INDEPENDENT AUDITORS' REPORT ON

COMPLIANCE WITH THE GENERAL REQUIREMENTS

APPLICABLE TO THE SERVICE DISTRICT'S

FEDERAL FINANCIAL ASSISTANCE PROGRAM

To the Parish Council of Jefferson Parish:

We have audited the financial statements of Jefferson Parish Hospital Service District No. 1 (the Service District - a component unit of Jefferson Parish, Louisiana) as of and for the year ended December 31, 1996, and have issued our report thereon dated February 28, 1997.

We have applied procedures to test the Service District's compliance with the following requirements applicable to its Federal financial assistance program, which is identified in the Schedule of Federal Financial Assistance, for the year ended December 31, 1996.

- Political activity
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Drug-free Workplace Act

Our procedures were limited to the applicable procedure described in the Office Management and Budget's Compliance Supplement for Single Audits of State and Local Governments (September 1990 Revision). Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Service District's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering Federal financial assistance would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a Federal financial assistance program 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 structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of management and Louisiana Department of Health and Hospitals. However, this report is a matter of public record and its distribution is not limited.

Arthur Andersen LLP

New Orleans, Louisiana,
February 28, 1997

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering Federal financial assistance programs into the following categories:

Accounting Control Categories:

- Financial Reporting Cycle (includes controls established to ensure compliance with laws and regulations that have a material impact on the financial statements)
- Treasury Cycle
- Revenue Cycle
- Expenditure Cycles - purchasing and payroll
- Conversion (Fixed Assets/Inventory) Cycle
- Federal Grant Cycle

Administrative Control Categories:

- General Requirements
  - Political activity
  - Civil rights
  - Cash management
  - Federal financial reports
  - Allowable costs/cost principles
  - Drug-free Workplace Act

- Specific Requirements
  - Types of services allowed or disallowed
  - Eligibility
  - Reporting
  - Claims for advances and reimbursements

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended December 31, 1996, the Service District had no major federal financial assistance programs and expended 76% of its total federal financial assistance under the following nonmajor federal financial assistance programs:

Special Supplemental Food Program for Women, Infants, and Children (WIC)

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to the Service District's Federal financial assistance program which is identified in the accompanying Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

ARTHUR ANDERSEN LLP

INDEPENDENT AUDITORS' REPORT ON

COMPLIANCE OF THE SERVICE DISTRICT AS AN ENTITY

To the Parish Council of Jefferson Parish:

We have audited the financial statements of Jefferson Parish Hospital Service District No. 1 (the Service District -a component unit of Jefferson Parish, Louisiana) as of and for the year ended December 31, 1996 and have issued our report thereon dated February 28, 1997.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to the Service District is the responsibility of the Service District's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Service District's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the 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 herein under Government Auditing Standards.

This report is intended for the information of management and Louisiana Department of Health and Hospitals. However, this report is a matter of public record and its distribution is not limited.

Arthur Andersen LLP

New Orleans, Louisiana,
February 28, 1997

RETIREMENT PLAN FOR EMPLOYEES OF WEST JEFFERSON MEDICAL CENTER

REQUIRED SUPPLEMENTARY INFORMATION

ANALYSIS OF FUNDING PROGRESS (UNAUDITED)

DECEMBER 31, 1996

Required supplementary historical information for the Retirement Plan for Employees of West Jefferson Medical Center is presented below for all years for which this information is available.

	Analysis of Funding Progress						
	1996	1995	1994	1993	1992	1991	1990
Net assets available for benefits	$27,761,239	$24,381,841	$19,230,228	$18,860,306	$16,963,803	$15,259,883	$12,763,564
Pension benefit obligation	22,946,192	21,135,071	18,705,457	16,329,803	17,009,063	14,869,023	12,326,672
Net assets for benefits available as a percentage of the pension benefit obligation	121%	115%	103%	115%	99%	103%	104%
(Unfunded) assets in excess of pension benefit obligation	4,815,047	3,246,770	524,771	2,530,503	(45,260)	390,860	436,892
Annual covered payroll	37,269,213	38,038,967	36,983,844	32,015,331	29,810,785	28,979,328	26,012,449
(Unfunded) assets in excess of pension benefit obligation as a percentage of annual covered payroll	12.9%	8.5%	1.4%	7.9%	(0.2)%	1.3%	1.7%

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the Plan's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker.

Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids in the analysis of the Plan's progress made in accumulating sufficient assets to pay benefits when due.

