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BIENVILLE PARISH HOSPITAL SERVICE DISTRICT NO. 2

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

For the Year Ended April 30, 1996 and 1995

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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 AUG 28 1996

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CONTENTS

Independent Auditor's Report	Page 3
Balance Sheets	4
Statements of Revenues and Expenses and Changes in Fund Balance	5
Statements of Cash Flows	6
Notes to Financial Statements	7
Independent Auditor's Report on Compliance with Laws and Regulations Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	11
Independent Auditor's Report on Internal Accounting Control Structure Related Matters Noted in a Financial Statement Audit Conducted in Accordance with Governmental Auditing Standards	12

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT


Board of Commissioners
Bienville Parish Hospital Service District No. 2
Arcadia, Louisiana

We have audited the general-purpose financial statements of Bienville Parish Hospital Service District No. 2, component unit of Bienville Parish Police Jury, as of and for the years ended April 30, 1996 and 1995. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above, present fairly, in all material respect, the financial position of Bienville Parish Hospital Service District No. 2 as of April 30, 1996 and 1995, 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 *Governmental Auditing Standards*, we have also issued a report dated July 31, 1996, on our observation of Bienville Parish Hospital Service District No. 2's internal control structure and a report dated July 31, 1996, on its compliance with laws and regulations.


Neuman, Richardson & Co., L.L.P.
July 31, 1996

BIENVILLE PARISH HOSPITAL SERVICE DISTRICT NO. 2
BALANCE SHEETS
April 30, 1996 and 1995

ASSETS

	1996	1995
<i>CURRENT ASSETS:</i>		
Cash and cash equivalents	\$ 603,423	\$ 265,424
Accounts receivable	8,131	8,229
Taxes receivable	2,989	2,190
Prepaid insurance	3,563	2,653
Assets limited to use and required to pay current liabilities	<u>109,455</u>	<u>100,516</u>
Total Current Assets	727,561	379,012
<i>ASSETS WHOSE USE IS LIMITED:</i>		
Emergency room grant cash	-0-	17,478
Bond sinking funds under indenture agreements for securing bonds	167,712	348,169
Less assets limited to use and required to pay current liabilities	(<u>109,455</u>)	(<u>100,516</u>)
	58,257	265,131
<i>PROPERTY, PLANT AND EQUIPMENT</i> , net of \$ 1,491,223 in 1996 and \$ 1,383,001 in 1995 of accumulated depreciation	1,746,023	1,795,758
<i>OTHER ASSETS</i> - Unamortized finance costs	<u>2,901</u>	<u>12,142</u>
TOTAL ASSETS	<u>\$ 2,534,742</u>	<u>\$ 2,452,043</u>

LIABILITIES AND FUND BALANCE

<i>CURRENT LIABILITIES:</i>		
Accounts payable	\$ 10,228	\$ 10,346
Interest payable	4,455	15,914
Current portion of long-term debt	<u>105,000</u>	<u>95,000</u>
Total Current Liabilities	119,683	121,260
<i>LONG-TERM DEBT:</i>		
Certificates of Indebtedness	-0-	805,000
General obligation bonds	<u>215,000</u>	<u>310,000</u>
	215,000	1,115,000
Less current portion	(<u>105,000</u>)	(<u>95,000</u>)
Net Long-Term Debt	110,000	1,020,000
<i>FUND BALANCE</i>	<u>2,305,059</u>	<u>1,310,783</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,534,742</u>	<u>\$ 2,452,043</u>

See Notes to Financial Statements

BIENVILLE PARISH HOSPITAL SERVICE DISTRICT NO. 2
STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCE
Years Ended April 30, 1996 and 1995

	1996	1995
REVENUES:		
Rental income	\$ 235,732	\$ 215,132
Property tax revenue	989,307	973,253
Sales tax revenue	10,560	176,730
Patient clinic payments	7,727	37,555
Interest income	<u>20,004</u>	<u>23,355</u>
Total Revenues	1,263,330	1,426,025
 OPERATING EXPENSES:		
Ambulance contract	29,030	23,500
Board member compensation	2,360	11,040
Building maintenance	16,287	35,197
Building utilities, net of tenant reimbursements	(1,805)	16,609
Clinic contractual adjustments	-0-	123,671
Clinic professional fees	-0-	10,931
Clinic salaries and benefits	-0-	30,020
Insurance	12,095	26,145
Interest	81,748	162,014
Loss on disposal of equipment	-0-	31,447
Provision for bad debts	-0-	78,908
Provision for depreciation	108,223	103,507
Supplies and other expenses	<u>21,116</u>	<u>53,496</u>
Total Operating Expenses	269,054	706,485
	<hr/>	<hr/>
EXCESS OF REVENUES OVER EXPENSES	994,276	719,540
	<hr/>	<hr/>
FUND BALANCE - beginning of year	1,310,783	591,243
	<hr/>	<hr/>
FUND BALANCE - end of year	<u>\$ 2,305,059</u>	<u>\$ 1,310,783</u>

See Notes to Financial Statements.

