

HOSPITAL SERVICE DISTRICT NO. 3
 OF THE PARISH OF ALLEN, STATE OF LOUISIANA
 ALLEN PARISH HOSPITAL
 HOSPITAL ENTERPRISE FUND
 OPERATING EXPENSES - NURSING SERVICE
 FOR THE YEAR ENDED JUNE 30, 1966,
 THE THIRTIETH MONTHS ENDED JUNE 30, 1965
 AND THE YEAR ENDED MAY 31, 1964

	Twelve Months 1965	Thirteen Months 1964	Six Months 1964
Medical and surgical			
Salaries	\$ 328,487	\$ 451,790	\$ 209,520
Other	<u>119,322</u>	<u>89,808</u>	<u>2,212</u>
Total	<u>447,809</u>	<u>541,598</u>	<u>211,732</u>
Psychiatric			
Salaries	115,380	246,246	373,070
Other	<u>186,266</u>	<u>830,282</u>	<u>350,965</u>
Total	<u>301,646</u>	<u>1,076,528</u>	<u>724,035</u>
Total Nursing Service			
Salaries	1,063,867	1,348,036	582,590
Other	<u>315,818</u>	<u>919,291</u>	<u>373,262</u>
Total	<u>\$ 1,379,685</u>	<u>\$ 2,267,327</u>	<u>\$ 955,852</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF ACADIA, STATE OF LOUISIANA
 ALLEN PARISH HOSPITAL
 HOSPITAL ENTERPRISE FUND
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 1998,
 THE THIRTEEN MONTHS ENDED JUNE 30, 1995
 AND THE YEAR ENDED MAY 31, 1994

NOTE 8 - LONG-TERM DEBT (Continued)

	1998	1995	1994
Lease purchase obligation to Price Office Supply for a fax machine. The contract made on April 24, 1996, calls for 12 monthly payments of \$45.21, which includes principal and interest at 9.75% per annum. Secured by the fax machine with a book value of \$45 as of June 30, 1996.	\$ 363	\$ -	\$ -
Lease purchase obligation to Ford Motor Credit for a van. The contract made on May 31, 1996, calls for 60 monthly payments of \$445.78, which includes principal and interest at 10.45% per annum. Secured by the van with a book value of \$73,318 as of June 30, 1996.	21,523	-	-
	47,881	24,638	5,774
Less current portion of capital lease obligations	(23,655)	(1,202)	(3,751)
Capital lease obligations, excluding current portion	\$ 24,226	\$ 23,436	\$ -

Following are scheduled minimum payments on the capital lease obligations for each year:

1997	\$ 16,995
1998	50,513
1999	9,818
2000	9,557
2001	5,583
	52,564
Less amount representing interest	(9,263)
Total	\$ 43,301

The assets and liabilities under capital leases are recorded at the fair value of the assets. The assets are depreciated over their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense.

Supplemental Information

HOSPITAL SERVICE DISTRICT NO. 3
OF THE PARISH OF ALLEN, STATE OF LOUISIANA
ALLEN PARISH HOSPITAL
HOSPITAL ENTERPRISE FUND
NET PATIENT SERVICE REVENUE
FOR THE YEAR ENDED JUNE 30, 1995
THE THIRTIETH MONTH ENDED JUNE 30, 1995
AND THE YEAR ENDED MAY 31, 1994

	Twelve Months 1995	Thirteen Months 1995	Six Months 1994
Routine Services:			
Adult and pediatric	\$ 229,215	\$ 168,485	\$ 189,210
Psychiatric	4,194,188	3,868,745	2,086,627
Wing-bed	18,858	4,833	-0-
Total Routine Services	<u>4,438,261</u>	<u>4,698,603</u>	<u>2,196,837</u>
Other Professional Services:			
Radiology	757,082	594,186	640,218
Nuclear medicine	385	240	805
Laboratory	733,647	583,262	580,218
Blood	8,343	13,343	3,538
Respiratory therapy	131,341	123,643	83,635
Electrocardiology	87,805	48,725	48,635
Central supply	213,386	162,531	18,630
Intravenous therapy	84,233	85,839	47,438
Pharmacy	481,443	362,808	195,393
Emergency room	58,548	43,445	37,340
EE physician	81,234	48,528	25,379
Observation room	13,008	11,120	4,380
Physical therapy	-0-	-0-	4,233
Contract physician	335,047	131,356	41,378
Home health visits	302,525	-0-	-0-
Bed rent	2,382	80	-0-
Total Other Professional Services	<u>2,903,358</u>	<u>1,898,813</u>	<u>871,568</u>
Other Patient Service Revenues	<u>2,381,183</u>	<u>2,967,618</u>	<u>3,086,623</u>
Contractual Adjustments	2,881,484	2,281,406	1,152,978
Medical Disproportionate Share Payments	(336,113)	(3,313,913)	(234,069)
Discounts	79,843	13,639	4,324
Uncompensated services - Bill Burton program	15,848	32,341	18,982
Uncompensated services - Free care plan	391,863	348,632	152,329
Total Deductions from Revenue	<u>2,871,632</u>	<u>518,383</u>	<u>2,083,815</u>
Net Patient Service Revenue	<u>\$ 4,476,136</u>	<u>\$ 3,423,335</u>	<u>\$ 2,006,610</u>

Board of Commissioners
Hospital Service District No. 3
Parish of Allen, 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. However, this report is a matter of public record and its distribution is not limited.

Barley, Lester & Wells

Certified Public Accountants

October 18, 1996

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Independent Auditors' Report on Compliance
Based on an Audit of General Purpose
Financial Statements Performed in accordance with
GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Hospital Service District No. 3
Parish of St. Charles, State of Louisiana
Kinder, Louisiana

We have audited the general purpose financial statements of the Allen Parish Hospital Service District No. 3 (the "District") as of and for the year ended June 30, 1986, the thirteen (13) months ended June 30, 1985 and the year ended May 31, 1984, and have issued our report thereon dated October 10, 1986.

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

Compliance with laws, regulations, contracts and grants applicable to 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, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed two instances of noncompliance that is required to be reported under Government Auditing Standards.

The District entered into various capital lease agreements which did not contain a nonappropriation clause and were not presented to the State Bond Commission for approval.

The District's payments of a management agreement did not agree to the payment terms of the contract.

While performing our audit, we read the responses to the questions in the 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.