RETIREMENT PLAN FOR EMPLOYEES OF

WEST JEFFERSON MEDICAL CENTER

REQUIRED SUPPLEMENTARY INFORMATION - COMPARATIVE SUMMARY OF

REVENUES BY SOURCE AND EXPENSES BY TYPE (UNAUDITED)

DECEMBER 31, 1996

REVENUES BY SOURCE

Fiscal Year	(1) Employer Contribution Requirements	Investment Income	Total	(2) Annual Covered Payroll	Percentage (1)/(2)	Employer Contributions Paid
1987	$100,000	$ 402,931	$ 502,931	$21,705,000	0.5%	$1,080,000
1988	900,000	1,072,044	1,972,044	23,760,000	3.8%	100,000
1989	600,000	1,183,588	1,783,588	24,474,941	2.4%	900,000
1990	681,461	684,863	1,366,324	26,012,449	2.6%	600,000
1991	882,566	1,894,571	2,777,137	28,979,328	3.0%	681,461
1992	998,714	988,149	1,986,863	29,810,785	3.4%	882,566
1993	967,683	1,247,065	2,214,748	32,015,331	3.0%	998,714
1994	1,047,919	(319,998)	727,921	36,983,844	2.8%	967,683
1995	1,419,308	4,196,229	5,615,537	38,038,967	3.7%	1,047,919
1996	1,140,375	2,818,491	3,958,866	37,269,213	3.1%	1,419,308

EXPENSES BY TYPE

Fiscal Year	Benefits	Administrative Expenses	Total
1987	$ 96,110	$27,148	$123,258
1988	117,901	29,543	147,444
1989	155,891	33,585	189,476
1990	180,451	36,509	216,960
1991	239,819	40,999	280,818
1992	264,774	18,169	282,943
1993	296,210	22,035	318,245
1994	331,843	26,156	357,999
1995	435,137	28,787	463,924
1996	543,145	36,323	579,468

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the 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. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of management and Louisiana Department of Health and Hospitals. However, this report is also a matter of public record and its distribution is not limited.

Arthur Andersen LLP

New Orleans, Louisiana,
February 28, 1997

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Service District had not complied, in all material respects, with those requirements.

This report is intended for the information of management and Louisiana Department of Health and Hospitals. However, this report is a matter of public record and its distribution is not limited.

Arthur Andersen LLP

New Orleans, Louisiana,
February 28, 1997

Executive Benefits

The Medical Center provides a supplemental executive retirement plan (SERP) as well as a contributory flexible benefit plan to certain key employees. Medical Center contributions to the plans were $312,000 in 1996 and $273,000 in 1995. Assets and liabilities associated with the plans were approximately $2,882,000 and $2,550,000 at December 31, 1996 and 1995, respectively, and are included in current assets and liabilities in the accompanying financial statements.

8. CLASSIFICATION OF EXPENSES:

	Salaries and Wages	Supplies	Interest	Other	1996 Total	1995 Total
Patient care	$45,037,507	$ 18,966,436	$ -	$ 3,131,377	$ 67,135,320	$ 68,435,389
Support services	11,483,262	3,615,805	5,048,904	37,786,734	57,934,705	56,815,705
Total expenses	$56,520,769	$ 22,582,241	$5,048,904	$40,918,111	$125,070,025	$125,251,094

INDEPENDENT AUDITORS' REPORT ON THE SERVICE DISTRICT'S

INTERNAL CONTROL STRUCTURE OVER ITS

FEDERAL FINANCIAL ASSISTANCE PROGRAM

To the Parish Council of Jefferson Parish:

We have audited the financial statements of Jefferson Parish Hospital Service District No. 1 (the Service District - a component unit of Jefferson Parish, Louisiana) as of and for the year ended December 31, 1996, and have issued our report thereon dated February 28, 1997.

We conducted our audit in accordance with generally accepted auditing standards, the standards for financial audits contained in Government Auditing Standards (1994 Revision), issued by the Comptroller General of the United States, and the provisions of OMB Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit for the year ended December 31, 1996, we considered the Service District's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the Service District's financial statements and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to Federal financial assistance programs.

Management of the Service District 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, 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, and that Federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities or instances of noncompliance 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.

assess the Plan's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons with other plans. The measure is independent of the actuarial funding methods used to determine contributions to the Plan.

Pension Benefit Obligation:	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$ 6,868,212
Current employees-	
Employer financed-vested	12,846,306
Employer financed-nonvested	3,231,674
Total pension benefit obligation	22,946,192
Net assets, at market, available for benefits	27,761,239
Net assets in excess of pension benefit obligation	$ 4,815,047

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

Contributions

The funding policy of the PERS provides for periodic employer contributions at actuarially determined rates that are sufficient to fund normal costs and amortization of past service costs over 30 years. The actuarially determined contribution requirement accrued in 1996 (to be paid in 1997) was $1,140,375 and the contribution actually made in 1996 (accrued in 1995) was $1,419,308. The actuarial unfunded liability at January 1, 1997 was $1,304,330.

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

Trend Information

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

	1996	1995	1994
Net assets available for benefits as a percentage of pension benefit obligation	121%	115%	103%
Assets in excess of pension benefit obligation as a percentage of the Medical Center's annual covered payroll	12.9%	8.5%	1.4%
Medical Center contributions actually made to the pension plan as a percentage of annual covered payroll	4%	3%	3%

The 1996 audited financial statements of the Plan include certain historical trend information related to net assets available for benefits, pension benefit obligations and annual covered payroll.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

