

**Bienville Parish Hospital
Service District No. 2
Arcadia, Louisiana**

**Basic Financial Statements
With Independent Auditors' Report
As of and for the Year Ended
December 31, 2004
With Supplemental Information**

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.

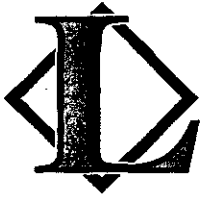
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**BIENVILLE PARISH HOSPITAL
SERVICE DISTRICT NO. 2
ARCADIA, LOUISIANA
BASIC FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004**

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LITTLE & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

Wm. TODD LITTLE, CPA
CHARLES R. MARCHBANKS, JR., CPA

Independent Auditors' Report

BIENVILLE PARISH HOSPITAL
SERVICE DISTRICT NO. 2
Arcadia, Louisiana

We have audited the accompanying financial statements of the governmental activities and major fund of the Bienville Parish Hospital Service District No. 2, a component unit of the Bienville Parish Police Jury, as of December 31, 2004, and for the year then ended, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Bienville Parish Hospital Service District No. 2's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Bienville Parish Hospital Service District No. 2 as of December 31, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the Bienville Parish Hospital Service District No. 2 adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* and Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, as of October 1, 2003. This results in a change in the form and content of the basic financial statements.

BIENVILLE PARISH HOSPITAL
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In accordance with *Government Auditing Standards*, we have also issued a report dated June 27, 2005, on our consideration of the Bienville Parish Hospital Service District No. 2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison on pages 6 through 12 and 27 through 29, respectively are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Little & Associates, LLC

Monroe, Louisiana
June 27, 2005

Required Supplemental Information (Part I):

Management's Discussion and Analysis

**Bienville Parish Hospital
Service District No. 2
Management's Discussion and Analysis
For the Year Ended December 31, 2004**

As Management of the Bienville Parish Hospital Service District No. 2 (the Service District), we offer readers of the Service District's financial statements this narrative overview and analysis of the financial activities of the Service District as of and for the year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with the Service District's basic financial statements and supplementary information provided in this report in assessing the efficiency and effectiveness of our stewardship of public resources.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* ("GASB No. 34") issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because the year ended December 31, 2004, was the first year of implementing the new reporting model, certain necessary comparative information for the year ended December 31, 2003, was not prepared. Considering the financial resources necessary to prepare the information for the prior year, and that GASB No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the Service District has elected to exclude the information in this report.

FINANCIAL HIGHLIGHTS

- The assets of the Service District exceeded its liabilities at December 31, 2004, by \$275,184 (net assets).
- The Service District's net assets decreased by \$162,986 as a result of this year's operations.
- Total net assets are comprised of the following:
 - (1) Capital assets of \$115,093 which includes property and equipment, net of accumulated depreciation and related debt.
 - (2) Restricted net assets of \$5,605 represent the portion restricted for improvements.
 - (3) Unrestricted net assets of \$154,486 represent the portion available to maintain the Service District's continuing obligations to citizens and creditors.
- At December 31, 2004, the Service Districts governmental funds reported a total ending fund balance of \$160,091 a decrease of \$149,910, including expenditures for capital assets. The entire fund balance is unrestricted and available for spending at the Service District's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis is intended to serve as an introduction to the Service District's basic financial statements. In accordance with GASB No. 34, the Service District's basic financial statements comprise three components: 1) government-wide financial statements, 2)

**Bienville Parish Hospital
Service District No. 2
Management's Discussion and Analysis
For the Year Ended December 31, 2004**

fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements. The government-wide financial statements of the Service District report information about the Service District using accounting methods similar to those used by private sector companies. They present the financial picture of the Service District from an economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the Service District (including capital assets) as well as all liabilities (including long-term obligations).

The *Statement of Net Assets* presents information on all of the Service District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Service District is improving or deteriorating.

The *Statement of Activities* presents the current year's revenues and expenses and other information showing how the Service District's net assets changed during the year. The change in net assets is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements are presented on pages 12 through 13 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Service District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Service District are categorized as governmental funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as, on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Service District maintains one individual governmental fund - the general fund. The Service District adopts an annual appropriated budget for the general fund, and a budgetary comparison schedule is provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements are presented on pages 14-17 of this report.

