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St. Anne General Hospital

September 30, 1996

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Independent Auditor's Report

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Note 6 - LONG-TERM DEBT (Continued)

Interest expense on capital lease obligations for the years ended September 30, 1996 and 1995 totaled \$40,700 and \$47,204, respectively. The lease minimum lease payments due as a result of these noncancelable capital leases together with the present value of the minimum lease payments as of September 30, 1996 are as follows:

Year Ending September 30,	
1997	\$196,576
1998	151,691
1999	90,357
2000	<u>51,917</u>
Total minimum lease payments	490,521
Amount representing imputed interest	<u>52,425</u>
Present value of capitalized lease obligations	<u>\$438,096</u>

Note 7 - EMPLOYEE RETIREMENT PLAN

The Hospital has a defined contribution pension plan which covers substantially all full-time employees who choose to participate after they have met certain eligibility requirements. The Hospital contributes 7% of a participant's base hour wage, up to a maximum of 80 hours in a two-week payroll period. Contributions are not made for overtime, differential, or call pay earned by participants. The Hospital's contributions to the plan for the years ended September 30, 1996 and 1995 were \$180,259 and \$240,152, respectively.

Note 8 - CONCENTRATION OF CREDIT RISK

The Hospital grants credit for health care services rendered to patients who reside primarily in Lafourche Parish, Louisiana.

Note 6 - LONG-TERM DEBT (Continued)

	<u>1996</u>	<u>1995</u>
Capitalized lease obligation, discounted at a rate of 6%, due in monthly installments of \$6,054 to June 1996	-	47,360
Capitalized lease obligation, discounted at a rate of 8.25%, due in monthly installments of \$4,346 to August 1997	48,531	83,023
Capitalized lease obligation, discounted at a rate of 6%, due in monthly installments of \$1,424 to June 1998	30,862	45,609
Capitalized lease obligation, discounted at a rate of 5.64%, due in monthly installments of \$1,910 to September 1998	43,242	63,106
Capitalized lease obligation, discounted at a rate of 7.23%, due in monthly installments of \$2,847 to February 1999	73,156	100,932
Capitalized lease obligation, discounted at a rate of 7.58%, due in monthly installments of \$1,489 to February 2000	50,410	63,735
Capitalized lease obligation, discounted at a rate of 9.47%, due in monthly installments of \$1,138 to February 2000	38,890	48,374
Capitalized lease obligation, discounted at a rate of 7.76%, due in monthly installments of \$4,832 to July 2000	<u>150,006</u>	<u>194,504</u>
	438,096	684,720
Less current maturities	<u>(169,114)</u>	<u>(243,407)</u>
Net capitalized lease obligations	<u>\$268,982</u>	<u>\$441,313</u>

Note 6 - LONG-TERM DEBT (Continued)

Interest expense on bonds and notes payable for the years ended September 30, 1996 and 1995 totaled \$35,722 and \$43,482, respectively. Aggregate maturities of bonds payable at September 30, 1996 are as follows:

Year Ending September 30,	Bonds and Notes Payable
1997	\$ 85,000
1998	90,000
1999	100,000
2000	105,000
2001	110,000
Later Years	120,000
Total	<u>\$610,000</u>

Public Improvement Bonds - During 1977, the Hospital Service District issued public improvement bonds totaling \$1,500,000 to finance expansion of the hospital. Interest payments and principal payments of the bonds are funded through special ad valorem taxes levied on property within the boundaries of the Hospital Service District. The bonds are callable by the District at face amount plus accrued interest in inverse order of their maturity on any interest payment date after ten years from their date of original issuance.

The following is a summary of capitalized lease obligations:

	1996	1995
Capitalized lease obligation, discounted at a rate of 8.56%, due in monthly installments of \$3,211 to January 1996	\$ -	\$ 9,499
Capitalized lease obligation, discounted at a rate of 9.63%, due in monthly installments of \$3,737 to March 1996	-	21,885
Capitalized lease obligation, discounted at a rate of 10.5%, due in monthly installments of \$361 to June 1996	-	3,773

Note 3 - CHARITY CARE

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics. The following information measures the level of charity care provided during the years ended September 30, 1996 and 1995.

