

JAMES R. DOUGLAS, LTD.
PROFESSIONAL ACCOUNTING CORPORATION

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**REPORT OF INDEPENDENT AUDITORS ON
COMPLIANCE WITH LAWS AND REGULATIONS**

Board of Commissioners
Henn Memorial Hospital
Hospital Service District No. 3 of
Tangipahoa Parish, Louisiana

We have audited the financial statements of Henn Memorial Hospital (Hospital Service District No. 3 of Tangipahoa Parish, Louisiana) (the Hospital) as of and for the years ended September 30, 1997, and have issued our report thereon dated December 8, 1997.

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

Compliance with laws, regulations, contracts, and grants applicable to the Hospital is the responsibility of the Hospital's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Hospital'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 hereunder (Government Auditing Standards).

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

James R. Douglas, Ltd.
James R. Douglas, Ltd.
Certified Public Accountants

December 8, 1997

**REPORT OF INDEPENDENT AUDITORS ON
COMPLIANCE WITH LAWS AND REGULATIONS**

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relative 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.

The reevaluation of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the reportable condition noted above is a material weakness.

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

Jarvis B. Douglas, III

Jarvis B. Douglas, III
Certified Public Accountant

December 8, 1997

**REPORT OF INDEPENDENT AUDITORS ON
THE INTERNAL-CONTROL STRUCTURE**

Board of Commissioners
Hood Memorial Hospital
Hospital Service District No. 2 of
Tangipahoa Parish, Louisiana

We have audited the financial statements of Hood Memorial Hospital (Hospital Service District No. 2 of Tangipahoa Parish, Louisiana) plus Hospital's net-of and for the year ended September 30, 1967, and have issued our report thereon dated December 8, 1967.

We conducted our audit in accordance with generally accepted auditing standards and *Comptroller's 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 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 carried 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 Hospital for the year ended September 30, 1967, 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.

We noted a certain matter involving the internal control structure and its operation that we consider to be a significant condition under standards established by the American Institute of Certified Public Accountants. Dependable conditions involve matters relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the transactions of management in the financial statements.

The Hospital is not large enough to permit an adequate segregation of employee duties for effective internal accounting control over the purchasing (invoice approval, processing, and general ledger) and financial reporting (journal entry preparation, approval and recording) cycles.

**REPORT OF INDEPENDENT AUDITORS ON
THE INTERNAL CONTROL STRUCTURE**

YEAR ENDED SEPTEMBER 30, 1996			
SALARIES	PROFESSIONAL	OTHER	TOTAL
	FEE	EXPENSES	
\$ 658,814		\$ 24,896	\$ 683,710
348,158		7,879	356,037
7,239		3,028,892	3,036,131
<u>914,211</u>		<u>3,057,667</u>	<u>3,971,878</u>
		17,261	17,261
17,584		35,271	52,855
61,877		96,727	158,604
		43,114	43,114
		3,984	3,984
150,859	\$ 779,146	6,762	936,767
304,364		173,682	478,046
		13,968	13,968
		7,377	7,377
141,548	88,000	112,899	342,447
6,283		18,271	24,554
		5,742	5,742
76,583		276,613	353,196
		6,389	6,389
124,972		61,766	186,738
64,681		23,768	88,449
83,189		741,688	824,877
156,782		198,643	355,425
5,818		12,418	18,236
<u>3,472,808</u>	<u>857,146</u>	<u>1,476,369</u>	<u>5,806,323</u>
		98,811	98,811
81,970		19,247	101,217
43,199		41,611	84,810
		31,880	31,880
64,791		81,388	146,179
<u>189,130</u>		<u>261,937</u>	<u>451,067</u>
		177,186	177,186
196,158		4,808	200,966
22,665		474,482	497,147
		118,977	118,977
<u>218,823</u>		<u>597,453</u>	<u>816,276</u>

