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HOSPITAL SERVICE DISTRICT NO. 1
 of St. Mary Parish
 FRANKLIN FOUNDATION HOSPITAL, INC.
 Franklin, La.

Years Ended December 31, 1950 and 1951

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OTHER REPORTS

Compliance
 Internal Control

This report is prepared in accordance with the provisions of the Internal Control Act of 1950, which requires that all public agencies in Louisiana submit a report on the internal control of their operations to the State Auditor. This report is submitted to the State Auditor for his review and approval. It is not intended to be a substitute for the internal control system of the agency.

Release Date: MAY 07 1957

HOSPITAL SERVICE DISTRICT NO. 1
of St. Mary Parish
FRANKLIN FOUNDATION HOSPITAL, INC.,
Franklin, Louisiana

Exhibit 1
Page 2 of 2

COMPARATIVE BALANCE SHEETS SEPTEMBER 30, 1966 WITH
COMPARATIVE FIGURES FOR 1965

	RESTRICTED FUNDS	
	ASSETS	LIABILITIES AND FUND BALANCE
SPECIFIC PURPOSE FUNDS:		
BOND SINKING FUND		
Cash		
Original Issue Discount	\$ 594,805	\$ 528,410
Bond Issue Costs	58,403	57,073
TOTAL	<u>\$ 653,208</u>	<u>\$ 585,483</u>
	\$ 653,208	\$ 585,483
BOND PAYABLE FUND		
Amount Available for Retirement of Bonds	\$ 594,805	\$ 528,410
Amount to be Provided from Tax Revenues	58,403	57,073
TOTAL	<u>\$ 653,208</u>	<u>\$ 585,483</u>
	\$ 653,208	\$ 585,483
TOTAL SPECIFIC PURPOSE FUNDS	<u>\$ 1,306,416</u>	<u>\$ 1,170,966</u>
	\$ 1,306,416	\$ 1,170,966
LIABILITIES AND FUND BALANCE		
SPECIFIC PURPOSE FUNDS:		
BOND SINKING FUND		
Bond Interest Payable	\$ 7,819	\$ 8,228
Fund Balance (Exhibit 111)	545,263	587,253
TOTAL	<u>\$ 553,082</u>	<u>\$ 595,481</u>
	\$ 553,082	\$ 595,481
BOND PAYABLE FUND		
Bonds Payable-Series 1960-Current	\$ 120,000	\$ 125,000
Bonds Payable-Series 1950-Long Term	1,518,000	1,360,800
TOTAL	<u>\$ 1,638,000</u>	<u>\$ 1,485,800</u>
	\$ 1,638,000	\$ 1,485,800
TOTAL SPECIFIC PURPOSE FUNDS	<u>\$ 1,791,082</u>	<u>\$ 1,681,281</u>
	\$ 1,791,082	\$ 1,681,281

The accompanying notes and accountants' report
are an integral part of these financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
of St. Mary Parish
FRANKLIN FOUNDATION HOSPITAL, INC.
Franklin, Louisiana

COMPARATIVE BALANCE SHEETS	SEPTEMBER 30, 1996 WITH		
	UNRESTRICTED FUND	COMPARATIVE FUND FOR 1995	
	ASSETS	ASSETS	LIABILITIES
CURRENT ASSETS			
Cash	\$ 81,345	\$ 38,179	
Investments-Cash	88,888	81,104	
Accounts Receivable			
less: Estimated Uncollectibles			
and Allowance of \$875,000 in			
1996 and \$1,329,818 in 1995	1,389,418	2,553,180	
Other Receivables	25,807	26,820	
Due from Medicare	286,880	422,125	
Due from Department of Health &			
Human Resources	1,383,000	-	
Inventories	431,882	422,711	
Prepaid Expenses	82,382	83,280	
TOTAL CURRENT ASSETS	\$ 3,464,363	\$ 3,801,327	
INVESTMENTS	\$ 127,888	\$ 128,520	
PROPERTY, PLANT, AND EQUIPMENT	619,357,738	619,988,713	
less: Accumulated Depreciation	<u>2,682,332</u>	<u>2,128,228</u>	
NET PROPERTY, PLANT & EQUIPMENT	\$ 616,675,406	\$ 617,860,485	
OTHER ASSETS	<u>128,888</u>	<u>271,880</u>	
TOTAL ASSETS	\$ 4,237,535	\$ 4,573,820	
	LIABILITIES AND FUND BALANCE		
CURRENT LIABILITIES			
Obligations Under Capital Leases	\$ 141,571	\$ 152,385	
Loans Payable-Meritain National Bank	261,820	268,880	
Due to Department of Health & Human Resources	-	525,000	
Accounts Payable	1,434,889	1,487,004	
Accrued Compensated Absences	188,857	168,474	
Accrued Expenses	216,824	128,000	
TOTAL CURRENT LIABILITIES	\$ 2,243,851	\$ 2,629,749	
LONG-TERM LIABILITIES			
Loans Payable-St. Mary Parish Council	\$ 373,318	\$ 398,828	
Obligations Under Capital Leases	<u>145,224</u>	<u>252,428</u>	
TOTAL LONG-TERM LIABILITIES	\$ 518,542	\$ 651,256	
TOTAL LIABILITIES	\$ 2,762,393	\$ 3,280,995	
FUND BALANCE (EXHIBIT 10)	<u>1,475,142</u>	<u>1,292,825</u>	
TOTAL LIABILITIES AND FUND BALANCE	\$ 4,237,535	\$ 4,573,820	

