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CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2

Sicily Island, Louisiana
CRN 72-0838896

GENERAL PURPOSE FINANCIAL STATEMENTS AND AUDITOR'S REPORTS

For the Years Ended December 31, 1995 and 1994

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8-21-96

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2

GENERAL PURPOSE FINANCIAL STATEMENTS
For the Years Ended December 31, 1995 and 1994

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1
GENERAL PURPOSE FINANCIAL STATEMENTS	
Combined Balance Sheet - All Fund Types and Account Groups	3
Statement of Revenues, Expenses and Changes in Retained Earnings - Proprietary Fund Type - Enterprise Fund	4
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund Type - Debt Service Fund	5
Statement of Cash Flows - Proprietary Fund Type - Enterprise Fund	6
Notes to General Purpose Financial Statements	7
SUPPLEMENTARY INFORMATION	
Independent Auditors' Report on Internal Control Structure Based on an Audit of General Purpose Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	22
Independent Auditors' Report on Compliance with Laws and Regulations Based on an Audit of the General Purpose Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	24
Independent Auditors' Report on Schedule of Federal Financial Assistance	26
Schedule of Federal Financial Assistance	27
Independent Auditors' Report on the Internal Control Structure Used in Administering Federal Financial Assistance Programs	28
Independent Auditors' Report on Compliance with the General Requirements Applicable to Federal Assistance Programs	31
Independent Auditors' Report on Compliance with Specific Requirements Applicable to Major Federal Financial Assistance Programs	33



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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Catahoula Parish Hospital
Service District No. 2
Sicily 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, 1995 and 1994, 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-128, "Audits of State and Local Governments". 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 included 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 estimated made by management, as well as evaluating the overall financial statement 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, 1995 and 1994, and the results of its operations and its enterprise fund cash flows for the years then ended, in conformity with general accepted accounting principles.

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 December 31, 1995

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)	
	Enterprise	Agency Fund	Year Ended 1995	1994
ASSETS				
Cash and cash equivalents	\$ 59,704		\$ 59,704	\$ 557,185
Investments	468,551	\$ 126,473	595,024	
Accounts receivable - net of estimated uncollectibles and allowances of \$7,757 and \$1,127 in 1995 and 1994 respectively	71,735		71,735	65,365
Other receivables	79,134		79,134	127,444
Inventory	21,486		21,486	15,615
Prepaid expenses	18,009		18,009	17,942
Property, plant and equipment, net of accumulated depreciation	252,727		252,727	178,764
Amount available in debt service fund for retirement of ad valorem tax bonds payable				50,000
Total Assets	<u>\$ 971,346</u>	<u>\$ 126,473</u>	<u>\$1,097,819</u>	<u>\$1,012,315</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ 53,716		\$ 53,716	\$ 57,455
Accrued expenses	13,185		13,185	16,319
Compensated absences	25,536		25,536	15,841
Current portion of capitalized lease	693		693	800
Deferred compensation benefits payable		\$ 126,473	126,473	
Long term debt:				
Capitalized lease				677
Ad valorem tax bonds payable				50,000
Total Liabilities	<u>93,130</u>	<u>126,473</u>	<u>219,603</u>	<u>141,092</u>
FUND EQUITY				
Contribution - land	6,000		6,000	6,000
Ad valorem tax bond proceeds	160,000		160,000	160,000
Equity transfer of assets from Debt Service Fund	7,846		7,846	7,846
Contributed capital from Debt Service Fund	38,703		38,703	
Retained Earnings:				
Deficit during development stage	(18,231)		(18,231)	(18,231)
Loss from operations	(3,834,767)		(3,834,767)	(3,289,209)
Rural Health Initiative Grant	3,795,020		3,795,020	3,434,125
Tax revenues	53,912		53,912	49,522
Interest income	109,379		109,379	87,824
Gain (loss) on sale of asset	(5,707)		(5,707)	(5,707)
Louisiana State Grants	566,061		566,061	350,000
Fund Balance				
Undesignated				33,002
Designated for debt service				56,051
Total Fund Equity	<u>878,216</u>	<u> </u>	<u>878,216</u>	<u>871,223</u>
Total Liabilities and Fund Equity	<u>\$ 971,346</u>	<u>\$ 126,473</u>	<u>\$1,097,819</u>	<u>\$1,012,315</u>

