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**HOSPITAL SERVICE DISTRICT NO. 3  
OF THE  
PARISH OF ST. BARY  
STATE OF LOUISIANA**  
**COMPONENT UNIT FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
SEPTEMBER 30, 1960 and 1965**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the Auditor, or controller, 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 080 28 1961

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# ADAMS & JOHNSON

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BOARD OF PUBLIC ACCOUNTANTS

MEMBER OF AICPA, CPA, CMA  
MEMBER OF IIA, CMA, CPA

## INDEPENDENT AUDITORS' REPORT

The Board of Commissioners,  
Hospital Service District No. 3  
of the Parish of St. Mary  
State of Louisiana  
30 Rice Street  
Morgan City, La. 70380

We have audited the accompanying component unit financial statements of the Hospital Service District No. 3 of the St. Mary Parish Council, State of Louisiana, as of and for the years ended September 30, 1996 and 1995 as listed in the table of contents. These component unit financial statements are the responsibility of the District'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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amount 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 component unit financial statements referred to above present fairly, in all material respects, the financial position of the Hospital Service District No. 3 as of September 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.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information as listed in the table of contents, while not considered necessary for a fair presentation of the financial statements, is presented as supplementary analytical data. Such information, except for that portion marked "unaudited," on which we express no opinion, has been subjected to

auditing procedures applied in the audit of the financial statements, and in our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with Government Auditing standards, we have also issued a report dated December 28, 1996 on our consideration of Hospital Service District No. 3's internal control structure and a report dated December 28, 1996 on its compliance with laws and regulations.

*Adams & Johnson*

ADAMS & JOHNSON  
Certified Public Accountants

Baton Rouge, Louisiana  
December 28, 1996

HOSPITAL SERVICE DISTRICT NO. 1  
 OF THE PARISH OF ST. MARY  
 STATE OF LOUISIANA

COMPARATIVE BALANCE SHEET - PROPRIETARY FUND TYPE  
 September 30, 1990 and 1989

	<u>9-30-90</u>	<u>9-30-89</u>
ASSETS		
Current assets:		
Cash	\$ 141,422	\$ 23,506
Investments	---	51,482
Accounts receivable	3,165	1,168
Assets limited as to use required for Construction Contract	500,000	500,000
Prepaid expenses	<u>1,810</u>	<u>1,109</u>
Total current assets	\$ 346,817	\$ 579,142
Assets limited as to use rest of current portion	311,019	307,700
Property, plant and equipment - cost of accumulated depreciation-	1,285,388	<u>887,308</u>
Total assets	\$1,943,224	\$1,674,200

	<u>9-30-88</u>	<u>9-30-85</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities:</b>		
Current liabilities		
Accounts payable	\$ 114,183	\$ 63
Deferred rent income	<u>8,573</u>	<u>4,573</u>
Total current liabilities	\$ 114,836	\$ 4,636
<b>Fund equity:</b>		
Retained Earnings:		
Reserved	\$ 511,819	\$ 709,760
Unreserved	<u>1,328,338</u>	<u>782,418</u>
Total fund equity	1,738,388	1,672,168
<b>Total liabilities and fund equity</b>	<b>\$1,842,386</b>	<b>\$1,676,800</b>

The accompanying notes are an integral part of this statement.

HOSPITAL SERVICE DISTRICT NO. 3  
OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHARGES IN  
FUND EQUITY - PROPRIETARY FUND TYPE  
Years Ended September 30, 1998 and 1997

	9-30-98	9-30-97
Operating revenues:		
Building & property rental	\$ 97,307	\$ 68,226
Recovery of bad debts	---	278
Total operating revenues	\$ 97,307	\$ 68,504
Operating expenses:		
Advertising	\$ 500	\$ 300
Bank charges	---	800
Board members compensation	2,400	2,000
Depreciation	49,038	48,348
Office supplies	88	57
Insurance	10,994	12,801
Repairs and maintenance	9,222	37,476
Secretary/bookkeeping fees	4,300	4,300
Audit fees	1,285	1,880
Total operating expenses	83,818	107,825
Operating income (loss)	\$ 13,489	\$ (39,321)
Nonoperating revenues (expenses):		
Ad Valorem taxes	\$ 87	\$ 11,767
Interest income	19,306	13,510
Interest expense	---	1,882
Total excess nonoperating revenues over (expenses)	19,393	23,395
Net income	\$ 32,882	\$ 5,974
Retained earnings, beginning	1,629,164	1,664,221
Retained earnings, ending	\$1,723,450	\$1,670,195

The accompanying notes are an integral part of this statement.

