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HOSPITAL SERVICE DISTRICT NO. 2
 OF THE PARISH OF LASALLE, STATE OF LOUISIANA
 "LASALLE GENERAL HOSPITAL"
 FINANCIAL STATEMENTS
 AND
 INDEPENDENT AUDITORS' REPORT
 YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

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FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED SEPTEMBER 30, 1997, 1998 AND 1999

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Under provisions of state law, this report is a public document. A copy of this report is being distributed to the following: the Council, entities listed in the certificate of office, 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 or court

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general purpose financial statements of LaSalle General Hospital as of and for the years ended September 30, 1997, 1996 and 1995, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 opinions, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of LaSalle General Hospital as of September 30, 1997, 1996 and 1995, and the results of its operations and cash flows of its proprietary fund for the years then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 28, 1998 on our consideration of LaSalle General Hospital's internal control structure and a report dated January 30, 1998 on its compliance with laws and regulations.

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

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



Certified Public Accountants

January 30, 1998

**LASALLE GENERAL HOSPITAL
BALANCE SHEETS - UNRESTRICTED FUND
SEPTEMBER 30, 1997, 1996 AND 1995**

ASSETS	1997	1996	1995
Current assets:			
Cash and cash equivalents (Note 3)	\$ 161,419	\$ 627,153	\$ 1,479,450
Investments (Note 4)	3,107,923	2,707,063	1,878,267
Accounts receivable net of estimated uncollectibles (Note 6)	1,834,942	1,781,427	1,427,208
Inventory	188,514	199,821	308,875
Prepaid expenses	<u>62,236</u>	<u>74,150</u>	<u>68,512</u>
Total current assets	<u>5,355,034</u>	<u>5,389,614</u>	<u>5,062,312</u>
Assets whose use is limited under local covenant agreement (Note 3):	665,345	582,390	556,599
Property, plant and equipment, net (Note 7)	4,328,749	4,399,385	4,551,070
Other assets (Note 8)	<u>7,151</u>	<u>7,151</u>	<u>7,151</u>
Total assets	<u>\$10,518,801</u>	<u>\$10,378,539</u>	<u>\$10,177,132</u>
LIABILITIES AND FUND BALANCE			
Current liabilities:			
Accounts payable	\$ 354,755	\$ 342,941	\$ 258,402
Account expenses and withholdings payable (Note 9)	317,962	328,005	281,285
Current maturities of long-term debt	200,844	193,891	240,825
Retirement payable	<u>148,722</u>	<u>141,348</u>	<u>190,681</u>
Total current liabilities	<u>1,022,283</u>	<u>906,185</u>	<u>871,293</u>
Long-term debt, net of current maturities (Note 12)	<u>1,156,690</u>	<u>1,351,621</u>	<u>1,548,569</u>
Total liabilities	<u>2,178,973</u>	<u>2,257,806</u>	<u>2,419,862</u>
Fund balance - unrestricted	<u>8,349,828</u>	<u>8,120,733</u>	<u>7,757,270</u>
Total liabilities and fund balance	<u>\$10,518,801</u>	<u>\$10,378,539</u>	<u>\$10,177,132</u>

See accompanying notes to financial statements.

LASALLE GENERAL HOSPITAL
 STATEMENTS OF OPERATIONS - UNRESTRICTED FUNDS
 YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	1997	1996	1995
Revenue:			
Net patient service revenue	\$ 8,624,857	\$ 9,098,215	\$ 9,243,113
Gain (loss) on disposal of equipment	1,300	(4,914)	2,128
Grant revenue	0	38,000	0
Other revenue	<u>772,810</u>	<u>843,688</u>	<u>818,794</u>
Total revenue	<u>9,413,267</u>	<u>9,987,889</u>	<u>10,084,035</u>
Expenses:			
Salaries and benefits	4,589,878	4,749,652	4,488,667
Medical supplies and drugs	829,376	914,603	871,184
Professional fees	1,187,856	1,268,481	1,278,816
Other expenses	1,403,383	1,463,836	1,362,369
Insurance	219,877	288,403	225,121
Retirement	278,488	227,430	277,487
Interest	72,817	82,851	88,489
Depreciation and amortization	308,243	307,243	285,234
Provision for bad debts	<u>488,473</u>	<u>418,252</u>	<u>364,131</u>
Total expenses	<u>9,565,843</u>	<u>9,722,953</u>	<u>9,351,400</u>
Operating income	67,324	264,932	732,635
Nonoperating income			
Interest income	<u>168,848</u>	<u>182,752</u>	<u>181,021</u>
Excess of revenues over expenses	<u>\$ 215,172</u>	<u>\$ 448,434</u>	<u>\$ 913,666</u>

See accompanying notes to financial statements.

