

RECEIVED
LEGISLATIVE AUDITOR
SEP 26 11 09

95701399

ORIGINAL
FILE COPY

DO NOT SEND OUT

(Xerox necessary
copies from this
copy and PLACE
BACK in FILE)

HOSPITAL SERVICE DISTRICT NO. 2

Parish of St. Martin
State of Louisiana
Breux Bridge, Louisiana

FINANCIAL REPORT

YEARS ENDED SEPTEMBER 30, 1995 AND 1994

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 2-14-96

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Balance sheets	3
Statements of operations	4
Statements of changes in fund balance	5
Statements of cash flows	6
Notes to financial statements	7-11
SUPPLEMENTAL INFORMATION	
Schedules of net patient revenue	13
Schedules of in-patient revenue	14
Schedules of out-patient revenue	15
Schedules of other operating income	15
Schedules of behavioral health unit revenue	16
Schedules of professional expenses	17
Schedules of general and administrative expenses	18
Schedules of nonoperating income	19
Schedules of commissioners, meetings attended and compensation	20
Independent Auditor's Report on Internal Control Structure Based on an Audit of General Purpose or Basic Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	21-22
Independent Auditor's Report on Compliance Based on an Audit of General Purpose or Basic Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	23

DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

(A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS)

Offices:

E. Larry Sikes, CPA
C. Burton Kolder, CPA
Danny P. Frederick, CPA
Chris Rainey, CPA
Clayton E. Darnall, CPA
Eugene H. Darnall, III, CPA
Russell F. Champagne, CPA
Victor R. Slaven, CPA

RETIRED

Eugene H. Darnall, CPA 1990

Lloyd F. Dore, Jr., CPA
Paula D. Bihm, CPA
Christine L. Cousin, CPA
Stephanie M. Higginbotham, CPA
Conrad O. Chapman, CPA
Kathleen T. Darnall, CPA
Jennifer S. Ziegler, CPA
P. Troy Courville, CPA
Stephen R. Dischler, MBA, CPA
Douglas D. Marcantel, CPA

INDEPENDENT AUDITOR'S REPORT

125 Rue Beauregard
Lafayette, LA 70502
(318) 232-3312

1201 Brashear Avenue
Suite 301
Morgan City, LA 70380
(504) 384-6264

408 W. Cotton Street
Ville Platte, LA 70586
(318) 363-2792

113 East Bridge Street
Breaux Bridge, LA 70517
(318) 332-4020

404 Pere Megret
Abbeville, LA 70510
(318) 893-5470

1231 E. Laurel Avenue
Eunice, LA 70535
(318) 457-4146

Board of Commissioners
Hospital Service District No. 2
Parish of St. Martin, State of Louisiana
Breaux Bridge, Louisiana

We have audited the accompanying financial statements of the Hospital Service District No. 2, Parish of St. Martin, State of Louisiana, a component unit of the St. Martin Parish Police Jury, as of and for the years ended, September 30, 1995 and 1994, as listed in the table of contents. 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 financial statements referred to above present fairly, in all material respects, the financial position of the Hospital Service District No. 2, Parish of St. Martin, State of Louisiana, as of September 30, 1995 and 1994, and the results of its operations and changes in 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 1, 1995, on our consideration of the Hospital's internal control structure and a report dated December 1, 1995, on its compliance with laws and regulations.

MEMBER OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as "Supplemental Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Hospital Service District No.2. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Darnall, Sikes, Kolder, Frederick & Rainey

A Corporation of Certified Public Accountants

Breaux Bridge, Louisiana
December 1, 1995

LIABILITIES AND FUND BALANCE

	<u>1995</u>	<u>1994</u>
CURRENT LIABILITIES		
Accounts payable - trade	\$ 389,234	\$ 335,091
Accrued wages and related withholdings	41,868	35,429
Accrued compensated absences	53,476	40,617
Due to intermediaries	<u>20,765</u>	<u>-</u>
Total current liabilities	<u>505,343</u>	<u>411,137</u>
FUND BALANCE	<u>1,893,190</u>	<u>1,645,397</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$2,398,533</u> =====	<u>\$2,056,534</u> =====