COMBINED BALANCE SHEETS

DECEMBER 31, 1996 AND 1995

LIABILITIES AND FUND BALANCE

	1996	1995
CURRENT LIABILITIES:		
Accounts payable	$ 4,841,797	$ 4,002,924
Accrued expenses	10,364,448	8,800,342
Patient deposits and credit balances	1,876,000	1,298,448
Current installments of long-term debt (Note 4)	3,310,000	3,189,585
Bond interest payable	1,674,168	1,710,193
Total current liabilities	22,066,413	19,001,492
RESERVE FOR ESTIMATED MALPRACTICE CLAIMS (Note 5)	1,900,000	1,500,000
LONG-TERM DEBT (Note 4)	162,964,999	166,205,415
FUND BALANCE	168,880,976	152,474,809
Total	$ 355,812,388	$ 339,181,716

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

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

FOR THE YEAR ENDED DECEMBER 31, 1996

	Grant Period	Total Grant Award Available	Accrued Revenue at 12/31/95	Cash Receipts	Revenue Recognized	Expenditures	Accrued Revenue at 12/31/96
Passed-through State Dept. of Health & Hospitals	10/1/95-9/30/96	$149,999	$ (8,125)	$91,437	$83,312	$ 83,312	$ -
	10/1/96-9/30/97	$149,999	$ -	$ -	$30,177	$ 30,177	$ 30,177

ARTHUR ANDERSEN LLP

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JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

COMPREHENSIVE ANNUAL REPORT
AS OF DECEMBER 31, 1996

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.

Release Date APR 23 1997

THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED FROM THE COMPANY'S BOOKS AND RECORDS AFTER MAKING ALL NECESSARY ADJUSTMENTS THERETO, AND THEY REPRESENT THE FINAL STATEMENTS FOR THE PERIOD UNDER EXAMINATION 4/15/97

DATE

BY (Chief Financial Officer)

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

COMPREHENSIVE ANNUAL REPORT

AS OF DECEMBER 31, 1996

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JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

COMBINED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 1996 AND 1995
TOGETHER WITH AUDITORS' REPORT

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Parish Council of
Jefferson Parish:

We have audited the accompanying combined balance sheets of Jefferson Parish Hospital Service District No. 1 (the Service District - a component unit of Jefferson Parish, Louisiana) as of December 31, 1996 and 1995, and the related combined statements of revenues and expenses and fund balance and cash flows for the years then ended. These combined financial statements are the responsibility of the Service District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and in accordance with the standards for financial audits contained in Government Auditing Standards (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jefferson Parish Hospital Service District No. 1 at December 31, 1996 and 1995, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report on our consideration of the Service District's internal control structure, and a report on its compliance with laws and regulations, both dated February 28, 1997.

Arthur Andersen LLP

New Orleans, Louisiana,
February 28, 1997 .

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

COMBINED BALANCE SHEETS

DECEMBER 31, 1996 AND 1995

ASSETS

	1996	1995
CURRENT ASSETS:		
Cash and cash equivalents	$ 8,830,967	$ 5,399,554
Patient accounts receivable, less allowance for doubtful accounts of $17,108,000 in 1996 and $17,601,000 in 1995	20,672,634	15,165,689
Government health care program receivables	2,108,780	1,624,883
Inventory of drugs and supplies	2,646,458	2,644,373
Prepaid expenses	4,239,023	3,564,471
Assets whose use is limited that are required for current liabilities	4,984,168	4,899,777
Total current assets	43,482,030	33,298,747
ASSETS WHOSE USE IS LIMITED (Note 2):		
By board for specific purposes, at market in 1996 and amortized cost in 1995	170,740,967	155,124,228
Trustee-held assets, at amortized cost	60,138,760	64,864,051
Total assets whose use is limited	230,879,727	219,988,279
Less amounts required for current liabilities	(4,984,168)	(4,899,777)
Noncurrent assets whose use is limited	225,895,559	215,088,502
PROPERTY, PLANT AND EQUIPMENT, net (Note 3)	75,846,351	78,698,131
OTHER ASSETS:		
Unamortized financing costs	4,712,674	5,203,192
Other	5,875,774	6,893,144
Total other assets	10,588,448	12,096,336
Total	$ 355,812,388	$ 339,181,716

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

INDEPENDENT AUDITORS' REPORT ON THE

INTERNAL CONTROLS OF THE SERVICE DISTRICT

To the Parish Council of Jefferson Parish:

We have audited the financial statements of Jefferson Parish Hospital Service District No. 1 (the Service District - a component unit of Jefferson Parish, Louisiana) as of and for the year ended December 31, 1996, and have issued our report thereon dated February 28, 1997.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Management of the Service District 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 the Service District for the year ended December 31, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, 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 financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

provide funding for certain construction and equipment acquisitions at the Medical Center and advance refund certain debt issues. Approximately $14,807,000 in proceeds from this issue and approximately $22,599,000 from amounts held in connection with the advance refunded Series 1979 bonds were deposited with an escrow trustee and invested in obligations secured by the U. S. Government for redemption of $30,710,000 of Series 1985 Hospital Revenue Bonds. The principal and interest from these investments are used to service the advance-refunded bonds payable. Of the Series 1985 issue bonds which were advance-refunded, $15,000,000 was outstanding at December 31, 1996 and 1995. Neither the escrow fund nor the Series 1985 advance-refunded bonds payable are shown in the accompanying balance sheets.

