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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, 1999 and 1998**

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           JUL 19 2000

**CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2**

**GENERAL PURPOSE FINANCIAL STATEMENTS  
For the Years Ended December 31, 1999 and 1998**

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## DAUZAT, BEALL & DEBEVEC, CPAs

A PROFESSIONAL CORPORATION

### INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Catahoula Parish Hospital  
Service District No. 2  
Sicity 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, 1999 and 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's Board of Trustees. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial 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, 1999 and 1998, 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 23, 2000 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.



Certified Public Accountants  
June 23, 2000

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
December 31, 1999 and 1998

	Governmental Fund	Proprietary Fund	Fiduciary Fund	Totals (Memorandum Only)	
	Type	Type	Type	Year Ended	
	Debt Service	Enterprise	Agency Fund	1999	1998
<b>ASSETS</b>					
Cash and cash equivalents	\$ 64,677	\$ 100,433		\$ 165,110	\$ 167,883
Investments		55,138	\$ 633,015	688,153	521,338
Accounts receivable - net of estimated uncollectibles and allowances of \$13,942 and \$9,290 in 1999 and 1998 respectively		88,796		88,796	96,468
Other receivables		110,150		110,150	190,884
Inventory		22,915		22,915	16,755
Prepaid expenses		9,300		9,300	4,518
Property, plant and equipment, net of accumulated depreciation		1,309,573		1,309,573	1,235,704
Amount available in debt service fund		64,677		64,677	32,032
Amount to be provided for retirement of revenue bonds payable		294,323		294,323	326,968
Total Assets	<u>\$ 64,677</u>	<u>\$ 2,055,305</u>	<u>\$ 633,015</u>	<u>\$ 2,752,997</u>	<u>\$ 2,592,550</u>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>LIABILITIES</b>					
Accounts payable		\$ 34,825		\$ 34,825	\$ 1,154
Accrued expenses		35,130		35,130	21,587
Compensated absences		32,087		32,087	29,112
Capital lease payable		12,338		12,338	
Contracts payable					369,408
Retainage payable					48,155
Due to medicare					5,774
Revenue bonds payable		359,000		359,000	359,000
Deferred compensation benefits payable			\$ 633,015	633,015	459,074
Total Liabilities		<u>473,380</u>	<u>633,015</u>	<u>1,106,395</u>	<u>1,293,264</u>
<b>FUND EQUITY</b>					
Contribution - land		6,000		6,000	6,000
Ad valorem tax bond proceeds		160,000		160,000	160,000
Revenue bond proceeds		293,103		293,103	17,930
Equity transfer of assets from Debt Service Fund		7,846		7,846	7,846
Contributed capital from Debt Service Fund		40,453		40,453	40,453
Reserved - Debt Service	\$ 64,677	1,908		66,585	32,577
Reserved - Contingency		2,715		2,715	1,073
Retained Earnings		1,069,900		1,069,900	1,033,407
Total Fund Equity	<u>64,677</u>	<u>1,581,925</u>		<u>1,646,602</u>	<u>1,299,286</u>
Total Liabilities and Fund Equity	<u>\$ 64,677</u>	<u>\$ 2,055,305</u>	<u>\$ 633,015</u>	<u>\$ 2,752,997</u>	<u>\$ 2,592,550</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, 1999 and 1998**