	<u>1996</u>	<u>1995</u>
Charges forgone, based on established rates	<u>\$310,885</u>	<u>\$318,100</u>
Estimated costs and expenses incurred to provide charity care	<u>\$271,000</u>	<u>\$273,000</u>
Equivalent percentage of charity care patients to all patients served	<u>1.96%</u>	<u>1.96%</u>

Note 4 - NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital 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. Inpatient associate services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audit thereof by the Medicare fiscal intermediary. The Hospital'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 Hospital. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 1994.

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Financial Report

St. Anne General Hospital

September 30, 1996

Under provisions of state law, this report is a public document. A copy of this 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.

release Date 4-2-97

Note 4 - NET PATIENT SERVICE REVENUE (Continued)

- **Medicaid** - Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audit thereof by the Medicaid fiscal intermediary. Effective July 1, 1995, reimbursement for inpatient services rendered to Medicaid program beneficiaries was changed to a per diem methodology. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 1995.
- **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 retrospective adjustment.

For the year ended September 30, 1996, approximately 64% of the Hospital's gross patient service revenues (48% of net patient service revenues) were furnished to Medicare and Medicaid program beneficiaries. For the year ended September 30, 1995, those percentages were 69% and 54%, respectively.

Note 5 - ASSETS WHOSE USE IS LIMITED

The following is a summary of the components of assets whose use is limited:

	<u>1996</u>	<u>1995</u>
Trust-Designated Plant, Equipment and Expansion Fund (established October 1, 1975):		
Cash	\$ 10,696	\$ 5,938
Certification of deposit	3,825,271	4,251,112
Interest receivable	82,868	69,767
Other	<u>243</u>	<u>118</u>
Totals	<u>\$3,919,438</u>	<u>\$4,396,935</u>

Note 9 - COMMITMENTS

In 1957, the Hospital received a grant of \$1,100,000 under the Federal Hill-Burton Act for construction of an addition to the Hospital building. The acceptance of this grant requires the Hospital to provide a reasonable amount of charity care to indigent patients.

The Hospital agreed with the Louisiana Hill-Burton Agency to provide charity care of \$202,470 and \$269,459 for the years ended September 30, 1996 and 1997, respectively. Management believes that the Hospital has met its obligations. The Hospital has agreed to provide \$450,000 of charity care for the year ending September 30, 1997.

Note 10 - CONTINGENCIES

The Hospital carries professional liability insurance for medical malpractice losses up to \$100,000. It is a member of the Louisiana Patients' Compensation Fund, which provides coverage for any such losses in excess of \$100,000 up to the \$200,000 statutory maximum of awards for such damages in Louisiana. The Hospital is a defendant in several lawsuits. Management of the Hospital believes, however, that no probable losses have been incurred as a result of these claims, and no provision has been made in the component unit financial statements for any liability that might be incurred from their ultimate resolution.

Note 5 - ASSETS WHOSE USE IS LIMITED (Continued)

Debt Service Fund:		
Public Improvement Bonds, Series 1977:		
Cash	\$ 22,625	\$ 28,924
Certificate of deposit	184,677	152,582
Interest receivable	329	236
Totals	\$207,631	\$181,742

Note 6 - LONG-TERM DEBT

The following is a summary of bonds and notes payable:

	1996	1995
Public Improvement Bonds, Series 1977, 4.5% to 5.6% due serially to 2000, with annual principal installments ranging from \$85,000 to \$120,000 (described below)	\$610,000	\$ 690,000
Note payable dated May 29, 1991 for \$125,434 with interest at 8.95% payable in 60 monthly installments of \$2,682 including interest, secured by a purchase-money obligation on equipment	-	20,131
	610,000	710,131
Less current maturities	(85,000)	(100,131)
Net bonds and notes payable	\$525,000	\$ 610,000



Bourgeois Bennett

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE BASED ON AN AUDIT OF THE GENERAL
PURPOSE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners of
Hospital Service District No. 2,
LaFourche Parish, Louisiana.

