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Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
"LaSalle General Hospital"
Financial Statements
And
Independent Auditors' Report
Years Ended September 30, 1999, 1998 and 1997

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

MAR 7 5 2000

Release Date _____

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Hospital Service District No. 2
of the Parish of LaSalle,
State of Louisiana
("LaSalle General Hospital")
Jena, Louisiana

We have audited the accompanying general purpose financial statements of LaSalle General Hospital, (the Hospital), as of and for the years ended September 30, 1999, 1998 and 1997, listed in the foregoing table of contents. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of LaSalle General Hospital as of September 30, 1999, 1998 and 1997, and the results of its operations and cash flows of its proprietary fund for the years then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated November 15, 1999, on our consideration of the Hospital's internal control structure and on its compliance with laws and regulations.

Our audits were performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

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

The Hospital has not presented the disclosures required by Governmental Accounting Standards Board Technical Bulletin 98-1, "Disclosures about Year 2000 issues," as amended by Governmental Accounting Standards Board Technical Bulletin 99-1, that the Governmental Accounting Standards Board has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the Hospital is or will become Year 2000 compliant; whole or in part; or that parties with which the Hospital does business are or will become 2000 compliant.

Lester, Miller & Wells

Certified Public Accountants

November 15, 1999

LaSalle General Hospital
Balance Sheets - Unrestricted Fund
September 30, 1999, 1998 and 1997

ASSETS	<u>1999</u>	<u>1998</u>	<u>1997</u>
Current assets:			
Cash and cash equivalents (Note 3)	\$ 418,029	\$ 252,931	\$ 161,419
Investments (Note 4)	2,199,278	2,892,972	3,107,925
Accounts receivable, net of estimated uncollectibles (Note 6)	2,215,815	1,783,952	1,854,942
Inventory	215,633	204,729	198,514
Prepaid expenses	<u>40,740</u>	<u>54,404</u>	<u>62,756</u>
Total current assets	<u>5,089,495</u>	<u>5,188,988</u>	<u>5,385,556</u>
Assets whose use is limited under bond covenant agreement (Note 5)	652,823	630,563	605,345
Property, plant and equipment, net (Note 7)	5,265,108	5,111,901	4,520,749
Other assets (Note 8)	<u>7,153</u>	<u>7,153</u>	<u>7,153</u>
Total assets	<u>\$11,014,579</u>	<u>\$10,938,605</u>	<u>\$10,518,803</u>
LIABILITIES AND FUND BALANCE			
Current liabilities:			
Current maturities of long-term debt	\$ 215,000	\$ 205,000	\$ 202,844
Accounts payable	350,683	227,793	354,755
Accrued expenses and withholdings payable (Note 9)	406,731	365,356	317,962
Retirement payable	<u>210,000</u>	<u>157,129</u>	<u>148,722</u>
Total current liabilities	<u>1,182,414</u>	<u>955,278</u>	<u>1,024,283</u>
Long-term debt, net of current maturities (Note 12)	<u>740,000</u>	<u>945,000</u>	<u>1,150,000</u>
Total liabilities	<u>1,922,414</u>	<u>1,900,278</u>	<u>2,174,283</u>
Fund balance - unrestricted	<u>9,092,165</u>	<u>9,038,327</u>	<u>8,344,520</u>
Total liabilities and fund balance	<u>\$11,014,579</u>	<u>\$10,938,605</u>	<u>\$10,518,803</u>

See accompanying notes to financial statements.

LaSalle General Hospital
 Statements of Operations - Unrestricted Fund
 Years Ended September 30, 1999, 1998 and 1997

	1999	1998	1997
Revenue:			
Net patient service revenue	\$ 9,734,842	\$ 9,279,319	\$ 8,654,057
Gain (loss) on disposal of equipment	24,383	493	1,300
Other revenue	<u>747,608</u>	<u>754,971</u>	<u>777,910</u>
 Total revenue	 <u>10,506,833</u>	 <u>10,034,783</u>	 <u>9,433,267</u>
Expenses:			
Salaries and benefits	5,628,985	5,086,669	4,865,564
Medical supplies and drugs	969,422	796,700	829,376
Insurance	166,633	207,649	219,077
Professional fees	1,298,697	1,206,289	1,187,056
Other expenses	1,475,774	1,444,420	1,403,385
Provision for bad debts	638,807	395,333	488,423
Depreciation and amortization	355,020	313,536	300,245
Interest	<u>52,051</u>	<u>61,308</u>	<u>72,817</u>
 Total expenses	 <u>10,585,389</u>	 <u>9,511,904</u>	 <u>9,365,943</u>
 Operating income (loss)	 (78,556)	 522,879	 67,324
Nonoperating income			
Interest income	<u>132,394</u>	<u>170,928</u>	<u>168,848</u>
 Excess of revenues over expenses	 <u>\$ 53,838</u>	 <u>\$ 693,807</u>	 <u>\$ 236,172</u>

See accompanying notes to financial statements.

