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Bienville Parish Hospital
Service District No. 2
Arcadia, Louisiana

Annual Financial Statements
As of December 31, 2005 and for the Year Then Ended

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8-16-06

Bienville Parish Hospital
 Service District No. 2
 Annual Financial Statements
 As of and for the Year Ended December 31, 2005
 With Supplemental Information Schedules

CONTENTS

	Statement	Page
Required Supplemental Information (Part I)		
Management's Discussion and Analysis		1
Independent Auditor's Report		6
<u>Basic Financial Statements</u>		
Government-Wide Financial Statements:		
Statement of Net Assets	A	7
Statement of Activities	B	8
Fund Financial Statements - Governmental Funds:		
Balance Sheet	C	9
Reconciliation of the Government Funds Balance Sheet to The Government-Wide Financial Statement of Net Assets	D	10
Statement of Revenues, Expenditures, and Changes in Fund Balances	E	11
Reconciliation of the Statement of Revenues, Expenditures, And Changes in Fund Balances of Governmental Funds to the Statement of Activities	F	12
Notes to the Financial Statements		13
Required Supplemental Information (Part II)		
Budget Comparison Schedules		
Notes to Budget Comparison Schedules		
General Fund	1	23
Family Clinic Fund	2	24

Table of Contents (Contd.)
Bienville Parish Hospital
Service District No. 2

	Schedule	Page
Required Supplemental Information (Part II) - Continued		
Budget Comparison Schedules - Continued		
Notes to Budget Comparison Schedules		
Wellness Center Fund	3	25
<u>Other Supplemental Schedules</u>		
Schedule of Compensation Paid Elected Officials	3	27
<u>Other Reports</u>		
Independent Auditor's Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of the Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		29
Current Year Findings, Recommendations, and Corrective Action Plan	4	31
Status of Prior Audit Findings	5	33

Bienville Parish Hospital
Service District No. 2
Management Discussion and Analysis
December 31, 2005

The management of the Bienville Parish Hospital Service District No. 2 offers readers of the district's financial statements this narrative overview and analysis of the financial activities of the district for the fiscal year ended December 31, 2005. This management discussion and analysis ("MD&A") is designed to provide an objective analysis of the district's financial activities based on currently known facts, decisions, and conditions. It is intended to provide readers with a broad overview of district finances. It is also intended to provide readers with an analysis of the district's short-term and long-term activities based on information presented in the financial report and fiscal policies that have been adopted by the district. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the district's financial activity, identify changes in the district's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

The district has presented its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34. This reporting model changes the presentation of financial data, and also the manner in which the information is recorded. We encourage readers to consider the information presented here in conjunction with additional information presented throughout this report.

Overview of the Financial Statements

This section is intended to serve as an introduction to the district's financial statements. The district's basic financial statements consist of the government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information, which is in addition to the basic financial statements.

Government-Wide Financial Statements

Government-wide financial statements are designed by GASB Statement No. 34 to change the way in which governmental financial statements are presented. It now provides readers with a concise "entity-wide" Statement of Net Assets and Statement of Activities, which seek to give the user of the financial statements a broad overview of the district's financial position and results of operations in a manner similar to private sector businesses.

The statement of net assets presents information on all of the district's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The difference between the two is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or weakening.

Bienville Parish Hospital
Service District No. 2
Management Discussion and Analysis
December 31, 2005

The statement of activities presents information which shows how the government's net assets changed during this fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected taxes).

Each of these reports is broken down to show the district's governmental activities. Governmental activities normally are those activities that are supported by taxes, licenses, permits, fines, and intergovernmental revenues.

Government-wide Financial Analysis

As noted earlier, net assets may, over time, serve as a useful indicator of a government's financial position. At the close of the most recent fiscal year, the District's assets exceeded its liabilities by \$1,095,885 (net assets); this represents a decrease of \$173,615 from the last fiscal year. Of this total net asset amount, \$101,259 is unrestricted net assets.

