

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CLAIBORNE, STATE OF LOUISIANA
 NORTH CLAIBORNE HOSPITAL
 HOSPITAL ENTERPRISE FUND
 STATEMENTS OF CHANGES IN FUND BALANCE AND COMPONENTS
 FOR THE YEARS ENDED JUNE 30, 1996, 1995 AND 1994

CHANGES IN FUND BALANCE:

Balance, June 30, 1993	\$	407,891
Excess of revenues and gains over expenses and losses for the year ended June 30, 1994		<u>352,244</u>
Balance, June 30, 1994		760,135
Excess of expenses and losses over revenues and gains for the year ended June 30, 1995		<u>(12,343)</u>
Balance, June 30, 1995		747,792
Excess of expenses and losses over revenues and gains for the year ended June 30, 1996		<u>(37,913)</u>
Balance, June 30, 1996	\$	<u><u>709,879</u></u>

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

SUPPLEMENTAL INFORMATION

Marvin H. Easley, CPA
Bobby G. Lester, CPA
John S. Wells, CPA
Robert G. Miller, CPA

Linda L. Wright, CPA
Paul A. Delaney, CPA

EASLEY, LESTER AND WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS
3600 BAYOU RAPIDES ROAD
ALEXANDRIA, LOUISIANA 71303

Telephone (318) 487-1450
Telecopy (318) 445-1184

Members
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Society of Louisiana CPA's

Mailing Address:
P.O. Box 8758
Alexandria, LA 71306-1758

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Hospital Service District No. 1
Parish of Claiborne, State of Louisiana
Haynesville, Louisiana

We have audited the accompanying general purpose financial statements of Hospital Service District No. 1, Parish of Claiborne, North Claiborne Hospital (the District), a component unit of the Claiborne Parish Police Jury, as of June 30, 1996, 1995 and 1994, listed in the foregoing table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 1, Parish of Claiborne, North Claiborne Hospital, as of June 30, 1996, 1995 and 1994, and the results of its operations and cash flow for the years then ended, in conformity with generally accepted accounting principles applicable to governmental entities.

In accordance with Governmental Auditing Standards, we have also issued a report dated September 7, 1996, on our consideration of the District's internal control structure and a report dated September 7, 1996, on its compliance with laws and regulations.

Board of Commissioners
Hospital Service District No. 1
Parish of Claiborne, State of Louisiana
Page Two

Our audits were made for the purpose of forming an opinion on the general purpose financial statements, as stated in the preceding paragraph, taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Easley, Luter & Wells
Certified Public Accountants

September 7, 1996

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CLAIBORNE, STATE OF LOUISIANA
NORTH CLAIBORNE HOSPITAL
HOSPITAL ENTERPRISE FUND
STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 1996, 1995 AND 1994

	<u>1996</u>	<u>1995</u>	<u>1994</u>
Net Patient Service Revenue	\$ -0-	\$ -0-	\$ 211,550
Other Operating Revenue	<u>34,101</u>	<u>67,852</u>	<u>16,110</u>
Total Operating Revenue	<u>34,101</u>	<u>67,852</u>	<u>227,660</u>
Operating Expenses			
General services	11,375	14,273	9,226
Fiscal and administrative	16,243	6,169	23,678
Insurance	10,699	624	6,983
Employee benefits and payroll taxes	-0-	-0-	410
Interest expense	-0-	-0-	2,110
Depreciation	45,924	48,658	9,972
Provision for bad debts	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Operating Expenses	<u>84,241</u>	<u>69,724</u>	<u>52,379</u>
Income (Loss) from Operations	<u>(50,140)</u>	<u>(1,872)</u>	<u>175,281</u>
Nonoperating Gains (Losses)			
Interest income	12,227	7,938	2,396
Ad valorem taxes	-0-	896	171,307
Gain (loss) on sale and disposal of equipment	<u>-0-</u>	<u>(19,305)</u>	<u>3,260</u>
Total Nonoperating Gains (Losses)	<u>12,227</u>	<u>(10,471)</u>	<u>176,963</u>
Excess Revenues and Gains (Expenses and Losses)	<u>\$ (37,913)</u>	<u>\$ (12,343)</u>	<u>\$ 352,244</u>

