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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, 2003 and 2002

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 8/4/04

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2

**GENERAL PURPOSE FINANCIAL STATEMENTS
For the Years Ended December 31, 2003 and 2002**

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DAUZAT, BEALL & DEBEVEC, CPAs

A PROFESSIONAL CORPORATION

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, 2003 and 2002, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 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, 2003 and 2002, 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 June 24, 2004 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.



Dausat, Beall, & Debevec, CPAs, APC
June 24 , 2004

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
December 31, 2003 and 2002

	<u>Governmental Fund</u> <u>Type</u>	<u>Proprietary Fund</u> <u>Type</u>	<u>Fiduciary Fund</u> <u>Type</u>	<u>Totals</u> <u>Year Ended</u>	
	<u>Debt</u> <u>Service</u>	<u>Enterprise</u>	<u>Agency Fund</u>	2003	2002
ASSETS					
Cash and cash equivalents	\$ 68,578	\$ 90,301		\$ 158,879	\$ 272,744
Investments		255,721	\$ 904,560	1,160,281	931,476
Accounts receivable - net of estimated uncollectibles and allowances of \$52,099 and \$20,200 in 2003 and 2002 respectively		178,029		178,029	120,997
Other receivables		375,223		375,223	3,834
Inventory		26,161		26,161	18,634
Prepaid expenses		33,743		33,743	33,729
Property, plant and equipment, net of accumulated depreciation		1,377,446		1,377,446	1,454,906
Amount available in debt service fund		18,034		18,034	67,567
Amount to be provided for retirement of revenue bonds payable		291,391		291,391	241,858
Total Assets	<u>\$68,578</u>	<u>\$2,646,049</u>	<u>\$ 904,560</u>	<u>\$ 3,619,187</u>	<u>\$ 3,145,745</u>
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts payable		\$ 174,473		\$ 174,473	\$ 119,708
Accrued expenses		64,223		64,223	53,006
Compensated absences		19,637		19,637	29,662
Capital lease payable		1,170		1,170	4,432
Due to fiscal intermediaries		18,136		18,136	28,148
Revenue bonds payable		291,391		291,391	309,425
Deferred compensation benefits payable			\$ 904,560	904,560	695,163
Total Liabilities		<u>569,030</u>	<u>904,560</u>	<u>1,473,590</u>	<u>1,239,544</u>
FUND EQUITY					
Reserved - Debt Service	\$ 68,578	10,638		79,216	73,095
Reserved - Contingency		11,512		11,512	6,368
Retained Earnings		2,054,869		2,054,869	1,826,738
Total Fund Equity	<u>68,578</u>	<u>2,077,019</u>		<u>2,145,597</u>	<u>1,906,201</u>
Total Liabilities and Fund Equity	<u>\$68,578</u>	<u>\$ 2,646,049</u>	<u>\$ 904,560</u>	<u>\$ 3,619,187</u>	<u>\$ 3,145,745</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, 2003 and 2002

