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**HOSPITAL SERVICE DISTRICT #2
OF BEAUREGARD PARISH
DeRidder, Louisiana**

**Financial Statements and
Supplementary Information
Years Ended October 31, 1999 and 1998**

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 3-1-00

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Founded in 1978

BROUSSARD & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Hospital Service District No. 2
of Beauregard Parish
DeRidder, Louisiana

We have audited the accompanying balance sheets of Hospital Service District No. 2 of Beauregard Parish as of October 31, 1999 and 1998, and the related statements of revenue and expenses, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital Service District No. 2 of Beauregard Parish as of October 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated February 11, 2000, on our consideration of Hospital Service District No. 2 of Beauregard Parish internal control structure and a report dated February 11, 2000, on its compliance with laws and regulations.

Broussard & Company

Lake Charles, Louisiana
February 11, 2000
/dkb

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HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Balance Sheets
As of October 31,

	1999	1998
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 708,737	\$ 351,169
Assets whose use is limited - required for current liabilities	527,576	363,512
Patient accounts receivable, net of estimated uncollectibles of \$8,931,247 in 1999 and \$7,242,176 in 1998	5,026,878	4,401,841
Inventories	752,564	483,106
Interest receivable	65,025	91,379
Prepaid expenses	116,489	143,927
Due from West Louisiana Health Services	-	100,851
Total Current Assets	7,197,269	5,935,785
Assets Whose Use Is Limited - Net of Current Portion		
By board for funded depreciation	4,780,719	3,717,696
By bond indenture, net of current portion	648,061	615,362
Assets Whose Use Is Limited - Net of Current Portion	5,428,780	4,333,058
Property, Plant and Equipment		
Land	409,060	281,077
Buildings	10,917,715	10,072,329
Equipment	10,057,533	9,972,703
Construction in progress	2,650,876	1,093,740
Accumulated depreciation	(11,626,781)	(11,131,455)
Net Property, Plant and Equipment	12,408,403	10,288,394
TOTAL ASSETS	\$ 25,034,452	\$ 20,557,237

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

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Balance Sheets
As of October 31,

	1999	1998
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of long-term debt	\$ 445,000	\$ 325,000
Accrued interest payable	82,576	38,512
Other payables	117,150	-
Estimated third party payor settlements - Medicare/Medicaid	554,354	299,030
Due to West Louisiana Health Services	824,242	-
Total Current Liabilities	2,023,322	662,542
Long-Term Debt		
Long-term debt, net of current portion	4,875,000	2,820,000
Other payables	60,809	-
Total Long-Term Debt	4,935,809	2,820,000
Equity		
Contributed capital	4,420,248	4,420,248
Retained earnings	13,655,073	12,654,447
Total Equity	18,075,321	17,074,695
TOTAL LIABILITIES AND EQUITY	\$ 25,034,452	\$ 20,557,237

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

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Statements of Revenues and Expenses
For The Years Ended October 31,

	1999	1998
NET PATIENT SERVICE REVENUE	\$ 24,520,554	\$ 24,863,422
OTHER REVENUE	587,763	506,146
TOTAL REVENUE	25,108,317	25,369,568
EXPENSES		
Nursing expenses	3,161,539	3,251,358
Other professional service expenses	10,415,406	9,980,292
General service expenses	2,350,554	2,175,882
Fiscal and administrative service expenses	4,124,718	4,015,651
Depreciation	1,266,481	1,196,622
Provision for bad accounts	2,838,678	2,631,472
Total Expenses	24,157,376	23,251,277
INCOME FROM OPERATIONS	950,941	2,118,291
NON-OPERATING REVENUE AND (EXPENSES)		
Interest income	319,890	284,700
Interest expense	(264,496)	(167,403)
Gain (loss) on disposal of plant and equipment	(6,709)	(31,794)
Other	1,000	4,769
Total Non-Operating Revenue and (Expenses)	49,685	90,272
EXCESS OF REVENUE OVER EXPENSES	\$ 1,000,626	\$ 2,208,563

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

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Statements of Retained Earnings
For The Years Ended October 31,

	<u>1999</u>	<u>1998</u>
RETAINED EARNINGS, November 1,	\$ 12,654,447	\$ 10,445,884
EXCESS OF REVENUE OVER EXPENSES	<u>1,000,626</u>	<u>2,208,563</u>
RETAINED EARNINGS, October 31,	<u>\$ 13,655,073</u>	<u>\$ 12,654,447</u>

