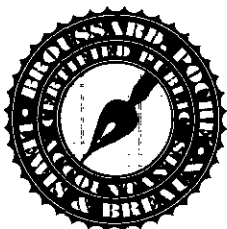


**BEAUREGARD PARISH HOSPITAL
SERVICE DISTRICT NO. 1
D/B/A MERRYVILLE NURSING CENTER
FINANCIAL REPORT**

JUNE 30, 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 Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court

Release Date **MAR 04 1998**



BROUSSARD, POCHE, LEWIS & BREAUX
CERTIFIED PUBLIC ACCOUNTANTS

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BROUSSARD, POCHE', LEWIS & BREAUX

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INDEPENDENT AUDITORS' REPORT

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To the Board of Directors
Beauregard Parish Hospital Service
District No. 1
d/b/a Merryville Nursing Center
Merryville, Louisiana

We have audited the accompanying balance sheet of Beauregard Parish Hospital Service District No. 1, d/b/a Merryville Nursing Center, as of June 30, 1997 and the related statements of revenue and expenses, changes in fund balance, and cash flows for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Lawrence A. Cramer, CPA*
Eugene C. Gilder, CPA*
Donald W. Kelley, CPA*
Herbert Lemoine II, CPA*
Frank A. Stagno, CPA*
Scott J. Broussard, CPA*
L. Charles Abshire, CPA*
Kenneth R. Dugas, CPA*
P. John Blanchet III, CPA*
Stephen L. Lambousy, CPA*
Craig C. Babineaux, CPA*
Peter C. Borrello, CPA*
Michael P. Crochet, CPA*
George J. Trappey III, CPA*
Daniel E. Gilder, CPA*
Gregory B. Milton, CPA*
S. Scott Soileau, CPA*
Patrick D. McCarthy, CPA*

We conducted our audit 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beauregard Parish Hospital Service District No. 1 as of June 30, 1997, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

Retired:

Sidney L. Broussard, CPA* 1980
Leon K. Poché, CPA 1984
James H. BreauX, CPA 1987
Erma R. Walton, CPA 1988
George A. Lewis, CPA* 1992
Geraldine J. Wimberley, CPA* 1995
Rodney L. Savoy, CPA* 1996
Larry G. Broussard, CPA* 1997

*Members of American Institute of
Certified Public Accountants
Society of Louisiana Certified
Public Accountants*

As discussed in Note 7, the Hospital District is having difficulty in meeting the required cash flows to maintain operations; therefore, there is an uncertainty if the Hospital will be able to continue as a going concern. The financial statements do not include any adjustments relating to the amounts and classification of assets and liabilities that might be necessary if the Beauregard Parish Hospital District No. 1 is not able to meet its debts as they come due.

Broussard, Fochi, Lewis + Beane

Lafayette, Louisiana
December 11, 1997

BEAUREGARD PARISH HOSPITAL SERVICE DISTRICT NO.1
D/B/A MERRYVILLE NURSING CENTER

BALANCE SHEET
June 30, 1997

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 129,731
Patient accounts receivable, less allowance for uncollectible accounts, \$135,000	7,984
Other receivables	30,661
Intermediary receivable (Medicare) on cost report	<u>73,657</u>
Total current assets	\$ 242,033

FIXED ASSETS

Property, plant, and equipment, at cost, less accumulated depreciation of \$(2,507,421)	1,156,874
--	-----------

OTHER ASSETS

11,227

Total assets

\$ 1,410,134

LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES

Accounts payable	\$ 339,223
Credits in accounts receivable	62,051
Accrued interest payable	123,933
Note payable - current portion	280,764
Intermediary payable (Medicaid) on cost report	<u>12,390</u>

Total current liabilities

\$ 818,361

LONG TERM LIABILITIES

Note payable - long-term portion	<u>1,865,700</u>
----------------------------------	------------------

Total liabilities

\$ 2,684,061

Fund balance (deficit)

\$(1,273,927)

Total liabilities and fund balance

\$ 1,410,134

See Notes to Financial Statements.