Allen Parish Hospital
Auditors' Comments and Recommendations (Continued)
For the Year Ended June 30, 1998

4. **Finding:** Other contracts between the Hospital and independent contractors use terms such as employee and employer.
- Recommendation:** We suggest using other terminology such as contractor to emphasize that the individual contracted is not deemed as an employee of the Hospital.
- Response:** Management is currently revising the above mentioned contracts to replace contradicting terminology for the employee versus contractor relationship.
5. **Finding:** Upon reviewing internal controls, it was noted that various duties of employees overlapped which prevented proper segregation of duties. We recommended periodic supervisory review by independent employees in last year's management letter. Some reviews were implemented timely and others were not.
- Recommendation:** We recommend continued efforts for independent employees to perform tasks of employees whose duties are not properly segregated at various intervals during the year, such as distributing time cards and processing bank statements.
- Response:** The above recommendation will be implemented in a timely fashion.

Allen Parish Hospital
Auditors' Comments and Recommendations
For the Year Ended June 30, 1986

1. **Finding:** For last year's audit, we recommended the appeal of Medicaid denied claims based on medical inappropriateness. This suggestion was implemented but has produced little results in collections.
- Recommendation:** We recommend increased efforts to appeal all material denied claims and to establish an effective utilization review to reduce future claims from becoming denied.
- Response:** Management has already consulted with legal counsel to increase the Hospital efforts appealing all material claims. The Hospital will continue to consult with the medical staff in establishing an effective utilization review to minimize denied coverage.
7. **Finding:** While reviewing the calculation for wasted leave time, it was noted that the computer system continued to accrue time after the employee had reached the maximum allowed.
- Recommendation:** We recommend either correcting the payroll system for accruing wasted time or changing the policy and procedures manual regarding wasted time and pay.
- Response:** Management is currently drafting revisions to the policy and procedures manual for the Board of Commissioners' approval in the near future.
8. **Finding:** The contract for home health services is vague in describing payments to the contractor and the duties to be performed.
- Recommendation:** We recommend that the Hospital cancel the current contract and enter into negotiations to revise the existing contract to more definite payment terms and duties that are suitable by management.
- Response:** Management has completed a draft of the revised home health contract which is currently waiting for the approval of the home health management and the Hospital's Board of Commissioners.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The schedule that accompanies this letter summarizes our comments and suggestions regarding these matters.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in accounts 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.

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. However, we believe none of the reportable conditions described on the accompanying schedule is a material weakness.

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. However, this report is a matter of public record, and its distribution is not limited.

Earley, Lentz & Wells
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October 20, 2006

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

Board of Commissioners
Hospital Service District No. 3
Parish of Allen, State of Louisiana
Kinder, Louisiana

We have audited the general purpose financial statements of the Allen Parish Hospital Service District No. 3 (the "District") as of and for the year ended June 30, 1998, the thirteen (13) months ended June 30, 1999 and the year ended May 31, 1996, and have issued our report thereon dated October 16, 1996.

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

The management of 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 general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of the District for the year ended June 30, 1996, the thirteen (13) months ended June 30, 1999, and the year ended May 31, 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 an opinion on the internal control structure. Accordingly, we do not express such an opinion.

HOSPITAL SERVICE DISTRICT NO. 3
 OF THE PARISH OF ALLEN, STATE OF LOUISIANA
 ALLEN PARISH HOSPITAL
 SCHEDULE OF PER DIEM AND
 OTHER COMPENSATION PAID TO BOARD MEMBERS
 FOR THE YEAR ENDED JUNE 30, 1996,
 THE THIRTEEN MONTHS ENDED JUNE 30, 1995
 AND THE YEAR ENDED MAY 31, 1994

	June 30, 1994	June 30, 1995	May 31, 1996
Board Members:			
Mr. E. O. Alexander	\$ 440	\$ 440	\$ 350
Mr. Jimmy Savala	400	340	280
Mr. Patrick Pruge	0/0	0/0	200
Mr. Jeffrey Tyson	0/0	0/0	240
Mr. Alvin Klein	200	160	800
Ms. Lucy Brandon	0/0	450	500
Ms. Franella Cannon	140	440	400
Mr. Percy Raymond	0/0	0/0	400
Mr. Ray Bennett	0/0	100	500
Mr. Kenneth Williams	0/0	200	0/0
Mr. Carol Ashford	440	0	0/0
Mr. Johnny Swann	00	0/0	0/0
Total	\$ 1,800	\$ 2,400	\$ 4,570

HOSPITAL SERVICE DISTRICT NO. 3
 OF THE CITIES OF ALLEN, STATE OF LOUISIANA
 ALLEN PARKS HOSPITAL
 HOSPITAL ENTERPRISE FUND
 OPERATING EXPENSES - FISCAL AND ADMINISTRATIVE
 FOR THE YEAR ENDED JUNE 30, 1956
 THE THIRTEEN MONTHS ENDED JUNE 30, 1955
 AND THE YEAR ENDED MAY 31, 1956

	Twelve Months 1955	Thirteen Months 1956	Six Months 1956
Salaries	\$ 182,048	\$ 177,163	\$ 56,655
Lessons and rental	86,317	78,381	22,280
Professional fees	88,384	91,452	79,483
Telephone	57,685	42,352	77,381
Travel	39,189	10,802	5,699
Sales taxes	341	267	714
Licenses, dues and subscriptions	13,185	12,816	4,525
Management fees	138,957	180,500	30,000
Other	<u>42,618</u>	<u>69,812</u>	<u>36,118</u>
 Total Fiscal and Administrative Expenses	 <u>\$ 628,684</u>	 <u>\$ 585,821</u>	 <u>\$ 313,092</u>

HOSPITAL SERVICE DISTRICT NO. 3
 OF THE PARISH OF ALLEN, STATE OF LOUISIANA
 ALLEN PARISH HOSPITAL
 HOSPITAL ENTERPRISE FUND
 OPERATING EXPENSES - GENERAL SERVICES
 FOR THE YEAR ENDED JUNE 30, 1994,
 THE THIRTEEN MONTHS ENDED JUNE 30, 1993
 AND THE YEAR ENDED MAY 31, 1994

	Twelve Months 1993	Thirteen Months 1993	Six Months 1994
Fleet maintenance			
Salaries	\$ 39,193	\$ 63,898	\$ 38,824
Other	<u>133,312</u>	<u>113,796</u>	<u>92,051</u>
Total	<u>172,505</u>	<u>177,694</u>	<u>130,875</u>
Laundry and linen - Other	<u>23,582</u>	<u>28,082</u>	<u>8,328</u>
Housekeeping			
Salaries	38,398	58,731	28,853
Other	<u>23,822</u>	<u>8,485</u>	<u>3,158</u>
Total	<u>62,220</u>	<u>67,216</u>	<u>32,011</u>
Miscary			
Salaries	83,262	93,325	88,001
Other	<u>86,828</u>	<u>38,136</u>	<u>31,024</u>
Total	<u>170,090</u>	<u>131,461</u>	<u>119,025</u>
Total General Services			
Salaries	179,851	214,834	169,688
Other	<u>234,722</u>	<u>200,365</u>	<u>92,882</u>
Total	<u>\$ 414,573</u>	<u>\$ 415,199</u>	<u>\$ 262,570</u>

