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

**Financial Statements and  
Supplementary Information  
Years Ended October 31, 1998 and 1997**

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 State Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date \_\_\_\_\_

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Founded in 1978

# BROUSSARD & COMPANY, APC

CERTIFIED PUBLIC ACCOUNTANTS

## 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, 1998 and 1997, 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.

Except as discussed in the following paragraph, we conducted our audits in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, Disclosures about Year 2000 Issues, requires disclosures of certain matters regarding the year 2000 issue. Hospital Service District No. 2 has included such disclosures in Note 15. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support Hospital Service District No. 2's disclosure with respect to the year 2000 issue made in Note 15. Further, we do not provide assurance that Hospital Service District No. 2 is or will be year 2000 ready, that Hospital Service District No. 2's year 2000 remediation efforts will be successful in whole or in part, or that parties with which Hospital Service District No. 2 does business will be year 2000 ready.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 2 as of October 31, 1998 and 1997. And the results of its operations and the 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, 1999, on our consideration of Hospital Service District No. 2 of Beauregard Parish internal control structure and a report dated February 11, 1999, on its compliance with laws and regulations.

*Broussard & Company*

February 11, 1999  
/dkb

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

	1998	1997
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 351,169	\$ 502,096
Assets whose use is limited - required for current liabilities	363,512	362,881
Patient accounts receivable, net of estimated uncollectibles of \$7,242,176 in 1998 and \$6,704,423 in 1997	4,401,841	3,782,744
Inventories	483,106	427,451
Interest receivable	91,379	63,884
Prepaid expenses	143,927	152,722
Due from West Louisiana Health Services	100,851	-
Total Current Assets	5,935,785	5,291,778
<b>Assets Whose Use Is Limited</b>		
By board for funded depreciation	3,717,696	4,373,076
By bond indenture, net of current portion	615,362	568,533
Noncurrent Assets Whose Use Is Limited	4,333,058	4,941,609
<b>Property, Plant and Equipment</b>		
Land	281,077	255,669
Buildings	10,072,329	9,288,258
Equipment	9,972,703	9,606,261
Construction in progress	1,093,740	418,200
Accumulated depreciation	(11,131,455)	(10,280,815)
Net Property, Plant and Equipment	10,288,394	9,287,573
Total Assets	\$ 20,557,237	\$ 19,520,960

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

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

	<b>1998</b>	<b>1997</b>
<b>Liabilities and Equity</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt	325,000	320,000
Accrued interest payable	38,512	41,590
Refunds payable	-	1,290
Estimated third party payor settlements - Medicare/Medicaid	299,030	581,469
Due to West Louisiana Health Services	-	565,479
<b>Total Current Liabilities</b>	<b>662,542</b>	<b>1,509,828</b>
 <b>Long-Term Debt</b>		
Long-term debt, net of current portion	2,820,000	3,145,000
 <b>Equity</b>		
Contributed capital	4,420,248	4,420,248
Retained earnings	12,654,447	10,445,884
<b>Total Equity</b>	<b>\$ 17,074,695</b>	<b>\$ 14,866,132</b>
 <b>Total Liabilities and Equity</b>	<b>\$ 20,557,237</b>	<b>\$ 19,520,960</b>

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,**

	<b>1998</b>	<b>1997</b>
<b>NET PATIENT SERVICE REVENUE</b>	\$ 24,863,422	\$ 22,186,756
<b>OTHER REVENUE</b>	506,146	456,602
<b>TOTAL REVENUE</b>	25,369,568	22,643,358
<b>EXPENSES</b>		
Nursing expenses	3,251,358	3,159,816
Other professional service expenses	9,980,292	9,187,181
General service expenses	2,175,882	2,047,360
Fiscal and administrative service expenses	4,015,651	4,122,657
Depreciation	1,196,622	1,031,271
Provision for bad accounts	2,631,472	2,162,838
Total Expenses	23,251,277	21,711,123
<b>INCOME FROM OPERATIONS</b>	2,118,291	932,235
<b>NON-OPERATING REVENUE AND (EXPENSES)</b>		
Interest income	284,700	281,203
Interest expense	(167,403)	(184,099)
Gain (loss) on disposal of plant and equipment	(31,794)	(1,824)
Other	4,769	15,572
Total Non-Operating Revenue and (Expenses)	90,272	110,852
<b>EXCESS OF REVENUE OVER EXPENSES</b>	\$ 2,208,563	\$ 1,043,087

