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CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 1

**Solly Island, Louisiana
CBS 72-0016000**

**GENERAL PURPOSE FINANCIAL STATEMENTS
AND
AUDITOR'S REPORTS**

For the Years Ended December 31, 1967 and 1966

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 July 27 1968

CATABOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2

GENERAL PURPOSE FINANCIAL STATEMENTS
For the Years Ended December 31, 1997 and 1996

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DAUZAT, BEALL & DEBEVEC, CPAs

A PROFESSIONAL CORPORATION

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Catahoula Parish Hospital
Service District No. 2
Sixty Island, LA

We have audited the general purpose financial statements of Catahoula Parish Hospital Service District No.2, a component unit of Catahoula Parish Police Jury, as of and for the years ended December 31, 1997 and 1996, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's Board of Trustees. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133. 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Catahoula Parish Hospital Service District No. 2 at December 31, 1997 and 1996, and the results of its operations and its enterprise fund cash flows for the years then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated May 7, 1998 on our consideration of the Catahoula Parish Hospital Service District No. 2's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and agents.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Robert E. Hall & Debra J. Hall

Certified Public Accountants

May 7, 1998

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
December 31, 1997 and 1996

	Proprietary Fund		Fiduciary Fund	
	Type		Type	
	Capital	Agency Fund		
			Total/Dissemination (Out)	
			1997	1996
ASSETS				
Cash and cash equivalents	\$ 3,129		\$ 3,129	\$ 18,514
Investments	503,199	\$ 107,150	610,351	762,832
Accounts receivable - net of estimated uncollectibles and allowances of \$18,319 and \$0,159 in 1997 and 1996 respectively	91,898		91,898	72,636
Other receivables (vendors)	84,634		84,634	88,572
Prepaid expenses	18,840		18,840	17,000
Property, plant and equipment, net of accumulated depreciation	5,388		5,388	6,821
	<u>701,148</u>	<u>107,150</u>	<u>808,298</u>	<u>943,811</u>
Total Assets	\$ 808,298	\$ 107,150	\$ 915,448	\$ 1,195,426
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ 82,683		\$ 82,683	\$ 71,199
Accrued expenses	25,443		25,443	18,598
Compensated absences	22,144		22,144	19,886
Deferred compensation/benefits payable		\$ 132,152	132,152	250,881
Total Liabilities	<u>150,270</u>	<u>132,152</u>	<u>282,422</u>	<u>560,564</u>
FUND EQUITY				
Contributions - land	4,600		4,600	4,600
Ad valorem tax bond proceeds	158,800		158,800	160,000
Equity transfer of assets from Debt Service Fund	7,846		7,846	7,846
Contributed capital from Debt Service Fund	40,433		40,433	38,703
Retained Earnings:				
Deficit during development stage	(18,231)		(18,231)	(18,231)
Loss from operations	(4,822,010)		(4,822,011)	(4,297,643)
Rural Health Initiative Grant	4,642,794		4,642,794	4,214,919
Tax revenues	62,114		62,114	58,484
Interest income	165,948		165,948	171,598
Gain (loss) on sale of asset	(5,787)		(5,787)	(5,787)
Louisiana State Grants	266,881		266,881	266,660
	<u>808,298</u>	<u>107,150</u>	<u>915,448</u>	<u>833,148</u>
Total Fund Equity	\$ 808,298	\$ 107,150	\$ 915,448	\$ 1,195,426
Total Liabilities and Fund Equity	\$ 808,298	\$ 107,150	\$ 915,448	\$ 1,195,426

The accompanying notes are an integral part of the financial statements.

CATHARINE PARKER HOSPITAL SERVICE DISTRICT NO. 2

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
 PROPRIETARY FUND TYPE - ENTERPRISE FUND
 For the Years Ended December 31, 1997 AND 1998**

