

HOSPITAL SERVICE DISTRICT NUMBER ONE
OF THE
PARISH OF FRANKLIN, STATE OF LOUISIANA

FRANKLIN MEDICAL CENTER

GENERAL PURPOSE FINANCIAL STATEMENTS

AND

under provisions of state law, the
INDEPENDENT PUBLIC ACCOUNTANTS
copy of the report has been submitted
to the auditor, or reviewed,
entity and other appropriate public
officials. The report is available for
public inspection at the Baton
Rouge office of the Legislative Auditor
and, where appropriate, at the
office of the parish clerk of court.

Prepared Date OCT 15 1994
FOR THE YEARS ENDED

APRIL 30, 1997, 1996, AND 1995

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HOSPITAL SERVICE DISTRICT NO. 1
CITIES OF FRANKLIN, STATE OF LOUISIANA
("FRANKLIN MEDICAL CENTER")
GENERAL PURPOSE FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 1977, 1976 AND 1975

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Independent Auditors' Report

To the Board of Commissioners
Hospital Service District No. 1
Parish of Franklin
Bossier, Louisiana

We have audited the accompanying general purpose financial statements of Hospital Service District No. 1, Parish of Franklin, a component unit of the Franklin Parish Police Jury, as of and for the years ended April 30, 1997, 1998 and 1999, 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 audits.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Franklin Medical Center, as of and for the years ended April 30, 1997, 1998 and 1999, and the results of its operations, changes in fund balances, and cash flows 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 June 25, 1997, on our consideration of the District's internal control structure and a report dated June 25, 1997, on its compliance with laws and regulations.

Board of Commissioners
Hospital Service District No. 1
Parish of Franklin
Winnabow, Louisiana
Page Two

Our audits were performed 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. 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 aspects in relation to the general purpose financial statements taken as a whole.

Earley Lester & Walls

June 25, 1997

FRANKLIN MEDICAL CENTER
STATEMENTS OF OPERATIONS - UNREGISTERED FUND
YEARS ENDED APRIL 30, 1990, 1991 AND 1992

	1992	1991	1990
Revenues			
Net patient service revenues (Note 12)	\$ 12,558,743	\$ 12,104,942	\$ 12,189,147
Gains (Loss) on disposal of assets	-	4,289	(53)
Maintenance taxes (Note 18)	-	34,638	31,579
Grants	25,800	50,714	25,800
Non-restricted contributions	300	300	2,300
Other revenues	<u>192,828</u>	<u>172,124</u>	<u>191,273</u>
Total Revenue	<u>12,777,371</u>	<u>12,362,968</u>	<u>12,439,247</u>
Expenses			
Salaries	3,747,482	3,850,444	3,729,292
Benefits and payroll taxes	706,886	758,308	732,674
Retirement (Note 17)	55,147	51,248	46,346
Supplies and drugs	783,083	789,682	867,522
Professional fees	2,348,982	2,312,884	2,921,784
Other expenses	2,443,428	2,489,337	2,362,297
Insurance	222,448	177,954	142,258
Interest expense	2,084	28,764	32,491
Depreciation and amortization	689,124	612,828	538,225
Provision for bad debts	<u>482,222</u>	<u>428,268</u>	<u>425,250</u>
Total Expenses	<u>11,862,423</u>	<u>12,325,821</u>	<u>12,818,381</u>
Operating Income (Loss)	<u>914,948</u>	<u>37,147</u>	<u>620,866</u>
Non-Operating Income (Loss)			
Interest income	<u>152,614</u>	<u>142,121</u>	<u>152,088</u>
Excess of Revenue over Expenses	<u>\$ 1,067,562</u>	<u>\$ 49,274</u>	<u>\$ 772,954</u>

See accompanying notes to financial statements.

**FRANKLIN MEDICAL CENTER
BALANCE SHEETS - UNRESTRICTED FUNDS
APRIL 30, 1993, 1992 AND 1991**

ASSETS	1993	1992	1991
CURRENT ASSETS			
Cash and cash equivalents (Note 3)	\$ 423,398	\$ 1,214,629	\$ 1,447,885
Receivables (Note 4)	2,441,438	578,388	646,328
Accounts receivable, net of allowances for uncollectibles (Note 4)	1,824,262	2,368,280	1,943,250
Inventories	375,608	343,803	379,547
Prepaid expenses	<u>387,802</u>	<u>184,923</u>	<u>333,326</u>
Total Current Assets	<u>5,432,508</u>	<u>4,709,923</u>	<u>4,730,336</u>
Non-Current Assets			
Property, plant and equipment (Notes 5 and 6)	9,991,884	9,354,887	8,335,988
Accumulated depreciation Net property, plant and equipment	<u>(5,112,688)</u>	<u>(4,330,220)</u>	<u>(4,826,000)</u>
Organizational costs (Note 7)	-	-	4,844
Assets whose use is limited (Note 8)	<u>808,083</u>	<u>1,332,662</u>	<u>1,253,018</u>
Total Non-Current Assets	<u>5,677,279</u>	<u>6,357,329</u>	<u>4,787,950</u>
Total Assets	<u>\$ 11,109,787</u>	<u>\$ 10,825,802</u>	<u>\$ 9,518,286</u>
LIABILITIES AND FUND BALANCE			
Current Liabilities			
Accounts payable and accrued expenses	\$ 632,473	\$ 862,324	\$ 568,867
Accrued salary and payroll taxes	183,375	96,964	71,710
Accrued vacation payable (Note 8)	133,949	190,518	127,284
Current portion of long-term liabilities	<u>5,480</u>	<u>23,528</u>	<u>36,369</u>
Total Current Liabilities	<u>955,277</u>	<u>1,173,334</u>	<u>794,230</u>
Long-Term Liabilities			
Capital lease obligations (Note 10)	20,900	2,113	28,323
Bonds payable (Note 10)	<u>-0-</u>	<u>528,434</u>	<u>529,841</u>
Total Long-Term Liabilities	<u>20,900</u>	<u>530,547</u>	<u>558,164</u>
Total Liabilities	976,177	1,703,881	1,352,394
Contingencies (Note 11)	-	-	-
Fund Balance - Unrestricted	<u>18,127,546</u>	<u>9,121,921</u>	<u>8,165,892</u>
Total Liabilities and Fund Balance	<u>\$ 11,109,787</u>	<u>\$ 10,825,802</u>	<u>\$ 9,518,286</u>

See accompanying notes to financial statements.

