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**HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CLAIRBORNE, STATE OF LOUISIANA
NORTH CLAIRBORNE HOSPITAL
HOSPITAL ENTERPRISE FUND
FOR THE YEARS ENDED JUNE 30, 1996, 1997 AND 1998**

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Under provisions of state law, this report is a public document. A copy of the report has been furnished to the staff, all directors, city and other corporations, officials. This report is available for public inspection at the Auditor General's Office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

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Release Date: NOV 18 1998

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[INDEPENDENT AUDITORS' REPORT]

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

We have audited the accompanying general purpose financial statements of Hospital Service District No. 1, Parish of Caliborne, d/b/a North Caliborne Hospital (the District), a component unit of the Caliborne Parish Police Jury, as of June 30, 1995, 1997 and 1998, listed in the foregoing table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 1, Parish of Caliborne, d/b/a North Caliborne Hospital, as of June 30, 1995, 1997 and 1998, and the results of its operations, changes in fund balance and cash flows for the periods then ended in conformity with generally accepted accounting principles applicable to governmental entities.

In accordance with Governmental Auditing Standards, we have also issued a report dated September 3, 1995, on our consideration of the District's internal control over financial reporting and our test of its compliance with certain provisions of laws and regulations.

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

Our audits were conducted for the purpose of forming an opinion on the general purpose financial statements, taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Hospital Service District No. 1, Parish of Claiborne, d/b/a North Claiborne Hospital. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.



Certified Public Accountants

September 3, 1998

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CLAYBORNE, STATE OF LOUISIANA
NORTH CLAYBORNE HOSPITAL
HOSPITAL ENTERPRISE FUND
BALANCE SHEETS - UNRESTRICTED FUNDS
JUNE 30, 1998, 1997 AND 1996

ASSETS	1998	1997	1996
Current:			
Cash and cash equivalents	\$ 132,453	\$ 308,384	\$ 14,554
Accounts receivable less estimated uncollectibles and allowances of \$14,767, \$15,787 and \$18,867 in 1998, 1997 and 1996, respectively (Note 4)	-	-	-
Rent receivable	5,000	12,000	12,800
Prepaid expenses	7,118	7,287	6,928
Total current assets	144,569	327,671	34,282
Investments (Note 3)	240,428	33,343	189,017
Property, plant and equipment, net (Note 5)	676,658	507,401	585,736
Total assets	\$ 1,061,655	\$ 868,415	\$ 709,035
LIABILITIES AND FUND BALANCE			
Current			
Accounts payable	\$ 6,433	\$ 226	\$ 22
Due to third party payors (Note 2)	-	43,273	80,089
Total liabilities	6,433	43,499	80,111
Fund balance - unrestricted			
Contributions	556,982	189,902	709,982
Accumulated excess of revenues over expenses	853,238	623,814	510,687
Total fund balance	1,410,220	813,716	1,220,669
Total liabilities and fund balance	\$ 1,061,655	\$ 868,415	\$ 709,035

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CLAYBORNE, STATE OF LOUISIANA
 NORTH CLAYBORNE HOSPITAL
 HOSPITAL ENTERPRISE FUND
 STATEMENTS OF OPERATIONS - UNRESTRICTED FUNDS
 FOR THE YEARS ENDED JUNE 30, 1996, 1997 AND 1998

	1996	1997	1998
Rent revenue	\$ 105,000	\$ 105,000	\$ 33,200
Grant revenue (Note 10)	500,000	0	0
Resolution of cost based hospital settlements	43,273	23,281	0
Other operating revenue	____ 6,172	____ 1,079	____ 611
Total operating revenue	____ 654,445	____ 129,360	____ 34,411
Operating expenses			
Salaries and benefits	2,270	1,890	0
Insurance	14,564	14,387	10,899
Depreciation	43,086	43,135	45,808
Other expenses	____ 11,404	____ 28,714	____ 27,810
Total operating expenses	____ 71,324	____ 88,126	____ 84,517
Operating income (loss)	____ 212,730	____ 109,237	____ (50,106)
Nonoperating gains (losses)			
Interest income	____ 18,704	____ 12,890	____ 12,227
Total nonoperating gains (losses)	____ 18,704	____ 12,890	____ 12,227
Excess of revenues over (expenses)	\$ ____ 229,434	\$ ____ 112,817	\$ ____ (37,879)