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

CATAHOULA PARISH 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, 1995 AND 1994

	<u>1995</u>	<u>1994</u>
REVENUES		
Net Patient service revenue	\$ 584,038	\$ 494,446
Miscellaneous	<u>6,086</u>	<u>4,874</u>
Total operating revenue	<u>590,124</u>	<u>499,320</u>
OPERATING EXPENSES		
Salaries and wages	607,675	455,331
Utilities and telephone	25,466	14,234
Office supplies and expense	34,089	26,452
Medical supplies and drugs	44,983	67,997
Contractual fees	127,441	42,595
Payroll taxes	15,748	20,700
Travel	21,769	21,256
Repairs and maintenance	2,934	7,223
Equipment rentals	4,037	3,661
Insurance	89,320	62,688
Fees, dues and subscriptions	5,306	4,251
Legal and professional	14,889	16,435
Interest	585	711
Bad debts	12,157	4,253
Retirement expense	57,089	27,318
Patient transportation	7,601	5,228
Depreciation	39,934	32,072
Other	11,905	3,952
Recruitment and relocation	<u>12,754</u>	<u>22,447</u>
Total operating expenses	<u>1,135,682</u>	<u>838,804</u>
Loss from operations	<u>(545,558)</u>	<u>(339,484)</u>
NONOPERATING REVENUE (EXPENSES)		
Rural Health Initiative Grant proceeds	360,895	360,895
Louisiana State Demonstration Grant proceeds	216,061	50,000
Interest Income	21,555	12,759
Tax revenue	<u>4,390</u>	<u>4,327</u>
Total nonoperating revenue	<u>602,901</u>	<u>427,981</u>
NET INCOME	57,343	88,497
RETAINED EARNINGS, Beginning of Year	<u>482,171</u>	<u>393,674</u>
RETAINED EARNINGS, End of Year	<u>\$ 539,514</u>	<u>\$ 482,171</u>

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

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUND TYPE - DEBT SERVICE FUND
 For the Years Ended December 31, 1995 and 1994

	<u>1995</u>	<u>1994</u>
REVENUES		
Ad valorem taxes	\$ 170	\$ 2,460
Interest	<u>2,109</u>	<u>2,550</u>
Total revenue	<u>2,279</u>	<u>5,010</u>
EXPENDITURES		
Bonds redeemed	50,000	10,000
Interest on bonds	1,375	3,025
Fiscal agent fees	55	105
Legal and professional	107	-
Other	<u>1,092</u>	<u>131</u>
Total expenditures	<u>52,629</u>	<u>13,261</u>
Revenue under expenditures	(50,350)	(8,251)
FUND BALANCE, Beginning of Year	89,053	97,304
Residual equity transfer out	<u>\$(38,703)</u>	<u>-</u>
FUND BALANCE, End of Year	<u> </u>	<u>\$ 89,053</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, 1995 AND 1994