HOSPITAL SERVICE DISTRICT NO. 1  
OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA

COMPARATIVE STATEMENT OF CASH FLOWS-  
PROPRIETARY FUND TYPE  
Years Ended September 30, 1986 and 1985

	<u>9-30-86</u>	<u>9-30-85</u>
Cash flows from operating activities:		
Operating income <loss>	\$ 13,843	\$< 39,134>
Adjustments to reconcile net income to net cash provided by operating activities:		
depreciation	\$ 49,035	\$ 48,348
Changes in current assets & liabilities:		
<Increase> decrease in prepaid expenses=	321>	183
Increase <decrease> in accounts payable	<u>114,308</u>	<u>&lt; 17,912&gt;</u>
Total adjustments	<u>163,618</u>	<u>30,618</u>
Net cash provided <used> by operating activities	\$ 176,657	\$< 9,516>
Cash flows from noncapital financing activities:		
Ad valorem taxes	87	11,787
Cash flows used by capital and related financing activities:		
Principal paid on long-term debt	\$ ----	\$< 5,000>
Interest paid on long-term debt	----	< 130>
Improvements to capital assets	<u>&lt; 346,672&gt;</u>	<u>&lt; 23,117&gt;</u>
Net cash used by capital and related financing activities	<u>&lt; 346,672&gt;</u>	<u>&lt; 28,267&gt;</u>



	<u>9-30-98</u>	<u>9-30-95</u>
Cash flow from investing activities:		
Proceeds (purchase) of certificate of deposit	\$ 51,482	\$ 51,482
Proceeds (purchase) proceeds of limited use assets	196,731	< 933
Interest earned	<u>29,188</u>	<u>22,918</u>
Net cash (used) provided by investing activities	____287,399	\$ 18,005
Net increase (decrease) in cash and cash equivalents	\$ 119,836	\$ < 41,961
Cash and cash equivalents, beginning of year	____23,386	____67,547
Cash and cash equivalents, end of year	\$ 141,432	\$ 23,506

The accompanying notes are an integral part of this statement.

HOSPITAL SERVICE DISTRICT NO. 3  
OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA

Notes to the Financial Statements  
September 30, 1988 and 1995

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Hospital Service District No. 3 of the Parish of St. Mary, State of Louisiana (Fairview Hospital) was created by Ordinance No. 726 of the St. Mary Parish Police Jury, on August 14, 1988. The District encompasses all of the territory situated in Wards 2 and 3 of St. Mary Parish.

The District is a component unit and an integral part of St. Mary Parish Council, the reporting entity which exercises oversight and control over the District. The District operates under a Board of Commissioners. These financial statements include all funds of the District.

The accounting and reporting policies of the Hospital Service District No. 3 of the Parish of St. Mary, State of Louisiana conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24813 and to the guides set forth in the Louisiana Governmental Audit Guide and to the industry audit guide, Audits of State and Local Governmental Units.

The following is a summary of certain significant accounting policies:

**A) Fund Accounting:**

The accounting system is organized and operated on a fund basis (proprietary fund) whereby a separate self-balancing set of accounts comprised of assets, liabilities, revenues and expenses is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

HOSPITAL SERVICE DISTRICT NO. 3  
OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)  
September 30, 1998 and 1995

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B) Proprietary Funds:**

**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.

**C) Basis of Accounting:**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The District's System is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**D) Fixed Assets and Long-Term Liabilities:**

The District's System is accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with their activities are included in the balance sheet. All property, plant and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated property, plant and equipment are valued at their estimated fair value on the date donated. As of September 30, 1998 and September 30, 1995, all assets on the balance sheet are valued at historical cost.

HOSPITAL SERVICE DISTRICT NO. 3  
OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)  
September 30, 1998 and 1999

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported in Note 3. Depreciation has been provided over estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	10-40 years
Equipment	5-10 years

**E) Statement of Cash Flows:**

For the purpose of the statement of cash flows, the District considers all highly liquid asset investments with a maturity of three months or less when purchased to be cash equivalents.

