

HOSPITAL SERVICE DISTRICT NO. 3
 OF THE PARISH OF ALLEN, STATE OF LOUISIANA
 ALLEN PARISH HOSPITAL
 FOR THE YEARS ENDED JUNE 30, 1997, 1996,
 AND THE THIRTEEN MONTHS ENDED JUNE 30, 1995

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

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Hospital Service District No. 3
Parish of Allen, State of Louisiana
Bossier, 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 years ended June 30, 1990, 1989, and the thirteen (13) months ended June 30, 1985, as listed in the Integrating Table of contents. These general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general purpose 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 years ended June 30, 1990, 1989, and the thirteen (13) months ended June 30, 1985, and the results of its operations and cash flows for the periods then ended, in conformity with generally accepted accounting principles.

In accordance with Governmental Auditing Standards, we have also issued a report dated October 9, 1990, on our consideration of the Hospital's internal control structure and a report dated October 9, 1990, on its compliance with laws and regulations.

Board of Commissioners
Hospital Service District No. 2
Parish of Allen, State of Louisiana
Page Two

The accompanying general purpose financial statements have been prepared assuming that the District will continue as a going concern. As discussed in Note 17 to the general purpose financial statements, the District has had material losses from operations for the years ended June 30, 1997 and 1996, and decreasing patient utilization of the hospital. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters are also described in Note 13. The general purpose 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 foregoing 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. 2, Parish of Allen, Allen Parish Hospital. Such information has been subjected to the auditing procedures applied in the audits 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.

Lesley, Lister & Wells

Certified Public Accountants

October 9, 1997

HOSPITAL SERVICE DISTRICT NO. 3
OF THE PARISH OF ALBANY, STATE OF LOUISIANA
ALBANY INSURANCE HOSPITAL
BALANCE SHEETS - RESTRICTED AND UNRESTRICTED FUNDS
JUNE 30, 1997, 1996, 1995

ASSETS	1997	1996	1995
Current			
Cash and cash equivalents	\$ 382,193	\$ 234,440	\$ 1,845,267
Investments	70,000	70,000	70,000
Accounts receivable less estimated uncollectibles (Note 4)	856,063	816,813	819,644
Due from related party (Note 10)	343,473	17,793	73,763
Estimated Medicare and Medicaid program settlements (Note 4)	272,725	272,083	11,433
Inventory	137,429	137,953	106,065
Prepaid expenses	16,449	17,964	47,423
Deposits	8,080	8,080	-
Total Current Assets	<u>2,136,982</u>	<u>1,819,986</u>	<u>3,097,162</u>
Property, plant and equipment, less accumulated depreciation of \$1,817,828, \$1,530,844, and \$1,666,788 in 1997, 1996 and 1995, respectively (Note 5)	659,216	831,084	888,580
Other			
Organizational costs, net (Note 6)	37,470	38,345	-
Assets whose use is limited (Note 7)	125,800	125,680	125,800
Total Assets	<u>\$ 3,369,508</u>	<u>\$ 3,407,216</u>	<u>\$ 3,891,762</u>
LIABILITIES AND FUND BALANCE			
Current			
Accounts payable	\$ 1,327,034	\$ 185,437	\$ 870,908
Accrued expenses (Note 8)	45,745	59,858	44,485
Current installments of long-term debt	77,618	15,828	3,732
Total Current Liabilities	<u>1,450,397</u>	<u>261,123</u>	<u>919,125</u>
Long-Term			
Capital lease obligations (Note 9)	81,481	29,700	13,585
Total Liabilities	<u>1,531,878</u>	<u>290,823</u>	<u>932,710</u>
Fund Balance			
Unrestricted	1,613,267	1,716,120	1,716,517
Temporarily restricted	88,825	-	-
Total Fund Balance	<u>1,702,092</u>	<u>1,716,120</u>	<u>1,716,517</u>
Total Liabilities and Fund Balance	<u>\$ 3,233,970</u>	<u>\$ 3,412,216</u>	<u>\$ 3,891,762</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF ALLEN, STATE OF LOUISIANA
 ALLEN PARISH HOSPITAL
 STATEMENTS OF OPERATIONS - RESTRICTED FUND
 YEARS ENDED JUNE 30, 1953, 1954 AND THE THIRTEEN MONTHS ENDED JUNE 30, 1955