LASALLE GENERAL HOSPITAL
 STATEMENTS OF CHANGES IN FUND BALANCES - UNRESTRICTED FUND
 YEARS ENDED SEPTEMBER 30, 1993, 1994 AND 1995

	<u>Unaudited</u>
Fund balance, September 30, 1994	\$ 6,796,187
Excess of revenues over expenses	<u>873,666</u>
Fund balance, September 30, 1995	7,669,853
Excess of revenues over expenses	<u>448,465</u>
Fund balance, September 30, 1996	<u>8,118,318</u>
Excess of revenues over expenses	<u>296,172</u>
Fund balance, September 30, 1997	<u>\$ 8,414,490</u>
 COMPOSITION OF FUND BALANCE AT SEPTEMBER 30, 1997:	
Contributions	\$ 2,581,440
Accumulated excess of revenues over expenses	<u>5,833,050</u>
Total fund balance	<u>\$ 8,414,490</u>

See accompanying notes to financial statements.

LASALLE GENERAL HOSPITAL
 STATEMENTS OF CASH FLOWS - UNRESTRICTED FUND
 YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	1997	1996	1995
Cash flows from operating activities:			
Operating income (loss)	\$ 67,324	\$ 265,752	\$ 712,633
Interest expense considered capital financing activity	77,442	82,851	88,400
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	308,253	387,549	385,234
Provision for bad debts	488,423	438,352	384,171
(Gain) loss on disposal of assets	(1,308)	4,314	(2,128)
(Increase) decrease in:			
Net patient accounts receivable	(884,511)	(253,189)	(260,000)
Estimated third party payor settlements	288,351	(507,344)	271,777
Inventory	(2,893)	13,254	(26,963)
Prepaid expenses	11,384	(4,637)	(12,877)
Other receivables	14,222	(9,988)	2,396
Increase (decrease) in:			
Accounts payable	111,814	(15,471)	(51,628)
Accrued expenses and withholdings payable	(70,953)	(48,790)	(55,212)
Retirement payable	<u>3,378</u>	<u>(47,027)</u>	<u>182,803</u>
Net cash provided by operating activities	<u>483,844</u>	<u>293,862</u>	<u>1,244,779</u>
Cash flows from investing activities:			
Purchase of investments	(3,187,923)	(8,852,627)	(9,257,530)
Proceeds from investing activities	2,707,083	5,234,851	5,148,978
Investment income	<u>146,082</u>	<u>134,733</u>	<u>172,830</u>
Net cash provided (used) by investing activities	<u>\$ (234,758)</u>	<u>\$ (683,043)</u>	<u>\$ (1,035,722)</u>

See accompanying notes to financial statements.

LASALLE GENERAL HOSPITAL
 STATEMENTS OF CASH FLOWS (Continued)
 UNRESTRICTED FUND
 YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	1997	1996	1995
Cash flows from capital and related financing activities:			
Purchase of property and equipment	\$ (415,640)	\$ (158,317)	\$ (305,138)
Proceeds from sales of capital assets	1,300	2,050	2,415
Purchase of investments - bond reserves	(471,152)	(448,434)	(1,254,616)
Principal paid on long-term debt	(194,358)	(241,622)	(254,791)
Interest paid on long-term debt	(77,442)	(82,831)	(98,401)
Proceeds from investments - bond reserves	448,187	422,733	1,271,291
Investment income	<u>23,752</u>	<u>28,418</u>	<u>28,201</u>
Net cash used by capital and related financing activities	<u>(658,803)</u>	<u>(477,882)</u>	<u>(648,938)</u>
Net (increase) (decrease) in cash and cash equivalents	(463,754)	(852,287)	619,223
Cash and cash equivalents, beginning of year	<u>677,132</u>	<u>1,479,450</u>	<u>860,227</u>
Cash and cash equivalents, end of year	<u>\$ 213,378</u>	<u>\$ 627,163</u>	<u>\$ 1,479,450</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	<u>\$ 77,442</u>	<u>\$ 82,831</u>	<u>\$ 102,950</u>
Assets obtained under capital lease	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,911</u>

See accompanying notes to financial statements.