The accompanying notes and accountant's report
are an integral part of these financial statements

HOSPITAL SERVICE DISTRICT NO. 1
of St. Mary Parish
FRANKLIN FOUNDATION HOSPITAL, INC.
Franklin, Louisiana

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1995

NOTE 13 - Composition of Governing Board

No members of the Board of Commissioners of Franklin Foundation Hospital received any compensation for their services. Board members are:

Marshall Gaidy
Pete Lake
Derald Roy
Raymond Barata
Richard Dupuyton
Gregg Paul
Clegg Caffery, Jr.

NOTE 14 - Cash and Cash Equivalents

For purposes of this statement, cash and cash invested in money market accounts and certificates of deposit are considered cash and cash equivalents.

At September 30, 1994 and 1995, Franklin Foundation Hospital has cash and cash equivalents as follows:

	1994	1995
Demand deposits	\$ 9,758	\$ 4,783
Interest-bearing demand deposits	52,827	96,543
Money market accounts	17,868	17,848
Petty cash	629	912
Total	\$ 81,082	\$ 119,086

At September 30, 1994 and 1995, Franklin Foundation Hospital has cash and cash equivalents in the Bond Sinking Fund:

Interest-bearing demand deposits	\$ 294,800	\$ 294,465
Time deposits	380,000	380,000
Total	\$ 674,800	\$ 674,465

There were no items commented on in a management letter last year.

We would like to take this opportunity to express our thanks for the confidence you have placed in our firm by allowing us to perform this audit. If you have any questions, please feel free to contact us.

Sincerely,

Richard S. Friend

Richard S. Friend, CPA

HOSPITAL SERVICE DISTRICT NO. 2
of St. Mary Parish
FRANKLIN FOUNDATION HOSPITAL, INC.
Franklin, Louisiana

COMPARATIVE STATEMENTS OF REVENUES AND EXPENSES	YEARS ENDED SEPTEMBER 30, 1956	
	WITH COMPARATIVE FIGURES FOR 1955	
	CURRENT YEAR	PREVIOUS YEAR
Non-operating revenues (Gross)		
Tax income	\$ 598,144	\$ 598,752
Grants	12,488	14,384
Income (loss) from investment in subsidiary	8,122	18,719
Total non-operating revenues	\$ 618,754	\$ 631,855
Excess of revenues over (under) expenses before extraordinary item	\$ 174,758	\$ 248,648
Extraordinary item	446,378	(412,262)
Excess of revenues over (under) expenses after extraordinary item	\$ 621,136	\$ 860,386

The accompanying notes and accountant's report
are an integral part of these financial statements

OSCAR P. DRESEL, CPA
DANIEL FRIEND, CPA

Dresel & Friend
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Independent Auditor's Report

Board of Commissioners
Hospital Service District No. 1
of St. Mary Parish
Franklin Foundation Hospital
Franklin, Louisiana

We have audited the accompanying balance sheets of Franklin Foundation Hospital, Inc., Hospital Service District No. 1 of St. Mary Parish as of September 30, 1996 and 1995, and the related statements of revenue and expenses, changes in fund balances, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Franklin Foundation Hospital, Inc., Hospital Service District No. 1 of St. Mary Parish as of September 30, 1996 and 1995, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Dresel & Friend

OSCAR P. DRESEL
DANIEL FRIEND, CPA
New Orleans, LA

January 26, 1997

HOSPITAL SERVICE DISTRICT NO. 1
of St. Mary Parish
FRANKLIN FOUNDATION HOSPITAL, INC.
Franklin, Louisiana

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1999

NOTE 1 - Summary of Significant Accounting Policies

Franklin Foundation Hospital is a component unit of St. Mary Parish.

The accounting and reporting policies of Franklin Foundation Hospital conform to generally accepted accounting principles as applicable to hospitals and to the industry NACOH guide, Health Care Organizations.

Method of Accounting. The accrual basis of accounting is used by the hospital for all funds. Consequently all revenues, except property tax revenues, are recognized when they are earned, and all expenses are recognized when they are incurred. Property tax revenues are recognized when received rather than when assessed.