	1953	1954	1955
Revenues			
Net patient service revenue	\$ 4,458,555	\$ 4,476,138	\$ 5,437,135
Maintenance taxes	88	75,319	77,025
Grants	-0-	-0-	275,080
Donations	-0-	-0-	130
Other operating revenue	<u>587,665</u>	<u>31,134</u>	<u>90,811</u>
Total Revenue	<u>\$ 5,046,098</u>	<u>\$ 4,582,601</u>	<u>\$ 5,895,181</u>
Expenses			
Salaries	1,843,189	2,000,305	2,200,067
Benefits and payroll taxes	123,395	156,305	208,154
Supplies and drugs	227,694	227,775	163,688
Professional fees	1,418,268	885,285	860,575
Other expenses	1,827,181	924,297	1,498,067
Insurance	201,817	189,308	79,034
Interest expense	8,024	3,492	6,229
Depreciation and amortization	91,518	87,340	89,684
Provision for bad debts	<u>312,791</u>	<u>159,151</u>	<u>283,742</u>
Total Expenses	<u>\$ 5,280,158</u>	<u>\$ 4,587,858</u>	<u>\$ 5,275,897</u>
Operating Income (Loss)	(234,060)	(15,257)	619,284
Non-Operating Income (Loss)			
Interest income	<u>13,725</u>	<u>28,882</u>	<u>2,737</u>
Excess of Revenue (Expenses)	\$ <u>(220,335)</u>	\$ <u>13,025</u>	\$ <u>622,021</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 3
 OF THE PARISH OF ALLEN, STATE OF LOUISIANA
 ALLEN PARISH HOSPITAL

STATEMENT OF CHANGES IN FUND BALANCE - RESTRICTED AND UNRESTRICTED FUNDS
 YEARS ENDED JUNE 30, 1991, 1992 AND THE THIRTEEN MONTHS ENDED JUNE 30, 1993

	RESTRICTED	UNRESTRICTED
Fund balance, May 31, 1991	\$ 1,127,821	\$ -0-
Excess revenues (expenses) for the thirteen months ended June 30, 1991	502,681	-0-
Fund balance, June 30, 1991	1,710,502	-0-
Excess revenues (expenses) for the year ended June 30, 1992	3,698	-0-
Fund balance, June 30, 1992	1,714,200	-0-
Excess revenues (expenses) for the year ended June 30, 1993	(180,875)	-0-
Suspended Rural Health Care Transition Grant	0	48,625
Fund balance, June 30, 1993	<u>\$ 1,533,325</u>	<u>\$ 48,625</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 3
OF THE PARISH OF ALLEN, STATE OF LOUISIANA
ALLEN PARISH HOSPITAL

STATEMENTS OF CASH FLOWS - RESTRICTED AND UNRESTRICTED FUNDS
YEARS ENDED JUNE 30, 1997, 1996 AND THE THIRTEEN MONTHS ENDED JUNE 30, 1995

	1997	1996	1995
Cash Flows from Operating Activities			
Operating Income (Loss)	\$ (116,182)	\$ (12,457)	\$ 221,156
Interest expense considered capital financing activity	8,486	3,489	6,729
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	91,310	87,740	89,486
Provision for bad debts	112,341	(154,151)	283,749
Change in current assets (increase) decrease			
Accounts receivable, net of allowances	129,508	(443,817)	(175,738)
Due from related party	(332,846)	9,880	(271,763)
Estimated Medicare and Medicaid program settlements	(832)	(280,668)	(71,431)
Inventory	20,213	(32,853)	3,091
Prepaid expenses	1,293	13,649	(13,643)
Deposits	-0-	(8,880)	-0-
Change in current liabilities (increase) decrease			
Accounts payable	225,281	124,271)	541,608
Accrued expenses	4,881	(5,281)	(51,963)
Estimated Medicare and Medicaid program settlements	-0-	-0-	(201,708)
Unearned income	-0-	-0-	(289,792)
Net cash provided by operating activities	<u>228,588</u>	<u>(188,223)</u>	<u>568,582</u>
Cash Flows from Investing Activities			
Cash invested in short-term investments	(440,000)	(440,000)	148,000)
Cash proceeds from short-term investment maturities	440,000	440,000	48,000
Cash invested in assets whose use is limited	(254,000)	(254,000)	(274,000)
Cash proceeds from assets whose use is limited	254,000	254,000	254,000
Interest earned	13,223	14,265	9,337
Net cash provided by investing activities	<u>\$ 13,223</u>	<u>\$ 14,265</u>	<u>\$ 9,337</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 3
 OF THE PARISH OF ALLEN, STATE OF LOUISIANA
 ALLEN PARISH HOSPITAL

STATEMENTS OF CASH FLOWS - RESTRICTED AND UNRESTRICTED FUNDS (Continued)
 YEARS ENDED JUNE 30, 1993, 1994 AND THE THIRTEEN MONTHS ENDED JUNE 30, 1995

	1993	1994	1995
Cash Flows from Non-Capital Financing Activities			
Recorded grant	\$ 48,425	\$ -	\$ -
Net cash provided by non-capital financing activities	48,425	-	-
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	42,144	(16,598)	(18,547)
Principal payments on long-term debt	(33,340)	(8,041)	(7,577)
Capitalization of organizational cost	-	(18,438)	-
Interest expense on long-term debt	(8,820)	(3,552)	(4,729)
Net cash used by capital and related financing activities	(36,300)	(46,629)	(41,573)
Net increase (decrease) in cash and cash equivalents	12,125	(46,629)	(41,573)
Cash and cash equivalents, beginning of year	714,340	1,365,362	1,406,935
Cash and cash equivalents, end of year	\$ 726,465	\$ 1,318,733	\$ 1,365,362

The Hospital entered into various capital lease obligations for \$64,658, \$23,394 and \$26,391 in 1993, 1994 and 1995, respectively.

