RECEIVED
LEGISLATIVE AUDITOR
00 APR -3 AM 11:20

ARTHUR ANDERSEN

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

COMPREHENSIVE ANNUAL REPORT
AS OF DECEMBER 31, 1999

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

COMPREHENSIVE ANNUAL REPORT

AS OF DECEMBER 31,1999

TABLE OF CONTENTS

ARTHUR ANDERSEN

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

COMBINED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 1999 AND 1998
TOGETHER WITH AUDITORS' REPORT

ARTHUR ANDERSEN

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Parish Council of
Jefferson Parish:

We have audited the accompanying combined balance sheets of Jefferson Parish Hospital Service District No. 1 (the Service District - a component unit of Jefferson Parish, Louisiana) as of December 31, 1999 and 1998, and the related combined statements of revenues and expenses and fund balance and cash flows for the years then ended. These combined financial statements are the responsibility of the Service 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 in the United States and in accordance with the standards for financial audits contained in Government Auditing Standards (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 Jefferson Parish Hospital Service District No. 1 at December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles in the United States.

In accordance with Government Auditing Standards, we have also issued a report on our consideration of the Service District's compliance and internal control over financial reporting dated March 3, 2000.

Arthur Andersen LLP

New Orleans, Louisiana,
March 3, 2000

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

COMBINED BALANCE SHEETS

DECEMBER 31,1999 AND 1998

ASSETS

	1999	1998
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,320,686	$ 2,898,480
Patient accounts receivable, less allowance for doubtful accounts of $15,823,000 in 1999 and $10,001,000 in 1998	24,045,767	26,614,980
Government health care program receivables	8,323,278	6,384,138
Other receivables	667,502	-
Inventory of drugs and supplies	2,989,816	2,507,246
Prepaid expenses	4,223,627	5,451,747
Assets whose use is limited that are required for current liabilities	5,915,201	5,147,000
Total current assets	48,485,877	49,003,591
ASSETS WHOSE USE IS LIMITED (Note 2):		
By board for specific purposes, at market	130,940,977	134,809,493
Trustee-held assets, at amortized cost	130,678,723	138,028,273
Total assets whose use is limited	261,619,700	272,837,766
Less amounts required for current liabilities	(5,915,201)	(5,147,000)
Noncurrent assets whose use is limited	255,704,499	267,690,766
PROPERTY, PLANT AND EQUIPMENT, net (Note 3)	82,294,035	80,056,705
OTHER ASSETS:		
Unamortized financing costs	3,226,872	3,652,179
Other	1,150,171	4,528,592
Total other assets	4,377,043	8,180,771
Total	$ 390,861,454	$ 404,931,833

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

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

COMBINED BALANCE SHEETS

DECEMBER 31,1999 AND 1998

LIABILITIES AND FUND BALANCE

	1999	1998
CURRENT LIABILITIES:		
Accounts payable	$ 8,385,254	$ 6,261,676
Accrued expenses	9,617,489	10,900,431
Patient deposits and credit balances	4,161,896	2,296,093
Current installments of long-term debt (Note 4)	3,190,000	2,890,000
Bond interest payable	2,725,201	2,257,333
Total current liabilities	28,079,840	24,605,533
RESERVE FOR ESTIMATED MALPRACTICE CLAIMS (Note 5)	2,846,170	2,320,000
LONG-TERM DEBT (Note 4)	174,810,000	178,000,000
CONTINGENCIES (Notes 5 and 6)		
FUND BALANCE	185,125,444	200,006,300
Total	$390,861,454	$404,931,833

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

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

COMBINED STATEMENTS OF REVENUES AND EXPENSES AND FUND BALANCE

FOR THE YEARS ENDED DECEMBER 31,1999 AND 1998

	1999	1998
OPERATING REVENUES:		
Net patient service revenue	$144,511,522	$135,140,671
Other operating revenues	6,009,592	5,464,370
Total operating revenues	150,521,114	140,605,041
OPERATING EXPENSES:		
Personnel	65,083,433	62,476,752
Professional fees	6,810,352	6,454,378
Medical and general supplies	27,283,807	25,706,427
Purchased services	20,883,322	13,316,817
Other expense	8,008,207	8,916,777
Bad debt expense	13,917,860	10,584,729
Depreciation	9,523,187	9,087,399
Interest expense, net of interest income from bond fund investments of $7,161,000 in 1999 and $5,277,000 in 1998	120,171	3,222,317
Total operating expenses	151,630,339	139,765,596
INCOME (LOSS) FROM OPERATIONS	(1,109,225)	839,445
INVESTMENT INCOME (LOSS) AND OTHER NON-OPERATING EXPENSES:		
Investment income	6,793,459	7,948,320
Unrealized gain (loss) on investments	(9,068,639)	5,613,119
Loss on investment in Health Maintenance Organization	(10,765,542)	-
Total investment income (loss) and other non-operating expenses	(13,040,722)	13,561,439
REVENUES OVER (UNDER) EXPENSES BEFORE EXTRAORDINARY ITEM	(14,149,947)	14,400,884
EXTRAORDINARY LOSS ON REFINANCING (Note 4)	-	(2,993,997)
REVENUES OVER (UNDER) EXPENSES	(14,149,947)	11,406,887
FUND BALANCE AT BEGINNING OF YEAR	200,006,300	189,275,003
ASSESSMENTS BY JEFFERSON PARISH (Note 1)	(730,909)	(675,590)
FUND BALANCE AT END OF YEAR	$185,125,444	$200,006,300