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

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CLAIBORNE, STATE OF LOUISIANA
 NORTH CLAIBORNE HOSPITAL
 HOSPITAL ENTERPRISE FUND
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 1996, 1995 AND 1994

	<u>1996</u>	<u>1995</u>	<u>1994</u>
Cash Flows from Operations:			
Gain (loss) from operations	\$ (37,913)	\$ (12,343)	\$ 352,244
Adjustments to reconcile net income (loss) to net cash provided by operations			
Noncash items included in net income (loss)			
Depreciation	45,924	48,658	9,972
(Gain) loss on disposal and sale of equipment	-0-	19,305	(3,260)
Change in current assets (increase) decrease			
Accounts receivable, net	-0-	-0-	-0-
Rent receivable	(4,000)	(8,000)	-0-
Prepaid expenses	(3,124)	(1,366)	(1,792)
Assets whose use is limited	-0-	76,786	(62,472)
Change in current liabilities increase (decrease)			
Accounts payable and accrued expenses	(679)	(299)	(20,830)
Deferred rent income	-0-	(6,000)	6,000
Interest income	(12,227)	(7,938)	(2,396)
Interest expense	-0-	-0-	2,110
Ad valorem taxes	-0-	(896)	(171,307)
	<u> </u>	<u> </u>	<u> </u>
Net cash provided by (used in) operations	<u>(12,019)</u>	<u>107,907</u>	<u>108,269</u>
Cash Flows from Investing Activities:			
Cash invested in short-term certificates of deposit	(41,329)	(57,149)	(100,539)
Interest earned	<u>12,227</u>	<u>7,584</u>	<u>2,396</u>
	<u> </u>	<u> </u>	<u> </u>
Net cash provided by (used in) investing activities	<u>\$ (29,102)</u>	<u>\$ (49,565)</u>	<u>\$ (98,143)</u>

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

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CLAIBORNE, STATE OF LOUISIANA
 NORTH CLAIBORNE HOSPITAL
 HOSPITAL ENTERPRISE FUND
 STATEMENTS OF CASH FLOWS (Continued)
 FOR THE YEARS ENDED JUNE 30, 1996, 1995 AND 1994

	<u>1996</u>	<u>1995</u>	<u>1994</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of capital assets	\$ (32,846)	\$ (33,219)	\$ (12,635)
Proceeds from sale of capital assets	<u>-0-</u>	<u>2,900</u>	<u>3,260</u>
Net cash used in capital and related financing activities	<u>(32,846)</u>	<u>(30,319)</u>	<u>(9,375)</u>
Cash Flows from Non-Capital Financing Activities:			
Default of operating note	23,334	-0-	-0-
Proceeds from receipt of operating note	-0-	(26,980)	-0-
Receipts on note receivable	2,000	1,646	(128,872)
Proceeds from ad valorem taxes	-0-	896	171,307
Interest expense	-0-	-0-	(2,110)
Interest income	<u>-0-</u>	<u>354</u>	<u>-0-</u>
Net cash provided by (used in) non-capital financing activities	<u>25,334</u>	<u>(24,084)</u>	<u>40,325</u>
Net increase (decrease) in cash and cash equivalents	(48,633)	3,939	41,076
Cash and cash equivalents at beginning of year	<u>65,187</u>	<u>61,248</u>	<u>20,172</u>
Cash and cash equivalents at end of year	<u>\$ 16,554</u>	<u>\$ 65,187</u>	<u>\$ 61,248</u>
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 5,669</u>

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

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CLAIBORNE, STATE OF LOUISIANA
NORTH CLAIBORNE HOSPITAL
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 1996, 1995 AND 1994

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

The Claiborne Parish Hospital Service District No. 1 (the Hospital or the District) was created by an ordinance of the Claiborne Parish Police Jury.

As the governing authority of the parish, for reporting purposes, the Claiborne Parish Police Jury is the financial reporting entity for Claiborne 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 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 Statement No. 14 established criteria for determining which component units should be considered part of the Claiborne Parish Police Jury for financial reporting purposes. The basic criterion 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 all commissioners of the Claiborne Parish Hospital Service District, the district was determined to be a component unit of the Claiborne 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.