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 3
OF THE PARISH OF ALLEN, STATE OF LOUISIANA
ALLEN PARISH HOSPITAL
NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1991, 1990 AND THE THIRTEEN MONTHS ENDED JUNE 30, 1995

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 members are elected officials. The Hospital's commissioners are appointed by the Allen Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Allen Parish Police Jury is the financial reporting entity for the Hospital. Accordingly, the Hospital was determined to be a component unit of the Allen Parish Police Jury based on statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

Scope of Services

The District provides outpatient, skilled nursing (through "swing-beds"), acute inpatient and psychiatric hospital services. The District began offering home 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 donors 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 (revenues, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

HOSPITAL SERVICE DISTRICT NO. 3
OF THE PARISH OF ALLEN, STATE OF LOUISIANA
ALLEN PARISH HOSPITAL
NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1997, 1996 AND THE THIRTIETH MONTH ENDED JUNE 30, 1995

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 38:1514 and to the guide set forth in the Louisiana Governmental Accounting Guide, the AICPA Audit and Accounting Guide - Health Care Organizations, 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.

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 anticipated 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.

Credit Risk

The District provides medical care primarily to Allen Parish residents and grants credit to patients substantially all of whom are local residents.

The Hospital's estimate of collectibility is based on evaluation of historical collections compared to gross charges and an analysis of aged accounts receivable 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 80% of the hospital's patients.

HOSPITAL SERVICE DISTRICT NO. 3
OF THE PARISH OF ALLEN, STATE OF LOUISIANA
ALLEN PARKER HOSPITAL

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1987, 1986 AND THE THIRTEEN MONTHS ENDED JUNE 30, 1985

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Laboratory

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

Income Taxes

The entity is a political subdivision and exempt from taxation.

Property, Plant and Equipment

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

Buildings	12 to 48 years
Machinery and Equipment	3 to 18 years
Furniture and Fixtures	3 to 18 years

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

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

Changes in Reporting Classification

The classification of certain prior year amounts have been changed to reflect consistent reporting when compared to current year balances. The financial statement format has been changed to reflect changes in the AICPA Audit and Accounting Guide - Health Care Organizations, issued June 1, 1978.

HOSPITAL SERVICE DISTRICT NO. 3
OF THE PARISH OF ALBANY, STATE OF LOUISIANA
ALBANY PARISH HOSPITAL

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1993, 1994 AND THE THIRTEEN MONTHS ENDED JUNE 30, 1995

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:

	1992	1994	1995
Medicare patients	\$ 3,922,748	\$ 2,315,952	\$ 1,554,771
Medicaid patients	<u>1,893,182</u>	<u>3,865,863</u>	<u>3,198,588</u>
Total	\$ <u>5,815,930</u>	\$ <u>6,181,815</u>	\$ <u>4,753,359</u>
Percent of all patients	28%	28%	26%

Medicaid disproportionate share payments in the amount of \$99,588, \$238,318 and \$2,038,318 have been included in net revenues for the periods ended June 30, 1993, 1994 and 1995, respectively. Calculations are based upon local interpretations by Louisiana Medicaid officials of existing Medicaid regulations. Final interpretations and audit determinations could result in changes.

For the period ended June 30, 1995, \$177,697 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 could delay receipt of this receivable.

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

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

	ASSET COST			June 30, 1995
	June 30, 1994	Additions	Reductions	
Land	\$ 19,550	\$ -	\$ -	\$ 19,550
Land improvements	28,000	-	-	28,000
Buildings	1,908,233	-	-	1,908,233
Fixed equipment	38,319	-	-	38,319
Major medical equipment	<u>912,825</u>	<u>86,918</u>	<u>-</u>	<u>1,000,743</u>
Total	\$ <u>2,406,927</u>	\$ <u>86,918</u>	\$ <u>-</u>	\$ <u>2,493,845</u>

HOSPITAL SERVICE DISTRICT NO. 3
OF THE PARISH OF ALLEN, STATE OF LOUISIANA
ALLEN PARISH HOSPITAL
NOTES TO FINANCIAL STATEMENTS

TABLE UNDER JUNE 30, 1997, 1996 AND THE THIRTEEN MONTHS ENDED JUNE 30, 1995.