**Bienville Parish Hospital
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Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Service District's budget presentation. The general fund's budgetary comparison schedule is included as "required supplementary information." Required supplementary information is information that the accounting rules strongly suggest be presented within the Service District's financial report. This schedule demonstrates compliance with the Service District's adopted and final revised budget.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Service District implemented the new financial reporting model used in this report beginning with the current calendar year ended December 31, 2004. Over time, as we accumulate year-to-year financial information on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the Service District as a whole.

The Service District's net assets at December 31, 2004, are summarized as follows:

Summary of Net Assets

Assets:	
Current and Other Assets	\$ 195,209
Capital Assets (net of accumulated depreciation)	860,093
Total Assets	<u>\$ 1,055,302</u>
Liabilities:	
Current and Other Liabilities	\$ 35,118
Long-Term Liabilities	745,000
Total Liabilities	<u>\$ 780,118</u>
Net Assets:	
Invested in Capital Assets (net of related debt)	\$ 115,093
Restricted for Improvements	5,605
Unrestricted	154,486
Total Net Assets	<u>\$ 275,184</u>

The largest components of the Service Districts' total assets are: (1) capital assets (e.g., land, building, improvements, and equipment, net of accumulated depreciation) of \$860,093 or 81% (2) Receivables of \$136,981 or 13% and (3) Cash and Cash Equivalents of \$45,775 or 4%. Of the Service District's total liabilities, the largest component is: (1) Bonds Payable of \$745,000 or 95%.

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Management's Discussion and Analysis
For the Year Ended December 31, 2004**

As noted earlier, net assets (total assets less total liabilities) may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, the Service District's net assets totaled \$275,184. A portion of the Service District's net assets reflect its investments in capital assets (e.g., building, land, and equipment). Capital assets are non-liquid assets and cannot be utilized to satisfy the Service District's obligations. The unrestricted net assets of the Service District are available for future use. The unrestricted net assets equal 14% of the total operating expenses for the fiscal year ended December 31, 2004, which is equivalent to about 2 months of these expenses. This measure is an estimate of how long the Service District might be expected to operate on its current resources.

Fiscal year 2004 is the first year the Service District has implemented GASB No. 34; accordingly, a comparative analysis of current and prior year balances is not included. However, such an analysis will exist in subsequent years.

The Service District's change in net assets for the year ended December 31, 2004, is summarized as follows:

Summary Statement of Changes in Net Assets

Program Revenues:	
Charges for Services	\$ 735,666
General Revenues:	
Use of Money and Property	193,392
State Grant	15,000
Other Revenue	16,999
Total Revenues	<u>961,057</u>
Expenses:	
Personnel	518,231
Operating Services	516,335
Materials and Supplies	44,915
Depreciation	44,562
Total Expenses	<u>1,124,043</u>
Change in Net Assets	(162,986)
Net Assets - Beginning	<u>438,170</u>
Net Assets - Ending	<u>\$ 275,184</u>

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Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Governmental activities decreased net assets by \$162,986 for the year ended December 31, 2004.

Key elements of the analysis of government-wide revenues and expenses reflect the following:

- The Service District is heavily dependent on charges for services to support its operations. Charges for services provided 77% of the Service District's total revenues.
- The Service District's operations are primarily staff oriented. As a result, employee salaries and benefits make up approximately 46% of the total expenses.
- Operating Services and Materials and Supplies expenses comprise 46% and 4%, respectively, of total expenses.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The Service District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial statements of the Service District present its General Fund, Family Clinic Fund and the Wellness Center Fund. The General Fund is the Service District's operating fund and the source of day-to-day service delivery. As discussed, the General Fund is useful in assessing the resources available at the end of the year in comparison with upcoming requirements.

Combined Funds. At December 31, 2004, the Service District's Combined Funds balance (total assets less total liabilities) totaled \$160,091. The Service District's unreserved fund balance decreased by \$149,910 in 2004.

Total operating revenues reflect a 65% (\$594,575) increase in 2004 as compared to 2003 due primarily to a significant increase of \$747,086 in Bond issues. This increase was offset, in part, by a decrease in Fees, Charges, and Commissions of \$164,455 at the Family Clinic and \$5,968 at the Wellness Center.

Total operating expenses, including capital outlay, increased by 115% (\$769,718) from 2003 to 2004. The most significant increase was in Capital Outlay of \$768,718.

General Fund. At December 31, 2004, the Service District's General Fund balance (total assets less total liabilities) totaled \$231,762. The Service District's unreserved fund balance decreased by \$49,232 in 2004.

Total operating revenues reflect a 440% (\$759,959) increase in 2004 as compared to 2003 due primarily to a significant increase of \$745,000 in Bond issues and an increase in state grants of \$9,022.