BEAUREGARD PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A MERRYVILLE NURSING CENTER

STATEMENT OF REVENUES AND EXPENSES
Year Ended June 30, 1997

Operating revenues:	
Net patient service revenue	\$ 824,830
Other revenue	<u>239,871</u>
Total operating revenues	<u>\$ 1,064,701</u>
Operating expenses:	
Salaries	\$ 480,865
Professional fees	13,405
Other departmental expenses	471,442
Interest	109,769
Depreciation and amortization	107,183
Provision for uncollectible, net of recoveries of \$4,541	<u>(3,379)</u>
Total operating expenses	<u>\$ 1,179,285</u>
Excess of operating expenses over operating revenues	\$ (114,584)
Nonoperating income (expenses), net	<u>66,032</u>
Excess of expenses over revenue	<u>\$ (48,552)</u>

See Notes to Financial Statements.

BEAUREGARD PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A MERRYVILLE NURSING CENTER

STATEMENT OF CHANGES IN FUND BALANCE
Year Ended June 30, 1997

Unrestricted Fund

Fund balance, beginning	\$ (1,225,375)
Additions:	
Excess of expenses over revenues	<u>(48,552)</u>
Fund balance, ending	<u>\$ (1,273,927)</u>

See Notes to Financial Statements.

BEAUREGARD PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A MERRYVILLE NURSING CENTER

STATEMENT OF CASH FLOWS
Year Ended June 30, 1997

CASH FLOWS FROM OPERATING ACTIVITIES

Excess of expenses over revenue	\$ (48,552)
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:	
Depreciation	105,087
Amortization of loan cost	2,050
Gain on sale of equipment	(434)
(Increase) decrease in assets:	
Accounts receivable	59,599
Intermediary accounts receivable	6,501
Inventory	24,138
Prepaid expenses	15,396
Other accounts receivable	5,005
Increase (decrease) in liabilities:	
Accounts payable	(50,305)
Accrued liabilities	(120,704)
Current interest obligations under notes payable	107,324
Intermediary accounts payable	<u>12,390</u>

Net cash provided by operating activities \$ 117,495

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets	\$ (42,433)
Sale of fixed assets	<u>9,400</u>

Net cash used by investing activities \$ (33,033)

Net increase in cash and cash equivalents \$ 84,462

Cash and cash equivalents, beginning of year 45,269

Cash and cash equivalents, end of year \$ 129,731

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash payments of interest	<u>\$ 2,445</u>
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See Notes to Financial Statements.

BEAUREGARD PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A MERRYVILLE NURSING CENTER

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

The following is a summary of the Service District's significant accounting policies:

Organization:

Beauregard Parish Hospital Service District No. 1, d/b/a Merryville Nursing Center, is a political subdivision of the State created by an ordinance adopted by the Beauregard Parish Police Jury. The Hospital District is governed by a Board of Commissioners appointed by the Beauregard Parish Police Jury and the Town of Merryville, Louisiana. From July 1, 1996 to April 30, 1997, the Hospital District operated a long-term care nursing facility, and leased excess space to another hospital.

Operation and management:

Effective May 1, 1997, the District entered into a Special Services Agreement to operate the long-term nursing facility with Southwest Louisiana Hospital Association, Inc., d/b/a Lake Charles Memorial Hospital (hereafter referred to as "LCMH"). A new Cooperative Endeavor Agreement was entered into on September 1, 1997 which provides the following:

- a. Hospital assigns to LCMH the rights to receive the income from the medical services provided at the facility after May 1, 1997.
- b. Hospital shall be solely responsible for payments of all debts, judgments and other liabilities prior to May 1, 1997, and LCMH shall be solely responsible for all debts and liabilities which were invoiced, ordered, accrued or occurred after May 1, 1997, except for the debt on the \$2,240,000 Hospital Revenue Bonds.
- c. LCMH shall pay all utility, janitorial, repairs and maintenance expenses, including roof and air conditioning equipment.
- d. LCMH shall provide clerical assistance as necessary for the Hospital District.
- e. LCMH shall pay Hospital District \$5,000 each month for the Agreement.
- f. The Hospital shall retain all revenue from leases in effect prior to May 1, 1997, including the charges for dietary services even though LCMH will furnish the labor and food for such services.
- g. The Agreement terminates in five years, unless earlier, if Hospital fails to make the required payment on Hospital Revenue Bonds, or if any action is taken by the bondholders as provided in the Bond Resolution of November 9, 1978 for the Hospital Revenue Bonds.