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CLAIBORNE, STATE OF LOUISIANA
NORTH CLAIBORNE HOSPITAL
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 1996, 1995 AND 1994

NOTE 1 - ORGANIZATION AND OPERATIONS (Continued)

Nature of Business

The Hospital provided outpatient, emergency, skilled nursing (through "swing-beds") and acute inpatient hospital services until January 31, 1992. As described in Note 11, the Hospital Service District began leasing its facility in 1993.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Method of Accounting

The Hospital uses the accrual method of accounting. Revenue is recognized at full established rates, even though contractual agreements are settled for less. Provision is made for the resulting contractual adjustments based upon each payor's agreement. Expenses are recorded when incurred. Hospital accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:513 and to the guide set forth in the Louisiana Governmental Audit Guide, the AICPA Hospital Audit Guide, published by the American Institute of Certified Public Accountants, and standards set by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposits in checking and savings accounts and certificates of deposit with maturity dates of less than ninety days. The caption "cash and cash equivalents" does not include amounts whose use is limited.

Uncollectible Accounts

The Hospital's estimate of collectibility is based on evaluation of historical collections compared to gross revenues to establish an allowance for uncollectible accounts.

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CLAIBORNE, STATE OF LOUISIANA
 NORTH CLAIBORNE HOSPITAL
 HOSPITAL ENTERPRISE FUND
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 1996, 1995 AND 1994

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement of Revenues and Expenses

For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as revenues and expenses. Peripheral or incidental transactions are reported as gains and losses.

NOTE 3 - INVESTMENTS

The hospital considers certificates of deposits with original maturities in excess of 90 days to be temporary cash investments. These certificates of deposit were covered by collateral held by Commercial National Bank in the District's name.

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>1996</u>	<u>1995</u>	<u>1994</u>
Patient accounts receivable	\$ 16,867	\$ 17,668	\$ 18,817
Estimated allowances for uncollectibles and contractual adjustments	<u>(16,867)</u>	<u>(17,668)</u>	<u>(18,817)</u>
Total	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

The Hospital receives a substantial portion of its revenues from the Medicare and Medicaid programs at discounted rates. The following is a summary of Medicare and Medicaid patient revenues for the years ended June 30, 1996, 1995 and 1994.

	<u>1996</u>	<u>1995</u>	<u>1994</u>
Medicare and Medicaid gross patient revenue	\$ -0-	\$ -0-	\$ -0-
Contractual adjustments	<u>-0-</u>	<u>-0-</u>	<u>(211,550)</u>
Net Patient Service Revenue	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (211,550)</u>
Percent of Total Net Patient Revenue	<u>0%</u>	<u>0%</u>	<u>100%</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CLAIBORNE, STATE OF LOUISIANA
 NORTH CLAIBORNE HOSPITAL
 HOSPITAL ENTERPRISE FUND
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 1996, 1995 AND 1994

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	<u>ACCUMULATED DEPRECIATION</u>			
	<u>June 30,</u> <u>1994</u>	<u>Additions</u>	<u>Deductions</u>	
Land improvements	\$ 21,859	\$ 15	\$ -0-	\$ 21,874
Buildings	341,540	20,772	-0-	362,312
Fixed equipment	176,411	3,071	13,139	166,343
Major movable equipment	<u>483,429</u>	<u>24,799</u>	<u>148,663</u>	<u>359,565</u>
Total	<u>\$ 1,023,239</u>	<u>\$ 48,657</u>	<u>\$ 161,802</u>	<u>\$ 910,094</u>

	<u>ASSET COST</u>			
	<u>June 30,</u> <u>1993</u>	<u>Additions</u>	<u>Deductions</u>	
Land	\$ 33,707	\$ -0-	\$ -0-	\$ 33,707
Land improvements	21,874	-0-	-0-	21,874
Buildings	730,127	12,635	-0-	742,762
Fixed equipment	188,158	-0-	3,874	184,284
Major movable equipment	<u>607,069</u>	<u>-0-</u>	<u>-0-</u>	<u>607,069</u>
Total	<u>\$ 1,580,935</u>	<u>\$ 12,635</u>	<u>\$ 3,874</u>	<u>\$ 1,589,696</u>