We have audited the general purpose financial statements of St. Anne General Hospital (Hospital Service District No. 2, Parish of LaFourche, State of Louisiana), a component unit of the LaFourche Parish Council, as of and for the year ended September 30, 1996, and have issued our report thereon dated December 4, 1996.

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

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

The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

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

Bourgeois Bennett, L.L.C.

Certified Public Accountants

New Orleans, La.,
December 4, 1996.



HOOPER'S BANNER

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

To the Board of Commissioners of
Hospital Service District No. 2,
Lafourche Parish, Louisiana.

We have audited the general purpose financial statements of the St. Anne General Hospital (Hospital Service District No. 2, Parish of Lafourche, State of Louisiana), a component unit of the Lafourche Parish Council, as of and for the year ended September 30, 1996, and have issued our report thereon dated December 4, 1996.

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 general purpose financial statements are free of material misstatement.

The management of the 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 general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Our audits were made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information contained in Schedules 1 and 2 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 audits 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.

In accordance with Government Auditing Standards, we have also issued a report dated December 4, 1996, on our consideration of St. Anne General Hospital's internal control structure and a report dated December 4, 1996, on its compliance with laws and regulations.

Bougeois Bennett, L.L.C.

Certified Public Accountants

New Orleans, La.,
December 4, 1996.

NOTES TO FINANCIAL STATEMENTS**St. Anne General Hospital**

September 30, 1996 and 1995

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a) Reporting Entity**

The Hospital is owned and operated by Hospital Service District No. 2 of the Parish of Lafourche, State of Louisiana (a nonprofit corporation organized by the Lafourche Parish Council). The Lafourche Parish Council appoints members to the Hospital Board of Commissioners, which in turn exercises control over all administrative functions with respect to the operation of the Hospital.

Based on the significant control that the Lafourche Parish Council possesses, the Hospital is deemed to be a component unit of the Council. The accompanying component unit financial statements present information only as to the transactions of the Hospital and do not present information on the Parish Council, or the other governmental units that comprise the primary government reporting entity.

b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

c) Proprietary Fund Accounting

The Hospital utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual.

BALANCE SHEETS

St. Anne General Hospital

September 30, 1996 and 1995

ASSETS

	1996	1995
Current		
Cash	\$ 628,445	\$ 352,575
Receivables, net of estimated uncollectibles and allowances (1996 - \$1,042,557; 1995 - \$2,163,000)	4,260,395	3,604,821
Assets whose use is limited and required for current debt service	85,000	80,000
Estimated third-party payer settlements - Medicare and Medicaid	153,648	21,562
Inventories	482,589	581,468
Prepaid expenses	63,148	53,385
Other	71,688	47,253
	5,747,942	4,741,062
Assets Whose Use Is Limited		
Board-Designated Plant, Equipment and Expansion Fund	3,919,470	4,386,995
Debt Service Fund	207,631	183,743
Unamortized bond issue costs	3,405	4,033
	4,130,506	4,492,770
Less assets whose use is limited and required for current debt service	(85,000)	(80,000)
	4,045,506	4,412,770
Property and Equipment		
Construction in progress	84,573	-
Land and improvements	188,215	99,395
Buildings	7,444,623	7,426,424
Equipment	6,061,660	5,891,137
Capital lease equipment	1,430,082	1,430,082
	15,121,553	14,857,038
Less accumulated depreciation	(10,276,199)	(9,678,538)
	4,845,404	5,236,508
Totals	\$ 14,638,852	\$ 14,388,348

See notes to financial statements.