Fund Accounting. The accounting system is organized and operated on a fund basis whereby a separate self-balancing set of accounts is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds are grouped into two fund categories and two fund types as follows:

Unrestricted Funds -

Operating Funds. The operating fund is used to account for all transactions applicable to the operation of the hospital including patient service revenues, other operating revenues and operating expenses. This fund is also used to account for revenues derived from the levy of a 7.88 property tax millage assessment. These revenues have been dedicated to the improvement, maintenance, and operation of the hospital. Unrestricted gifts and donations are also accounted for in this fund.

Restricted Funds -

Special Purpose Funds. These funds are used to account for restricted resources in accordance with instructions from the party placing restrictions on the resources. The hospital uses these funds to account for the receipt of property tax revenue dedicated to the retirement of bonds issued in connection with the expansion and renovation of the hospital and purchase of new equipment. Payments made to retire bonds at maturity and to pay accrued interest are also accounted for in these funds.

HOSPITAL SERVICE DISTRICT NO. 1
OF St. Mary Parish
FRANKLIN HOSPITALIZATION HOSPITAL, INC.
Franklin, Louisiana

COMPARATIVE STATEMENTS OF REVENUES AND EXPENSES	YEAR ENDED SEPTEMBER 30, 1994 WITH COMPARING FIGURES FOR 1993	
	CURRENT YEAR	PREVIOUS YEAR
Patient service revenue		
Inpatient revenue	\$ 8,304,438	\$ 7,817,261
Outpatient revenue	4,057,428	7,042,377
Clinic revenue	3,051,482	495,804
Selling and revenue	502,577	333,175
Rehabilitation revenue	<u>2,244,386</u>	<u>2,225,211</u>
Total patient service revenue	180,428,431	189,824,828
Other revenue	<u>132,844</u>	<u>289,252</u>
Total gross revenue	420,414,383	329,404,739
Deductions from gross revenue		
Contractual adjustments	\$ 6,309,848	\$ 7,488,458
Other	<u>218,242</u>	<u>208,686</u>
Total deductions from gross revenue	6,528,090	7,697,144
Net revenue	413,886,293	321,707,595
Operating expenses		
Salaries & wages	\$ 4,381,775	\$ 4,125,487
Benefits	878,413	717,049
Fees-physicians	741,375	623,489
Furniture	3,445,951	3,888,794
Supplies	1,792,654	1,823,823
Utilities	273,651	292,836
Repairs & maintenance	195,485	187,658
Tuition & rentals	335,785	383,717
Insurance	229,828	168,879
Interest expense	38,322	84,344
Other expenses	82,880	74,977
Bad debts	<u>280,223</u>	<u>1,027,651</u>
Total operating expenses before depreciation	127,318,243	218,283,844
Depreciation	<u>490,838</u>	<u>490,064</u>
Total operating expenses	127,809,081	218,773,908
Loss from operations	\$ (782,788)	\$ (156,413)

The accompanying notes and accountant's report
are an integral part of these financial statements

HOSPITAL SERVICE DISTRICT NO. 1
 of St. Mary Parish
 FRANKLIN FOUNDATION HOSPITAL, INC.
 Franklin, Louisiana

COMPARATIVE STATEMENT OF
CHANGES IN FUND BALANCES

PERIOD ENDED SEPTEMBER 30, 1964
 WITH COMPARATIVE FIGURES FOR 1963

	CURRENT YEAR	PRIOR YEAR
Unrestricted Funds		
Balance at Beginning of Year	\$ 4,894,360	\$ 5,267,648
Excess of Revenues over (under) Expenses (Exhibit 11)	<u>128,222</u>	<u>(182,182)</u>
Balance at End of Year	<u>\$ 5,022,582</u>	<u>\$ 5,085,466</u>
Restricted Funds		
Specific Purpose Funds:		
Bond Sinking Fund		
Balance at Beginning of Year	\$ 527,283	\$ 528,028
Revenues from Taxes	248,527	248,981
Interest earned	22,382	14,067
Bonds Maturity	(128,866)	(115,080)
Interest on Bonds	195,573	(188,956)
Bond Issue Expenses	(1,867)	11,571
Bank and Other Charges	<u>(25)</u>	<u>1288</u>
Balance at End of Year	<u>\$ 842,027</u>	<u>\$ 827,924</u>

The accompanying notes and accountant's report
 are an integral part of these financial statements.

Drewal & Friend

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MEMBER OF THE AICPA
INSTITUTIONAL MEMBER

January 28, 1997

Board of Commissioners
Hospital Service District #1
of St. Mary Parish
Franklin Foundation Hospital
Franklin, Louisiana

In connection with our audit of the financial statements of Franklin Foundation Hospital for the year ended September 30, 1996 we prepared the following comment.