LaSalle General Hospital
 Statements of Changes in Fund Balances - Unrestricted Fund
 Years Ended September 30, 1999, 1998 and 1997

	<u>Unrestricted</u>
Fund balance, September 30, 1996	\$ 8,108,348
Excess of revenues over expenses	<u>236,172</u>
Fund balance, September 30, 1997	8,344,520
Excess of revenues over expenses	<u>693,807</u>
Fund balance, September 30, 1998	9,038,327
Excess of revenues over expenses	<u>53,838</u>
Fund balance, September 30, 1999	<u>\$ 9,092,165</u>
 COMPOSITION OF FUND BALANCE AT SEPTEMBER 30, 1998:	
Contributions	\$ 2,581,443
Accumulated excess of revenues over expenses	<u>6,510,722</u>
Total fund balance	<u>\$ 9,092,165</u>

See accompanying notes to financial statements.

LaSalle General Hospital
 Statements of Cash Flows - Unrestricted Fund
 Years Ended September 30, 1999, 1998 and 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Cash flows from operating activities:			
Operating income (loss)	\$ (78,556)	\$ 522,879	\$ 67,324
Interest expense considered capital financing activity	52,051	61,308	77,442
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	355,020	313,536	300,253
Provision for bad debts	638,807	395,333	488,423
(Gain) loss on disposal of assets	(24,383)	(493)	(1,300)
(Increase) decrease in:			
Net patient accounts receivable	(982,175)	(411,749)	(864,511)
Estimated third party payor settlements	(88,318)	88,808	288,351
Inventory	(10,904)	(6,215)	(2,893)
Prepaid expenses	13,664	8,352	11,394
Other receivables	(177)	(1,402)	14,222
Increase (decrease) in:			
Accounts payable	122,890	(126,962)	111,814
Accrued expenses and withholdings payable	30,337	47,394	(10,053)
Estimated third party payor settlements	11,038	-0-	-0-
Retirement payable	<u>52,871</u>	<u>8,407</u>	<u>5,378</u>
Net cash provided by operating activities	<u>92,165</u>	<u>899,196</u>	<u>485,844</u>
Cash flows from investing activities:			
Purchase of investments	(2,199,278)	(2,892,972)	(3,107,925)
Proceeds from investing activities	2,892,972	3,107,925	2,707,063
Investment income	<u>109,890</u>	<u>145,883</u>	<u>146,092</u>
Net cash provided (used) by investing activities	<u>\$ 803,584</u>	<u>\$ 360,836</u>	<u>\$ (254,770)</u>

See accompanying notes to financial statements.

LaSalle General Hospital
 Statements of Cash Flows (Continued)
 Unrestricted Fund
 Years Ended September 30, 1999, 1998 and 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Cash flows from capital and related financing activities:			
Purchase of property and equipment	\$ (507,983)	\$ (904,688)	\$ (425,640)
Proceeds from sales of capital assets	24,383	493	1,300
Purchase of investments - bond reserves	(518,413)	(496,082)	(471,152)
Principal paid on long-term debt	(195,000)	(202,844)	(194,738)
Interest paid on long-term debt	(52,051)	(61,308)	(77,442)
Proceeds from investments - bond reserves	495,909	470,864	448,107
Investment income	<u>22,504</u>	<u>25,045</u>	<u>22,757</u>
Net cash used by capital and related financing activities	<u>(730,651)</u>	<u>(1,168,520)</u>	<u>(696,808)</u>
Net increase (decrease) in cash and cash equivalents	165,098	91,512	(465,734)
Cash and cash equivalents, beginning of year	<u>252,931</u>	<u>161,419</u>	<u>627,153</u>
Cash and cash equivalents, end of year	<u>\$ 418,029</u>	<u>\$ 252,931</u>	<u>\$ 161,419</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	<u>\$ 52,051</u>	<u>\$ 61,308</u>	<u>\$ 77,442</u>
Asset obtained under capital lease	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See accompanying notes to financial statements.

LaSalle General Hospital
Hospital Enterprise Fund
Notes to Financial Statements
Years Ended September 30, 1999, 1998 and 1997

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

LaSalle Parish Hospital Service District No. 2, State of Louisiana (referred to as "the District") was created in 1968 by the LaSalle Parish Police Jury.