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

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Statements of Cash Flows
For The Years Ended October 31,

	1999	1998
Cash Flows From Operating Activities:		
Income from operations	\$ 950,941	\$ 2,118,291
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation	1,266,481	1,196,622
Provision for losses on accounts receivable, net	1,689,071	537,753
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(2,314,108)	(1,156,850)
(Increase) decrease in other receivables	100,851	(100,851)
(Increase) decrease in inventory	(269,458)	(55,655)
(Increase) decrease in interest receivable	26,354	(27,495)
(Increase) decrease in prepaid expenses	27,438	8,795
Increase (decrease) in payables and other accrued expenses	1,123,630	(852,287)
Total Adjustments	1,650,259	(449,968)
Net Cash Provided by Operating Activities	2,601,200	1,668,323
Cash Flows From Investing Activities:		
(Increase) decrease in assets whose use is limited	(1,213,207)	637,417
Interest income	319,890	284,700
Net Cash Provided (Used) by Investing Activities	(893,317)	922,117
Cash Flows From Capital and Related Financing Activities:		
Proceeds from bond issue	2,500,000	-
Capital expenditures	(3,129,848)	(2,239,635)
Principal payment on bonds	(325,000)	(320,000)
Payments on other payables	(75,242)	-
Interest payments	(274,647)	(167,403)
Other	1,000	15,169
Net Cash (Used) by Capital and Related Financing Activities	(1,303,737)	(2,711,869)
Increase (Decrease) in Cash and Cash Equivalents	404,146	(121,429)
Cash and Cash Equivalents - Beginning of Year	642,459	763,888
Cash and Cash Equivalents - End of Year	\$ 1,046,605	\$ 642,459

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

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Statements of Cash Flows
For The Years Ended October 31,

	1999	1998
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest, net of capitalization of \$10,186	\$ 220,432	\$ 170,481
 Non-cash financing activities:		
Purchase of software and computer equipment through seller financing	\$ 253,200	\$ -
 Cash and cash equivalents:		
Unrestricted	\$ 708,737	\$ 351,170
Assets whose use is limited	337,868	291,289
	\$ 1,046,605	\$ 642,459

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

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Notes to Financial Statements
October 31, 1999 and 1998

Note 1 - Organization and Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

GASB No. 20 requires that governments' proprietary activities apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins. Governments are given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The hospital has elected not to implement FASB Statements and Interpretations issued after November 30, 1989.

The Beauregard Memorial Hospital facilities are owned by the Hospital Service District #2 of Beauregard Parish. It is owned as a nonprofit corporation organized by the Beauregard Parish Police Jury under the provisions of Chapter 10 of Title 46 of the Louisiana revised statutes of 1950 and Act No. 506 of the Louisiana Legislature for the year 1976. The governing authority of the Hospital Service District is a Board of Commissioners appointed to office by the Beauregard Parish Police Jury.

On June 6, 1979, the Board of Commissioners of the Hospital Service District entered into an agreement with the Board of Trustees of Beauregard Memorial Hospital to manage and operate the hospital facilities. Under the terms of this agreement, which will expire in 99 years from the date executed if all the renewal period options are exercised, the Board of Trustees of Beauregard Memorial Hospital would collect all revenues and deposit to the account of the Hospital Service District and pay all necessary expenses incurred during the normal operations of the hospital. The Hospital Service District would then reimburse Beauregard Memorial Hospital for these expenses.

During the year ended October 31, 1984, the Board of Trustees of Beauregard Memorial Hospital elected to change their name to the Board of Trustees of West Louisiana Health Services, Inc. The nonprofit corporation's name was changed to West Louisiana Health Services, Inc.

Reporting Entity - As more fully described, the Hospital Service District #2 of Beauregard Parish is governed by a board appointed by the Beauregard Parish Police Jury. Therefore, the Hospital Service District is a component unit of the Beauregard Parish Police Jury.

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Notes to Financial Statements (Continued)
October 31, 1999 and 1998

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

The hospital has agreements with third-party payors that provide for payments to the hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. *Inpatient nonacute services, certain outpatient services, and defined capital and medical education costs* related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the hospital and audits thereof by the Medicare fiscal intermediary. The hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the hospital.