The following is a condensed statement of the Bienville Parish Hospital Service District No. 2's net assets as of December 31, 2005:

	Governmental-Type Activities
Assets	
Current & Other Assets	\$139,623
Capital Assets (net)	1,739,626
Total Assets	\$1,879,249
Liabilities	
Other Liabilities	\$38,364
Long-term Liabilities	745,000
Total Liabilities	783,364
Net Assets	
Invested in capital assets, net	994,626
Unrestricted	101,259
Total Net Assets	\$1,095,885

By far the largest portion of the District's net assets \$994,626 reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, District infrastructure, etc.) less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Bienville Parish Hospital
Service District No. 2
Management Discussion and Analysis
December 31, 2005

The remaining balance of \$101,259 is unrestricted net assets, which may be used to meet the government's on-going obligations to citizens and creditors.

The District has total outstanding debt of \$745,000, which was used to finance some of the \$3,841,343 capital assets. Total liabilities of \$783,364 are equal to 71% of the total net assets.

The following is a summary of the statement of activities -- governmental-type activities:

	<u>2005</u>	<u>2004</u>
Revenue		
Program Revenue	\$818,505	\$735,666
General Revenue & Transfers	339,629	225,391
Total Revenue	<u>1,158,134</u>	<u>961,057</u>
Expenses		
Program Expenses	1,331,749	1,205,221
Total Expenses	<u>1,331,749</u>	<u>1,205,221</u>
Increase (Decrease) in Net Assets	(173,615)	(244,164)
Net Assets, December 31, 2004	<u>1,269,500</u>	1,513,664
Net Assets, December 31, 2005	<u>\$1,095,885</u>	<u>\$1,269,500</u>

Governmental Activities

The governmental activities of the District include personnel services, operating services, materials and supplies, interest on long-term debt, and depreciation. The district is heavily dependent on charges for services to support its operations. Charges for services provided 71% of the district's revenues. The district's operations are primarily staff oriented. As a result, employee salaries and benefits make up approximately 33% of total expenses.

Fund Financial Statements - Governmental Funds

The fund financial statements provide more detailed information about the District's most significant funds - not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for a particular purpose.

The District currently maintains two individual governmental fund types. These fund types include the General Fund and Special Revenue Funds. Information is presented separately in the Governmental Funds Balance Sheet (Statement C) and in the Governmental Fund Statement of Revenues, Expenditures, and

Bienville Parish Hospital
Service District No. 2
Management Discussion and Analysis
December 31, 2005

Changes in Fund Balances (Statements E) for the General Fund and Special Revenue Funds. The General fund, the Family Clinic fund, and the Wellness Center funds are all considered to be major funds.

The District adopts an annual budget for the General Fund, Family Clinic Fund, and Wellness Center Fund. A statement of revenues, expenditures, and changes in fund balances is presented in the Required Supplemental Information (Schedule 1), which compares actual revenues and expenditures to the original budget and amended budget figures for each major fund.

Financial Analysis of the District's Governmental Funds

The General Fund reported an ending fund balance of \$319,187, which is an increase of \$87,425. This increase is caused by an increase in revenue mainly due to the new property tax. The entire ending fund balance is unreserved.

The Family Clinic Fund reported an ending fund balance of (\$220,172), which is a decrease of \$146,953 from prior year. This decrease is caused by an increase in insurance expenses and revenue adjustments. The entire ending fund balance is unreserved.

The Wellness Center Fund reported an ending fund balance of \$2,244, which is an increase of \$696 from prior year. The entire ending fund balance is unreserved.

General Fund Budgetary Highlights

The District amended their original General Fund, Family Clinic Fund, and Wellness Center budgets once during the course of the year.

For the General Fund, the difference between the final amended budgeted revenues and actual revenues totaled \$35,565 or 12% positive variance. For the Family Clinic fund, the final amended budgeted expenditures exceeded the actual expenditures by \$5,120 or 3%. For the Wellness Center fund, the final amended budgeted expenditures exceeded the actual expenditures by \$7,598 or 6%.

Capital Asset and Debt Administration

The total investment in net capital assets as of December 31, 2005 is \$994,626.