	<u>1997</u>	<u>1998</u>
REVENUES		
Net Patient service revenue	\$ 331,000	\$ 617,761
Miscellaneous	<u>13,877</u>	<u>18,481</u>
Total operating revenue	<u>344,877</u>	<u>636,242</u>
OPERATING EXPENSES		
Salaries and wages	621,767	640,511
Utilities and telephone	28,374	26,777
Office supplies and expense	28,590	24,033
Medical supplies and drugs	42,080	44,889
Contractual fees	81,718	117,816
Payroll taxes	14,803	15,880
Travel	6,079	7,890
Repairs and maintenance	29,229	22,440
Equipment rentals	5,286	4,869
Insurances	31,886	79,855
Fees, dues and subscriptions	8,961	6,710
Interest	7	400
Bad debts	11,800	
Excise/tax expense	69,781	78,199
Patient transportation	3,771	5,848
Depreciation	35,810	62,108
Other	19,888	14,658
Equipment and relocation	<u>12,841</u>	<u>600</u>
Total operating expenses	<u>1,688,471</u>	<u>1,119,111</u>
Loss from operations	<u>(133,594)</u>	<u>(482,869)</u>
NONOPERATING REVENUE		
Kaiser Health Initiatives Grant proceeds	479,399	624,890
Interest Income	28,408	28,181
Tax revenue	<u>3,619</u>	<u>4,572</u>
Total nonoperating revenue	<u>511,426</u>	<u>657,643</u>
NET INCOME (LOSS)	<u>(22,168)</u>	<u>(175,226)</u>
RETAINED EARNINGS, Beginning of Year	504,128	579,514
Year period adjustment	<u>(54,088)</u>	<u>_____</u>
RETAINED EARNINGS, End of Year	<u>449,960</u>	<u>404,288</u>

The accompanying notes are an integral part of the financial statements.

CATAHOULA PARISH HOSPITAL-SERVICE DISTRICT NO. 2

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE - ENTERPRISE FUND
 FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996**

	<u>1997</u>	<u>1996</u>
Cash Flows from Operating and Managing Activities:		
Net Income (Loss)	\$ (13,216)	\$ (5,885)
Adjustments to reconcile net income to net cash provided by operations:		
Non-cash items included in net income:		
Depreciation	35,930	42,104
Bad Debt	11,851	
Change in working capital:		
Current assets:		
(Increase) decrease in accounts receivable - patients	(28,800)	(28)
(Increase) decrease in other receivables	(32,715)	41,724
(Increase) decrease in inventory	209	4,126
(Increase) decrease in prepaid expenses	(3,440)	12,948
Current liabilities:		
Increase (decrease) in accounts payable	(4,992)	(78,197)
Increase (decrease) in accrued expenses	17,600	1,161
Increase (decrease) in compensated absences payable	2,150	5,620
Net cash flow from operating and managing activities	<u>2,113</u>	<u>89,553</u>
Cash Flows from Investing Activities:		
Purchase of property, plant and equipment	(25,492)	(40,141)
Investment maturities	26,298	(21,133)
Net cash flow from investing activities	<u>806</u>	<u>(61,274)</u>
Cash Flows from Financing Activities:		
Principal payments under capital lease obligations	-----	<u>(202)</u>
Net cash flow from financing activities	-----	<u>(202)</u>
Net increase (decrease) in cash and cash equivalents	<u>(21,573)</u>	<u>(31,799)</u>
Cash and cash equivalents at beginning of period	<u>28,311</u>	<u>59,794</u>
Cash and cash equivalents at end of period	<u>\$ 6,738</u>	<u>\$ 28,004</u>
Supplemental Disclosure:		
Cash Payment For:		
Interest	<u>\$ 2,113</u>	<u>\$ 2,682</u>

The accompanying notes are an integral part of the financial statements.

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2
Stelly Island, LA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
For the Years Ended December 31, 1997 and 1996

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Hospital Service District No. 2 of the Parish of Catahoula, hereinafter referred to as the *District*, was organized pursuant to the provisions of an ordinance adopted by the Police Jury of the Parish of Catahoula, State of Louisiana, on April 5, 1978.

The *District* is a political subdivision of the Catahoula Parish Police Jury. Accordingly, Governmental Accounting Standards No. 14 requires that these financial statements be included in those of the Catahoula Parish Police Jury, the Primary government.

A Primary government meets the following criteria:

- a. It has a separately elected governing body
- b. It is legally separate
- c. It is fiscally independent

The *District's* board of commissioners are appointed by the Catahoula Parish Police Jury and directs operational policy.

Effective September 5, 1995 an Administrative Board was established in accordance with regulations and instructions of the Public Health Service. The members of the board were elected by users of the clinic. The *District's* Board of Commissioners, by resolution, delegated responsibility of operating the clinic, approving grant funds and setting policies and procedures for the clinic to the new Administrative Board. The *District* receives progress reports and remains ultimately responsible for all *District* operations.