	<u>2003</u>	<u>2002</u>
REVENUE		
Interest income	\$ 969	\$ 926
Total revenue	969	926
OTHER FINANCING SOURCES (USES)		
Transfers in	32,000	32,000
Bonds Retired	<u>(31,958)</u>	<u>(31,958)</u>
Net of revenues and other sources over expenditures and other uses	1,011	968
Fund Balance, Beginning of year	<u>67,567</u>	<u>66,599</u>
Fund Balance, End of Year	<u>\$ 68,578</u>	<u>\$ 67,567</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, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
REVENUES		
Net Patient service revenue	\$ 1,132,472	\$ 681,217
Other Revenue	<u>6,151</u>	<u> </u>
Total operating revenue	<u>1,138,623</u>	<u>681,217</u>
OPERATING EXPENSES		
Salaries and wages	896,371	830,551
Utilities and telephone	73,551	85,941
Office supplies and expense	33,619	21,081
Medical supplies and drugs	68,606	98,849
Contractual fees	115,544	146,761
Payroll taxes	36,587	31,579
Travel	15,816	18,905
Repairs and maintenance	96,482	70,328
Equipment rentals	9,633	6,442
Insurance	83,193	78,420
Fees, dues and subscriptions	58,096	33,526
Interest	14,514	754
Bad debts	52,009	45,584
Retirement expense	47,529	47,621
Patient transportation	12,131	1,960
Depreciation	105,476	101,577
Other	3,507	219
Recruitment and training	18,172	11,853
Rent	<u>18,000</u>	<u>18,000</u>
Total operating expenses	<u>1,758,836</u>	<u>1,649,951</u>
Loss from operations	<u>(620,213)</u>	<u>(968,734)</u>
NONOPERATING REVENUE		
Rural Health Initiative Grant proceeds	820,813	820,057
Rapides Foundation Grant proceeds		87,882
Robert Johnson Grant proceeds		1,711
Grant proceeds - BHFD	12,875	
Interest income	9,947	9,016
Tax revenue	<u>4,709</u>	<u>4,257</u>
Total nonoperating revenue	<u>848,344</u>	<u>922,923</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers in	<u> </u>	<u>32,000</u>
Net other financing sources (uses)	<u> </u>	<u>32,000</u>
NET INCOME (LOSS)	228,131	(13,811)
RETAINED EARNINGS, Beginning of Year	1,826,738	1,840,549
	<u> </u>	<u> </u>
RETAINED EARNINGS, End of Year	<u>\$ 2,054,869</u>	<u>\$ 1,826,738</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, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
Cash Flows from Operating and Nonoperating Activities:		
Net Income (Loss)	\$ 228,131	\$ (13,811)
Adjustments to reconcile net income to net cash provided by operations		
Non-cash items included in net income:		
Depreciation	105,476	101,577
Bad debts	52,099	
Changes in working capital:		
Current assets		
(Increase) decrease in accounts receivable - patients	(88,931)	24,036
(Increase) decrease in other receivables	(371,389)	89,560
(Increase) decrease in inventory	(7,527)	(728)
(Increase) decrease in prepaid expenses	(14)	(15,292)
Current liabilities		
Increase (decrease) in due to intermediaries	(10,012)	28,148
Increase (decrease) in accounts payable	54,765	62,240
Increase (decrease) in accrued expenses	11,217	(9,015)
Increase (decrease) in compensated absences payable	<u>(10,025)</u>	<u>695</u>
Net cash flow from operating and nonoperating activities	<u>(36,210)</u>	<u>267,410</u>
Cash Flows from Investing Activities:		
Purchase of property, plant and equipment	(31,760)	(58,000)
Investment purchases	<u>(25,610)</u>	<u>(111,383)</u>
Net cash flow from investing activities	<u>(57,370)</u>	<u>(169,383)</u>
Cash Flows from Financing Activities:		
Capital Lease reduction	(3,262)	(3,219)
Reduction in bonds payable	<u>(18,034)</u>	<u>(17,257)</u>
Net cash flow from financing activities	<u>(21,296)</u>	<u>(20,476)</u>
Net increase (decrease) in cash and cash equivalents	(114,876)	77,551
Cash and cash equivalents at beginning of period	<u>205,177</u>	<u>127,626</u>
Cash and cash equivalents at end of period	<u>\$ 90,301</u>	<u>\$ 205,177</u>
Supplemental Disclosure		
Cash Payment For:		
Interest	<u>\$ 14,514</u>	<u>\$ 754</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, 2003 and 2002

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 **District** 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 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.

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 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, 2003, 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.

In July of 1995, the **District** opened a satellite clinic, located in Wisner, Louisiana. The satellite clinic provides the same services as the **District**. During the year 1999, the satellite clinic was approved in the scope of services provided by the **District** under DHHS regulations. Future operations of the satellite clinic are contingent upon continued funding and the **District's** generated revenues.

In June of 2000, the **District** opened a dental clinic located in Sicily Island, Louisiana. The dental clinic operations were funded by a grant from the Rapides Foundation with a duration of 5 years.

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 three 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 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.

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2

Notes - Continued

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.