Total operating expenses, including capital outlay, increased by 376% (\$775,835) from 2003 to 2004. The most significant increase was in Capital Outlay of \$769,718.

**Bienville Parish Hospital
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Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Family Clinic Fund. At December 31, 2004, the Service District's Family Clinic Fund balance (total assets less total liabilities) totaled \$(73,219). The Service District's unreserved fund balance decreased by \$105,474 in 2004.

Total operating revenues reflect a 19% (\$156,612) decrease in 2004 as compared to 2003 due primarily to a significant decrease of \$164,455 in Fees and Charges for Services. This decrease was offset, in part, by an increase in Use of Money and Property of \$7,867.

Total operating expenses decreased by 115% (\$99,194) from 2003 to 2004. The decreases were in Personnel Services of \$41,904, Operating Services of \$39,239 and Materials and Supplies of \$18,051.

Wellness Center Fund. At December 31, 2004, the Service District's Wellness Center Fund balance (total assets less total liabilities) totaled \$1,548. The Service District's unreserved fund balance increased by \$4,796 in 2004.

Total operating revenues reflect a 6% (\$5,968) decrease in 2004 as compared to 2003 due primarily to a decrease of Fees and Charges for Services.

Total operating expenses decreased by 11% (\$13,705) from 2003 to 2004. The decreases were in Personnel Services of \$8,759 and Operating Services of \$6,731. This decrease was offset by a increase in Materials and Supplies of \$1,785.

GENERAL BUDGETARY ANALYSIS

The Service District employs formal budgetary integration as a management control device during the year. Budgeted amounts included in the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget (GAAP Basis) and Actual (Budgetary Basis) include the original adopted budget amounts and the final amended budget amounts. Original budgets for each year are adopted on or before December 31 of the year preceding the budget year. The original budget is based on estimated revenues, estimated expenses, and other financial information known to the Service District at the time of the adoption of the budget. Amendments to the original budget are made throughout the year as changes in operations, in expected funding levels, and in estimated expenditures occur. The final amended budget is prepared at the time the Service District anticipates no additional significant increases or decreases in revenues and expenses for the year and no expected changes in operations.

The final amended budgeted revenues for the General Fund increased from the original budgeted revenues by 252% (\$670,000) due to a change in the proceeds from the Bond Issue. The difference between the final amended budgeted revenues and actual revenues for the year ended December 31, 2004, totaled \$3,285, a 0.4% positive variance. The final amended budgeted expenses increased from the original budgeted expenses by 275% (\$713,018) due to the Service District increasing planned Capital Outlay expenditures. The actual expenses exceeded the final amended budgeted expenses for the year ended December 31, 2004, by 1% (\$9,380). This unfavorable variance was attributable primarily to the under budgeting of personnel services.

**Bienville Parish Hospital
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Management's Discussion and Analysis
For the Year Ended December 31, 2004**

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets

At the end of December 31, 2004, the Service District had invested in various capital assets, including buildings, equipment, and land. The capital assets are summarized below:

	Governmental Activities
	2004
Depreciable Assets:	
Buildings	\$ 801,272
Equipment	128,470
Land	87,371
Totals	1,017,113
Less Accumulated Depreciation	157,020
Book Value-Depreciable Assets	\$ 860,093

ECONOMIC FACTORS AND FUTURE OUTLOOK

The Service District's budgeted revenues and expenditures for 2005 are comparable to 2004's actual revenues and expenditures. The Service District does not anticipate any changes in its day-to-day operations that will have a material effect on its 2004 budget.

CONTACTING THE SERVICE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Service District's finances and to show its accountability for the money it receives. If you have questions about this report or need additional financial information, contact Donna Angland, at the Service District's Office, 1175 Pine Street, Suite 100 or P.O. Box 766, Arcadia, Louisiana 71001 or call at (318) 263-7970.

Basic Financial Statements

Statement A

Bienville Parish Hospital Service District NO. 2
Arcadia, Louisiana

Statement of Net Assets
December 31, 2004

ASSETS

Cash and cash equivalents	\$	45,775
Receivables, net		136,981
Prepaid Expenses		12,453
Capital assets (net of accumulated depreciation)		860,093
Total Assets	\$	<u>1,055,302</u>

LIABILITIES

Accounts payable	\$	20,118
Deferred revenue		15,000
Bonds Payable		745,000
Total Liabilities		<u>780,118</u>

NET ASSETS

Invested in capital assets, net of related debt		115,093
Restricted for Improvements		5,605
Unrestricted		<u>154,486</u>

TOTAL NET ASSETS

\$ 275,184

The notes to the financial statements are an integral part of this statement.

