improvements – hospital	117,473	117,473
Land improvements – physicians building	22,643	22,643
Hospital building	2,541,382	2,541,382
Building improvements – hospital	78,084	78,084
Physicians building	398,802	398,802
Fixed equipment – hospital	172,896	172,896
Major movable equipment – hospital	1,832,047	1,728,472
Physicians building – major movable equipment	5,864	5,864
	<u>5,257,084</u>	<u>5,153,509</u>
Accumulated depreciation	2,869,551	2,586,434
	<u>2,387,533</u>	<u>2,567,075</u>

**HOOD MEMORIAL HOSPITAL**

5. MALPRACTICE INSURANCE

During 1976, the State of Louisiana enacted legislation that created a statutory limit of \$500,000 for each medical professional liability claim and established the Louisiana Patient Compensation Fund (State Insurance Fund) to provide professional liability insurance to participating health care providers. The Hospital participates in the State Insurance Fund, which provides up to \$400,000 coverage for settlement amounts in excess of \$100,000 per claim. The Hospital is insured through the Louisiana Hospital Association Trust Fund with respect to the first \$100,000 of each claim.

6. YEAR 2000 READINESS

The Hospital is in the process of assessing its systems in anticipation of the year 2000 as it relates to its computer systems and other electronic equipment. The year 2000 issue refers to the fact that many computer programs use only the last two digits to refer to a year, therefore both 1900 and 2000 would be referred to as "00". Computer programs that have not been adjusted to recognize the difference between 1900 and 2000 will fail or create errors. The Hospital has identified its computer systems and other electronic equipment that need to be year 2000 compliant and in the process of addressing the problem.

7. SUBSEQUENT EVENTS

At the Board of Commissioners meeting on October 19, 1998, a contract in the amount of \$184,973 was awarded for renovation of the physicians building.

8. GOVERNMENTAL REGULATIONS

The healthcare industry is subject to numerous laws and regulations of Federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

**PATIENT SERVICE REVENUES**

**HOOD MEMORIAL HOSPITAL**

YEAR ENDED SEPTEMBER 30, 1998

	<u>INPATIENT</u>	<u>OUTPATIENT</u>	<u>SKILLED NURSING FACILITY</u>	<u>BEHAVIORIAL HEALTH UNIT</u>	<u>TOTAL</u>
<b>ROUTINE SERVICES</b>					
Medical and surgical	\$ 727,955				\$ 727,955
Skilled nursing Facility			\$ 229,770		229,770
Behavioral health unit				\$ 1,138,900	1,138,900
	<u>727,955</u>		<u>229,770</u>	<u>1,138,900</u>	<u>2,096,625</u>
<b>ANCILLARY SERVICES</b>					
Blood bank	20,405	\$ 5,883	3,227		29,515
CT scan	83,875	285,350	7,600	11,675	388,500
Central supply	389,824	135,884	82,138	37,511	645,357
Electrocardiology	137,365	96,125	340	5,195	239,025
Electroencephalogra- phy	500	1,450	1,405	700	4,055
Emergency room	70,382	818,125			888,507
Home health agency		1,361,309			1,361,309
Intravenous therapy	80,951	12,708	22,335	260	116,254
Laboratory	598,224	906,431	82,966	57,577	1,645,198
Nuclear medicine	25,770	85,474	1,641	397	113,282
Operating and recov- ery	5,675	20,500	1,825		28,000
Pharmacy	709,084	277,457	257,626	87,957	1,332,124
Physical therapy	5,650		22,026		27,676
Radiology	163,598	489,645	20,671	7,797	681,711
Respiratory therapy	406,280	99,075	89,447	13,764	608,566
Rural health		351,463			351,463
Senior class		264,285			264,285
Speech therapy	715		1,470	1,160	3,345
Ultrasound Treatments	55,775	92,095	2,316	712	150,898
				416,080	416,080
	<u>2,754,073</u>	<u>5,303,259</u>	<u>597,033</u>	<u>640,785</u>	<u>9,295,150</u>
	<u>3,482,028</u>	<u>5,303,259</u>	<u>826,803</u>	<u>1,779,685</u>	<u>11,391,775</u>
Less allowances					<u>4,070,112</u>
<b>NET PATIENT SERVICE REVENUES</b>					<u>7,321,663</u>