LIABILITIES AND FUND BALANCES

	1996	1995
Current		
Current maturities of bonds payable from assets whose use is limited	\$ 85,000	\$ 88,000
Current maturities of notes payable	-	28,131
Current maturities of capital lease obligations	169,114	242,400
Accounts payable	459,876	471,667
Accrued expenses	684,765	529,919
Estimated third-party payor settlements - Medicare and Medicaid	449,181	618,262
	1,847,136	1,978,407
Long-Term Debt, net of current maturities		
Bonds and notes payable	525,000	618,000
Capital lease obligations	268,982	441,313
	793,982	1,059,313
Commitments and Contingencies (Notes 9 and 10)	-	-
Total Liabilities	2,641,118	3,038,720
Fund Balances		
Operating	6,045,272	5,657,638
Board - Designated Plant, Equipment and Depreciation Fund	5,761,251	5,528,860
Designated for debt retirement - 1977 Sinking Fund	191,211	163,122
	11,997,734	11,349,620
Totals	\$ 14,638,852	\$ 14,388,340

STATEMENTS OF OPERATIONS

St. Anne General Hospital

For the years ended September 30, 1996 and 1995

	1996	1995
Revenues		
Net patient service revenues	\$ 15,517,381	\$ 13,631,313
Other operating revenues	483,441	593,030
Total revenues	16,000,822	14,224,343
Expenses		
Salaries and wages	5,023,791	6,856,787
Professional services	3,182,378	3,492,913
Supplies and other expenses	4,694,445	4,783,698
Interest	30,441	54,188
Provision for bad debts	1,126,805	1,038,483
Provision for depreciation	808,075	824,823
Total expenses	15,785,935	16,150,814
Operating income	214,887	71,529
Nonoperating Income (Expense)		
Increase on investments whose use is limited:		
By board for capital improvements	208,246	157,478
Debt service	9,383	8,574
Gain/(loss) on disposition of assets	(5,414)	684
Other investment income	25,417	23,488
Taxes and state revenue sharing proceeds		
for maintenance and operations	94,808	91,243
Taxes dedicated for debt service	133,838	132,013
Moral interest and agent fees	(35,231)	(39,429)
Unrestricted gifts	2,169	2,550
Nonoperating income, net	433,247	375,814
Excess of revenues over expenses	\$ 648,134	\$ 447,343

See notes to financial statements.

STATEMENTS OF CHANGES IN FUND BALANCES

St. Anne General Hospital

For the years ended September 30, 1994 and 1995

	Operating Fund	Board - Designated Plant Equipment Acad Expansion Fund	Designated For Debt Retirement - 1977 Sinking Fund	Totals
Balance, September 30, 1994	\$ 5,416,721	\$ 5,544,796	\$ 134,540	\$ 10,995,077
Excess of revenues over expenses for the year ended September 30, 1995	240,817	104,864	100,982	446,543
Retirement of bonds	-	75,800	(75,800)	-
Balance, September 30, 1995	5,657,538	5,724,860	158,722	11,549,620
Excess of revenues over expenses for the year ended September 30, 1996	387,634	152,391	198,089	648,114
Retirement of bonds	-	80,000	(80,000)	-
Balance, September 30, 1996	\$ 6,045,272	\$ 5,797,251	\$ 191,211	\$ 11,993,734

See notes to financial statements.

**Exhibit D
(Continued)**

	1996	1995
Cash Flows From Investing Activities		
Interest on investments	243,046	187,945
Decrease (increase) in assets whose use is limited	262,264	(1,237,833)
Net cash provided (used) by investing activities	605,310	(1,049,888)
Net Increase in Cash	215,870	188,720
Cash Balance		
Beginning of year	382,575	163,855
End of year	\$ 628,445	\$ 352,575
Supplemental Schedule Of Non-cash Investing and Financing Activities		
Acquisition of equipment through capital leases	\$ -	\$ 324,648

See notes to financial statements.