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

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

COMBINED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income (loss) from operations	$ (1,109,225)	$ 839,445
Adjustments to reconcile income from operations to net cash provided by operating activities-		
Depreciation	9,523,187	9,087,399
Amortization of bond financing costs	425,306	444,458
Interest expense, net	120,171	3,222,317
Gain on sale of assets	(4,593)	-
Changes in assets and liabilities-		
Accounts receivable	630,073	(4,934,369)
Inventories and prepaid expenses	745,550	(1,167,670)
Other assets, net of non-cash items	(312,898)	457,547
Accounts payable	2,123,578	1,529,743
Accrued expenses, credit balances and malpractice	1,109,032	(541,202)
Net cash provided by operating activities	13,250,181	8,937,668
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investment securities	(1,114,952,626)	(1,880,181,603)
Proceeds from sales and maturities of investments	1,124,691,580	1,862,187,658
Investment income and other	6,364,566	8,947,513
Cash funding of investment in HMO	(7,716,725)	-
Net cash provided by (used in) investing activities	8,386,795	(9,046,432)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Interest payment	(6,812,917)	(8,059,363)
Acquisitions of capital assets	(11,780,944)	(11,251,570)
Principal payments on borrowings	(2,890,000)	(2,720,000)
Payments to defease bonds	-	(47,008,626)
Proceeds from bond issuance	-	64,785,150
Net cash used in capital and related financing activities	(21,483,861)	(4,254,409)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers to other parish funds	(730,909)	(675,590)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(577,794)	(5,038,763)
CASH AND CASH EQUIVALENTS, beginning of year	2,898,480	7,937,243
CASH AND CASH EQUIVALENTS, end of year	$ 2,320,686	$ 2,898,480

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

West Jefferson Medical Center (the Medical Center) and West Jefferson Service Corporation (the Service Corporation) operate under the jurisdiction of the Parish Council of Jefferson Parish, Louisiana (the Parish) as Jefferson Parish Hospital Service District No. 1 (the Service District) and are exempt from Federal and state income taxes. The Service District reports in accordance with the American Institute of Certified Public Accountants' "Audits of Providers of Health Care Services." As a governmental entity, the Service District also provides certain disclosures required by the Governmental Accounting Standards Board.

The Medical Center operates an acute care hospital, physician clinics, medical office buildings and a health and fitness center. The primary purpose of the Service Corporation is to support the activities of the Medical Center. It operates an outpatient imaging center (d/b/a West Jefferson Imaging Center) and provides management consulting services to its subsidiaries as well as various unrelated healthcare providers. The Service Corporation subsidiaries include Omega Claims, Inc. (a claims administration service begun during 1994) and Physicians Center Pharmacy, Inc. (a retail pharmacy). The Service Corporation is also the leasing agent for various medical office buildings owned by the Medical Center. On December 31, 1999, West Jefferson Imaging Center and Physicians Center Pharmacy, Inc. ceased operations. The assets and liabilities of each were transferred to the parent, The Service Corporation.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

The operations of all entities are included in the accompanying combined financial statements. All significant intercompany transactions have been eliminated in combination. Significant accounting policies followed by the Service District in preparing and presenting its combined financial statements are summarized below.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less, excluding amounts whose use is limited by board designation or other arrangements under trust agreements or with third-party payors.

Investments

Effective January 1, 1998, the Service District implemented Governmental Accounting Standards Board Statement No. 31 (GASB 31) "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" and, accordingly, investments are carried at fair value in the balance sheet and all investment income, including changes in the fair value of investments is recognized in the statements of revenues and expenses.

Inventory

Inventory, which consists primarily of drugs and supplies, is stated at the lower of cost (first-in, first-out) or market.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed on the straight-line basis over estimated useful lives as follows:

Land improvements	10 years
Buildings	10-40 years
Fixed equipment	10-25 years
Major movable equipment	5-10 years
Minor equipment	3 years

Costs of Borrowing

Deferred financing costs are amortized over the period the obligation is expected to be outstanding using the interest method.