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	June 30, 1996	ACCUMULATED DEPRECIATION		June 30, 1995
		ADDITIONS	DEDUCTIONS	
Land Improvements	\$ 33,685	\$ 3,378	\$ -0-	\$ 35,064
Buildings	668,087	33,385	-0-	679,499
Fixed equipment	18,327	2,670	-0-	20,997
Major movable equipment	803,330	58,153	-0-	873,483
Total	\$ 1,523,429	\$ 95,586	\$ -0-	\$ 1,619,015

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

	June 30, 1995	ASSETS		June 30, 1996
		Additions	Deductions	
Land	\$ 19,550	\$ -0-	\$ -0-	\$ 19,550
Land Improvements	29,000	-0-	-0-	29,000
Buildings	1,368,938	1,300	-0-	1,369,238
Fixed equipment	58,518	-0-	-0-	58,518
Major movable equipment	803,362	36,037	-0-	873,426
Total	\$ 2,389,368	\$ 37,337	\$ -0-	\$ 2,541,326

	June 30, 1995	ACCUMULATED DEPRECIATION		June 30, 1996
		ADDITIONS	DEDUCTIONS	
Land Improvements	\$ 33,451	\$ 3,374	\$ -0-	\$ 35,825
Buildings	613,329	33,373	-0-	646,702
Fixed equipment	33,557	2,670	-0-	36,227
Major movable equipment	715,481	67,837	-0-	823,318
Total	\$ 1,401,718	\$ 107,654	\$ -0-	\$ 1,509,372

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF ALLEN, STATE OF LOUISIANA
 ALLEN PARISH HOSPITAL
 NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1971, 1974 AND THE THIRTEEN MONTHS ENDED JUNE 30, 1975

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The following is a summary of property, plant and equipment and related accumulated depreciation for the thirteen month period ended June 30, 1975.

	GROSS COST			
	May 31, 1974	additions	Reductions	June 30, 1975
Land	\$ 19,300	\$ -0-	\$ -0-	\$ 19,300
Land improvements	75,160	1,867	-0-	77,027
Buildings	1,798,900	-0-	-0-	1,798,900
Fixed equipment	56,330	2,189	-0-	58,519
Major movable equipment	898,420	58,267	-0-	956,687
Total	\$ 3,750,110	\$ 48,323	\$ -0-	\$ 3,803,133

	ACCUMULATED DEPRECIATION			
	May 31, 1974	additions	Reductions	June 30, 1975
Land improvements	\$ 20,767	1,466	-0-	\$ 22,233
Buildings	574,464	58,485	-0-	632,949
Fixed equipment	18,863	2,466	-0-	21,329
Major movable equipment	713,828	56,663	-0-	770,491
Total	\$ 1,327,922	\$ 79,080	\$ -0-	\$ 1,406,002

A summary of assets held under capital leases, which are included in property, plant and equipment, at June 30 follows:

	1972	1974	1975
Equipment	\$ 108,453	\$ 52,500	\$ 18,381
Accumulated depreciation	481,313	65,728	41,660
Total	\$ 589,766	\$ 118,228	\$ 59,041

NOTE 4 - 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 1974, upon inception of the new services.

HOSPITAL SERVICE DISTRICT NO. 3
 OF THE PARISH OF ALLEN, STATE OF LOUISIANA
 ALLEN PARISH HOSPITAL
 NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1997, 1996 AND THE THIRTEEN MONTHS ENDED JUNE 30, 1995

NOTE 2 - ASSETS WHERE USE IS LIMITED:

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

	1997	1996	1995
Under multiplicative funding arrangement - held by trustee:			
Certificates of Deposit	\$ 175,000	\$ 220,800	\$ 115,000

NOTE 3 - ACCRUED EXPENSES

A summary of accrued expenses follows:

	1997	1996	1995
Salaries	\$ 44,475	\$ 55,815	\$ 63,761
Payroll taxes	848	4,368	7,831
Other	218	92	312
Total	\$ 45,541	\$ 60,455	\$ 71,904

NOTE 4 - LONG TERM DEBT

Following is a summary of capital lease obligations:

	1997	1996	1995
Lease purchase obligation to AT&T for an AT&T electronic analyzer. The contract made on June 9, 1995, calls for 36 monthly payments of \$168, which includes principal and interest at 24.60% per annum. Secured by the analyzer, with a book value of \$2,378 as of June 30, 1997.	\$ -0-	\$ 1,640	\$ 3,038

HOSPITAL SERVICE BOKSHEET NO. 3
OF THE PARISH OF ALLEN, STATE OF LOUISIANA
ALLEN HOSPITAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1993, 1994 AND THE THIRTEEN MONTHS ENDED JUNE 30, 1995

NOTE 5 - LEASE-PURCHASE AGREEMENT (Continued)