## YEAR ENDED SEPTEMBER 30, 1997

INPATIENT	OUTPATIENT	SKILLED NURSING FACILITY	BEHAVIORIAL HEALTH UNIT	TOTAL
\$ 716,045				\$ 716,045
		\$ 208,865		208,865
			\$ 1,657,600	1,657,600
<u>716,045</u>		<u>208,865</u>	<u>1,657,600</u>	<u>2,582,510</u>
14,181	\$ 5,536	2,084		21,801
82,075	231,175	3,500	28,625	345,375
402,179	129,660	73,409	48,007	653,255
128,115	70,580	1,340	6,305	206,340
750	1,500		1,350	3,600
61,805	663,432	310		725,547
	1,465,533			1,465,533
85,040	11,875	23,211	2,187	122,313
566,821	937,373	61,101	79,365	1,644,660
23,909	74,199	997		99,105
10,100	20,110	1,150		31,360
648,145	250,983	213,683	126,194	1,239,005
3,584		19,897		23,481
164,493	460,428	21,293	14,052	660,266
307,443	50,850	67,589	15,757	441,639
	456,703			456,703
	585,965			585,965
-	-	-	-	-
59,625	84,673	2,728	4,808	151,834
			516,320	516,320
<u>2,558,265</u>	<u>5,500,575</u>	<u>492,292</u>	<u>842,970</u>	<u>9,394,102</u>
<u>3,274,310</u>	<u>5,500,575</u>	<u>701,157</u>	<u>2,500,570</u>	<u>11,976,612</u>
				<u>4,263,048</u>
				<u>7,713,564</u>

**DEPARTMENTAL OPERATING EXPENSES**

**HOOD MEMORIAL HOSPITAL**

	YEAR ENDED SEPTEMBER 30, 1998			TOTAL
	SALARIES	PROFESSIONAL FEES	OTHER EXPENSES	
<b>NURSING SERVICES</b>				
Medical and surgical	\$ 626,820		\$ 43,462	\$ 670,282
Skilled nursing facility	276,165		10,921	287,086
Behavioral health unit	15,789		753,578	769,367
	<u>918,774</u>		<u>807,961</u>	<u>1,726,735</u>
<b>OTHER PROFESSIONAL SERVICES</b>				
Blood bank			28,718	28,718
CT scan	28,759		14,243	43,002
Central supply	57,768		89,467	147,235
Electrocardiology			51,407	51,407
Electroencephalography			2,628	2,628
Emergency room	258,613	\$484,584	22,281	765,478
Home health agency	541,061		187,433	728,494
Intravenous therapy			6,394	6,394
Laboratory	148,645	27,055	134,066	309,766
Nuclear medicine	5,735		21,187	26,922
Operating and recovery			8,514	8,514
Pharmacy	78,196		283,211	361,407
Physical therapy			11,709	11,709
Radiology	114,089		51,246	165,335
Respiratory therapy	62,874		39,948	102,822
Rural health	81,206		196,437	277,643
Speech therapy			1,395	1,395
Senior class	112,177		62,747	174,924
Ultrasound	6,435		11,242	17,677
	<u>1,495,558</u>	<u>511,639</u>	<u>1,224,273</u>	<u>3,231,470</u>
<b>GENERAL SERVICES</b>				
Dietary	81,255		93,121	174,376
Housekeeping	77,238		22,783	100,021
Linen			39,066	39,066
Maintenance	57,665		53,110	110,775
Utilities			98,169	98,169
	<u>216,158</u>		<u>306,249</u>	<u>522,407</u>
<b>FISCAL AND ADMINISTRATIVE SERVICES</b>				
Administrative	256,210		171,882	428,092
Medical records	24,918		7,357	32,275
Employee benefits			487,723	487,723
Insurance			139,332	139,332
	<u>281,128</u>		<u>806,294</u>	<u>1,087,422</u>