DEPARTMENTAL OPERATING EXPENSES

EDUCATIONAL HOSPITAL

	YEAR ENDED SEPTEMBER 30, 1997			TOTAL
	BALANCE	PROFESSIONAL FEE	OTHER EXPENSES	
NURSING SERVICES			\$ 38,157	\$ 38,157
Medical unit support	\$ 647,293			647,293
Medical nursing facility	286,489		8,758	295,247
Behavioral health unit	31,703		1,386,683	1,418,386
	<u>965,485</u>		<u>1,425,628</u>	<u>2,391,113</u>
OTHER PROFESSIONAL SERVICES			31,299	31,299
Blood bank			8,735	8,735
CT scan	29,008		607,838	636,846
Dental supply	61,408		44,099	105,507
Electromyology			2,652	2,652
Electroencephalography			17,988	17,988
Emergency room	209,568	1,607,808	184,968	2,002,344
Home health agency	679,748			679,748
Myoelastic			7,123	7,123
Intervention therapy		61,667	314,827	376,494
Laboratory	158,659		17,846	176,505
Nuclear medicine	5,946		4,488	10,434
Operating and recovery			265,884	265,884
Pharmacy	74,117		8,869	82,986
Physical therapy			65,344	65,344
Radiology	112,608		38,446	151,054
Respiratory therapy	67,791		261,159	328,950
Rural health	49,538		88,840	138,378
Swear claim	180,721		54,559	235,280
Ultrasound	6,889			6,889
	<u>1,315,241</u>	<u>1,669,474</u>	<u>1,271,651</u>	<u>4,256,366</u>
GENERAL SERVICES			91,684	91,684
Dietary	92,919		14,477	107,396
Housekeeping	68,119		16,884	85,003
Linens			41,888	41,888
Maintenance	46,159		87,691	133,850
Utilities			749,716	749,716
	<u>197,187</u>		<u>945,576</u>	<u>1,142,763</u>
FISCAL AND ADMINISTRATIVE SERVICES			148,286	148,286
Adjustment	248,091		33,824	281,915
Individual accounts	23,746		594,388	618,134
Employee benefits			171,134	171,134
Insurance			67,127	67,127
	<u>271,837</u>		<u>866,473</u>	<u>1,138,314</u>

YEAR ENDED SEPTEMBER 30, 1996

INPATIENT	OUTPATIENT	INCLINED MORNING SOCIETY	INDIVIDUAL HEALTH LIFE	TOTAL
\$ 965,115		\$	\$	\$ 965,115
		150,640		150,640
965,115		280,280	1,501,400	1,915,800
			1,501,400	1,966,930
80,000	\$ 5,100	1,000		86,100
81,000	120,450	2,700	10,500	321,650
471,500	400,100	75,100	48,100	994,800
171,500	68,100	2,000	3,900	245,500
1,950	4,000	150	400	2,500
58,000	580,000			638,000
	1,217,000			1,217,000
88,017	8,000	10,000	1,000	107,017
812,000	684,000	64,310	54,500	1,614,810
19,500	51,100	400		71,000
8,000	17,000	2,000		27,000
780,170	180,500	211,000	118,100	1,289,770
1,500		11,000		12,500
181,000	467,300	28,100	12,500	688,900
108,000	75,000	60,000	1,400	244,400
	400,000			400,000
	689,000			689,000
42,000	71,000	270	1,000	114,270
			589,000	589,000
1,200,000	1,200,000	118,000	794,000	3,112,000
1,200,200	1,200,000	188,000	1,163,400	3,651,600
				7,480,500