FRANKLIN MEDICAL CENTER
 STATEMENTS OF CHANGES IN FUND BALANCE - UNRESTRICTED FUND
 YEARS ENDED APRIL 30, 1997, 1996 AND 1995

Balance, April 30, 1994	\$ 3,467,328
Excess of revenues over expenses for the year ended April 30, 1995	<u> 761,170</u>
Balance, April 30, 1995	4,228,498
Excess of revenues over expenses for the year ended April 30, 1996	<u> 318,328</u>
Balance, April 30, 1996	4,546,826
Excess of revenues over expenses for the year ended April 30, 1997	<u> 318,629</u>
Balance, April 30, 1997	<u>\$ 4,865,455</u>

See accompanying notes to financial statements.

FOUNDAIR MEDICAL CENTER
STATEMENTS OF CASH FLOWS - UNRESTRICTED FUND
YEARS ENDED APRIL 30, 1997, 1996 AND 1995

	1997	1996	1995
CASH FLOW FROM OPERATING ACTIVITIES			
Operating Income (loss)	\$ 381,700	\$ 400,957	\$ 549,182
adjustments to reconcile excess revenue and gains less expenses and losses to net cash provided by operating activities and gains and losses			
Depreciation and amortization	589,128	512,878	578,225
(Gain) or loss on disposal of assets	-0-	64,880	25
Interest expense	2,004	28,764	23,481
Changes in current assets (increase) decrease			
Accounts receivable, net of allowances for uncollectibles	573,813	(544,436)	(798,509)
Inventories	(29,404)	(18,638)	7,265
Prepaid insurance	42,812	(23,888)	2,885
Short-term investments	(1,893,898)	(204,068)	88,286
Assets whose use is limited	-0-	-0-	1,000,000
Changes in current liabilities increase (decrease)			
Accounts payable and accrued expenses	(216,961)	323,439	172,841
Accrued salary and payroll taxes	6,375	25,194	5,321
Accrued vacation payable	(16,828)	23,314	18,129
	<u>(188,156)</u>	<u>1,681,660</u>	<u>1,308,285</u>
Net cash provided (used) by operating and non-operating activities	<u>(188,156)</u>	<u>1,681,660</u>	<u>1,308,285</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Cash proceeds from certificates of deposit invested for assets whose use is limited	392,434	60,543	-0-
Limited certificates of deposit invested for assets whose use is limited	-0-	-0-	(612,197)
Interest earned	158,418	167,372	132,688
	<u>550,852</u>	<u>327,915</u>	<u>(479,509)</u>
Net cash provided (used) by investing activities	<u>\$ 550,852</u>	<u>\$ 327,915</u>	<u>\$ (479,509)</u>

See accompanying notes to financial statements.

FRANKLIN MEDICAL CENTER
 STATEMENTS OF CASH FLOWS - UNRESTRICTED FUND (Continued)
 YEARS ENDED APRIL 30, 1991, 1990 AND 1989

	1991	1990	1989
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of building and equipment	\$ (438,197)	\$ (1,430,608)	\$ (1,514,195)
Proceeds from disposal of equipment	0-	4,288	1,808
Principal payments on capital leases and bonds	(543,018)	(36,435)	(58,762)
Interest expense on leases and bonds	<u>(3,885)</u>	<u>(28,344)</u>	<u>(33,851)</u>
Net cash provided (used) by capital and related financing activities	<u>(985,010)</u>	<u>(1,480,325)</u>	<u>(1,590,948)</u>
Net increase (decrease) in cash	(401,341)	(22,166)	77,306
Beginning cash and cash equivalents	<u>1,226,338</u>	<u>1,462,683</u>	<u>1,385,273</u>
Ending cash and cash equivalents	<u>\$ 844,997</u>	<u>\$ 1,239,938</u>	<u>\$ 1,462,579</u>
 Supplemental Disclosure of Cash Flow Information:			
cash paid during the period for interest	\$ <u>3,909</u>	\$ <u>28,745</u>	\$ <u>33,691</u>

The District entered into a capital lease obligation of \$16,800 for equipment in 1987.

See accompanying notes to financial statements.

FRANKLIN MEDICAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 1987, 1986 AND 1985

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Hospital Service District Number One of the Parish of Franklin, State of Louisiana (referred to as "Franklin Medical Center") was created by an ordinance of the Franklin Parish Police Jury on November 2, 1983.

The District is a political subdivision of the Franklin Parish Police Jury whose members are elected officials. Its commissioners are appointed by the Franklin Parish Police Jury. Accordingly, Statement No. 14 requires these financial statements to be included in those of the Franklin Parish Police Jury.

The hospital facility was originally built by the Franklin Parish Police Jury which bonded an ad valorem tax bonds to finance its construction. The District leases the hospital facility and some equipment from the Police Jury as explained further in Note 4. All transactions related to the original bonds sold to finance the facility, the related interest expense, and tax revenues for the payment of the bonds are reflected in the financial statements of Franklin Parish Police Jury. The final bond redemption was made during April 1988, thereby eliminating the Police Jury bond indebtedness related to the District.

Scope of Business

The District provides outpatient, skilled nursing (through "swing-bed"), emergency, home health, inpatient acute hospital services and geriatric psychiatric services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Financial Reporting Entity

The accompanying general purpose financial statements of Franklin Medical Center present the financial position and changes in fund equity for the enterprise fund. The results of operations and cash flow are also presented for the enterprise fund.

FRANKLIN MEDICAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 1997, 1996 AND 1995

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting for Proprietary Fund Type

The operating activities of the District are organized into one proprietary fund type. The operation of the proprietary fund is accounted for by providing a set of self-balancing accounts which are comprised of assets, liabilities, fund equity, revenues and expenses.