	<u>1995</u>	<u>1994</u>
Cash Flows from Operating and Nonoperating Activities:		
Net Income	\$ 57,343	\$ 88,497
Adjustments to reconcile net income to net cash provided by operations		
Non-cash items included in net income:		
Depreciation	39,934	32,072
Changes in working capital:		
Current assets		
(Increase) decrease in accounts receivable - patients	(6,370)	(16,112)
(Increase) decrease in other receivables	46,069	(6,431)
(Increase) decrease in inventory	(5,871)	(2,267)
(Increase) decrease in prepaid expenses	(67)	(13,620)
Current liabilities		
Increase (decrease) in bank overdrafts		(66)
Increase (decrease) in accounts payable	(3,739)	21,831
Increase (decrease) in accrued expenses	(3,134)	6,353
Increase (decrease) in payroll taxes payable		(441)
Increase (decrease) in compensated absences payable	<u>9,695</u>	<u>2,293</u>
Net cash flow from operating and nonoperating activities	<u>133,860</u>	<u>112,109</u>
Cash Flows from Investing Activities:		
Purchase of property, plant and equipment	<u>(113,897)</u>	<u>(26,723)</u>
Net cash flow from investing activities	<u>(113,897)</u>	<u>(26,723)</u>
Cash Flows from Financing Activities:		
Principle payments under capital lease obligation	(784)	(695)
Residual equity transfer in	<u>38,703</u>	<u> </u>
Net cash flow from financing activities	<u>37,919</u>	<u>(695)</u>
Net increase (decrease) in cash and cash equivalents	57,882	84,691
Cash and cash equivalents at beginning of period	<u>1,822</u>	<u>385,682</u>
Cash and cash equivalents at end of period	<u>\$ 59,704</u>	<u>\$ 470,373</u>
Supplemental Disclosure		
Cash Payment For:		
Interest	<u>\$ 585</u>	<u>\$ 711</u>

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
For the Years Ended December 31, 1995 and 1994

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, 1976.

The **District** is a political subdivision of the Catahoula Parish Police Jury. Accordingly, Governmental Accounting Standard 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, 1985, 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 responsibilities 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 Rural Health Initiative (RHI) 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, civilly 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

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2
Notes - Continued

surrounding fringe 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. 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 audits 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, 1995, the **District's** operations were funded by a Community Health Service Rural Health Initiative (RHI) grant awarded under Section 330 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.

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:

In July of 1995, the **District** opened a satalite clinic, located in Wisner, Louisiana. The satalite 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, in the amount of \$216,061. Federal grant funds under the Community Health Service Rural Health Iniative Program have not been provided for the satalite clinic. Future operations of the satalite clinic are contingent upon continued state funding and the **District's** generated revenues.

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.

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:

GOVERNMENTAL FUND TYPES

Debt Service Fund

Debt service is used to account for the accumulation of resources from and the payment of, general long-term debt principal, interest and related costs.

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 deferred compensation agency fund accounts for employer contributions and earnings that are held by a third party administrator, Lincoln National Life Insurance Company, on

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2
Notes - Continued

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.

All governmental and agency funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as 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 payor'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.

Budgets

Expenditures of the debt service fund are controlled through debt service commitments. No legal budget is required for this fund.

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.

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	20 to 40 years
Machinery and equipment	5 to 15 years
Transportation equipment	3 to 5 years
Furniture and fixtures	5 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.

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2
 Notes - Continued

Debt Service

The debt service fund was established to receive ad valorem taxes collected and to pay bonds and the interest thereon. Taxes received cannot be commingled with other funds and can be used only for the designated purpose.

NOTE 2 - CASH AND CASH EQUIVALENTS/INVESTMENTS

Cash includes amounts in demand deposits and interest-bearing 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.

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

	<u>Enterprise Fund</u>	<u>Agency Fund</u>
Cash and cash equivalents	\$ 59,704	
Investments	<u>468,551</u>	<u>\$126,473</u>
	<u>\$528,255</u>	<u>\$126,473</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, 1995, as follows:

Total deposits	<u>\$528,254</u>
Total FDIC insurance	\$100,000 (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>747,106</u> (Category III)
	<u>\$847,106</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.