Other Assets

Other assets as of December 31, 1999 consist primarily of the Medical Center's 33% interest in a shared laundry co-operative, which is carried under the equity method of accounting. Other assets as of December 31, 1998 consisted of the interest in the shared laundry cooperative and a 24.25% interest in a health maintenance organization (HMO). Effective December 31, 1999 the Service District sold its interest in the HMO. The Service District was required to make capital contributions to the HMO in 1999 in addition to a final payment which was due from the Service District to the buyer at the closing of the transaction. Losses of approximately $10,766,000 were recognized as non-operating expenses in the statements of revenues, expenses and fund balance. Management believes the Service District has no remaining obligations relating to the HMO.

Net Patient Service Revenue

The Service District has agreements with third-party payors that provide for payments to the Service District at amounts different from its established rates. Net patient service revenue is reported at the estimated net amounts realizable from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements. 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. Government health care program receivables include settlements for 1996 and subsequent years which are subject to audit and retroactive adjustment by the intermediary and the Department of Health and Human Services. Payment arrangements with major third-party payors are summarized below:

> Government Programs - Services rendered to most Medicare and Medicaid program beneficiaries are paid at prospectively determined rates based on fee schedules which may vary according to a patient classification system based on clinical, diagnostic and other factors. Certain outpatient services and defined capital costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology under which the Service District is paid at a tentative rate with final settlement determined after submission of annual cost reports by the Service District and audits thereof by the fiscal intermediary. Effective July 1, 2000, the Service District will be reimbursed for outpatient services under the ambulatory payment classification (APC) based on fixed rates per outpatient procedure.

Commercial Insurance - The Service District has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Service District under these agreements includes prospectively determined rates per discharge, discounts from established charges, prospectively determined daily rates and capitated per member per month rates.

The Service District derives a significant amount (approximately 43% in 1999 and 44% in 1998) of its net patient service revenue from patients covered by the Medicare and Medicaid programs and by Medicare health maintenance organization insurance plans. The Service District is unable to predict the future course of Federal, state and local regulation or legislation, including Medicare and Medicaid statutes and regulations. Further changes could have a material adverse effect on the financial results of the Service District.

Community Benefits

Services provided to the indigent and benefits provided to the broader community by the Medical Center for the years ended December 31,1999 and 1998 are summarized below:

	1999	1998
Benefits for the Indigent (unpaid costs)-		
Traditional charity care	$ 1,815,000	$ 1,572,000
Benefits for the Broader Community-		
Unpaid costs of Medicare programs	4,186,000	2,280,000
Other community benefits	1,111,000	1,055,000
Total quantifiable benefits for the broader community	5,297,000	3,335,000
Total quantifiable community benefits	$ 7,112,000	$ 4,907,000

Benefits for the indigent include services provided to persons who cannot afford healthcare because of inadequate resources or who are uninsured. This includes the estimated costs of services associated with traditional charity care and other services such as emergency room services.

Benefits for the broader community include the unpaid cost of treating Medicare beneficiaries in excess of government payments. These benefits also include services provided to other needy populations that may not qualify as indigent but that need special services and support. Examples include the cost of health promotion and education, an assistance program for the elderly, health clinics and screenings, ground ambulance and air ambulance services, and special assessments by the Parish to fund healthcare for the Parish correctional center, all of which benefit the broader community.

Community benefit expense approximated 5% and 4% of total Service District operating expenses in 1999 and 1998, respectively.

Reclassifications

Certain reclassifications have been made to prior year balances in order to conform to the current year presentation.

New Accounting Pronouncements

In June, 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 133, Accounting for Derivative Instruments and Hedging activities (FAS 133). The Statement established accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. The Statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting. FAS 133 (as amended by FAS 137) is effective beginning January 1, 2000. The Service District does not expect that the adoption of this statement will have a material impact.

2. CASH AND INVESTMENTS:

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 at December 31, 1999 and 1998 is set forth below:

	1999 Carrying Value			
	Cash Equivalents	U. S. Government Securities	Total	1998 Total
Board designated	$ 332,042	$ 130,608,935	$130,940,977	$ 134,588,215
1986 Bond Issue	846	-	846	814
1988 Bond Issue	480,961	52,570,141	53,051,102	54,834,583
1993 Bond Issue	9,064,374	-	9,064,374	7,700,747
1998 Bond Issue	1,018,474	54,731,324	55,749,798	63,325,782
Debt Service Reserve	-	12,812,603	12,812,603	12,387,625
Total Carrying Value (at fair value)	$ 10,896,697	$ 250,723,003	$261,619,700	$ 272,837,766

Louisiana state statutes authorize the Service District to invest in obligations of the U. S. Treasury and other Federal agencies, time deposits with state banks and national banks having their principal offices in the State of Louisiana, guaranteed investment contracts issued by highly rated financial institutions and certain investments with qualifying mutual or trust fund institutions. During the years ended December 31, 1999 and 1998, the Service District invested primarily in securities issued by the U. S. Treasury and other Federal agencies. Louisiana state statutes also require that all of the deposits of the Service District be protected by insurance or collateral. The market value of collateral pledged must equal 100 % of the deposits not covered by insurance. The bank balances of deposits at December 31, 1999 and 1998 were entirely covered by insurance or collateral held by financial institutions in the Service District's name.