PATIENT SERVICE REVENUES

ROOSEVELT HOSPITAL

YEAR ENDED SEPTEMBER 30, 1997

			SEMI- MONTHLY	BI-MONTHLY	TOTAL
	IMPATIENT	OUTPATIENT	FACE-FEE	HEALTH	
ROUTINE SERVICES					
Medical and surgical	\$ 76,000		\$	\$	\$ 76,000
Medical nursing					
Inpatient			308,865		308,865
Behavioral health				1,657,600	1,657,600
and					
	<u>76,000</u>		<u>308,865</u>	<u>1,657,600</u>	<u>2,042,465</u>
ANCILLARY SERVICES					
Blood bank	14,881	\$ 3,358	1,084		21,323
CT scans	81,815	170,170	1,500	28,620	281,105
Dental supply	400,770	170,000	73,400	48,807	693,150
Electrocardiology	338,115	70,000	1,340	0,000	409,455
Electroencephalography	700	1,000		1,000	2,700
Emergency room	61,885	601,412	740		723,547
Home health agency		1,463,503	740		1,464,243
Intravenous therapy	87,000	11,875	33,211	0,187	132,273
Laboratory	568,820	977,573	81,081	79,865	1,647,339
Nuclear medicine	27,000	74,100	887		101,987
Operating and recovery	10,000	70,110	1,100		81,210
Pharmacy	648,145	150,000	203,683	100,000	1,101,828
Physical therapy	1,000		19,687		20,687
Podiatry	304,455	400,420	21,193	11,031	747,099
Pulmonary therapy	202,443	50,000	67,540	18,797	338,780
Radiation		470,000			470,000
Service lines		385,000			385,000
Ultrasound	99,621	84,671	2,718	4,800	191,810
Visitation				506,100	506,100
	<u>3,588,761</u>	<u>3,580,571</u>	<u>492,791</u>	<u>882,978</u>	<u>8,045,101</u>
Less allowances	<u>3,124,118</u>	<u>3,080,371</u>	<u>761,071</u>	<u>3,508,970</u>	<u>11,974,620</u>
					<u>8,263,000</u>
NET PATIENT SERVICE REVENUES					
					<u>7,711,504</u>

BIRD HOSPITAL HOSPITAL**2. CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

As of September 30, 1997, the balances reported by banks for cash and certificates of deposits totaled \$1,023,706. Of the \$1,023,706, \$300,000 was covered by Federal depositors insurance, and \$1,023,706 was collateralized with securities held by the pledging bank in the Hospital's name (Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of Government Accounting Standards Board Statement 3, Louisiana Revised Statute 19:1129 imposes a statutory requirement on the collateral bank to subordinate and sell the pledged securities within 10 days of being notified by the client that the client upon law failed to pay deposited funds upon demand.

3. GROUP ANNUITY CONTRACT

Under the terms of a group-annuity contract entered into between American United Life Insurance Company and the Louisiana Hospital Association, eligible employees of the Hospital may enter into an agreement with the Company to contribute 3% of their gross salary to a group-annuity contract. The Hospital is then obligated to contribute 3% to the contract, for a total of 6%. Once the contract has been made, the Hospital has no further liability.

4. PROPERTY AND EQUIPMENT

A summary of property and equipment at September 30, 1997 and 1996, follows:

	1997	1996
Land	\$ 87,893	\$ 87,893
Land improvements - hospital	117,473	117,473
Land improvements - physicians building	21,643	21,643
Hospital building	2,344,783	1,384,237
Building improvements - hospital	78,884	78,884
Physicians building	768,803	768,803
Fixed equipment - hospital	172,806	172,806
Major movable equipment - hospital	1,738,473	1,679,834
Physicians building - major movable equipment	4,804	4,804
	<u>7,313,269</u>	<u>5,787,534</u>
Accumulated depreciation	(2,985,034)	(2,331,751)
	<u>4,328,235</u>	<u>3,455,783</u>
Construction in process	-	86,136
	<u>4,328,235</u>	<u>3,541,919</u>

5. MALPRACTICE INSURANCE

During 1978, 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 Hospital participates in the State Insurance Fund, which provides up to \$400,000 coverage for tortfeasor amounts in excess of \$100,000 per claim. The Hospital is insured through the Louisiana Hospital Association Trust Fund with respect to the first \$ 100,000 of each claim.

BOON MEMORIAL HOSPITAL

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

The Hospital derives a significant amount (approximately 19% for the year ended September 30, 1997 and 80% for the year ended September 30, 1996) of its net patient service revenue from patients covered by the Medicare and Medicaid programs.

Net zero - The Hospital did not provide free care during the years ended September 30, 1997 and 1996.