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2
Notes - Continued

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Catahoula Parish Hospital Service District No. 2 that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 - OTHER RECEIVABLES

A summary of the proprietary fund other receivables at December 31, 1995 and 1994, is presented below:

	<u>1995</u>	<u>1994</u>
Employee receivable		\$ 757
Property tax receivable	\$ 3,167	
Interest receivable	2,561	486
Third party reimbursement (Read Note 11)	<u>73,406</u>	<u>123,960</u>
Totals	<u>\$ 79,134</u>	<u>\$125,203</u>

A summary of governmental fund other receivables at December 31, 1995 and 1994, is presented below:

	<u>1995</u>	<u>1994</u>
Accounts receivable - property taxes	\$	\$ 1,357
Interest receivable		<u>884</u>
Totals	<u>\$</u>	<u>\$ 2,241</u>

NOTE 4 - PROPRIETARY FUND PROPERTY, PLANT AND EQUIPMENT

A summary of the enterprise fund property, plant and equipment and accumulated depreciation at December 31, 1995 and 1994, is provided:

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2
Notes - Continued

Property, Plant and Equipment
1995

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Land	\$ 6,000			\$ 6,000
Building	145,402			145,402
Building improvements	6,482	\$ 518		7,000
Furniture and equipment	136,394	43,605		179,999
Medical equipment	109,981	69,774		179,755
Auto	<u>42,653</u>	<u> </u>	<u> </u>	<u>42,653</u>
Totals	<u>\$446,912</u>	<u>\$113,897</u>	<u> </u>	<u>\$560,809</u>

Accumulated Depreciation
1995

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Building	\$ 77,551	\$ 4,847		\$ 82,398
Building improvements	4,381	486		4,867
Furniture and equipment	83,081	16,913		99,994
Medical equipment	76,803	11,723		88,526
Auto	<u>26,357</u>	<u>5,965</u>	<u> </u>	<u>32,322</u>
Totals	<u>\$268,173</u>	<u>\$39,934</u>	<u> </u>	<u>\$308,107</u>

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2
Notes - Continued

Property, Plant and Equipment
1994

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Land	\$ 6,000			\$ 6,000
Building	145,402			145,402
Building improvements	6,482			6,482
Furniture and equipment	124,458	\$ 11,936		136,394
Medical equipment	95,444	14,537		109,981
Auto	<u>42,403</u>	<u>250</u>		<u>42,653</u>
Totals	<u>\$ 420,189</u>	<u>\$ 26,723</u>		<u>\$446,912</u>

Accumulated Depreciation
1994

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Building	\$ 72,704	\$ 4,847		\$ 77,551
Building improvements	3,891	490		4,381
Furniture and equipment	69,641	13,440		83,081
Medical equipment	69,474	7,329		76,803
Auto	<u>20,392</u>	<u>5,965</u>		<u>26,357</u>
Totals	<u>\$ 236,102</u>	<u>\$ 32,071</u>		<u>\$268,173</u>

The above property, plant and equipment cost and accumulated depreciation includes \$126,938 and \$82,963 of fully depreciated assets at December 31, 1995 and 1994, respectively.

As explained in Note 1, the District receives funding under Section 330 of the Public Health Services Act. Various restrictions are placed on the items obtained by these funds. Per the Public Health Service (PHS), Grants Policy Statement, title to real and tangible personal property (expendable and non-expendable) 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.

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2
Notes - Continued

NOTE 5 - PROPRIETARY FUND ACCRUED EXPENSES

A summary of accrued expenses of the enterprise fund at December 31, 1995 and 1994, follows:

	<u>1995</u>	<u>1994</u>
Salaries	<u>\$13,185</u>	<u>\$16,319</u>

NOTE 6 - AD VALOREM TAX BONDS

On March 22, 1978, \$160,000 of Public Improvement tax-secured bonds dated February 1, 1978, were issued. The proceeds of such bonds were used for the purpose of acquiring buildings, machinery and equipment, a medical clinic, and a residence building for medical personnel.

Bonds were issued in denominations of \$5,000, numbered consecutively from No. 1 to No. 32. Interest is paid on February 1 and August 1 of each year at rates varying from 5.25% to 5.50% per annum. (See Note No. 15)

NOTE 7 - 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, 1995. (See Note No. 17)

NOTE 8 - BOARD OF COMMISSIONERS

Each of the following commissioners serves the District without compensation:

Mrs. Jimmie Barron
Ms. Artie Miller
Dr. Sam Dale
Mr. Max Good
Mr. Charles Miller
Mr. D. C. Mitchell
Mr. Byron Turner

The District has a common director with its bank.