	<u>ACCUMULATED DEPRECIATION</u>			
	<u>June 30,</u> <u>1993</u>	<u>Additions</u>	<u>Deductions</u>	
Land improvements	\$ 21,859	\$ -0-	\$ -0-	\$ 21,859
Buildings	338,312	3,228	-0-	341,540
Fixed equipment	179,716	569	3,874	176,411
Major movable equipment	<u>477,253</u>	<u>6,176</u>	<u>-0-</u>	<u>483,429</u>
Total	<u>\$ 1,017,140</u>	<u>\$ 9,973</u>	<u>\$ 3,874</u>	<u>\$ 1,023,239</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CLAIBORNE, STATE OF LOUISIANA
 NORTH CLAIBORNE HOSPITAL
 HOSPITAL ENTERPRISE FUND
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 1996, 1995 AND 1994

NOTE 6 - ASSETS WHOSE USE IS LIMITED

The composition of assets whose use is limited at June 30, 1996, 1995 and 1994, is summarized in the following table.

	<u>1996</u>	<u>1995</u>	<u>1994</u>
Restricted by third party Maintenance savings	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>76,786</u>

NOTE 7 - ACCRUED EXPENSES

A summary of accrued expenses at June 30, 1996, 1995 and 1994, follows:

	<u>1996</u>	<u>1995</u>	<u>1994</u>
Employee benefits	\$ -0-	\$ -0-	\$ 1,853
Interest	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>1,853</u>

NOTE 8 - TAX ANTICIPATION NOTE PAYABLE

Tax anticipation note payable consists of a promissory note to Planters Bank and Trust Company payable on March 1, 1999, bearing 7.5% interest per annum. Security for the note is assignment of ten mill property tax proceeds. The hospital paid the note in full on September 20, 1993.

In August, 1994 and August, 1995, the Board passed a resolution to suspend the levying of the 10 mill property tax for North Claiborne Hospital Service District No. 1 for 1994 and 1995, respectively.

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HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CLAIBORNE, STATE OF LOUISIANA
NORTH CLAIBORNE HOSPITAL
HOSPITAL ENTERPRISE FUND
FOR THE YEARS ENDED JUNE 30, 1996, 1995 AND 1994

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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or his/her 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 NOV 20 1996

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CLAIBORNE, STATE OF LOUISIANA
NORTH CLAIBORNE HOSPITAL
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 1996, 1995 AND 1994

NOTE 10 - CONTINGENCIES (Continued)

Further, in order to receive reimbursement from the Medicare program, the Hospital entered into an agreement with a government agent allowing the agent access to the Hospital's Medicare patient medical records for purposes of making medical necessity and appropriate level of care determination. The agent has the ability to deny reimbursement for Medicare patient claims which have already been paid to the Hospital.

NOTE 11 - LEASE OF HOSPITAL FACILITY

On April 8, 1993, North Claiborne Hospital Service District No. 1 leased the hospital facility to Healthcare Technology, Inc., to establish an adolescent psychiatric unit. The lease was for a period of ten years and lease payments are to begin 90 days after occupancy or 6 months after the contract date, whichever is first. Healthcare Technology, Inc., filed for bankruptcy in April, 1994, and defaulted on this lease agreement.

On April 21, 1994, the District leased the hospital building to Outreach of Claiborne, L.L.C., for a period of 10 years. Outreach of Claiborne operated an adolescent/geriatric psychiatric unit on the premises. In October, 1995, the owners of Outreach of Claiborne refused to invest any more money into the company and defaulted on the lease agreement.

On April 16, 1996, North Claiborne Service District No. 1 leased the hospital to Homer Memorial Hospital to establish a behavioral health unit. The lease began June 1, 1996, and was renewed automatically for one month periods beginning on the first day of each month thereafter.

NOTE 12 - SUBSEQUENT EVENT

On August 8, 1996, North Claiborne Service District No. 1 agreed to purchase furniture and equipment for the North Claiborne Clinic.

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CLAIBORNE, STATE OF LOUISIANA
NORTH CLAIBORNE HOSPITAL
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 1996, 1995 AND 1994

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The entity is a political subdivision and exempt from taxation.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost for purchased assets or at fair market value on the date of any donation. The Hospital uses straight-line depreciation for financial reporting and third party reimbursement. The following estimated useful lives are generally used.

Land improvements	10 years
Buildings	10 to 40 years
Fixed equipment	5 to 20 years
Major moveable equipment	4 to 20 years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations as incurred.

The cost of assets retired or otherwise disposed of and related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently.