**F) Accumulated Vacation, Compensatory Time and Sick Leaves**

Accumulated vacation, compensatory time and sick leave are recorded as an expenditure of the period in which incurred. For the years ended September 30, 1998 & 1999, the District did not have any employees, therefore the District did not have a provision for this potential liability.

**G) Investments:**

Investments, consisting of U.S. Treasury Notes and certificates of deposit, are stated at cost, which approximates market. Investment income is reported as nonoperating revenue.

**H) Reporting Entity:**

GAAP Statement No. 14, Governmental Reporting Entity, established criteria for determining which organizations should be included in a governmental financial reporting entity. The focal point for defining the financial reporting entity is the primary government. Hospital Service District No. 3 is a component unit of the St. Mary Parish Council (primary government) and, as such, these financial reports may be included in the CAFR of the Council for the year ended December 31, 1999. Hospital Service District No. 3 has followed GAO-84 guidance to determine that there are no financial statements

HOSPITAL SERVICE DISTRICT NO. 1  
OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)  
September 30, 1998 and 1999

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

of other organizations that should be combined with their statements to form a financial reporting entity.

**NOTE 2 - AD VALOREM TAXES**

The District did not assess property taxes for the years ended September 30, 1998 and September 30, 1999. The property tax assessment expired on September 30, 1999 and has not been renewed. The board must receive voter approval before renewal and, at this time, the board has elected not to seek renewal. Although the District's property tax assessment expired, it did receive back taxes of \$87 for the year ended September 30, 1998 and \$11,718 for the year ended September 30, 1999.

**NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

Policies & Procedures

Cash includes accounts in demand deposits, interest-bearing deposits, and money market accounts. The District considers cash equivalents amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Statutes also authorize the district to invest in certificates of deposit, repurchase agreements, passbooks, bankers acceptances, and other available bank investments provided that the approved securities are pledged to secure those funds on deposit, as required. These deposits must be secured by Federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the Federal deposit insurance must at all times equal the amount on deposit with the bank.

HOSPITAL SERVICE DISTRICT NO. 1  
OF THE PARISH OF ST. BERRY  
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)  
September 30, 1996 and 1995

**NOTE 1 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

The following is a summary of the cash, cash equivalents and investments and the related federal deposit insurance and the related pledge securities as of September 30, 1996 and 1995:

	9-30-96	9-30-95
Cash	\$ 141,422	\$ 23,586
Investments		
Certificates of deposits	---	51,482
Assets whose use is limited		
Certificates of deposit	<u>500,000</u>	<u>700,000</u>
Total	641,422	775,068
Pledged Securities	<u>141,422</u>	<u>23,586</u>
Portion insured by federal deposit insurance	<u>500,000</u>	<u>700,000</u>
Portion not insured or collateralized	\$ ---	\$ 1,482
	*****	*****

**NOTE 4 - ASSETS WHOSE USE IS LIMITED**

Assets whose use is limited include cash and cash equivalents held for future capital improvements. Assets whose use is limited that are required for obligations classified as current liabilities are reported in current assets. The composition of assets whose use is limited at September 30, 1996 and 1995 is set forth below.

	9-30-96	9-30-95
Certification of Deposit	\$ 500,000	\$ 700,000
Accrued Interest Receivable	<u>22,018</u>	<u>7,750</u>
Total	\$ 522,018	\$ 707,750
	*****	*****

HOSPITAL SERVICE DISTRICT NO. 3  
OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)  
September 30, 1996 and 1995

NOTE 4 - ASSETS WHOSE USE IS LIMITED (continued)

September 30, 1996:

These amounts are classified on the balance sheet as current portion of \$200,000, to be used to construct a new building, and of the long-term portion of \$311,019, the entire \$511,019 is for future capital improvements repairs and maintenance.

September 30, 1995:

These amounts are classified on the balance sheet as current portion of \$500,000, to be used to construct a new building, and of the long-term portion of \$207,730, the entire \$707,730 is for future capital improvements repairs and maintenance.