See independent auditor's report and notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 2
 Parish of St. Martin
 State of Louisiana

STATEMENTS OF OPERATIONS
 YEARS ENDED SEPTEMBER 30, 1995 AND 1994

	<u>1995</u>	<u>1994</u>
Net Patient Revenue	\$4,443,955	\$4,015,857
Other Revenue	<u>640,871</u>	<u>35,074</u>
	<u>5,084,826</u>	<u>4,050,931</u>
 OPERATING EXPENSES		
Professional	2,237,905	1,935,074
Behavioral health unit	1,318,384	1,002,860
General and administrative	1,171,905	1,052,388
Depreciation	75,059	63,507
Provision for bad debts	<u>232,779</u>	<u>183,878</u>
Total operating expenses	<u>5,036,032</u>	<u>4,237,707</u>
 INCOME (LOSS) FROM OPERATIONS	 48,794	 (186,776)
NONOPERATING INCOME	<u>198,999</u>	<u>116,834</u>
NET INCOME (LOSS)	 \$ 247,793 =====	 \$ (69,942) =====

See independent auditor's report and notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 2
 Parish of St. Martin
 State of Louisiana

STATEMENTS OF CHANGES IN FUND BALANCE
 YEARS ENDED SEPTEMBER 30, 1993 AND 1994

	Donated Capital	Plant Maintenance and Replacement	Operating Fund	Total
FUND BALANCE, September 30, 1993	\$81,704	\$ 366,105	\$1,267,530	\$1,715,339
EXCESS OF EXPENSES OVER REVENUES				
Loss from operations	-	(96,843)	(89,933)	(186,776)
Nonoperating income	-	112,415	4,419	116,834
Fixed assets purchased	-	(114,009)	114,009	-
FUND BALANCE, September 30, 1994	\$81,704	\$ 267,668	\$1,296,025	\$1,645,397
EXCESS OF REVENUES OVER EXPENSES				
Income from operations	-	(132,759)	181,553	48,794
Nonoperating income	-	117,640	81,359	198,999
Fixed assets purchased	-	(27,388)	27,388	-
FUND BALANCE, SEPTEMBER 30, 1995	\$81,704	\$ 225,161	\$1,586,325	\$1,893,190

See independent auditor's report and notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 2
Parish of St. Martin
State of Louisiana

STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 1995 AND 1994

	<u>1995</u>	<u>1994</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from patients and third party payors	\$ 4,061,926	\$ 3,463,293
Interest received	13,701	12,482
Lease payments received	598,893	-
Cash paid for supplies and other expenses	(2,699,474)	(2,030,916)
Cash paid to employees	(1,928,117)	(1,666,679)
Grant receipts	75,000	-
Ad valorem tax receipts	108,972	105,318
Donations	<u>780</u>	<u>30</u>
Net cash provided (used) by operating activities	<u>231,681</u>	<u>(116,472)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(27,388)	(114,009)
Cash provided by assets whose use is limited	<u>47,629</u>	<u>100,796</u>
Net cash provided (used) by investing activities	<u>20,241</u>	<u>(13,213)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	251,922	(129,685)
CASH AND CASH EQUIVALENTS, beginning of year	<u>280,115</u>	<u>409,800</u>
CASH AND CASH EQUIVALENTS, end of year	\$ 532,037 =====	\$ 280,115 =====

See independent auditor's report and notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 2
Parish of St. Martin
State of Louisiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1995 AND 1994

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the Hospital's significant accounting policies:

Method of Accounting

Assets, liabilities, revenues and expenses are recorded on the accrual basis of accounting.

Accounts Receivable

Accounts receivable are shown net of provision for doubtful accounts of \$149,900 and \$104,510 at September 30, 1995 and 1994, respectively.

Inventories

Inventories are stated at the lower of cost or market, with cost determined by the first-in, first-out, (FIFO) method.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Hospital considers all cash and certificates of deposits, except assets whose use is limited as cash equivalents.

Plant and Equipment

Plant and equipment are stated at cost. Depreciation is computed using the straight-line method, over the useful life as recommended by the American Hospital Association. Depreciation expense for the years ended September 30, 1995 and 1994 was \$75,059 and \$63,507, respectively.