Statement B

**Bienville Parish Hospital Service District NO. 2
Arcadia, Louisiana**

**Statement of Activities
For the Year Ended December 31, 2004**

EXPENSES

Personnel services	\$ 518,231
Operating services	516,335
Materials and supplies	44,915
Depreciation	44,562
Total program expenses	<u>1,124,043</u>

PROGRAM REVENUES

Charges for services	735,666
Net program expense	<u>(388,377)</u>

GENERAL REVENUES

State Grant	15,000
Other Revenue	16,999
Use of Money and Property	193,392
Total general revenues	<u>225,391</u>

Decrease in net assets (162,986)

Net assets - beginning of the year 438,170

Net assets - end of the year \$ 275,184

The notes to the financial statements are an integral part of this statement.

Bienville Parish Hospital Service District NO. 2
Arcadia, Louisiana

GOVERNMENTAL FUNDS

Balance Sheet

12/31/2004

	MAJOR FUNDS		NON MAJOR FUND	TOTAL
	GENERAL FUND	FAMILY CLINIC FUND	WELLNESS CLINIC FUND	
ASSETS				
Cash and cash equivalents	\$ 22,117	\$ 17,324	\$ 6,334	\$ 45,775
Interfund Receivable	226,307	9,298	-	235,605
Receivables other	2,896	-	-	2,896
Accounts Receivable	-	128,542	5,543	134,085
Prepaid Expenses	2,762	9,691	-	12,453
				-
TOTAL ASSETS	\$ 254,082	\$ 164,855	\$ 11,877	\$ 430,814
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 7,320	\$ 6,218	\$ 1,031	\$ 14,569
Payroll Withholdings Payable	-	5,549	-	5,549
Interfund Payable	-	226,307	9,298	235,605
Deferred Revenue	15,000	-	-	15,000
Total Liabilities	22,320	238,074	10,329	270,723
Fund balances:				
Unreserved, reported in:				
General fund	231,762	(73,219)	1,548	160,091
Total Fund Balances	231,762	(73,219)	1,548	160,091
TOTAL LIABILITIES AND FUND BALANCES	\$ 254,082	\$ 164,855	\$ 11,877	\$ 430,814

The notes to the financial statements are an integral part of this statement.

Statement D

**Bienville Parish Hospital Service District NO. 2
Arcadia, Louisiana**

**Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
December 31, 2004**

Total Fund Balances at December 31, 2004 - Governmental Funds		<u>\$ 160,091</u>
Cost of capital assets at December 31, 2004	1,017,113	
Less - accumulated depreciation as of December 31, 2004:		
Buildings and improvements	(72,318)	
Movable property	<u>(84,702)</u>	
Net Capital Assets at December 31, 2004		860,093
Bonds Payable at December 31, 2004		<u>(745,000)</u>
Net Assets at December 31, 2004		<u><u>\$ 275,184</u></u>

The notes to the financial statements are an integral part of this statement.

Blenville Parish Hospital Service District NO. 2
Arcadia, Louisiana

GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended December 31, 2004

	MAJOR FUNDS		NON MAJOR FUND	TOTAL
	GENERAL FUND	FAMILY CLINIC FUND	WELLNESS CLINIC FUND	
REVENUES				
Fees and charges for services:	\$ -	\$ 645,991	\$ 89,675	\$ 735,666
State Grant	15,000	-	-	15,000
Other Revenue	16,999	-	-	16,999
Use of Money and Property	184,577	8,815	-	193,392
Total revenues	<u>216,576</u>	<u>654,806</u>	<u>89,675</u>	<u>961,057</u>
EXPENDITURES				
Current:				
Personnel services	40,933	395,730	81,568	518,231
Operating services	164,527	323,813	27,994	516,334
Materials and supplies	-	40,737	4,178	44,915
Capital outlay	776,487	-	-	776,487
Total expenditures	<u>981,947</u>	<u>760,280</u>	<u>113,740</u>	<u>1,855,967</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>(765,371)</u>	<u>(105,474)</u>	<u>(24,065)</u>	<u>(894,910)</u>
OTHER FINANCING SOURCES (Uses):				
Bond Issue proceeds	745,000	-	-	745,000
Operating transfers in	-	-	28,861	28,861
Operating transfers out	(28,861)	-	-	(28,861)
Total other financing sources (uses)	<u>716,139</u>	<u>-</u>	<u>28,861</u>	<u>745,000</u>
NET CHANGES IN FUND BALANCES	(49,232)	(105,474)	4,796	(149,910)
FUND BALANCES AT BEGINNING OF YEAR	<u>280,994</u>	<u>32,255</u>	<u>(3,248)</u>	<u>310,001</u>
FUND BALANCES AT END OF YEAR	<u>\$ 231,762</u>	<u>\$ (73,219)</u>	<u>\$ 1,548</u>	<u>\$ 160,091</u>

The notes to the financial statements are an integral part of this statement.