Enterprise Funds are used to account for operations (a) 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, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Accounting for Governmental Fund Types

Donor-restricted funds are used to differentiate resources, the use of which is restricted by donors or grantors, from resources of enterprise funds on which donors or grantors place no restriction or that arise as a result of the operations of the hospital for its stated purposes. Restricted gifts and other restricted resources are recorded as additions to the appropriate restricted fund.

Resources restricted by donors for plant replacement and expansion are added to the plant replacement and expansion fund when received and to the enterprise fund equity to the extent expended within the period.

Resources restricted by donors or grantors for specific operating purposes are reported in the specific purpose fund when received and in the enterprise fund non-operating gains to the extent used within the period.

Cash and Cash Equivalents

Cash represents coin, currency, bank demand deposits and other negotiable instruments that are readily acceptable in lieu of currency. Cash equivalents are time deposits and certificates of deposit purchased with a maturity of three months or less. Cash and cash equivalents do not include amounts classified as assets whose use is limited.

Collectible Accounts

The District's estimate of collectibility is applied to accounts receivable to establish an allowance for uncollectible accounts.

FRANKLIN MEDICAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 1997, 1996 AND 1995

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Concentration of Economic Dependence

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

Inventory

Inventory is stated at the lower of cost or market value. Cost is determined by the first-in, first-out method.

Property, Plant and Equipment

The basis of property, plant and equipment is recorded at cost for purchased assets or at fair market value in the case of any donation. The District uses straight-line depreciation for all assets. The useful lives of plant and equipment for the purpose of computing depreciation are:

Buildings	25 to 50 years
Machinery and equipment	5 to 10 years
Furniture and fixtures	5 to 15 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 the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposal are credited or charged to operations currently.

Charity Care

The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

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.

FRANKLIN MEDICAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 1997, 1996 AND 1995

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.

Income Taxes

The District's income is exempt from taxation.

NOTE 3 - CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents, short-term investments and assets whose use is limited are cash on hand and deposits with the depository banks for checking accounts and certificates of deposits. For all deposits, the market value and carrying value are the same.

The District's investment policy required monies funds to be invested in certificates of deposit (insured by Federal Depository Insurance or pledges of state or federal securities) at the highest available interest rate obtained from three competing banks in Franklin Parish, Louisiana. As April 30, 1997, the bank balance for cash in checking accounts recorded said security by \$152,513.

The following is a summary of cash and cash equivalents as of April 30:

	1997	1996	1995
Cash	\$ 589,328	\$ 86,342	\$ 144,358
Certificates of deposit	<u>533,538</u>	<u>1,118,487</u>	<u>1,702,726</u>
Total	<u>\$ 1,122,866</u>	<u>\$ 1,204,829</u>	<u>\$ 1,847,084</u>

FRANKLIN HOSPITAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 1997, 1996 AND 1995

NOTE A - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	1997	1996	1995
Patients	\$ 2,673,841	\$ 2,382,896	\$ 2,234,592
Medicare program	(49,741)	277,000	473,349
Medicaid program	210,884	213,848	161,860
Other	<u>100,338</u>	<u>108,781</u>	<u>84,122</u>
Total	2,934,142	3,062,425	2,953,923
Estimated allowances for uncollectibles	<u>(268,775)</u>	<u>(1,294,182)</u>	<u>(1,650,800)</u>
Net accounts receivable	<u>\$ 2,665,367</u>	<u>\$ 1,768,243</u>	<u>\$ 1,303,123</u>

During 1996 a rule which exempts rural hospitals with under 60 beds from a larger amount per discharge limitation for purposes of Medicaid reimbursement was approved retroactive to November 1991. This resulted in \$200,395 of income from these periods to be reported in 1996.

The District generates a substantial portion of its charges from the Medicare and Medicaid programs at discounted rates. A summary of gross Medicare and Medicaid charges for the years ended April 30, 1997, 1996 and 1995, follows:

	1997	1996	1995
Medicare patients	\$ 13,266,313	\$ 10,795,284	\$ 8,219,750
Medicaid patients	<u>2,020,371</u>	<u>2,128,838</u>	<u>2,228,871</u>
Total	<u>\$ 15,286,684</u>	<u>\$ 12,924,122</u>	<u>\$ 10,448,621</u>
Percent of all patients	84%	72%	73%

FRANKLIN MEDICAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 1991, 1990 AND 1989

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment, and related accumulated depreciation at April 30:

	<u>Property, Plant and Equipment</u> <u>1991</u>			
	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending</u> <u>Balance</u>
Land	\$ 37,500	\$ 150,000	\$ -0-	\$ 187,500
Buildings	1,915,880	-0-	-0-	1,915,880
Leasehold improvements	1,967,960	110,127	-0-	2,078,087
Furniture and equipment	4,213,629	781,919	-0-	4,995,548
Construction in progress	11,467	1,822	33,661	1,028
Totals	\$ 9,506,382	\$ 933,668	\$ 33,661	\$ 10,406,389

	<u>Accumulated Depreciation</u> <u>1991</u>			
	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending</u> <u>Balance</u>
Land	\$ 1,689,792	\$ 100,681	\$ -0-	\$ 1,790,473
Buildings	553,884	86,376	-0-	640,260
Leasehold improvements	1,527,353	798,732	-0-	2,326,085
Totals	\$ 3,771,029	\$ 985,789	\$ -0-	\$ 4,756,814

	<u>Property, Plant and Equipment</u> <u>1990</u>			
	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending</u> <u>Balance</u>
Land	\$ 37,500	\$ -0-	\$ -0-	\$ 37,500
Buildings	2,967,088	667,751	-0-	3,634,839
Leasehold improvements	1,295,800	71,889	-0-	1,367,689
Furniture and equipment	3,175,573	1,098,820	33,581	4,107,812
Construction in progress	670,118	305,156	863,883	11,391
Totals	\$ 8,146,089	\$ 2,042,616	\$ 897,464	\$ 9,291,241