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>1998</u>	<u>1997</u>
RETAINED EARNINGS, November 1,	\$ 10,445,884	\$ 9,402,797
EXCESS OF REVENUE OVER EXPENSES	<u>2,208,563</u>	<u>1,043,087</u>
RETAINED EARNINGS, October 31,	<u>\$ 12,654,447</u>	<u>\$ 10,445,884</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,**

	<u>1998</u>	<u>1997</u>
<b>Cash Flows From Operating Activities:</b>		
Income from operations	\$ 2,118,291	\$ 932,235
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation	1,196,622	1,031,271
Provision for losses on accounts receivable, net	537,753	(639,204)
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(1,156,850)	1,414,440
(Increase) in other receivables	(100,851)	-
(Increase) decrease in inventory	(55,655)	(57,537)
(Increase) decrease in interest receivable	(27,495)	(25,813)
Decrease (increase) in prepaid expenses	8,795	16,648
Decrease (increase) in payables and other accrued expenses	(852,287)	352,243
Total Adjustments	<u>(449,968)</u>	<u>2,092,048</u>
Net Cash Provided by Operating Activities	1,668,323	3,024,283
<b>Cash Flows From Investing Activities:</b>		
(Increase) decrease in assets whose use is limited	637,417	(1,211,230)
Interest income	284,700	281,203
Net Cash (Used) Provided by Investing Activities	<u>922,117</u>	<u>(930,027)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Capital expenditures	(2,239,635)	(1,846,167)
Principal payment on bonds	(320,000)	(310,000)
Interest expense	(167,403)	(184,099)
Other	15,169	1,935
Net Cash (Used) by Capital and Related Financing Activities	<u>(2,711,869)</u>	<u>(2,338,331)</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(121,429)	(244,075)
<b>Cash and Cash Equivalents, beginning of year</b>	<u>763,888</u>	<u>1,007,963</u>
<b>Cash and Cash Equivalents, end of year</b>	<u>\$ 642,459</u>	<u>\$ 763,888</u>
<b>Supplemental Disclosures:</b>		
Cash paid for interest	<u>\$ -</u>	<u>\$ 187,068</u>
<b>Cash and cash equivalents:</b>		
Unrestricted	\$ 351,170	\$ 502,096
Assets whose use is limited	291,289	261,792
	<u>\$ 642,459</u>	<u>\$ 763,888</u>

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

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH  
DeRidder, Louisiana

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Notes to Financial Statements  
October 31, 1998 and 1997

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*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.

Continued

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH  
DeRidder, Louisiana

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Notes to Financial Statements (Continued)  
October 31, 1998 and 1997

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*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.

Also, the Transitional Care Unit of the hospital is excluded from routine cost limits applied by Medicare regulations until October, 1997. The application of these limits could reduce net patient revenue of this department.

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, 1998 and 1997

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 \$1,196,622 and \$1,031,271 for the years ended October 31, 1998 and 1997, respectively, and was calculated using the straight-line method over the estimated useful lives of the various assets shown below:

	<u>Method</u>	<u>Life</u>
Buildings	SL	8-40 Years
Equipment	SL	3-20 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.

Reclassifications

Certain changes have been made to the presentation of the October 31, 1997 financial statements to conform to the current period presentation.

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH  
DeRidder, Louisiana

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Notes to Financial Statements (Continued)  
October 31, 1998 and 1997

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*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 \$234,250. 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.

Continued

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH  
DeRidder, Louisiana

Notes to Financial Statements (Continued)  
October 31, 1998 and 1997

**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.

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,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1999	\$ 325,000	\$ 154,195	\$ 479,195
2000	335,000	137,531	472,531
2001	350,000	120,360	470,360
2002	360,000	102,432	462,432
2003	380,000	83,866	463,866
Thereafter	<u>1,395,000</u>	<u>219,415</u>	<u>1,614,415</u>
Totals	<u>\$3,145,000</u>	<u>\$ 817,799</u>	<u>\$3,962,799</u>

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

At October 31, 1998 and 1997, the Hospital Service District had a receivable and payable of \$100,851 and \$565,479, 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 \$887,697 and \$824,020 for the years ended October 31, 1998 and 1997, 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, 1998 and 1997

*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 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 employees 3% contribution amounted to \$173,483.