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2
Notes - Continued

NOTE 9 - LEASES

CAPITAL

The District entered into a lease agreement in July of 1991 for telephone equipment. This lease has been recorded as an asset in the amount of \$3,346 and the corresponding obligation as a liability. Future minimum lease payments as of December 31, 1995, are:

	<u>Year Ending December 31</u>	<u>Proprietary Fund</u>
	1996	<u>1,027</u>
Total minimum lease payments		1,027
Less: Amount representing interest		<u>335</u>
Present value of future minimum lease payments		<u>\$ 692</u>

NOTE 10 - 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 \$374,850 grant award has been approved for 1996, which represents a 95% funding level.

Unobligated Federal Funds - Per the Public Health Service, (PHS), Grants Policy Statement, the District's grant funds, including amounts awarded for the current budget period, and estimated 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 on a Notice of Grant Award. As a result 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. Those funds are not automatically available to the District. The PHS awarding office exercises sole discretion as to the use of those funds.

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2
Notes - Continued

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 11 - 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, 1995, amounts due from Medicaid and Medicare fiscal intermediaries were \$62,768 and \$18,009, respectively. These settlement amounts are subject to audit 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 (9) nine percent. The District's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through December 31, 1992.

NOTE 12 - STATE ASSISTANCE

The District was awarded a Primary Care Clinic Grant as provided for under Acts 394 and 810 of 1991 and 1992 respectively, State of Louisiana. The intent of the grant is to ensure primary care health clinic services to serve indigent and low-income persons in unserved 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 during 1994 and 1993 were \$150,000 and \$150,000 respectively.

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2
Notes - Continued

NOTE 13 - LEGAL SETTLEMENTS

On August 6, 1992, a judgement in the amount of \$25,000 was rendered in favor of the Catahoula Parish Hospital Service District No. 2 to cover the cost of a software package together with judicial interest from the date of demand and for all costs of proceedings including attorney fees of \$4,200. The judgement was served against Orion Innovative Systems for non-performance of contract services. No amounts have been reflected in the financial statements for this judgement.

NOTE 14 - EMPLOYEES RETIREMENT

Catahoula Parish Hospital Service District No. 2 participated in the Louisiana State Employee's Retirement System (LASERS) during the year ended December 31, 1994. In March of 1995, it was determined that the District was not eligible for participation in LASERS. The District substituted a plan under guidelines established under Section 457 of the Internal Revenue Code of 1954 (45 FR 85077), as revised by OBRA of 1990. All participating employees are exempt from social security tax withholding from wages. The 457 plan is a fixed annuity plan with employee contributions of 7.5% and employers contributions of 11.9%.

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 claim 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, 1995, investments were recorded in an agency fund at the fair market value of \$126,473.

All employee contributions to LASERS were refunded to employees and employer contributions were rolled into the 457 plan. The amount rolled into the 457 plan was \$25,832.

NOTE 15 - BOND RETIREMENT

At a meeting held on November 9, 1994, the Board of Commissioners of Catahoula Parish Hospital Service District No. 2 adopted a resolution that provided for the redemption of the District's

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2
Notes - Continued

outstanding Public Improvement Bonds, dated February 1, 1978, which mature on February 1 of the years 1996 to 1998, inclusive. On February 1, 1995 bonds with an outstanding balance of \$40,000 (see Note 6) were called for redemption and the scheduled February 1, 1995 bonds due of \$10,000 were redeemed. Security First National Bank in Alexandria, LA served as paying agent for the bonds.

NOTE 16 - SUBSEQUENT EVENT

On December 13, 1995, 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 Post VII, Chapter 4, Title 39 of the Louisiana Revised Statutes of 1950, as amended. A resolution finding and 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 \$1.3 million with the remaining funds being provided by \$300,000 of LA state grant funds. (See Note No. 12)

The bonds are to be sold to Rural Economic and Community Development (formerly FmHA).