Land

The land for the Hospital site is stated at cost.

Income Taxes

The Hospital is a non profit Hospital Service District as described in Section 501(c) (3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

HOSPITAL SERVICE DISTRICT NO. 2
Parish of St. Martin
State of Louisiana

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1995 AND 1994

NOTE 2 NET PATIENT SERVICE REVENUE

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.

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 Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 1993. The Hospital's Medicare cost report for the year ended September 30, 1995 indicates a payable of \$20,765.

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, 1993. The Hospital's Medicaid cost report for the year ended September 30, 1995 indicates a receivable of \$38,748.

NOTE 3 CASH AND CERTIFICATES OF DEPOSIT

The bank balance of cash and certificates of deposit is covered by federal depository insurance or by collateral held by the Hospital's fiscal agent in the Hospital's name.

At September 30, 1995 and 1994, Gary Memorial Hospital had cash and certificates of deposit totaling \$757,198 and \$547,783 respectively.

HOSPITAL SERVICE DISTRICT NO. 2
Parish of St. Martin
State of Louisiana

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1995 AND 1994

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 fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The following is a summary of deposit balances (bank balances) at September 30, 1995 and 1994, and the related federal insurance and pledged securities:

	<u>1995</u>	<u>1994</u>
Bank balances	\$ 797,091	\$ 571,229
	=====	=====
Federal insurance	\$ 300,000	\$ 286,272
Pledged securities (Category 3)	<u>1,503,752</u>	<u>1,199,992</u>
Total	\$1,803,752	\$1,486,264
	=====	=====
Excess (deficiency) of federal insurance and securities pledged	\$1,006,661	\$ 915,035
	=====	=====

Pledged securities in Category 3 includes uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in Gary Memorial Hospital's name. Even though the pledged securities are considered uncollaterized (Category 3) Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten (10) days of being notified by Gary Memorial Hospital that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 4 ASSETS WHOSE USE IS LIMITED

Assets whose use is limited consist of cash and certificates of deposit whose use has been limited by the Hospital's Board of Commissioners or parish ordinance for bond redemption. The balance remaining after payoff of the bonds is approved for use in Operations and Maintenance.

HOSPITAL SERVICE DISTRICT NO. 2
Parish of St. Martin
State of Louisiana

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1995 AND 1994

NOTE 5 COMPENSATED ABSENCES

Accrued compensated absences consist of the portion of accumulated vacation not used at year end. The amount accrued at September 30, 1995 and 1994 was \$53,476 and \$40,617 respectively.

NOTE 6 STATEMENTS OF CASH FLOWS

Below is the supplemental schedule required to be presented when statements of cash flows are presented:

Reconciliation of net income to net cash provided by operating activities:

	<u>1995</u>	<u>1994</u>
Net income (loss)	\$ 247,793	\$ (69,942)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	75,059	63,507
Change in assets and liabilities:		
Accounts receivable - patients	(327,649)	(271,943)
Due from intermediaries	144,955	(96,743)
Inventories	928	(630)
Accrued interest receivable	(218)	76
Prepaid expenses	(3,393)	143
Accounts payable	54,143	263,589
Accrued wages and related withholdings	6,439	(5,345)
Accrued compensated absences	12,859	816
Due to intermediaries	<u>20,765</u>	<u>-</u>
	<u>(16,112)</u>	<u>(46,530)</u>
Net cash provided (used) by operating activities	\$ 231,681	\$ (116,472)
	=====	=====

NOTE 7 OPERATING LEASES

The Hospital has agreed to a commercial lease agreement with another hospital, domiciled in Lafayette Parish. The terms of the lease provide for a monthly revenue for the space leased, revenues for housekeeping and dietary contracted services, and revenues for lab and x-ray services provided on an as needed basis.

HOSPITAL SERVICE DISTRICT NO. 2
Parish of St. Martin
State of Louisiana

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1995 AND 1994

The initial term of this lease is one (1) year commencing February 1, 1995, with two (2) options for extensions of the term, each option for one (1) additional one (1) year period, for a total possible term of three (3) years. Future minimum rentals for the year ending September 30, 1996 are \$295,200 excluding housekeeping, dietary and lab services revenues.