**Bienville Parish Hospital Service District NO. 2
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**Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Statement of Activities**

For the Year Ended December 31, 2004

Total net change in fund balances - governmental funds (Statement E)	\$ (149,910)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the period	731,924
Bond Proceeds are reported in governmental funds as other financing sources. However, in the Statement of Activities, the bond proceeds are not reported as revenues. Bond proceeds are included on the Statement of Net Assets as Bonds Payable.	<u>(745,000)</u>
Change in net assets of governmental activities (Statement B)	<u>\$ (162,986)</u>

The notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements

**BIENVILLE PARISH HOSPITAL
SERVICE DISTRICT NO. 2
Arcadia, Louisiana**

**Notes to the Financial Statements
As of and For the Year Ended December 31, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bienville Parish Hospital Service District No. 2 is controlled by a board of Commissioners who are appointed by the Bienville Parish Police Jury, and is exempt from income taxes. The District owns and operates the Family Clinic and the Wellness Center for the purpose of providing for the medical needs of the citizens of Bienville Parish. The District also contracts with various other health care providers in which the district provides space in return for rent.

A. REPORTING ENTITY

As the governing authority of the parish, for reporting purposes, the Bienville Parish Police Jury is the financial reporting entity for Bienville Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 establishes criteria for determining which component units should be considered part of the Bienville Parish Police Jury for financial reporting purposes. The basic criteria for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and;
 - a. The ability of the police jury to impose its will on that organization and/or;
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury appoints a voting majority of the District's governing body and has the ability to impose its will, the agency was determined to be a component unit of the Bienville Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the district and do not present information on the police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

BIENVILLE PARISH HOSPITAL
SERVICE DISTRICT NO. 2
Arcadia, Louisiana
Notes to the Financial Statements (Continued)

B. FUND ACCOUNTING

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures.

Governmental Funds

Governmental funds account for all or most of the District's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations of the District. The following are the District's governmental funds:

General Fund

The primary operating fund of the District, it accounts for all financial resources, except those required to be accounted for in other funds. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to the District's policy.

Special Revenue Funds

The district uses to special revenue funds which account for the operations of the Bienville Family Clinic and the Bienville Wellness Center.

BIENVILLE PARISH HOSPITAL
 SERVICE DISTRICT NO. 2
 Arcadia, Louisiana
 Notes to the Financial Statements (Continued)

C. CAPITAL ASSETS

Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. All of fixed assets are based on actual historical costs. The district maintains a threshold level of \$1,000 or more for capitalizing capital assets.

Capital assets and related expenses are recorded in the Statement of Net Assets and Statement of Activities, respectively, but are not reported in the fund financial statements. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Equipment	5 – 10 years
Building	40 years

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Government-Wide Financial Statements (GWFS)

The Statement of Net Assets (Statement A) and the Statement of Activities (Statement B) display information about the reporting government as a whole. These statements include all the financial activities of the City.

The GWFS were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Program Revenues

Program revenues included in the Statement of Activities (Statement B) derive directly from parties outside the City's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the City's general revenues.

Direct Expenses

The City reports all direct expenses by function in the Statement of Activities (Statement B). Direct expenses are those that are clearly identifiable with a function. Depreciation expense, which can be specifically identified by function, is included in the direct expenses of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

BIENVILLE PARISH HOSPITAL
SERVICE DISTRICT NO. 2
Arcadia, Louisiana
Notes to the Financial Statements (Continued)

Fund Financial Statements (FFS)

Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. As of and for the year ended December 31, 2004, all governmental funds are considered to be major funds and are reported in the Balance Sheet (Statement C) and in the Statement of Revenues, Expenditures, and Changes in Fund Balances (Statement E).

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Those revenues susceptible to accrual are property taxes, sales taxes, and charges for services. Fines, and forfeitures, and permit and license revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by the proprietary fund type. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Interest earnings are recorded when the investments have matured and the interest is available.