There were no new major capital assets purchased in fiscal 2005 for governmental activities.

**Bienville Parish Hospital
Service District No. 2
Management Discussion and Analysis
December 31, 2005**

Current Financial Factors

The district does not anticipate any changes in its day-to-day operations that will have a material effect on its 2006 budget.

Requests for Information

This financial report is designed to provide a general overview of the Bienville Parish Hospital Service District No. 2's finances for all with an interest in the government's operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Donna Anglin, P. O. Box 766 or 1175 Pine Street, Suite 100, Arcadia, LA 71001 or call at 318-263-7970.

EDWARDS, WADE & PERRY

Certified Public Accountants
A Professional Accounting Corporation
Members: AICPA / Society of LCPA's

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and major fund of the Bienville Parish Hospital Service District No. 2, as of and for the year ended December 31, 2005, which collectively comprise the district's 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 opinions 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 above 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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 19, 2006, on our consideration of the district's internal control over financial reporting and our tests of its compliance and other matters with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The required supplementary information on pages 1 through 5 and 23 through 24 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.

Edwards, Wade & Perry

Ruston, Louisiana
June 19, 2006

Bienville Parish Hospital Service District No. 2
Statement of Net Assets
December 31, 2005

ASSETS		
Cash and cash investments		\$44,083
Receivables		88,932
Prepaid expenses		6,608
Capital assets (net)		<u>1,739,626</u>
TOTAL ASSETS		<u>\$1,879,249</u>
LIABILITIES		
Accounts, salaries, and other payables		\$38,364
Bonds payable		<u>745,000</u>
TOTAL LIABILITIES		<u>783,364</u>
NET ASSETS		
Invested in capital assets, net of related debt		994,626
Unrestricted		<u>101,259</u>
TOTAL NET ASSETS		<u>\$1,095,885</u>

The accompanying notes are an integral part of this statement.

Bienville Parish Hospital Service District No. 2
Statement of Activities
For the Year Ended December 31, 2005

EXPENSES	
Personnel services	\$439,618
Operating services	662,087
Materials and supplies	42,809
Interest on long-term debt	72,452
Depreciation	114,783
Total program expenses	<u>1,331,749</u>
PROGRAM REVENUES	
Charges for services	818,505
Net program expense	<u>(513,244)</u>
GENERAL REVENUES	
Property taxes	100,395
Use of money and property	200,147
Other revenues	36,168
Operating transfers (net)	2,919
Total general revenues	<u>339,629</u>
Net Change in Net Assets	(173,615)
Net Assets – beginning	<u>1,269,500</u>
Net Assets – ending	<u>\$1,095,885</u>

The accompanying notes are an integral part of this statement.

Bienville Parish Hospital Service District No. 2
 Balance Sheet, Governmental Funds
 December 31, 2005

	Major Funds			Total
	General Fund	Family Clinic Fund	Wellness Center Fund	
ASSETS				
Cash and cash investments	\$27,733	\$10,905	\$5,445	\$44,083
Receivable	25,069	56,662	7,201	88,932
Due from other funds	276,149	9,371		285,520
Prepaid expenses	2,085	4,523		6,608
TOTAL ASSETS	\$331,036	\$81,461	\$12,646	\$425,143
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts, salaries, and other payables	\$11,849	\$25,484	\$1,031	\$38,364
Due to other funds		276,149	9,371	285,520
Total liabilities	11,849	301,633	10,402	323,884
Fund balances:				
Unreserved, reported in:				
General fund	319,187	(220,172)	2,244	101,259
TOTAL LIABILITIES AND FUND BALANCES	\$331,036	\$81,461	\$12,646	\$425,143

The accompanying notes are an integral part of this statement.

Bienville Parish Hospital Service District No. 2
 Reconciliation of The Governmental Funds Balance Sheet
 to The Government-Wide Financial Statement of Net Assets
 December 31, 2005

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Fund balances, Total governmental funds (Statement C)		\$101,259
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:		
Bonds payable		(\$745,000)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Governmental capital assets	3,841,343	
Less accumulated depreciation	<u>(2,101,717)</u>	<u>1,739,626</u>
Net Assets of Governmental Activities (Statement A)		<u>\$1,095,885</u>

The accompanying notes are an integral part of this statement.