The hospital is not in compliance with filing their financial statements with the Legislative Auditors Office within six (6) months of their year end. This would have been March 31, 1997. The forms to prepare the Medicare and Medicaid cost reports were changed because of changes in the Medicare and Medicaid regulations. HCFA, an agency for the federal government who oversees the filing of these cost reports, extended the due date of filing the cost reports because the forms were not available. Since it is mandatory that these cost reports be filed using electronic media, this agency must also approve any software used in preparing these cost reports. Since the preparation of these cost reports is very complicated and complete, the Hospital used an outside firm to prepare these reports. In order to attempt to file financial statements on time with the Legislative Auditor's office, the Hospital had requested that this firm send information regarding the cost report software as soon as the reports were available even though the actual cost report would be sent later. Using these reports the financial statements were completed and ready to mail on March 31, 1997. However, prior to mailing financial statements to the Legislative Auditor on that day, it was discovered that there was a problem with either the software that was used to prepare the cost reports or a misunderstanding of the key information who to be entered. There was a mistake in the amounts that were used in the financial statements. Consequently, with an error that was presented to Mr. Large, it was decided that the financial statements should not be issued as prepared. (This error ultimately was over \$500,000.) On March 31, 1997, the Legislative Auditor's office was notified that the financial statements would be late. By the time that the information was corrected, the cost reports prepared, and the financial statements entered, it was past the due date for filing the financial statements. These delays were beyond the control of the hospital.

HOSPITAL SERVICE DISTRICT NO. 1
of St. Mary Parish
FRANKLIN FOUNDATION HOSPITAL, INC.
Franklin, Louisiana

COMPARATIVE STATEMENTS OF CASH FLOWS YEAR ENDED SEPTEMBER 30, 1990
OF UNRESTRICTED FUNDS WITH COMPARATIVE FIGURES FOR 1989

	CURRENT YEAR	PRIOR YEAR
RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES		
Excess of Revenues over (under) expenses	\$ 519,720	\$ 1145,000
ADJUSTMENTS TO RECONCILE EXCESS OF REVENUES OVER (UNDER) EXPENSES TO CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	\$ 450,438	\$ 447,847
Interest	38,322	60,504
Gain/loss on sale of assets	-	(504)
(Change) loss from investment in subsidiary	16,127	6,719
Increase/ decrease in accounts receivable	1,054,532	(224,279)
Increase in other receivable	14,287	17,821
Increase/ decrease in due from Medicare	240,894	(282,779)
Increase in due from department of health & human resources	(1,100,061)	-
Increase (decrease) in due to department of health & human resources	(525,089)	307,846
Decrease in interest receivable	-	519
Increase in inventories	(9,271)	(50,388)
Increase in prepaid expenses	(8,734)	(32,722)
Increase (decrease) in accounts payable	(100,023)	404,283
Increase (decrease) in accrued compensated absences	(27,627)	24,339
Increase in accrued expenses	210,718	8,483
	<u>\$ 426,412</u>	<u>\$ 365,525</u>
Net cash provided (used) by operations	<u>\$ 426,412</u>	<u>\$ 365,525</u>

The accompanying notes and accountant's report are an integral part of these financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
of St. Mary Parish
FRANCIS MEMORIAL HOSPITAL, INC.
Starris, Louisiana

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1986

NOTE 1 - Continues

Intangibles. Intangibles are stated at cost, generally on a first-in, first-out method.

Property, Buildings and Equipment. Property, buildings and equipment are maintained on the basis of original cost. Interest on bonded debt during the construction period from 1984 through 1985 has been capitalized. Interest incurred on bonded debt on construction which began during the year ended September 30, 1987 has been capitalized. Interest earned on investment of bond proceeds has been offset against interest capitalized during these periods.

Expenditures for repairs and maintenance are expensed when incurred. Expenditures determined to represent additions or betterments are capitalized. Equipment purchases exceeding \$500 are capitalized if the estimated useful life of the asset exceeds one year.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Assets purchased during the current fiscal year are depreciated using the half-year convention. Under the half-year convention, all assets are treated as placed in service at the midpoint of the year regardless of the actual date placed in service. Estimated useful lives are as follows:

Land Improvements	30 Years
Building & Improvements	31-50 Years
Equipment	5-15 Years

Allowance for Doubtful Accounts. Net patient service revenue is reported on the statement net realizable amounts from patients, third-party payors, and others for services rendered. The hospital provides care to patients even though they may lack adequate insurance or are covered by contractual payment arrangements that do not pay full charges. As a result, the hospital is exposed to certain credit risks. The hospital manages such risks by regularly reviewing its accounts and contracts and by providing appropriate allowances thereon.