BIENVILLE PARISH HOSPITAL
SERVICE DISTRICT NO. 2
Arcadia, Louisiana
Notes to the Financial Statements (Continued)

Expenditures

Salaries are recorded as expenditures when earned by employees.

Purchases of various operating supplies, etc. are recorded as expenditures when the related fund liability is incurred.

Principal and interest on long-term debt are recognized when due.

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid, sale of fixed assets, and long-term debt proceeds, are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

E. CASH AND CASH EQUIVALENTS

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 principal offices in Louisiana. At December 31, 2004, the district has cash and cash equivalents (book balances) totaling \$45,775 all of which is in demand accounts.

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be fully secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. All deposits are fully secured by federal deposit insurance at Dec 31, 2004.

G. VACATION AND SICK LEAVE

All full-time employees of the district earn 10 days of vacation leave after one full year of service, and fifteen days of vacation leave after six years of service. Full-time employees earn 10 days of sick leave after one full year of service. Employees may carry forward a maximum of one year of accrued vacation time and unlimited accrued sick leave time. Part-time employees are also eligible for vacation and sick leave at a lower rate of accrual. Upon separation of employment, employees are paid for accrued vacation leave.

H. RISK MANAGEMENT

The district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. To handle such risk of loss, the district maintains commercial insurance policies covering: general liability; workers compensation; and surety bond coverage for all employees. No claims were paid on any of the policies during the past three years which exceeded the policies' coverage amounts. No claims have been filed on the policy during the past three years nor is the district aware of any unfiled claims.

BIENVILLE PARISH HOSPITAL
 SERVICE DISTRICT NO. 2
 Arcadia, Louisiana
 Notes to the Financial Statements (Continued)

2. RECEIVABLES

The following is a summary of receivables for special revenue funds at December 31, 2004:

Class of receivables:

Fees, charges, and commissions for services:

Patient fees	\$128,542
Membership fees	5,543
Utility Reimbursements	2,896
Total	<u>\$136,981</u>

3. CHANGES IN GENERAL FIXED ASSESTS

A summary of changes in general fixed assets follows:

	Balance at January 1 st	Additions	Deletions	Balance at December 31 st
Land	\$87,371	-	-	\$87,371
Buildings	41,302	\$759,970	-	801,272
Machinery & Equipment	128,470	-	-	128,470
Total	<u>\$257,143</u>	<u>\$759,970</u>	<u>NONE</u>	<u>\$1,017,113</u>
Less :				
Accumulated Depreciation	112,457	44,562	-	157,020
Net Book Value	<u>\$144,686</u>	<u>\$715,408</u>	-	<u>\$860,093</u>

4. DEFERRED COMPENSATION PLAN

The hospital district offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan, available to all employees, permits employees to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the hospital district (without being restricted to the provisions of benefits under the plan), subject only to the claims of the hospital district's general creditors. Participants' rights under the plan are equal to those of general creditors of the hospital district in an amount equal to the fair market value of the deferred account for each participant.

5. LEASES

The district contracts with various other health care providers to serve the medical needs of the citizens of Bienville Parish. The District provides space for these providers in return for rent. Current leases include Mark Owen, M. D. with a monthly payment of \$600 and the Louisiana Extended Care Hospital with a monthly payment of \$14,000.

BIENVILLE PARISH HOSPITAL
SERVICE DISTRICT NO. 2
Arcadia, Louisiana
Notes to the Financial Statements (Continued)

6. FUND DEFICIT/BALANCE

At December 31, 2003, the Wellness Center Fund had a Fund Deficit of \$3,248. The district reduced expenditures to eliminate the deficit. At December 31, 2004, the Wellness Center Fund had a Fund Balance of \$1,548. At December 31, 2004, the Family Clinic Fund had a Fund Deficit of \$73,219. The district will reduce expenditures to eliminate the deficit.

7. LITIGATION AND CLAIMS

The Bienville Parish Hospital Service District No. 2 is not involved in any litigation at December 31, 2004, nor is it aware of any unasserted claims.

8. LONG-TERM DEBT

At December 31, 2004, the long-term debt of the Bienville Parish Hospital District NO. 2 consisted of the following individual bond issues in the General Fund:

Taxable General Obligation Bonds, Series 2004, 6.25%, dated May 1, 2004, in the original amount of \$745,000. Scheduled principal and interest payments due annually through April, 2019.	\$ 745,000
	<hr/>
Total	<u>\$ 745,000</u>

General Obligation Bonds constitute obligations of the Hospital Service District NO. 2 and will be payable from ad valorem taxes to be levied and collected in the manner provided by Article VI, Section 33 of the Constitution of the State of Louisiana of 1974 and statutory authority supplemental thereto. The General Obligation Bonds of Bienville Parish Hospital Service District NO. 2 will only be used for improving health care facilities of said district, including acquiring machinery, equipment and furnishings therefore, title to which shall be in the public. First payment will be April 1, 2005.