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	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 current operations..

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.

Debt Service

The debt service fund was established to receive revenue and to pay bonds and the interest thereon. Revenue 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.

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2
 Notes - Continued

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:

	Enterprise <u>Fund</u>	Debt Service <u>Fund</u>	<u>Agency Fund</u>
Cash and cash equivalents	\$ 90,301	\$ 68,578	
Investments	<u>255,721</u>	<u> </u>	\$ 904,560
	<u>\$ 346,022</u>	<u>\$ 68,578</u>	<u>\$ 904,560</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, 2003, as follows:

Total deposits	<u>\$414,600</u>	
Total FDIC insurance	\$200,000	(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>\$273,702</u>	(Category III)
	<u>\$573,702</u>	

The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent.

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.

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2
Notes - Continued

NOTE 3 - OTHER RECEIVABLES

A summary of the proprietary fund other receivables at December 31, 2003 and 2002, is presented below:

	<u>2003</u>	<u>2002</u>
Property tax receivable	\$ 2,751	\$ 2,744
Interest receivable	857	1,090
Third party reimbursement -Net (Read Note 9)	129,826	-0-
Grants receivable – RHI	<u>241,789</u>	<u>-0-</u>
Totals	<u>\$ 375,223</u>	<u>\$ 3,834</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, 2003 and 2002, is provided:

	<u>Property, Plant and Equipment</u> <u>2003</u>			
	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending</u> <u>Balance</u>
Land	\$ 31,077			\$ 31,077
Building	1,273,336			1,273,336
Building improvements	16,582			16,582
Furniture and equipment	343,235	\$ 12,311		355,546
Medical equipment	521,840	1,652		523,492
Vehicles	<u>42,653</u>	<u>17,797</u>		<u>60,450</u>
Totals	<u>\$2,228,723</u>	<u>\$ 31,760</u>	<u>-0-</u>	<u>\$ 2,260,484</u>

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2
Notes - Continued

	<u>Beginning Balance</u>	<u>Accumulated Depreciation 2002</u>		<u>Ending Balance</u>
		<u>Additions</u>	<u>Dispositions</u>	
Building	\$ 231,229	\$ 33,367		\$ 264,596
Building improvements	10,480	1,154		11,634
Furniture and equipment	249,243	30,124		279,367
Medical equipment	243,957	39,503		283,010
Auto	42,653	1,780		44,433
Totals	<u>\$ 777,563</u>	<u>\$ 105,477</u>	<u>-0-</u>	<u>\$ 883,040</u>

	<u>Beginning Balance</u>	<u>Property, Plant and Equipment 2002</u>		<u>Ending Balance</u>
		<u>Additions</u>	<u>Dispositions</u>	
Land	\$ 31,077			\$ 31,077
Building	1,273,336			1,273,336
Building improvements	16,582			16,582
Furniture and equipment	343,235			343,235
Medical equipment	463,840	\$ 58,000		521,840
Vehicles	42,653			42,653
Totals	<u>\$ 2,170,723</u>	<u>\$ 58,000</u>	<u>-0-</u>	<u>\$ 2,228,723</u>

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.

Fully depreciated assets at December 31, 2003 totaled \$313,746.

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2

Notes - Continued

	Beginning <u>Balance</u>	Accumulated Depreciation <u>2002</u>		Ending <u>Balance</u>
		<u>Additions</u>	<u>Dispositions</u>	
Building	\$ 195,059	\$ 32,425		\$ 227,484
Buildomg improvements	9,319	1,161		10,480
Furniture and equipment	219,715	29,528		249,243
Medical equipment	205,494	38,463		243,957
Vehicle	<u>42,653</u>	<u> </u>	<u> </u>	<u>42,653</u>
Totals	<u>\$ 672,240</u>	<u>\$ 101,577</u>	<u>-0-</u>	<u>\$ 773,817</u>

NOTE 5 - PROPRIETARY FUND ACCRUED EXPENSES

Accrued expenses of the enterprise fund at December 31, 2003 and 2002, is comprised of salaries payable and related payroll expenses.