The *District* was awarded a Community Health Service Fund Health Initiative (HFI) grant from the Department of Health, Education and Welfare to provide efficient and effective health care through the operation of a health delivering system designed to meet the medical needs of the community, i.e., early detection, diagnosis, and treatment of illnesses and injuries; to facilitate an understanding of the desirability of initiating a program of preventive medicine; and to generally improve and promote the improvement of the community, civility and socially. The *District* provides comprehensive primary health care to area residents, with particular care for the socio-economically disadvantaged. The area served consists of the whole of Catahoula Parish and the parishes of, in part areas of Concordia, Franklin and Tensas Parishes. The services are provided through an outpatient clinic with a referral program, health education and limited medical services for hospitalization,

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2
Notes - Continued

The **District** has agreements with third-party payors that provide for payments to the **District** at amounts different from its established rates. The **District** is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the **District** and audit thereof.

In December 1977, Congress passed the Rural Health Clinic Services Act of 1977 (Public Law 95-210) to provide financial support for facilities using physician extenders to provide primary health care services in rural, medically underserved areas. The law authorized Medicare and Medicaid payments to qualified rural health clinics for covered health care services furnished by or under the direction of nurse practitioners and physician assistants. In order to qualify as a rural health clinic under Medicare and Medicaid, a facility must be under the general direction of a physician, be located in a rural area and operate in an area designated by the Department of Health, Education and Welfare as having a shortage of personal health services, be engaged essentially in providing outpatient primary medical care, and meet health and safety requirements prescribed by Medicare and Medicaid regulations.

During the year ended December 31, 1997, the **District's** operations were funded by a Community Health Service Rural Health Initiative (RHI) grant awarded under Section 309 of the Public Health Services Act, as amended. Various restrictions are placed on expenditures of these funds. Reconciliations of used and unused funds are prepared at the end of the program year and the propriety of such funds determined by the Department of Health and Human Services.

In July of 1995, the **District** opened a satellite clinic, located in Winnesboro, Louisiana. The satellite clinic provides the same services as the **District**. Funds were provided by the Louisiana State Department of Health and Hospital in the form of a demonstration grant. During the year 1995, the satellite clinic was approved in the scope of services provided by the **District** under L&H&H regulations. Future operations of the satellite clinic are contingent upon continued funding and the **District's** generated revenues.

The accounting policies of the **District** conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Financial Reporting Entity

The accompanying financial statements of Catahoula Parish Hospital Service District No. 2 present the financial position of the various fund types and account groups, the results of operations of the various fund types and cash flows of the proprietary fund type.

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2
Notes - Continued

Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. The various funds are grouped in the financial statements in this report into two broad fund categories and generic fund types as follows:

PROPRIETARY FUND TYPES

Enterprise Fund

Enterprise funds are 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.

FIDUCIARY FUND TYPES

Agency Fund

The defined contribution agency fund accounts for employer contributions and earnings that are held by a third party administrator, Lincoln National Life Insurance Company, on behalf of employees. In accordance with Internal Revenue Code Section 457, Catahoula Parish Hospital Service District No. 2 retains title to the assets and acts as agent for the fund. Agency funds are custodial in nature and do not involve measurement of results of operations.

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.

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2

Notes - Continued

The agency fund is accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available to net current assets. Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within 60 days after year-end.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

An exception to this general rule is principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Patient service revenues are recognized when they are earned and recorded at full established rates, even though contractual agreements are settled for less. Provision is made for the resulting contractual adjustments based upon each payer's agreement.

Federal grant funds are recognized as revenue when the grant awards are disbursed by the U.S. Department of Health and Human Services. Expenses are recognized when incurred or obligated.

Income Taxes

The District's income is exempt from taxation.

Uncollectible Accounts

The District's estimate of uncollectibility is applied to accounts receivable in the enterprise fund to establish an allowance for uncollectible accounts. Additionally, other patients are given discounts on a "sliding-scale" basis based upon their ability to pay.

Inventory

The enterprise fund inventory is stated at the lower of cost or market value. The District uses the "purchase" method of recording inventory. Materials and supplies are charged as expenses when acquired, and inventory on hand at the end of the period is recorded as an asset.

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2
Notes - Continued

Property, Plant and Equipment

Property, plant and equipment is recorded at cost for purchased assets or at fair market value on the date of any donation. Depreciation is provided in the enterprise fund to operations over the estimated useful lives of the depreciable assets on the straight-line basis. The following estimated useful lives are generally used:

Buildings	38 to 48 years
Machinery and equipment	3 to 15 years
Transportation equipment	3 to 5 years
Furniture and fixtures	3 to 15 years

Expenses from additions, major renewals and betterments are capitalized and expenses for maintenance and repairs are charged to operations as incurred.