The annual requirements to service General funds debt outstanding as of December 31, 2004, are as follows:

BIENVILLE PARISH HOSPITAL
 SERVICE DISTRICT NO. 2
 Arcadia, Louisiana
 Notes to the Financial Statements (Continued)

GENERAL FUND OBLIGATIONS:

Year	General Fund		Total Payments
	Principal	Interest	
2005	\$ -	\$ 65,964	\$ 65,964
2006	35,000	45,469	80,469
2007	35,000	43,281	78,281
2008	40,000	40,937	80,937
2009	40,000	38,437	78,437
2010 - 2014	245,000	149,219	394,219
2015 - 2019	350,000	57,813	407,813
	<u>\$ 745,000</u>	<u>\$ 441,120</u>	<u>\$ 1,186,120</u>

Required Supplemental Information (Part II)

Bienville Parish Hospital Service District NO. 2
Arcadia, Louisiana

GOVERNMENTAL FUNDS - GENERAL FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balances-Budget and Actual
For the Year Ended December 31, 2004

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET Positive (Negative)
REVENUES				
State Grant	\$ -	\$ 15,000	\$ 15,000	\$ -
Other Revenue	-	5,214	16,999	(11,785)
Use of Money and Property	201,000	194,700	184,577	10,123
Total revenues	201,000	214,914	216,576	(1,662)
EXPENDITURES				
Current:				
Personnel services	29,594	29,594	40,933	(11,339)
Operating services	146,955	167,022	164,527	2,495
Materials and supplies	500	-	-	-
Capital outlay	82,500	775,951	776,487	(536)
Total expenditures	259,549	972,567	981,947	(9,380)
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(58,549)	(757,653)	(765,371)	7,718
OTHER FINANCING SOURCES (Uses):				
Bond Issue proceeds	85,000	747,086	745,000	2,086
Operating transfers out	(20,000)	(26,000)	(28,861)	2,861
Total other financing sources (uses)	65,000	721,086	716,139	4,947
NET CHANGES IN FUND BALANCES	6,451	(36,567)	(49,232)	12,665
FUND BALANCES - JANUARY 1, 2004	280,994	280,994	280,994	-
FUND BALANCES - DECEMBER 31, 2004	\$ 287,445	\$ 244,427	\$ 231,762	\$ 12,665

Bienville Parish Hospital Service District NO. 2
Arcadia, Louisiana

GOVERNMENTAL FUNDS-FAMILY CLINIC
Schedule of Revenues, Expenditures, and
Changes in Fund Balances-Budget and Actual
For the Year Ended December 31, 2004

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET Positive (Negative)
REVENUES				
Fees and charges for services:	\$ 637,729	\$ 642,000	\$ 645,991	\$ 3,991
Use of Money and Property	-	-	8,815	8,815
Total revenues	<u>637,729</u>	<u>642,000</u>	<u>654,806</u>	<u>12,806</u>
EXPENDITURES				
Current:				
Personnel services	419,385	394,385	395,730	(1,345)
Operating services	244,924	315,040	323,813	(8,773)
Materials and supplies	66,000	39,000	40,737	(1,737)
Capital outlay	-	-	-	-
Total expenditures	<u>730,309</u>	<u>748,425</u>	<u>760,280</u>	<u>(11,855)</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES				
	<u>(92,580)</u>	<u>(106,425)</u>	<u>(105,474)</u>	<u>951</u>
NET CHANGES IN FUND BALANCES				
	(92,580)	(106,425)	(105,474)	951
FUND BALANCES - JANUARY 1, 2004				
	<u>32,255</u>	<u>32,255</u>	<u>32,255</u>	<u>-</u>
FUND BALANCES - DECEMBER 31, 2004				
	<u>\$ (60,325)</u>	<u>\$ (74,170)</u>	<u>\$ (73,219)</u>	<u>\$ 951</u>

BIENVILLE PARISH HOSPITAL
SERVICE DISTRICT NO. 2
Arcadia, Louisiana

Notes to the Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2004

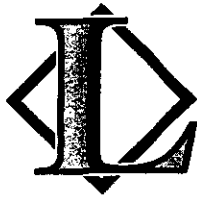
NOTE A - BUDGETARY POLICIES

The proposed budgets for the general fund and special revenue funds are prepared on the modified accrual basis of accounting and are made available for public inspection at least fifteen days prior to the beginning of each fiscal year. The budgets are then legally adopted by the board of commissioners and amended during the year, as necessary. Budgets are established and controlled by the board of commissioners at the object level of expenditure. The district does not utilize encumbrance accounting. Appropriations lapse at year-end and must be reappropriated for the following year to be expended. All changes in the budgets must be approved by the board of commissioners.