HOSPITAL SERVICE DISTRICT NO. 3
 OF THE PARISH OF ALLEN, STATE OF LOUISIANA
 ALLEN PARISH HOSPITAL
 HOSPITAL ENTERPRISE FUND
 OPERATING EXPENSES - OTHER PROFESSIONAL SERVICES
 FOR THE YEAR ENDED JUNE 30, 1996
 THE THIRTEEN MONTHS ENDED JUNE 30, 1995
 AND THE YEAR ENDED MAY 31, 1994

	Twelve Months 1995	Twelve Months 1994	Six Months 1994
Radiology			
Salaries	\$ 41,457	\$ 68,644	\$ 40,738
Other	<u>56,508</u>	<u>107,031</u>	<u>48,556</u>
Total	<u>128,852</u>	<u>187,689</u>	<u>98,818</u>
Nuclear medicine - Other	<u>9,327</u>	<u>18,634</u>	<u>13,538</u>
Laboratory			
Salaries	111,607	92,969	44,633
Other	<u>180,248</u>	<u>107,321</u>	<u>44,688</u>
Total	<u>291,855</u>	<u>200,290</u>	<u>89,321</u>
Respiratory Therapy			
Salaries	0	58,781	33,358
Other	<u>28,800</u>	<u>35,621</u>	<u>8,438</u>
Total	<u>28,800</u>	<u>94,402</u>	<u>41,796</u>
Electrocardiology - Other	<u>3,027</u>	<u>3,027</u>	<u>3,481</u>
Central supply			
Salaries	8,812	4,369	3,233
Other	<u>26,973</u>	<u>28,267</u>	<u>8,361</u>
Total	<u>35,785</u>	<u>32,636</u>	<u>11,594</u>
Intravenous Therapy - Other	<u>17,880</u>	<u>8,328</u>	<u>8,028</u>
Pharmacy			
Salaries	11,968	16,330	8,598
Other	<u>172,268</u>	<u>158,438</u>	<u>86,625</u>
Total	<u>184,236</u>	<u>174,768</u>	<u>95,223</u>
Outpatient treatment center - Other	<u>181,932</u>	<u>515,383</u>	<u>112,732</u>
Medical records			
Salaries	39,434	34,084	13,372
Other	<u>6,588</u>	<u>8,520</u>	<u>4,433</u>
Total	<u>46,022</u>	<u>42,604</u>	<u>17,805</u>
Total	<u>\$ 67,332</u>	<u>\$ 88,926</u>	<u>\$ 33,725</u>

HOSPITAL SERVICE DISTRICT NO. 3
 OF THE PARISH OF CALERIE, STATE OF LOUISIANA
 ALLEN PARSONS HOSPITAL
 HOSPITAL ENTERPRISE FUND
 OTHER OPERATING REVENUE
 FOR THE YEAR ENDED JUNE 30, 1994,
 THE THIRTEEN MONTHS ENDED JUNE 30, 1993
 AND THE YEAR ENDED MAY 31, 1992

	Twelve Months 1992	Thirteen Months 1993	Six Months 1994
Meals	\$ 13,062	\$ 14,159	\$ 5,735
Medical records transcript fees	662	1,451	662
Net rental	-0-	-0-	12
Educational rental	7,150	8,250	42,142
Related party debt loss (income) share	(5,412)	79,715	-0-
Supplies sold to employees	80	-0-	-0-
Drugs sold to employees	714	-0-	-0-
Other income	<u>14,671</u>	<u>5,662</u>	<u>22,508</u>
Total Other Operating Revenue	\$ <u>31,157</u>	\$ <u>92,837</u>	\$ <u>71,067</u>

HOSPITAL SERVICE DISTRICT NO. 3
 OF THE PARISH OF ALLEN, STATE OF LOUISIANA
 ALLEN PARISH HOSPITAL
 HOSPITAL ENTERPRISE FUND
 OPERATING EXPENSES - OTHER PROFESSIONAL SERVICES (Continued)
 FOR THE YEAR ENDED JUNE 30, 1994,
 THE THIRTEEN MONTHS ENDED JUNE 30, 1993
 AND THE YEAR ENDED MAY 31, 1994

	Twelve Months 1993	Thirteen Months 1994	Six Months 1994
Contract physicians			
Salaries	\$ 365,733	\$ 369,837	\$ 20,677
Other	<u>22,382</u>	<u>26,622</u>	<u>22,680</u>
Total	<u>388,115</u>	<u>396,459</u>	<u>43,357</u>
Home health - Other	<u>238,342</u>	<u> -0-</u>	<u> -0-</u>
Eld Med			
Salaries	-0-	4,781	7,294
Other	<u>22</u>	<u>65</u>	<u>1</u>
Total	<u>22</u>	<u>4,846</u>	<u>7,295</u>
Physical Therapy			
Salaries	-0-	-0-	287
Other	<u>2</u>	<u>-0-</u>	<u>2,302</u>
Total	<u>2</u>	<u>-0-</u>	<u>2,589</u>
Total Other Professional Services			
Salaries	585,937	434,305	278,278
Other	<u>228,660</u>	<u>1,051,272</u>	<u>274,112</u>
Total	<u>\$ 814,597</u>	<u>\$ 1,485,577</u>	<u>\$ 552,390</u>

HOSPITAL SERVICE DISTRICT NO. 3
OF THE PARISH OF ALLEN, STATE OF LOUISIANA
ALLEN PARISH HOSPITAL
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1995
THE THIRTIETH MONTH ENDING JUNE 30, 1995
AND THE YEAR ENDED MAY 31, 1994

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended May 31, 1994.

	May 31, 1993	GROSS COST		May 31, 1994
		additions	deductions	
Land	\$ 19,500	\$ -0-	\$ -0-	\$ 19,500
Land improvements	25,160	-0-	-0-	25,160
Buildings	1,297,642	1,268	-0-	1,298,910
Fixed equipment	54,350	-0-	-0-	54,350
Major movable equipment	892,380	826	-0-	893,206
Total	\$ 2,294,132	\$ 2,124	\$ -0-	\$ 2,296,256

	May 31, 1993	ACCUMULATED DEPRECIATION		May 31, 1994
		additions	deductions	
Land improvements	\$ 19,854	\$ 1,003	\$ -0-	\$ 20,857
Buildings	517,886	30,778	-0-	548,664
Fixed equipment	58,610	2,453	-0-	61,063
Major movable equipment	655,950	62,831	-0-	718,781
Total	\$ 1,392,300	\$ 103,131	\$ -0-	\$ 1,495,431

NOTE 6 - ORGANIZATIONAL COSTS

Organizational costs represent expenditures, less amortization, related to the start-up of the home health services. Straight-line amortization over 60 months began in November, 1993, upon inception of the new services.