Net Patient Service Revenue

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

Third Party Payor Revenues

Contractual agreements with governmental agencies provide for reimbursement based on a fixed price per patient stay based upon the patient's primary diagnosis for Medicare inpatient services. Medicare outpatients and all Medicaid programs were reimbursed based upon the lesser of reasonable cost (subject to certain limits) or charges to patients. These reimbursements are subject to audit and retroactive adjustments by each payor.

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CLAIBORNE, STATE OF LOUISIANA
 NORTH CLAIBORNE HOSPITAL
 HOSPITAL ENTERPRISE FUND
 NET PATIENT SERVICE REVENUE
 FOR THE YEARS ENDED JUNE 30, 1996, 1995 AND 1994

	<u>1996</u>	<u>1995</u>	<u>1994</u>
Total Patient Service Revenues	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Deductions from Revenue:			
Contractual adjustments	<u>-0-</u>	<u>-0-</u>	<u>(211,550)</u>
Total Deductions from Revenue	<u>-0-</u>	<u>-0-</u>	<u>(211,550)</u>
Net Patient Service Revenue	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>211,550</u></u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CLAIBORNE, STATE OF LOUISIANA
 NORTH CLAIBORNE HOSPITAL
 HOSPITAL ENTERPRISE FUND
 OTHER OPERATING REVENUE
 FOR THE YEARS ENDED JUNE 30, 1996, 1995 AND 1994

	<u>1996</u>	<u>1995</u>	<u>1994</u>
Rental income	\$ 33,290	\$ 66,000	\$ 12,000
Bad debt recoveries	801	1,149	3,806
Miscellaneous	<u>10</u>	<u>703</u>	<u>304</u>
Total Other Operating Revenue	<u>\$ 34,101</u>	<u>\$ 67,852</u>	<u>\$ 16,110</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CLAIBORNE, STATE OF LOUISIANA
 NORTH CLAIBORNE HOSPITAL
 HOSPITAL ENTERPRISE FUND
 OPERATING EXPENSES - GENERAL SERVICES
 FOR THE YEARS ENDED JUNE 30, 1996, 1995 AND 1994

	<u>1996</u>	<u>1995</u>	<u>1994</u>
Plant operations and maintenance			
Salaries	\$ -0-	\$ -0-	\$ 4,696
Other	<u>11,375</u>	<u>14,273</u>	<u>4,530</u>
Total	<u>\$ 11,375</u>	<u>\$ 14,273</u>	<u>\$ 9,226</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CLAIBORNE, STATE OF LOUISIANA
 NORTH CLAIBORNE HOSPITAL
 HOSPITAL ENTERPRISE FUND
 OPERATING EXPENSES - FISCAL AND ADMINISTRATIVE
 FOR THE YEARS ENDED JUNE 30, 1996, 1995 AND 1994

	<u>1996</u>	<u>1995</u>	<u>1994</u>
Leases and rental	\$ -0-	\$ -0-	\$ 15,887
Professional fees	3,086	3,104	4,121
Telephone	147	442	617
Office supplies and postage	418	563	832
Other	<u>12,592</u>	<u>2,060</u>	<u>2,221</u>
 Total Fiscal and Administrative Expenses	 <u>\$ 16,243</u>	 <u>\$ 6,169</u>	 <u>\$ 23,678</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CLAIBORNE, STATE OF LOUISIANA
 NORTH CLAIBORNE HOSPITAL
 SCHEDULE OF PER DIEM AND
 OTHER COMPENSATION PAID TO BOARD MEMBERS
 FOR THE YEARS ENDED JUNE 30, 1996, 1995 AND 1994

	<u>1996</u>	<u>1995</u>	<u>1994</u>
Board Members:			
Mrs. Helen Sharp, Chairman	None	None	None
Mr. Dump Hatter, Vice Chairman	None	None	None
Mr. John G. Harson	None	None	None
Mr. Keith Killgore	None	None	None
Mr. H. U. Slaid	<u>None</u>	<u>None</u>	<u>None</u>
 Total	 <u>None</u>	 <u>None</u>	 <u>None</u>

Marvin H. Easley, CPA
Bobby G. Lester, CPA
John S. Wells, CPA
Robert G. Miller, CPA