NOTE 17 - CHANGES IN LONG TERM DEBT

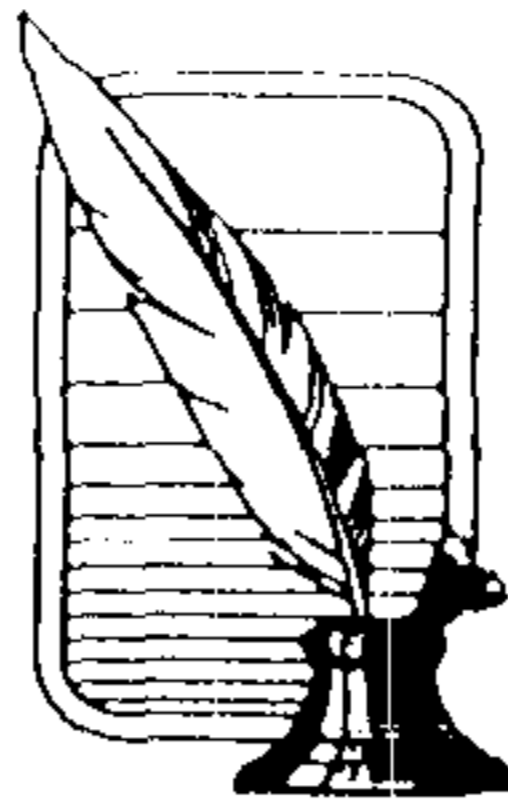
<u>Balance</u> <u>January 1, 1995</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31, 1995</u>
\$50,000		\$(50,000)	-0-

(See Note No. 15)

NOTE 18 - CHANGES IN AGENCY FUND-DEFERRED COMPENSATION BENEFITS PAYABLE

<u>Balance</u> <u>January 1, 1995</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31, 1995</u>
-0-	\$ 126,798	\$ (325)	\$ 126,473

SUPPLEMENTARY INFORMATION



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Catahoula Parish Hospital
Service District No. 2
Sicily Island, Louisiana

We have audited the general purpose financial statements of the Catahoula Parish Hospital Service District No. 2, a component unit of Catahoula Parish Police Jury, as of and for the year ended December 31, 1995, and have issued our report thereon dated May 3, 1996.

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 (OMB) Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 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 Catahoula Parish Hospital Service District No. 2 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 that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any 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 of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of Catahoula Parish Hospital Service District No. 2 for the year ended December 31, 1995, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. Accordingly, we do not express such an opinion.

The following management suggestions for the year ended December 31, 1995 have been implemented: (a) pre-numbered super bills are being used, (b) patient files are reviewed by someone not involved in the application and billing process.

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 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 functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of the Board of Commissioners, administrative board, and all applicable state and federal agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Certified Public Accountants
May 3, 1996



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
LAWS AND REGULATIONS BASED ON AN AUDIT OF THE GENERAL
PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Catahoula Parish Hospital
Service District No. 2
Sicily Island, Louisiana

We have audited the general purpose financial statements of the Catahoula Parish Hospital Service District No. 2, a component unit of Catahoula Parish Police Jury, for the year ended December 31, 1995, and have issued our report thereon dated May 3, 1996.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments." 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.

Compliance with laws, regulations, contracts, and grants applicable to the Catahoula Parish Hospital Service District No. 2 is the responsibility of the Catahoula Parish Hospital Service District No. 2 organization's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the Catahoula Parish Hospital Service District No. 2 compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