HOSPITAL SERVICE DISTRICT NO. 3
OF THE PARISH OF ALLEN, STATE OF LOUISIANA
ALLEN PARISH HOSPITAL
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1994,
THE THIRTEEN MONTHS ENDED JUNE 30, 1993
AND THE YEAR ENDED MAY 31, 1994

NOTE 12 - GRANTS

The District was awarded three \$48,000 Rural Health Transition Grants through the Department of Health and Human Services during 1993, 1994 and 1995. The grants are to be used for the enhancement of health services to South Allen Parish.

The District also received two separate grants of \$75,000 and \$50,000 from the State of Louisiana during 1995 for emergency room services and physician recruitment, respectively.

NOTE 14 - DISCONTINUED OPERATIONS

On November 3, 1992, the District ceased its hospital operations. On November 4, 1992, the District began leasing the hospital facilities to Health Technology, Inc. (HTI). The lease was for a term of 7 years, with HTI having a 3 year option after the initial 7 year term.

At the close of business November 30, 1993, the District terminated the lease agreement with HTI for non-performance by the lessee. The District resumed operation of the hospital facility on December 1, 1993. It is possible that certain third party vendors may assert claims against the District for unpaid accounts incurred by the lessee. The District's management intends to vigorously defend against such assertions.

NOTE 12 - RELATED PARTY JOINT VENTURE

On April 1, 1990, the District entered into a joint venture with Evangeline Psychiatric Care, Inc. (EPC). As an equity interest, the District contributed the use of all of its assets and related liabilities as of March 31, 1995. EPC agreed to establish a line of credit for \$200,000 for the equity interest in the joint venture. The net profits and losses will be split 50/50 to EPC and the District, respectively.

The Hospital had the following transactions and balances with EPC.

	1990	1993
Direct expenses incurred and billed by EPC	\$ 543,418	\$ 58,550
50% of (income) loss share	\$ 78,417	\$ 70,313
Payments to EPC	\$ 360,000	\$ -0-
Net receivable due from EPC	\$ 161,835	\$ 71,363

HOSPITAL SERVICE DISTRICT NO. 3
OF THE PARISH OF ALLEN, STATE OF LOUISIANA
ALLEN PATIENT HOSPITAL
HOSPITAL ENTERPRISE FUND
NOTE TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1996.
THE TRUSTEES BEGAN: BEGON JUNE 30, 1995
AND THE YEAR ENDED MAY 31, 1996.

NOTE 12 - PROFESSIONAL LIABILITY RISK (Continued):

The District's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance, based upon an estimate of their exposure. 66 policy year-end, premiums are determined utilizing actual losses of the hospital. The trust fund premium is by a "Crossover Trust" and, accordingly, income and expenses are prorated to member hospitals. The District has not included these allocations or equity in the trust in its financial statements which reflect such transactions with the trust fund as insurance expense or a reduction thereof. On July 15, 1996, the District discontinued its participation in the Louisiana Hospital Association Trust Fund and acquired additional coverage for professional medical malpractice liability through a private insurance carrier by purchasing a claim-made policy.

NOTE 13 - CONTINGENCIES

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

The principal contingencies are described below:

Governmental Third Party Reimbursement Programs (Note 4) - The District 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 these programs. Of particular significance are large Medicaid disproportionate payments which have been received, but are subject to change based upon audit results and regulatory interpretations. The amount of such adjustments cannot be determined.

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

Professional Liability Risk (Note 12) - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund.

HOSPITAL SERVICE DISTRICT NO. 3
OF THE PARISH OF ALLEN, STATE OF LOUISIANA
ALLEN PARISH HOSPITAL
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1994,
THE THIRTEEN MONTHS ENDED JUNE 30, 1993
AND THE YEAR ENDED MAY 31, 1994

NOTE 14 - CONTINGENCIES

There are conditions or events that, when considered in the aggregate, indicate there could be substantial doubt about the District's ability to continue as a going concern for a reasonable period of time. These conditions or events include, but are not limited to the following: (1) losses from operations of \$27,189 in fiscal 1994 and \$185,889 in fiscal 1994 (2) low patient utilization of the Hospital and (3) reduced prospects of continued disproportionate share payments by the State of Louisiana.

Management's plans for dealing with the adverse effects of the conditions or events identified in the previous paragraph include, but are not limited to, the continued efforts to attract physicians to increase patient utilization of the hospital, expansion of the healthcare services, such as a partial-day psychiatric program and an outpatient clinic, increased efforts to obtain grants for current and new programs and temporary closure of the emergency room to reduce cost.

HOSPITAL SERVICE DISTRICT NO. 3
OF THE PARISH OF ALLEN, STATE OF LOUISIANA
ALLEN SENIOR HOSPITAL
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1994,
THE THIRTEEN MONTHS ENDED JUNE 30, 1993
AND THE YEAR ENDED MAY 31, 1994

NOTE 3 - DEPOSITS

Included in cash and cash equivalents, investments and assets whose use is limited are cash on hand, deposits with the depository banks for money market accounts, checking accounts and certificates of deposit. For all deposits, the market value and carrying value are the same. The carrying value is categorized as follows:

	1994	1993	1994
Deposits insured by the FDIC or collateralized with securities held by the District in its name	\$ 179,448	\$ 498,991	\$ 545,271
Uncollateralized	<u> -</u>	<u>532,355</u>	<u> -</u>
Total	\$ <u>179,448</u>	\$ <u>1,031,346</u>	\$ <u>545,271</u>

On June 27, 1993, the District deposited the majority of its Medicaid disproportionate share payment. This deposit exceeded the FDIC and collateralized amounts. However, the District was able to obtain pledges for securities sufficient to cover all deposits on July 10, 1993.