	1992	1993	1994
Lease purchase obligation to Keys Appliances for a refrigerator. The contract made on May 2, 1993, calls for 12 monthly payments of \$46, which includes principal and interest at 22.32% per annum. Secured by the refrigerator, with a book value of \$332 as of June 30, 1994.	\$ -	\$ -	\$ 419
Lease purchase obligation to BACS, Inc. for two computers and a printer. The contract made on May 8, 1993, calls for 24 monthly payments of \$189, which includes principal and interest at 18.80% per annum. Secured by the computers, with a book value of \$2,148 as of June 30, 1993.	\$ -	\$ 1,988	\$ 3,529
Lease purchase obligation to Prime Office Supply for a fax machine. The contract made on May 16, 1993, calls for 24 monthly payments of \$91, which includes principal and interest at 17.28% per annum. Secured by the fax machine, with a book value of \$900 as of June 30, 1993.	\$ -	\$ -	\$ 858
Lease purchase obligation to CIBA Corning Diagnostics Corp. for a blood gas analyzer. The contract made on May 18, 1993, calls for monthly payments of \$361, which includes principal and interest at 18.08% per annum. Secured by the analyzer, with a book value of \$9,818 as of June 18, 1993.	\$ 18,456	\$ 15,757	\$ 16,783
Lease purchase obligation to Adams Leasing for video camera. The contract made on July 8, 1993, calls for 24 monthly payments of \$291, which includes principal and interest at 18.82% per annum. Secured by the camera with a book value of \$3,565 as of June 18, 1993.	\$ -	\$ 3,292	\$ -

HOSPITAL SERVICE DISTRICT NO. 3
 OF THE PARISH OF ALLEN, STATE OF LOUISIANA
 ALLEN PARISH HOSPITAL
 NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1997, 1996 AND THE THIRTEEN MONTHS ENDED JUNE 30, 1995

NOTE 8 - LONG-TERM DEBT (Continued)

	1997	1996	1995
Lease purchase obligation to Price Office Supply for a fax machine. The contract made on April 24, 1996, calls for 12 monthly payments of \$69.21, which includes principal and interest at 9.25% per annum. Secured by the fax machine with a book value of \$411 as of June 30, 1997.	\$ -	180	0-
Lease purchase obligation to Ford Motor Credit for a van. The contract made on May 31, 1996, calls for 60 monthly payments of \$465.24, which includes principal and interest at 20.40% per annum. Secured by the van with a book value of \$18,983 as of June 30, 1997.	17,886	21,403	0-
Lease purchase obligation to SP&B Capital Lending for a hematology analyzer. The contract made on November 12, 1996, calls for monthly payments of \$1,813, which includes principal and interest at 10.35% per annum. Secured by the analyzer, with a book value of \$34,389 as of June 30, 1997.	<u>15,366</u>	<u>0-</u>	<u>0-</u>
	103,951	42,801	26,518
Less current portion of capital lease obligations	<u>32,420</u>	<u>113,890</u>	<u>12,750</u>
Capital lease obligations, excluding current portion	\$ <u>71,531</u>	\$ <u>28,911</u>	\$ <u>13,768</u>

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

1998	\$ 25,144
1999	21,877
2000	20,754
2001	25,876
2002	<u>5,361</u>
	177,012
Less amount representing interest	<u>25,263</u>
Total	<u>\$ 151,749</u>

HOSPITAL SERVICE DISTRICT NO. 3
OF THE PARISH OF ALLEN, STATE OF LOUISIANA
ALLEN PARISH HOSPITAL

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1997, 1998 AND THE THIRTIETH MONTHS ENDED JUNE 30, 1999

NOTE 9 - LONG-TERM DEBT (Continued)

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

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, 1997, that have initial or remaining lease terms in excess of one year.

Year Ending June 30	Amount
1998	\$ 28,918
1999	28,918
2000	<u>25,450</u>
Total minimum lease payments	\$ <u>82,286</u>

NOTE 11 - COMPENSATION ABSENCES

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 \$38,888, \$77,817 and \$46,918 in 1997, 1998 and 1999, 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 Patient's Compensation Fund established by the State of Louisiana to provide medical professional 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 ("PCF"), the State of Louisiana enacted legislation limiting the amount of health-care provider reclaimed 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
NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1977, 1978 AND THE THIRTEEN MONTHS ENDED JUNE 30, 1979

NOTE 12 - PROFESSIONAL LIABILITY RISK (Continued)

The District has 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 resolution of contingencies result in amounts which vary from the District's estimates, future earnings will be changed or credited.

The principal contingencies are described below:

Governmental Third Party Reimbursement Programs (Note 6) - 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 those 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 patient medical records for purposes of making medical necessity and appropriate level of care determinations. The agent has the ability to deny reimbursement for Medicare patient 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
 NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1987, 1986 AND THE THIRTIETH MONTHS ENDED JUNE 30, 1985

NOTE 13 - CONTINGENCIES (Continued)

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 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 those cases where a liability can be measured.

The District's management is aware that many older computer systems are unable to handle dates on or after January 1, 2000, causing existing equipment and software to be obsolete. The District's management is addressing the need and cost for upgrades and/or replacements with department heads and vendors. The cost of upgrades and/or replacements for all other computer hardware or software cannot be reasonably estimated at this time.

