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Under provisions of state law, this report is a public document. A copy of the report has been made available to the public, or reviewed, and is available to the public at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4-2-97

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Independent Auditors' Report

To the Board of Commissioners
Hospital Service District No. 1
Parish of Pointe Coupee
New Roads, Louisiana

We have audited the accompanying general purpose financial statements of Hospital Service District No. 1, Parish of Pointe Coupee, D.B.A. Pointe Coupee General Hospital, as of and for the years ended October 31, 1996, 1995 and 1994, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 Pointe Coupee General Hospital at October 31, 1996, 1995 and 1994, and the results of its operations and its cash flow for the years then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued reports dated January 29, 1997 on our consideration of Pointe Coupee General Hospital's internal control structure and on its compliance with laws and regulations.

Board of Commissioners
Hospital Service District No. 1
Parish of Pointe Coupee
Page Two

Our examination was made for the purpose of forming an opinion on the 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 examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Easley Lester & Wells

January 29, 1997

Pointe Coupee Parish Hospital Service District No. 1
 Balance Sheets
 Proprietary Fund Type--Enterprise Fund
 October 31, 1996, 1995 and 1994

<u>Assets</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Current assets			
Cash and cash equivalents (Note 5)	\$ 869,094	\$ 776,300	\$ 856,395
Assets limited as to use-- required for current liabilities (Note 6)	95,219	44,314	-0-
Patient accounts receivable, net of estimated allowances for doubtful accounts of \$342,000, \$479,000, and \$587,336 for the years ended 1996, 1995 and 1994, respectively (Note 7)	1,256,786	1,387,961	1,337,546
Third party receivables	-0-	114,582	197,035
Other receivables	119,326	168,009	96,539
Sales tax receivable (Note 8)	174,870	117,672	119,579
Notes receivable, current maturities	2,783	2,491	9,721
Inventory	226,627	218,931	194,535
Prepaid expenses and deposits	<u>114,391</u>	<u>120,352</u>	<u>130,593</u>
Total current assets	2,859,096	2,950,612	2,941,943
Assets limited as to use (Note 6)	2,292,896	2,174,910	2,092,876
Property and equipment, net (Note 10)	5,604,389	4,684,364	4,272,107
Other assets			
Investments	2,670,144	2,050,880	1,499,098
LHA investment	65,465	34,839	41,600
Notes receivable, less current maturities	<u>29,992</u>	<u>19,992</u>	<u>12,491</u>
Total assets	<u>\$ 13,521,982</u>	<u>\$ 11,915,597</u>	<u>\$ 10,860,115</u>

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

Pointe Coupee Parish Hospital Service District No. 1
Balance Sheets (Continued)
Proprietary Fund Type--Enterprise Fund
October 31, 1996, 1995 and 1994

<u>Liabilities and Fund Balance</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Current liabilities			
Accounts payable	\$ 368,046	\$ 311,125	\$ 194,702
Accrued expenses, benefits and salaries (Note 12)	453,424	350,766	238,947
Current portion of capital lease obligations (Note 14)	3,400	3,400	-0-
Third party payable	<u>92,423</u>	<u>-0-</u>	<u>-0-</u>
Total current liabilities	917,293	665,291	433,649
Capital lease obligations, excluding current portion (Note 14)	6,800	10,200	-0-
Commitments and contingencies (Note 18)	---	---	---
Fund balance	<u>12,597,889</u>	<u>11,240,106</u>	<u>10,426,466</u>
Total liabilities and fund balance	<u>\$ 13,521,982</u>	<u>\$ 11,915,597</u>	<u>\$ 10,860,115</u>

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

Pointe Coupee Parish Hospital Service District No. 1
 Statements of Operations
 Proprietary Fund Type--Enterprise Fund
 For the Years Ended October 31, 1996, 1995 and 1994

	<u>1996</u>	<u>1995</u>	<u>1994</u>
Net patient service revenue (Note 4)	\$ 8,309,897	\$ 7,372,000	\$ 6,787,663
Other revenue (includes sales tax revenue of \$1,618,397, \$1,229,785 and \$1,073,335 in 1996, 1995 and 1994, respectively)	<u>1,726,620</u>	<u>1,346,601</u>	<u>1,200,821</u>
Total revenue	<u>10,036,517</u>	<u>8,718,601</u>	<u>7,988,484</u>
Expenses			
Salaries and benefits	4,040,038	3,629,290	3,132,042
Medical supplies and drugs	963,651	920,121	846,790
Insurance	145,365	169,550	159,919
Depreciation	391,260	401,569	384,963
Bad debts	745,572	547,678	445,880
Other expenses	<u>2,566,589</u>	<u>2,513,888</u>	<u>2,256,308</u>
Total expenses	<u>8,852,475</u>	<u>8,182,096</u>	<u>7,225,902</u>
Operating income (loss)	<u>1,184,042</u>	<u>536,505</u>	<u>762,582</u>
Nonoperating income (loss)			
Income on investments whose use is limited	185,443	125,732	65,115
Other investment income	110,274	142,302	65,499
Contributions and grants	39,097	161,824	198,969
Gain (loss) on disposal of equipment	246	(3,209)	1,099
Payments to Police Jury	<u>(161,319)</u>	<u>(149,514)</u>	<u>(59,318)</u>
Nonoperating income, net	<u>173,741</u>	<u>277,135</u>	<u>271,364</u>
Excess of revenues over expenses	<u>\$ 1,357,783</u>	<u>\$ 813,640</u>	<u>\$ 1,033,946</u>