The Service District's investments are categorized below to give an indication of the level of risk assumed at year end. Category (a) includes investments that are insured or registered or for which the securities are held by the Service District or its agent in the Service District's name. Category (b) includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Service District's name. Category (c) includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the Service District's name. Balances at December 31, 1999 are as follows:

Securities Type	Credit Risk Category (a)	(b)	(c)	Total Fair Value
U. S. Government and Federal agencies' securities	$ -	$250,723,003	$ -	$250,723,003
Money market funds and other cash equivalents	-	10,896,697	-	10,896,697
Total investments	$ -	$ 261,619,700	$ -	$261,619,700

3. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment at December 31, 1999 and 1998 consists of:

	1999	1998
Land and land improvements	$ 6,712,604	$ 6,072,835
Buildings	61,230,169	60,734,123
Fixed equipment	38,686,697	38,630,701
Movable and other equipment	95,327,164	88,957,252
Construction in progress	6,409,111	2,278,582
Total	208,365,745	196,673,493
Less- accumulated depreciation	(126,071,710)	(116,616,788)
Property, plant and equipment, net	$ 82,294,035	$ 80,056,705

The Service District leases certain major movable and other equipment under operating leases with terms predominantly on a month-to-month basis. Rental expenses for leased equipment amounted to approximately $603,000 for 1999 and $624,000 for 1998. During 1996, the Medical Center entered into an agreement whereby a third party manages the Information Systems function. Future commitments under this arrangement total $6,660,000 at December 31, 1999. The Service District also entered into an agreement with a third party in 1999 to manage the housekeeping and dietary functions. Future commitments under this agreement total $5,110,000 at December 31, 1999.

4. LONG-TERM DEBT:

Long-term debt as of December 31, consists of:

	1999	1998
Customized Purchase Revenue and Refunding bonds (Series 1986); variable interest rates (ranging from 3.50% to 4.35% in 1999 and 1998); due in 2026	$ 48,000,000	$ 48,000,000
Louisiana Public Facilities Authority Revenue Bonds (Series 1988); 7.9%, due in installments to 2015 ($48,000,000 of the bond proceeds were placed in escrow to advance refund the Series 1986 bonds)	-	-
Louisiana Public Facilities Authority CP Program Hospital Equipment Financing and Refunding Revenue Bonds (Series 1985-A); variable interest rate (ranging from 4.43% to 5.75% in 1999 and 1998); due in varying principal installments through 2005	13,570,000	15,345,000
Hospital Revenue Bonds (Series 1993); 3.60% - 5.40%; due in installments to 2019	50,120,000	51,235,000
Hospital Revenue Bonds, (Series 1998A); 4.00% - 5.25% due in installments to 2022	41,310,000	41,310,000
Hospital Revenue Bonds (Series 1998B); variable interest rate (ranging from 2.17% - 5.50% in 1999) due in installments to 2028	25,000,000	25,000,000
Total	178,000,000	180,890,000
Less: Current maturities	(3,190,000)	(2,890,000)
Long-term debt, less current maturities	$ 174,810,000	$ 178,000,000
Total market value of long-term debt	$ 174,373,502	$ 183,075,448

Scheduled sinking fund payments on the Service District's long-term debt are as follows:

2000	$ 3,190,000
2001	3,380,000
2002	3,715,000
2003	6,545,000
2004	6,970,000
Thereafter	154,200,000
Total long-term debt	$178,000,000

Series 1985 Bonds

In 1985, the Medical Center issued $52,100,000 of Hospital Revenue Bonds (Series 1985), repayable solely from the revenues of the Medical Center. The proceeds of the issue were used primarily to finance construction of a professional office building and a garage, purchase equipment and advance refund the Series 1979 Hospital Revenue Bond issue. Proceeds in the amount of $27,580,000 were deposited with an escrow trustee and invested in obligations secured by the U.S. Government. The principal and interest income from these invested funds are used to service the debt of the refunded issue. Neither the escrow fund nor the Series 1979 bonds payable are shown in the accompanying balance sheets. Series 1979 bonds payable outstanding were $28,415,000 at December 31, 1999 and 1998. The Series 1985 bonds were advance refunded through issuance of the Series, 1986 bonds and the Series 1993 bonds as discussed below.

Series 1986 Bonds

In 1986, the Medical Center issued $48,000,000 of Hospital Revenue and Refunding Bonds (Series 1986) to be repayable from the revenues of the Medical Center. Additionally, the trustee of the bond issue is entitled to draw up to an amount sufficient to pay the outstanding principal of and up to 58 days of accrued interest on the bonds under a transferable irrevocable letter of credit. Proceeds of the Series 1986 Bonds were used to provide funding for certain construction and equipment acquisitions at the Medical Center and advance refund certain debt issues. Approximately $14,807,000 in proceeds from this issue and approximately $22,599,000 from amounts held in connection with the advance refunded Series 1979 bonds were deposited with an escrow trustee and invested in obligations secured by the U. S. Government for redemption of $30,710,000 of Series 1985 Hospital Revenue Bonds. The principal and interest from these investments are used to service the advance-refunded bonds payable. The Series 1985 Bonds were called effective January 1, 1995 in accordance with the escrow agreements.