NOTES TO FINANCIAL STATEMENTS

Net patient revenue:

Net patient revenue to April 30, 1997 is reported at the estimated net realizable amounts from patients, third party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Property, plant and equipment:

Property, plant and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives as explained further in Note 3.

Bad debts:

The Hospital uses the allowance method of recognizing the cost for bad debts. This method provides an estimate of the loss that is applicable to current year revenue, and any adjustment in previous estimates of prior year losses that may be applicable to accounts still remaining on the books.

Cash and cash equivalents:

For purposes of the statement of cash flows, the Hospital Service District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Depreciation and amortization:

Property, plant and equipment are recorded at cost, or in the case of gifts, at fair market value at the date of contribution. Depreciation is provided for in the amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on a straight line basis. Depreciation expense for the year ended June 30, 1997 is \$105,087

Deferred bond issue cost (in other assets) is amortized on the straight-line method over the lives of the related bond issues. Amortization for year ended June 30, 1997 is \$2,050

Note 2. Health Insurance Program Reimbursement

The Hospital participated in Medicare and Medicaid programs as a provider of medical services to program beneficiaries. During the year ended June 30, 1997, approximately 95% of the Hospital's gross patient service revenues were furnished to Medicare and Medicaid program beneficiaries.

NOTES TO FINANCIAL STATEMENTS

Note 3. Depreciation of Property and Equipment

A summary of depreciable assets and their estimated life for depreciation purposes are as follows:

Land	\$ 2,359
Buildings	2,884,908
Equipment	760,037
Furniture	<u>16,990</u>
	\$ 3,664,294
Less accumulated depreciation	<u>(2,507,421)</u>
	<u>\$ 1,156,873</u>

Note 4. Cash and Time Deposits

Under state law, the Hospital's deposits must be secured by federal deposit insurance or the pledge of securities owned by the financial institution. At June 30, 1997, the Hospital's bank balance was \$214,736. Of this balance, all but \$79,757 was covered by federal depository insurance.

Note 5. Long-term Debt

A summary of long-term debt at June 30 follows:

	<u>Delinquent Principal</u>	<u>Balance</u>
\$2,240,000 of Hospital Revenue Bonds, dated December 28, 1978, bearing 5% interest, payable in yearly installments of \$145,000 on December 28, to Rural Economical Development Community, collateralized by hospital revenues	\$ 110,113	\$ 1,380,000
\$595,361 notes payable to Rural Economical Development Community, dated June 16, 1986, bearing 5% interest, payable in monthly installments of \$3,678, collateralized by hospital revenues	21,705	436,022
\$357,964 notes payable to Rural Economical Development Community, dated January 17, 1995, bearing 5% interest, payable in monthly installments of \$3,019, collateralized by hospital revenues	<u>20,371</u>	<u>330,442</u>
	<u>\$ 152,189</u>	<u>\$ 2,146,464</u>
Less current installments of long-term debt		<u>280,764</u>
Long-term debt excluding current installments		<u>\$ 1,865,700</u>

NOTES TO FINANCIAL STATEMENTS

The following special sinking funds were created from the issuance of 1978 Revenue Bonds. Such funds are required to be maintained as long as any of the bonds or interest thereon are outstanding and unpaid. The funds are described as follows:

- a. Nursing Center Revenue Bond and Interest Sinking Fund - to pay the principal and interest on the bonds as the principal matures and interest comes due and to receive monthly deposits equal to 1/12th of the next principal and interest payments on the bonds. This sinking fund cash balance was \$837 at June 30, 1997. The Hospital now has an agreement with Rural Economical Development Community to pay them directly in lieu of the bond and interest sinking fund.
- b. Nursing Center Bond Reserve Fund - to receive monthly deposits on or before the 20th of each month in amounts equal to 10% of the amount paid into the sinking fund and to pay the principal or interest on the bonds at any time there are not sufficient funds available in the sinking funds. Payments into this fund continue until the balance is equal to \$151,250. At June 30, 1997, this fund had a cash balance of \$8. Due to operating costs, these funds have not been properly funded as required by the Rural Economic Development Community loan agreement.
- c. Hospital Depreciation and Contingencies Fund - to receive monthly deposits of \$1,500 on or before the 20th of each month. This fund is to pay the principal or interest on the bonds at any time there are not sufficient funds available in the sinking fund and to provide for extensions, additions, improvements and replacements to the Hospital facilities. At June 30, 1997, this fund had a cash balance of \$10,656. Due to operating costs, these funds have not been properly funded as required by the Rural Economical Development Community loan agreement.