Bienville Parish Hospital Service District No. 2
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
For the Year Ended December 31, 2005

	Major Funds			Total
	General Fund	Family Clinic Fund	Wellness Center Fund	
REVENUES				
Fees and charges for services		\$738,708	\$79,797	\$818,505
Property taxes	\$100,395	0	0	100,395
Use of money and property	200,147	0	0	200,147
Other revenues	36,168	0	0	36,168
Total Revenues	<u>336,710</u>	<u>738,708</u>	<u>79,797</u>	<u>1,155,215</u>
EXPENDITURES				
General government:				
Personnel services	13,452	350,476	75,690	439,618
Operating services	113,278	498,883	49,926	662,087
Materials and supplies	0	36,302	6,507	42,809
Debt service - interest expense	72,452	0	0	72,452
Capital outlay	0	0	0	0
Total Expenditures	<u>199,182</u>	<u>885,661</u>	<u>132,123</u>	<u>1,216,966</u>
Excess (Deficiency) of Revenues over Expenditures	137,528	(146,953)	(52,326)	(61,751)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	0	0	53,022	53,022
Operating transfers out	(50,103)	0	0	(50,103)
Total Other Financing Sources (Uses)	<u>(50,103)</u>	<u>0</u>	<u>53,022</u>	<u>2,919</u>
Net Change in Fund Balances	87,425	(146,953)	696	(58,832)
Fund Balances - beginning	231,762	(73,219)	1,548	160,091
Fund Balances - ending	<u>\$319,187</u>	<u>(\$220,172)</u>	<u>\$2,244</u>	<u>\$101,259</u>

The accompanying notes are an integral part of this statement.

Bienville Parish Hospital Service District No. 2
Reconciliation of The Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2005

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances, Total governmental funds (Statement E) (\$58,832)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$0) exceeded depreciation (\$114,783) in the current period.

(114,783)

Change in Net Assets of Governmental Activities, Statement B

(\$173,615)

The accompanying notes are an integral part of this statement.

Bienville Parish Hospital
Service District No. 2
Arcadia, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2005

INTRODUCTION

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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
As of and For the Year Ended December 31, 2005

The accompanying financial statements of the district have been prepared in conformity with U.S. generally accepted accounting principles 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.

In June, 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Town's activities, including infrastructure (if any).
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charge to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund 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, 2005

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund. 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.

The Special revenue funds are used to account for operations of the Family Clinic and the Wellness Center.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the governments enterprise operations. Elimination of those charges would distort the direct costs and program revenues reported for the various functions concerned.

Bienville Parish Hospital
Service District No. 2
Arcadia, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2005

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Principal operating revenues of the proprietary funds include water and sewer services to the residents of the District. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Deposits and Investments

The District's cash and cash equivalents are considered to be demand deposits, interest-bearing demand deposits, and investments with original maturities of three months or less from the date of acquisition. State law and the District's investment policy allow the District to invest in collateralized certificates of deposits, government back securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities. Investments for the District are reported at fair value.

D. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectives. The District calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis.

Bienville Parish Hospital
 Service District No. 2
 Arcadia, Louisiana
 Notes to the Financial Statements
 As of and For the Year Ended December 31, 2005

The District levies a property tax on all property subject to taxation in the service district. A 1.03 mill tax is approved for a period of 15 years, beginning with the year 2005 and ending with the year 2020, to be dedicated and used for operating, maintaining, renovating, and improving medical services. Property taxes are collected through the local sheriff's office and remitted, net of collection fees, to the District. Property tax notices are mailed by November 15 each year, are due by December 31, and become delinquent on January 1 of the following year.

E. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

F. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. 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. The District maintains a threshold level of \$1,000 or more for capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

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

G. Long-Term Obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

H. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. There are no reservations or designations for the year ended December 31, 2005.