LPFA - 1988 Loan

During 1988, the Medical Center entered into a loan agreement with the Louisiana Public Facilities Authority to obtain financing of $59,500,000 to refund the Series 1986 bonds and finance the cost of providing improvements and equipment for the Medical Center. Loan proceeds of $48,000,000 were placed in escrow to provide for the future advance refunding of the Series 1986 bonds and to fund the debt servicing requirements of the related liability prior to the refunding. Amounts in the escrow fund will be used to redeem the Series 1986 bonds on any date directed by the Medical Center on or before December 1, 2001. Prior to redemption of the Series 1986 bonds, the interest on borrowed funds deposited in the escrow fund is payable solely from investments and earnings of the escrow fund. The Series 1988 Bonds were defeased in July 1998 and matured in December 1998. An extraordinary loss on this refinancing of $2,993,997 is included in the statement of revenues and expenses for the year ended December 31, 1998.

LPFA - 1991 Loan

During 1991, the Medical Center borrowed $20,000,000 through the Louisiana Public Facilities Authority CP Program Hospital Equipment Financing and Refunding Bonds (Series 1985-A) Program.

Series 1993 Bonds

In January 1994, the Medical Center completed the issuance of $55,265,000 of Hospital Revenue Bonds (Series 1993) to provide funds to (1) advance refund $13,340,000 of the Series 1985 Hospital Revenue Bonds, (2) advance refund $9,275,000 of the Series 1988 Bonds (3) finance acquisition, construction improvements, renovations and expansions of the Medical Center and (4) finance the costs incurred in connection with the issuance of the Bonds. The 1993 Bonds have fixed rates of interest at an average yield of 5.67% and are due in varying installments through 2019. Pursuant to Section 148 of the Internal Revenue Code (IRC), arbitrage rebate calculations indicate no cumulative arbitrage liability on the Series 1993 Bonds as of December 31, 1999.

Series 1998 Bonds

In September 1998, the Medical Center completed the issuance of $66,310,000 of Hospital Revenue Bonds (Series 1998) consisting of $41,310,000 Fixed Rate Hospital Revenue Bonds, Series 1998A and $25,000,000 Variable Rate Hospital Revenue Bonds, Series 1998B to provide funds to 1) reimburse the Medical Center for certain capital expenditures previously incurred by the District, 2) finance the acquisition, construction improvements, renovations and expansions of the Medical Center and furniture, fixtures and equipment, 3) finance the costs associated with the acquisition and construction of an outpatient surgical and diagnostic facility and 4) finance the cost of acquisition and construction of a family medicine facility. The Series 1998A Bonds have fixed rates of interest at an average yield of 5.25% and are due in varying installments through 2021. The Series 1998B Bonds have a variable rate of interest and are due in varying installments through 2028. Pursuant to Section 148 of the Internal Revenue Code (IRC), arbitrage rebate calculations indicate no cumulative arbitrage liabilities on the Series 1998 Bonds as of December 31, 1999.

Effective October 14, 1998, the Medical Center entered into a floating-to-fixed interest rate swap agreement with an investment bank (the counterparty) on a notional amount of $25,000,000. Under this agreement, the Medical Center made fixed interest payments at a rate of 4.42%, while receiving a floating interest payment at a rate based on TBMA index. The swap has a thirty (30) year final maturity, although after ten (10) years, if the trailing 90-day average of the TBMA exceeds 7%, the counterparty may opt to terminate the swap. The Medical Center terminated the swap agreement in October 1999 and recognized a gain of $880,000 which is recorded as investment income in the statements of revenues and expenses and fund balance at December 31, 1999.

5. MALPRACTICE INSURANCE:

During 1976, the State of Louisiana enacted legislation that created a statutory limit of $500,000 for each medical professional liability claim and established the Louisiana Patient Compensation Fund (State Insurance Fund) to provide professional liability insurance to participating health care providers. The constitutionality of the statutory limit has been tested and sustained to date although additional challenges may be made in the future.

The Service District participates in the State Insurance Fund, which provides up to $400,000 coverage for settlement amounts in excess of $100,000 per claim. The Service District is self-insured with respect to the first $100,000 of each claim and has excess insurance coverage with an annual aggregate limit of $11,000,000 in excess of an annual deductible of $1,500,000. In addition, the Service District is insured for claims under $100,000 to the extent they exceed an annual aggregate of $500,000.