The District is a political subdivision of the LaSalle Parish Police Jury whose jurors are elected officials. Its five Commissioners are appointed by the LaSalle Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the LaSalle Parish Police Jury is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the LaSalle Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

Nature of Business

The District provides outpatient, emergency, skilled nursing, acute inpatient hospital services and home health services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Enterprise Fund

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Method of Accounting

The District uses the accrual method of accounting. Revenue is reported when earned, net of the provision for contractual adjustments based upon each payor's agreement with the District. Hospital accounting and reporting procedures conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the Louisiana Governmental Audit Guide, the AICPA Audit and Accounting Guide - Health Care Organizations, published by the American Institute of Certified Public Accountants, and standards set by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

LaSalle General Hospital
Hospital Enterprise Fund
Notes to Financial Statements
Years Ended September 30, 1999, 1998 and 1997

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The entity is a political subdivision and exempt from taxation.

Credit Risk

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

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

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Significant Concentration of Economic Dependence

The District has an economic dependence on a small number of staff physicians. Several physicians admit the majority of the District's patients.

Inventory

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

Statement of Revenues and Expenses

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

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 District uses straight-line depreciation for financial reporting and third party reimbursement. The following estimated useful lives are generally used.

LaSalle General Hospital
Hospital Enterprise Fund
Notes to Financial Statements
Years Ended September 30, 1999, 1998 and 1997

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

Buildings	25 to 40 years
Machinery and Equipment	5 to 20 years
Furniture and Fixtures	5 to 15 years

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

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

Changes in Reporting Classifications

The classification of certain prior year amounts have been changed to reflect consistent reporting when compared to current year balances. The financial statement format has been changed to reflect changes in the AICPA Audit and Accounting Guide - Health Care Organizations, issued May 1, 1998.

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist primarily of deposits in checking, money market and certificates of deposits with original maturities of 90 days or less. The following is a summary of cash and cash equivalents:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Petty cash	\$ 985	\$ 985	\$ 985
Checking and Savings	<u>417,044</u>	<u>251,946</u>	<u>160,434</u>
Total	<u>\$ 418,029</u>	<u>\$ 252,931</u>	<u>\$ 161,419</u>

Two hundred thousand dollars of the above amount is covered by federal depository insurance. The remaining balance, with the exception of petty cash, is covered by collateral held by the pledging financial institution's trust departments in the District's name.

NOTE 4 - INVESTMENTS

The District considers certificates of deposit with original maturities in excess of 90 days to be temporary cash investments. These certificates of deposit were covered by collateral held by the pledging financial institution's trust departments in the District's name.

LaSalle General Hospital
Hospital Enterprise Fund
Notes to Financial Statements
Years Ended September 30, 1999, 1998 and 1997

NOTE 5 - ASSETS WHOSE USE IS LIMITED

Assets whose use is limited consists of the following items at September 30:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Revenue Bond Sinking Fund	\$ 134,410	\$ 134,654	\$ 134,481
Revenue Bond Reserve Fund	<u>518,413</u>	<u>495,909</u>	<u>470,864</u>
Total	<u>\$ 652,823</u>	<u>\$ 630,563</u>	<u>\$ 605,345</u>

The Revenue Bond Sinking Fund and Revenue Bond Reserve Fund were required by the Farmers Home Administration revenue bond contract. Monthly transfers from the operating account are required by the revenue bond agreement.

NOTE 6 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Patients	\$ 2,363,728	\$ 1,988,472	\$ 2,095,966
Estimated third-party payor settlements	149,455	61,137	149,945
Other receivables	<u>35,176</u>	<u>34,999</u>	<u>33,597</u>
	2,548,359	2,084,608	2,279,508
Estimated uncollectibles	<u>(332,544)</u>	<u>(300,656)</u>	<u>(424,566)</u>
Total	<u>\$ 2,215,815</u>	<u>\$ 1,783,952</u>	<u>\$ 1,854,942</u>

The District generates a substantial portion of its charges from the Medicare and Medicaid programs at discounted rates. A summary of gross Medicare and Medicaid charges for the years ended September 30, 1999, 1998 and 1997 follows:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Medicare patients	\$16,365,439	\$13,366,078	\$13,918,793
Medicaid patients	<u>1,545,760</u>	<u>1,554,635</u>	<u>1,547,680</u>
Total	<u>\$17,911,199</u>	<u>\$14,920,713</u>	<u>\$15,466,473</u>
Percent of all patients	<u>87%</u>	<u>85%</u>	<u>91%</u>

LaSalle General Hospital
Hospital Enterprise Fund
Notes to Financial Statements
Years Ended September 30, 1999, 1998 and 1997

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended September 30, 1999:

	<u>ASSET COST</u>			September 30, <u>1999</u>
	September 30, <u>1998</u>	<u>Additions</u>	<u>Deletions</u>	
Land	\$ 60,328	\$ 65,000	\$ -0-	\$ 125,328
Land improvements	179,045	-0-	-0-	179,045
Buildings and fixed equipment	8,441,279	185,395	-0-	8,626,674
Moveable equipment	<u>2,246,837</u>	<u>257,832</u>	<u>588</u>	<u>2,504,081</u>
Total	<u>\$10,927,489</u>	<u>\$ 508,227</u>	<u>\$ 588</u>	<u>\$11,435,128</u>