Uncollectible amounts due for patient services are written off at the time information becomes available which would indicate the noncollectibility of the particular receivable.

Bad debt expense, charity allowances and other allowances after provisioned was 1943,230 for 1984 and 10,027,851 for 1985. Uncollectible accounts written off were 1675,888 for 1984 and 4903,943 for 1985.

HOSPITAL SERVICE DISTRICT NO. 1
of St. Mary Parish
FRANKLIN FOUNDATION HOSPITAL, INC.
Franklin, Louisiana

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 1990

NOTE 2 - Continued

Investments: Investments consist of certificates of deposit, savings accounts, money market accounts, and corporate stock. All investments except corporate stock are stated at cost, which approximates market. Since Hospital owns 100% of corporation, investment in corporation is stated using the equity method of accounting.

Accumulated Unpaid Vacation and Sick Pay: An accrual has been made for compensated employee absences for vacation pay. Sick pay benefits are accumulating and have not been accrued.

Patient Service Revenue: Patient service revenue is recorded at the Hospital's established rates and is reported after contractual adjustments. A significant portion of the Hospital's revenues are derived from Medicare and Medicaid programs.

NOTE 3 - Property, Plant, and Equipment

Property, plant, and equipment are stated at historical cost. A summary of the accounts and the related accumulated depreciation follows:

	Cost	Accumulated Depreciation
September 30, 1990:		
Land	\$ 7,000	\$ -
Buildings & Improvements	6,833,760	3,300,820
Equipment	<u>8,816,028</u>	<u>3,281,120</u>
TOTAL	<u>\$15,656,788</u>	<u>\$ 6,581,940</u>
December 31, 1989:		
Land	\$ 7,000	\$ -
Buildings & Improvements	6,685,380	3,188,510
Equipment	8,817,930	3,352,800
Construction in Progress	<u>88,430</u>	<u>-</u>
TOTAL	<u>\$15,598,740</u>	<u>\$ 6,541,310</u>

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AUDIT OF GENERAL PURPOSE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Hospital Service District No. 1
of St. Mary Parish
Franklin Foundation Hospital
Franklin, Louisiana

We have audited the financial statements of Franklin Foundation Hospital, as of and for the year ended September 30, 1990, and have issued our report thereon dated January 28, 1991.

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

The management of Franklin Foundation Hospital 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 recorded 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.

THOMAS P. DRESSER, CPA
WALTON HICKS, CPA

Dresser & Friend

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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. 1
of St. Mary Parish
Franklin Foundation Hospital
Franklin, Louisiana

We have audited the financial statements of Franklin Foundation Hospital, as of and for the year ended September 30, 1994, and have issued our report thereon dated January 18, 1995.

We conducted our audit in accordance with generally accepted auditing standards and COMPTROLLER 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.

Compliance with laws, regulations, contracts, and grants applicable to Franklin Foundation Hospital is the responsibility of Franklin Foundation Hospital management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the Hospital'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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the board of commissioners, management, and the legislative auditor. However, this report is a matter of public record and its distribution is not limited.

Dresser & Friend, CPAs

January 28, 1995

HOSPITAL SERVICE DISTRICT NO. 1
of St. Mary Parish
FRANKLIN FOUNDATION HOSPITAL, INC.
Franklin, Louisiana

NOTE 20 - FINANCIAL STATEMENTS SEPTEMBER 30, 1996

NOTE 21 - Other Revenues

Other revenue consisted of the following at September 30, 1996, and 1995:

	1996	1995
Retail sales of supplies and drugs	\$ 38,888	\$ 41,176
Rental income	380	380
Vending machines	2,389	2,073
Telephone service	888	122
Cafeteria	80,277	83,480
Miscellaneous	<u>24,822</u>	<u>21,228</u>
TOTAL	<u>\$ 148,864</u>	<u>\$ 150,459</u>

NOTE 22 - Other Non-Operating Revenues

Other non-operating income consisted of the following at September 30, 1996, and 1995:

	1996	1995
Interest income	\$ 12,319	\$ 12,149
Gain (loss) on sale of assets	-	585
Contributions and gifts	<u>148</u>	<u>2,738</u>
TOTAL	<u>\$ 12,467</u>	<u>\$ 15,472</u>

NOTE 23 - Loans Payable

Wisconsin National Bank, with Banko Federal Savings Bank participating, has loaned the Hospital a total of 1481,808. 1100,000 was repaid when tax revenues was received in January 1996. The remaining balance of 381,808 was repaid at September 30, 1996. These loans were made to assist the hospital in paying current operating expenses and are to be repaid out of tax revenues.

NOTE 24 - Extraordinary Item

The extraordinary item is for changes in medicare and medicaid reimbursement in prior years. Part of this was a result of a class action suit that was found in favor of the hospitals.