During 1988, the Medical Center entered into a loan agreement with the Louisiana Public Facilities Authority to obtain financing of $59,500,000 to refund the Series 1986 bonds and finance the cost of providing improvements and equipment for the Medical Center. Loan proceeds of $48,000,000 were placed in escrow to provide for the future advance refunding of the Series 1986 bonds and to fund the debt servicing requirements of the related liability prior to the refunding. Amounts in the escrow fund will be used to redeem the Series 1986 bonds on any date directed by the Medical Center on or before December 1, 2001. Prior to redemption of the Series 1986 bonds, the interest on borrowed funds deposited in the escrow fund is payable solely from investments and earnings of the escrow fund. The Series 1988 loan agreement is secured by a lien on a pledge of revenues and requires the Medical Center charge rates sufficient to generate revenues in excess of expenses, exclusive of depreciation and interest expense, at a level that is greater than or equal to 120% of its maximum annual debt service requirement.

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

During January 1994, the Medical Center completed the issuance of $55,265,000 of Hospital Revenue Bonds (Series 1993) to provide funds to (1) advance refund $13,340,000 of the Series 1985 Hospital Revenue Bonds, (2) advance refund $9,275,000 of the Series 1988 Bonds (3) finance acquisition, construction improvements, renovations and expansions of the Medical Center and (4) finance the costs incurred in connection with the issuance of the Bonds. The 1993 Bonds have a fixed rate of interest at an average yield of 5.665% and are due in varying installments through 2019. In connection with this refinancing, the Medical Center accrued an extraordinary loss of approximately $3.3 million in 1993 attributed primarily to prepayment penalties and write-off of unamortized issue costs on the Series 1985 and Series 1988 Bonds. Total debt service requirements, as a result of this refinancing, have been reduced by approximately $8.3 million over the next 21 years, and the net economic gain related to these savings approximates $5.6 million.

5. <u>MALPRACTICE INSURANCE:</u>

During 1976, the State of Louisiana enacted legislation that created a statutory limit of $500,000 for each medical professional liability claim and established the Louisiana Patient Compensation Fund (State Insurance Fund) to provide professional liability insurance to participating health care providers. The constitutionality of the statutory limit has been tested and sustained to date although additional challenges may be made in the future. The Medical Center participates in the State Insurance Fund, which provides up to $400,000 coverage for settlement amounts in excess of $100,000 per claim. The Medical Center is self-insured with respect to the first $100,000 of each claim and has excess insurance coverage with an annual aggregate limit of $11,000,000 in excess of an annual deductible of $1,500,000. In addition, the Medical Center is insured for claims under $100,000 to the extent they exceed an annual aggregate of $500,000. Malpractice suits involving claims of varying amounts have been filed against the Medical Center by various claimants. These actions are in various stages of processing and some may ultimately be tried before juries. The Medical Center believes the ultimate resolution of these claims will not have a material effect on the Medical Center's financial position or results of operations.

The majority of the Service District's investments are classified as noncurrent because management does not intend to liquidate them for working capital purposes. The Service District reports investments in accordance with SFAS 115, which requires investments to be classified as either "available for sale," "held to maturity," or "trading." In previous years, all of the Service District's investments were classified as "held to maturity" and, accordingly, were carried on the amortized cost basis. During 1996, at the direction of the Jefferson Parish Council, management of the Board-designated investment portfolio was assigned to an outside investment management firm. As the Board-designated portfolio may be sold and reinvested in the near future, it has been reclassified as "available for sale" and, accordingly is carried at market value at December 31, 1996. As a result of this reclassification, unrealized losses of $1,624,000 have been recorded as a component of fund balance in 1996.

3. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment at December 31, 1996 and 1995 consists of:

	1996	1995
Land and land improvements	$ 5,235,439	$ 5,186,177
Buildings	56,380,372	55,942,368
Fixed equipment	38,630,701	36,863,500
Movable and other equipment	76,248,458	72,781,061
Total	176,494,970	170,773,106
Less- accumulated depreciation	100,648,619	(92,074,975)
Property, plant and equipment, net	$ 75,846,351	$ 78,698,131

The Service District leases certain major movable and other equipment under operating leases with terms predominantly on a month-to-month basis. Rental expenses for leased equipment amounted to approximately $889,000 for 1996 and $984,000 for 1995. During 1996, the Medical Center entered into an agreement whereby an outside firm is to manage the Information Systems function. Future commitments under this arrangement total $4,450,000 in 1997 and $2,596,000 in 1998. Extension of this arrangement is at the Medical Center's discretion beginning in September 1998.