Self-insured medical claims - The Hospital is self-insured for employee medical claims up to predetermined stop-loss amounts. Claims in excess of the stop-loss amounts are insured through a commercial insurance carrier. Management records the best estimate of probable claim amounts incurred but not reported based on its previous loss experience.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The nature of the Hospital's cash and short-term investments at September 30, 1997 and 1996 are:

	1997	1996
Cash	\$ 497,915	\$ 1,058,480
Money market funds	308,458	-
Certificates of deposit () with maturities of more than three months when purchased	1,158,817	1,417,633
U. S. Treasury obligations	319,800	782,949
Accrued interest receivable	3,781	5,880
	<u>3,478,181</u>	<u>3,565,884</u>

These balances are presented in the balance sheets and summarized below:

	1997	1996
Current assets:		
Cash	\$ 497,915	\$ 1,058,480
Assets whose use is limited:		
Cash equivalents	308,458	-
Investments	1,158,817	2,127,244
Accrued interest receivable	3,781	5,880
	<u>3,478,181</u>	<u>3,565,884</u>

Louisiana state statutes authorizing the Hospital to invest in direct obligations of the U. S. Government, certificates of deposit of state banks and national banks having their principal office in the State of Louisiana, federally insured investments, guaranteed investment contracts issued by a financial institution having one of the ten highest rating categories published by Standard & Poor's or Moody's, and mutual or trust funds registered with the Securities and Exchange Commission (provided the underlying investments of those funds meet certain restrictions). Statutes also require that all of the deposits of the Hospital be protected by insurance or collateral. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance. The book balances of deposits at September 30, 1997 were fully covered by the pledge of securities.

WOOD MEMORIAL HOSPITAL

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wood Memorial Hospital (the Hospital) is a nonprofit organization created by the Tangipahoa Parish Police Jury (as Hospital Service District No. 7 of Tangipahoa Parish, Louisiana), on November 17, 1964 (as created on October 19, 1963) under the provisions of Chapter 11 of Title 46 of the Louisiana Revised Statutes of 1950 and is exempt from Federal and state income taxes. The governing authority of the District is the Tangipahoa Parish Police Jury and accordingly, appoints members to the Hospital Board. The Board exercises all administrative functions with respect to the operation and management of the Hospital. The Hospital reports its accounts with the American Institute of Certified Public Accountants' (AICPA) "Manual of Principles of Health-Care Services" and, as a governmental entity, also provides certain disclosures required by the Governmental Accounting Standards Board. In preparing the financial statements, the Hospital is required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Significant accounting policies used by the Hospital in preparing and presenting its financial statements are summarized below.

Inventory: Inventory is valued at the most recent invoice price. This method approximates the lower of cost (first-in, first-out method) or market.

Assets whose use is limited: Assets whose use is limited include assets set aside by the Board of Commissioners for future capital improvements over which the Board retains control and may, at its discretion subsequently use for other purposes.

Investments: Investments (which consist of bank certificates of deposit with original maturities of more than three months when purchased and U.S. Treasury obligations) are stated at cost or amortized cost, as applicable, plus accrued interest.

Property and equipment: Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method as follows:

Buildings and land improvements	10-50 years
Fixed equipment	10 years
Major movable equipment	5-10 years

Net patient service revenues: The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenues are 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. Certain major health care programs receivables include receivables for fiscal years subsequent to the fiscal year ended September 30, 1994 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 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 ambulatory services, certain outpatient services and defined capital costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is paid for cost reimbursement from a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits derived 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 adjustment. Reimbursement for outpatient services is based on actual cost or fee schedule rates, depending upon the type of services provided, with final settlement determined after submission of annual-cost reports and audits by the Medicaid fiscal intermediary.

STATEMENTS OF CASH FLOWS

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BOND-HOLDERS' REPORT

	YEAR ENDED SEPTEMBER 30	
	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$178,459	\$249,409
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	368,378	384,418
Change in -		
Accounts receivable	(849,887)	(246,226)
Other assets	2,308	16,217
Accounts payable	209,076	23,570
Reserves	50,000	-
Accrued expenses	9,028	17,966
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>368,362</u>	<u>433,717</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grant income	<u>23,000</u>	<u>58,714</u>
CASH FLOWS FROM CAPITAL ACTIVITIES		
Purchase of property and equipment	(1,300,899)	(854,882)
Construction in process	-	(80,080)
NET CASH USED BY CAPITAL ACTIVITIES	<u>(1,300,899)</u>	<u>(934,962)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	149,758	175,668
Maturity of U. S. Treasury obligations	587,346	749,136
Purchase of U. S. Treasury obligations	(887,271)	(889,699)
Maturity certificates of deposits	887,028	-
Purchase of certificates of deposits and cash equivalents	(1,244,693)	(261,822)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(427,812)</u>	<u>(176,617)</u>
NET INCREASE (DECREASE) IN CASH	<u>(281,489)</u>	<u>128,096</u>
Cash at beginning of year	<u>1,059,459</u>	<u>931,344</u>
CASH AT END OF YEAR	<u><u>477,970</u></u>	<u><u>1,059,440</u></u>