Bienville Parish Hospital
Service District No. 2
Arcadia, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2005

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from the estimates.

J. Reconciliations of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets The following reconciles the fund balances of governmental funds to the government-wide statement of net assets.

Governmental capital assets	\$3,841,343
Less: accumulated depreciation	(2,101,717)
Bonds payable	<u>(745,000)</u>
Net adjustment	<u>\$994,626</u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities The following reconciles the net changes in fund balance-total governmental funds to the changes in net assets of governmental activities.

Depreciation	<u>(\$114,783)</u>
Net adjustment	<u>(\$114,783)</u>

K. RISK MANAGEMENT

The district is exposed to various risk 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 its vehicles, professional liability and surety bond coverage. No claims were paid on any of the policies which exceeded to policies' coverage amounts. There were no significant reductions in insurance coverage during the year ended December 31, 2005.

L. 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.

Bienville Parish Hospital
Service District No. 2
Arcadia, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2005

2. CASH AND CASH EQUIVALENTS

At December 31, 2005, the District has cash and cash equivalents (book balances) totaling \$44,083 as follows:

Demand deposits	\$26,534
Interest-bearing demand deposits	17,549
Time deposits	<u>0</u>
Total	<u>\$44,083</u>

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 December 31, 2005, the District has \$60,546 in deposits (collected bank balances). These deposits are secured from risk by \$60,546 of federal deposit insurance and \$0 of 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 No. 3, R.S. 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 has failed to pay deposited funds upon demand.

3. RECEIVABLES

The receivables of \$88,932 at December 31, 2005, are as follows:

<u>Class of Receivable</u>	
Property taxes	\$20,583
Fees, charges, and commissions for services:	
Patient fees	63,863
Membership fees	1,000
Utility reimbursements	<u>3,486</u>
Total	<u>\$88,932</u>

Bienville Parish Hospital
Service District No. 2
Arcadia, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2005

4. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2005, for the primary government is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$87,371			\$87,371
Total capital assets not being depreciated	<u>87,371</u>	<u>0</u>	<u>0</u>	<u>87,371</u>
Capital assets being depreciated:				
Buildings	3,427,034			3,427,034
Machinery and equipment	326,938			326,938
Total capital assets being depreciated	<u>3,753,972</u>	<u>0</u>	<u>0</u>	<u>3,753,972</u>
Less:				
Accumulated depreciation	<u>1,986,934</u>	<u>\$114,783</u>		<u>2,101,717</u>
Total capital assets being depreciated, net	<u>\$1,854,409</u>	<u>(\$114,783)</u>	<u>\$0</u>	<u>\$1,739,626</u>

Depreciation expense of \$114,783 for the year ended December 31, 2005, was charged to the following governmental functions:

General government	<u>\$114,783</u>
Total	<u>\$114,783</u>

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: 1) Council on Aging with an annual payment of \$1,000; 2) Green Clinic Management Co with a monthly payment of \$750; 3) Magnolia Home Health with a monthly payment of \$1,000; 4) the Bienville parish health unit with an annual payment of \$10,000; and the Louisiana Extended Care Hospital with a monthly payment of \$14,000.

6. FUND DEFICIT/BALANCE

At December 31, 2005, the Family Clinic Fund had a fund deficit of \$220,172. The district will reduce expenditures to eliminate the deficit.

Bienville Parish Hospital
Service District No. 2
Arcadia, Louisiana
Notes to the Financial Statements
As of and For the Year Ended December 31, 2005

7. LONG-TERM OBLIGATIONS

At December 31, 2005, the long-term debt of the Bienville Parish Hospital District No. 2 consisted of the following individual bond issues:

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.	<u>\$745,000</u>
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 debt outstanding at December 31, 2005, including interest of \$375,156 is as follows:

<u>Year Ending December 31,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2006	\$35,000	\$45,469	\$80,469
2007	35,000	43,281	78,281
2008	40,000	40,937	80,937
2009	40,000	38,438	78,438
2010	45,000	35,781	80,781
2011 - 2015	260,000	133,438	393,438
2016 - 2019	290,000	37,812	327,812
Total	<u>\$745,000</u>	<u>\$375,156</u>	<u>\$1,120,156</u>

REQUIRED SUPPLEMENTAL INFORMATION

Bienville Parish Hospital Service District No. 2
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
General Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Favorable (Unfavorable) Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$85,000	\$80,000	\$100,395	\$20,395
Use of money and property	201,152	200,145	200,147	2
Other revenue	21,000	21,000	36,168	15,168
Total Revenues	307,152	301,145	336,710	35,565
EXPENDITURES				
General government:				
Personnel services	11,500	15,100	13,452	1,648
Operating services	110,922	106,512	113,278	(6,766)
Debt service:				
Principal	0	0	0	0
Interest	65,964	72,450	72,452	(2)
Capital outlay	0	0	0	0
Total Expenditures	188,386	194,062	199,182	(5,120)
Excess (Deficiency) of Revenues over Expenditures	118,766	107,083	137,528	30,445
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	(31,000)	(70,000)	(50,103)	19,897
Total Other Financing Sources (Uses)	(31,000)	(70,000)	(50,103)	19,897
Net Change in Fund Balance	87,766	37,083	87,425	50,342
Fund Balance (Deficit) at Beginning of Year	231,762	231,762	231,762	0
Fund Balance (Deficit) at End of Year	\$319,528	\$268,845	\$319,187	\$50,342

Notes to the Schedule

(1) method of budgetary accounting - GAAP

Bienville Parish Hospital Service District No. 2
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Family Clinic Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts GAAP Basis	Favorable (Unfavorable) Variance
	Original	Final		
REVENUES				
Fees and charges for services	\$622,462	\$790,170	\$738,708	(\$51,462)
Use of money and property	0	18,000	0	(18,000)
Total Revenues	622,462	808,170	738,708	(69,462)
EXPENDITURES				
General government:				
Personnel services	392,400	323,400	350,476	(27,076)
Operating services	301,804	451,549	498,883	(47,334)
Materials and supplies	36,000	33,000	36,302	(3,302)
Total Expenditures	730,204	807,949	885,661	(77,712)
Excess (Deficiency) of Revenues over Expenditures	(107,742)	221	(146,953)	(147,174)
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balance	(107,742)	221	(146,953)	(147,174)
Fund Balance (Deficit) at Beginning of Year	(73,219)	(73,219)	(73,219)	0
Fund Balance (Deficit) at End of Year	<u>(\$180,961)</u>	<u>(\$72,998)</u>	<u>(\$220,172)</u>	<u>(\$147,174)</u>

Notes to the Schedule

(1) method of budgetary accounting - GAAP

(2) explanation of material variances

Medicaid changed how revenue adjustments were being billed throughout the year

Bienville Parish Hospital Service District No. 2
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Wellness Center Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Favorable (Unfavorable) Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fees and charges for services	\$99,500	\$78,125	\$79,797	\$1,672
Use of money and property	0	0	0	0
Total Revenues	<u>99,500</u>	<u>78,125</u>	<u>79,797</u>	<u>1,672</u>
EXPENDITURES				
General government:				
Personnel services	74,600	73,400	75,690	(2,290)
Operating services	49,875	47,400	49,926	(2,526)
Materials and supplies	3,300	3,725	6,507	(2,782)
Total Expenditures	<u>127,775</u>	<u>124,525</u>	<u>132,123</u>	<u>(7,598)</u>
Excess (Deficiency) of Revenues over Expenditures	(28,275)	(46,400)	(52,326)	(5,926)
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	26,500	54,500	53,022	(1,478)
Total Other Financing Sources (Uses)	<u>26,500</u>	<u>54,500</u>	<u>53,022</u>	<u>(1,478)</u>
Net Change in Fund Balance	(1,775)	8,100	696	(7,404)
Fund Balance (Deficit) at Beginning of Year	<u>1,548</u>	<u>1,548</u>	<u>1,548</u>	<u>0</u>
Fund Balance (Deficit) at End of Year	<u>(\$227)</u>	<u>\$9,648</u>	<u>\$2,244</u>	<u>(\$7,404)</u>