	<u>1999</u>	<u>1998</u>
<b>REVENUE</b>		
Interest income	\$ <u>645</u>	\$ <u>32</u>
Total revenue	645	32
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	<u>32,000</u>	<u>32,000</u>
Net of revenues and other sources over expenditures and other uses	32,645	32,032
<b>Fund Balance, Beginning of year</b>	<u>32,032</u>	<u>-0-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 64,677</u>	<u>\$ 32,032</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, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
<b>REVENUES</b>		
Net Patient service revenue	\$ 599,924	\$ 580,043
Miscellaneous	<u>1,912</u>	<u>18,433</u>
Total operating revenue	<u>601,836</u>	<u>598,476</u>
<b>OPERATING EXPENSES</b>		
Salaries and wages	634,402	673,660
Utilities and telephone	50,616	30,198
Office supplies and expense	16,436	26,685
Medical supplies and drugs	42,381	45,861
Contractual fees	97,579	125,618
Payroll taxes	13,074	13,400
Travel	8,410	4,376
Repairs and maintenance	20,295	22,345
Equipment rentals	5,427	5,691
Insurance	63,171	71,299
Fees, dues and subscriptions	3,318	2,199
Interest	1,076	
Bad debts	4,652	4,048
Retirement expense	55,929	65,909
Patient transportation	5,421	3,062
Depreciation	66,038	32,276
Other	21,491	24,556
Recruitment and relocation	<u>7,261</u>	<u>4,202</u>
Total operating expenses	<u>1,116,977</u>	<u>1,155,385</u>
Loss from operations	<u>(515,141)</u>	<u>(556,909)</u>
<b>NONOPERATING REVENUE</b>		
Rural Health Initiative Grant proceeds	605,895	702,895
Rapides Foundation Grant proceeds		300,000
Interest Income	5,468	25,704
Tax revenue	<u>7,525</u>	<u>4,368</u>
Total nonoperating revenue	<u>618,888</u>	<u>1,032,967</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Operating transfers out	(32,000)	(32,000)
Proceeds of revenue bonds	<u>275,173</u>	<u>17,930</u>
Net other financing sources (uses)	<u>243,173</u>	<u>(14,070)</u>
<b>NET INCOME (LOSS)</b>	346,920	461,988
<b>RETAINED EARNINGS, Beginning of Year</b>	926,803	464,815
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>(52,870)</u>	<u>-----</u>
<b>RETAINED EARNINGS, End of Year</b>	<u>\$ 1,220,853</u>	<u>\$ 926,803</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, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
<b>Cash Flows from Operating and Nonoperating Activities:</b>		
Net Income (Loss)	\$ 346,920	\$ 461,988
Adjustments to reconcile net income to net cash provided by operations		
Non-cash items included in net income:		
Depreciation	66,038	32,276
Bad Debt	4,652	4,048
<b>Changes in working capital:</b>		
Current assets		
(Increase) decrease in accounts receivable - patients	3,020	377
(Increase) decrease in other receivables	60,823	(131,337)
(Increase) decrease in inventory	(6,160)	92
(Increase) decrease in prepaid expenses	(4,782)	2,068
Current liabilities		
Increase (decrease) in accounts payable	33,671	(81,529)
Increase (decrease) in accrued expenses	13,543	(33,856)
Increase (decrease) in compensated absences payable	2,975	6,968
Increase (decrease) in contracts payable	(369,408)	369,408
Increase (decrease) in retainage payable	(48,155)	48,155
Increase (decrease) in due to medicare	(5,774)	5,774
Net cash flow from operating and nonoperating activities	<u>97,363</u>	<u>684,432</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of property, plant and equipment	(139,907)	(1,002,640)
Investment maturities	7,126	450,934
Net cash flow from investing activities	<u>(132,781)</u>	<u>(551,706)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(35,418)	132,726
<b>Cash and cash equivalents at beginning of period</b>	<u>135,851</u>	<u>3,125</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 100,433</u>	<u>\$ 135,851</u>
<b>Supplemental Disclosure</b>		
Cash Payment For:		
Interest	<u>\$ 1,076</u>	<u>\$ -0-</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, 1999 and 1998**

**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, 1999, 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 1998, 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.

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.

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 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.

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. Under state law, the **District** may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Investments are stated at cost, except for investments in the agency fund which are reported at market value.