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CLABORNE, STATE OF LOUISIANA
 NORTH-CLABORNE HOSPITAL
 HOSPITAL ENTERPRISE FUND
 STATEMENTS OF CHANGES IN UNRESTRICTED FUND BALANCE
 FOR THE YEARS ENDED JUNE 30, 1986, 1987 AND 1988

Changes in fund balance:

Fund balance, June 30, 1985	\$ 347,792
Excess of (expenses) over revenues	___(37,913)
Fund balance, June 30, 1986	299,879
Excess of revenues over (expenses)	___112,912
Fund balance, June 30, 1987	412,791
Excess of revenues over (expenses)	___ 229,614
Fund balance, June 30, 1988	<u>\$ 642,405</u>

Composition of fund balances at June 30, 1988

Contributions	\$ 195,982
Accumulated excess of expenses over revenues	___446,423
	<u>\$ 642,405</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CLABORNE, STATE OF LOUISIANA
 NORTH CLABORNE HOSPITAL
 HOSPITAL ENTERPRISE FUND
 STATEMENTS OF CASH FLOWS - UNRESTRICTED FUNDS
 FOR THE YEARS ENDED JUNE 30, 1998, 1997 AND 1996

	1998	1997	1996
Cash flows from operating activities:			
Operating income (loss)	\$ 212,710	\$ 106,227	\$ (50,144)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	42,088	43,125	45,824
Changes in:			
Rent receivable	7,080	0-	(4,000)
Prepaid expenses	132	(555)	(5,124)
Accounts payable and accrued expenses	6,297	394	(578)
Due to third party payors	(43,273)	3,150	0-
Net cash provided by (used in) operations	227,832	198,371	(12,032)
Cash flows from investing activities:			
Cash invested in short-term certificates of deposit	(297,000)	165,874	(41,300)
Interest on investments	16,734	12,690	12,227
Net cash provided by (used in) investing activities:	\$ (193,376)	\$ 178,364	\$ (29,103)

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CLARIBORNE, STATE OF LOUISIANA
 NORTH CLARIBORNE HOSPITAL
 HOSPITAL ENTERPRISE FUND
 STATEMENTS OF CASH FLOWS - UNRESTRICTED FUNDS (Continued)
 FOR THE YEARS ENDED JUNE 30, 1999, 1997 AND 1996

	1999	1997	1996
Cash flows from capital and related financing activities:			
Acquisition of capital assets	\$ (211,265)	\$ (34,751)	\$ (32,640)
Net cash used in capital and related financing activities	(211,265)	(34,751)	(32,640)
Cash flows from non-capital financing activities:			
Default of operating note	0-	0-	23,335
Receipts on note receivable	0-	0-	2,000
Net cash provided by (used in) non-capital financing activities	0-	0-	25,335
Net increase (decrease) in cash and cash equivalents	(171,861)	269,790	(49,605)
Cash and cash equivalents at beginning of year	368,304	18,554	68,157
Cash and cash equivalents at end of year	<u>\$ 196,443</u>	<u>\$ 208,344</u>	<u>\$ 18,554</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CLATBORNE, STATE OF LOUISIANA
NORTH CLATBORNE HOSPITAL
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 1988, 1987 AND 1986

NOTE 1. ORGANIZATION AND OPERATIONS

Legal Organization

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

As the governing authority of the parish, for reporting purposes, the Claiborne Parish Police Jury is the financial reporting entity for Claiborne Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Claiborne Parish Police Jury for financial reporting purposes. The basic criteria for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the police jury to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury appoints all commissioners of the Claiborne Parish Hospital Service District, the District was determined to be a component unit of the Claiborne Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the district and do not present information on the police jury, the general government services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

**HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CLAYBORNE, STATE OF LOUISIANA
NORTH CLAYBORNE HOSPITAL
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 1988, 1987 AND 1986**

NOTE 1 - ORGANIZATION AND OPERATIONS (Continued)

Nature of Business

The District operated the facility as a hospital until January 31, 1982. Subsequently, the District began leasing the facility, when possible, for use as a hospital and/or medical offices.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Fund

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

Method of Accounting

The Hospital uses the accrual method of accounting. Revenue is recognized at full established rates, even though contractual agreements are settled for less. Provision is made for the resulting contractual adjustments based upon each payer's agreement. Expenses are recorded when incurred. Hospital accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:513 and to the guide set forth in the Louisiana Governmental Audit Guide, the AICPA Audit and Accounting Guide (Health Care Organization), and standards set by the Governmental Accounting Standards Board (GASB), including Statement 30 which applies the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB).

Cash and Cash Equivalents

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

Uncollectible Accounts

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

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CLAIRBORNE, STATE OF LOUISIANA
NORTH CLAIRBORNE HOSPITAL
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 1998, 1997 AND 1996

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The entity is a political subdivision and exempt from taxation.

Property, Plant and Equipment

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

Land improvements	10 years
Buildings	18 to 40 years
Fixed equipment	5 to 20 years
Major movable equipment	4 to 20 years

Expenditures for additions, major repairs 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 disposal are credited or charged to operations currently.

Third Party Payer Revenues

Contractual agreements with governmental agencies provide for reimbursement based on a fixed price per patient stay based upon the patient's primary diagnosis for Medicare inpatient services, Medicare outpatients and all Medicaid programs were reimbursed based upon the lesser of reasonable cost (subject to certain limits) or charges to patients. These reimbursements are subject to final audit and retroactive adjustments by each payer. The last outstanding report January 31, 1992, has prescribed.

Statement of Revenues and Expenses

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

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CLAIBORNE, STATE OF LOUISIANA
NORTH CLAIBORNE HOSPITAL
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 1998, 1997 AND 1996

NOTE 3 - INVESTMENTS

The District considers certificates of deposits with original maturities in excess of 90 days to be temporary cash investments. Of the \$240,425 total deposits at June 30, 1996, \$5,307 was not secured at the balance sheet date by federal depository insurance coverage or pledge securities. At June 30, 1997 and 1998 all deposits were secured as of the balance sheet date. For all deposits, the market value and carrying value are the same.

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	1998	1997	1996
Patient accounts receivable	\$ 14,787	\$ 15,797	\$ 16,607
Estimated allowances for uncollectibles	_(14,787)	_(15,797)	_(16,607)
Total	\$ _____	\$ _____	\$ _____

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment and related accumulated depreciation for the years ended June 30, 1998, 1997 and 1996.

	ASSET COST			
	June 30, 1997	Additions	Deductions	June 30, 1998
Land	\$ 33,707	\$ -0-	\$ -0-	\$ 33,707
Land improvements	31,674	-0-	-0-	31,674
Buildings	799,315	7,940	-0-	807,255
Fixed equipment	170,331	-0-	-0-	170,331
Major movable equipment	445,953	35,312	-0-	481,265
Construction in progress	11,150	166,033	-0-	177,183
Total	\$ 1,801,130	\$ 211,285	\$ _____	\$ 2,172,415

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CLABORNE, STATE OF LOUISIANA
 NORTH CLABORNE HOSPITAL
 HOSPITAL ENTERPRISE FUND
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 1996, 1997 AND 1998

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	ACCUMULATED DEPRECIATION			
	June 30, 1997	Additions	Deductions	June 30, 1998
Land improvements	\$ 31,856	\$ 66	\$ -0-	\$ 31,922
Buildings	419,138	24,123	-0-	443,261
Fixed equipment	187,270	380	-0-	187,650
Major movable equipment	284,422	17,435	-0-	301,857
Total	<u>\$ 892,726</u>	<u>\$ 42,904</u>	<u>\$ -0-</u>	<u>\$ 935,630</u>