NET PATIENT SERVICE REVENUES

St. Ann's General Hospital

For the years ended September 30, 1996 and 1995

	1996	1995
Daily Patient Services		
Ambulatory care	\$ 109,560	\$ 145,515
Behavioral Health Unit	3,833,750	4,251,451
Inpatient care	330,030	387,000
Medical and Surgical Unit #3	1,016,680	900,980
Medical and Surgical Unit #4	-	376,880
Proctore room	129,478	138,380
Skilled nursing facilities	194,253	248,835
	5,604,460	6,021,951
Other Nursing Services		
Ambulatory surgery	547,043	527,160
Central service and supply	3,939,782	4,059,634
Delivery and labor rooms	114,283	140,516
Emergency services	1,079,968	983,831
Home health services	2,037,657	2,078,138
Operating room	1,336,327	1,343,720
	9,035,060	9,178,099
Other Professional Services		
Anesthesiology	646,293	671,388
Cardiopulmonary	1,911,347	2,114,709
Laboratory	2,864,635	2,713,848
Pharmacy	3,236,796	3,284,453
Physical therapy	64,803	73,237
Radiology	2,144,631	1,788,319
	10,868,305	10,649,344
Gross patient service revenues	35,548,625	36,749,774
Allowances and Uncollectible Amounts		
Administrative adjust costs	(988,385)	(640,087)
Charity allowances	(310,805)	(318,100)
Medicare and Medicaid contractual allowances	(8,883,674)	(8,660,277)
	(10,023,264)	(11,118,464)
Net patient service revenues	\$ 35,517,361	\$ 35,631,310

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Property and Equipment

The Hospital records all property and equipment acquisitions at cost. Depreciation on property and equipment is provided for on a straight-line basis over their estimated useful lives, which range from 4 to 20 years. Depreciation expense includes amortization of capital lease equipment totaling \$231,542 and \$267,193 for the years ended September 30, 1996 and 1995, respectively. Accumulated amortization on capital lease equipment was \$994,759 and \$722,817 as of September 30, 1996 and 1995, respectively.

l) Employee Vacation Benefits

Employee vacation benefits are accrued and expensed in the period earned by the employee.

j) Income and Expense Classifications

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 within the statement of operations. Peripheral or incidental transactions are reported as nonoperating revenue and expense.

k) Property Tax Revenue

The Hospital receives special ad valorem taxes levied on property within the territorial boundaries of the Hospital Service District, which are accounted for as nonoperating revenue on an accrual basis as of the date the taxes are levied each year. Additionally, revenue sharing funds are received from the State and accounted for as nonoperating revenue in the year received. Some of these tax receipts are dedicated for interest and principal retirement of the public improvement bonds which are more fully described in Note 6. The remainder of these tax receipts are available for the maintenance and operation of the Hospital.

Interest expense payable from operating revenues of the Hospital is shown as an operating expense. Interest expense on public improvement bonds supported by tax revenues is shown as a nonoperating expense, since the tax revenues provided for payment of the interest are classified as nonoperating revenue.