Notes to the Schedule

- (1) method of budgetary accounting - GAAP
- (2) explanation of material variances

OTHER SUPPLEMENTAL SCHEDULES

Bienville Parish Hospital Service District No. 2
Schedule of Compensation Paid Board Members
For the Year Ended December 31, 2005

<u>Board Member</u>	<u>Amount</u>
Dan Madden	\$480
Layne Weeks	480
Gary Gantt	480
Loretta Butler	480
Shirley Payne	480
Odis Green	480
Arthur Lathan	480
Total	<u>\$3,360</u>

OTHER REPORTS

EDWARDS, WADE & PERRY

Certified Public Accountants
A Professional Accounting Corporation
Members: AICPA / Society of LCPA's

REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Bienville Parish Hospital Service District No. 2
Arcadia, Louisiana

We have audited the financial statements of the Bienville Parish Hospital Service District No. 2 as of and for the year ended December 31, 2005 and have issued our report thereon dated June 19, 2006. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 05-1 and 05-2.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the district'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 assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose 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 over financial reporting and its operation that we consider to be material weaknesses.

Because of a limited number of available personnel, it is not possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.

Our audit did not reveal any significant errors or irregularities resulting from this lack of segregation of employee duties and responsibilities.

This report is intended for the information and use of management and any interested federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Edwards, Wade & Perry

Ruston, Louisiana

June 19, 2006

Bienville Parish Hospital Service District No. 2
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2005

We have audited the financial statements of Bienville Parish Hospital Service District No. 2 as of and for the year ended December 31, 2005, and have issued our report thereon dated June 19, 2006. 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. Our audit of the financial statements as of June 19, 2006 resulted in an unqualified opinion.

A. Summary of Audit Results

1. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses ___ Yes X No Reportable ___ Yes X No

Compliance

Compliance Material to Financial Statements X Yes ___ No

2. Federal Awards

Internal Control

Material Weaknesses ___ Yes X No Reportable ___ Yes X No

Type of Opinion On Compliance Unqualified X Qualified ___
 For Major Programs Disclaimer ___ Adverse ___

Are their findings required to be reported in accordance with Circular A-133, Section .510(a)?
 ___ Yes X No

3. Identification of Major Programs:

CFDA Number(s)

Name of Federal Program (or Cluster)

N/A

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 300,000

Is the auditee a "low-risk" auditee, as defined by OMB Circular A-133? ___ Yes X No

B. Financial Statements Findings

05-1. For the year ended December 31, 2005, budgeted revenues exceeded actual revenues by \$69,462, or 9% and actual expenditures exceeded budgeted expenditures by \$77,712, or 10% (more than 5% for the Family Clinic fund). Actual expenditures exceeded budgeted expenditures by \$7,598, or 6% (more than 5% for the Wellness Center fund). According to LRS 39:1310, failing to amend the budget when necessary is a violation of the local government budget act.

Recommendation: We recommend that the district monitor budget and actual figures and amend as necessary.

Response: The district will monitor budget and actual comparisons and amend the budget as necessary.

05-2. In the November, 2005 minutes, the board approved Christmas gifts for the employees. This is in violation of Article VII, Section 14 of the LA Constitution of 1974.

Recommendation: We recommend the district not make any payments to employees that may constitute a bonus, advance, or gift.

Response: The district will refrain from using public funds to loan, pledge, or donate funds, credit, property, or things of value to or for any person, association, or corporation.

C. Federal Award Findings and Questioned Costs

None

Bienville Parish Hospital Service District No. 2
Summary of Prior Year Findings
For the Year Ended December 31, 2005

A. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

04-1. Budgeted expenditures exceeded the total of estimated funds available for the budgeted year ending December 31, 2004.

Status: Resolved

B. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

None

C. MANAGEMENT LETTER

None