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2  
Notes - Continued

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

	Enterprise Fund	Debt Service Fund	Agency Fund
Cash and cash equivalents	\$ 100,433	\$ 64,677	
Investments	<u>55,138</u>	<u>          </u>	<u>\$ 633,015</u>
	<u>\$ 155,571</u>	<u>\$ 64,677</u>	<u>\$ 633,015</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, 1999, as follows:

Total deposits	<u>\$155,571</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>104,631</u> (Category III)
	<u>\$204,631</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, 1999 and 1998, is presented below:

	<u>1999</u>	<u>1998</u>
Property tax receivable	\$ 2,780	\$ 2,935
Interest receivable	671	347
Third party reimbursement -Net (Read Note 9)	40,802	87,602
Grant receivable		100,000
Revenue Bonds receivable	<u>65,897</u>	
Totals	<u>\$110,150</u>	<u>\$190,884</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, 1999 and 1998, is provided:

	<u>Beginning Balance</u>	<u>Property, Plant and Equipment 1999</u>		<u>Ending Balance</u>
		<u>Additions</u>	<u>Dispositions</u>	
Land	\$ 31,077			\$ 31,077
Building	1,182,640	\$ 42,242		1,224,882
Building improvements	11,446	1,750		13,196
Furniture and equipment	181,991	83,418		265,409
Medical equipment	204,381	12,497		216,878
Vehicles	<u>42,653</u>			<u>42,653</u>
Totals	<u>\$ 1,654,188</u>	<u>\$ 139,907</u>	<u>=====</u>	<u>\$ 1,794,095</u>

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2

Notes - Continued

	<u>Beginning Balance</u>	<u>Accumulated Depreciation 1999</u>		<u>Ending Balance</u>
		<u>Additions</u>	<u>Dispositions</u>	
Building	\$ 98,589	\$ 31,834		\$ 130,423
Building improvements	6,438	807		7,245
Furniture and equipment	135,349	17,437		152,786
Medical equipment	136,925	14,490		151,415
Auto	<u>41,183</u>	<u>1,470</u>		<u>42,653</u>
Totals	<u>\$ 418,484</u>	<u>\$ 66,038</u>		<u>\$ 484,522</u>

The above property, plant and equipment cost and accumulated depreciation includes \$233,040 and \$186,805 of fully depreciated assets at December 31, 1999 and 1998, 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.

	<u>Property, Plant and Equipment 1998</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Land	\$ 31,077			\$ 31,077
Building	182,736	\$ 615		183,351
Building improvements	10,901	545		11,446
Furniture and equipment	180,976	1,015		181,991
Medical equipment	203,205	1,176		204,381
Vehicles	42,653			42,653
Construction in progress	<u>-0-</u>	<u>999,289</u>		<u>999,289</u>
Totals	<u>\$ 651,548</u>	<u>\$ 1,002,640</u>		<u>\$ 1,654,188</u>

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2

Notes - Continued

	Beginning Balance	Accumulated Depreciation 1998		Ending Balance
		Additions	Dispositions	
Building	\$ 92,796	\$ 5,793		\$ 98,589
Building improvements	5,745	693		6,438
Furniture and equipment	126,506	8,843		135,349
Medical equipment	121,448	15,477		136,925
Vehicle	39,713	1,470		41,183
Construction in progress	<u>-0-</u>	<u>-0-</u>		<u>-0-</u>
Totals	<u>\$ 386,208</u>	<u>\$ 32,276</u>		<u>\$ 418,484</u>

**NOTE 5 - PROPRIETARY FUND ACCRUED EXPENSES**

Accrued expenses of the enterprise fund at December 31, 1999 and 1998, is comprised of salaries payable and related payroll expenses.

**NOTE 6 - COMPENSATED ABSENCES**

The District's employees earn annual leave at a rate of four (4) hours for each full semi-monthly work period for less than three (3) years of service, and six (6) hours for service between three (3) and fifteen (15) years, and eight (8) hours for service greater than fifteen (15) years. Annual leave can accrue up to 30 days. Accrued leave reflected in the financial statements is accumulated unused vacation as of December 31, 1999.

**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 \$660,895 grant award has been approved for 2000.

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, 1999, amounts due from the Medicaid fiscal intermediary was \$18,669 and the Medicare fiscal intermediary was \$375. These settlement amounts are subject to audit and adjustment by the fiscal intermediaries. These amounts have been

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2

Notes - Continued

reflected in the financial statements as receivables and revenues, net of an allowance for disputed costs estimated at (15) fifteen percent.