Linda L. Wright, CPA
Paul A. Delaney, CPA

EASLEY, LESTER AND WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS
3600 BAYOU RAPIDES ROAD
ALEXANDRIA, LOUISIANA 71303

Telephone (318) 487-1450
Telecopy (318) 445-1184

Members
American Institute of CPA's
AICPA Division for CPA Firms —
Private Companies Practice Section
Society of Louisiana CPA's

Mailing Address:
P.O. Box 8758
Alexandria, LA 71306-1758

Independent Auditors' Report on Internal Control
Structure Based on an Audit of General Purpose
Financial Statements Performed in Accordance
with GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Hospital Service District No. 1
Parish of Claiborne, State of Louisiana
Haynesville, Louisiana

We have audited the general purpose financial statements of the Claiborne Parish Hospital Service District No. 1 (the District) for the year ended June 30, 1996, and have issued our report thereon dated September 7, 1996.

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

In planning and performing our audit of the general purpose financial statements of the District for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. Accordingly, we do not express such an opinion.

The management of the District is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Board of Commissioners
Hospital Service District No. 1
Parish of Claiborne, State of Louisiana
Page Two

Because operations were discontinued and the number of employees significantly reduced or eliminated, it is impractical to segregate duties and have any appreciable internal control structure. Accordingly, no further comments or recommendations regarding internal controls are being offered.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

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

Easley, Lester & Wells

Certified Public Accountants

September 7, 1996

Marvin H. Easley, CPA
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Alexandria, LA 71306-1758

Independent Auditor's Report on Compliance Based on
an Audit of General Purpose Financial Statements
Performed in Accordance with GOVERNMENT
AUDITING STANDARDS Issued by the GAO

Board of Commissioners
Hospital Service District No. 1
Parish of Claiborne, State of Louisiana
Haynesville, Louisiana

We have audited the general purpose financial statements of the Claiborne Parish Hospital Service District No. 1 (the District) as of and for the year ended June 30, 1996, and have issued our report thereon dated September 7, 1996.

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

Compliance with laws, regulations and contracts applicable to the District is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grants. However, it should be noted that our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

We noted certain immaterial instances of noncompliance which is detailed in the attached report.

While performing our audit, we read the responses to the questions in the attached Systems Survey and Compliance Questionnaire completed by management and adopted by the Board of Commissioners and found no evidence that would indicate that the Hospital Service District had not answered the questions correctly. However, it should be noted that our audit was not directed primarily towards the answers to the questions in the questionnaire.

Board of Commissioners
Hospital Service District No. 1
Parish of Claiborne, State of Louisiana
Page Two

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

Easley, Lester & Wells

Certified Public Accountants

September 7, 1996

NORTH CLAIBORNE HOSPITAL SERVICE DISTRICT NO. 1
AUDITORS' COMMENTS AND RECOMMENDATIONS
FOR THE TWELVE MONTHS ENDED JUNE 30, 1996

Reportable Conditions

1. Issuing of 1099's

Condition: Upon inquiries to the staff, we found that 1099's had not been issued or filed with the Internal Revenue Service for the calendar year 1995.

Recommendation: For contract laborers who meet the Internal Revenue Service threshold, 1099's should be issued.

Response: 1099's will be issued for the calendar year of 1996.

This condition was considered in determining the nature, timing and extent of the audit test to be applied in our examination of the financial statements, and this report does not affect our report dated September 7, 1996, on those financial statements.

This report is intended solely for the use of the Board of Commissioners and management and should not be used for any other purposes.

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CLAIBORNE, STATE OF LOUISIANA
NORTH CLAIBORNE HOSPITAL
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 1996, 1995 AND 1994

NOTE 9 - NET PATIENT SERVICE REVENUE

The Hospital had agreements with third-party payors that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries were paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient non-acute services, certain outpatient services and defined capital costs related to Medicare beneficiaries were paid based on a cost reimbursement methodology. The Hospital was reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through January 31, 1992.

Medicaid - Inpatient and outpatient services rendered to Medicaid program beneficiaries were reimbursed under a cost reimbursement methodology. The Hospital was reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through June 30, 1990.