NOTE 5 - CHANGES IN FIXED ASSETS

The following is a summary of changes in the fixed assets for the fiscal year:

	Balance 9-30-95	Additions	Retirements	Balance 9-30-96
Land	\$ 40,998	---	---	\$ 40,998
Construction in Progress	---	146,677	---	146,677
building	1,520,388	---	---	1,520,388
improvements	144,303	---	---	144,303
Equipment	452,888	---	---	452,888
	2,173,478	146,677	---	2,320,155
Less:				
Accumulated Depreciation	(1,185,220)	49,005	---	(1,234,225)
Net Property, Plant & Equip.	\$ 988,258			\$ 1,085,930

Depreciation expense for the years ended September 30, 1996 and 1995 was \$49,005 and \$49,340.

HOSPITAL SERVICE DISTRICT NO. 1  
OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)  
September 30, 1994 and 1995

**NOTE 6 - RETIREMENT**

The district did not have any employees for the years ended September 30, 1994 and 1995, therefore no contributions were made during these years into the Social Security System or any other retirement system.

**NOTE 7 - CHANGES IN LONG-TERM DEBT**

The following is a summary of debt transactions of the District for the year ended September 30, 1995:

Beginning balance, October 1, 1994	\$	5,000
Retirements	\$	5,000
Ending balance, September 30, 1995	\$	-0-

As of September 30, 1995, the District did not have any long-term debts.

During the year ended September 30, 1995, the final payment was made on the \$685,000 Public Improvement Bonds issued April 1, 1970 for acquiring equipment for the hospital.



HOSPITAL SERVICE DISTRICT NO. 3  
OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)  
September 30, 1994 and 1995

**NOTE 8 - RESERVED FUND BALANCE**

The District has reserved certain resources for repayment of bonds and interest and for future capital improvements, repairs and maintenance of the Hospital as follows:

	9-30-95	9-30-94
Capital improvements, repairs and maintenance	\$ 511,619	\$ 297,700
New Building	228,000	388,000
Total reserved	\$ 739,619	\$ 685,700

**NOTE 9 - CLOSURE OF HOSPITAL/ECONOMIC DEPENDENCE**

On January 31, 1990, the Board decided to cease operations as an acute care facility. The District's current function is to maintain the physical hospital facility. In an effort to maintain the building without taxing the property owners of the District, the building was rented to two entities, the Fairview Treatment Center and the Louisiana Department of Health and Hospitals for the benefit of the St. Mary Alcohol and Drug Abuse Clinic and the St. Mary Mental Health Clinic. These leases for the years ended September 30, 1994 & 1995 were on a year to year basis. On June 1, 1995, St. Mary Clinic and the Alcohol and Drug Abuse Clinic vacated the building ending their lease with Hospital Service District No. 3. Fairview Treatment Center signed a new lease that included the space formerly occupied by the other tenants. Fairview Treatment Center accounted for 100% of Hospital Service District No. 3's rental income until February 1, 1996, when the Claire House for women and children began to rent one wing of the facility.

HOSPITAL SERVICE DISTRICT NO. 3  
OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)  
September 30, 1996 and 1995

**NOTE 10- RELATED-PARTY LEASES**

Hospital Service District No. 3 currently leases to Recreation District No. 3, also a component unit of the St. Mary Parish Council, 4.98 acres of land, which is adjacent to the hospital. The Recreation District No. 3 utilizes this land for a ball park. This lease is cancellable by agreement between the participants or until such time that it is determined that this property is needed by Hospital Service District No. 3 for a good and valid purpose, at which time Hospital Service District No. 3 shall give written notice to Recreation District No. 3 to vacate the property within six months and remove its facilities.

Hospital Service District No. 3 also currently leases space in their physical facility to Fairview Treatment Center and Claire House, also component units of the St. Mary Council. These leases are on a year to year basis.

**NOTE 11- CONSTRUCTION IN PROGRESS**

During the year ended September 30, 1996, Hospital Service District No. 3 began construction of a new building for the purpose of renting to the St. Mary Parish Council to provide a facility for the Claire House for women and children to live while the mothers receive alcohol and drug abuse treatment. The St. Mary Parish Council began lease payments on November 1, 1996 when the Claire House began occupancy.