The Hospital is leasing a modular building under an operating lease expiring in 1996. Rental expense for the years ended September 30, 1995 and 1994, are \$4,800 and -0-, respectively. Minimum future rental payments under this cancelable operating lease are \$4,800 for the year ending September 30, 1996.

SUPPLEMENTAL INFORMATION

HOSPITAL SERVICE DISTRICT NO. 2
 Parish of St. Martin
 State of Louisiana

SCHEDULES OF NET PATIENT REVENUE
 YEARS ENDED SEPTEMBER 30, 1995 AND 1994

	<u>1995</u>	<u>1994</u>
PATIENT REVENUE		
In-patient revenue	\$ 993,528	\$1,288,143
Out-patient revenue	2,134,371	1,445,404
Behavioral health unit revenue	<u>3,195,763</u>	<u>2,502,206</u>
	<u>6,323,662</u>	<u>5,235,753</u>
DEDUCTIONS FROM PATIENT REVENUE		
Contractual allowances	1,879,257	1,219,599
Discounts	<u>450</u>	<u>297</u>
	<u>1,879,707</u>	<u>1,219,896</u>
Net Patient Revenue	\$4,443,955	\$4,015,857
	=====	=====

HOSPITAL SERVICE DISTRICT NO. 2
 Parish of St. Martin
 State of Louisiana

SCHEDULES OF IN-PATIENT REVENUE
 YEARS ENDED SEPTEMBER 30, 1995 AND 1994

	1995	1994
Routine Services		
Room and board	\$ 172,552	\$ 232,969
Special Services		
Blood administration	4,555	2,191
Central supply room	151,271	185,202
Electrocardiology	9,156	13,524
Emergency room physician	23,479	18,434
Emergency room	7,849	11,468
Inhalation therapy	122,669	158,589
Laboratory	119,285	156,637
Nuclear medicine	35,434	44,214
Holter monitor	-	2,065
Observation room	1,727	665
Operating room	8,922	12,771
Orthopedics	297	146
Pharmacy	291,060	391,485
Physical therapy	-	991
Radiology	35,896	45,069
Special procedures	9,376	11,723
	\$ 993,528	\$1,288,143
	=====	=====

HOSPITAL SERVICE DISTRICT NO. 2
Parish of St. Martin
State of Louisiana

SCHEDULES OF OUT-PATIENT REVENUE
YEARS ENDED SEPTEMBER 30, 1995 AND 1994

	1995	1994
Blood administration	\$ 2,696	\$ 1,295
Central supply	127,670	94,238
Electrocardiology	30,870	20,328
Emergency room physician	587,873	242,371
Emergency room	206,086	184,855
Inhalation therapy	44,421	33,713
Laboratory	509,555	405,727
Nuclear medicine	105,276	86,701
Holter monitor	13,570	17,190
Observation room	11,678	14,015
Operating room	12,070	16,838
Orthopedics	9,379	6,889
Pharmacy	173,065	106,255
Radiology	291,601	211,033
Special procedures	4,961	3,956
Sleep study	3,600	-
	\$2,134,371	\$1,445,404
	=====	=====

SCHEDULES OF OTHER OPERATING INCOME
YEARS ENDED SEPTEMBER 30, 1995 AND 1994

	1995	1994
Cafeteria and vending machine sales	\$ 27,183	\$ 19,891
Sale of medical records	2,116	1,653
Recovery of bad debts	12,679	13,530
Lease payments	598,893	-
	\$ 640,871	\$ 35,074
	=====	=====

HOSPITAL SERVICE DISTRICT NO. 2
 Parish of St. Martin
 State of Louisiana

SCHEDULES OF BEHAVIORAL HEALTH UNIT REVENUE
 YEARS ENDED SEPTEMBER 30, 1995 AND 1994

	1995	1994
Routine Services		
Room and board	\$1,996,400	\$1,507,100
Special Services		
Central supply room	7,059	4,101
Emergency room	94	47
Inhalation therapy	3,493	510
Laboratory	39,281	34,907
Pharmacy	84,972	60,417
Psych service	1,014,235	844,145
Psych treatments	34,735	31,825
Radiology	8,335	6,380
EKG	798	714
Ultrasound	5,785	5,610
EEG	-	160
Psych intensive care	-	6,290
Emergency room physician fees	268	-
Transportation fee	308	-
	\$3,195,763	\$2,502,206
	=====	=====