HOSPITAL SERVICE DISTRICT NO. 1
of St. Mary Parish
FRANKLIN FOUNDATION HOSPITAL, INC.
Franklin, Louisiana

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1995

NOTE 18 - Bonds Payable, Series 1991 (Continued)

The Bonds are due as follows:

Year Ending September 30,	Principal Payments	Interest Payments	Total
1993	138,000	66,360	204,360
1994	148,000	72,360	220,360
1995	158,000	78,360	236,360
2000	260,000	94,000	354,000
2001	270,000	99,700	369,700
2002	180,000	82,800	262,800
2003	208,000	96,560	304,560
2004	218,000	99,320	317,320
Total	<u>\$2,342,000</u>	<u>\$814,000</u>	<u>\$3,156,000</u>

Bond issue cost of \$15,000 and original issue discount of \$84,805 are being amortized using the straight line method over the life of the bonds. Amortization of bond issue costs amounted to \$1,507 and amortization of original issue discount amounted to \$8,320 in 1995 and 1996.

Bonds and interest are to be paid out of a tax levied on property owners in Hospital Service District No. 1. These funds are deposited in the bond retirement fund and are designated to be used only for this purpose.

NOTE 19 - Audit Fees

Audit fees amounted to \$10,500 and \$14,748 for the fiscal years ended September 30, 1994 and 1995, respectively.

NOTE 20 - Legal Fees

Legal fees amounted to \$31,768 and \$40,268 for the fiscal years ended September 30, 1994 and 1995, respectively.

HOSPITAL SERVICE DISTRICT NO. 3
of St. Mary Parish
FRANKLIN FOUNDATION HOSPITAL, INC.
Franklin, Louisiana

NOTE TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1991

NOTE 16 - Litigation

The Hospital has brought suit against a physician. Hospital has claimed that physician hospital agreement was breached when he failed to reimburse hospital over \$100,000 in expenses incurred guaranteeing his income and retaining him. The likelihood of a favorable outcome appears to be at least 75%. The physician has counter sued and the likelihood of a favorable outcome for the physician is less than 10%.

Respiratory Care, Inc. has brought suit against hospital for amounts due on open accounts and for breach of equipment leases. Hospital has counter sued for same due to under the same agreements. It appears that the likelihood of an unfavorable outcome is less than 30% and hospital's exposure to damages appears to be no more than 100,000 to 200,000.

An employee has brought suit against hospital for past due wages and vacation pay. Trial was held July 18, 1990 with the court awarding employee \$12,000. The matter is presently on appeal. It appears that the likelihood of a favorable outcome on appeal is approximately 20,000 to 24,000 and hospital's exposure to damages will be no more than a 50% to 70% chance.

NOTE 17 - Charity Care

For 1991 the Hospital has retained its obligations under the HUD-Burton program. Consequently, there is not a separate designation for charity care in 1990 or 1991.

NOTE 18 - Bonds Payable - Series 1991

In September 1991, in order to obtain better interest rates, the Hospital issued \$1,750,000 of refunding bonds. The purpose of these bonds was to refund the bonds issued in 1984 and pay any interest due on the 1984 bonds. The 1991 bonds mature and are payable in varying annual amounts on March 1 each year ending with the year 2004, and have interest rates from 8.75 to 9.00%.

HOSPITAL SERVICE DISTRICT NO. 1
of St. Mary Parish
FRANKLIN FOUNDATION HOSPITAL, INC.
Franklin, Louisiana

NOTE TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1996

NOTE 14 - Cash and Cash Equivalents Continued

These deposits are stated at cost, which approximates market. Under state law, these deposits must be secured by Federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the Federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. As September 30, 1996, Franklin Foundation Hospital has \$883,888 in deposits. These deposits are secured from risk by \$883,000 of Federal deposit insurance and \$128,887 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

Even though the pledged securities are considered unaffiliated under the provisions of ORSD Statement 3, Louisiana Revised Statute 28:1216 imposes a continuing requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by Franklin Foundation Hospital that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 15 - Other Assets

The hospital has formed a corporation in which it invested \$20,000. This corporation has invested \$8,000 for a 40% interest in a partnership with a group of doctors. This partnership has constructed a computer technology imaging facility on property of the hospital. The partnership leases the facility to the hospital on a fee per use basis. The \$154,000 at September 30, 1996 and the \$271,400 at September 30, 1995 in other assets is broken down below:

	1996	1995
Receivable from partnership	\$ -	\$ 171,400
Receivable from corporation	<u>154,000</u>	<u>100,000</u>
	\$ 154,000	\$ 271,400

The portion receivable from the partnership represents advance payments for expenditures for the partnership and has been reimbursed to the hospital. The portion receivable from the corporation represents advances made to help shoulder medical equipment business get started.