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 foregone for services and supplies furnished under its charity care policy, the estimated cost of these services and supplies and equivalent service statistics. The following information measures the level of charity care provided.

	1987	1986	1985
Charges foregone, based on established rates	\$_____	\$_____212,352	\$_____338,563
Estimated costs and expenses incurred to provide charity care	\$_____	\$_____148,626	\$_____260,380
Equivalent percentage of charity care patients to all patients served	2.8%	2.26%	2.0%

HOSPITAL SERVICE DISTRICT NO. 3
 OF THE PARISH OF ALLEN, STATE OF LOUISIANA
 ALLEN PARISH HOSPITAL
 NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1997, 1996 AND THE THREEMONTH PERIODS ENDED JUNE 30, 1995

NOTE 13 - GRANTS

The District was awarded three \$50,000 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 \$70,000 and \$50,000 from the State of Louisiana during 1995 for emergency room services and physician recruitment, respectively.

NOTE 14 - RELATED PARTY JOINT VENTURE

On April 1, 1995, the District entered into a joint venture with EnergyLife Population Care, Inc. (EPC). As an equity investment, 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 \$175,000 for its equity interest in the joint venture. The net profits and losses will be split 60/40 to EPC and the District, respectively.

The Hospital had the following transactions and balances with EPC:

	1992	1996	1995
Beginning amount due from (to) EPC	\$ 12,733	\$ 61,763	\$ -
EPC's 40% share of (profit) or losses	151,808	(3,412)	70,313
Direct expenses incurred by EPC and payable by the District	(158,368)	(163,618)	(48,500)
Payments by the District to EPC	250,000	160,000	—
Ending amount due from (to) EPC	\$ 155,173	\$ 14,733	\$ 21,813

NOTE 17 - OTHER CONCERNS

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 \$174,182 and \$13,437 in 1997 and 1996 respectively (2) low patient utilization of the Hospital (3) future possible reductions in Medicare reimbursement due to the Balanced Budget Act of 1997 and (4) various details of claims by Medicare and Medicaid intermediaries.

HOSPITAL SERVICE DISTRICT NO. 3
OF THE PARISH OF ALLEN, STATE OF LOUISIANA
ALLEN PARISH HOSPITAL

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1997, 1996 AND THE THIRTEEN MONTHS ENDED JUNE 30, 1995

NOTE 11 - GOING CONCERN (Continued)

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 an outpatient rehabilitation program, wound management care and cardiac procedures, and increased efforts to obtain grants for current and new programs.

SUPPLEMENTAL INFORMATION

HOSPITAL SERVICE DISTRICT NO. 3
OF THE PARISH OF ALLEN, STATE OF LOUISIANA
ALLEN PARISH HOSPITAL

NET PATIENT SERVICE REVENUE

YEARS ENDED JUNE 30, 1997, 1996 AND THE THIRTEEN MONTHS ENDED JUNE 30, 1995

	Twelve Months 1997	Twelve Months 1996	Thirteen Months 1995
Routine Services			
Adult and pediatric	\$ 375,468	\$ 379,216	\$ 446,405
Psychiatric	2,489,238	4,194,168	1,804,356
Wing-bed	<u>1,755</u>	<u>14,858</u>	<u>4,430</u>
Total Routine Services	<u>2,866,461</u>	<u>4,688,242</u>	<u>4,255,191</u>
Other Professional Services			
Radiology	389,661	357,883	304,184
Nuclear medicine	28,819	285	350
Laboratory	587,375	732,847	540,362
Blood	15,285	4,345	12,341
Respiratory therapy	33,845	131,341	203,463
Electrocardiology	64,640	87,625	68,376
Central supply	298,180	713,484	163,511
Intravenous therapy	64,339	94,331	85,458
Pharmacy	300,632	460,445	341,809
Partial day psychiatric	453,138	-0-	-0-
Emergency room	5,480	58,540	45,460
ER physician	5,748	91,234	48,518
Observation room	11,548	15,000	31,200
Contract physician	341,898	350,067	311,156
Home health visits	1,431,088	321,675	-0-
Kid med	<u>1,845</u>	<u>7,942</u>	<u>60</u>
Total Other Professional Services	<u>4,128,885</u>	<u>3,855,518</u>	<u>3,928,843</u>
Gross Patient Service Revenues	<u>6,995,346</u>	<u>8,543,760</u>	<u>8,184,034</u>
Contractual Adjustments	2,184,303	2,660,382	2,773,434
Medicaid Disproportionate Share Payments	(47,998)	(234,413)	(2,313,583)
Discounts	33,318	30,945	21,297
Uncompensated Services - HHSI Reimbursement	-0-	15,848	31,511
Uncompensated Services - Free Care Plan	<u>-0-</u>	<u>354,265</u>	<u>519,432</u>
Total Deductions From Revenues	<u>2,536,821</u>	<u>3,873,822</u>	<u>319,787</u>
Net Patient Service Revenue	<u>\$ 4,458,525</u>	<u>\$ 4,669,938</u>	<u>\$ 7,864,247</u>