The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposal are credited or charged to operations currently.

Total Columns on Combined Statements

Total columns on the Combined Statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTE 2 - CASH AND CASH EQUIVALENTS/INVESTMENTS

Cash includes monies in demand deposits and interest-free (e.g. demand deposits). Cash equivalents include amounts in time deposits with original maturities of three months or less from the date of acquisition. 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. Investments are stated at cost, except for investments in the agency fund which are reported at market value.

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2

Notes - Continued

At year-end, the carrying amount of the District's deposits were as follows:

	Enterprise Fund	Agency Fund
Cash and cash equivalents	\$ 3,125	
Investments	<u>313,189</u>	<u>313,182</u>
	<u>316,314</u>	<u>313,182</u>

All deposits held at Sicily Island State Bank and insured by the FDIC and secured by the pledge of securities owned by the fiscal agent bank on December 31, 1997, as follows:

Total deposits	<u>\$335,311</u>	
Total FDIC insurance	\$300,080	(Category I)
Total uncollateralized (Collateralized securities held by the pledging financial institution or agent but not in the name of Catahoula Parish Hospital Service District #2)	<u>34,854</u>	(Category III)
	<u>\$340,504</u>	

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.

Even though the pledged securities are considered uncollateralized (Category I) under the provisions of GASB Statement 5, Louisiana Revised Statute 38:1329 imposes a statutory requirement on the collateral bank to advertise and sell the pledged securities within 90 days of being notified by the Catahoula Parish Hospital Service District No. 2 that the fiscal agent has failed to pay deposited funds upon demand.

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2

Notes - Continued

NOTE 3 - OTHER RECEIVABLES

A summary of the proprietary fund other receivables at December 31, 1997 and 1996, is presented below:

	<u>1997</u>	<u>1996</u>
Property tax receivable	\$ 2,604	\$ 3,043
Interest receivable	3,239	2,371
Third party reimbursement - Net (Read Note 5)	<u>26,789</u>	<u>33,158</u>
Totals	<u>\$32,632</u>	<u>\$38,572</u>

NOTE 4 - PROPRIETARY FUND PROPERTY, PLANT AND EQUIPMENT

A summary of the proprietary fund property, plant and equipment and accumulated depreciation at December 31, 1997 and 1996, is presented:

	<u>Property, Plant and Equipment</u>			
	<u>1997</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Land	\$ 6,000	\$ 25,037		\$ 31,037
Building	164,536	18,260		182,796
Building improvements	7,000	3,900		10,900
Furniture and equipment	139,714	6,580		146,294
Medical equipment	195,144	2,737		197,881
Vehicles	<u>42,653</u>			<u>42,653</u>
Totals	<u>\$595,053</u>	<u>\$56,514</u>	<u>—————</u>	<u>\$651,567</u>

CATAHOULA PARISH HOSPITAL - FINANCIAL STATEMENT NO. 2

Notes - Continued

	Beginning Balance	Accumulated Depreciation 1997		Ending Balance
		Additions	Dispositions	
Building	\$ 87,045	\$ 5,501		\$ 92,546
Building improvements	5,234	471		5,705
Furniture and equipment	114,995	11,801		126,796
Medical equipment	109,000	16,248		125,248
Vehicles	16,734	2,438		19,172
Totals	\$343,208	\$36,459		\$379,667

The above property, plant and equipment cost and accumulated depreciation includes \$179,278 and \$146,486 of fully depreciated assets of December 31, 1997 and 1998, respectively.

As explained in Note 1, the District receives funding under Section 338 of the Public Health Services Act. Various restrictions are placed on the assets obtained by these funds. For the Public Health Service (PHS) Grants Policy statement title to real and tangible personal property (responsible and non-responsible) shall rest in the grantee upon acquisition, subject to the accountability requirements and the PHS's right to transfer title. Further, the proceeds of the sale being distributed between the District and the PHS based upon the percentage of funding provided by each.

	Beginning Balance	Property, Plant and Equipment 1998		Ending Balance
		Additions	Dispositions	
Land	\$ 6,000			\$ 6,000
Building	145,402	\$19,124		164,526
Building improvements	7,000			7,000
Furniture and equipment	179,716			179,716
Medical equipment	167,689	27,459		195,148
Vehicles	42,652			42,652
Totals	\$548,469	\$46,583		\$595,052

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2
 Notes - Continued

	Beginning Balance	Accumulated Depreciation		Ending Balance
		1996		
		Additions	Dispositions	
Building	\$ 83,398	\$ 4,847		\$ 87,245
Building improvements	4,887	407		5,294
Furniture and equipment	99,994	14,911		114,905
Medical equipment	87,613	17,487		105,100
Auto	<u>32,322</u>	<u>4,432</u>		<u>36,754</u>
Totals	<u>\$ 207,194</u>	<u>\$ 31,684</u>		<u>\$ 238,878</u>

NOTE 5 - PROPRIETARY FUND ACCRUED EXPENSES

Accrued expenses of the enterprise fund at December 31, 1997 and 1996, is comprised of salaries payable and related payroll expenses.