Malpractice suits involving claims of varying amounts have been filed against the Service District by various claimants. These actions are in various stages of processing and some may ultimately be tried before juries. The Service District believes the ultimate resolution of these claims will not have a material adverse effect on the Service District financial position or results of operations.

6. GOVERNMENTAL REGULATIONS:

The healthcare industry is subject to numerous laws and regulations of Federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers in recent years. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Service District is in compliance with fraud and abuse as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Legislation and regulation at all levels of government have affected and are likely to continue to affect the operation of the Service District. Federal healthcare reform legislation proposals debated in Congress in recent years have included significant reductions in Medicare and Medicaid program reimbursement to hospitals and the promotion of a restructured delivery and payment system focusing on competition among providers based on price and quality, managed care, and steep discounting or capitated payment arrangements with many, if not all, of the Service District's principal payors. It is not possible at this time to determine the impact on the Service District of government plans to reduce Medicare and Medicaid spending, government implementation of national and state healthcare reform or market-initiated delivery system and/or payment methodology changes. However, such changes could have an adverse impact on operating results, cash flows and estimated debt service coverage of the Service District in future years.

7. EMPLOYEE BENEFITS:

Retirement Plan Description

The Service District contributes to the Retirement Plan for Employees of West Jefferson Medical Center (the Plan) which is a single-employer, noncontributory defined benefit pension public employee retirement system (PERS) which covers substantially all employees who meet certain length of service requirements. The Service District's total payroll for all employees and the Service District's total covered payroll for the year ended December 31,1999, amounted to approximately $53,901,000 and $41,391,000, respectively, and $52,154,000 and $40,632,000, respectively, for the year ended December 31, 1998. Covered payroll refers to all compensation paid by the Service District to active employees covered by the plan on which contributions to the plan are based.

The Service District's PERS provides retirement benefits as well as death and disability benefits. Benefits do not vest until after ten years of service at which time benefits are 100% vested. The normal form of retirement benefit at age 65 is an actuarially equivalent joint and 50% contingent benefit payable for life in an amount approximating the sum of (1) 1.2% of final average monthly compensation multiplied by the number of years of credited service not in excess of thirty and (2) .65% of final average monthly compensation in excess of "covered" compensation multiplied by the number of years of credited service. The Plan issues a publicly available financial report that includes financial statements and required supplemental information.

Employer contributions to the Plan are invested primarily in equity and fixed income funds.

Funding Status

The amount shown below as pension benefit obligation was determined as part of an actuarial valuation as of January 1, 2000 and represents a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the Plan's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons with other plans.

Annual Pension Cost and Net Pension Obligation:

Annual required contribution	$ 794,067
Adjustment to annual required contribution	-
Annual pension cost	794,067
Contribution made	(794,067)
Increase in net pension obligation	-
Net pension obligation beginning of year	-
Net pension obligation end of year	$ -

Significant actuarial assumptions used in the valuation include a rate of return on the investment of present and future assets of 8.5% per year, compounded annually, and projected salary increases based on merit of 5% per year.

Contributions

The funding policy of the PERS provides for periodic employer contributions at actuarially determined rates that are sufficient to fund normal costs and amortization of past service costs over 30 years. The actuarially determined contribution requirement accrued in 1999 (to be paid in 2000) was $794,067 and the contribution actually made in 1999 (accrued in 1998) was $1,039,785. The actuarial amount of assets in excess of liabilities at January 1, 2000 was $4,369,565.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension benefit obligation.

Trend Information

Historical trend information as of January 1 is presented below in order to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

Fiscal Year Ended	*Annual Pension Cost (APC)*	*Percentage of APC Contributed*	*Net Pension Obligation*
12/31/97	$ 911,398	$100%	$ -
12/31/98	1,039,785	100%	-
12/31/99	794,067	100%	-

The 1999 audited financial statements of the Plan include certain required supplementary information related to net actuarial value of assets and accrued liabilities, funded ratio and annual covered payroll.

Executive Benefits

The Service District provides a supplemental executive retirement plan (SERP) as well as a contributory flexible benefit plan to certain key employees. Service District contributions to the plans were $171,000 in 1999 and $205,000 in 1998. Net assets and liabilities associated with the plans were approximately $2,389,000 and $3,552,000 at December 31, 1999 and 1998, respectively, and are included in current assets and liabilities in the accompanying financial statements.

8. CONCENTRATIONS OF CREDIT RISK:

The Service District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31,1999 and 1998, was as follows:

	1999	1998
Medicare	25%	27%
Medicaid	15%	12%
Managed Care	35%	34%
Other third-party payors	21%	17%
Patients	4%	10%
	100%	100%

ARTHUR ANDERSEN

INDEPENDENT AUDITORS' REPORT

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Parish Council of Jefferson Parish:

We have audited the financial statements of Jefferson Parish Hospital Service District No. 1 (the Service District – a component unit of Jefferson Parish, Louisiana) as of and for the year ended December 31, 1999, and have issued our report thereon dated March 3, 2000. We conducted our audit in accordance with generally accepted auditing standards in the United States 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 Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provision 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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Service District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee and management, however, this report is a matter of public record and its distribution is not limited.