2. CASH AND INVESTMENTS:

Assets whose use is limited that are required for obligations classified as current liabilities are reported in current assets. The composition of assets whose use is limited at December 31, 1996 and 1995 is set forth below:

	1996 Carrying Value			1995
	Cash Equivalents	U.S. Government Securities	Total	Total
Board designated	$ 100,000	$ 170,640,967	$ 170,740,967	$ 155,124,228
1985 Bond Issue	-	-	-	-
1986 Bond Issue	746	-	746	714
1988 Bond Issue	417,707	49,621,502	50,039,209	49,570,565
1985-A borrowings	1,201	-	1,201	1,143
1993 Bond Issue	28,262	10,069,342	10,097,604	15,291,629
Total Carrying Value	$ 547,916	$ 230,331,811	$ 230,879,727	$ 219,988,279
Total Market Value	$ 547,916	$ 232,236,880	$ 232,784,796	$ 225,457,040

Louisiana state statutes authorize the Service District to invest in obligations of the U. S. Treasury and other Federal agencies, time deposits with state banks and national banks having their principal offices in the State of Louisiana, guaranteed investment contracts issued by highly rated financial institutions and certain investments with qualifying mutual or trust fund institutions. During the years ended December 31, 1996 and 1995, the Service District invested primarily in securities issued by the U. S. Treasury and other Federal agencies. Louisiana state statutes also require that all of the deposits of the Service District be protected by insurance or collateral. The market value of collateral pledged must equal 100% of the deposits not covered by insurance. The bank balances of deposits at December 31, 1996 and 1995 were entirely covered by insurance or collateral held by financial institutions in the Service District's name.

The Service District's investments are categorized below to give an indication of the level of risk assumed at yearend. Category (a) includes investments that are insured or registered or for which the securities are held by the Service District or its agent in the Service District's name. Category (b) includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Service District's name. Category (c) includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the Service District's name. Balances at December 31, 1996 were as follows:

	Credit Risk Category			Carrying	Market
Securities Type	(a)	(b)	(c)	Amount	Value
U.S. Government and Federal agencies' securities	$170,640,967	$ 59,690,844	$ -	$ 230,331,811	$ 232,236,880
Money market funds and other cash equivalents	100,000	447,916	-	547,916	547,916
Total investments	$170,740,967	$ 60,138,760	$ -	$ 230,879,727	$ 232,784,796

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

The Service District derived a significant amount (approximately 43% in 1996 and 48% in 1995) of its net patient service revenue from patients covered by the Medicare and Medicaid programs. The Service District is unable to predict the future course of Federal, state and local regulation or legislation, including Medicare and Medicaid statutes and regulations. Further changes could have a material adverse effect on the financial results of the Service District.

Community Benefits

Services provided to the indigent and benefits provided to the broader community by the Medical Center for the years ended December 31, 1995 and 1994 are summarized below:

	1996	1995
Benefits for the Indigent (unpaid costs)		
Traditional charity care	$ 1,440,000	$ 863,000
Benefits for the Broader Community-		
Unpaid costs of Medicare programs	3,217,000	5,889,000
Other community benefits	894,000	816,000
Total quantifiable benefits for the broader community	4,111,000	6,705,000
Total quantifiable community benefits	$ 5,551,000	$ 7,568,000

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

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

Community benefit expense approximated 5% of total Service District operating expenses in 1996 and 6% in 1995.

Reclassifications

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

Inventory

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

Property, Plant and Equipment

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

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

Costs of Borrowing

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

Net Patient Service Revenue

The Service District has agreements with third-party payors that provide for payments to the Service District at amounts different from its established rates. Net patient service revenue is reported at the estimated net amounts realizable from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Government health care program receivables include settlements for 1993 and subsequent years which are subject to audit and retroactive adjustment by the intermediary and the Department of Health and Human Services. Payment arrangements with major third-party payors are summarized below:

- Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are generally paid at prospectively determined rates per discharge which vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services, certain outpatient services and defined capital costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Service District is paid for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Service District and audits thereof by the Medicare fiscal intermediary.

- Medicaid - Reimbursement for inpatient services rendered to Medicaid program beneficiaries is based on a per diem methodology which is not subject to settlement. Reimbursement for outpatient services is based on actual cost or fee schedule rates, depending upon the types of services performed, with final settlement determined after submission of annual cost reports and audits by the Medicaid fiscal intermediary.

6. GOVERNMENTAL REGULATIONS:

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

7. EMPLOYEE BENEFITS:

Retirement Plan Description

The Medical Center contributes to the Retirement Plan for Employees of West Jefferson Medical Center (the Plan) which is a single-employer, noncontributory defined benefit pension public employee retirement system (PERS) which covers substantially all employees who meet certain length of service requirements. The Medical Center's total payroll for all employees and the Medical Center's total covered payroll for the year ended December 31, 1996, amounted to approximately $47,154,000 and $37,269,000, respectively, and $46,255,000 and $38,039,000, respectively, for the year ended December 31, 1995. Covered payroll refers to all compensation paid by the Medical Center to active employees covered by the plan on which contributions to the plan are based.

The Medical Center's PERS provides retirement benefits as well as death and disability benefits. Benefits do not vest until after ten years of service at which time benefits are 100% vested. The normal form of retirement benefit at age 65 is an actuarially equivalent joint and 50% contingent benefit payable for life in an amount approximating the sum of (1) 1.2% of final average monthly compensation multiplied by the number of years of credited service not in excess of thirty and (2) .65% of final average monthly compensation in excess of "covered" compensation multiplied by the number of years of credited service.

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

Funding Status

The amount shown below as pension benefit obligation was determined as part of an actuarial valuation as of January 1, 1997 as a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users

Administrative Expenses

All administrative expenses of the Plan are paid by the Employer and are to be reimbursed by the Plan.