BIENVILLE PARISH HOSPITAL SERVICE DISTRICT NO. 2
STATEMENTS OF CASH FLOWS
Year Ended April 30, 1996 and 1995

	1996	1995
FROM OPERATING ACTIVITIES:		
Revenues in excess of expenses	\$ 994,276	\$ 719,540
Add provision for bad debts	-0-	78,908
Add provision for depreciation	108,223	103,507
Add amortization of bond issue costs	9,241	9,242
Add loss on disposal of equipment	-0-	31,447
Decrease (increase) in operating assets:		
Receivables, net of bad debts	98	85,553
Due from governmental insurance programs		220,822
Taxes receivable	(799)	38,981
Other receivables	-0-	(8,229)
Inventories	-0-	5,000
Prepaid expenses	(910)	6,013
Increase (decrease) in operating liabilities:		
Accounts payable	(118)	(23,106)
Accrued payroll and benefits	-0-	(986)
Interest payable	(<u>11,459</u>)	(<u>26,319</u>)
Cash Provided From Operating Activities	1,098,552	1,240,373
FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal payments on capital lease obligations	-0-	(15,227)
Principal payments on certificates of indebtedness	(805,000)	(1,285,000)
Principal payments on revenue bonds	(-0-)	(70,000)
Principal payments on general obligation bonds	(<u>95,000</u>)	(<u>90,000</u>)
Cash Used in Capital and Related Financing Activities	(900,000)	(1,460,227)
FROM INVESTING ACTIVITIES:		
Proceeds from sale of assets	-0-	76,754
Decrease in assets whose use is limited	197,935	211,138
Acquisition of property and equipment	(<u>58,488</u>)	(<u>128,495</u>)
Cash Provided From Investing Activities	139,447	159,397
	<u>337,999</u>	<u>(60,457)</u>
<i>Cash and Cash Equivalents</i> - beginning of year	<u>265,424</u>	<u>325,881</u>
<i>Cash and Cash Equivalents</i> - end of year	<u>\$ 603,423</u>	<u>\$ 265,424</u>
Supplemental Disclosures:		
Interest paid during the year	<u>\$ 93,207</u>	<u>\$ 188,333</u>

During 1995, capital leases of approximately \$ 66,000 were assumed through the sale of equipment to Schumpert Medical Center.

See Notes to Financial Statements.

BIENVILLE PARISH HOSPITAL SERVICE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
April 30, 1996 and 1995

NOTE 1 - ORGANIZATION AND OPERATIONS

Organization

Bienville Parish Hospital Service District No. 2 (District) is controlled by a board of Commissioners who are appointed by the Bienville Parish Police Jury. The District is exempt from income taxes.

Operations

The District operated a 30 bed acute care hospital facility in Arcadia, Louisiana until May 31, 1993, when the District ceased patient activity. Subsequent to the discontinuance of patient activities, the District contracted with various other health care providers to serve the medical needs of the citizens of Bienville Parish. The District provides space for these providers in return for rent. The providers consists of an inpatient rehabilitation hospital, home health agency, rural health clinic, and physician clinic practices. The District also contracts with Metro Ambulance Service to provide ambulance services to citizens of the District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared on the accrual basis and in accordance with guidelines recommended by the Committee on Health Care Institute and Subcommittee on Health Care Matters of the American Institute of Certified Public Accountants. The accrual basis of accounting recognizes revenues when earned rather than when received. Expenses are recognized when incurred rather than when paid.

Prepaid Expenses

Prepaid expenses are amortized on a straight-line basis over the terms of the various insurance policies.

Assets Whose Use is Limited

Assets whose use is limited include emergency room grant cash and bond sinking funds. The emergency room grant cash represent the remaining cash received from the State in 1994 which is used for supplementing the ambulance and clinic services. Sinking fund cash represents cash set aside for the payment of general obligation bonds and is held by a trustee bank in accordance with an indenture agreement relating to these bonds.