YEAR ENDED SEPTEMBER 30, 1997			
SALARIES	PROFESSIONAL FEES	OTHER EXPENSES	TOTAL
\$ 647,293		\$ 38,133	\$ 685,426
286,489		8,736	295,225
13,322		1,130,693	1,144,015
<u>947,104</u>		<u>1,177,562</u>	<u>2,124,666</u>
		22,292	22,292
29,004		8,336	37,340
61,168		107,838	169,006
		44,099	44,099
		2,652	2,652
259,558	\$407,800	11,940	679,298
539,740		194,968	734,708
		7,122	7,122
158,654	62,667	134,927	356,248
5,946		17,846	23,792
		4,448	4,448
74,517		265,304	339,821
		9,963	9,963
112,658		53,251	165,909
67,741		26,146	93,887
49,530		261,339	310,869
		-	-
160,725		88,841	249,566
6,000		14,339	20,339
<u>1,525,241</u>	<u>470,467</u>	<u>1,275,651</u>	<u>3,271,359</u>
		95,604	178,543
82,939		24,427	92,537
68,110		35,055	35,055
		41,988	88,247
46,259		87,691	87,691
<u>197,308</u>		<u>284,765</u>	<u>482,073</u>
		148,206	366,297
218,091		12,824	35,370
22,546		394,688	394,688
		151,514	151,514
<u>240,637</u>		<u>707,232</u>	<u>947,869</u>

**JAMES R. DOUGLAS, LTD.**  
(PROFESSIONAL ACCOUNTING CORPORATION)

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**REPORT OF INDEPENDENT AUDITORS 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 Commissioners  
Hood Memorial Hospital  
Hospital Service District No. 2 of  
Tangipahoa Parish, Louisiana

We have audited the financial statements of Hood Memorial Hospital (the Hospital – Hospital Service District No. 2 of Tangipahoa Parish, a component unit of Tangipahoa Parish, Louisiana) as of and for the year ended September 30, 1998, and have issued our report thereon dated December 22, 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 the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, non-compliance 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 one instance of non-compliance that is required to be reported under Government Auditing Standards.

Requirement: LSA-R.S. 39:1225 requires that the amount of security shall at all times be equal to 100% of the amount on deposit to the credit of each depositing authority, except that portion of the deposits insured by any governmental agency insuring bank deposits, which is organized under the laws of the United States.

Finding: Cash was unsecured in the amount of \$136,037 as of September 30, 1998.

Management's response: The Hospital receives a monthly "Customer Safekeeping Pledge Report" from all financial institutions in which the Hospital has monies. On September 15, 1998 a certificate of deposit was transferred from one bank to another bank and *as of September 30, 1998, there was no record of securities pledged. The certificate of deposit was secured by pledged securities on October 15, 1998. All funds are now secured.*

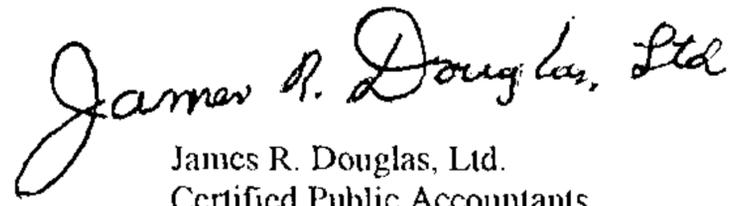
Internal Control Over Financial Reporting:

In planning and performing our audit, we considered the 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Hospital's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

The Hospital is not large enough to permit an adequate segregation of employee duties for effective internal accounting control over the purchasing (invoice approval, processing, and general ledger) and financial reporting (journal entry preparation, approval, and recordation) cycles.

A material weakness is a condition in which the design or operations 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. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

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

  
James R. Douglas, Ltd.  
Certified Public Accountants

December 22, 1998