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	1994	1993	1994
Net patient accounts receivable	\$ 3,184,817	\$ 750,943	\$ 841,254
Other receivables	<u>3,235</u>	<u>5,463</u>	<u>3,802</u>
	3,188,052	756,406	845,056
Estimated uncollectibles	<u>(287,800)</u>	<u>(438,000)</u>	<u>(412,000)</u>
Total	\$ <u>899,812</u>	\$ <u>318,406</u>	\$ <u>433,056</u>

HOSPITAL SERVICE DISTRICT NO. 3
 OF THE PARISH OF ALBANY, STATE OF LOUISIANA
 ALBANY PARISH HOSPITAL
 HOSPITAL ENTERPRISE FUND
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 1998,
 THE THIRTEEN MONTHS ENDED JUNE 30, 1995
 AND THE YEAR ENDED MAY 31, 1994

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	June 30, 1998	ACCUMULATED DEPRECIATION		June 30, 1998
		Additions	Reductions	
Land improvements	\$ 20,613	\$ 1,556	\$ -0-	\$ 20,880
Buildings	619,329	53,573	-0-	666,502
Fixed equipment	35,557	1,670	-0-	36,227
Major movable equipment	775,881	67,815	-0-	822,300
Total	\$ 1,491,380	\$ 84,514	\$ -0-	\$ 1,570,844

The following is a summary of property, plant and equipment and related accumulated depreciation for the thirteen month period ended June 30, 1995.

	May 31, 1995	ASSET COST		June 30, 1995
		Additions	Reductions	
Land	\$ 38,500	\$ -0-	\$ -0-	\$ 38,500
Land improvements	35,160	3,840	-0-	39,002
Buildings	1,398,900	-0-	-0-	1,398,900
Fixed equipment	58,300	2,540	-0-	60,539
Major movable equipment	859,420	38,843	-0-	932,367
Total	\$ 2,290,220	\$ 45,223	\$ -0-	\$ 2,332,389

	May 31, 1995	ACCUMULATED DEPRECIATION		June 30, 1995
		Additions	Reductions	
Land improvements	\$ 38,747	\$ 1,844	\$ -0-	\$ 42,431
Buildings	574,644	38,405	-0-	613,129
Fixed equipment	38,863	2,096	-0-	43,567
Major movable equipment	718,828	38,863	-0-	719,693
Total	\$ 1,171,082	\$ 81,208	\$ -0-	\$ 1,254,388

HOSPITAL SERVICE DISTRICT NO. 3
 OF THE PARISH OF ALLEN, STATE OF LOUISIANA
 ALLEN PARISH HOSPITAL
 HOSPITAL ENTERPRISE FUND
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 1990,
 THE THIRTEEN MONTHS ENDED JUNE 30, 1993
 AND THE YEAR ENDED MAY 31, 1994

NOTE 7 - ASSETS WHOSE USE IS LIMITED

Assets whose use is limited that are required for obligations classified as current liabilities are reported as current assets. The composition of assets whose use is limited is summarized in the following table. Investments are stated at cost that approximates market.

	1986	1989	1994
Under malpractice funding arrangements - held by trustee:			
Certificates of Deposit	\$ 123,690	\$ 123,690	\$ 123,690

NOTE 8 - ACCRUED EXPENSES

A summary of accrued expenses follows:

	1986	1989	1994
Salaries	\$ 55,116	\$ 81,344	\$ 109,096
Payroll taxes	4,543	7,811	65,523
Other	0-	317	317
Total	\$ 59,660	\$ 89,472	\$ 174,936

NOTE 9 - LONG-TERM DEBT

Following is a summary of capital lease obligations:

	1986	1989	1994
Lease purchase obligations to Safelink Leasing for computer hardware and software. The contract made on July 31, 1989, with a maturity date June 30, 1994, calls for monthly payments of \$685, which includes principal and interest of 12.000 per annum. Secured by the computer equipment, with a book value of \$-0- as of June 30, 1994.	\$ 0-	\$ 0-	\$ 1,430

HOSPITAL SERVICE DISTRICT NO. 3
 OF THE PARISH OF IBERIA, STATE OF LOUISIANA
 ALLEN PARISH HOSPITAL
 HOSPITAL ENTERPRISE FUND
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 1996,
 THE THIRTEEN MONTHS ENDED JUNE 30, 1995
 AND THE YEAR ENDED MAY 31, 1994

NOTE 9 - LONG-TERM DEBT (Continued)

	1996	1995	1994
Lease purchase obligations to General Electric Hospital for a spectrum analyzer. The contract made on July 31, 1989, with a maturity date August 31, 1996, calls for monthly payments of \$3,738, which includes principal and interest of \$,962 per annum. Secured by the spectrum analyzer, with a book value of \$25,936 as of June 30, 1996.	\$ -0-	\$ -0-	\$ 1,784
Lease purchase obligations to Metro Medical, Inc. for an EKG unit. The contract made on June 1, 1991, with a maturity date May 1, 1996, calls for monthly payments of \$243, which includes principal and interest at 17.158 per annum. Secured by the EKG unit, with a book value of \$2,479 as of June 30, 1996.	\$ -0-	\$ -0-	\$ 258
Lease purchase obligations to ESTAT for an AVL electrode analyzer. The contract made on June 8, 1994, calls for 36 monthly payments of \$168, which includes principal and interest at 25.692 per annum. Secured by the analyzer, with a book value of \$2,983 as of June 30, 1996.	\$ 1,640	\$ 3,028	\$ -0-
Lease purchase obligations to Keys Appliances for a refrigerator. The contract made on May 7, 1995, calls for 12 monthly payments of \$46, which includes principal and interest at 22.188 per annum. Secured by the refrigerator, with a book value of \$437 as of June 30, 1996.	\$ -0-	\$ 415	\$ -0-

HOSPITAL SERVICE DISTRICT NO. 3
 OF THE PARISH OF ALLEN, STATE OF LOUISIANA
 ALLEN HOSPITAL
 HOSPITAL ENTERPRISE FUND
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 1994,
 THE THIRTEEN MONTHS ENDED JUNE 30, 1993
 AND THE YEAR ENDED MAY 31, 1994

NOTE B - LONG-TERM DEBT (Continued)

	1994	1993	1992
<p>Lease purchase obligation to SAGE, Inc. for two computers and a printer. The contract made on May 8, 1990, calls for 36 monthly payments of \$289, which includes principal and interest at 18.00% per annum. Secured by the computers, with a book value of \$2,506 as of June 30, 1994.</p>	\$ 1,094	\$ 3,523	\$ -0-
<p>Lease purchase obligation to Price Office Supply for a fax machine. The contract made on May 16, 1993, calls for 12 monthly payments of \$81, which includes principal and interest at 17.28% per annum. Secured by the fax machine, with a book value of \$873 as of June 30, 1994.</p>	-0-	859	-0-
<p>Lease purchase obligation to CH&G Corning Diagnostics Corp. for a blood gas analyzer. The contract made on May 18, 1990, calls for monthly payments of \$363, which includes principal and interest at 10.89% per annum. Secured by the analyzer, with a book value of \$13,349 as of June 30, 1994.</p>	13,357	16,383	-0-
<p>Lease purchase obligation to Advanta Leasing for video cameras. The contract made on July 3, 1993, calls for 36 monthly payments of \$297, which includes principal and interest at 18.85% per annum. Secured by the cameras with a book value of \$4,643 as of June 30, 1994.</p>	\$ 3,302	\$ -0-	\$ -0-