OPERATING EXPENSES

St. Anna General Hospital

For the years ended September 30, 1996 and 1995

	1996			Totals
	Salaries and Wages	Professional Services	Supplies and Other Expenses	
Nursing Services				
Administrative office	\$ 98,256		\$ 1,914	\$ 100,170
Ambulatory surgery	18,309		854	19,163
Central services and supply	128,768		713,883	842,651
Delivery and labor room	236,185		8,895	245,080
Emergency service	291,132	\$ 684,865	5,811	981,808
Home health services	612,996	38,890	61,058	692,944
Housekeeper service	19,584			19,584
Intensive care	343,265	8,813	5,863	357,941
Medical and surgical	892,654	30,415	33,932	961,001
Newborn nursery	131,256		2,775	134,031
Operating room	488,796	89,418	58,450	636,664
Skilled nursing facilities	385,834	12,880	1,885	399,599
Specialized nursing assignments plan	10,536			10,536
	3,411,171	766,189	858,798	\$ 5,036,158
Other Professional Services				
Anesthesiology	297,388	78,614	3,131	\$ 379,133
Behavioral health		1,889,318	14,921	1,914,639
Cardiopulmonary	285,572	4,850	85,629	376,051
Cardiovascular			1,053	1,053
Laboratory	288,583	361,288	368,861	918,732
Health information service	125,186		8,825	134,011
Pharmacy	138,876		451,890	590,766
Physical therapy		32,915	65	32,980
Radiology	366,135	95,135	680,327	1,141,607
	1,612,596	2,271,286	981,298	\$ 4,865,180

STATEMENTS OF CASH FLOWS

St. Anne General Hospital

For the years ended September 30, 1996 and 1995

	1996	1995
Cash Flows From Operating Activities		
Operating income	\$ 214,867	\$ 71,579
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	808,075	824,825
Bond issue cost amortization	628	628
Interest expense capitalized capital financing	30,441	54,108
Decrease (increase) in assets:		
Net receivables	(623,575)	188,095
Estimated third-party payer settlements	(132,104)	290,448
Inventory	93,869	(11,999)
Prepaid expenses	(7,765)	(3,212)
Other current assets	(24,425)	70,698
Increase (decrease) in liabilities:		
Accounts payable	(12,621)	57,550
Accrued expenses	154,567	22,790
Estimated third-party payer settlements	(189,881)	145,080
Net cash provided by operating activities	790,865	1,705,480
Cash Flows From Noncapital Financing Activities		
Ad valorem taxes and state revenue sharing	228,746	225,254
Other	2,188	2,550
Net cash provided by noncapital financing activities	230,934	227,804
Cash Flows From Capital and Related Financing Activities		
Principal payments of bonds and notes payable	(100,131)	(103,039)
Principal payments under capital lease obligations	(246,624)	(271,426)
Purchase of equipment	(434,098)	(225,650)
Interest paid on long-term debt	(81,284)	(81,321)
Proceeds on disposition of asset	1,085	1,000
Net cash used by capital and related financing activities	(861,152)	(680,436)

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Board-Designated Fund

The Hospital accounts for its plant and equipment, related debt, and funds designated by the Board for future expansion in a separate fund, entitled The St. Anne General Hospital Plant, Equipment and Expansion Fund.

e) Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, 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.

On April 1, 1982, the Hospital entered into an agreement with a not-for-profit corporation to establish and operate a Behavioral Health Unit at the Hospital. The agreement is for a term of four years with successive one year renewal options, however it can be terminated within 90 days if the Unit is not profitable. Under the agreement, the Hospital makes available a minimum number of beds in a separate wing, and provides billing, collection and other services for the Unit. The not-for-profit corporation pays all costs of staffing the Unit and provides related clinical and other administrative services. The Hospital charges the patients for the psychiatric services rendered and pays a fixed fee per reimbursed patient day to the not-for-profit corporation.

f) Charity Care

The Hospital 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 Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

g) Inventories

Inventories are valued at the lower of cost (first-in, first-out method) or market.

**Schedule 2
(Continued)**

Salaries and Wages	1993		Totals
	Professional Services	Supplies and Other Expenses	
		19,924	\$ 19,924
		16,567	16,567
		48,759	48,759
		48,008	48,008
		46,454	46,454
		367,826	367,826
178,685	58,408	7,891	228,886
		291,765	291,765
		15,589	15,589
		240,152	240,152
27,448		6,132	33,580
		36,819	36,819
		37,428	37,428
42,389	49,828	178,845	271,062
64,523		1,289	65,812
		443,789	443,789
		152,096	152,096
305,345	108,820	1,864,113	\$ 2,269,478
261,125		389,799	\$ 578,924
154,174		32,508	186,482
45,453		22,238	67,691
151,868		236,625	428,493
36,844	23,692		60,536
		283,324	283,324
649,468	23,692	934,306	\$ 1,607,466
188,618		2,752	111,362
256,178		85,882	279,258
15,884		29,538	75,216
380,679		77,164	\$ 457,843
\$ 6,056,287	\$ 3,483,913	\$ 4,783,898	