3. FUNDING STATUS AND PROGRESS:

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the Plan's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS. The measure is independent of the actuarial funding method used to determine contributions to the Plan.

The pension benefit obligation was determined as part of an actuarial valuation at January 1, 1997. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8.5% per year, compounded annually, and (b) projected salary increases of 5% per year, compounded annually.

4. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE:

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

The actuarially determined contribution requirement for 1996, accrued by the employer and to be received by the Plan in 1997, was $1,140,375. The actual contribution paid by the Employer during 1996 relating to the 1995 contribution requirement was $1,419,308. The 1996 contribution requirement consisted of (a) $720,520 normal cost, (b) $330,517 amortization of the unfunded actuarial accrued liability and (c) $89,338 net interest cost. Contributions paid during the current year represented 3.80% of covered payroll of $37,269,213.

5. INVESTMENTS:

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

Investment Class	Target
Long-term bonds	20%
Intermediate bonds	35%
High-cap equity	30%
Low-cap equity	10%
Money market	5%

6. HISTORICAL TREND INFORMATION:

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

Benefits

Retirement

The Plan provides retirement benefits as well as death and disability benefits. All benefits are fully vested after 10 years of credited service. The basic annual retirement benefit at age 65 is an actuarially equivalent joint and 50% contingent benefit payable for life in an amount equal to the number of years of credited service up to 30 years, multiplied by the sum of (1) 1.2% of final average monthly compensation and (2) .65% of final average monthly compensation in excess of "covered compensation," which is defined as the average of the Social Security Taxable Wage Base for the 35-year period ending the year in which social security normal retirement age is attained. Final average monthly compensation is defined as the monthly compensation of a participant averaged over the 5 consecutive calendar years which produces the highest monthly average within the last 10 calendar years preceding the earlier of retirement or termination of employment. Employees with 10 years of credited service may elect to receive a reduced benefit beginning at age 55.

Deferred and Disability Benefits

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

Survivor Benefits

The survivor benefit provided under the Plan is a death benefit for a vested married participant payable in the form of a pre-retirement survivor annuity. Such annuity payments are generally equal to the amount which would be payable as a survivor annuity under the joint and survivor annuity provisions of the Plan.

Contributions

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES:

Basis of Accounting

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

Employer Contributions

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

Investments

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

4. LONG-TERM DEBT:

Long-term debt consists of:

	1996	1995
Customized Purchase Revenue and Refunding Bonds (Series 1986); variable interest rates (ranging from 3.50% to 4.00% in 1996 and 2.84% to 5.40% during 1995), due in 2026	$ 48,000,000	$ 48,000,000
Louisiana Public Facilities Authority Revenue Bonds (Series 1988); 7.9%, due in installments to 2015 ($48,000,000 of the bond proceeds were placed in escrow to advance refund the Series 1986 bonds)	46,399,999	47,080,000
Louisiana Public Facilities Authority CP Program Hospital Equipment Financing and Refunding Revenue Bonds (Series 1985-A); variable interest rate (ranging from 3.80% to 6.40% in 1996 and 4.26% to 6.50% in 1995), due in varying principal installments from 1997 through 2005	18,550,000	20,000,000
Hospital Revenue Bonds (Series 1993); 3.60% - 5.40% due in installments to 2019	53,325,000	54,315,000
Total	166,274,999	169,395,000
Less: Current maturities	(3,310,000)	(3,189,585)
Long-term debt, less current maturities	$ 162,964,999	$ 166,205,415
Total market value of long-term debt	$ 168,246,720	$ 170,469,000

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

1997 (net of $61,250 funded at December 31, 1996)	$ 3,248,750
1998	3,520,000
1999	3,640,000
2000	4,062,083
2001	5,252,549
Thereafter	146,551,617
Total long-term debt	$166,274,999

In 1985, the Medical Center issued $52,100,000 of Hospital Revenue Bonds (Series 1985), repayable solely from the revenues of the Medical Center. The proceeds of the issue were used primarily to finance construction of a professional office building and a garage, purchase equipment and advance refund the Series 1979 Hospital Revenue Bond issue. Proceeds in the amount of $27,580,000 were deposited with an escrow trustee and invested in obligations secured by the U.S. Government. The principal and interest income from these invested funds are used to service the debt of the refunded issue. Neither the escrow fund nor the Series 1979 bonds payable are shown in the accompanying balance sheets. Series 1979 bonds payable outstanding were $28,415,000 and $29,400,000 at December 31, 1996 and 1995, respectively. The Series 1985 bonds were advance refunded through issuance of the Series 1986 bonds and the Series 1993 bonds as discussed below.