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

Pointe Coupee Parish Hospital Service District No. 1
 Statements of Cash Flows
 Proprietary Fund Type--Enterprise Fund
 For the Years Ended October 31, 1996, 1995 and 1994

	<u>1996</u>	<u>1995</u>	<u>1994</u>
Cash flows from operating activities			
Operating income (loss)	\$ 1,184,042	\$ 536,505	\$ 762,582
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	391,260	401,569	384,963
Provision for bad debts	745,572	547,678	445,880
LHA Trust allocation	(36,263)	(25,696)	(9,960)
Contributions and grants	39,097	161,824	198,969
Changes in:			
Patient accounts receivable	(614,397)	(598,093)	(961,514)
Estimated third party receivables	207,006	82,453	582,267
Other receivables	48,683	(71,470)	(95,944)
Sales tax receivables	(57,198)	1,907	(28,839)
Inventories	(7,696)	(24,396)	(8,715)
Prepaid expense	5,961	10,241	34,955
Accounts payable	56,919	116,424	(32,654)
Accrued liabilities	102,658	111,819	21,664
Health insurance reserves	<u>(50,905)</u>	<u>(44,314)</u>	<u>-0-</u>
Net cash provided (used) by operating activities	<u>2,014,739</u>	<u>1,206,451</u>	<u>1,293,654</u>
Cash flows from investing activities			
LHA Insurance Trust return	5,637	32,457	45,628
Income on investments whose use is limited	185,443	125,732	65,115
Other investment income	110,274	142,302	65,499
Assets whose use is limited	(117,986)	(82,034)	(568,313)
Unrestricted investment in U.S. T-Bills	(619,264)	(551,782)	(1,499,098)
Proceeds of notes receivable	3,392	4,289	4,646
Note receivable	<u>(13,684)</u>	<u>(9,996)</u>	<u>(9,996)</u>
Net cash (used) by investing activities	\$ <u>(446,188)</u>	\$ <u>(339,032)</u>	\$ <u>(1,896,519)</u>

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

Pointe Coupee Parish Hospital Service District No. 1
 Statements of Cash Flows (Continued)
 Proprietary Fund Type--Enterprise Fund
 For the Years Ended October 31, 1996 1995 and 1994

	<u>1996</u>	<u>1995</u>	<u>1994</u>
Cash flows from noncapital financing activities			
Payments to Police Jury	\$ (161,319)	\$ (149,514)	\$ (59,318)
Loss on note written off	<u>-0-</u>	<u>5,436</u>	<u>-0-</u>
Net cash provided by noncapital financing activities	<u>(161,319)</u>	<u>(144,078)</u>	<u>(59,318)</u>
Cash flows from capital and related financing activities			
Purchase of property and equipment	(1,311,284)	(802,658)	(132,213)
Proceeds from sale of equipment (net gains, losses)	-0-	5,831	
Principal payments on capital leases	(3,400)	(3,400)	
Gain (loss) on disposal of equipment	<u>246</u>	<u>(3,209)</u>	<u>1,099</u>
Net cash provided (used) by capital and related financing activities	<u>(1,314,438)</u>	<u>(803,436)</u>	<u>(131,114)</u>
Net increase (decrease) in cash	92,794	(80,095)	(793,297)
Beginning cash and cash equivalents	<u>776,300</u>	<u>856,395</u>	<u>1,649,692</u>
Ending cash and cash equivalents	<u>\$ 869,094</u>	<u>\$ 776,300</u>	<u>\$ 856,395</u>
Supplemental disclosures of cash flow information:			
Non-Cash transactions:			
Equipment contributions, capital lease	<u>\$ -0-</u>	<u>\$ 17,000</u>	<u>\$ 6,100</u>

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

Pointe Coupee Parish Hospital Service District No. 1
 Statements of Changes in Fund Balance
 Proprietary Fund Type--Enterprise and Specific Purpose Fund
 For the Years Ended October 31, 1996, 1995 and 1994

	<u>General Funds</u>	<u>Donor-Restricted Funds</u> <u>Specific Purpose Fund</u>
Balance, October 31, 1993	\$ 9,392,520	\$ 41,507
Grants received in year ended October 31, 1994	-0-	100,000
Transfers to General Fund - Other Revenue	-0-	(69,459)
Excess of revenue and gains over expenses and losses for the year ended October 31, 1994	<u>1,033,946</u>	<u>-0-</u>
Balance, October 31, 1994	10,426,466	72,048
Grants received in year ended October 31, 1995	-0-	99,925
Interest on grant funds received	-0-	2,800
Transfers to General Fund - Other Revenue	-0-	(106,481)
Excess of revenue and gains over expenses and losses for the year ended October 31, 1995	<u>813,640</u>	<u>-0-</u>
Balance, October 31, 1995	11,240,106	68,292
Interest on grant funds received	-0-	2,395
Transfers to General Fund - Other Revenue	-0-	(37,129)
Excess of revenue and gains over expenses and losses for the year ended October 31, 1996	<u>1,357,783</u>	<u>-0-</u>
Balance, October 31, 1996	<u>\$ 12,597,889</u>	<u>\$ 33,558</u>