**NOTE 10 - 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 was to ensure primary care health clinic services to serve indigent and low-income persons in unserved or underserved areas of the state. The **District** used these funds for a new facility along with a Capital Improvement Grant from the Federal government. The Louisiana State Department of Health and Hospitals serves as administrator of the state grants and as such, project progress reports were submitted by the **District**. The grant funds were placed in a special bank account and were restricted for the aforementioned purpose. Amounts received in prior years were \$300,000.

**NOTE 11 - 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, 1999, investments were recorded in an agency fund at the fair market value of \$633,015.

**NOTE 12 - 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

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2

Notes - Continued

determining that no petition had been filed objecting to the proposed issuance was adopted by the Board of Commissioners. The total cost of the project is approximately \$1.3 million with the remaining funds being provided by \$300,000 of LA state grant funds. (See Note No. 10)

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

**NOTE 13 - CHANGES IN AGENCY FUND-DEFERRED COMPENSATION BENEFITS PAYABLE**

<u>Balance</u> <u>January 1, 1998</u>	<u>Additions</u>	<u>Reductions</u>	<u>Appreciation</u>	<u>Balance</u> <u>December 31, 1999</u>
\$459,074	\$133,840	\$(16,066)	\$56,167	\$633,015

**NOTE 14 - BONDED DEBT**

The **District** bonds outstanding at December 31, 1999, in the amount of \$359,000, are revenue bonds. All principal and interest requirements are funded by revenue generated by the **District**. At December 31, 1999, the **District** has accumulated \$64,677 in the debt service funds 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>
1999		\$ 2,057	\$ 2,057
2000	\$ 15,803	16,155	31,958
2001	16,514	15,444	31,958
2002	17,257	14,701	31,958
2003	18,034	13,924	31,958
2004-2017	<u>291,392</u>	<u>92,107</u>	<u>383,499</u>
Total	<u>\$ 359,000</u>	<u>\$ 154,388</u>	<u>\$ 513,388</u>

CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2

Notes - Continued

**NOTE 15 - 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>
2000	\$ 2,355	\$ 1,231	\$ 3,586
2001	2,625	961	3,586
2002	2,926	660	3,586
2003	3,262	324	3,586
2004	<u>1,170</u>	<u>27</u>	<u>1,197</u>
Total	<u>\$12,338</u>	<u>\$ 3,203</u>	<u>\$ 15,541</u>

**NOTE 16 - PRIOR PERIOD ADJUSTMENT**

Amounts previously recorded as due from fiscal intermediaries were adjusted by third-party reimbursement companies. These amounts are reflected in the financial statements.

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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*

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

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, 1999, and have issued our report thereon dated June 23, 2000. 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.



Daudat, Beall & Debevec, CPA's, APC  
Certified Public Accountants  
June 23, 2000

MEMBER  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS



MEMBER  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

## DAUZAT, BEALL & DEBEVEC, CPAs

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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

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

#### Compliance

We have audited the compliance of the Catahoula Parish Hospital Service District No. 2 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 1999. 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.

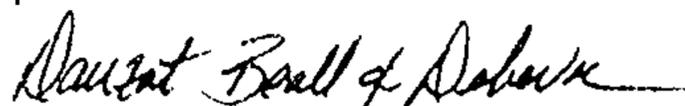
In our opinion, the Catahoula Parish Hospital Service District No. 2 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1999.

### **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.



Dausat, Beall & Debevec, CPA's, APC  
Certified Public Accountants  
June 23, 2000

**CATAHOULA PARISH HOSPITAL SERVICE DISTRICT NO. 2  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 1999**

**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, 1999**

<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>
<b>U.S. Department of Health and Human Services, Public Health Service</b>				
Direct Program:				
Community Health Center Rural Health Initiative Grant	93.224	N/A	<u>\$ 605,895</u>	<u>\$ 605,895</u>
Total U.S. Department of Health and Human Services			<u>\$ 605,895</u>	<u>\$ 605,895</u>