Property, Plant and Equipment

Property, plant and equipment is recorded at the District's cost. Since the inception of the lease, additional items of property and equipment purchased by the District are reflected in the District's financial statements.

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Estimated useful lives used in computing depreciation follow the lives recommended by the American Hospital Association which is recognized by the Medicare and Medicaid intermediaries. Lives used in computing depreciation generally range from 20 to 40 years on buildings and 3 to 15 years on equipment.

BIENVILLE PARISH HOSPITAL SERVICE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
April 30, 1996 and 1995

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property Tax Revenues

The District levies a tax of two mills on the dollar of assessed valuation of all taxable property in the District for the purpose of paying principal and interest on the Series 1986 general obligation bonds. In addition, a 15.03 mill tax is levied for the purpose of construction, maintaining and operating the hospital facilities of the District. 13 mills of the 15.03 mill tax is dedicated to the payment of principal and interest on the 1991 certificates of indebtedness.

Sales Tax Revenues

On April 11, 1992, voters of the District passed a 1% sales tax to benefit the District for the purpose of maintaining and operating the Bienville General Hospital. The tax was levied for a period of two years beginning July 1, 1992, on qualified retail sales, rentals of tangible personal property, or sales of personal services within the District. This tax expired June 30, 1994; however subsequent collections of sales taxes shown as revenue are the result of delayed payments being collected by the District's collection agency.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, all cash that is not limited to use having original maturities less than 90 days, is treated as cash and cash equivalents.

NOTE 3 - ASSETS WHOSE USE IS LIMITED

Assets whose use is limited include sinking fund cash set aside for the payment of general obligation bonds. A portion of these deposits to be expended on current liabilities at the balance sheet date is classified as current assets while the remaining portion of these funds are shown as non-current assets. The composition of assets whose use is limited and required for current liabilities at April 30, 1996 and 1995 are as follows:

	1996	1995
Principal portion of general obligation bonds	\$ 105,000	\$ 95,000
Interest payable on general obligation bonds	<u>4,455</u>	<u>5,516</u>
	<u>\$ 109,455</u>	<u>\$ 100,516</u>

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at April 30, 1996 and 1995, consist of the following:

	1996	1995
Land	\$ 15,054	\$ 15,054
Buildings	2,625,762	2,582,808
Equipment	<u>596,430</u>	<u>580,897</u>
	3,237,246	3,178,759
Less accumulated depreciation	<u>1,491,223</u>	<u>1,383,001</u>
Net Property, Plant, and Equipment	<u>\$ 1,746,023</u>	<u>\$ 1,795,758</u>

BIENVILLE PARISH HOSPITAL SERVICE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
April 30, 1996 and 1995

NOTE 5 - LONG-TERM DEBT

Long-term debt at April 30, 1995, consist of certificates of indebtedness and general obligation bonds. During fiscal years ended April 30, 1996 and 1995, the District paid in advance several issues of long-term debt, with all of the debt, other than the general obligation bonds, being paid before April 30, 1996.

General Obligation Bonds

The remaining principal of the Series 1986 general obligation bonds in the original amount of \$860,000 bear interest at rates ranging from 6.7% to 6.9% and were issued for the purpose of constructing additions and improvements to the hospital facilities. Interest is paid semi-annually on March 1 and September 1 of each year through and including March 1, 1998. Debt service is provided on the bonds through the levy and collection of property taxes. Future principal and interest requirements on the bonds for the remaining fiscal years are as follows. Subsequent to year-end, the remaining principal and interest payments on the general obligation bonds were subject to a defeasance agreement. Refer to Note 8 for further details.

Fiscal Year	Principal	Interest	Total
1997	\$ 105,000	\$ 14,730	\$ 119,730
1998	110,000	7,590	117,590
1999	-0-	-0-	-0-

NOTE 6 - BANK DEPOSITS

On April 30, 1996, the aggregate carrying amount of cash and board designated funds was \$ 771,135 and is invested in two banks. The corresponding bank balances totaled \$ 771,135. The difference, if any, between the carrying amount reported by the District and the bank balances represents deposits and checks which had not cleared the banks at April 30, 1996. At April 30, 1996, all District deposits were fully-secured by the FDIC and bank-owned securities pledged against the deposits.

NOTE 7 - BOARD MEMBERS

Before fiscal year ended April 30, 1995, the board served without compensation due to the financial condition of the District. With the improved cash flow, the board in fiscal year 1995, approved the payment of compensation to board members retroactive to the date each member served on the board. The following is a summary of the payments made to the individual board members for 1996 and 1995.