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

Pointe Coupee Parish Hospital Service District No. 1
Notes to Financial Statements
For the Years Ended October 31, 1996, 1995 and 1994

NOTE 1 - ORGANIZATION AND OPERATIONS

Organization - Pointe Coupee Hospital Service District No. 1 (referred to herein as "Pointe Coupee General Hospital" or the "District") was created by an ordinance of the Pointe Coupee Parish Police Jury on June 5, 1979. The District's area includes all of Pointe Coupee Parish, Louisiana.

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

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Pointe Coupee Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability.

Because the police jury appoints all commissioners of the Pointe Coupee Parish Hospital Service District No. 1, the District has been determined to be a component unit of the Pointe Coupee Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

The hospital facility was originally built by the Pointe Coupee Parish Police Jury which transferred it and certain equipment to the District.

Nature of Business - The District provides outpatient, emergency and inpatient acute hospital services, as well as home health care services. It also provides services to the parish ambulance service, health unit, mental health unit, substance abuse unit and the Council on Aging.

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 significant accounting policies.

Financial Reporting Entity - The accompanying financial statements of Pointe Coupee General Hospital present the financial position, the results of operations and the cash flow of the proprietary fund type.

Pointe Coupee Parish Hospital Service District No. 1
Notes to Financial Statements
For the Years Ended October 31, 1996, 1995 and 1994

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting for Proprietary Fund Types--Enterprise Fund - The accounts of the District are organized into two proprietary fund types which include the hospital operations and the remaining operations. The operation of the proprietary funds is accounted for by providing a set of self-balancing accounts which is comprised of assets, liabilities, fund balance, revenues and expenses.

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.

Basis of Accounting - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. All proprietary funds are accounted for using the accrual basis of accounting. Accordingly, revenues are reported when earned (rather than when received) and expenses are reported when incurred (rather than when paid).

Financial Statement Presentation - These financial statements are presented in accordance with requirements contained in Audits of Providers of Health Care Services as promulgated by the American Institute of Certified Public Accountants. Certain amounts in the 1994 financial statements have been restated to conform to the classification adopted in 1995.

Statement of Revenues and Expenses of General Funds - 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.

Net Patient Service Revenue - Net patient service revenue is reported at the estimated net realizable amounts due 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.

Charity Care - The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Pointe Coupee Parish Hospital Service District No. 1
Notes to Financial Statements
For the Years Ended October 31, 1996, 1995 and 1994

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Investment Income - Investment income from general fund investments is reported as a nonoperating gain.

The District considers its unrestricted cash investment in United States Treasury Bills with original maturities in excess of 90 days to be an investment.

Income Taxes - The District's income is exempt from taxation due to its governmental status.

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.

Assets Limited as to Use - Assets limited as to use is composed of assets set aside by the Board of Commissioners for future capital improvements and for third-party payor contingencies over which the Board retains control and may, at its discretion, subsequently use for other purposes. Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets.

Allowance for Doubtful Accounts - The District establishes an estimated allowance for doubtful accounts which determines estimated collectibility based upon an aging of accounts receivable.

Inventory - Inventory is valued at the lower of cost or market value. Cost is determined by the first-in, first-out method.

Property and Equipment - Property and equipment acquisitions are recorded at cost for assets purchased and if donated, at fair market value on the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital leases is amortized over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. The useful lives of plant and equipment for the purpose of computing depreciation as established by the American Hospital Association are: buildings-25 to 40 years; machinery and equipment-5 to 30 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 as incurred. The cost of assets retired or otherwise disposed of and the 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.

Pointe Coupee Parish Hospital Service District No. 1
Notes to Financial Statements
For the Years Ended October 31, 1996, 1995 and 1994

NOTE 3 - CHARITY CARE

The District maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent services statistics. The following information measures the level of charity care provided during the years ended October 31, 1996, 1995 and 1994.

	<u>1996</u>	<u>1995</u>	<u>1994</u>
Charges foregone, based on established rates	\$ <u>163,101</u>	\$ <u>258,879</u>	\$ <u>127,660</u>
Estimated costs and expenses incurred to provide charity care	\$ <u>145,323</u>	\$ <u>245,676</u>	\$ <u>117,703</u>
Equivalent percentage of charity care patients to all patients served	<u>2.0%</u>	<u>3.5%</u>	<u>1.9%</u>

NOTE 4 - 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 and capital cost 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. The District's Medicare cost reports have been examined by the Medicare fiscal intermediary through October 31, 1994. The intermediary may reopen and further adjust any year within three years of the date of a Notice of Program Reimbursement.