HOSPITAL SERVICE DISTRICT NO. 3
 OF THE PARISH OF ALLEN, STATE OF LOUISIANA
 ALLEN YUKIEM HOSPITAL
 OTHER OPERATING REVENUE

YEARS ENDED JUNE 30, 1997, 1998 AND THE THIRTEEN MONTHS ENDED JUNE 30, 1999

	Twelve Months 1997	Twelve Months 1998	Thirteen Months 1999
Wells	\$ 9,408	\$ 12,087	\$ 16,299
Medical records transcript fees	7,409	882	8,451
Miscellaneous rental	7,808	7,150	8,250
Retained party ACS loan (income) share	151,308	45,487	78,313
Supplies sold to employees	844	80	-0-
Drugs sold to employees	844	104	-0-
Other income	<u>25,112</u>	<u>18,623</u>	<u>3,540</u>
Total other operating revenue	\$ <u>187,645</u>	\$ <u>84,333</u>	\$ <u>91,813</u>

HOSPITAL SERVICE DISTRICT NO. 3
OF THE PARISH OF ALLEN, STATE OF LOUISIANA
ALLEN PARISH HOSPITAL
SCHEDULE OF OPERATING EXPENSES - SALARIES AND BENEFITS
YEARS ENDED JUNE 30, 1997, 1996 AND THE THIRTEEN MONTHS ENDED JUNE 30, 1995

	Twelve Months 1997	Twelve Months 1996	Thirteen Months 1995
Psychiatric unit	\$ 593,831	\$ 713,308	\$ 794,346
Administration	181,312	189,048	137,365
Plant operations and maintenance	31,836	34,393	87,898
Housekeeping	15,945	16,598	38,113
Dietary and cafeteria	72,331	83,142	93,725
General supply	18,845	8,832	4,344
Pharmacy	11,345	11,983	24,736
Medical records	33,390	33,834	34,806
Nursing services, month rate	215,828	218,447	451,790
Respiratory care	-0-	-0-	39,343
Radiology	39,389	42,437	80,644
Laboratory	22,424	113,687	87,548
Partial day psychiatric	43,847	-0-	-0-
Contract physician	262,189	263,723	140,837
Other	-0-	-0-	4,733
Total salaries	<u>1,642,369</u>	<u>1,608,385</u>	<u>2,807,742</u>
Payroll taxes	123,395	124,385	126,113
Hospital insurance	-0-	-0-	68,944
Total benefits	<u>123,395</u>	<u>124,385</u>	<u>195,057</u>
Total salaries and benefits	<u>\$ 1,765,764</u>	<u>\$ 1,732,770</u>	<u>\$ 3,002,799</u>

HOSPITAL SERVICE DISTRICT NO. 3
 OF THE PARISH OF ALLEN, STATE OF LOUISIANA
 ALLEN PARISH HOSPITAL
 SCHEDULE OF OPERATING EXPENSES - PROFESSIONAL FEES
 YEARS ENDED JUNE 30, 1967, 1966 AND THE THIRTEEN MONTHS ENDED JUNE 30, 1965

	Twelve Months 1967	Twelve Months 1966	Thirteen Months 1965
Nursing	\$ 60,829	\$ 144,066	\$ 75,018
Psychiatric	136,829	184,341	187,386
Radiology	51,811	37,641	77,596
Laboratory	18,800	150	9,158
Respiratory	62,300	68,000	13,000
RO	-0-	-0-	1,700
Pharmacy	15,750	12,440	79,606
OPTE contract physician	9,900	181,037	515,393
Home health	1,084,488	212,970	-0-
Contract physician	<u>18,885</u>	<u>18,885</u>	<u>51,818</u>
Total professional fees	\$ <u>1,628,327</u>	\$ <u>895,185</u>	\$ <u>960,518</u>

HOSPITAL SERVICE DISTRICT NO. 7
 OF THE PARISH OF ALLEN, STATE OF LOUISIANA
 ALLEN DRUGS HOSPITAL
 SCHEDULE OF OPERATING EXPENSES - OTHER EXPENSES
 YEARS ENDED JUNE 30, 1997, 1996 AND THE THIRTEEN MONTHS ENDED JUNE 30, 1995