NOTE 6 - COMPENSATED ABSENCES

The District's employees earn annual leave at a rate of four (4) hours for each full semi-monthly work period for less than three (3) years of service, and six (6) hours for service between three (3) and fifteen (15) years, and eight (8) hours for service greater than fifteen (15) years. Annual leave can accrue up to 30 days. Accrued leave reflected in the financial statements is accumulated unused vacation as of December 31, 1997.

NOTE 7 - BOARD OF COMMISSIONERS

Each of the commissioners served the District without compensation.

NOTE 8 - CONTINGENCIES

The District evaluates contingencies based upon the best available evidence. The District believes that no allowance for loss contingencies is considered necessary.

The principal contingencies are described below:

Grant Awards - The ability of the District's continued operations is contingent upon continued funding from the Public Health Service. A \$382,659 grant award has been approved for 1998.

Unobligated Federal Funds - Per the Public Health Service, (PHS), *Grant Policy Statement*, the District's grant funds, including amounts awarded for the current budget period, and canceled or actual unobligated federal funds carried over from prior budget periods are authorized for the District's use only in the current budget period in the amount specified by the PHS awarding office in an approved budget or a Notice of Grant Award. At a trial of carryovers of unobligated grant funds, the total amount of funds available in the grant account may exceed the federal share of the approved budget. These funds are not automatically available to the District. The PHS awarding office exercises sole discretion as to the use of those funds.

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed expenditures, including amounts already collected, may constitute a liability. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

The District is covered under the Federal Torts Coverage Act. All malpractice claims filed against the District or its employees are referred under the Federal Torts Coverage Act.

NOTE 9. MEDICAID/MEDICARE THIRD PARTY REIMBURSEMENT

In accordance with the Omnibus Budget Reconciliation Act of 1989 (OBRA 89) and 1990 (OBRA 90), reimbursement policies for reasonable cost reimbursement were established for a certain set of Federally-Qualified Health Centers (FQHC) such as the District, rather than reimbursement based upon allowable charges for each service provided. Medicaid reimbursement became effective April 1, 1990 and Medicare, October 1, 1991.

For the year ended December 31, 1997, amounts due from Medicaid and Medicare fiscal intermediaries were \$69,153 and \$-0-, respectively. These settlement amounts are subject to audit

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2

Notes - Continued

and adjustment by the fiscal intermediaries. The amounts have been reflected in the financial statements as receivables and revenues, net of an allowance for disputed costs estimated at (1.5) billion percent.

NOTE 10 - STATE ASSISTANCE

The District was awarded a Primary Care Clinic Grant as provided for under Acts 364 and 410 of 1991 and 1992 respectively, State of Louisiana. The intent of the grant is to assess primary care health clinic services to serve indigent and low-income persons in un-served or underserved areas of the state. The District plans to use these funds for facility expansion along with a Capital Improvement Grant from the federal government. The Louisiana State Department of Health and Hospitals serves as administrator of the state grant and as such, project progress reports are to be submitted by the District. The grant funds have been placed in a special bank account and are restricted for the aforementioned purpose. Amounts received in prior years were \$300,000.

NOTE 11 - EMPLOYERS RETIREMENT

The District participates in a plan under guidelines established under Section 457 of the Internal Revenue Code of 1954 (45 FR 85177), as revised by OIRA of 1990. All participating employees are exempt from social security tax, withholding their wages. The 457 plan is a fixed annuity plan with employer contributions of 7.5% and employee contributions of 11.5%.

The deferred compensation is not available to participants until termination, retirement or death. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, property or rights are the property of the District subject only to the claims of general creditors. Participants rights under the plan are equal to those of general creditors of the District in an amount equal to the fair market value of the deferred account for each participant. All funds paid into the plan are managed by the third party administrator selected by the District. At December 31, 1997, investments were recorded in an agency fund at the fair market value of \$377,132.