	<u>ACCUMULATED DEPRECIATION</u>			September 30, <u>1999</u>
	September 30, <u>1998</u>	<u>Additions</u>	<u>Deletions</u>	
Land improvements	\$ 137,694	\$ 5,360	\$ -0-	\$ 143,054
Buildings and fixed equipment	3,941,159	215,177	-0-	4,156,336
Moveable equipment	<u>1,736,735</u>	<u>134,483</u>	<u>588</u>	<u>1,870,630</u>
Total	<u>\$ 5,815,588</u>	<u>\$ 355,020</u>	<u>\$ 588</u>	<u>\$ 6,170,020</u>

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended September 30, 1998:

	<u>ASSET COST</u>			September 30, <u>1998</u>
	September 30, <u>1997</u>	<u>Additions</u>	<u>Deletions</u>	
Land	\$ 60,328	\$ -0-	\$ -0-	\$ 60,328
Land improvements	166,020	13,025	-0-	179,045
Buildings and fixed equipment	7,748,199	983,113	290,033	8,441,279
Moveable equipment	<u>2,057,787</u>	<u>198,583</u>	<u>9,533</u>	<u>2,246,837</u>
Total	<u>\$10,032,334</u>	<u>\$ 1,194,721</u>	<u>\$ 299,566</u>	<u>\$10,927,489</u>

	<u>ACCUMULATED DEPRECIATION</u>			September 30, <u>1998</u>
	September 30, <u>1997</u>	<u>Additions</u>	<u>Deletions</u>	
Land improvements	\$ 133,885	\$ 3,809	\$ -0-	\$ 137,694
Buildings and fixed equipment	3,738,203	202,956	-0-	3,941,159
Moveable equipment	<u>1,639,497</u>	<u>106,771</u>	<u>9,533</u>	<u>1,736,735</u>
Total	<u>\$ 5,511,585</u>	<u>\$ 313,536</u>	<u>\$ 9,533</u>	<u>\$ 5,815,588</u>

LaSalle General Hospital
Hospital Enterprise Fund
Notes to Financial Statements
Years Ended September 30, 1999, 1998 and 1997

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended September 30, 1997:

	<u>ASSET COST</u>			
	September 30, <u>1996</u>	<u>Additions</u>	<u>Deletions</u>	September 30, <u>1997</u>
Land	\$ 58,263	\$ 2,065	\$ -0-	\$ 60,328
Land improvements	163,824	2,196	-0-	166,020
Buildings and fixed equipment	7,426,367	321,832	-0-	7,748,199
Moveable equipment	<u>1,958,240</u>	<u>99,547</u>	<u>-0-</u>	<u>2,057,787</u>
Total	<u>\$ 9,606,694</u>	<u>\$ 425,640</u>	<u>\$ -0-</u>	<u>\$10,032,334</u>

	<u>ACCUMULATED DEPRECIATION</u>			
	September 30, <u>1996</u>	<u>Additions</u>	<u>Deletions</u>	September 30, <u>1997</u>
Land improvements	\$ 130,256	\$ 3,629	\$ -0-	\$ 133,885
Buildings and fixed equipment	3,543,061	195,142	-0-	3,738,203
Moveable equipment	<u>1,538,014</u>	<u>101,483</u>	<u>-0-</u>	<u>1,639,497</u>
Total	<u>\$ 5,211,331</u>	<u>\$ 300,254</u>	<u>\$ -0-</u>	<u>\$ 5,511,585</u>

NOTE 8 - OTHER ASSETS

Other assets consist of silver recovered from x-ray films and converted to silver bars, carried at an estimated value at September 30, 1999, 1998 and 1997 of \$7,153.

NOTE 9 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

Accrued expenses and withholdings payable at September 30 consist of the following:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Accrued employee insurance payable	\$ 80,428	\$ 68,986	\$ 50,015
State unemployment taxes payable	733	6,091	7,621
Accrued interest payable	26,687	32,137	38,131
Accrued salaries and fees payable	108,555	93,285	78,057
Accrued compensated absences	172,686	159,559	136,318
Payroll withholdings	6,604	5,298	7,820
Third party payable	<u>11,038</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$ 406,731</u>	<u>\$ 365,356</u>	<u>\$ 317,962</u>

LaSalle General Hospital
Hospital Enterprise Fund
Notes to Financial Statements
Years Ended September 30, 1999, 1998 and 1997

NOTE 10 - COMPENSATED ABSENCES

Employees of the District are entitled to paid vacation and sick days depending on job classification, length of service and other factors. It is impracticable to estimate the amount of accrued compensation for future unvested sick days and, accordingly, no liability has been recorded in the accompanying financial statements. However, vested vacation, sick and paid days off have been recorded as a liability in the accompanying financial statements at employee earning rates in effect at the balance sheet date.