NOTE 10 - CONTINGENCIES

The Hospital evaluates contingencies based upon the best available evidence. The Hospital believes that no allowances for loss contingencies is considered necessary. To the extent that resolution of contingencies results in amounts which vary from the Hospital's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

Governmental Third Party Reimbursement Programs (Note 4) - The Hospital is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CLAIBORNE, STATE OF LOUISIANA
 NORTH CLAIBORNE HOSPITAL
 HOSPITAL ENTERPRISE FUND
 BALANCE SHEETS
 JUNE 30, 1996, 1995 AND 1994

<u>ASSETS</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Current			
Cash and cash equivalents	\$ 16,554	\$ 65,187	\$ 61,248
Assets whose use is limited (Note 6)	-0-	-0-	76,786
Accounts receivable less estimated uncollectibles and allowances of \$16,867, \$17,668, and \$18,817 in 1996, 1995 and 1994, respectively (Note 4)	-0-	-0-	-0-
Note receivable, current portion	-0-	10,348	-0-
Rent receivable	12,000	8,000	-0-
Prepaid expenses	<u>6,688</u>	<u>3,564</u>	<u>2,198</u>
Total Current Assets	35,242	87,099	140,232
Investments (Note 3)	199,017	157,687	100,539
Note receivable, less current portion	-0-	14,987	-0-
Property, plant and equipment, net (Note 5)	<u>515,735</u>	<u>528,813</u>	<u>566,457</u>
Total Assets	<u>\$ 749,994</u>	<u>\$ 788,586</u>	<u>\$ 807,228</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Current			
Accounts payable	\$ 22	\$ 701	\$ -0-
Due to third party payors (Note 2)	40,093	40,093	39,240
Accrued expenses (Note 7)	-0-	-0-	1,853
Deferred rent income	-0-	-0-	6,000
Tax anticipation note payable (Note 8)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Liabilities	40,115	40,794	47,093
Fund Balance	<u>709,879</u>	<u>747,792</u>	<u>760,135</u>
Total Liabilities and Fund Balance	<u>\$ 749,994</u>	<u>\$ 788,586</u>	<u>\$ 807,228</u>

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

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CLAIBORNE, STATE OF LOUISIANA
 NORTH CLAIBORNE HOSPITAL
 HOSPITAL ENTERPRISE FUND
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 1996, 1995 AND 1994

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment and related accumulated depreciation for the years ended June 30, 1996, 1995 and 1994.

	<u>ASSET COST</u>			
	<u>June 30,</u> <u>1995</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30,</u> <u>1996</u>
Land	\$ 33,707	\$ -0-	\$ -0-	\$ 33,707
Land improvements	21,874	-0-	-0-	21,874
Buildings	769,335	29,980	-0-	799,315
Fixed equipment	169,819	9,512	-0-	179,331
Major movable equipment	437,526	-0-	-0-	437,526
Construction in progress	<u>6,646</u>	<u>10,075</u>	<u>16,721</u>	<u>-0-</u>
Total	<u>\$ 1,438,907</u>	<u>\$ 49,567</u>	<u>\$ 16,721</u>	<u>\$ 1,471,753</u>

	<u>ACCUMULATED DEPRECIATION</u>			
	<u>June 30,</u> <u>1995</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30,</u> <u>1996</u>
Land improvements	\$ 21,874	\$ -0-	\$ -0-	\$ 21,874
Buildings	362,312	23,747	-0-	386,059
Fixed equipment	166,343	547	-0-	166,890
Major movable equipment	<u>359,565</u>	<u>21,630</u>	<u>-0-</u>	<u>381,195</u>
Total	<u>\$ 910,094</u>	<u>\$ 45,924</u>	<u>\$ 0-</u>	<u>\$ 956,018</u>

	<u>ASSET COST</u>			
	<u>June 30,</u> <u>1994</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30,</u> <u>1995</u>
Land	\$ 33,707	\$ -0-	\$ -0-	\$ 33,707
Land improvements	21,874	-0-	-0-	21,874
Buildings	742,762	26,573	-0-	769,335
Fixed equipment	184,284	-0-	14,465	169,819
Major movable equipment	607,069	-0-	169,543	437,526
Construction in progress	<u>-0-</u>	<u>6,646</u>	<u>-0-</u>	<u>6,646</u>
Total	<u>\$ 1,589,696</u>	<u>\$ 33,219</u>	<u>\$ 184,008</u>	<u>\$ 1,438,907</u>