NOTE 12 - REVENUE BONDS

On December 13, 1993, the Board of Commissioners met in regular session and held a public hearing for the purpose to propose issuance of not exceeding Nine Hundred Ninety Thousand Dollars (\$990,000) of Hospital Revenue Bonds for the purpose of financing a portion of the cost of acquiring, constructing and improving health care facilities for the District, to mature over a period of time not to exceed twenty (20) years from the date of their issuance, and bear interest at a rate or rates not exceeding six per centum (6%) per annum, pursuant to the authority of Part VII, Chapter 4, Title 59 of the Louisiana Revised Statutes of 1994, as amended. A resolution fixing and

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2

Notes - Continued

determining that no petition had been filed objecting to the proposed issuance was adopted by the Board of Commissioners. The total cost of the project is approximately \$1.5 million with the remaining funds being provided by \$700,000 of LA state grant funds. (See Note No. 10)

The bonds are to be sold to Rural Economic and Community Development (RuralCo DevHA).

NOTE 13. CHANGES IN AGENCY FUND DEFERRED COMPENSATION BENEFITS PAYABLE

Balance January 1, 1996	Additions	Excesses	Balance December 31, 1997
\$238,863	\$144,242	(578,055)	\$337,132

NOTE 14. PRIOR PERIOD ADJUSTMENT

Catahoula Parish Hospital Service District No. 2 returned \$52,516 to the Medicaid intermediary for adjusted prior year cost reports which had been included in revenues. The effect of the adjustment is to correct beginning retained earnings.

SUPPLEMENTARY INFORMATION



DAUZAT, BEALL & DEBEVEC, CPAs

A PROFESSIONAL CORPORATION

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Catholic Parish Hospital Service District No. 2
Post Office Box 33
Stelly Island, LA 71168

We have audited the financial statements of the Catholic Parish Hospital Service District No. 2 as of and for the year ended December 31, 1997, and have issued our report thereon dated May 7, 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 Catholic Parish Hospital Service District No. 2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit and, 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Catholic Parish Hospital Service District No. 2'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.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned

function. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Catahoula Parish Hospital Service District No. 2's management, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



Debarvo, Beall & Debarvo, CPA's, APC
Certified Public Accountants
May 7, 1998



DAUZAT, BEALL & DEBEVEC, CPAs

A PROFESSIONAL CORPORATION

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Catahoula Parish Hospital Service District No. 2
Post Office Box 33
Sicily Island, LA 71368

Compliance

We have audited the compliance of the Catahoula Parish Hospital Service District No. 2 with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 1993. The Catahoula Parish Hospital Service District No. 2's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Catahoula Parish Hospital Service District No. 2's management. Our responsibility is to express an opinion on the Catahoula Parish Hospital Service District No. 2's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Catahoula Parish Hospital Service District No. 2's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Catahoula Parish Hospital Service District No. 2's compliance with those requirements.

In our opinion, the Catahoula Parish Hospital Service District No. 2 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1997.

Internal Control Over Compliance

The management of the Catahoula Parish Hospital Service District No. 2 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Catahoula Parish Hospital Service District No. 2's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Catahoula Parish Hospital Service District No. 2's management, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



Deane, Beal & Debevoise, CPA's, APC
Certified Public Accountants
May 7, 1998

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 1997

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	____ yes ____ <u>no</u>
Reportable condition(s) identified not considered to be material weaknesses?	____ yes ____ <u>none reported</u>
Noncompliance material to financial statements overall?	____ yes ____ <u>no</u>

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	____ yes ____ <u>no</u>
Reportable condition(s) identified not considered to be material weaknesses?	____ yes ____ <u>no</u>
1) Type of auditor's report issued on compliance for major programs:	Unqualified
2) Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 310(a)?	____ yes ____ <u>no</u>

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
93.224	Rural Health Initiative - Section 538

Section II - Financial Statement Findings

Reportable Conditions - no matters were reported

Section III - Federal Award Findings and Questioned Costs

Reportable Conditions - no matters were reported

CALABOELA ENRMI HOSPITAL SERVICE DISTRICT NO. 2
Sely Street, Easton

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 1997

<u>Federal Grant/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grant's Number</u>	<u>Program Amount Received</u>	<u>Program Expenditures</u>
<u>U.S. Department of Health and Human Services,</u>				
<u>Public Health Service</u>				
Direct Program				
Community Health Center Rural Health Initiative Grant	91.024	NA	\$125,000	\$405,000
Total U.S. Department of Health and Human Services			<u>\$125,000</u>	<u>\$405,000</u>