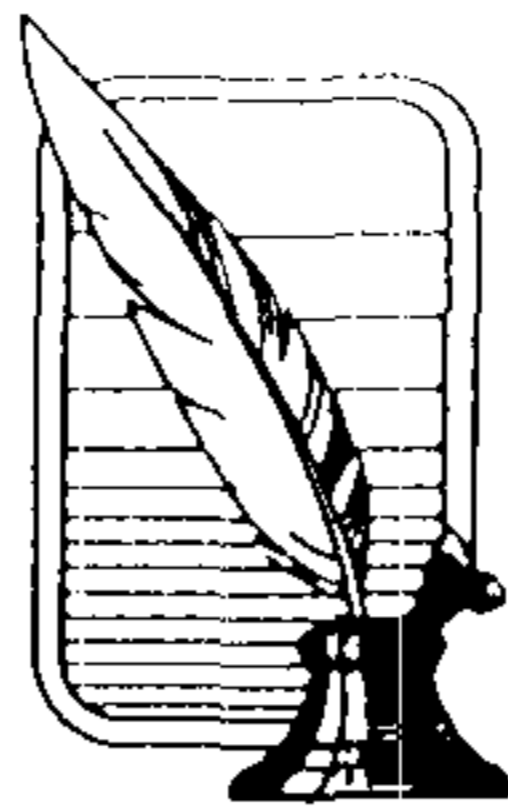
The results of our tests indicate that, with respect to the items tested, the Catahoula Parish Hospital Service District No. 2 complied, in all material respects, with the provisions referred to in the preceding paragraph.

With respect to items not tested, nothing came to our attention that caused us to believe that the Organization had not complied, in all material respects, with those provisions.

This report is intended for the information of the board of directors, administrative board, management and all applicable state and federal agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Certified Public Accountants
May 3, 1996



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INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

Board of Commissioners
Catahoula Parish Hospital
Service District No. 2
Sicily Island, Louisiana

We have audited the general purpose financial statements of the Catahoula Parish Hospital Service District No. 2, a component unit of Catahoula Parish Police Jury, for the year ended December 31, 1995, and have issued our report thereon dated May 3, 1996. These financial statements are the responsibility of the District's Board of Trustees. Our responsibility is to express an opinion on these 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. 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 general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the Catahoula Parish Hospital Service District No. 2 taken as a whole. The accompanying schedule of federal financial assistance is presented for purposes of additional analysis and is not a required part of the financial statements of the Catahoula Parish Hospital Service District No. 2. The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Dautzat, Beall & DeBevec
Certified Public Accountants
May 3, 1996

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2
 Sicily Island, Louisiana

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED DECEMBER 31, 1995

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program amount Received</u>
<u>U.S. Department of Health and Human Services, Public Health Service</u>			
Direct Program:			
Community Health Center Rural Health Initiative Grant	93.224	N/A	<u>\$ 360,895</u>
Total U.S. Department of Health and Human Services			<u>\$ 360,895</u>



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INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE USED IN ADMINISTRATING FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Board of Commissioners
Catahoula Parish Hospital
Service District No. 2
Sicily Island, Louisiana

We have audited the general purpose financial statements of the Catahoula Parish Hospital Service District No. 2, a component unit of Catahoula Parish Police Jury, for the year ended December 31, 1995, and have issued our report thereon dated May 3, 1996. We have also audited the compliance of Catahoula Parish Hospital Service District No. 2 with requirements applicable to major federal financial assistance programs and have issued our report thereon dated May 3, 1996.

We conducted our audits in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement and whether the Catahoula Parish Hospital Service District No. 2 complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit for the year ended December 31, 1995, we considered the internal control structure of Catahoula Parish Hospital Service District No. 2 in order to determine our auditing procedures for the purpose of expressing our opinions on the general purpose financial statements of Catahoula Parish Hospital Service District No. 2 and on the compliance of Catahoula Parish Hospital Service District No. 2 with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed

internal control structure policies and procedures relevant to our audit of the general purpose financial statements in a separate report dated May 3, 1996.