On January 17, 1995, the debt to Rural Economical Development Community was restructured. The combined note payments are \$18,781 per month.

Scheduled principal repayments on long-term debt for the life of the notes are as follows:

	Long-term Debt
1998	\$ 135,153
1999	142,068
2000	149,336
2001	156,977
Thereafter	1,282,166
	\$ 1,865,700

NOTES TO FINANCIAL STATEMENTS

Note 6. Lease Income and Receivables

As of November 23, 1994, the Hospital entered into a lease agreement with Sabine Valley Hospital, L.L.C. (SVH) to lease the "premises," consisting of a one-story building of approximately 9,620 square feet, including the OR suite but not to include the areas used for x-ray and laboratory. The term of lease shall end on December 31, 1998, with an option to extend the term one additional five-year period provided certain conditions are met. Monthly rent is based on \$1,000 per occupied bed with a minimum monthly guarantee of \$10,000. Lease income and net revenue for ancillary services from SVH was \$150,004 and \$37,791, respectively, for the year ended June 30, 1997.

Included in other receivables is \$19,118 due from SVH.

In connection with the various leases (see Note 1) and payments for services from LCMH, \$43,450 was received during the year ended June 30, 1997. It is anticipated that the annual collections from LCMH will be approximately \$90,000.

Included in other receivables is \$11,483 due from LCMH.

Note 7. Contingencies

As shown in the accompanying financial statements, the Hospital has incurred an operating loss of \$48,552 for the year, have a current deficit fund balance of \$1,273,927, have delinquent payments for principal and interest to Rural Economical Development Community in the amount of \$276,122, and current liabilities (other than debt on Revenue Bonds) are over current assets by \$171,631.

The Hospital District is negotiating for the refinancing of the delinquent amounts on the Revenue Bonds. There are no plans for the settlement of all the other debts.

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INDEPENDENT AUDITORS' REPORT ON THE SUPPLEMENTARY INFORMATION

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To the Board of Directors
Beauregard Parish Hospital Service
District No. 1
d/b/a Merryville Nursing Center
Merryville, Louisiana

Our audit was 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 of the basic financial statements rather than to present the financial position, results of operations and cash flows of the District. The supplementary information has been subjected to the auditing procedures applied in the audit 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.

- Lawrence A. Cramer, CPA*
- Eugene C. Gilder, CPA*
- Donald W. Kelley, CPA*
- Herbert Lemoine II, CPA*
- Frank A. Stagno, CPA*
- Scott J. Broussard, CPA*
- L. Charles Abshire, CPA*
- Kenneth R. Dugas, CPA*
- P. John Blanchet III, CPA*
- Stephen L. Lambousy, CPA*
- Craig C. Babineaux, CPA*
- Peter C. Borrello, CPA*
- Michael P. Crochet, CPA*
- George J. Trappey III, CPA*
- Daniel E. Gilder, CPA*
- Gregory B. Milton, CPA*
- S. Scott Soileau, CPA*
- Patrick D. McCarthy, CPA*

Lafayette, Louisiana
December 11, 1997

Retired:

- Sidney L. Broussard, CPA* 1980
- Leon K. Poché, CPA 1984
- James H. Breaux, CPA 1987
- Erma R. Walton, CPA 1988
- George A. Lewis, CPA* 1992
- Geraldine J. Wimberley, CPA* 1995
- Rodney L. Savoy, CPA* 1996
- Larry G. Broussard, CPA* 1997

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BEAUREGARD PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A MERRYVILLE NURSING CENTER

SCHEDULE OF OPERATING EXPENSES
Year Ended June 30, 1997

General and administrative:

Salaries - office and clerical	\$ 30,297
Advertising	2,715
Dues and subscriptions	2,433
Travel	4,371
Directors' fees	4,600
Insurance - group	30,289
Insurance - other	73,953
Bad debts, net of recoveries	(3,379)
Professional fees	13,405
Printing and postage	1,443
License and fees	7,385
Office supplies	2,802
Payroll taxes	28,636
Nursing home bed tax	51,659
Penalties	507
Telephone	11,287
Bank charges	345
Employee benefits	8,662
Contract services	3,100
Other	7,808
Freight	189
Rent/lease	<u>4,369</u>
	<u>\$ 286,876</u>

Nursing Services:

Salaries -	
Director	\$ 32,289
Other	295,560
Medical supplies	16,456
Write off of old supply inventories	<u>24,138</u>
	<u>\$ 368,443</u>

Housekeeping:

Salaries	\$ 46,311
Supplies	10,290
Payroll taxes	<u>3,693</u>
	<u>\$ 60,294</u>

Subtotals \$ 715,613

(Continued)

BEAUREGARD PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A MERRYVILLE NURSING CENTER

SCHEDULE OF OPERATING EXPENSES (CONTINUED)
Year Ended June 30, 1997

Subtotals forwarded	\$ 715,613
Dietary:	
Salaries	\$ 42,862
Food	60,667
Supplies	170
Payroll taxes	3,421
	<u>\$ 107,120</u>
Plant operations:	
Salaries	\$ 15,120
Utilities	68,150
Mortgage interest	109,769
Repairs and maintenance	5,328
Depreciation	105,087
Payroll taxes	1,129
Contract service	10,594
Amortization	2,096
Other	1,528
	<u>\$ 318,801</u>
Laundry:	
Salaries	\$ 18,426
Supplies	6,267
Payroll taxes	1,443
	<u>\$ 26,136</u>
Patient activity (recreational):	
Supplies	<u>\$ 1,478</u>
Consultants:	
Pharmacy	\$ 1,904
Dietary	2,798
Other	5,435
	<u>\$ 10,137</u>
Total operating expenses	<u>\$ 1,179,285</u>

BEAUREGARD PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A MERRYVILLE NURSING CENTER

SCHEDULE OF OTHER OPERATING REVENUE
Year Ended June 30, 1997

Rentals and services:	
Sabine Valley Hospital, L.L.C.	\$ 187,795
Lake Charles Memorial Hospital	43,450
Vending machines	3,818
Meals sold	3,715
Other	<u>1,093</u>
	<u>\$ 239,871</u>

BEAUREGARD PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A MERRYVILLE NURSING CENTER

SCHEDULE OF NON-OPERATING REVENUE (EXPENSES)
Year Ended June 30, 1997

Income from investments	\$	724
Property taxes		611
Adjustments to old payables		112,472
Adjustments to old receivables:		
Medicaid cost reports		(27,263)
Sabine Valley Hospital, L.L.C.		(20,946)
Gain on sale of assets		<u>434</u>
	\$	<u>66,032</u>

BEAUREGARD PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A MERRYVILLE NURSING CENTER

SCHEDULE OF PAYMENTS TO BOARD OF DIRECTORS
Year Ended June 30, 1997

	<u>Meetings Attended</u>	<u>Total Board Fees</u>
Modestine Knighton	12	\$ 600
Greg Schiro	17	850
Lonzo Hooper	17	850
Bill Edmonson	17	850
Harold Jeans	7	350
Hardy Myers	10	500
Earl Babin	12	<u>600</u>
		<u>\$ 4,600</u>



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE RELATED MATTERS NOTED IN A FINANCIAL
STATEMENT AUDIT CONDUCTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Other Offices:

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Eunice, LA
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To the Board of Directors
Beauregard Parish Hospital Service
District No. 1
d/b/a Merryville Nursing Center
Merryville, Louisiana

We have audited the financial statements of Beauregard Parish Hospital Service District No. 1, d/b/a Merryville Nursing Center, for the year ended June 30, 1997, and have issued our report thereon dated December 11, 1997.