NOTE 11 - PENSION PLAN

The District has a qualified contributory defined contribution plan providing retirement benefits for substantially all of its employees. Annually, the District contributes 5.1 percent of the salary of eligible employees to the plan. The plan administrator is ITT Hartford. For the year ended September 30, 1999, employee contributions were \$253,842 and employer contributions were \$210,000.

NOTE 12 - LONG-TERM DEBT

A summary of long-term debt, including capital lease obligations at September 30, 1999, 1998 and 1997 follows:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
5.0 percent revenue bonds due March 10, 2003, collateralized by a pledge of the District's revenues	\$ 955,000	\$ 1,150,000	\$ 1,345,000
Capital lease obligation at 6.75 percent, collateralized by lease equipment with a cost of \$28,931 at September 30, 1997	_____ -0-	_____ -0-	_____ 7,844
Total long-term debt	955,000	1,150,000	1,352,844
Less current maturities of long-term debt	<u>215,000</u>	<u>205,000</u>	<u>202,844</u>
Long-term debt net of current maturities	\$ <u>740,000</u>	\$ <u>945,000</u>	\$ <u>1,150,000</u>

A table of annual debt service requirements follows:

<u>Years Ending September 30,</u>	<u>Revenue Bonds</u>
2000	\$ 215,000
2001	230,000
2002	245,000
2003	<u>265,000</u>
Total	\$ <u>955,000</u>

LaSalle General Hospital
Hospital Enterprise Fund
Notes to Financial Statements
Years Ended September 30, 1999, 1998 and 1997

NOTE 13 - NET PATIENT SERVICE REVENUE

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

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain outpatient services related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the District. Home health is reimbursed based upon a cost reimbursement methodology which is subject to limits on a cost per visit as well as per beneficiary basis. The District's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 1997.

Medicaid - Medicaid inpatient services are reimbursed based on a prospectively determined per diem rate. Most Medicaid outpatient services are reimbursed under a cost reimbursement methodology. The District is reimbursed at a tentative rate for cost based services with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 1997.

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

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

NOTE 14 - PROFESSIONAL LIABILITY RISK

The District participates in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to health care providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the District is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of settlement for professional liability to \$100,000 per occurrence and limited the PCF's exposure to \$400,000 per occurrence.

LaSalle General Hospital
Hospital Enterprise Fund
Notes to Financial Statements
Years Ended September 30, 1999, 1998 and 1997

NOTE 14 - PROFESSIONAL LIABILITY RISK (Continued)

The District's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are redetermined utilizing actual losses of the District. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The District includes payments received from the trust as a reduction of expense in the period received.

NOTE 15 - COMMITMENTS AND 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 principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 6) - The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

Further, in order to continue receiving reimbursement from the Medicare program, the District entered into an agreement with a government agent allowing the agent access to the District's Medicare patient medical records for purposes of making medical necessity and appropriate level of care determinations. The agent has the ability to deny reimbursement for Medicare patient claims which have already been paid to the District. The amount of such adjustments cannot reasonably be determined.

Professional Liability Risk (Note 14) - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

Workmen's Compensation Risk - The District participates in the Louisiana Hospital Association Self-Insurance Workmen's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. Accordingly, the District is contingently liable for assessments by the Louisiana Hospital Association Trust Fund.

Litigation and Other Matters - Various claims in the ordinary course of business are pending against the District. In the opinion of management and counsel, insurance is sufficient to cover adverse legal determinations in those cases where a liability can be measured.

LaSalle General Hospital
Hospital Enterprise Fund
Notes to Financial Statements
Years Ended September 30, 1999, 1998 and 1997

NOTE 16 - CHARITY CARE

The District has a policy of providing charity care to indigent patients who meet certain criteria under its charity care policy. The cost of the charity care was \$55,770, \$25,913 and \$11,456 for the fiscal years ended in 1999, 1998 and 1997, respectively.

NOTE 17 - OPERATING LEASES

Leases that do not meet the criteria for capitalization are classified as operating leases with related rental charged to operations as incurred. The following is a schedule by year of future minimum lease payments under operating leases as of September 30, 1999, that have initial or remaining lease terms in excess of one year.

<u>Year Ending September 30</u>	<u>Amount</u>
2000	\$ 9,082
2001	9,082
2002	9,082
2003	<u>4,541</u>
Total minimum lease payments	<u>\$ 31,787</u>

NOTE 18 - YEAR 2000 COMPUTER RISK

The Hospital's management is assessing the impact of the year 2000 on the various computers and equipment with computerized system dates, but is currently unable to estimate a liability. The ability of outside organizations to deal with this problem could have a financial impact on the Hospital. No provisions are included in these financial statements at September 30, 1999.