HOSPITAL SERVICE DISTRICT NO. 3
OF THE PARISH OF ALLEN, STATE OF LOUISIANA
ALLEN PARISH HOSPITAL
HOSPITAL ENTERPRISE FUND
NOTE TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1996,
THE THIRTEEN MONTHS ENDED JUNE 30, 1995
AND THE YEAR ENDED MAY 31, 1994

NOTE 10 - OPERATING LEASES

Leases that do not meet the criteria for capitalization are classified as operating leases with related rental charged to operations as incurred. The following is a schedule by year of future minimum lease payments under operating leases as of June 30, 1996, that have initial or remaining lease terms in excess of one year.

<u>Year Ending June 30</u>	<u>Amount</u>
1997	\$ 18,516
1998	18,516
1999	18,516
2000	<u>25,630</u>
Total minimum lease payments	<u>\$ 70,178</u>

NOTE 11 - COMPENSATED ABSENCE

Employees of the Hospital are entitled to paid days off and sick days depending on length of service. The Hospital charged operations for accrued paid days off and vested sick pay of \$27,617, \$46,739 and \$40,448 in 1996, 1995 and 1994, respectively. It is impracticable to estimate the amount of compensation for future unvested sick pay and, accordingly, no liability has been recorded in the accompanying financial statements. The Hospital's policy is to recognize the cost of unvested sick pay when actually paid to employees.

NOTE 12 - PROFESSIONAL LIABILITY RISK

The District participates in the Louisiana Doctors' Compensation Fund established by the State of Louisiana to provide medical professional liability coverage to healthcare providers. The Fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the District is at risk. The Fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund ("PCF"), the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limited the PCF's exposure to \$400,000 per occurrence.

HOSPITAL SERVICE DISTRICT NO. 3
 OF THE PARISH OF ALLEN, STATE OF LOUISIANA
 ALLEN PARISH HOSPITAL
 HOSPITAL SUPERVISOR MEMO
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 1986,
 THE THIRTEEN MONTHS ENDED JUNE 30, 1987
 AND THE YEAR ENDED MAY 31, 1988

NOTE 13 - CONTINGENCIES (Continued)

The District participates in the Louisiana Hospital Association Self-Insurance Workers's Compensation Trust Fund. Should the Fund's assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. Accordingly, the District is contingently liable for assessments by the Louisiana Hospital Association Trust Fund.

Litigation and Other Matters - Various claims in the ordinary course of business are pending against the District. In the opinion of management and counsel, insurance is sufficient to cover adverse legal determinations in these cases where a liability can be measured.

NOTE 14 - CHARITY CARE

The District maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy, the estimated cost of these services and supplies and applicable service statistics. The following information measures the level of charity care provided.

	1986	1987	1988
Charges forgone, based on established rates	\$ 712,132	\$ 538,352	\$ 182,261
Estimated costs and expenses incurred to provide charity care	\$ 128,576	\$ 356,882	\$ 186,894
Equivalent percentage of charity care patients to all patients served	2.8%	2.8%	2.8%

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. As discussed in Note 18 to the financial statements, the District has had material losses from operations for the years ended June 30, 1994 and May 31, 1994, and decreasing patient utilization of the hospital that raise substantial doubt about its ability to continue as a going concern. The Management's plans in regard to these matters are also described in Note 18. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our audits were conducted for the purpose of forming an opinion on the general purpose financial statements 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 of Hospital Service District No. 3, Parish of Allen, Allen Parish Hospital. 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 presented in all material respects in relation to the general purpose financial statements taken as a whole.

Ernst, Lister & Wells

Certified Public Accountants

October 10, 1996

HOSPITAL SERVICE DISTRICT NO. 3
OF THE PARISH OF ALLEN, STATE OF LOUISIANA
ALLEN PARISH HOSPITAL
HOSPITAL ENTERPRISE FUND
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1994,
THE TRIMESTER ENDING JUNE 30, 1994
AND THE YEAR ENDED MAY 31, 1994

	1994	1993	1994
Cash Flows from Operating and Non-operating Activities:			
Revenue (expenses) (operations) adjustments to reconcile amount revenue (expenses) to net cash provided by operations	\$ 3,608	\$ 582,691	\$ (100,740)
Revenue (expenses) included in excess			
Depreciation and amortization	87,740	99,486	103,137
Interest earned	(18,855)	(9,337)	(12,907)
Interest expense	3,492	6,239	2,146
Change in current assets (increase) decrease			
Accounts receivable, net of allowances	(587,360)	113,512	(274,022)
Due from Related Party	9,800	(21,763)	0-
Estimated Medicare and Medicaid program settlements	(208,688)	(71,413)	0-
Inventory	(12,887)	5,099	(110,126)
Prepaid expenses	25,809	(13,643)	(28,651)
Deposits	(4,000)	0-	0-
Change in current liabilities (increase) (decrease)			
Accounts payable	(75,371)	187,800	287,814
Accrued expenses	(5,331)	(51,853)	115,430
Estimated Medicare and Medicaid program settlements	0-	(381,208)	(357,357)
Receivable income	0-	(225,321)	235,321
Net cash flow from operating and nonoperating activities	<u>(105,311)</u>	<u>588,582</u>	<u>63,682</u>
Cash Flows from Investing Activities:			
Cash received in short-term investments	(440,000)	(40,000)	(40,000)
Cash proceeds from short-term insurance maturities	640,000	98,000	148,000
Cash invested in assets whose use is limited	(254,000)	(254,000)	(254,000)
Cash proceeds from assets whose use is limited	254,000	254,000	254,000
Interest earned	18,855	9,337	12,907
Net cash flow from investing activities	\$ <u>18,855</u>	\$ <u>8,337</u>	\$ <u>12,907</u>

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

HOSPITAL SERVICE DISTRICT NO. 3
OF THE PARISH OF ALLEN, STATE OF LOUISIANA
ALLEN PARISH HOSPITAL
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1994,
THE THIRTEEN MONTHS ENDED JUNE 30, 1993
AND THE YEAR ENDED MAY 31, 1994

NOTE 4 - ACCOUNTS RECEIVABLE (Continued)

The Hospital generated a substantial portion of its charges from Medicare and Medicaid programs at discounted rates. The following is a summary of gross Medicare and Medicaid patient charges:

	1994	1993	1994
Medicare patients	\$ 2,715,000	\$ 1,534,571	\$ 855,896
Medicaid patients	<u>3,045,641</u>	<u>1,188,889</u>	<u>1,881,811</u>
Total	<u>\$ 5,760,641</u>	<u>\$ 2,723,460</u>	<u>\$ 2,737,707</u>
Percent of all patients	<u>70%</u>	<u>85%</u>	<u>82%</u>

Medicaid disproportionate share payments in the amount of \$216,113, \$2,026,716 and \$260,090 have been included in net revenues for the periods ended June 30, 1994, 1993 and May 31, 1994, respectively. Calculations are based upon oral interpretations by Louisiana Medicaid officials of existing Medicaid regulations. Final interpretations and audit determinations could result in changes.