FRANKLIN MEDICAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 1997, 1996 AND 1995

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	Beginning Balance	Accumulated Depreciation 1996		Ending Balance
		Additions	Dispositions	
Land	\$ 1,804,286	\$ 85,096	\$ -0-	\$ 1,889,382
Buildings	234,268	79,716	-0-	313,984
Leasehold improvements	2,159,881	131,563	-0-	2,291,444
Totals	\$ 4,208,435	\$ 296,375	\$ -0-	\$ 4,504,810

	Beginning Balance	Property, Plant and Equipment 1995		Ending Balance
		Additions	Dispositions	
Land	\$ 27,540	\$ -0-	\$ -0-	\$ 27,540
Buildings	2,024,882	42,167	-0-	2,067,049
Leasehold improvements	1,134,478	363,333	-0-	1,497,811
Furniture and equipment	2,865,234	315,680	5,480	3,179,531
Construction in progress	73,322	187,663	187,667	673,318
Totals	\$ 6,133,456	\$ 6,313,823	\$ 193,047	\$ 6,934,232

	Beginning Balance	Accumulated Depreciation 1995		Ending Balance
		Additions	Dispositions	
Land	\$ 1,528,241	\$ 77,850	\$ -0-	\$ 1,606,091
Leasehold improvements	147,672	87,194	-0-	234,866
Furniture and equipment	3,931,482	327,368	5,370	4,264,220
Totals	\$ 5,607,395	\$ 492,412	\$ 5,370	\$ 6,104,437

Included in furniture and equipment are physician's office furnishings and medical equipment with a cost of \$29,000. The District has agreed to transfer these assets in 1999 to physicians if the conditions of the physicians' recruitment contracts are met.

**FRANKLIN MEDICAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 1997, 1996 AND 1995**

NOTE 6 - HOSPITAL FACILITY AND EQUIPMENT

As discussed in Note 1, the hospital facility and original equipment were acquired with the proceeds of ad valorem tax bonds issued by the Franklin Parish Police Jury.

Effective September 29, 1992, the Police Jury renewed its lease to the District. The lease has a term of 30 years and may be terminated at any time by mutual consent of both parties. The lease does not call for the District to pay consideration to the Police Jury.

The following property, plant and equipment was acquired by the Police Jury and is reported in the District's financial statements:

<u>Cost or Fair Market Value on the Date of Estimation</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Land	\$ 27,500	\$ 27,500	\$ 27,500
Buildings	1,842,908	1,842,390	1,842,508
Furniture and equipment	<u>388,716</u>	<u>388,716</u>	<u>388,716</u>
Total	<u>2,859,124</u>	<u>2,658,606</u>	<u>2,858,724</u>
<u>Accumulated Depreciation</u>			
Buildings	1,399,934	1,364,895	1,330,015
Furniture and equipment	<u>388,716</u>	<u>388,716</u>	<u>388,716</u>
Total	<u>1,788,650</u>	<u>1,753,611</u>	<u>1,718,731</u>
Book value of property, plant and equipment	<u>\$ 1,070,474</u>	<u>\$ 904,995</u>	<u>\$ 1,139,993</u>

These assets were obtained in part with funds from a Hill-Burton program grant of \$963,848. The Hill-Burton program has the ability to recapture a portion of the depreciated replacement cost of these assets should the facility be closed or not used by a qualified recipient.

NOTE 7 - ORGANIZATIONAL COSTS

Organizational costs represent expenditures, less amortization, related to the start-up of home health and swing bed services. Straight-line amortization over 48 months began in May, 1995 upon inception of the new services.

**FRANKLIN MEDICAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 1997, 1996 AND 1995**

NOTE 8 - ASSETS WHOSE USE IS LIMITED

Assets whose use is limited include certificates of deposit set aside by the Board of Commissioners for the following purposes:

	1997	1996	1995
Capital Improvements	\$ 375,000	\$ 340,600	\$ 668,587
Debt retirement	-	487,000	310,300
Contingencies	356,563	366,563	281,438
Self-insured unemployment fund	<u>217,673</u>	<u>190,238</u>	<u>72,639</u>
Total	<u>\$ 959,243</u>	<u>\$ 1,374,401</u>	<u>\$ 1,333,004</u>

NOTE 9 - COMPENSATED ABSENCE

Employees of the District are entitled to paid days off and sick days depending on length of service. The District accrued \$125,988, \$154,508 and \$227,206 of vacation pay at April 30, 1997, 1996 and 1995, respectively. It is impracticable to estimate the amount of compensation for sick pay and accordingly, no liability has been recorded in the accompanying financial statements. The District's policy is to recognize the cost of sick pay when paid to employees.

NOTE 10 - LONG TERM DEBT

Following is a summary of capital lease obligations payable at April 30:

	1997	1996	1995
Lease purchase obligation to Citicorp North America, Inc., for computer hardware and software. The contract made on August 31, 1993, with a maturity date September 30, 1995, calls for monthly payments of \$2,885, which includes principal and interest of 7.8% per annum. Secured by the computer system, with a book value of \$8,325 as of April 30, 1997.	\$	0	\$ 14,047

FRANKLIN MEDICAL CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 APRIL 30, 1997, 1996 AND 1995

NOTE 10 - LONG-TERM DEBT (continued)

	1997	1996	1995
<p>Lease purchase obligation to Citicorp North America, Inc., for anesthesia machine, computer equipment and a patient monitoring system. The contract made on June 25, 1992, with a maturity date of June 25, 1997, calls for monthly payments of \$1,067.51, which includes principal and interest of 7.488 per annum. Secured by the equipment with a book value of \$7,900 as of April 30, 1997.</p>	\$ -0-	\$ 14,768	\$ 25,250
<p>Lease purchase obligation to Xerox Corporation for a copier. The contract made on December 1, 1993, with a maturity date of November 30, 1996, calls for monthly payments of \$176.95, which includes principal and interest of 4.088 per annum. Secured by the copier with a book value of \$2,418 as of April 30, 1997.</p>	-0-	1,918	4,819
<p>Capital lease obligation to Abbott Laboratories for six PMA pumps. The contract made on March 1, 1987, with a maturity date of February 28, 1999, calls for monthly payments of \$458.08, which includes principal and interest of 9.888 per annum. Secured by the 6 PMA pumps with a book value of \$16,508 as of April 30, 1997.</p>	15,900	0	0
Total capital leases payable	15,900	14,187	30,069
<p>Less current portion of capital leases payable</p>	(5,480)	(14,032)	(27,263)
<p>Long-term portion of capital leases payable</p>	<u>\$ 10,420</u>	<u>\$ 2,155</u>	<u>\$ 2,806</u>