Formal budgetary integration is employed as a management control device during the year. Budgeted amounts included in the accompanying financial statement include the original adopted budget amounts and all subsequent amendments.

**Independent Auditor's Report Required
by *Government Auditing Standards***

The following independent auditor's report on compliance and internal control is presented in compliance with the requirements of *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.



LITTLE & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

Wm. TODD LITTLE, CPA
CHARLES R. MARCHBANKS, JR., CPA

**Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
*Government Auditing Standards***

BIENVILLE PARISH HOSPITAL
SERVICE DISTRICT NO. 2
Arcadia, Louisiana

We have audited the basic financial statements of the Bienville Parish Hospital Service District No. 2, a component unit of the Bienville Parish Police Jury, as of and for the year ended December 31, 2004, and have issued our report thereon dated June 27, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bienville 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 financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Bienville Parish Hospital Service District No. 2's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned cost as item 04-01.

A material weakness is a reportable 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 caused by error or fraud 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 reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

**BIENVILLE PARISH HOSPITAL
SERVICE DISTRICT NO. 2
Arcadia, Louisiana
Independent Auditor's Report on Compliance
And Internal Control Over Financial Reporting, etc.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bienville Parish Hospital Service District No. 2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned cost as item 04-01.

This report is intended solely for the information and use of the Bienville Parish Hospital Service District No. 2, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Littler Associates, LLC

Monroe, Louisiana
June 27, 2005

BIENVILLE PARISH HOSPITAL
SERVICE DISTRICT NO. 2
Arcadia, Louisiana

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2004

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the Bienville Parish Hospital Service District No. 2.
2. One reportable condition relating to the audit of the basic financial statements is reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance With *Government Auditing Standards*.
3. One instance of noncompliance material to the basic financial statements of the Bienville Parish Hospital Service District No. 2 was disclosed during the audit.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

04-01. Budgeted expenditures exceeded the total of estimated funds available for the budgeted year ending December 31, 2004.

Criteria: La. Rev. Stat. 39:1305 and 39:1310 – The total of proposed expenditures shall not exceed the total of estimated funds available for the ensuing fiscal year. In no event shall a budget amendment be adopted proposing expenditures which exceed the total of estimated funds available for the fiscal year.

Condition: Budgeted expenditures exceeded estimated funds available for the fiscal year in both the original budget and in the final budget amendment for the family clinic fund.

Effect: Violation of La. Rev. Stat. 39:1305 and 39:1310 – Budget preparation and budgetary authority and control.

Cause: Unknown

Recommendation: The District should adopt a budget in which proposed expenditures do not exceed the total of estimated funds available. The same methodology should be applied to amendments.

Corrective Action: In the future the District will adopt its budget and any subsequent amendments as recommended.

BIENVILLE PARISH HOSPITAL
SERVICE DISTRICT NO. 2
Arcadia, Louisiana

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2004

FINDINGS - FINANCIAL STATEMENTS AUDIT

03-01. Need to Comply with Louisiana Local Government Budget Act

Finding: The agency did not legally adopt budgets for the general fund and the special revenue funds. The accountant utilized a budget, however, the budget was not adopted by the board of commissioners by December 31, 2002. Louisiana Revised Statutes (LRS) 39:1303-1308 require the district to adopt a budget for the general fund and all special revenue funds by December 31, 2002. Consequently, because the budget was not legally adopted, no comparison is shown for the special revenue funds, and fifty percent of the budgeted amounts for 2002 general fund were appropriated for the 2003 general fund budget amounts in accordance with state law.

Status: Resolved

03-02. Board Minutes Not Published

Finding: The Bienville Parish Hospital District No. 2 did not publish the minutes of the meetings of its Board of Commissioners. In accordance with Attorney General Opinion No. 94-133(A), by definition, hospital service districts are political subdivisions of the state. Therefore, a hospital service district must publish the minutes of such meetings.

Status: Resolved