Lawrence A. Cramer, CPA*
Eugene C. Gilder, CPA*
Donald W. Kelley, CPA*
Herbert Lemoine II, CPA*
Frank A. Stagno, CPA*
Scott J. Broussard, CPA*
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Daniel E. Gilder, CPA*
Gregory B. Milton, CPA*
S. Scott Soileau, CPA*
Patrick D. McCarthy, CPA*

We have 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 general purpose financial statements are free of material misstatement.

The management of Beauregard Parish Hospital Service District No. 1 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.

Retired:

Sidney L. Broussard, CPA* 1980
Leon K. Poché, CPA 1984
James H. Breaux, CPA 1987
Erma R. Walton, CPA 1988
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Public Accountants*

In planning and performing our audit of the financial statements of Beauregard Parish Hospital Service District No. 1, d/b/a Merryville Nursing Center, for the year ended June 30, 1997, 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.

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 the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did note one item involving the internal control structure and its operation that we consider to be a material weakness as defined above.

Accounts Receivable - Credit Balances

Finding:

During the course of our audit of accounts receivable, we found that approximately \$62,051 of credit balances in patient accounts were still on the books. It appears that the overpayments occurred when the individual or his insurance paid on accounts which had already been paid by Medicare and/or Medicaid. Medicare and Medicaid laws require the research of any overpayment to determine the origin of the overpayment. At that time, the overpayment is to be refunded to the payor.

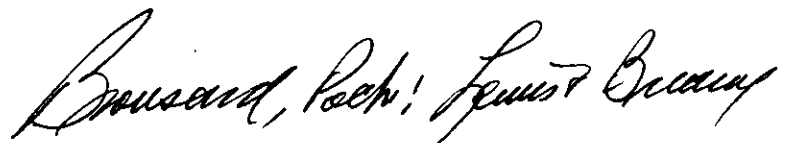
Recommendation:

We recommend that all significant credit balances in patient accounts be researched to determine the origin of the overpayment. Also, the overpayment should be refunded to the appropriate payor or payers.

Response:

With future additional funds, it may be possible to settle some of the accounts with the credit balances.

This report is intended for the information of the Board of Commissioners, management, and the Legislative Auditor. However, this report is a matter of public record, and its distribution is not limited.



Lafayette, Louisiana
December 11, 1997



BROUSSARD, POCHE', LEWIS & BREAU

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

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To the Board of Directors
Beauregard Parish Hospital Service
District No. 1
d/b/a Merryville Nursing Center
Merryville, Louisiana

We have audited the financial statements of Beauregard Parish Hospital Service District No. 1, d/b/a Merryville Nursing Center, as of and for the year ended June 30, 1997, and have issued our report thereon dated December 11, 1997.

Lawrence A. Cramer, CPA*
Eugene C. Gilder, CPA*
Donald W. Kelley, CPA*
Herbert Lemoine II, CPA*
Frank A. Stagno, CPA*
Scott J. Broussard, CPA*
L. Charles Abshire, CPA*
Kenneth R. Dugas, CPA*
P. John Blanchet III, CPA*
Stephen L. Lambousy, CPA*
Craig C. Babineaux, CPA*
Peter C. Borrello, CPA*
Michael P. Crochet, CPA*
George J. Trappey III, CPA*
Daniel E. Gilder, CPA*
Gregory B. Milton, CPA*
S. Scott Soileau, CPA*
Patrick D. McCarthy, CPA*

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

Compliance with laws, regulations, contracts, and grants applicable to Beauregard Parish Hospital Service District No. 1 is the responsibility of Beauregard Parish Hospital Service District No. 1's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Service District's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Retired:

Sidney L. Broussard, CPA* 1980
Leon K. Poché, CPA 1984
James H. Breau, CPA 1987
Erma R. Walton, CPA 1988
George A. Lewis, CPA* 1992
Geraldine J. Wimberley, CPA* 1995
Rodney L. Savoy, CPA* 1996
Larry G. Broussard, CPA* 1997

*Members of American Institute of
Certified Public Accountants
Society of Louisiana Certified
Public Accountants*

The results of our tests indicate that with respect to the items tested, Beauregard Parish Hospital Service District No. 1 complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Service District had not complied, in all material respects, with those provisions.

This report is intended for the information of the Board of Directors, management, and the Legislative Auditor. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Crossland, Rich, Lewis & Brant

Lafayette, Louisiana
December 11, 1997