Medicaid - Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per patient day. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the hospital and audits thereof by the Medicaid fiscal intermediary.

The hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Charity Care - The hospital does not maintain records to identify and monitor the level of charity care it provides. These unidentified amounts are charged to bad debts and are included in bad debt expenses on the Statement of Revenue and Expenses.

Inventories - Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out method.

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Notes to Financial Statements (Continued)
October 31, 1999 and 1998

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Property, plant, and equipment - The property, plant, and equipment of the hospital is recorded at cost. Depreciation amounted to \$1,266,481 and \$1,196,622 for the years ended October 31, 1999 and 1998, respectively, and was calculated using the straight-line method over the estimated useful lives of the various assets shown below:

	Method	Life
Buildings	SL	5-40 Years
Equipment	SL	3-20 Years
Land Improvements	SL	5-15 Years

The costs of maintenance and repairs of property and equipment are charged to expense as incurred. Expenditures for additions, improvements, and replacements are capitalized. The cost and related accumulated depreciation of property and equipment retired are removed from the accounts and any resulting gain or loss is recognized.

Cash and Cash Equivalents

The hospital considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments

Investments are stated at cost or amortized cost, which approximates market.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice claims and judgments. Commercial insurance coverage is purchased for claims arising from such matters. The Hospital is self-insured for employee health benefits as discussed in Note. 14.

Reclassifications

Certain changes have been made to the presentation of the October 31, 1998 financial statements to conform to the current period presentation.

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Notes to Financial Statements (Continued)
October 31, 1999 and 1998

Note 2 - Assets Whose Use is Limited

Under the terms of the bond indenture on outstanding Hospital Revenue Bonds of Hospital Service District #2 of the Parish of Beauregard, State of Louisiana, dated June 27, 1979, all of the income, revenues, and receipts earned by the District from the operation of the new hospital facility must be deposited as the same are collected in the Hospital Operating Fund. Monies in the Hospital Operating Fund shall be first used for the payment of all reasonable and necessary expenses of operating and maintaining the hospital.

From the excess monies in the Hospital Operating Fund, the following funds shall be established, maintained, and administered in the following order of priority and for the following express purposes:

- A. On or before the 20th day of each month of each year a sum equal to one-twelfth (1/12th) of the total amount of principal and interest falling due in the ensuing year, together with such additional proportionate sums as may be required to pay said principal and interest as the same respectively become due shall be deposited into a "Hospital Revenue Bond and Interest Sinking Fund". These deposits shall be fully sufficient to pay promptly the principal and interest installments as they become due, and may only be used for that purpose.
- B. Beginning with the first month in which the hospital becomes revenue producing, a sum at least equal to 10% of the monthly amount paid to the above mentioned Sinking Fund, shall be deposited monthly on or before the 20th day of each month into a "Hospital Revenue Bond Reserve Fund". These monthly deposits shall continue until there is on deposit an amount equal to \$484,850. The money in the Reserve Fund is to be retained solely for the purpose of paying the principal and interest on bonds payable for which sufficient funds are not on deposit in the Bond and Interest Sinking Fund as to which there would otherwise be default.
- C. Commencing with the month following completion of construction of the hospital, on or before the 20th day of each month, an amount equal to \$1,960 shall be deposited into a "Hospital Depreciation and Contingencies Fund". Money in this fund shall be used to care for depreciation, extensions, additions, improvements, and replacements necessary to operate properly the hospital. Money in this fund may also be used to pay principal or interest on the bonds falling due at any time there is not sufficient money for payment in the Sinking or Reserve Fund.

Subject to the foregoing priorities, the balance of the excess funds on deposit in the Hospital Operating Fund may be used by the Borrower for the purpose of calling or paying bonds or for any other lawful corporate purpose.

Funded depreciation is so designated by the Board to replace and repair buildings and equipment.

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Notes to Financial Statements (Continued)
October 31, 1999 and 1998

Note 3 - Bonds Payable

On June 27, 1979, Hospital Revenue Bonds of Hospital Service District #2 in the amount of \$3,500,000 were issued in order to secure financing for a new community hospital. These Hospital Revenue Bonds bear interest at a rate of 5% and are to be retired over a 30 year period by making annual principal and interest payments on June 27 of each year of between \$233,750 and \$229,500.