Schedule 2

Salaries and Wages	1993		Totals
	Professional Services	Supplies and Other Expenses	
\$ 99,983		\$ 1,658	\$ 72,041
17,928		283	18,213
118,298		278,312	811,090
233,553		13,301	346,634
258,813	\$ 661,658	5,248	917,719
554,868	39,312	43,775	628,095
28,824			26,024
288,523	168,965	3,585	458,993
1,148,897	34,242	32,855	1,197,194
128,142		1,799	129,941
483,276	62,491	45,262	551,128
178,782	12,808	1,347	192,949
13,684			13,684
3,479,318	958,688	504,648	\$ 5,982,676
288,498	9,118	2,038	\$ 227,697
371,158	1,317,985	16,312	1,934,427
	9,690	65,529	348,337
		624	624
264,343	260,038	299,637	824,040
141,716	466	8,802	151,468
148,339		412,283	357,424
	38,619		38,619
268,550	84,737	72,109	365,386
1,241,993	2,320,573	883,487	\$ 4,446,090

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Cash Equivalents

For the purpose of the statement of cash flows, cash equivalents include cash on hand and cash in banks. Short-term certificates of deposit are considered to be investments rather than cash equivalents for purposes of these component and financial statements.

m) Reclassifications

Certain reclassifications have been made to the September 30, 1995 financial statements in order to conform to the presentation used in the September 30, 1996 financial statements. These reclassifications had no effect on Hospital fund balances.

Note 2 - CASH AND INVESTMENTS

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States, certificates of deposit of state or national banks having their principal office in Louisiana or any other federally insured investment.

State law also requires that deposits of all political subdivisions be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision or with an unaffiliated bank or trust company for the account of the political subdivision.

During the years ended September 30, 1996 and 1995, the Hospital's investments consisted principally of certificates of deposit. Collateral pledged to secure Hospital deposits in excess of FDIC insurance included primarily U.S. Government obligations and obligations guaranteed by the U.S. Government which were held by unaffiliated banks in the Hospital's name.

	1998			Totals
	Salaries and Wages	Professional Services	Supplies and Other Expenses	
Administrative Services				
Accreditation fees				\$ -
Advertising			16,274	16,274
Collection coupons			32,979	32,979
Communications			68,873	68,873
Dues and subscriptions			36,793	36,793
Employee insurance			433,153	433,153
Executive office	187,578	50,480	8,641	246,699
Insurance			289,965	289,965
Leases			19,838	19,838
Pensions			180,293	180,293
Personnel and recruiting	27,277		20,786	47,983
Professional fees			45,144	45,144
Postage			38,088	38,088
Public relations	43,531	68,400	87,081	200,012
Purchasing	99,034		3,439	102,474
Taxes and licenses			432,338	432,338
Travel and seminars			144,175	144,175
	377,438	118,900	1,848,811	\$ 2,288,641
General Services				
Dietary	238,153		272,388	\$ 510,543
Housekeeping	135,879		30,749	166,628
Laundry and linen	56,539		28,542	84,872
Fleet operations and maintenance	152,154		280,535	432,689
Security	35,579	23,873		59,452
Utilities			317,088	317,088
	607,699	23,873	901,034	\$ 1,532,604
Fiscal Services				
Accounting	110,385		3,569	113,954
Business office	238,682		20,045	258,727
Data processing	15,839		62,898	78,738
	364,899		86,512	\$ 451,410
Totals	\$ 3,523,790	\$ 3,182,378	\$ 4,694,645	