HOSPITAL SERVICE DISTRICT NO. 3

SCHEDULE OF COMPENSATION PAID TO BOARD MEMBERS  
September 18, 1996 and 1995

September 18, 1996

	Per Diem	Meetings Attended
Stan Beardslee	\$ 400	12
Madley Landry	400	12
Julen Thomas	150	3
Jerry Adams	500	10
Carey Staples	500	11
	\$ 2,400	

September 23, 1995

	Per Diem	Meetings Attended
Stan Beardslee	\$ 450	6
Madley Landry	550	11
Julen Thomas	200	4
Jerry Adams	350	3
Carey Staples	500	10
	\$ 2,050	

HOSPITAL SERVICE DISTRICT NO. 3  
OF THE  
PARISH OF ST. MARY  
STATE OF LOUISIANA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL,  
STRUCTURE RELATED MATTERS NOTED IN A FINANCIAL  
STATEMENT AUDIT CONDUCTED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS ISSUED BY THE GAO

YEARS ENDED SEPTEMBER 30, 1996 & 1995

# ADAMS & JOHNSON

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FRANK J. ADAMS, JR., CPA  
WILLIAM H. JOHNSON, RCPA

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL, STRUCTURE RELATED MATTERS NOTED IN A FINANCIAL STATEMENT AUDIT CONDUCTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS ISSUED BY THE GAO

To the Board of Commissioners  
Hospital Service District No. 3  
of the Parish of St. Mary  
Morgan City, LA 70389

We have audited the basic financial statements of the Hospital Service District No. 3 for the years ended September 30, 1998 & 1999, and have issued our report thereon dated December 28, 1999.

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 from material misstatement.

In planning and performing our audit of the financial statements of Hospital Service District No. 3, for the years ended September 30, 1998 & 1999, 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 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.

The management of the Hospital Service District No. 3 is 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 transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements. Because of inherent limitations in any internal 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 or the design and operation of policies and procedures may deteriorate.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

**Finding:**

Our examination disclosed that there is not any segregation of duties within the District's accounting function, (especially in the areas of cash receipts, bank reconciliations, cash disbursements, general ledger and journal entries.) This weakness is due to the fact that the District sub-contracts out this bookkeeping function to an accountant. Due to the lack of segregation of duties, possible errors or irregularities could occur in the accounting records and not be detected. Understandably, since the Hospital doesn't have any employees, the most ideal system of internal control or the most desirable accounting system may not be practicable. Also the cost of hiring employees might exceed any benefits gained. The management of the District is well aware of the loss of internal control that results with their sub-contracting of the accounting functions and are constantly on watch for any problems that could occur.

**Recommendation:**

Based upon the cost-benefit of hiring personnel, it may not be feasible to achieve complete segregation of duties. We recommend management continue to closely monitor all records and transactions.

**Response:**

No response is considered necessary.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control 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 function.

our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable condition described above is not a material weakness.

This report is intended solely for the use of Hospital Service District No. 3 and the Louisiana Legislative Auditor, and should not be used for any other purposes. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Hospital Service District No. 3 is a matter of public record.

*Adams & Johnson*

ADAMS & JOHNSON  
Certified Public Accountants

Metairie, Louisiana  
December 18, 1956

HOSPITAL SERVICE DISTRICT NO. 3  
OF THE  
PARISH OF ST. MARY  
STATE OF LOUISIANA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
LAW AND REGULATIONS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS ISSUED BY THE GAO

YEARS ENDED SEPTEMBER 30, 1998 & 1999



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WILLIAM JOHNSON, CPA

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS ISSUED BY THE GAO

To the Board of Commissioners  
Hospital Service District No. 3  
of the Parish of St. Mary  
State of Louisiana  
30 Rice Street  
Morgan City, LA 70386

We have audited the basic financial statements of the Hospital Service District No. 3 as of and for the years ended September 30, 1994 and 1995, and have issued our report thereon dated December 28, 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. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Hospital Service District No. 3 is the responsibility of Hospital Service District No. 3's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Hospital Service District No. 3's compliance with certain provisions of laws, regulations, contracts, and grants. 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 an opinion.

The results of our test disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the use of Hospital Service District No. 3 and the Louisiana Legislative Auditor and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Hospital Service District No. 3 is a matter of public record.

*Adams + Johnson*

ADAMS & JOHNSON  
Certified Public Accountants

Baton Rouge, Louisiana  
December 28, 1966