	ASSET COST			
	June 30, 1996	Additions	Deductions	June 30, 1997
Land	\$ 33,707	\$ -0-	\$ -0-	\$ 33,707
Land improvements	21,674	3,800	-0-	25,474
Buildings	798,315	-0-	-0-	798,315
Fixed equipment	179,333	-0-	-0-	179,333
Major movable equipment	437,266	13,841	5,414	445,693
Construction in progress	-0-	11,750	-0-	11,750
Total	<u>\$ 1,481,295</u>	<u>\$ 29,391</u>	<u>\$ 5,414</u>	<u>\$ 1,507,272</u>

	ACCUMULATED DEPRECIATION			
	June 30, 1996	Additions	Deductions	June 30, 1997
Land improvements	\$ 21,874	\$ 25	\$ -0-	\$ 21,899
Buildings	384,366	24,079	-0-	408,445
Fixed equipment	193,890	380	-0-	194,270
Major movable equipment	381,185	18,641	5,414	395,420
Total	<u>\$ 881,315</u>	<u>\$ 43,725</u>	<u>\$ 5,414</u>	<u>\$ 920,630</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CLARIBORNE, STATE OF LOUISIANA
 NORTH CLARIBORNE HOSPITAL
 HOSPITAL ENTERPRISE FUND
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 1995, 1997 AND 1998

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT (Continued)

ASSET COST

	June 30, 1995	Additions	Deductions	June 30, 1998
Land	\$ 33,707	\$ 0-	\$ 0-	\$ 33,707
Land improvements	21,874	0-	0-	21,874
Buildings	799,335	29,980	0-	799,315
Fixed equipment	189,819	9,512	0-	179,331
Major movable equipment	437,526	0-	0-	437,526
Construction in progress	8,680	30,073	19,721	0-
Total	\$ 1,438,931	\$ 69,562	\$ 19,721	\$ 1,487,772

ACCUMULATED DEPRECIATION

	June 30, 1995	Additions	Deductions	June 30, 1998
Land improvements	\$ 21,874	\$ 0-	\$ 0-	\$ 21,874
Buildings	362,312	23,747	0-	386,059
Fixed equipment	168,243	547	0-	168,890
Major movable equipment	359,585	21,630	0-	381,215
Total	\$ 911,994	\$ 45,924	\$ 0-	\$ 957,918

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CLATBORNE, STATE OF LOUISIANA
NORTH CLATBORNE HOSPITAL
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 1995, 1997 AND 1998

NOTE 6 - PROPERTY TAX LEVYING

In August, 1995, 1996, 1997 and 1998, the Board passed a resolution to suspend the levying of the 50 mill property tax for North Claiborne Hospital Service District No. 1 for 1995, 1996, 1997 and 1998, respectively.

NOTE 7 - 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 results in amounts which vary from the District's estimates, future earnings will be charged or credited. The District is not aware of any contingencies at this time.

NOTE 8 - LEASE OF HOSPITAL FACILITY

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

On April 16, 1998, North Claiborne Service District No. 1 leased the hospital to Homer Memorial Hospital to establish a behavioral health unit. The lease began June 1, 1998, and was renewed automatically for one month periods beginning on the first day of each month thereafter.

NOTE 9 - SUBSEQUENT EVENT

On July 25, 1998, North Claiborne Service District No. 1 agreed to renew the lease agreement for the North Claiborne Clinic building with Butler-Abshire Clinic.

NOTE 10 - GRANT REVENUES

On October 22, 1997 a one time grant for \$100,000 was approved by the Office of Rural Development to the Claiborne Parish Police Jury, a related party. The grant revenues were used by North Claiborne Service District No. 1 for the expansion and renovation of the North Claiborne Clinic Building.