Medicaid - Effective July 1, 1994, the Medicaid program provided inpatient reimbursement at a prospective per diem rate. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The District is reimbursed for outpatient services at a tentative rate 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 examined by the Medicaid fiscal intermediary through October 31, 1993. The intermediary may reopen and further adjust any year within three years of the date a Notice of Program Reimbursement.

Pointe Coupee Parish Hospital Service District No. 1
Notes to Financial Statements
For the Years Ended October 31, 1996, 1995 and 1994

NOTE 4 - NET PATIENT SERVICE REVENUE (Continued)

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 5 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of October 31, 1996, 1995 and 1994, consisted of funds in interest bearing checking accounts which are insured against loss by the Federal Deposit Insurance Corporation and/or secured by a pledge of federal and Louisiana debt securities.

NOTE 6 - ASSETS LIMITED AS TO USE

Assets limited as to use are summarized below. Investments are stated at cost that approximates market.

	<u>1996</u>	<u>1995</u>	<u>1994</u>
Limited by board for capital improvements	\$ 1,671,240	\$ 1,585,381	\$ 1,524,547
Limited by board for third-party payor contingencies	622,220	588,565	568,329
Limited by purpose - Health Insurance	<u>95,219</u>	<u>44,314</u>	<u>-0-</u>
	2,388,679	2,218,260	2,092,876
Less assets for current use	<u>(95,219)</u>	<u>(44,314)</u>	<u>-0-</u>
Total	<u>\$ 2,293,460</u>	<u>\$ 2,173,946</u>	<u>\$ 2,092,876</u>

NOTE 7 - PATIENT ACCOUNTS RECEIVABLE

A summary of patient accounts receivable is presented below.

	<u>1996</u>	<u>1995</u>	<u>1994</u>
Hospital patient receivables	\$ 1,350,586	\$ 1,565,109	\$ 1,849,224
Home Health patient receivables	<u>248,200</u>	<u>301,852</u>	<u>75,658</u>
Total	1,598,786	1,866,961	1,924,882
Less estimated allowance for doubtful accounts	<u>342,000</u>	<u>479,000</u>	<u>587,336</u>
Total	<u>\$ 1,256,786</u>	<u>\$ 1,387,961</u>	<u>\$ 1,337,546</u>

Pointe Coupee Parish Hospital Service District No. 1
Notes to Financial Statements
For the Years Ended October 31, 1996, 1995 and 1994

NOTE 7 - PATIENT ACCOUNTS RECEIVABLE (Continued)

The District changed its policy for determining when an account receivable is considered uncollectible in 1994. Prior to that time an account was considered uncollectible when it was over 180 days old. After the change, an account is considered uncollectible when it is over 210 days old. This change resulted in an estimated \$59,000 decrease in bad debt expense in 1994. In 1995, the District changed back to its over 180 days old policy.

A summary of gross Medicare and Medicaid patient revenues follows.

	<u>1996</u>	<u>1995</u>	<u>1994</u>
Medicare patients	\$ 5,804,536	\$ 5,529,564	\$ 4,687,852
Medicaid patients	<u>1,455,190</u>	<u>1,909,487</u>	<u>1,596,370</u>
	<u>\$ 7,259,726</u>	<u>\$ 7,439,051</u>	<u>\$ 6,284,222</u>
Percent of all patients	<u>67%</u>	<u>71%</u>	<u>70%</u>

NOTE 8 - SALES TAX RECEIVABLE

On September 29, 1984, a 1% sales tax was renewed by the citizens of the parish for an indefinite term. The resolution provides that 35% of such tax shall be dedicated to the District. Those tax revenues are distributed to the parish ambulance service (\$3,333 per month until August 1996), to the parish Council on Aging (\$5,250 per month) and the parish Coroner's Office (\$2,333 per month until August 1996 and \$1,333 per month thereafter). The remaining tax revenues are designated by the District to be distributed to hospital operations (70%), the parish health unit (27% with a maximum of \$3,000 per month) and the parish mental health unit (3% with a maximum of \$400 per month).

The citizens of the parish approved an additional .5% sales tax for the hospital's operations that remains in effect through July 18, 1997.

Sales tax receivable consists of \$174,870, \$117,672 and \$119,579 of sales taxes collected by the parish in October 1996, 1995 and 1994, respectively, and remitted to the District in November 1996, 1995 and 1994, respectively.

NOTE 9 - NOTES RECEIVABLE

Current notes receivable consist of the remaining balance on a physician note receivable dated January 6, 1993 that called for equal monthly payments over a 42 month period with no interest. Long-term notes receivable consist of a physician note receivable with payments not scheduled to begin for at least a year and when a 36 month term begins.

Pointe Coupee Parish Hospital Service District No. 1
Notes to Financial Statements
For the Years Ended October 31, 1996, 1995 and 1994

NOTE 10 - PROPERTY AND EQUIPMENT

A summary of property and equipment follows.