On December 7, 1998, Hospital Revenue Bonds of Hospital Service District #2 in the amount of \$2,500,000 were issued to finance a portion of constructing improvements to the Hospital and acquiring equipment and furnishings. These Hospital Revenue Bonds bear interest at a rate of 5.5% and are to be retired over a 15 year period by making annual principal payments on June 27 of each year and semi-annual interest payments on June 27 and December 27 of each year. Annual principal and interest payments range from \$246,450 to \$253,200.

The Hospital Service District also issued \$1,600,000 of Certificates of Indebtedness on April 1, 1996. Interest is charged at 5.15% and the certificates will be retired over eight years. Annual principal and interest payments range from \$262,636 to \$225,665.

Scheduled principal and interest payments of long-term debt are as follows:

Year ending October 31,	Principal	Interest	Total
2000	\$ 445,000	\$ 275,031	\$ 720,031
2001	465,000	251,810	716,810
2002	485,000	227,557	712,557
2003	510,000	202,116	712,116
2004	535,000	175,515	710,515
Thereafter	<u>2,880,000</u>	<u>771,000</u>	<u>3,651,000</u>
Totals	<u>\$5,320,000</u>	<u>\$1,903,029</u>	<u>\$7,223,029</u>

Note 4 - Due to West Louisiana Health Services, Inc.

At October 31, 1999 and 1998, the Hospital Service District had a payable and receivable of \$824,242 and \$100,851, respectively, to West Louisiana Health Services, Inc. These balances arise principally from the timing difference of recording accounts payable and accrued liabilities on the books of West Louisiana Health Services, Inc. and the actual payment by the Hospital Service District.

Note 5 - Compensated Absences

Employees of the hospital are entitled to compensated absences. Compensated absences totaling \$906,668 and \$887,697 for the years ended October 31, 1999 and 1998, respectively, are a vested benefit, and are accrued in the financial statements of the operator West Louisiana Health Services, Inc.

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Notes to Financial Statements (Continued)
October 31, 1999 and 1998

Note 6 - Defined Contribution Plan

The Hospital provides pension benefits for all of its full-time and part-time employees who meet certain age and service requirements through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. The Hospital contributes 5% of eligible participants' compensation. The participant is required to contribute 3% of compensation. The Hospital's contributions for each employee (and plan earnings allocated to the employee's account) are fully vested after six years service. Hospital contributions for, and plan earnings forfeited by, employees who leave employment before six years of service are used to reduce the Hospital's current period contribution requirement.

The Hospital's total payroll in fiscal year 1999 was \$10,412,045. The Hospital's contributions were calculated using the base salary amount of \$6,147,966. The Hospital's 5% contribution of covered employees, net of forfeitures, amounted to \$307,385. The eligible employees 3% contribution amounted to \$152,999.

The Hospital's total payroll in fiscal year 1998 was \$9,825,236. The Hospital's contributions were calculated using the base salary amount of \$5,782,785. The Hospital's 5% contribution of covered employees, net of forfeitures, amounted to \$289,139. The eligible employee's 3% contribution amounted to \$173,483.

Note 7 - Retained Earnings

Following is a composition of retained earnings at October 31, 1999 and 1998:

	1999	1998
Reserved for bond retirement	\$ 648,061	\$ 615,362
Designated for funded		
Depreciation	4,780,719	3,717,696
Unreserved-undesigned	8,226,293	8,321,389
Totals	\$ 13,655,073	\$ 12,654,447

Note 8 - Cash and Investments

At October 31, 1999, the district has cash and investments (book balances) totaling \$6,665,093 as follows:

Demand deposits	\$ 47,664
Interest-bearing demand deposits	998,941
Time deposits	5,618,488
Totals	\$ 6,665,093

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Notes to Financial Statements (Continued)
October 31, 1999 and 1998

Note 8 - Cash and Investments (Continued)

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. 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. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At October 31, 1999, the district has \$6,543,964 in deposits (bank balances before outstanding checks or deposits in transit). Of the preceding deposits, all deposits were secured from risk by federal deposit insurance and pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

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 district that the fiscal agent bank has failed to pay deposited funds upon demand.

Note 9 - Contributed Capital

Contributed capital of \$4,420,248 is a result of the transfer of assets which occurred between Beauregard Memorial Hospital and the District in 1979.

Note 10- Construction in Progress

The hospital has several construction projects in progress at October 31, 1999. The following is a schedule of the major projects.