For the period ended June 30, 1994, \$217,697 is included in revenue and accrued as a receivable from Medicaid as settlement of the period's disproportionate share calculation. Medicaid budget shortages at the State level would delay receipt of this receivable.

NOTE 5 - PROPERTIES, PLANT AND EQUIPMENT

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

	ASSET COST			
	June 30, 1994	Additions	Deductions	
Land	\$ 18,500	\$ -	\$ -	\$ 18,500
Land improvements	39,060	-	-	39,060
Buildings	1,798,900	1,340	-	1,800,240
Fixed equipment	58,529	-	-	58,529
Major medical equipment	<u>233,342</u>	<u>38,459</u>	<u>-</u>	<u>271,801</u>
Total	<u>\$ 2,148,331</u>	<u>\$ 19,799</u>	<u>\$ -</u>	<u>\$ 2,168,130</u>

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HOSPITAL SERVICE DISTRICT NO. 3
OF THE PARISH OF ALLEN, STATE OF LOUISIANA
ALLEN PARISH HOSPITAL
HOSPITAL ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 1966,
THE THIRTEEN MONTHS ENDED JUNE 30, 1965
AND THE YEAR ENDED MAY 31, 1964

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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 personnel, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Louisiana Auditor General, where appropriate, at the office of the parish clerk of court.

HOSPITAL SERVICE DISTRICT NO. 3
OF THE PARISH OF ALLEN, STATE OF LOUISIANA
ALLEN PARISH HOSPITAL
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1996,
THE THIRTIETH MONTHS ENDED JUNE 30, 1995
AND THE YEAR ENDED MAY 31, 1994

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

The Allen Parish Hospital Service District No. 3 (the "Hospital" or the "District") was created by an ordinance of the Allen Parish Police Jury.

The Hospital is a political subdivision of the Allen Parish Police Jury whose jurors are elected officials. The Hospital's commissioners are appointed by the Allen Parish Police Jury. Accordingly, Governmental Accounting Standards Board Statement No. 14 requires these financial statements to be included in those of Allen Parish Police Jury.

Nature of Business

The District provides outpatient, skilled nursing (through "wing-beds"), acute inpatient and psychiatric hospital services. The District began to offer basic health services during the year ended June 30, 1994.

Hospital Land

The land on which the Hospital was built was donated by Powell Lumber Company to Allen Parish Hospital Service District No. 3. The donation was made with the restriction that the land is to be used primarily as a site for a public hospital and should the donor or their successors or assigns fail to use the land for a public hospital, the title shall revert to Powell Lumber Company.

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 recorded when earned and expenses are recorded when incurred. Hospital accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:123 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.

HOSPITAL SERVICE DISTRICT NO. 3
OF THE PARISH OF ALLEN, STATE OF LOUISIANA
ALLEN PARISH HOSPITAL
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1996,
THE THIRTIETH MONTHS ENDED JUNE 30, 1995
AND THE YEAR ENDED MAY 31, 1994

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposits in checking, money market accounts and certificates of deposit with original maturities of 90 days or less. Certificates of deposit with original maturities of more than 90 days are classified as investments. Cash and cash equivalents are stated at cost, which approximates market value. The caption "cash and cash equivalents" does not include amounts whose use is limited or temporary cash investments.

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.

Significant Concentration of Economic Dependence

The Hospital has an economic dependence on a small number of staff physicians who admit over 90% of the hospital's patients.

Third Party Cost-Based 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 and on a fixed price per patient day for Medicaid inpatient services. Medicare and Medicaid outpatient and home health services are 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 payer.

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH OF ALLEN, STATE OF LOUISIANA
ALLEN PARISH HOSPITAL
HOSPITAL ENTERPRISE FUND
NOTE TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1994,
THE THIRTEEN MONTHS ENDED JUNE 30, 1993
AND THE YEAR ENDED MAY 31, 1994

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost, determined by the FIFO-in, first-cost method, or market basis.

Business 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:

Buildings	12 to 40 years
Machinery and Equipment	3 to 20 years
Furniture and Fixtures	3 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 accordingly.

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF ALLEN, STATE OF LOUISIANA
 ALLEN PARISH HOSPITAL
 STATEMENTS OF CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 1994,
 THE THIRTEEN MONTHS ENDED JUNE 30, 1995
 AND THE YEAR ENDED MAY 31, 1994

	Enterprise Fund	Specific Purpose Fund
Balance, May 31, 1993	\$ 1,329,764	\$ 50,000
Excess revenues (expenses) for the year ended May 31, 1994	1,821,840	50,000
Balance, May 31, 1994	1,127,803	100,000
Excess revenues (expenses) for the thirteen months ended June 30, 1995	582,691	50,000
Transfers	-0-	1,100,000
Balance, June 30, 1995	1,710,494	-0-
Excess revenues (expenses) for the year ended June 30, 1996	1,888	-0-
Balance, June 30, 1996	\$ 1,712,382	\$ -0-

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

HOSPITAL SERVICE DISTRICT NO. 3
 OF THE PARISH OF ALLEN, STATE OF LOUISIANA
 ALLEN PARISH HOSPITAL
 HOSPITAL ENTERPRISE FUND
 STATEMENTS OF REVENUES AND EXPENSES
 FOR THE YEAR ENDED JUNE 30, 1996
 THE THIRTEEN MONTHS ENDED JUNE 30, 1995
 AND THE YEAR ENDED MAY 31, 1994