	<u>1996</u>	<u>1995</u>	<u>1994</u>
Land	\$ 219,629	\$ 219,129	\$ 219,129
Land improvements	108,662	108,662	105,510
Buildings and improvements	5,448,416	5,294,875	5,063,165
Equipment	4,606,125	4,355,897	3,837,888
Construction in progress	<u>909,505</u>	<u>2,489</u>	<u>-0-</u>
	11,292,337	9,981,052	9,225,692
Less accumulated depreciation and amortization	<u>5,687,948</u>	<u>5,296,688</u>	<u>4,953,585</u>
Property and equipment, net	<u>\$ 5,604,389</u>	<u>\$ 4,684,364</u>	<u>\$ 4,272,107</u>

NOTE 11 - INVESTMENTS

Investments are classified as Held-to-Maturity securities and are therefore reported at amortized cost of any premium or discount as market declines are deemed temporary. An analysis of security types at October 31, 1995 follows:

	<u>Amortized Cost</u>	<u>Fair Value</u>
Debt securities issued by the U. S. Treasury and other U. S. Government Corporations and agencies	\$ <u>3,601,798</u>	\$ <u>3,677,826</u>

An analysis of security types at October 31, 1996 follows:

	<u>Amortized Cost</u>	<u>Fair Value</u>
Debt securities issued by the U. S. Treasury and other U. S. Government Corporations and agencies	\$ <u>4,312,791</u>	\$ <u>4,391,066</u>

Fair values are based upon quoted market prices.

NOTE 12 - ACCRUED EXPENSES, BENEFITS AND SALARIES

A summary of accrued expenses follows:

	<u>1996</u>	<u>1995</u>	<u>1994</u>
Salaries and wages	\$ 112,890	\$ 87,869	\$ 69,021
Compensated absences	201,970	177,196	138,823
Payroll taxes and withholdings	<u>138,564</u>	<u>85,701</u>	<u>31,103</u>
Total accrued expenses	<u>\$ 453,424</u>	<u>\$ 350,766</u>	<u>\$ 238,947</u>

Pointe Coupee Parish Hospital Service District No. 1
Notes to Financial Statements
For the Years Ended October 31, 1996, 1995 and 1994

NOTE 13 - COMPENSATED ABSENCES

Upon completion of six months of employment, employees are eligible for paid time off (PTO). The amount in which each employee is entitled varies depending upon the job classification, length of service, number of hours worked each week and other factors. A maximum of 200 hours may be carried over to the next year. Any excess must be paid or used. The vested PTO time has been recorded as a liability in the accompanying financial statements at the payroll rates in effect at the balance sheet date.

NOTE 14 - CAPITAL LEASES

A lease purchase obligation to an instrumentation laboratory for a blood gas machine was entered into on March 29, 1995. The agreement calls for annual payments of \$3,400 and a four year term.

NOTE 15 - PENSION PLAN

The District participates in the Parochial Employees' Retirement System (a contributory, governmental and multi-employer plan). Although the plan is obligated to the District's employees under a defined benefit formula, the District is obligated to the plan for a defined contribution amount (8.75% of gross wages prior to January 1, 1994, 8.25% of gross wages in 1995, 8% of gross wages after December 31, 1995 and 7.75% of gross wages after December 31, 1996). Employees also contribute 9.5% of salary to the plan. Gross wages of eligible employees were \$3,012,498, \$2,592,174 and \$2,261,324 in 1996, 1995 and 1994, respectively, and the District's pension plan expenses were \$224,879, \$208,214, and \$178,132 in 1996, 1995 and 1994, respectively.

There is no age exclusion for participation in the pension plan. An employee is vested after 10 years of service. Withdrawal from the plan prior to the 10 years results in refund of only the employee contribution, without interest.

NOTE 16 - PROFESSIONAL LIABILITY RISK

The Louisiana Patient's Compensation Fund - The District participates in the Louisiana Patient's Compensation Fund established by the State of Louisiana to provide professional medical liability coverage to health care providers. The fund provides for \$400,000 of 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 \$500,000 per occurrence. Defense costs are not included in these amounts.

Pointe Coupee Parish Hospital Service District No. 1
Notes to Financial Statements
For the Years Ended October 31, 1996, 1995 and 1994

NOTE 18 - COMMITMENTS AND CONTINGENCIES (Continued)

Total rental expense in the years ended October 31, 1996, 1995 and 1994, for all operating leases and rentals was approximately \$43,059, \$49,260, and \$57,122, respectively.

Management Agreement - Under the terms of a management agreement, the District was obligated for a fee of \$108,000 per year until December 31, 1995. On January 1, 1996, the fee was increased to \$113,000 per year. The term of the agreement is indefinite. Either party may cancel the agreement upon thirty days notice to the other.

Third Party Cost-Based Revenues - The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as a 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.

Federal and state budget restraints are increasing the time period taken to pay Medicare and Medicaid claims and the Medicaid program is delaying payment of year-end settlements. These actions could result in decreased cash flow to the District.

Further, in order to continue receiving reimbursement from the Medicare and Medicaid programs, the District entered into an agreement with the Peer Review Organization (PRO) allowing PRO access to its Medicare patient medical records for purposes of making medical necessity and appropriate level of care determination. PRO has the ability to deny reimbursement for Medicare patient claims which have already been paid to the District.

Professional Liability Risk - 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.