See notes to financial statements

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCE

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FOUR MEMORIAL HOSPITAL

	YEAR ENDED SEPTEMBER 30	
	1997	1996
REVENUES		
Mid patient service revenue	\$1,703,668	\$1,686,362
Other revenue	56,401	60,401
TOTAL REVENUE	<u>1,760,069</u>	<u>1,746,763</u>
EXPENSES		
Nursing services	2,134,661	2,007,489
Other professional services	3,271,339	3,368,058
Medical services	481,973	481,701
Physical and administrative services	847,889	878,608
Bad debts	239,232	338,679
Depreciation and amortization	266,321	284,430
TOTAL EXPENSES	<u>7,341,385</u>	<u>7,307,155</u>
INCOME FROM OPERATIONS	<u>198,684</u>	<u>439,608</u>
NONOPERATING GAINS		
Interest earned	148,768	110,668
Grant income	35,890	50,714
NONOPERATING GAINS	<u>184,658</u>	<u>161,382</u>
REVENUE AND GAINS IN PROCESS OF ESTIMATION	<u>334,232</u>	<u>471,792</u>
FUND BALANCE, Beginning of year	<u>5,340,048</u>	<u>5,874,349</u>
FUND BALANCE, End of year	<u>6,078,352</u>	<u>6,346,041</u>

See notes to financial statements

BALANCE SHEETS

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BROOK MEMORIAL HOSPITAL

	SEPTEMBER 30	
	1997	1996
ASSETS		
CURRENT ASSETS		
Cash	\$ 477,955	\$1,058,430
Patient accounts receivable, less allowances for uncollectible accounts (1997 and 1996 - \$230,000)	3,404,482	1,808,132
Accounts due from medical and medical intermediaries	168,212	300,120
Inventories	115,308	134,880
Prepaid expenses and other debts	21,286	28,752
TOTAL CURRENT ASSETS	<u>4,187,263</u>	<u>3,330,314</u>
ASSETS WHOSE USE IS LIMITED		
Time & designated funds:		
Cash equivalents	288,428	-
Investments	1,746,073	2,110,344
Accrued interest receivable	3,791	5,890
	<u>2,038,292</u>	<u>2,116,234</u>
PROPERTY AND EQUIPMENT, net	<u>2,507,875</u>	<u>1,320,489</u>
OTHER ASSETS	<u>11,267</u>	<u>41,612</u>
TOTAL	<u>7,745,598</u>	<u>6,808,055</u>
LIABILITIES AND FUND BALANCES		
CURRENT LIABILITIES		
Trade accounts payable	453,560	358,480
Employee compensation payable	58,115	40,813
Reserve for uninsured claims	50,000	-
Accounts due to medical and medical intermediaries	28,261	-
TOTAL CURRENT LIABILITIES	<u>619,936</u>	<u>400,293</u>
FUND BALANCES	<u>6,470,261</u>	<u>6,746,059</u>
TOTAL	<u>7,090,200</u>	<u>6,648,055</u>

See notes to financial statements

REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Hood Memorial Hospital
Hospital Service District No. 3 of
Tangipahoa Parish, Louisiana

We have audited the accompanying balance sheets of Hood Memorial Hospital (Hospital Service District No. 3 of Tangipahoa Parish, Louisiana) as of September 30, 1997 and 1996, and the related statements of income and expenses and changes in fund balances, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and in accordance with the standards for financial audits contained in (Covered by 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 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 Hood Memorial Hospital as September 30, 1997 and 1996, 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 (Covered by Auditing Standards), we have also issued a report on our consideration of the Hospital's internal control structure and a report on its compliance with laws and regulations, both dated December 9, 1997.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in pages (B) through (I) is presented for purposes of additional analysis and it is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

James R. Douglas, CPA

James R. Douglas, Ltd.
Certified Public Accountant

December 9, 1997

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