	Estimated Total Costs	Costs Incurred To Date	Estimated Completion Date
Same Day Surgery (including equipment)	\$ 5,500,000	\$ 2,057,827	September, 2000
Computer System	550,000	494,020	November, 1999

The Same Day Surgery addition was partially financed by bonds totaling \$2,500,000.

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Notes to Financial Statements (Continued)
October 31, 1999 and 1998

Note 11- Board of Commissioners

The Board of Commissioners received no compensation for the fiscal years ending October 31, 1999 and 1998.

Note 12- Hospital Insurance

The hospital is a member of the Louisiana Patient's Compensation Fund for the purpose of malpractice insurance. All participating hospitals share proportionately in the expense of the fund.

Note 13- Concentrations of Credit Risk

The hospital is located in DeRidder, Louisiana. The hospital grants credits without collateral to its patients; most of them are local residents and are insured under third party payor agreements. The mix of receivables from patients and third party payors was as follows:

	1999		1998	
Medicare	23	%	28	%
Medicaid	8		14	
Other	69		58	
	<u>100</u>	%	<u>100</u>	%

The mix of net patient revenues was as follows:

	1999		1998	
Medicare	33	%	37	%
Medicaid	15		11	
Other	52		52	
	<u>100</u>	%	<u>100</u>	%

Note 14- Contingencies

Certain claims, suits, and complaints arising in the ordinary course of operations are pending against the hospital. In the opinion of management, all such matters are of such kind or involve such amounts, as would not have a significant affect on the financial position or results of operations of the hospital if disposed of unfavorably.

The hospital is self-insured for employee medical benefits. Under this arrangement, the employees contribute a portion of the cost with the hospital paying the difference to a third-party administrator. A portion of the monthly contribution is used to purchase a re-insurance contract that covers individual claims exceeding \$50,000. The accrued liability for incurred, but not reported health insurance benefit claims at October 31, 1999 was \$231,777.

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Summary of Prior Year Findings
For the Year Ended October 31, 1999

A. None disclosed per audit.



Founded in 1978

BROUSSARD & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Hospital Service District No. 2 of
Beauregard Parish
DeRidder, Louisiana

We have audited the financial statements of Hospital Service District No. 2 of Beauregard Parish, as of and for the year ended October 31, 1999, and have issued our report thereon dated February 11, 2000.

We conducted our audit in accordance with generally accepted auditing standards, and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of Hospital Service District No. 2 of Beauregard Parish 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 financial statements of Hospital Service District No. 2 of Beauregard Parish, for the year ended October 31, 1999, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

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Board of Commissioners
Hospital Service District No. 2 of
Beauregard Parish

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 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 and irregularities in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of management and the Hospital Service District No. 2 of Beauregard Parish. However, this report is a matter of public record and its distribution is not limited.

Broussard & Company

Lake Charles, Louisiana
February 11, 2000
/dkb



Founded in 1978

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CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.

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

Board of Commissioners
Hospital Service District No. 2 of
Beauregard Parish
DeRidder, Louisiana

We have audited the financial statements of Hospital Service District No. 2 of Beauregard Parish, as of and for the year ended October 31, 1999, and have issued our report thereon dated February 11, 2000.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

This report is intended for the information of management and the Hospital Service District No. 2 of Beauregard Parish. However, this report is a matter of public record and its distribution is not limited.

Broussard & Company

Lake Charles, Louisiana
February 11, 2000
/dkb

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SUPPLEMENTARY INFORMATION



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CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Trustees
Hospital Service District #2
of Beauregard Parish
DeRidder, Louisiana

Our report on our audits of the basic financial statements of Hospital Service District #2 of Beauregard Parish as of October 31, 1999 and 1998, and for the years then ended appears on page 1. The audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Broussard & Company

Lake Charles, Louisiana
February 11, 2000
/dkb

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HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Schedules of Gross Patient Service Revenue
For the Years Ended October 31,