Workmen's Compensation Risk - The District is contingently liable for assessments by the Louisiana Hospital Association Trust Fund.

Hill-Burton Uncompensated Service and Community Service Obligations - As a result of the Police Jury receiving a federal Hill-Burton program grant, the Hospital is required to provide a reasonable volume of uncompensated services (determined by a formula provided by the Federal government) to patients who are unable to pay for their medical care. Additionally, the grant requires the District to provide certain community services. During 1992 the District received certification under the Public Facility Compliance Alternative (PFC). This certification allows the facility to operate its own free or reduced cost care program, without compliance reviews.

Pointe Coupee Parish Hospital Service District No. 1
Notes to Financial Statements
For the Years Ended October 31, 1996, 1995 and 1994

NOTE 18 - COMMITMENTS AND CONTINGENCIES (Continued)

Bonne Sante' Center Obligation - The Board of Commissioners of Pointe Coupee Parish Health Service District No. 1, with consent from the District Attorney's office, approved payments to the Pointe Coupee Parish Police Jury for reimbursement of the Bonne Sante' Center's expenditures. These payments will be evaluated on a year to year basis. The District paid \$76,319, \$64,514 and \$59,318 for Bonne Sante' Center's expenditures in 1996, 1995 and 1994, respectively.

Innis Property Obligation - The hospital's bid of \$10,000 was accepted for the Innis property. As of year end the transaction still had not been closed.

Emergency Room Renovations - On October 15, 1996, the board accepted the bid from Frank Culotta, General Contractor for \$598,881 for renovations.

Lease - On November 7, 1996 the board approved to lease Dr. Fulmer's office for 6 months during lab renovations for \$700/month.

Payments to Police Jury - In November 1994, the hospital transferred \$85,000 to the Police Jury. In November 1, 1995, the District transferred an \$85,000 donation to the Police Jury. The donated amounts were funded with interest income and will be evaluated on a yearly basis.

Litigation - In the opinion of management and counsel, insurance is sufficient to cover any adverse legal determinations.

NOTE 19 - BOARD OF COMMISSIONERS

The following schedule presents a list of the members of the Board of Commissioners of Pointe Coupee General Hospital at October 31, 1996.

Mr. Mix Vosburg, Chairman
Mr. Chris Battley
Mr. James Boulanger
Dr. Donald Doucet, M.D.
Mr. Don A. Ewing
Mr. Nick Cicero
Mr. Louis Montelaro
Mr. Maurice Picard
Mr. Van Major, CPA

These commissioners serve the District without compensation, per diem or reimbursement of expense, except actual cash out-of-pocket expenses incurred in the performance of their duties.

Pointe Coupee Parish Hospital Service District No. 1
Notes to Financial Statements
For the Years Ended October 31, 1996, 1995 and 1994

NOTE 20 - SUBSEQUENT EVENTS

On October 11, 1994, the District was notified of a grant award from the Louisiana Department of Natural Resources for energy conservation refurbishment of the facility. The project's costs total \$292,188, of which the State will provide approximately \$104,000 upon completion and the District will be responsible for the remaining portion. At October 31, 1996, the District has a contract commitment for the energy work of \$250,664.

In August 1996, the sales tax renewal failed. The board voted to put 1/4 cent sales tax to be collected for 10 years on the May 1997 ballot.

Beginning October 1, 1996 the district received a Rural Transitional Grant of \$50,000 for the next three years pending approval of continuation of funding by the United States Congress.

On December 9, 1996, the district obtained interim financing for \$1,185,700 at 5.225% from Regions Bank for the outpatient and home health buildings. The Bond Commission approved the interim financing on November 21, 1996.

On November 19, 1996, the district was notified of an Emergency Room grant from the State of Louisiana for \$25,000.

Pointe Coupee Parish Hospital Service District No. 1
 Balance Sheets
 Specific Purpose Fund
 October 31, 1996, 1995 and 1994

	<u>1996</u>	<u>1995</u>	<u>1994</u>
<u>ASSETS</u>			
Cash and cash equivalents (Note 2)	\$ <u>33,358</u>	\$ <u>69,250</u>	\$ <u>72,048</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Fund balance	\$ <u>33,358</u>	\$ <u>69,250</u>	\$ <u>72,048</u>
Total liabilities and fund balance	\$ <u>33,358</u>	\$ <u>69,250</u>	\$ <u>72,048</u>

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

Pointe Coupee Parish Hospital Service District No. 1
Notes to Financial Statements
Specific Purpose Fund
For the Years Ended October 31, 1996, 1995 and 1994

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Specific Purpose Fund - Resources restricted by donors or grantors for specific operating purposes are reported in a specific purpose fund when received and in the enterprise fund as non-operating gains to the extent used within the period.

This specific purpose fund was established to account for proceeds of grant funds to be used to develop health services in under-served or unserved areas of Louisiana.

Basis of Accounting - Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Specific purpose funds are accounted for using the accrual basis of accounting. Accordingly, revenues are reported when earned (rather than when received) and expenses are reported when incurred (rather than when paid).

NOTE 2 - CHECKING ACCOUNT

The checking account bears interest and is secured by the Federal Deposit Insurance Corporation.