Member	1996	1995
Dan Madden	\$ 360	\$ 1,600
Glenn Fallin	400	1,640
Gary Gantt	440	1,680
Tom Martin	360	1,720
Loretta Butler	400	1,680
Andrea Walker	-0-	1,440
Odis Green	400	320
Carl White	-0-	960
	<u>\$ 2,360</u>	<u>\$ 11,040</u>

BIENVILLE PARISH HOSPITAL SERVICE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
April 30, 1996 and 1995

NOTE 8 - SUBSEQUENT EVENT

Subsequent to April 30, 1996, the board passed a resolution approving the defeasance of all of the remaining outstanding maturities of the General Obligation Hospital Bonds, Series 1986. At April 30, 1996, the remaining outstanding maturities aggregated to be \$ 215,000. The Defeasance and Escrow Deposit Agreement allowed the District to provide funds to an escrow agent in the form of U.S. government securities for the full payment of principal and interest on these bonds. The escrow agent holds the securities and is responsible for retiring the bond principal and interest. This agreement releases the District of the liability. The agreement provides that upon the defeasance of the bonds, any excess funds remaining with the escrow agent are to be transferred to the District's general fund and used for the purposes for which the bonds were originally issued.

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
LAWS AND REGULATIONS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Bienville Parish Hospital Service District No. 2
Arcadia, Louisiana

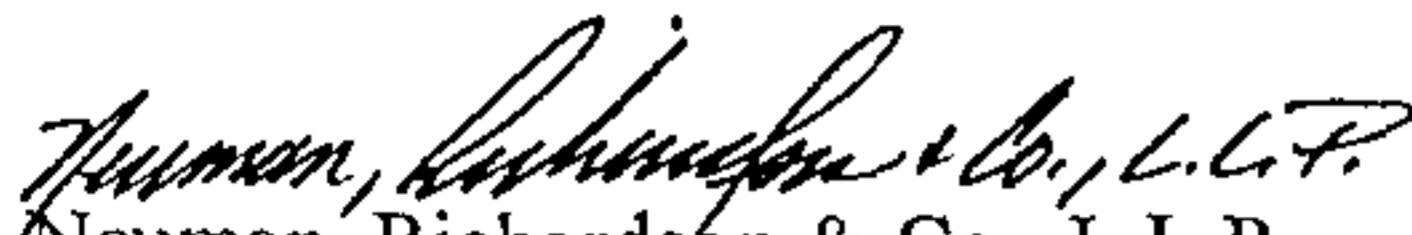
We have audited the general-purpose financial statements of Bienville Parish Hospital Service District No. 2 , component unit of Bienville Parish Police Jury, as of and for the year ended April 30, 1996, and have issued our report thereon dated July 31, 1996.

We conducted our audit in accordance with generally accepted auditing standards, 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, and contracts applicable to the District is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, and contracts. However the objective of our audit of the general-purpose 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. While performing our audit, we read the responses to the questions in the Systems Survey and Compliance Questionnaire completed by management and adopted by the Board of Commissioners and found no evidence that would indicate the District had not answered the questions correctly. However it should be noted that our audit was not directed primarily towards the answers to the questions in the questionnaire.

This report is intended for the information of the board of commissioners, management, and applicable state agencies. However, this report is a matter of public record and its distribution is not limited.


Neuman, Richardson & Co., L.L.P.
July 31, 1996

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL ACCOUNTING CONTROL
STRUCTURE RELATED MATTERS NOTED IN A FINANCIAL STATEMENT
AUDIT CONDUCTED IN ACCORDANCE WITH
GOVERNMENTAL AUDITING STANDARDS**

Board of Commissioners
Bienville Parish Hospital Service District No. 2
Arcadia, Louisiana

We have audited the general-purpose financial statements of Bienville Parish Hospital Service District No. 2, component unit of Bienville Parish Police Jury, as of and for the year ended April 30, 1996, and have issued our report thereon dated July 31, 1996.

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 general-purpose financial statements are free of material misstatement.

The management of the District is responsible for establishing and maintaining a system of internal accounting control. 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 general-purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general-purpose financial statements of the District for the year ended April 30, 1996, 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 place in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose 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 reportable condition in which the design or operation of

one or more of the internal structure elements does not reduce to a relatively low level the risk that errors or 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 operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the Board of Commissioners, management, and all applicable state agencies. However, this report is a matter of public record, and its distribution is not limited.

Neuman, Richardson & Co., L.L.P.
Neuman, Richardson & Co., L.L.P.
July 31, 1996