The management of Catahoula Parish Hospital Service District No. 2 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, 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, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors or irregularities or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report , we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

General Requirements

Political Activity
Civil Rights
Cash Management
Federal Financial Reports
Allowable Costs/Cost Principles
Drug-Free Workplace Act
Administrative Requirements

Specific Requirements

Types of Services Allowed or Disallowed
Eligibility
Level of Effort and Matching
Special Reporting Requirements
Special Tests and Provisions
Claims for Advances and Reimbursements

Amounts Claimed for Advances and Reimbursements

For the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended December 31, 1995, Catahoula Parish Hospital Service District No. 2 expended 100% of its total federal financial assistance under major federal financial assistance programs.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements and general requirements that are applicable to the Catahoula Parish Hospital Service District No. 2's major federal financial assistance program, which is identified in the accompanying Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

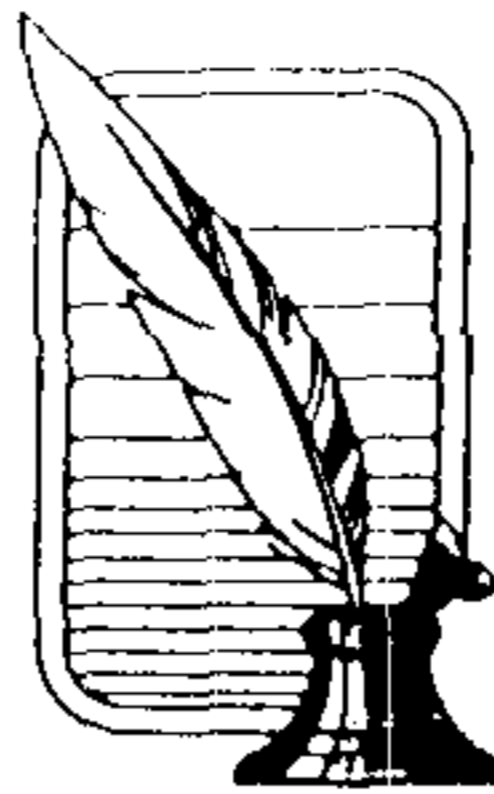
A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited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

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses as defined above. However, we noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of the Board of Commissioners, administrative board, and all applicable state and federal agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Certified Public Accountants
May 3, 1996



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Board of Commissioners
Catahoula Parish Hospital
Service District No. 2
Sicily Island, Louisiana

We have audited the general purpose financial statements of Catahoula Parish Hospital Service District No. 2, a component unit of Catahoula Parish Police Jurey, as of and for the year ended December 31, 1995, and have issued our report thereon dated May 3, 1996.

We have applied procedures to test the Catahoula Parish Hospital Service District No. 2's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance, for the year ended December 31, 1995: political activity, civil rights, cash management, federal financial reports, allowable costs/cost principles, drug free work place act and administrative requirements.

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Single Audits of State and Local Governments". Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Catahoula Parish Hospital Service District No. 2's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the first paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Catahoula Parish Hospital Service District No. 2 had not complied, in all material respects, with those requirements.

This report is intended for the information of the board of commissioners, administrative board, management and all applicable state and federal agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Danzon Beall & DeBevoise

Certified Public Accountants
May 3, 1996

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Board of Commissioners
Catahoula Parish Hospital
Service District No. 2
Sicily Island, Louisiana

We have audited the general purpose financial statements of Catahoula Parish Hospital Service District No. 2, a component of Catahoula Parish Police Jury, as of and for the year ended December 31, 1995, and have issued our report thereon dated May 3, 1996.

We have also audited Catahoula Parish Hospital Service District No. 2's compliance with the requirements governing types of services allowed or disallowed; eligibility; level of effort and matching; special reporting requirements; special tests and provisions; claims for advances and reimbursements and amounts claimed for advances and reimbursements that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance, for the year ended December 31, 1995. The Board of Trustees of Catahoula Parish Hospital District No. 2 is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements 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-128, "Audits of States and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, Catahoula Parish Hospital Service District No. 2 complied, in all material respects, with the requirements listed in the second paragraph that are applicable to its major federal financial assistance program for the year ended December 31, 1995.

This report is intended for the information of the board of commissioners, administrative board, management and all applicable state and federal agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Certified Public Accountants
May 3, 1996