Arthur Andersen LLP

New Orleans, Louisiana,
March 3, 2000

ARTHUR ANDERSEN

RETIREMENT PLAN FOR EMPLOYEES OF
WEST JEFFERSON MEDICAL CENTER

FINANCIAL STATEMENTS
AS OF DECEMBER 31, 1999 AND 1998
TOGETHER WITH AUDITORS' REPORT

ARTHUR ANDERSEN

Arthur Andersen LLP
Suite 4500
201 St Charles Avenue
New Orleans LA 70170-4500
Tel 504 581 5454
Fax 504 582 1399

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Retirement Plan for Employees of
West Jefferson Medical Center:

We have audited the accompanying financial statements and supporting schedules of the Retirement Plan for Employees of West Jefferson Medical Center (the Plan) as of and for the years ended December 31, 1999 and 1998. These financial statements and supporting schedules are the responsibility of the Plan'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 in the United States and *in accordance with the standards for financial audits contained in Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 and supporting schedules referred to above present fairly, in all material respects, the financial position of the Plan at December 31, 1999 and 1998 and the changes in its financial position for the years then ended in conformity with generally accepted accounting principles in the United States.

In accordance with Government Auditing Standards, we have also issued a report on our consideration of the Service District's compliance and internal control other financial reporting dated March 3, 2000.

New Orleans, Louisiana,
March 3, 2000

Arthur Andersen LLP

RETIREMENT PLAN FOR EMPLOYEES OF

WEST JEFFERSON MEDICAL CENTER

STATEMENTS OF PLAN NET ASSETS

DECEMBER 31, 1999 AND 1998

	1999	1998
ASSETS:		
Fixed income funds	$ 6,464,677	$ 10,958,650
Equity funds	29,671,114	20,905,899
Cash equivalents	6,491,996	5,833,680
Employer contributions receivable	794,067	1,039,785
Accrued income receivable	64,014	66,197
	43,485,868	38,804,211
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 43,485,868	$ 38,804,211

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

RETIREMENT PLAN FOR EMPLOYEES OF

WEST JEFFERSON MEDICAL CENTER

STATEMENTS OF CHANGES IN PLAN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999	1998
ADDITIONS:		
Employer contributions	$ 794,067	$ 1,039,785
Investment income	4,972,753	5,542,924
Total additions	5,766,820	6,582,709
DEDUCTIONS:		
Benefits paid to participants and beneficiaries	1,031,318	745,916
Administrative expenses	53,845	47,407
Total deductions	1,085,163	793,323
NET INCREASE	4,681,657	5,789,386
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, beginning of year	38,804,211	33,014,825
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, end of year	$ 43,485,868	$ 38,804,211

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

RETIREMENT PLAN FOR EMPLOYEES OF

WEST JEFFERSON MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

1. PLAN DESCRIPTION:

General

West Jefferson Medical Center operates under the jurisdiction of the Parish Council of Jefferson Parish, Louisiana (the Parish) as Jefferson Parish Hospital Service District No. 1. A Louisiana Attorney General opinion empowers hospital service districts to create pension plans for officers and employees and to fund the plan with district funds. The Retirement Plan for Employees of West Jefferson Medical Center (the Plan) is a single-employer, non-contributory, defined benefit public employee retirement system (PERS). The Plan covers substantially all employees of West Jefferson Medical Center (the Employer) who meet certain length of service requirements and is funded through employer contributions and investment earnings. As a governmental entity, the Plan provides disclosures required by the Governmental Accounting Standards Board.

Plan Membership

At December 31, the Plan's membership consisted of:

	1999	1998
Active employees	1,386	1,345
Retirees and beneficiaries currently receiving benefits	226	192
Terminated employees entitled to, but not yet receiving, benefits	240	211
Total plan participants	1,852	1,748

Eligibility Requirements

An employee is eligible to participate in the Plan as of the date he or she has completed one year of service and attained the age of 21.

Benefits

Retirement

The Plan provides retirement benefits as well as death and disability benefits. All benefits are fully vested after 10 years of credited service. The basic annual retirement benefit at age 65 is a benefit payable for life in an amount equal to the number of years of credited service up to 30 years, multiplied by the sum of (1) 1.2% of final average monthly compensation and (2) .65% of final average monthly compensation in excess of "covered compensation," which is defined as the average of the Social Security Taxable Wage Base for the 35-year period ending the year in which social security normal retirement age is attained. Final average monthly compensation is defined as the monthly compensation of a participant averaged over the 5 consecutive calendar years which produces the highest monthly average within the last 10 calendar years preceding the earlier of retirement or termination of employment. Employees with 10 years of credited service may elect to receive a reduced benefit beginning at age 55.