FRANKLIN MEDICAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 1993, 1990 AND 1989

NOTE 10 - LONG-TERM DEBT (Continued)

Minimum future lease payments under capital leases as of April 30, 1993, for each of the next five years and in the aggregate are:

Year	Amount
1994	\$ 5,400
1995	5,400
2000	5,200
2001	-0-
2002	-0-
Total minimum lease payments	\$ 21,600

Following is a summary of tax-exempt bonds issued by the District in the Finance Bond Administration payable at April 30:

	1992	1990	1989
Bond obligations for construction improvements and equipment. This bond was made on May 13, 1993, with a maturity date of May 11, 2020, and calls for monthly payments of \$2,988, which includes principal and interest of 5.0% per annum. The bond is secured by an Act of Mortgage.	\$ -0-	\$ 329,943	\$ 329,947
Less current maturities included in current installments of long-term debt	-0-	(2,847)	(2,004)
Long-term portion of bonds payable	\$ -0-	\$ 327,096	\$ 327,943

On May 1, 1990, the District paid \$279,943 in retire all of its bonds payable.

FRANKLIN MEDICAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 1997, 1996 AND 1995

NOTE 11 - CHARITY CARE

The District maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under the charity care policy, the estimated cost of those services and supplies and equivalent service statistics. The following information measures the level of charity care provided during the years ended April 30, 1997, 1996 and 1995.

	1997	1996	1995
Charges foregone, based on established rates	\$ <u>25,086</u>	\$ <u>15,937</u>	\$ <u>26,718</u>
Estimated costs and expenses incurred to provide charity care	\$ <u>16,421</u>	\$ <u>18,000</u>	\$ <u>7,813</u>
Equivalent percentage of charity care patients to all patients served	<u>.168</u>	<u>.188</u>	<u>.168</u>

NOTE 12 - NET PATIENT SERVICE REVENUE

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

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are 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 assets related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's classifications 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 District. The District's Medicare cost reports have been mailed by the Medicare fiscal intermediary through April 30, 1997. Being bed routine services are reimbursed based on a prospectively determined rate per patient day and other services including home health are reimbursed based upon a cost reimbursement methodology (with home health being subject to limits on a cost per visit basis).

Medicaid - Inpatient services prior to July 1, 1994, and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology (subject to a maximum per patient for inpatient services). Effective July 1, 1994, Medicaid inpatient services are reimbursed based on a prospectively determined per diem rate.

FRANKLIN MEDICAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 1997, 1996 AND 1995

NOTE 12 - NET PATIENT SERVICE REVENUE (Continued)

Medicaid (continued) - The District is reimbursed at a retrospective rate with final settlement determined after submission of annual cost reports by the District and audits checked by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through April 30, 1996.

Blue Cross - Hospital services rendered to Blue Cross subscribers are reimbursed at prospectively determined rates per day of hospitalization. The prospectively determined per-diem rates are not subject to retrospective adjustment.

NOTE 13 - PROFESSIONAL LIABILITY RISK

The District participates in the Louisiana Patient's Compensation Fund established by the State of Louisiana to provide professional medical liability coverage to health care 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, the State of Louisiana enacted legislation limiting the amount of settlement for professional liability to \$200,000 per occurrence.

The constitutionality of this legislation has not been tested by the courts although the Louisiana Supreme Court has decided that this limit does not apply in cases of strict liability.

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. At year-end, premiums are redetermined utilizing actual losses and expenses of the fund. Each year's retrospective assessment, if any, may not exceed the District's position due during such plan year. The trust fund premiums to be a "Grosser Trust" and, accordingly, income and expenses are pro-rated to member hospitals. The District has not included these allocations or equity in the trust in its financial statements which reflect cash transactions with the trust fund as insurance expense or a reduction thereof.

NOTE 14 - WORKMEN'S COMPENSATION

The District participates in the Louisiana Hospital Association Self-Insurance Workmen'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 deficits. It is not possible to estimate the amount, if any, of additional assessments.

FRANKLIN MEDICAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 1997, 1996 AND 1995

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 resolutions of contingencies result in amounts which vary from the District's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

Third Party Cost-Based Revenues (Note 4) - Third party reimbursements are subject to examination by agencies administering the programs. Under these programs, the District receives fixed fees for each patient. 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 mistakes, regulations and general instructions of these programs. The amount of such adjustments cannot be determined.

Federal and State budget restraints are increasing the time period taken to pay Medicare and Medicaid claims and the Medicaid program is delaying payment of post-aid settlements. The Medicare program is currently placing increasing emphasis on the timeliness of billing for hospitals, such as the District, that receive forward reimbursements on the Periodic Interest Payment (PIP) method. These actions could result in decreased cash flow to the District and such decreases could be material.

Further, in order to continue receiving reimbursement from the Medicare and Medicaid programs, the District entered into an agreement with the Peer Review Organization (PRO) allowing PRO access to the Medicare patient medical records for purposes of making medical necessity and appropriate level of care determinations. PRO has the ability to deny reimbursement for Medicare patient claims which have already been paid to the District.

Professional Liability Risk (Note 13) - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund.

Worker's Compensation (Note 14) - The District is contingently liable for assessments by the Louisiana Hospital Association Trust Fund.

Hill-Burton Uncompensated Services and Community Service Obligations - As a result of the Police Jury receiving a Federal Hill-Burton program grant, the Hospital was required to provide a reasonable volume of uncompensated services to patients who are unable to pay for their medical care. The Hospital's obligations for uncompensated services was fulfilled on April 30, 1997. Additionally, the grant required the Hospital to provide community services such as participating in the Medicare and Medicaid programs for an indefinite period.