HOSPITAL SERVICE DISTRICT NO. 2
Parish of St. Martin
State of Louisiana

SCHEDULES OF PROFESSIONAL EXPENSES
YEARS ENDED SEPTEMBER 30, 1995 AND 1994

	<u>1995</u>		<u>1994</u>	
	<u>Personal Services</u>	<u>Supplies & Other Expenses</u>	<u>Personal Services</u>	<u>Supplies & Other Expenses</u>
Blood administration	\$ 1,249	\$ 7,043	\$ 1,185	\$ 3,310
Central supply	1,689	96,907	5,863	100,096
Electrocardiology	-	6,065	-	5,791
Emergency room physicians	547,747	-	308,972	-
Emergency room	135,766	-	98,073	-
Holter monitor	-	3,040	-	6,489
Inhalation therapy	-	90,254	-	105,700
Laboratory	120,750	228,023	107,124	181,672
Medical records	32,558	2,980	31,763	5,617
Nuclear medicine	-	89,040	-	86,662
Nursing service	490,958	16,619	518,767	37,967
Operating room	11,008	4,809	11,151	1,706
Pharmacy	68,118	127,469	66,778	116,501
Physical therapy	-	143	-	858
Radiology	96,415	57,555	98,740	34,289
Sleep study	<u>1,700</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$1,507,958</u>	<u>\$729,947</u>	<u>\$1,248,416</u>	<u>\$686,658</u>
	=====	=====	=====	=====

HOSPITAL SERVICE DISTRICT NO. 2
Parish of St. Martin
State of Louisiana

SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
YEARS ENDED SEPTEMBER 30, 1995 AND 1994

	<u>1995</u>		<u>1994</u>	
	<u>Personal</u>	<u>Supplies</u>	<u>Personal</u>	<u>Supplies</u>
	<u>Services</u>	<u>& Other</u>	<u>Services</u>	<u>& Other</u>
		<u>Expenses</u>		<u>Expenses</u>
Administrative	\$217,822	\$286,047	\$213,630	\$256,063
Credit and collections	-	10,307	-	14,595
Dietary	97,483	77,260	97,212	71,174
Employee benefits	-	86,080	-	68,531
Housekeeping	102,623	15,333	81,726	8,911
Insurance	-	73,813	-	44,153
Laundry and linen	-	31,790	-	30,251
Maintenance	21,529	129,294	21,166	120,414
Telephone and communications	-	22,524	-	24,562
	<u>\$439,457</u>	<u>\$732,448</u>	<u>\$413,734</u>	<u>\$638,654</u>
	=====	=====	=====	=====

HOSPITAL SERVICE DISTRICT NO. 2
Parish of St. Martin
State of Louisiana

SCHEDULES OF NONOPERATING INCOME
YEARS ENDED SEPTEMBER 30, 1995 AND 1994

	<u>1995</u>	<u>1994</u>
Interest income	\$ 14,247	\$ 11,486
Grant revenue	75,000	-
Property tax revenue	108,972	105,318
Contributions	<u>780</u>	<u>30</u>
	\$198,999	\$116,834
	=====	=====

HOSPITAL SERVICE DISTRICT NO. 2
 Parish of St. Martin
 State of Louisiana

SCHEDULE OF COMMISSIONERS, MEETINGS ATTENDED AND COMPENSATION
 YEARS ENDED SEPTEMBER 30, 1995 AND 1994

<u>Name of Commissioner</u>	<u>1995</u>		<u>1994</u>	
	<u>Meetings Attended</u>	<u>Compensation</u>	<u>Meetings Attended</u>	<u>Compensation</u>
John E. Martin	11	\$440	11	\$440
Fred Mills, Jr.	11	\$440	11	\$440
Lawrence Jacobs, Jr.	10	\$ -	10	\$ -
Robert Laville	10	\$ -	10	\$ 80
Kenneth LeBlanc	7	\$ -	-	\$ -

DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

(A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS)

Offices

E. Larry Sikes, CPA
C. Burton Kolder, CPA
Danny P. Frederick, CPA
Chris Rainey, CPA
Clayton E. Darnall, CPA
Eugene H. Darnall, III, CPA
Russell F. Champagne, CPA
Victor R. Slaven, CPA

RETIRED

Eugene H. Darnall, CPA 1990

Lloyd F. Dore, Jr., CPA
Paula D. Bihm, CPA
Christine L. Cousin, CPA
Stephanie M. Higginbotham, CPA
Conrad O. Chapman, CPA
Kathleen T. Darnall, CPA
Jennifer S. Ziegler, CPA
P. Troy Courville, CPA
Stephen R. Dischler, MBA, CPA
Douglas D. Marcantel, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE OR BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

125 Rue Beauregard
Lafayette, LA 70502
(318) 232-3312

1201 Brashear Avenue
Suite 301
Morgan City, LA 70380
(504) 384-6264

408 W. Cotton Street
Ville Platte, LA 70586
(318) 363-2792

113 East Bridge Street
Breaux Bridge, LA 70517
(318) 332-4020

404 Pere Megret
Abbeville, LA 70510
(318) 893-5470

1231 E. Laurel Avenue
Eunice, LA 70535
(318) 457-4146

Board of Commissioners
Hospital Service District No. 2
Parish of St. Martin, State of Louisiana
Breaux Bridge, Louisiana

We have audited the financial statements of the Hospital Service District No. 2 as of, and for the years ended, September 30, 1995 and 1994, and have issued our report thereon dated December 1, 1995.

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.

The management and Board of the Hospital Service District No. 2, are 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 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 financial statements of the Hospital Service District No. 2, for the years ended September 30, 1995 and 1994, 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

MEMBER OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

assessed control risk in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

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 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 operations that we consider to be material weaknesses as defined above.

This report is intended for the information of management and the Board of Commissioners. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Darnall, Sikes, Kolder, Frederick & Rainey

A Corporation of Certified Public Accountants

Breaux Bridge, Louisiana
December 1, 1995

DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

(A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS)

Offices

E. Larry Sikes, CPA
C. Burton Kolder, CPA
Danny P. Frederick, CPA
Chris Rainey, CPA
Clayton E. Darnall, CPA
Eugene H. Darnall, III, CPA
Russell F. Champagne, CPA
Victor R. Slaven, CPA

RETIRED

Eugene H. Darnall, CPA 1990

Lloyd F. Dore, Jr., CPA
Paula D. Bihm, CPA
Christine L. Cousin, CPA
Stephanie M. Higginbotham, CPA
Conrad O. Chapman, CPA
Kathleen T. Darnall, CPA
Jennifer S. Ziegler, CPA
P. Troy Courville, CPA
Stephen R. Dischler, MBA, CPA
Douglas D. Marcantel, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF GENERAL PURPOSE OR BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

125 Rue Beaugard
Lafayette, LA 70502
(318) 232-3312

1201 Brashear Avenue
Suite 301
Morgan City, LA 70380
(504) 384-6264

408 W. Cotton Street
Ville Platte, LA 70586
(318) 363-2792

113 East Bridge Street
Breaux Bridge, LA 70517
(318) 332-4020

404 Pere Megret
Abbeville, LA 70510
(318) 893-5470

1231 E. Laurel Avenue
Eunice, LA 70535
(318) 457-4146

Board of Commissioners
Hospital Service District No. 2
Parish of St. Martin, State of Louisiana
Breaux Bridge, Louisiana

We have audited the financial statements of the Hospital Service District No. 2, as of, and for the years ended, September 30, 1995 and 1994, and have issued our report thereon dated December 1, 1995.

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 the Hospital Service District No. 2, is the responsibility of the Hospital's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Hospital's compliance with certain provisions 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 disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of management. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Darnall, Sikes, Kolder, Frederick & Rainey

A Corporation of Certified Public Accountants

Breaux Bridge, Louisiana
December 1, 1995