Deferred and Disability Benefits

A Plan member leaving employment after 10 years of credited service but before attaining retirement age or who ceases active employment because of total and permanent disability after 10 years of credited service but before attaining retirement age is eligible for deferred benefits or may elect to receive reduced benefits beginning on the early retirement date.

Survivor Benefits

The survivor benefit provided under the Plan is a death benefit for a vested participant payable in the form of a survivor annuity. Such annuity payments are generally equal to 50% of the amount which would be payable to the participant if he had survived and elected to commence receiving a retirement income at the earliest date allowed under the plan.

Contributions

The Employer is required to contribute amounts necessary to provide the benefits under the Plan determined by the application of accepted actuarial methods and assumptions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES:

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting.

Employer Contributions

Employer contributions are recognized as revenues in the period in which employee services are performed.

Investments

The assets of the Plan are invested in various fixed income, equity and short-term money market funds managed by a trustee. Investments are carried at fair value as reported by the Trustee.

Administrative Expenses

All administrative expenses of the Plan are paid by the Plan.

3. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE:

The funding policy of the Plan provides for periodic employer contributions at actuarially determined rates that are sufficient to pay benefits when due. The actuarial funding method used to determine the normal cost and the unfunded actuarial accrued liability, amortized over 30 years, for purposes of determining contribution requirements is the entry age normal cost method. The significant actuarial assumptions underlying the actuarial method used to compute the contribution requirements are the same as those used to compute the pension benefit obligation.

The actuarially determined contribution requirement for 1999, accrued by the employer and to be received by the Plan in 2000, was $794,067. The actual contribution paid by the Employer during 1999 relating to the 1998 contribution requirement was $1,039,785. The 1999 contribution requirement consisted of (a) $808,464 normal cost, (b) $76,605 amortization of the unfunded actuarial accrued liability and (c) $62,208 net interest cost.

4. INVESTMENTS:

The Plan has adopted certain investment policies, objectives, rules and guidelines which are intended to protect and preserve the Plan's assets while providing an appropriate return. The targeted overall mix of plan investments to meet these objectives are outlined below:

Investment Class	Target
Long-term bonds	15%
Intermediate bonds	20%
High-cap equity	45%
Growth equities	15%
Money market	5%

The fair value of individual investments that represent 5% or more of the Plan's total net assets as of December 31, 1999 is as follows:

Federated U. S. Government Trust Institutional Fund	$6,464,677
Vanguard Fixed Income Securities Fund	3,865,117
Federated Growth Strategies Fund	4,032,806
Vanguard Institutional Index Fund	21,773,192
Marquis Treasury Securities Money Market Fund	6,491,997

5. HISTORIAL TREND INFORMATION:

Historical trend information designed to provide information about the Plan's progress made in accumulating sufficient assets to pay benefits when due to presented as Schedules 1 and 2.

RETIREMENT PLAN FOR EMPLOYEES OF

WEST JEFFERSON MEDICAL CENTER

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

DECEMBER 31, 1999

(1) Actuarial Valuation Date	(2) Value of Assets (AVA)	(3) Actuarial Accrued Liability (AAL)	(4) Unfunded Actuarial Accrued (Prefunded) Liability (UAAL) (3) - (2)	(5) Funded Ratio (2)/(3)	(6) Annual Covered Payroll	(7) UAAL as Percent of Payroll (4)/(6)
01/01/93	$ 16,915,000	$ 19,973,478	$ 3,058,478	84.7%	$ 29,810,785	10.3%
01/01/94	19,000,000	22,683,471	3,683,471	83.8%	32,015,331	11.5%
01/01/95	19,588,000	25,934,315	6,346,315	75.5%	36,983,844	17.2%
01/01/96	23,743,000	27,596,935	3,853,935	86.0%	38,038,967	10.1%
01/01/97	28,228,000	29,532,330	1,304,330	95.6%	37,269,213	3.5%
01/01/98	32,500,000	34,223,220	1,723,220	95.0%	40,276,838	4.3%
01/01/99	37,000,000	36,106,755	(893,245)	102.5%	40,631,521	-2.2%
01/01/00	43,400,000	39,030,435	(4,369,565)	111.2%	41,390,579	-10.6%

RETIREMENT PLAN FOR EMPLOYEES OF

WEST JEFFERSON MEDICAL CENTER

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

DECEMBER 31, 1999

Fiscal Year	Annual Required Contribution	Percentage Contributed
1992	$ 998,714	100%
1993	967,683	100%
1994	1,047,919	100%
1995	1,419,308	100%
1996	1,140,375	100%
1997	911,398	100%
1998	1,039,785	100%
1999	794,067	100%*

*Expected to contribute by 4/30/2000.

RETIREMENT PLAN FOR EMPLOYEES OF

WEST JEFFERSON MEDICAL CENTER

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 1999

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2000
Actuarial cost method	Entry Age Normal
Amortization method	Level payments open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	5.00%
Cost-of-living adjustments	None