LaSalle General Hospital
Debt Service Fund
Balance Sheets
September 30, 1999, 1998 and 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Assets:			
Cash	\$ 8,058	\$ 12,348	\$ 17,665
Certificates of deposit	<u>390,865</u>	<u>386,996</u>	<u>375,642</u>
Total assets	<u>\$ 398,923</u>	<u>\$ 399,344</u>	<u>\$ 393,307</u>
Fund Balance:			
Fund balance	<u>\$ 398,923</u>	<u>\$ 399,344</u>	<u>\$ 393,307</u>

See accompanying notes to financial statements.

LaSalle General Hospital
Debt Service Fund
Statements of Revenues and Expenditures
And Changes in Fund Balance
Years Ended September 30, 1999, 1998 and 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Revenue:			
Ad valorem taxes	\$ 102,165	\$ 100,738	\$ 104,649
Interest income	<u>3,869</u>	<u>11,354</u>	<u>11,053</u>
Total revenue	<u>106,034</u>	<u>112,092</u>	<u>115,702</u>
Expenditures:			
Bonds redeemed	85,000	80,000	75,000
Interest on bonds	21,275	25,875	30,187
Fiscal agent fees	<u>180</u>	<u>180</u>	<u>180</u>
Total expenditures	<u>106,455</u>	<u>106,055</u>	<u>105,367</u>
Excess of revenue (expenditures)	(421)	6,037	10,335
Fund balance, beginning of year	<u>399,344</u>	<u>393,307</u>	<u>382,972</u>
Fund balance, end of year	<u>\$ 398,923</u>	<u>\$ 399,344</u>	<u>\$ 393,307</u>

See accompanying notes to financial statements.

LaSalle General Hospital
 General Long-Term Debt Account Group
 Statements of General Long-Term Debt
 Years Ended September 30, 1999, 1998 and 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
<u>AMOUNT AVAILABLE AND TO BE PROVIDED FOR PAYMENT OF GENERAL LONG-TERM DEBT</u>			
Serial Bonds			
Amount available in Debt Service Fund	\$ 398,923	\$ 399,344	\$ 393,307
Amount to be provided	<u>(113,923)</u>	<u>(29,344)</u>	<u>56,693</u>
Total	<u>\$ 285,000</u>	<u>\$ 370,000</u>	<u>\$ 450,000</u>
<u>GENERAL LONG-TERM DEBT PAYABLE</u>			
Serial Bonds Payable	<u>\$ 285,000</u>	<u>\$ 370,000</u>	<u>\$ 450,000</u>

See accompanying notes to financial statements.

LaSalle General Hospital
Debt Service Fund and General Long-Term Debt Account Group
Notes to Financial Statements
Years Ended September 30, 1999, 1998 and 1997

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Debt Service

The debt service fund was established to receive ad valorem taxes collected and to repay bonds and the interest thereon. Taxes received cannot be commingled with other funds and can be used only for the designated purpose.

General Long-Term Debt Account Group

The general long-term debt account group is a self-balancing group of accounts which includes unmatured public improvement bonds that are funded by ad valorem tax revenues.

Basis of Accounting

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. Property tax revenues are recognized when they become available. Available includes those property taxes collected.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt which is recognized when due.

Budgets

Expenditures of the debt service fund are controlled through debt service commitments. No legal budget is required for this fund.

NOTE 2 - DEPOSITS

Certificates of Deposit at September 30, 1999, 1998 and 1997 with the depository bank are secured at the balance sheet date by federal depository insurance coverage and by pledged securities.

LaSalle General Hospital
Debt Service Fund and General Long-Term Debt Account Group
Notes to Financial Statements
Years Ended September 30, 1999, 1998 and 1997

NOTE 3 - SERIAL BONDS PAYABLE

Public Improvement Bonds dated May 1, 1977, mature serially in \$5,000 denominations on May 1st of each year with interest payable on May 1st and November 1st at various rates from 5% to 5.6% per annum.

At September 30, 1999, there were outstanding bonds in an amount of \$285,000, as detailed below:

<u>Years</u>	<u>Bond Number</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	204 to 221	\$ 90,000	\$ 16,387	\$ 106,387
2001	222 to 240	95,000	11,212	106,212
2002	241 to 260	<u>100,000</u>	<u>5,750</u>	<u>105,750</u>
	Total	<u>\$ 285,000</u>	<u>\$ 33,349</u>	<u>\$ 318,349</u>