SUPPLEMENTAL INFORMATION

Pointe Coupee Parish Hospital Service District No. 1
 Combining Statements of Revenues and Expenses
 For the Year Ended October 31, 1996

	-----District Summary-----							Total
	<u>Hospital</u>	<u>Ambulance</u>	<u>COA*</u>	<u>Mental Health</u>	<u>Health Unit</u>	<u>Substance Abuse</u>	<u>District**</u>	
Net Patient Service Revenue	\$8,309,897	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 8,309,897
Sales Tax Revenue	1,279,976	33,330	62,750	4,800	25,996	-0-	211,545	1,618,397
Other Operating Revenue	58,783	-0-	-0-	-0-	-0-	-0-	49,440	108,223
Total Operating Revenue	9,648,656	33,330	62,750	4,800	25,996	-0-	260,985	10,036,517
Operating Expenses								
Salaries and benefits	4,040,038							4,040,038
Medical supplies and drugs	956,139						7,512	963,651
Insurance	145,365							145,365
Depreciation and amortization	337,605		1,160	7,728	4,420	160	40,187	391,260
Bad debt expenses	745,572							745,572
Other operating expenses	2,387,075	33,333	57,750		26,974	1,100	60,357	2,566,589
Total Operating Expenses	8,611,794	33,333	58,910	7,728	31,394	1,260	108,056	8,852,475
Gain (Loss) from Operations	1,036,862	(3)	3,840	(2,928)	(5,398)	(1,260)	152,929	1,184,042
Nonoperating Gain (Losses)								
Interest income - limited use	185,443							185,443
Interest income - other	108,679						1,595	110,274
Contributions and grants	39,097							39,097
Other	246							246
Payments to Police Jury	(161,319)							(161,319)
Total Nonoperating Revenue	172,146	-0-	-0-	-0-	-0-	-0-	1,595	173,741
Revenue and Gains in Excess of Expenses and Losses before extraordinary items	\$1,209,008	\$ (3)	\$ 3,840	\$ (2,928)	\$ (5,398)	\$ (1,260)	\$ 154,524	\$ 1,357,783

* Council on Aging

** Remaining non-hospital activities of the District

Pointe Coupee Parish Hospital Service District No. 1
 Combining Statements of Revenues and Expenses
 For the Year Ended October 31, 1995

	-----District Summary-----							Total
	<u>Hospital</u>	<u>Ambulance</u>	<u>COA*</u>	<u>Mental Health</u>	<u>Health Unit</u>	<u>Substance Abuse</u>	<u>District**</u>	
Net Patient Service Revenue	\$7,372,000	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$7,372,000
Sales Tax Revenue	982,133	48,333	62,750	4,800	21,996	-0-	109,773	1,229,785
Other Operating Revenue	<u>71,537</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>45,279</u>	<u>116,816</u>
Total Operating Revenue	<u>8,425,670</u>	<u>48,333</u>	<u>62,750</u>	<u>4,800</u>	<u>21,996</u>	<u>-0-</u>	<u>155,052</u>	<u>8,718,601</u>
Operating Expenses								
Salaries	3,179,278							3,179,278
Employee benefits and taxes	450,012							450,012
Medical supplies and drugs	914,743						5,378	920,121
Insurance	169,550							169,550
Depreciation and amortization	352,555		1,828	8,628	5,103	160	33,295	401,569
Interest	-0-							-0-
Bad debt expenses	547,678							547,678
Other operating expenses	<u>2,298,219</u>	<u>44,167</u>	<u>70,208</u>	<u>-0-</u>	<u>26,452</u>	<u>5,196</u>	<u>69,646</u>	<u>2,513,888</u>
Total Operating Expenses	<u>7,912,035</u>	<u>44,167</u>	<u>72,036</u>	<u>8,628</u>	<u>31,555</u>	<u>5,356</u>	<u>108,319</u>	<u>8,182,096</u>
Gain (Loss) from Operations	<u>513,635</u>	<u>4,166</u>	<u>(9,286)</u>	<u>(3,828)</u>	<u>(9,559)</u>	<u>(5,356)</u>	<u>46,733</u>	<u>536,505</u>
Nonoperating Gain (Losses)								
Interest income - limited use	125,732							125,732
Interest income - other	139,136						3,166	142,302
Contributions and grants	157,064						4,760	161,824
Payments to Police Jury	(149,514)							(149,514)
Other	<u>(3,209)</u>							<u>(3,209)</u>
Total Nonoperating Revenue	<u>269,209</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>7,926</u>	<u>277,135</u>
Revenue and Gains in Excess of Expenses and Losses before extraordinary items	<u>\$ 782,844</u>	<u>\$ 4,166</u>	<u>\$ (9,286)</u>	<u>\$ (3,828)</u>	<u>\$ (9,559)</u>	<u>\$ (5,356)</u>	<u>\$ 54,659</u>	<u>\$ 813,640</u>

* Council on Aging

** Remaining non-hospital activities of the District

Pointe Coupee Parish Hospital Service District No. 1
Combining Statements of Revenues and Expenses
For the Year Ended October 31, 1994