	1996	1995	1994
Net Patient Service Revenues	\$ 4,478,118	\$ 3,403,133	\$ 2,014,638
Other Operating Revenues	51,153	87,833	95,082
Total Operating Revenues	4,529,271	3,490,966	2,109,720
Operating Expenses			
Nursing services	3,618,805	2,135,379	885,856
Other professional services	3,899,887	1,584,884	549,338
General services	393,348	417,900	285,680
Fiscal and administrative	658,694	386,891	335,887
Employee benefits	156,385	324,150	38,886
Taxes	173,846	75,294	44,336
Interest expense	3,492	6,239	5,566
Depreciation and amortization	87,340	89,686	183,317
Bad debt expense	196,331	285,261	189,360
Total Operating Expenses	6,283,838	5,295,809	3,281,521
Profit (Loss) From Operations	(1,754,567)	(174,843)	(1,171,801)
Nonoperating Revenues (Expenses)			
Interest income	16,845	9,313	13,907
Ad valorem taxes	75,312	73,033	71,559
Donations	0	178	0
Grants (State 15)	0	273,088	0
Total Nonoperating Revenues	92,157	355,512	85,466
Excess Revenues (Expenses)	\$ 1,662,410	\$ 180,669	\$ (1,086,335)

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

HOSPITAL SERVICE DISTRICT NO. 3
 OF THE PARISH OF ALLEN, STATE OF LOUISIANA,
 ALLEN PARISH HOSPITAL
 SPECIFIC PURPOSE FUND
 BALANCE SHEET
 JUNE 30, 1976, 1975 AND MAY 31, 1974

ASSETS	1976	1975	1974
Cash	\$ -0-	\$ -0-	\$ 14,338
Grants receivable (Note 15)	<u> 0-</u>	<u> 0-</u>	<u> 51,458</u>
Total Assets	\$ <u> 0-</u>	\$ <u> 0-</u>	\$ <u> 65,796</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Fund Balance	\$ <u> 0-</u>	\$ <u> 0-</u>	\$ <u> 65,796</u>

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

HOSPITAL SERVICE DISTRICT NO. 3
OF THE PARISH OF ALLEN, STATE OF LOUISIANA
ALLEN PARISH HOSPITAL
HOSPITAL ENTERPRISE FUND
BALANCE SHEETS
JUNE 30, 1996, 1995 AND MAY 31, 1994

ASSETS	1996	1995	1994
Current			
Cash and cash equivalents	\$ 234,440	\$ 1,040,847	\$ 420,271
Investments	28,000	20,800	20,800
Accounts receivable less estimated allowances (Note 4)	938,810	119,444	411,154
Due from related party (Note 17)	10,333	21,763	-0-
Estimated Medicare and Medicaid program settlements (Note 4)	272,083	71,415	-0-
Inventory	132,950	328,840	150,154
Prepaid expenses	17,944	43,813	30,170
Deposits	<u>4,000</u>	<u>-0-</u>	<u>-0-</u>
Total Current Assets	1,408,944	1,647,963	1,813,753
Property, plant and equipment, less accumulated depreciation of \$4,330,844, \$1,444,788, and \$1,300,100 in 1996, 1995 and 1994, respectively (Note 5)	891,846	898,540	853,308
Other			
Organizational costs, net (Note 6)	14,246	-0-	-0-
Leases whose term is limited (Note 7)	<u>125,800</u>	<u>125,000</u>	<u>125,000</u>
Total Assets	<u>\$ 2,438,716</u>	<u>\$ 2,671,963</u>	<u>\$ 2,892,061</u>
LIABILITIES AND FUND BALANCE			
Current			
Accounts payable	\$ 795,837	\$ 878,248	\$ 303,248
Accrued expenses (Note 8)	59,418	84,889	115,952
Estimated Medicare and Medicaid program settlements	-0-	-0-	303,248
Earned income	-0-	-0-	210,280
Current installments of long-term debt	<u>13,298</u>	<u>2,732</u>	<u>5,275</u>
Total Current Liabilities	<u>868,553</u>	<u>968,069</u>	<u>957,703</u>
Long-Term			
Capital lease obligations (Note 9)	<u>29,203</u>	<u>12,384</u>	<u>-0-</u>
Total Liabilities	897,756	980,453	957,703
Fund Balance	<u>1,714,118</u>	<u>1,718,542</u>	<u>1,432,821</u>
Total Liabilities and Fund Balance	<u>\$ 2,611,874</u>	<u>\$ 2,698,995</u>	<u>\$ 2,390,524</u>

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

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Hospital Service District No. 3
Parish of Allen, State of Louisiana
Kinder, Louisiana

We have audited the accompanying general purpose financial statements of Hospital Service District No. 3, Parish of Allen, State of Louisiana, Allen Parish Hospital (the "District"), a component unit of the Allen Parish Police Jury, as of and for the year ended June 30, 1996, the thirteen (13) months ended June 30, 1995 and the year ended May 31, 1994, as listed in the 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 audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 3, Parish of Allen, Allen Parish Hospital, as of and for the year ended June 30, 1996, the thirteen (13) months ended June 30, 1995 and the year ended May 31, 1994, and the results of its operations and cash flow for the periods then stated, in conformity with generally accepted accounting principles applicable to governmental entities.

In accordance with Governmental Auditing Standards, we have also issued a report dated October 18, 1996, on our consideration of the Hospital's internal control structure and a report dated October 30, 1996, on its compliance with laws and regulations.

HOSPITAL SERVICE DISTRICT NO. 3
OF THE PARISH OF ALLEN, STATE OF LOUISIANA
ALLEN PARISH HOSPITAL
HOSPITAL ENTERPRISE FUND
STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEAR ENDED JUNE 30, 1996,
THE THIRTEEN MONTHS ENDED JUNE 30, 1995
AND THE YEAR ENDED MAY 31, 1994

	1996	1995	1994
Cash Flows From Capital and Related Financing Activities:			
Acquisition of capital assets	\$ (18,508)	\$ (18,567)	\$ (2,129)
Principal payments on long-term debt	(9,061)	(7,577)	(10,585)
Capitalization of organizational cost	(18,438)	-0-	-0-
Interest expense on long-term debt	<u>(12,482)</u>	<u>(68,829)</u>	<u>(2,160)</u>
Net cash flow from capital and related financing activities	<u>(48,489)</u>	<u>(134,973)</u>	<u>(14,874)</u>
Net increase (decrease) in cash and cash equivalents	(851,427)	645,596	147,899
Cash and cash equivalents at beginning of year	<u>1,860,892</u>	<u>1,215,321</u>	<u>1,067,422</u>
Cash and cash equivalents at end of year	<u>\$ 1,009,465</u>	<u>\$ 1,860,917</u>	<u>\$ 1,215,321</u>

The Hospital entered into various capital lease obligations for \$27,284 and \$26,381 in 1996 and 1995, respectively.

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