SUPPLEMENTAL INFORMATION

LaSalle General Hospital
Schedules of Patient Statistics
Years Ended September 30, 1999, 1998 and 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Number of Hospital Patient Days of Care			
Medicare	10,054	8,947	9,374
Medicaid	1,084	1,491	1,312
Other	<u>606</u>	<u>567</u>	<u>658</u>
Total	<u>11,744</u>	<u>11,005</u>	<u>11,344</u>
Number of Hospital Patient Discharges			
Medicare	1,311	1,196	1,138
Medicaid	189	247	227
Other	<u>131</u>	<u>132</u>	<u>122</u>
Total	<u>1,631</u>	<u>1,575</u>	<u>1,487</u>
Average Length of Patient Stay			
Medicare	7.84	7.48	8.23
Medicaid	4.62	6.04	5.78
Other	4.07	4.30	5.39
All Patients	7.20	6.99	7.63
Number of Surgical Cases	<u>31</u>	<u>20</u>	<u>32</u>
Number of Home Health Visits	<u>10,810</u>	<u>12,837</u>	<u>14,509</u>
Number of Emergency Room Visits	<u>7,461</u>	<u>6,519</u>	<u>6,201</u>

LaSalle General Hospital
Schedules of Net Patient Service Revenue
Unrestricted Fund
Years Ended September 30, 1999, 1998 and 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Routine services:			
Adult and pediatric	\$ 2,554,106	\$ 2,245,408	\$ 2,192,203
Swing bed	259,730	143,028	83,130
Skilled nursing	<u>-0-</u>	<u>-0-</u>	<u>24,820</u>
Total routine services	<u>2,813,836</u>	<u>2,388,436</u>	<u>2,300,153</u>
Other professional services:			
Operating room	157,291	94,317	82,994
Recovery room	12,817	8,899	6,221
Anesthesiology	109,868	57,102	47,325
Radiology	1,392,405	1,123,600	1,075,236
Laboratory and blood	2,657,622	2,294,595	2,300,826
IV therapy	501,165	421,084	413,742
Respiratory therapy	1,604,171	1,395,965	1,208,915
Physical therapy	478,835	561,954	596,412
Occupational therapy	6,668	-0-	1,072
Speech therapy	3,958	-0-	-0-
EEG, EKG, telemetry	1,324,371	1,002,895	973,561
Medical supply	1,094,193	833,166	774,098
Pharmacy	5,393,682	4,611,766	4,431,674
Grand care	589,899	472,748	429,346
Wound care	3,740	-0-	-0-
Wellness center	12,083	-0-	-0-
Emergency service	674,923	529,877	461,612
Observation room	39,409	29,095	22,588
Ambulance service	408,880	372,511	313,602
Home health services	<u>1,378,227</u>	<u>1,451,624</u>	<u>1,448,577</u>
Total other professional services	<u>17,844,207</u>	<u>15,261,198</u>	<u>14,587,801</u>
Total patient service revenue	20,658,043	17,649,634	16,887,954
Deductions from revenue			
Medicare and Medicaid contractual adjustments	10,700,628	8,384,555	8,048,248
Medicaid Dispro payment	(75,669)	(211,969)	-0-
Employee discounts	9,155	8,458	14,902
Uncompensated services	55,770	25,913	23,816
Other	<u>233,317</u>	<u>163,358</u>	<u>146,931</u>
Total Deductions from revenue	<u>10,923,201</u>	<u>8,370,315</u>	<u>8,233,897</u>
Net patient service revenue	<u>\$ 9,734,842</u>	<u>\$ 9,279,319</u>	<u>\$ 8,654,057</u>

LaSalle General Hospital
Schedules of Other Revenue
Unrestricted Fund
Years Ended September 30, 1999, 1998 and 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Purchase discounts taken	\$ 4,029	\$ 5,866	\$ 6,770
Nursing Home dietary contract	384,633	391,650	391,688
Cafeteria	123,619	118,722	116,069
Cot rentals	1,457	1,383	1,629
Contributions	-0-	-0-	922
Medical record abstracts	5,715	5,390	5,356
Vending	1,321	1,402	1,409
Nursing Home lease	114,000	114,000	114,000
Ambulance reimbursement	80,333	107,500	129,600
Nursing Home accounting fees	8,100	8,100	8,100
Doctor's billing	23,385	-0-	-0-
Miscellaneous revenue	<u>1,016</u>	<u>958</u>	<u>2,367</u>
 Total	 <u>\$ 747,608</u>	 <u>\$ 754,971</u>	 <u>\$ 777,910</u>