HOSPITAL SERVICE DISTRICT NO. 3
of St. Mary Parish
FRANKLIN FOUNDATION HOSPITAL, INC.
Franklin, Louisiana

NOTE TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1996

NOTE 3 - Investments-Cash

Investments-cash consisted of the following:

Unaudited Funds:	9-30-96		9-30-95	
	Balance	Rate	Balance	Rate
Savings Account-Trust Federal				
Savings & Loan	\$ 3,953	2.75 %	\$ 3,844	2.75 %
Money Market Account-Florida				
Savings Bank	5,583	2.75 %	5,430	2.50 %
Money Market Account				
Whitney National Bank	6,420	2.75 %	-	3.00 %
Money Market Account-				
Hibernia National Bank	28,430	3.25 %	44,434	2.50 %
Money Market Account -				
First National Bank	-	2.75 %	6,352	2.75 %
TOTAL:	<u>\$ 46,386</u>		<u>\$ 60,060</u>	

NOTE 4 - Inventories

Inventories consisted of the following at September 30, 1996, and 1995:

	1996	1995
Surgery	\$ 272,376	\$ 221,400
Laboratory	27,674	34,400
Radiology	14,374	13,950
Pharmacy	143,038	155,130
I.V. Therapy	7,978	11,200
Dietary	5,500	4,781
Central Supply	88,548	84,242
Housekeeping	4,088	12,732
TOTAL:	<u>\$ 642,496</u>	<u>\$ 547,835</u>

HOSPITAL SERVICE DISTRICT NO. 1
of St. Mary Parish
FRANKLIN FOUNDATION HOSPITAL, INC.
Franklin, Louisiana

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1998

NOTE 4 - Investments

The Hospital has invested \$10,000 for a 200% ownership of a corporation called Franklin Imaging, Inc. Franklin Imaging, Inc. has invested \$8,000 for a 40% ownership in a partnership called Franklin Imaging Center Limited Partnership. This partnership has constructed a computed tomography imaging facility on the property of the Hospital. The partnership has leased this facility to the Hospital. Rental payments are to be based on usage.

During 1995 Franklin Imaging, Inc. started a business to rent and sell durable medical equipment. The Hospital made advances to Franklin Imaging, Inc. to help the business get started. These advances are reflected in other assets on the balance sheet.

The income (loss) from these investments is as follows for the year ended September 30, 1998:

Income from partnership for the year ended September 31, 1998	\$ 43,437
Income (loss) for corporation from operations for period ended September 30, 1998	<u>(21,269)</u>
Change in equity in corporation	<u>\$ 22,168</u>

NOTE 5 - Loans Payable

The St. Mary Parish Council has loaned the Hospital a total of \$464,000. The balance due was \$337,328 at September 30, 1998 and \$393,829 at September 30, 1999. These loans were made to assist the Hospital in paying current operating expenses. The loans are unsecured and due and payable on demand. These obligations have been classified as long-term debt since it is not anticipated that they will be paid within the next twelve months. The Hospital has agreed to treat Parish procedures and effect the bill against the loans to the Parish Council.

NOTE 6 - Leases

Leased property under capital lease consists of various equipment and furniture in the amount of \$1,827,386. This is included in equipment and is being amortized using the straight line method based on a life of five, six, or fifteen years. Amortization of leased equipment amounted to \$274,488 in 1998, and \$391,761 in 1999. These amounts have been included in depreciation expense.

HOSPITAL SERVICE DISTRICT NO. 1
of St. Mary Parish
FRANKLIN FIDELITYCO INC.
Franklin, Louisiana

NOTE TO FINANCIAL STATEMENTS SEPTEMBER 30, 1995

NOTE 7 - Leasing Obligations

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of September 30, 1994 and 1995.

	1994	1995
1996	\$ -	\$ 184,863
1997	181,886	157,598
1998	181,551	158,303
1999	57,288	57,185
Net minimum lease payments	\$ 420,725	\$ 557,949
Less: Amount representing interest	28,827	48,246
Present value of net minimum lease payments	\$ 391,898	\$ 509,703
Less: Current Portion	181,571	182,321
Long-Term Portion	\$ 210,327	\$ 327,382

In addition to the above, the Hospital has entered into a number of operating leases for the use of various medical and office equipment.

Total rental expense amounted to \$283,422 and \$288,422 for the fiscal years ended September 30, 1994, and 1995, respectively.

NOTE 8 - Pension Plan

In August, 1973, the Hospital adopted a retirement plan covering all eligible employees who want to participate. The cost to the employee for 1994 is 2% of the first \$42,708 of yearly pay, plus 4% of their pay in excess of \$42,708, if any. The Hospital contributes to the plan 2% of the first \$42,708 of yearly pay of each participating employee plus 4% of yearly pay in excess of \$42,708, if any. The total retirement expense also includes payment by the hospital for past service costs. Pension costs amounted to \$47,448 in 1994 and \$45,158 in 1995.