FRANKLIN MEDICAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 1987, 1986 AND 1985

NOTE 13 - CONTINGENCIES (Continued)

Medical Benefits Trust - On April 1, 1986, the District established a medical benefits trust. The District contributes amounts that it deems sufficient to cover the health benefit cost of its full-time employees. Employees are allowed to contribute to the trust through payroll deductions in order to obtain dependent coverage. The trust purchases "excess" insurance coverage that provides for payment of individual claims in excess of \$27,500 or aggregate annual claims in excess of \$250,000. The trust pays all other claims from its general funds. The trust agreement provides that should it not have sufficient funds to cover its obligations, the District is obligated to fund the shortfall. The shortfall as April 30, 1985 and 1986 was \$8,788 and \$28,303, respectively. These amounts were recorded as a current liability at April 30.

Self-insured for Unemployment Compensation - Effective January 1, 1986, the District elected to become self-insured for unemployment compensation. The District is contributing 1.65% of the payroll into a fund (Note 8) to cover all claims and management fees.

Litigation - Various claims in the ordinary course of business are pending against the District. The District's attorney has certified that there are no claims pending against the District which are not covered by some type of insurance, except for one lawsuit in which the attorney believes the District should prevail.

NOTE 14 - COMMITMENTS

Physician Recruitment Contracts - The District has entered into a physician recruitment contract in which certain physician expenses are reimbursed or paid by the District. Accordingly, the actual future cash requirements of the District cannot be determined.

NOTE 17 - PENSION PLAN

The District has a defined contribution pension plan. The plan is administered by American United Life Insurance Company who holds all plan assets. All of the employees over the age of 21 who worked at least 1,000 hours of service per year and who have completed one year of service are covered under the plan. The plan is an annuity contract funded individually for each participant. Employees contribute 3% of their annual salaries and the District matches the employees contributions. Actual contributions made by the District for the years ended April 30, 1985, 1986 and 1987 were \$55,547, \$28,348 and \$48,348, respectively.

FRANKLIN MEDICAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 1997, 1996 AND 1995

NOTE 18 - COMMISSIONERS

The following commissioners served Franklin Medical Center without compensation during the year ended April 30, 1997:

Jack Hammons, Chairman
Tom Entwigen, Vice Chairman
Lewis Monack
Rebecca Singleton
Joe M. Cravella

NOTE 19 - MAINTENANCE TAXES

On April 17, 1995, the District started not to receive the annual maintenance tax.

NOTE 20 - EQUIPMENT PURCHASE

On July 13, 1997, the District purchased a building for \$129,800 for expansion of health care services.

SUPPLEMENTAL INFORMATION

FRANKLIN MEDICAL CENTER
 SCHEDULE OF PATIENT STATISTICS
 YEARS ENDED APRIL 30, 1997, 1998 AND 1999

	1997	1998	1999
Number of Patient Days of Care			
Medicare	10,766	18,929	7,173
Medicaid	2,896	2,385	2,163
Other	<u>1,833</u>	<u>1,356</u>	<u>1,368</u>
Total	<u>15,495</u>	<u>22,670</u>	<u>10,704</u>
Number of Patient Discharges			
Medicare	1,597	1,555	1,655
Medicaid	566	485	597
Other	<u>378</u>	<u>358</u>	<u>638</u>
Total	<u>2,541</u>	<u>2,398</u>	<u>2,890</u>
Average Length of Patient Stay			
Medicare	6.7	6.8	4.3
Medicaid	3.6	4.5	3.6
Other	2.8	3.4	2.9
All Patients	5.4	5.6	6.1
Number of Surgical Cases	<u>287</u>	<u>322</u>	<u>1,082</u>
Number of Emergency Room Visits	<u>2,946</u>	<u>18,686</u>	<u>9,432</u>

FRANKLIN MEDICAL CENTER
SCHEDULE OF NET PATIENT SERVICE REVENUE
YEARS ENDED APRIL 30, 1997, 1996 AND 1995

	1997	1996	1995
Daily patient services:			
Routine services	\$ 1,910,130	\$ 1,594,595	\$ 1,835,800
Intensive care	320,908	323,350	328,650
Psychiatric	<u>2,320,908</u>	<u>2,462,850</u>	<u>88,450</u>
Total daily patient services	<u>\$ 4,551,946</u>	<u>\$ 4,380,795</u>	<u>\$ 2,252,900</u>
Other professional services:			
Operating room			
Inpatient	111,994	121,876	148,725
Outpatient	<u>278,516</u>	<u>186,601</u>	<u>173,830</u>
Total operating room	<u>390,510</u>	<u>308,477</u>	<u>322,555</u>
Anesthesia			
Inpatient	547,010	177,840	193,368
Outpatient	<u>250,808</u>	<u>138,862</u>	<u>185,062</u>
Total anesthesia	<u>797,818</u>	<u>316,702</u>	<u>378,430</u>
Recovery room			
Inpatient	14,174	25,897	18,004
Outpatient	<u>21,105</u>	<u>27,826</u>	<u>31,732</u>
Total recovery room	<u>35,279</u>	<u>53,723</u>	<u>49,736</u>
Pharmacy			
Inpatient	2,458,634	2,286,835	1,858,434
Outpatient	<u>293,523</u>	<u>282,661</u>	<u>298,028</u>
Total pharmacy	<u>2,752,157</u>	<u>2,569,496</u>	<u>2,156,462</u>
Respiratory care			
Inpatient	1,440,618	1,364,115	1,293,916
Outpatient	<u>26,978</u>	<u>33,989</u>	<u>60,612</u>
Total respiratory care	<u>1,467,596</u>	<u>1,398,104</u>	<u>1,354,528</u>
Emergency room			
Inpatient	60,408	87,330	87,468
Outpatient	<u>310,330</u>	<u>292,850</u>	<u>298,558</u>
Total emergency room	<u>\$ 370,738</u>	<u>\$ 380,180</u>	<u>\$ 386,026</u>