NOTE 6 - COMPENSATED ABSENCES

The District's employees earn annual leave at a rate of one (1) day per month for three (3) years of service, and one and one-half day after three (3) years of service, and two (2) days per month after fifteen (15) years of employment. Annual leave can accrue up to 30 days. Accrued leave reflected in the financial statements is accumulated unused vacation as of December 31, 2003.

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 \$820,813 grant award has been approved for 2004.

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.

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, 2003, amounts due to and from fiscal intermediaries are subject to audit and adjustment by the fiscal intermediaries. These amounts have been reflected in the financial statements as assets and liabilities. An allowance for disputed costs has been estimated at 50% and reflected in these financial statements. Allowable costs are disputed upon audit by fiscal intermediaries.

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2

Notes - Continued

NOTE 10 - EMPLOYEES RETIREMENT

The **District** participates in 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% for physicians and 6.2% for all other employees.

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, 2003, investments were recorded in an agency fund at the fair market value of \$904,560.

NOTE 11 - REVENUE BONDS

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 was approximately \$1.3 million with funds provided by the state of Louisiana.

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

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2

Notes - Continued

NOTE 12 - CHANGES IN AGENCY FUND-DEFERRED COMPENSATION BENEFITS PAYABLE

<u>Balance</u> <u>January 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31, 2003</u>
\$695,163	\$230,279	\$(20,882)	\$904,560

NOTE 13 - BONDED DEBT

The **District** bonds outstanding at December 31, 2003, in the amount of \$291,391 are revenue bonds. All principal and interest requirements are funded by revenue generated by the **District**. At December 31, 2003, the **District** has accumulated \$68,578 in the debt service fund for future debt requirements. The bonds are due as follows:

<u>Year Ending December 31,</u>	<u>Principal</u> <u>Payments</u>	<u>Interest</u> <u>Payments</u>	<u>Total</u>
2004	\$ 18,846	\$ 13,113	\$ 31,958
2005	19,694	12,264	31,958
2006	20,580	11,378	31,958
2007	21,506	10,452	31,958
2008-2015	<u>210,765</u>	<u>44,898</u>	<u>255,663</u>
Total	<u>\$291,391</u>	<u>\$ 92,125</u>	<u>\$ 383,496</u>

NOTE 14 - CAPITAL LEASE

During the year the **District** purchased a telephone system under a lease arrangement classified as a capital lease. The purchase price was \$13,772 and financed for 60 monthly payments of \$298.84. The effective annual interest rate is 11.479%. Future obligations under this lease arrangement are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u> <u>Payments</u>	<u>Interest</u> <u>Payments</u>	<u>Total</u>
2004	<u>1,170</u>	<u>27</u>	<u>1,197</u>
Total	<u>\$ 1,170</u>	<u>\$ 27</u>	<u>\$ 1,197</u>



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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*

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

We have audited the general purpose financial statements of the Catahoula Parish Hospital Service District No. 2 as of and for the year ended December 31, 2003, and have issued our report thereon dated June 24, 2004. 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 Catahoula Parish Hospital Service District No. 2's general purpose 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 those 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 Catahoula 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 general purpose 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 functions. 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.



Dausat, Beall & Debevec, CPAs, APC
June 24, 2004

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

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

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, 2003. 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, *Audits 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, 2003.

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.



Dautat, Beall & Debevec, CPAs, APC
June 24, 2004

**CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2003**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	_____yes <input checked="" type="checkbox"/> no
Reportable condition(s) identified not considered to be material weaknesses?	_____yes <input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	_____yes <input checked="" type="checkbox"/> no

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	_____yes <input checked="" type="checkbox"/> no
Reportable condition(s) identified not considered to be material weaknesses?	_____yes <input checked="" type="checkbox"/> no
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____yes <input checked="" type="checkbox"/> no

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2003

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program Amount Received</u>	<u>Program Expenditures</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>\$ 820,813</u>	<u>\$ 820,813</u>
Total U.S. Department of Health and Human Services			<u>\$820,813</u>	<u>\$ 820,813</u>