*Note 7 - Retained Earnings*

Following is a composition of retained earnings at October 31, 1998 and 1997:

	1998	1997
Reserved for bond retirement	\$ 615,362	\$ 569,824
Designated for funded depreciation	3,717,696	4,373,076
Unreserved-undesignated	8,321,389	5,502,984
Totals	\$ 12,654,447	\$ 10,445,884

*Note 8 - Cash and Investments*

At October 31, 1998, the district has cash and investments (book balances) totaling \$5,047,739 as follows:

Demand deposits	\$ 2,211
Interest-bearing demand deposits	340,248
Time deposits	4,405,280
Total	\$5,047,739

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH  
DeRidder, Louisiana

Notes to Financial Statements (Continued)  
October 31, 1998 and 1997

*Note 8 - Cash and Investments*

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, 1998, the district has \$5,101,372 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, 1998. The following is a schedule of the major projects.

	<u>Estimated Total Costs</u>	<u>Costs Incurred To Date</u>	<u>Estimated Completion Date</u>
Same Day Surgery (Including equipment)	\$ 5,500,000	\$ 234,825	February, 2001
Computer System	700,000	51,301	June, 1999
Emergency Room Addition	\$ 680,000	\$ 609,569	November, 1998

The Same Day Surgery addition will be partially financed by bonds totaling \$3,500,000.

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH  
DeRidder, Louisiana

Notes to Financial Statements (Continued)  
October 31, 1998 and 1997

*Note 11- Board of Commissioners*

The Board of Commissioners received no compensation for the fiscal years ending October 31, 1998 and 1997.

*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:

	<u>1998</u>	<u>1997</u>
Medicare	2 %	2 %
Medicaid		1
Other	<u>6</u>	<u>5</u>
	<u>10 %</u>	<u>10 %</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, 1998 was \$225,565.

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH  
DeRidder, Louisiana

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Notes to Financial Statements (Continued)  
October 31, 1998 and 1997

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*Note 15- Year 2000 Issue*

The Year 2000 issue could affect many computer and equipment applications of the Hospital.

The Hospital is involved in various stages of work to make its computer systems and equipment year 2000 compliant.

- Awareness stage – The Hospital has formed a Year 2000 (Y2K) Compliance Committee to develop plans to deal with the year 2000 issue. The Hospital estimates that it will spend between \$500,000 and \$1,000,000 to become year 2000 compliant.
- Assessment stage – Through the direction of the Y2K Compliance Committee the Hospital has reviewed and identified all medical equipment and computer systems that are Y2K compliant.
- Remediation stage – The Hospital signed a contract with a computer consulting firm to replace all of its current hardware and software applications. The time and attendance systems and the transcription systems should be replaced by the spring 1999. The telephone system has already been upgraded and is Y2K compliant.
- Validation/testing stage – The Hospital will test the system once the conversion process is complete.

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH  
DeRidder, Louisiana

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Schedule of Findings and Questioned Costs  
For the Year Ended October 31, 1998

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**A. Summary of Independent Auditor's Results:**

1. Qualified opinion on general purpose financial statements.
2. The audit did not disclose any reportable conditions in internal control.
3. The audit did not disclose any noncompliance which is material to the financial statements.

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH  
DeRidder, Louisiana

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Summary of Prior Year Findings  
For the Year Ended October 31, 1998

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A. None disclosed per audit.



Founded in 1978

## **BROUSSARD & COMPANY, APC**

**CERTIFIED PUBLIC ACCOUNTANTS**

### **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, 1998, and have issued our report thereon dated February 11, 1999.

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, 1998, 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*

February 11, 1999  
/dkb



Founded in 1978

# BROUSSARD & COMPANY, APC

CERTIFIED PUBLIC ACCOUNTANTS

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, 1998, and have issued our report thereon dated February 11, 1999.

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*

February 11, 1999  
/dkb

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**SUPPLEMENTARY INFORMATION**



*Founded in 1978*

## **BROUSSARD & COMPANY, APC**

**CERTIFIED PUBLIC ACCOUNTANTS**

### **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, 1998 and 1997, 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*