FRANKLIN MEDICAL CENTER
 SCHEDULE OF NET PATIENT SERVICE REVENUE (Continued)
 YEARS ENDED APRIL 30, 1997, 1996 AND 1995

	1997	1996	1995
Other professional services (Continued)			
Emergency room physicians			
Inpatient	\$ 184,541	\$ 195,877	\$ 194,361
Outpatient	548,890	542,190	543,888
Total emergency room physicians	<u>733,431</u>	<u>738,067</u>	<u>738,249</u>
Central supply			
Inpatient	1,184,801	1,094,317	1,997,792
Outpatient	313,349	312,369	366,433
Total central supply	<u>1,498,150</u>	<u>1,406,686</u>	<u>2,364,225</u>
Laboratory			
Inpatient	748,094	808,424	789,044
Outpatient	362,881	318,038	383,682
Total laboratory	<u>1,110,975</u>	<u>1,126,462</u>	<u>1,172,726</u>
Blood			
Inpatient	48,738	48,328	60,510
Outpatient	1,830	3,085	3,218
Total blood	<u>50,568</u>	<u>51,413</u>	<u>63,728</u>
EEG			
Inpatient	208,482	217,448	388,840
Outpatient	148,467	113,923	115,382
Total EEG	<u>356,949</u>	<u>331,371</u>	<u>504,222</u>
Anesthesiology			
Inpatient	1,045	1,038	8,188
Outpatient	12,782	13,012	13,321
Total anesthesiology	<u>13,827</u>	<u>14,050</u>	<u>21,509</u>
Radiology			
Inpatient	448,182	458,743	448,485
Outpatient	880,082	883,826	822,382
Total radiology	<u>\$ 1,328,264</u>	<u>\$ 1,342,569</u>	<u>\$ 1,270,867</u>

FRANKLIN MEDICAL CENTER
 SCHEDULE OF NET PATIENT SERVICE REVENUE (Continued)
 YEARS ENDED APRIL 30, 1993, 1994 AND 1995

Other professional services (Continued)	1993	1994	1995
Ultrasound			
Inpatient	\$ 17,300	\$ 15,100	\$ 13,092
Outpatient	<u>25,470</u>	<u>19,611</u>	<u>25,015</u>
Total ultrasound	<u>42,770</u>	<u>34,711</u>	<u>38,107</u>
CT scan			
Inpatient	281,840	276,431	258,917
Outpatient	<u>226,867</u>	<u>222,732</u>	<u>155,586</u>
Total CT scan	<u>508,707</u>	<u>500,163</u>	<u>414,503</u>
Nuclear medicine			
Inpatient	34,310	32,000	33,335
Outpatient	<u>56,883</u>	<u>65,600</u>	<u>46,880</u>
Total nuclear medicine	<u>91,193</u>	<u>97,600</u>	<u>80,215</u>
Physical therapy			
Inpatient	51,104	59,212	34,614
Outpatient	<u>3,448</u>	<u>56,233</u>	<u>75,692</u>
Total physical therapy	<u>54,552</u>	<u>115,445</u>	<u>110,306</u>
Home health services	1,819,198	988,416	964,667
Oncology - outpatient	121	0-	0-
Partial-day psychiatric program	243,130	0-	0-
Transportation	<u>78,432</u>	<u>56,213</u>	<u>18,628</u>
Total other professional services	<u>13,211,330</u>	<u>12,623,285</u>	<u>11,989,813</u>
Total patient service revenue	17,415,360	16,808,669	15,942,833
Reductions from revenue:			
Contractual allowances	5,034,332	4,648,385	3,780,810
Policy discounts and charity care	<u>62,385</u>	<u>63,323</u>	<u>63,176</u>
Total deductions from revenue	<u>5,096,717</u>	<u>4,711,708</u>	<u>3,843,986</u>
Net patient service revenue	<u>\$ 12,318,643</u>	<u>\$ 12,106,961</u>	<u>\$ 12,108,847</u>

PEARSON MEDICAL CENTER
 SCHEDULE OF OTHER OPERATING REVENUES
 YEARS ENDED APRIL 30, 1987, 1986 AND 1985

	1987	1986	1985
Cafeteria sales	\$ 45,046	\$ 45,158	\$ 37,900
Vending machine commission	3,119	3,794	3,727
Physician office rentals	157,048	125,625	86,485
Medical records abstract fees	6,867	6,893	6,187
Miscellaneous revenues	<u>246</u>	<u>592</u>	<u>17,382</u>
	<u>\$ 369,626</u>	<u>\$ 311,162</u>	<u>\$ 251,771</u>

FRANKLIN MEDICAL CENTER
 SCHEDULE OF OPERATING EXPENSES - SALARIES AND BENEFITS
 YEARS ENDED APRIL 30, 1997, 1998 AND 1999

	1997	1998	1999
Personnel	\$ 22,054	\$ 21,560	\$ 20,340
Administration	478,067	471,288	468,937
Floor operations and maintenance	182,369	179,878	186,420
Laboratory	13,385	16,628	17,870
Housekeeping	139,323	134,688	143,107
Dietary & cafeteria	147,355	143,661	138,841
Nursing administration	121,603	109,669	81,879
Central supply	11,814	11,876	13,396
Pharmacy	151,976	142,002	158,645
Medical records	52,108	42,330	37,014
Nursing services, acute care	1,389,888	1,182,216	1,128,618
Nursing services, intensive care unit	367,037	336,678	304,769
Operating room	149,275	142,487	129,200
Anesthesiology	4,808	4,820	4,823
Radiology	164,888	165,168	161,029
Respiratory care	192,772	188,348	182,471
Emergency room	227,922	218,025	247,388
Wound health	178,185	162,154	169,425
Transportation	<u>32,053</u>	<u>33,983</u>	<u>33,352</u>
Total salaries	<u>3,762,683</u>	<u>3,528,645</u>	<u>3,178,282</u>
Payroll taxes	398,834	379,845	379,668
Hospital insurance	305,163	285,714	248,776
Other	<u>128,815</u>	<u>80,341</u>	<u>125,182</u>
Total benefits	<u>832,812</u>	<u>745,900</u>	<u>753,626</u>
Total salaries and benefits	<u>\$ 4,595,495</u>	<u>\$ 4,274,545</u>	<u>\$ 3,931,908</u>