	-----District Summary-----							Total
	Hospital	Ambulance	COA*	Mental Health	Health Unit	Substance Abuse	District**	
Net Patient Service Revenue	\$6,787,663	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$6,787,663
Sales tax revenue	855,542	68,750	60,000	4,800	21,966	-0-	90,318	1,101,376
Other Operating Revenue	<u>56,945</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>42,500</u>	<u>99,445</u>
Total Operating Revenue	<u>7,700,150</u>	<u>68,750</u>	<u>60,000</u>	<u>4,800</u>	<u>21,966</u>	<u>-0-</u>	<u>132,818</u>	<u>7,988,484</u>
Operating Expenses								
Salaries	2,754,360							2,754,360
Employee benefits and taxes	377,682							377,682
Medical supplies and drugs	840,520						6,270	846,790
Insurance	159,919							159,919
Depreciation and amortization	339,881		1,828	8,628	5,018	160	29,448	384,963
Bad debt expenses	445,880							445,880
Other operating expenses	<u>2,045,805</u>	<u>68,750</u>	<u>60,000</u>	<u> </u>	<u>31,420</u>	<u>3,230</u>	<u>47,103</u>	<u>2,256,308</u>
Total Operating Expenses	<u>6,964,047</u>	<u>68,750</u>	<u>61,828</u>	<u>8,628</u>	<u>36,438</u>	<u>3,390</u>	<u>82,821</u>	<u>7,225,902</u>
Gain (Loss) from Operations	<u>736,103</u>	<u>-0-</u>	<u>(1,828)</u>	<u>(3,828)</u>	<u>(14,472)</u>	<u>(3,390)</u>	<u>49,997</u>	<u>762,582</u>
Nonoperating Gain (Loss)								
Interest income - limited use	65,115							65,115
Interest income - other	59,847						5,652	65,499
Contributions and grants	198,969							198,969
Payments to Police Jury	<u>1,099</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>(59,318)</u>	<u> </u>	<u>(59,318)</u>
Other	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>1,099</u>
Total Nonoperating Revenue	<u>325,030</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(59,318)</u>	<u>5,652</u>	<u>271,364</u>
Revenue and Gains in Excess of Expenses and Losses before extraordinary items	<u>\$1,061,133</u>	<u>\$ -0-</u>	<u>\$ (1,828)</u>	<u>\$ (3,828)</u>	<u>\$ (14,472)</u>	<u>\$ (62,708)</u>	<u>\$ 55,649</u>	<u>\$1,033,946</u>

* Council on Aging

** Remaining non-hospital activities of the District

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

Board of Commissioners
Hospital Service District No. 1
Parish of Pointe Coupee
New Roads, Louisiana

We have audited the general purpose financial statements of Hospital Service District No. 1, Parish of Pointe Coupee ("Pointe Coupee General Hospital") as of and for the years ended October 31, 1996, 1995 and 1994, and have issued our report thereon dated January 29, 1997.

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

The management of Pointe Coupee General Hospital is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of Pointe Coupee General Hospital for the year ended October 31, 1996, 1995 and 1994, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Board of Commissioners
Hospital Service District No. 1
Parish of Pointe Coupee
Page Two

We noted on Exhibit A, attached, certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of the Board of Commissioners, management and all applicable state and federal agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



January 29, 1997

Point Coupee Parish Hospital Service District No. 1
Management Comments - Exhibit A
For the Years Ended October 31, 1996, 1995 and 1994

General

We are pleased to see implementation of prior year recommendations in payroll related liabilities and cash areas. In connection with our 1996 audit, our findings and recommendations as well as the District's responses follow.

Inventory

Finding: Inventory sheets are not prenumbered and a log of the inventory sheets is not kept. Unless inventory sheets are all accounted for, there is no control to know if all inventory has been counted.

Recommendation: A log of prenumbered inventory sheets issued to each department should be maintained.

District Response: A log of prenumbered inventory sheets will be maintained for future counts.

Payroll and Related Liabilities

Finding: As in the prior year, we noted that the District policy of limiting accumulated PTO hours to 200 was not followed. In 1994, there were 2 employees with excess hours. In 1995, there are 8 employees with excess hours.

Recommendation: We recommend the hospital comply with or amend its written policy.

District Response: All PTO hours in excess of 200 at 12/31/96 will be paid out in January 1997.

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Independent Auditors' Report on Compliance
Based on an Audit of General Purpose
Financial Statements Performed in Accordance with
GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Hospital Service District No. 1
Parish of Pointe Coupee
New Roads, Louisiana

We have audited the general purpose financial statements of Hospital Service District No. 1, Parish of Pointe Coupee ("Pointe Coupee General Hospital") as of and for the years ended October 31, 1996, 1995 and 1994, and have issued our report thereon dated January 29, 1997.

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

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

Compliance with laws, regulations, contracts and grants applicable to Pointe Coupee General Hospital is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Board of Commissioners
Hospital Service District No. 1
Parish of Pointe Coupee
Page Two

This report is intended for the information of the Board of Commissioners, management and applicable state and federal agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Easley Lester & Wells

January 29, 1997