In 1986, the Medical Center issued $48,000,000 of Hospital Revenue and Refunding Bonds (Series 1986) to be repayable from the revenues of the Medical Center. Additionally, the trustee of the bond issue is entitled to draw up to an amount sufficient to pay the outstanding principal of and up to 58 days of accrued interest on the bonds under a transferable irrevocable letter of credit. Proceeds of the Series 1986 Bonds were used to

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

COMBINED STATEMENTS OF REVENUES AND EXPENSES AND FUND BALANCE

FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

	1996	1995
OPERATING REVENUES:		
Net patient service revenue	$ 126,567,760	$ 129,991,160
Other operating revenues	7,125,410	6,404,100
Total operating revenues	133,693,170	136,395,260
OPERATING EXPENSES:		
Personnel	56,520,769	59,112,210
Professional fees	6,013,715	6,530,418
Medical and general supplies	22,582,241	22,062,612
Purchased services	9,521,951	9,745,578
Other expense	9,966,952	8,626,181
Bad debt expense	6,774,340	6,380,105
Depreciation	8,641,153	8,916,986
Interest expense, net of interest income from bond fund investments of $4,986,000 in 1996 and $5,075,000 in 1995	5,048,904	3,877,004
Total operating expenses	125,070,025	125,251,094
INCOME FROM OPERATIONS	8,623,145	11,144,166
INVESTMENT INCOME AND OTHER NONOPERATING REVENUES	9,921,022	9,420,755
EXCESS OF REVENUES OVER EXPENSES	18,544,167	20,564,921
FUND BALANCE AT BEGINNING OF YEAR	152,474,809	132,346,191
ASSESSMENTS BY JEFFERSON PARISH (Note 1)	(514,000)	(436,303)
UNREALIZED LOSSES ON AVAILABLE FOR SALE SECURITIES (Note 2)	(1,624,000)	-
FUND BALANCE AT END OF YEAR	$ 168,880,976	$ 152,474,809

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

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

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

The Medical Center operates an acute care hospital, physician clinics, medical office buildings and a health and fitness center. The primary purpose of the Service Corporation is to support the activities of the Medical Center. It operates an outpatient imaging center (d/b/a West Jefferson Imaging Center) and provides management consulting services to its subsidiaries as well as various unrelated healthcare providers. The Service Corporation subsidiaries include Advance Care Center (formerly Long Term Acute Care Center, Inc. - a long-term inpatient hospital), Omega Claims, Inc. (a claims administration service begun during 1994) and Physicians Center Pharmacy, Inc. (a retail pharmacy). ACC ceased operations effective November 16, 1995, and the Medical Center entered into a lease with an unrelated entity that pays monthly rent for the space used to operate the long-term care facility. The Service Corporation is also the leasing agent for various medical office buildings owned by the Medical Center.

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

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

Cash and Cash Equivalents

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

Investments

Investments are stated in accordance with Statement of Financial Accounting Standards No. 115 (SFAS 115), *Accounting for Certain Investments in Debt and Equity Securities*. Investment income on trustee-held assets limited as to use is recorded within income from operations. All other realized investment income is recorded as non-operating revenue. See Note 2.

RETIREMENT PLAN FOR EMPLOYEES OF WEST JEFFERSON MEDICAL CENTER

FINANCIAL STATEMENTS
AS OF DECEMBER 31, 1996 AND 1995
TOGETHER WITH AUDITORS' REPORT

ARTHUR ANDERSEN

Arthur Andersen LLP

Suite 4500
201 St Charles Avenue
New Orleans LA 70170-4500
504 581 5454

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Retirement Plan for Employees of
West Jefferson Medical Center:

We have audited the accompanying balance sheets of the Retirement Plan for Employees of West Jefferson Medical Center (the Plan) as of December 31, 1996 and 1995, and the related statements of revenues, expenses and changes in net assets available for plan benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan at December 31, 1996 and 1995, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

The supplementary retirement plan information (unaudited) shown in Schedules 1 and 2 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures to this data that consisted principally of comparing the information to the relevant actuarial reports. However, we did not audit the information, and we express no opinion on it.

Arthur Andersen LLP

New Orleans, Louisiana,
February 28, 1997

RETIREMENT PLAN FOR EMPLOYEES OF

WEST JEFFERSON MEDICAL CENTER

BALANCE SHEETS

DECEMBER 31, 1996 AND 1995

ASSETS	1996	1995
ASSETS:		
Fixed income funds	$ 9,715,199	$ 9,848,772
Equity funds	11,854,776	10,134,880
Cash equivalents	4,926,640	2,900,231
Employer contributions receivable	1,140,375	1,419,308
Accrued income receivable	148,255	102,656
	27,785,245	24,405,847
LIABILITIES:		
Payable to employer	24,006	24,006
NET ASSETS AVAILABLE FOR PLAN BENEFITS	$27,761,239	$24,381,841

PENSION BENEFIT OBLIGATION

PROJECTED BENEFITS PAYABLE TO:		
Active employees-		
Vested	$12,846,306	$12,463,240
Nonvested	3,231,674	2,942,496
Retirees and beneficiaries	4,980,018	4,311,586
Terminated vested participants	1,888,194	1,417,749
Total pension benefit obligation	22,946,192	21,135,071
ASSETS IN EXCESS OF PENSION BENEFIT OBLIGATION	4,815,047	3,246,770
	$27,761,239	$24,381,841

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

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

To the Parish Council of Jefferson Parish:

We have audited the financial statements of Jefferson Parish Hospital Service District No. 1 (the Service District - a component unit of Jefferson Parish, Louisiana) as of and for the year ended December 31, 1996, and have issued our report thereon dated February 28, 1997. These financial statements are the responsibility of the Service District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure 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 audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of the Service District taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Arthur Andersen LLP

New Orleans, Louisiana,
February 28, 1997

In our opinion, the Service District complied, in all material respects, with the requirements governing (1) types of service allowed and disallowed, (2) eligibility, (3) matching, level of effort, and/or earmarking, (4) reporting, (5) special tests and provisions, (6) claims for advances and reimbursements, and (7) amounts claimed or used for matching that are applicable to the Federal financial assistance program mentioned in the second paragraph of this report for the year ended December 31, 1996.