	Twelve Months 1997	Twelve Months 1996	Thirteen Months 1995
Management fees	\$ 382,793	\$ 138,807	\$ 598,494
Miscellaneous service fees	30,567	33,418	198,081
Legal and accounting	77,176	88,386	90,437
Supplies	334,958	348,664	354,027
Repairs and maintenance	34,343	41,814	38,085
Telephone	53,825	58,186	64,756
Utilities	70,587	70,668	77,186
Travel	32,144	30,738	18,487
Rentals	89,207	87,374	77,385
Don and subscriptions	14,218	13,145	17,816
Contracting board	2,288	2,288	4,288
Miscellaneous	<u>54,803</u>	<u>51,178</u>	<u>18,136</u>
 Total revenue	 <u>\$ 1,537,193</u>	 <u>\$ 724,727</u>	 <u>\$ 1,679,087</u>

HOSPITAL SERVICE DISTRICT NO. 3
 OF THE PARISH OF ALLEEN, STATE OF LOUISIANA
 ALLEN PARISH HOSPITAL
 SCHEDULE OF FEE DUES AND
 OTHER CONTRIBUTIONS PAID TO BOARD MEMBERS

YEARS ENDING JUNE 30, 1997, 1996 AND THE THIRTEEN MONTHS ENDING JUNE 30, 1995

	Twelve Months 1997	Twelve Months 1996	Thirteen Months 1995
Board Members:			
Mr. E. G. Alexander	\$ 400	\$ 400	\$ 400
Mr. Jimmy Savoie	300	400	300
Mr. Alvin Klein	300	300	300
Ms. Lucy Brandon	0/A	0/A	0/A
Ms. Francis Gannon	0/A	100	0/A
Mr. Ray Bernal	0/A	0/A	100
Mr. Kenneth Wilson	0/A	0/A	0/A
Mr. Cecil Ashford	300	400	0/A
Mr. Johnny Brevant	300	0/A	0/A
Mr. Charles Bank	50	0/A	0/A
Total	<u>\$ 2,050</u>	<u>\$ 2,000</u>	<u>\$ 2,100</u>

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

Board of Commissioners
Hospital Service District No. 3
Parish of Allen, State of Louisiana
Bossier, 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 years ended June 30, 1997, 1998, and the fifteen (15) months ended June 30, 1999, and have issued our report thereon dated October 9, 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 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 audits of the general purpose financial statements of the District for the years ended June 30, 1997, 1998, and the fifteen (15) months ended June 30, 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 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 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 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 discuss 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.

Lesley Ann Smith

Certified Public Accountant

October 8, 1990

SILEX PARISH HOSPITAL
AUDITOR'S COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDING JUNE 30, 1997

1. **Finding:** The District's deposits with some financial institutions exceeded the FDIC insurance limit and the securities pledged in the name of the District during various times of the year because the deposits were not being monitored.
- Recommendation:** We recommend the District monitor the deposits on a monthly basis as part of the bank reconciliation task.
- Response:** The District will monitor the bank deposits and balances on a monthly basis and take the appropriate action regarding securities pledged in the name of the District.
2. **Finding:** During last year's audit, we recommended entering into negotiations to revise the existing home health contract to have more definite payment terms and duties which are acceptable by the District's management. While the hospital has entered into negotiations, no agreement has been reached to finalize the contract.
- Recommendation:** We recommend continued efforts to finalizing a new home health contract.
- Response:** The Hospital expects a signed agreement by December 31, 1997.
3. **Finding:** Over half of the Medicare partial day psychiatric claims filed as of year end have been denied by the Medicare Intermediary.
- Recommendation:** We recommend the District establish an effective utilization review to reduce future denials. We also recommend obtaining legal counsel about management company services and the partial day psychiatric program operation.
- Response:** Consultants have been hired to establish an effective utilization program for the partial day program. The hospital has notified the management company of intent to explore options in the contract regarding denials.

ALLEN PARISH HOSPITAL
HANTON'S COMPLAINT AND RECOMMENDATIONS (Continued)
FOR THE YEAR ENDED JUNE 30, 1997

4. **Finding:** For the past two years we have recommended the appeal of Medicaid denied claims based on medical inappropriateness. We have also recommended establishing an effective utilization review to reduce future claims from becoming denied. The District is still experiencing a material number of claims being denied based on medical inappropriateness.
- Recommendation:** We recommend continued efforts on the appeals and establishing an effective utilization review.
- Response:** The facility's attorney is pursuing the appeals process regarding denied claims. Facility employees have been trained on more effective utilization review and will continue to follow the appropriate procedures for the review and appeal process.

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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**

Board of Commissioners
Hospital Service District No. 3
Parish of Allen, State of Louisiana
Blusher, 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 years ended June 30, 1990, 1991, and the thirteen (13) months ended June 30, 1992 and have issued our report thereon dated October 9, 1992.

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 one instance of noncompliance that is required to be reported under Government Auditing Standards.

During various times of the year the District's deposits with one financial institution exceeded the FDIC insurance limits and the securities pledged in the name of the District.

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

Board of Commissioners
Hospital Service District No. 3
Parish of Iberville, 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.

Easley, Lester and Wells
Certified Public Accountants

October 9, 1997