LaSalle General Hospital
Schedules of Expenses - Salaries and Benefits
Unrestricted Fund
Years Ended September 30, 1999, 1998 and 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Salaries:			
Administration	\$ 680,771	\$ 607,862	\$ 577,865
Plant operations and maintenance	185,670	176,675	167,020
Laundry	97,599	88,012	84,300
Housekeeping	98,998	83,269	86,422
Dietary and cafeteria	315,084	275,870	260,773
Nursing administration	182,850	178,768	163,933
Medical records	90,247	73,391	64,103
Nursing services	1,153,339	1,016,517	925,438
	115,231	112,470	101,035
Wellness Center	9,986	-0-	-0-
Skilled nursing services	-0-	-0-	38,853
Operating room	38,797	27,759	32,777
Recovery room	4,726	3,377	2,752
Radiology	118,500	115,406	114,411
Laboratory	140,252	148,247	138,683
Respiratory therapy	169,380	157,680	151,198
Physical therapy	47,257	39,763	36,511
Central supply	87,375	77,083	73,339
Pharmacy	136,449	128,534	123,358
Emergency room	394,305	345,585	313,912
Observation	3,775	3,419	2,001
Ambulance	155,709	145,219	141,003
Home Health	<u>411,463</u>	<u>419,018</u>	<u>418,147</u>
 Total salaries	 <u>4,637,763</u>	 <u>4,223,924</u>	 <u>4,017,834</u>
 FICA/Social Security	 87,746	 77,726	 78,932
Hospitalization insurance	450,886	359,052	344,705
Other	<u>452,590</u>	<u>425,967</u>	<u>424,093</u>
 Total benefits	 <u>991,222</u>	 <u>862,745</u>	 <u>847,730</u>
 Total salaries and benefits	 <u>\$ 5,628,985</u>	 <u>\$ 5,086,669</u>	 <u>\$ 4,865,564</u>

LaSalle General Hospital
Schedules of Expenses - Medical Supplies and Drugs
Unrestricted Fund
Years Ended September 30, 1999, 1998 and 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Nursing services	\$ 18,163	\$ 14,046	\$ 13,757
Grand Care	137	143	101
Wellness Center	34	-0-	-0-
Skilled nursing	-0-	-0-	9
Operating room	18,381	14,390	18,840
Anesthesiology	429	1,422	111
Radiology	41,220	30,406	31,476
Laboratory and blood	12,851	12,289	25,537
IV therapy	86,669	79,589	74,567
Respiratory therapy	26,426	24,983	23,923
Physical therapy	3,516	2,421	3,263
Telemetry	4,566	3,267	4,718
Central supply	99,056	59,131	74,910
Pharmacy	609,169	503,356	507,139
Emergency room	6,980	5,675	5,356
Ambulance	6,382	3,173	2,711
Home Health	<u>35,443</u>	<u>42,409</u>	<u>42,958</u>
 Total medical supplies and drugs	 \$ <u>969,422</u>	 \$ <u>796,700</u>	 \$ <u>829,376</u>

LaSalle General Hospital
Schedules of Expenses - Professional Fees
Unrestricted Fund
Years Ended September 30, 1999, 1998 and 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Swing Bed	\$ 523	\$ 440	\$ 320
Grand Care	59,636	54,235	68,173
Skilled nursing	-0-	-0-	279
Anesthesiology	64,264	41,664	38,846
Radiology	61,000	59,410	102,339
Laboratory	152,931	118,190	108,329
Physical therapy	163,880	209,082	197,223
Occupational therapy	1,400	-0-	-0-
Speech therapy	2,150	-0-	-0-
EKG, EEG	129,725	60,000	60,000
Emergency room	639,484	631,806	590,134
Home Health	<u>23,704</u>	<u>31,462</u>	<u>21,413</u>
 Total professional fees	 <u>\$ 1,298,697</u>	 <u>\$ 1,206,289</u>	 <u>\$ 1,187,056</u>

LaSalle General Hospital
Schedules of Expenses - Other Expenses
Unrestricted Fund
Years Ended September 30, 1999, 1998 and 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Contract services	\$ 2,500	\$ 2,500	\$ 13,431
Consultants	10,140	14,444	15,858
Legal	29,340	41,230	38,914
Supplies	673,516	622,023	628,393
Repairs and maintenance	300,076	337,737	315,736
Utilities	196,073	184,953	187,227
Telephone	50,239	43,050	34,842
Travel	53,430	52,854	49,922
Rentals	42,039	35,204	42,519
Advertising	14,235	12,676	9,894
Dues and subscriptions	50,118	38,835	29,235
Miscellaneous	<u>54,068</u>	<u>58,914</u>	<u>37,414</u>
 Total other expenses	 <u>\$ 1,475,774</u>	 <u>\$ 1,444,420</u>	 <u>\$ 1,403,385</u>

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

Board of Commissioners
Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
("LaSalle General Hospital")
Jena, Louisiana

We have audited the general purpose financial statements of the LaSalle General Hospital Service District No. 2 (the "District"), as of and for the years ended September 30, 1999, 1998 and 1997, and have issued our report thereon dated November 15, 1999. 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 test 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Board of Commissioners
LaSalle General Hospital
Page Two

This report is intended for the information of the Board of Commissioners, management and the office of the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Lester, Miller & Wells

Certified Public Accountants

November 15, 1999