	<u>1999</u>	<u>1998</u>
INPATIENT		
Nursing revenue from daily patient services	\$ 6,532,338	\$ 6,991,432
Nursing revenue from labor, delivery and nursery	1,583,902	1,535,534
Nursing revenue from surgery	1,554,725	1,638,456
Nursing revenue from recovery	258,420	220,964
Emergency rooms	2,330,834	2,212,279
Anesthesia	1,503,921	1,602,704
Central supply	4,388,870	6,507,509
Laboratory	3,044,024	2,970,437
Blood bank	152,103	156,202
Electrodiagnosis	299,288	287,354
EEG	9,404	9,044
Radiology	892,291	948,693
Nuclear medicine	208,771	189,200
Pharmacy	5,612,155	5,522,512
IV	4,340,963	2,834,439
Physical therapy	311,146	410,877
Respiratory therapy	2,837,183	3,405,905
Ultrasound	431,812	385,259
Cath lab	853,451	785,670
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Total Inpatient	37,145,601	38,614,470
OUTPATIENT		
Nursing revenue	746,805	753,618
Emergency rooms	524,407	522,221
Anesthesia	26,610	13,324
Central supply	1,508,953	1,881,762
Laboratory	2,462,326	2,202,661
Blood bank	67,593	28,483
Electrodiagnosis	108,772	100,274
EEG	17,978	21,788
Radiology	2,512,252	2,308,745
Nuclear medicine	665,752	563,729
Pharmacy	847,437	706,072
IV	566,697	201,733
Physical therapy	472,250	174,199
Respiratory therapy	66,599	61,345
Home health care	1,370,313	1,270,050
Ultrasound	501,199	547,742
Cardiac rehab	201,841	261,236
Cath lab	51,345	44,553
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Total Outpatient	12,719,129	11,663,535
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TOTAL GROSS PATIENT SERVICE REVENUE	\$ 49,864,730	\$ 50,278,005

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Schedules of Other Revenues
For the Years Ended October 31,

	1999	1998
Cafeteria	\$ 233,990	\$ 225,754
Telephone revenues	670	3,028
Medical records fees	5,378	5,139
Scrap sales	1,535	2,098
Vending machine	19,150	15,177
Clinics rental income	12,050	6,960
Pharmacy sales to employees	117,806	97,470
Miscellaneous	60,315	5,362
Kidmed	123,324	134,608
Wellness income	13,545	10,550
TOTAL OTHER REVENUES	\$ 587,763	\$ 506,146

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Schedules of Expenses
For the Years Ended October 31,

	1999	1998
NURSING EXPENSES		
Nursing services	\$ 2,895,654	\$ 2,891,882
Medical and surgical supplies	116,605	167,416
Other nursing expense	149,280	192,060
Total Nursing Expenses	3,161,539	3,251,358
OTHER PROFESSIONAL SERVICE EXPENSES		
Special care unit	455,655	549,390
Nursery	420,161	432,469
Labor and delivery	507,361	491,294
Surgery	736,995	902,000
Emergency	1,700,322	1,577,434
Anesthesia	437,913	417,712
Laboratory	858,522	827,679
Blood bank	126,354	82,322
Electrodiagnosis	25,731	54,026
EEG	5,871	2,678
Radiology	844,875	684,643
Nuclear medicine	93,165	162,711
Pharmacy	1,546,981	1,504,914
IV	175,934	49,876
Physical therapy	237,292	191,357
Respiratory therapy	309,219	326,022
Medical records	334,455	317,158
Bio medical	236,151	144,177
Home health care	903,180	829,390
Infusion	-	6,556
Cardiac Rehabilitation	139,129	115,778
Wellness Center	34,312	37,596
Cath Lab	284,191	273,110
Compliance	1,637	-
Total Other Professional Service Expenses	10,415,406	9,980,292
GENERAL SERVICE EXPENSES		
Dietary	813,426	806,595
Engineering	648,051	560,892
Housekeeping	346,539	344,472
Laundry	100,245	121,630
Infection control	29,369	25,293
Patient chart utilization	111,644	75,480
Security	77,053	54,408
Patient representatives	72,102	72,162
Registration	152,125	114,950
Total General Service Expenses	\$ 2,350,554	\$ 2,175,882

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Schedules of Expenses
For the Years Ended October 31,

	1999	1998
FISCAL AND ADMINISTRATIVE EXPENSES		
Accounting	\$ 140,369	\$ 144,438
Data processing	173,459	97,240
Communications	220,243	199,609
Administrative	922,263	922,328
Auxiliary	6,469	10,054
Public relations	266,369	283,777
Materials management	485,989	688,901
Personnel	1,643,226	1,377,775
Insurance	181,483	227,653
Quality improvement	84,848	63,876
	\$ 4,124,718	\$ 4,015,651