NOTE 9 - Group Hospitalization Insurance

In June of 1982, the Hospital started a self-funded insurance plan for group hospitalization covering its employees. The plan is administered by an outside firm. The plan contains a specific reimbursement deductible level which limits the hospital's liability to \$48,000 per covered person. Employees pay for the cost of dependent coverage through payroll withholdings. Estimated costs for the plan year from October 1994 through September 1995 are \$477,931, including administration and reinsurance costs.

HOSPITAL SERVICE DISTRICT NO. 1
of St. Mary Parish
FRANKLIN FORDHONKOS HOSPITAL, INC.
Franklin, Louisiana

INDEX TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1996

NOTE 10 - Medicare & Medicaid Programs

Services rendered to Medicare and Medicaid patients are paid for in accordance with the prescribed program guidelines. Any amounts received under these programs are subject to examination and retroactive adjustment by the program intermediary. Provisions for estimated retroactive adjustments for Medicare and Medicaid are provided in the period the related services are rendered.

The Medicare and Medicaid cost reports are prepared by a company outside the hospital. Consequently any amounts regarding the provisions for retroactive adjustment has been furnished to us by others.

NOTE 11 - Management Contract

In July of 1988, the Hospital entered into an agreement with Quorum Health Resources, Inc. (Formerly QMA Management Company, Inc.) to manage the day-to-day business affairs of the hospital. Quorum provides the hospital with the services of an administrator and a controller. Management fees are adjusted annually based on the Consumer Price Index. These fees are paid monthly in addition to a reimbursement for compensation and fringe benefits paid to the personnel furnished by Quorum to the hospital. Management fees incurred were \$218,184 for 1994 and \$218,384 for 1995. Reimbursements made to Quorum for compensation and fringe benefits for personnel furnished by Quorum were \$180,495 for 1994 and \$182,328 for 1995.

NOTE 12 - Contingent Liabilities

COMPENSATED ABSENCE. The Hospital is contingently liable for sick leave to its employees. Sick pay benefits are accumulating and are not paid in the event of termination of employment. Accrued sick leave as of September 30, 1994 and 1995 was \$18,458 and \$22,687.

Hill-Burton Act. U.S. Department of Health and Human Resources has made inquiries into the hospital's compliance with the Hill-Burton Act. The hospital has received notification that it has met its obligation under the Hill-Burton program.

REPORTING SERVICE DISTRICT NO. 1
of St. Mary Parish
FRANKLIN FOUNDATION HOSPITAL, INC.
Franklin, Louisiana

COMPARATIVE STATEMENT OF CASH FLOWS OF UNRESTRICTED FUNDS	YEAR ENDED SEPTEMBER 30, 1990	
	WITH COMPARATIVE FIGURES FOR 1989	
	1990	1989
Cash flows from operating activities:		
Cash received from patients	\$13,826,579	\$12,472,117
Interest received	12,319	11,288
Refin received	140	2,740
Tax refunds received	598,144	589,752
Cash paid to suppliers	(7,594,213)	(6,780,894)
Cash paid to employees	(4,828,282)	(4,381,348)
Net cash provided (used) by operating activities	\$ 6,114,577	\$ 563,652
Cash flows from noncapital financing activities:		
Repayments to bank existing fund-raise 1981	\$ -	\$ (17,088)
Proceeds from line of credit	251,000	458,175
Payments on line of credit	(385,890)	(284,270)
Interest paid	(53,893)	(4,880)
Payments on loans payable	(122,513)	(122,382)
Net cash provided (used) by noncapital financing activities	\$ (101,296)	\$ 29,615
Cash flows from capital and related financing activities:		
Proceeds from sale of assets	\$ -	\$ 565
Loans made	(29,243)	(20,821)
Purchase of equipment	(282,429)	(248,625)
Proceeds from capital lease	-	57,888
Payments on capital leases	(143,962)	(148,422)
Net cash used for capital and related financing activities	\$ (455,629)	\$ (459,435)
Cash flows from investing activities:		
Repayment of loans from affiliated company	\$ 371,895	\$ -
Loans to affiliated company	(28,262)	(82,513)
Net cash provided (used) for investing activities	\$ 343,633	\$ (82,513)
Net increase (decrease) in cash and cash equivalents	\$ 596,681	\$ 29,772
Cash and cash equivalents at beginning of year	218,343	188,571
Cash and cash equivalents at end of year	\$ 815,024	\$ 218,343

The accompanying notes and accountant's report are an integral part of these financial statements