FRANKLIN MEDICAL CENTER
 SCHEDULE OF OPERATING EXPENSES - PROFESSIONAL FEES
 YEARS ENDED APRIL 30, 1997, 1996 AND 1995

	1997	1996	1995
Anesthesiology	\$ 138,872	\$ 154,716	\$ 171,569
Psychiatric unit	534,390	515,433	5,518
Radiology	223,651	260,189	314,883
Laboratory	167,340	174,324	180,128
Physical therapy	84,318	72,789	97,562
ERG	14,490	18,639	25,493
Emergency room	625,275	774,738	704,738
Risk health	<u>1,366</u>	<u>133</u>	<u>39</u>
Total professional fees	<u>\$ 2,348,581</u>	<u>\$ 2,311,584</u>	<u>\$ 1,931,736</u>

FRANKLIN MEDICAL CENTER
 SCHEDULE OF OPERATING EXPENSES - OTHER EXPENSES
 YEARS ENDED APRIL 30, 1993, 1994 AND 1995

	1992	1994	1995
Management fees	\$ 894,324	\$ 844,517	\$ 72,145
Miscellaneous service fees	232,188	194,889	169,487
Legal and accounting	39,374	65,614	39,088
Supplies	718,924	711,898	577,654
Minor equipment	38,084	44,744	42,932
Repairs and maintenance	186,840	82,487	57,185
Utilities	213,994	189,519	167,754
Telephone	41,885	61,360	14,139
Travel	44,487	49,784	99,332
Rentals	28,417	14,549	13,389
Education	16,379	23,034	24,098
Books and subscriptions	25,125	14,857	14,024
Recruitment and advertising	18,780	100,871	9,000
Miscellaneous	<u>154,657</u>	<u>535,612</u>	<u>60,382</u>
Total other expenses	<u>\$ 3,643,828</u>	<u>\$ 3,653,322</u>	<u>\$ 1,268,317</u>

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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

To the Board of Commissioners
Hospital Service District No. 1
Parish of Franklin
Vinehaven, Louisiana

We have audited the general purpose financial statements of Hospital Service District No. 1, Parish of Franklin, a component unit of the Franklin Parish Police Jury, ("Franklin Medical Center") as of and for the years ended April 30, 1997, 1998 and 1999, and have issued our report thereon dated June 25, 1999.

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

The management of Franklin Medical Center 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, weaknesses of any evaluation of the structure in 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 audits of the general purpose financial statements of Franklin Medical Center for the years ended April 30, 1997, 1998 and 1999, 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

Board of Commissioners
Hospital Service District No. 1
Parish of Franklin
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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.

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 instructions of management in the general purpose financial statements. Our concerns and suggestions regarding these matters are attached as Exhibit A.

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 amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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 above is a material weakness.

This report is intended for the information of the Board of Commissioners, management and all applicable state and federal agencies. However, this report is a matter of public record, and its distribution is not limited.

Ernst, Lester & Wells

June 25, 1997

Exhibit A

Integration of Duties

- Finding:** Duties in the areas of purchasing and receiving, payroll and personnel, recording and paying expenses and computer access are not sufficiently segregated to maintain a good internal control structure.
- Recommendation:** We recommend implementing segregation of duties to the extent possible.
- Response:** The District will review employee's duties and improve the segregation of duties to the extent financially feasible.

Property, Plant and Equipment

- Finding:** We noted that equipment additions were not tagged with the District's property tag.
- Recommendation:** We recommend tagging all equipment purchases to help safeguard assets as well as performing a routine inspection of assets.
- Response:** The recommendation will be implemented.

State Payment Fees

- Finding:** We discovered that late payment fees were paid on the installments of the Hill Rom beds although all payments were made timely.
- Recommendation:** We recommend contacting Hill Rom and requesting a refund of the late payment fees.
- Response:** After the auditor disclosed the problem, the District contacted Hill Rom and they issued a refund check for \$27,348.12.

Payroll

- Finding:** We noted that a few employees were paid for 80 hours when the actual time reported was less.
- Recommendation:** We recommend paying employees only for actual time worked.
- Response:** The recommendation will be implemented.

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

To the Board of Commissioners
Hospital Service District No. 1
Parish of Franklin
Monroe, Louisiana

We have audited the general purpose financial statements of Hospital Service District No. 1, Parish of Franklin, a component unit of the Franklin Parish Public Jury, ("Franklin Medical Center") as of and for the years ended April 30, 1997, 1996 and 1995, and have issued our report thereon dated June 25, 1997.

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

Compliance with laws, regulations, contracts and grants applicable to Franklin Medical Center 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 audits 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 are required to be reported under Government Auditing Standards.

Finding: We discovered the District made nursing home bed reservation payments in order to guarantee patients a bed after discharge from the hospital.

Recommendation: We recommend obtaining legal opinion as to whether this practice is permitted.

Response: The District has chosen to discontinue paying for nursing home bed reservations.

Board of Commissioners
Hospital Service District No. 1
Parish of Franklin
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Finding: The District has entered into a capital lease agreement which does not contain a non-appropriation clause.

Recommendation: We recommend either obtaining an addendum to the lease agreement for the non-appropriation clause or obtaining State Bond Commission approval.

Response: The recommendation will be implemented.

Finding: The District's pledged securities to cover deposits in excess of the FDIC limits were less than the funds held by banks (bank balances but not general ledger balances) at the balance sheet date. It was noted that the balances were not being monitored to insure that adequate pledged securities were on hand.

Recommendation: We suggest monitoring the deposits for adequate security on routine basis.

Response: The District will monitor the deposits.

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 audits were not directed primarily towards verifying the answers to the questions in the questionnaire.

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

Erskley Lester & Wells

June 25, 1997