SUPPLEMENTAL INFORMATION

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CLAIRBORNE, STATE OF LOUISIANA
 NORTH CLAIRBORNE HOSPITAL
 HOSPITAL ENTERPRISE FUND
 STATEMENTS OF OTHER OPERATING REVENUE - UNRESTRICTED FUNDS
 FOR THE YEARS ENDED JUNE 30, 1995, 1997 AND 1998

	1995	1997	1998
Bad debt recoveries	\$ 1,072	\$ 1,070	\$ 801
Miscellaneous	<u>5,098</u>	<u>9</u>	<u>10</u>
Total other operating revenue	<u>\$ 6,170</u>	<u>\$ 1,079</u>	<u>\$ 811</u>

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CLAYBORNE, STATE OF LOUISIANA,
NORTH CLAYBORNE HOSPITAL,
HOSPITAL ENTERPRISE FUND
STATEMENTS OF OPERATING EXPENSES - SALARIES AND BENEFITS
UNRESTRICTED FUNDS
FOR THE YEARS ENDED JUNE 30, 1996, 1997 AND 1998

	1996	1997	1998
Salaries	\$ 3,000	\$ 1,750	\$ -0-
Payroll taxes	207	150	-0-
Insurance	____70	____00	____00
Total salaries and benefits	\$ <u>3,277</u>	\$ <u>1,900</u>	\$ <u>00</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CLARIBORNE, STATE OF LOUISIANA
 NORTH CLARIBORNE HOSPITAL
 HOSPITAL ENTERPRISE FUND
 STATEMENTS OF OPERATING EXPENSES - OTHER EXPENSES
 UNRESTRICTED FUNDS
 FOR THE YEARS ENDED JUNE 30, 1988, 1987 AND 1986

	1988	1987	1986
Maintenance	\$ 5,482	\$ 11,827	\$ 3,621
Professional fees	3,276	2,800	3,058
Telephone	428	-0-	147
Office supplies and postage	1,299	721	418
Utilities	-0-	-0-	7,753
Advertising	415	388	283
Other	540	5,381	52,343
Total other expenses	<u>\$ 11,430</u>	<u>\$ 20,714</u>	<u>\$ 20,614</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CLAYBORNE, STATE OF LOUISIANA
 NORTH CLAYBORNE HOSPITAL
 SCHEDULE OF PER DIEM AND
 OTHER COMPENSATION PAID TO BOARD MEMBERS
 FOR THE YEARS ENDED JUNE 30, 1988, 1987 AND 1986

	1988	1987	1986
Board Members:			
Mrs. Helen Sharp, Chairman	None	None	None
Mr. Deing Hoffer, Vice Chairman	None	None	None
Mr. John G. Hanson, Secretary/Treasurer	None	None	None
Mr. Keith Kilgore	None	None	None
Mr. H. L. Staid	None	None	None
Total	None	None	None

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS CONDUCTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Hospital Service District No. 1
Parish of Calcasieu, State of Louisiana
Hoyneville, Louisiana

We have audited the general purpose financial statements of the Hospital Service District No. 1, Parish of Calcasieu, c/o the North Calcasieu Hospital (the District) for the year ended June 30, 1998, 1997 and 1996 and have issued our report thereon dated September 3, 1998. We conducted our audits in accordance with generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the district's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, 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. The accompanying schedule summarizes our comment and suggestion regarding this matter.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements, and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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. Because the number of employees is limited, it is impractical to segregate duties and have any appreciable internal control structure. We noted no other matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Board of Commissioners
Hospital Service District No. 1
Parish of Claiborne, State of Louisiana
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Certified Public Accountants

September 3, 1998

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CLAIBORNE, STATE OF LOUISIANA
NORTH CLAIBORNE HOSPITAL
HOSPITAL ENTERPRISE FUND
AUDITOR'S COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 1998

- Finding:** The District's deposits with one financial institution exceeded the Federal Depository Insurance limits and the securities pledged in the name of the District.
- Recommendation:** We recommend obtaining additional pledged securities and monitor deposits on a monthly basis.
- Response:** The District's Board will obtain additional securities and will monitor the deposits more closely.