This report is intended for the information of management and Louisiana Department of Health and Hospitals. However, this report is a matter of public record and its distribution is not limited.

Arthur Andersen LLP

New Orleans, Louisiana,
February 28, 1997

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH

SPECIFIC REQUIREMENTS APPLICABLE TO THE SERVICE DISTRICT'S

NONMAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAM

To the Parish Council of Jefferson Parish:

We have audited the financial statements of Jefferson Parish Hospital Service District No. 1 (the Service District - a component unit of Jefferson Parish, Louisiana) as of and for the year ended December 31, 1996, and have issued our report thereon dated February 28, 1997.

During the year ended December 31, 1996, the Service District had no major Federal financial assistance programs as defined by Office of Management and Budget Circular A-128, Audits of State and Local Governments. However, since the Special Supplemental Food Program for Women, Infants and Children (WIC) represented 100% of the total Federal financial assistance received by the Service District, it was tested as if it were a major program, pursuant to the "50% Rule."

We audited the Service District's compliance with the requirements governing (1) types of service allowed or disallowed, (2) eligibility, (3) matching, level of effort, and/or earmarking, (4) reporting, (5) special tests and provisions, (6) claims for advances and reimbursements, and (7) amounts claimed or used for matching that are applicable to the Federal financial assistance program mentioned in the preceding paragraph of this report. The management of the Service District is responsible for the Service District's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards, the standards for financial audits contained in Government Auditing Standards (1994 Revision), issued by the Comptroller General of the United States, and OMB Circular A-128. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Service District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no material instances of noncompliance with the requirements referred to above. With respect to items not tested, nothing came to our attention that caused us to believe that the Service District had not complied, in all material respects, with those requirements.

RETIREMENT PLAN FOR EMPLOYEES OF

WEST JEFFERSON MEDICAL CENTER

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN

NET ASSETS AVAILABLE FOR PLAN BENEFITS

FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

	1996	1995
OPERATING REVENUES:		
Employer contributions	$ 1,140,375	$ 1,419,308
Investment income	2,818,491	4,196,229
Total operating revenues	3,958,866	5,615,537
OPERATING EXPENSES:		
Benefits paid to participants and beneficiaries	543,145	435,137
Administrative expenses	36,323	28,787
Total operating expenses	579,468	463,924
OPERATING INCOME	3,379,398	5,151,613
NET ASSETS AVAILABLE FOR BENEFITS, beginning of year	24,381,841	19,230,228
NET ASSETS AVAILABLE FOR BENEFITS, end of year	$27,761,239	$24,381,841

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

RETIREMENT PLAN FOR EMPLOYEES OF

WEST JEFFERSON MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

1. PLAN DESCRIPTION:

General

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

Plan Membership

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

	1996	1995
Active employees:		
Fully-vested	559	602
Non-vested	755	826
Total current employees	1,314	1,428
Retirees and beneficiaries currently receiving benefits	141	131
Terminated employees entitled to, but not yet receiving, benefits	190	140
Total	331	271
Total plan participants	1,645	1,699

Eligibility Requirements

An employee is eligible to participate in the Plan as of the date he has completed one year of service and attained the age of 21. An eligible employee must make an application to the Employer for participation in the Plan and agree to the terms of the Plan.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

COMBINED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income from operations	$ 8,623,146	$ 11,144,166
Adjustments to reconcile income from operations to net cash provided by operating activities-		
Depreciation	8,641,153	8,916,986
Amortization of bond financing costs	490,518	489,221
Interest expense, net	5,048,904	3,877,004
Changes in assets and liabilities-		
Accounts receivable	(5,384,648)	3,467,710
Inventories and prepaid expenses	(676,637)	314,920
Other assets, net of non-cash items	717,777	(5,519,067)
Accounts payable	838,464	(1,027,442)
Accrued expenses, credit balances and malpractice	1,846,464	1,590,412
Net cash provided by operating activities	20,145,141	23,253,910
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investment securities	(41,624,988)	(65,198,823)
Proceeds from sales and maturities of investments	35,374,910	59,188,911
Acquisitions of capital assets	(5,523,260)	(9,257,557)
Investment income and other	8,764,537	9,157,539
Net cash used in investing activities	(3,008,801)	(6,109,930)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Interest payments	(10,070,927)	(9,083,527)
Principal payments on borrowings	(3,120,000)	(2,820,000)
Net cash used in capital and related financing activities	(13,190,927)	(11,903,527)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers to other parish funds	(514,000)	(436,303)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,431,413	4,804,150
CASH AND CASH EQUIVALENTS, beginning of year	5,399,554	595,404
CASH AND CASH EQUIVALENTS, end of year	$ 8,830,967	$ 5,399,554

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