February 11, 1999  
/dkb

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

	1998	1997
<b>INPATIENT</b>		
Nursing revenue from daily patient services	\$ 6,991,432	\$ 6,382,448
Nursing revenue from labor, delivery and nursery	1,535,534	1,446,345
Nursing revenue from surgery	1,638,456	1,295,988
Nursing revenue from recovery	220,964	194,053
Emergency rooms	2,212,279	1,963,169
Anesthesia	1,602,704	1,203,732
Central supply	6,507,509	5,609,171
Laboratory	2,970,437	2,522,990
Blood bank	156,202	142,962
Electrodiagnosis	287,354	274,340
EEG	9,044	10,234
Radiology	948,693	847,632
Nuclear medicine	189,200	216,415
Pharmacy	5,522,512	5,017,204
IV	2,834,439	2,095,942
Physical therapy	410,877	402,131
Respiratory therapy	3,405,905	2,769,332
Ultrasound	385,259	346,690
Cath lab	785,670	677,875
<b>Total Inpatient</b>	<b>38,614,470</b>	<b>33,418,653</b>
<b>OUTPATIENT</b>		
Nursing revenue	753,618	570,607
Emergency rooms	522,221	494,573
Anesthesia	13,324	7,581
Central supply	1,881,762	1,542,952
Laboratory	2,202,661	1,848,802
Blood bank	28,483	45,479
Electrodiagnosis	100,274	122,441
EEG	21,788	34,939
Radiology	2,308,745	1,860,086
Nuclear medicine	563,729	413,862
Pharmacy	706,072	662,264
IV	201,733	112,034
Physical therapy	174,199	120,432
Respiratory therapy	61,345	99,488
Home health care	1,270,050	1,665,565
Ultrasound	547,742	425,544
Cardiac rehab	261,236	200,849
Cath lab	44,553	3,497
<b>Total Outpatient</b>	<b>11,663,535</b>	<b>10,230,995</b>
<b>TOTAL PATIENT SERVICE REVENUE</b>	<b>\$ 50,278,005</b>	<b>\$ 43,649,648</b>

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

	1998	1997
Cafeteria	\$ 225,754	\$ 203,635
Telephone revenues	3,028	2,565
Medical records fees	5,139	3,223
Scrap sales	2,098	5,186
Vending machine	15,177	24,380
Clinics rental income	6,960	11,598
Pharmacy sales to employees	97,470	99,917
Miscellaneous	5,362	(1,452)
Kidmed	134,608	95,533
Wellness income	10,550	12,017
<b>TOTAL OTHER REVENUES</b>	<b>\$ 506,146</b>	<b>\$ 456,602</b>

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

	1998	1997
<b>NURSING EXPENSES</b>		
Nursing services	\$ 2,891,882	\$ 2,800,291
Medical and surgical supplies	167,416	129,544
Other nursing expense	192,060	229,981
	-----	-----
Total Nursing Expenses	\$ 3,251,358	\$ 3,159,816
	-----	-----
<b>OTHER PROFESSIONAL SERVICE EXPENSES</b>		
Special care unit	\$ 549,390	\$ 480,595
Nursery	432,469	406,178
Labor and delivery	491,294	461,738
Surgery	902,000	486,704
Emergency	1,577,434	1,430,837
Anesthesia	417,712	470,042
Laboratory	827,679	804,547
Blood bank	82,322	99,809
Electrodiagnosis	54,026	55,058
EEG	2,678	5,160
Radiology	684,643	764,295
Nuclear medicine	162,711	145,987
Pharmacy	1,504,914	1,169,393
IV	49,876	40,694
Physical therapy	191,357	63,907
Respiratory therapy	326,022	290,041
Medical records	317,158	304,317
Bio medical	144,177	133,872
Home health care	829,390	1,119,605
Infusion	6,556	73,000
Cardiac Rehabilitation	115,778	89,035
Wellness Center	37,596	42,942
Cath Lab	273,110	249,425
	-----	-----
Total Other Professional Service Expenses	\$ 9,980,292	\$ 9,187,181
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<b>GENERAL SERVICE EXPENSES</b>		
Dietary	\$ 806,595	\$ 786,807
Engineering	560,892	536,423
Housekeeping	344,472	333,836
Laundry	121,630	102,363
Infection control	25,293	26,209
Patient chart utilization	75,480	48,186
Security	54,408	44,066
Patient representatives	72,162	69,094
Registration	114,950	100,376
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Total General Service Expenses	\$ 2,175,882	\$ 2,047,360
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**HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH**  
**DeRidder, Louisiana**  
**Schedules of Expenses**  
**For the Years Ended October 31,**

	1998	1997
<b>FISCAL AND ADMINISTRATIVE EXPENSES</b>		
Accounting	\$ 144,438	\$ 119,291
Data processing	97,240	90,372
Communications	199,609	195,916
Administrative	922,328	875,279
Auxiliary	10,054	16,606
Public relations	283,777	228,802
Materials management	688,901	800,178
Personnel	1,377,775	1,497,184
Insurance	227,653	234,882
Quality improvement	63,876	64,147
	\$ 4,015,651	\$ 4,122,657
Total Fiscal and Administrative Service Expenses	\$ 4,015,651	\$ 4,122,657