LABALLE GENERAL HOSPITAL
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1987, 1986 AND 1985

NOTE 1. ORGANIZATION AND OPERATIONS

Legal Organization

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

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

Nature of Business

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Enterprise Fund

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

LASALLE GENERAL HOSPITAL
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1993, 1986 AND 1985

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Method of Accounting

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

Income Taxes

The entity is a political subdivision and exempt from taxation.

Credit Risk

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

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

Net Patient Service Revenue

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

Significant Concentration of Economic Dependence

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

LASALLE GENERAL HOSPITAL
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1987, 1986 AND 1985

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Notes Receivable-Students

Payments are made to medical and nursing students as incentives to locate at the District upon graduation. Payments are expensed in the period issued. Notes receivable are established only if the student fails to graduate or locate at the District.

Inventory

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

Statement of Revenues and Expenses

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

Property, Plant and Equipment

Property, plant and equipment is recorded at cost for purchased assets or at fair market value on the date of any donation. The District uses straight-line depreciation for financial reporting and third party reimbursement. The following estimated useful lives are generally used.

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

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

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

LASSALLE GENERAL HOSPITAL
 HOSPITAL ENHANCEMENT FUND
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in Reporting Classifications

The classification of certain prior year amounts have been changed to reflect consistent reporting when compared to current year balances. The financial statement format has been changed to reflect changes in the AICPA Audit and Accounting Guide - Health Care Organizations, issued June 1, 1996.

NOTE 3 - CASH AND CASH EQUIVALENTS

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

	1997	1996	1995
Petty cash	\$ 982	\$ 982	\$ 982
Checking and Savings	<u>168,434</u>	<u>626,188</u>	<u>1,478,865</u>
Total	<u>\$ 169,416</u>	<u>\$ 627,170</u>	<u>\$ 1,479,847</u>

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

NOTE 4 - INVESTMENTS

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

LASALLE GENERAL HOSPITAL
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 5 - ASSETS WHOSE USE IS LIMITED:

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

	1997	1996	1995
Revenue Bond Sinking Fund	\$ 134,481	\$ 134,393	\$ 133,806
Revenue Bond Reserve Fund	<u>479,864</u>	<u>448,107</u>	<u>427,232</u>
Total	<u>\$ 614,345</u>	<u>\$ 582,500</u>	<u>\$ 561,038</u>

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

NOTE 6 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	1997	1996	1995
Patients	\$ 2,893,966	\$ 1,658,381	\$ 1,833,289
Estimated third-party payer settlements	149,645	418,296	(69,098)
Other receivables	<u>31,337</u>	<u>47,819</u>	<u>37,831</u>
	2,779,998	2,142,496	1,824,822
Estimated uncollectibles	<u>(424,560)</u>	<u>(161,699)</u>	<u>(196,814)</u>
Total	<u>\$ 1,834,942</u>	<u>\$ 1,381,422</u>	<u>\$ 1,427,208</u>

Included in estimated third-party payer settlements for FY 1996 are receivables of \$186,737 from the Medicaid program for the excess cost over the TEPPA target rate for the years ended September 30, 1993 and 1994. Medicaid revenue related to this target rate excess wasn't recognized in previous years due to non approval of a proposed "Under 60 bed" rule, which exempted rural hospitals with less than 60 beds from the Medicaid TEPPA target rate. The Health Care Financing Administration retroactively approved this rule during FY 1996. Accordingly, the District recognized the entire \$186,737 in net patient revenue for FY 1996.

LASALLE GENERAL HOSPITAL
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 6 - ACCOUNTS RECEIVABLE (Continued)

The District generates a substantial portion of its charges from the Medicare and Medicaid programs at discounted rates. A summary of gross Medicare and Medicaid charges for the years ended September 30, 1997, 1996 and 1995 follows:

	1997	1996	1995
Medicare patients	\$13,918,793	\$12,967,879	\$13,911,171
Medicaid patients	<u>1,267,680</u>	<u>1,673,651</u>	<u>1,763,428</u>
Total	<u>\$15,186,473</u>	<u>\$14,641,530</u>	<u>\$15,674,600</u>
Percent of all patients	81%	82%	82%

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

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

	ASSET COST			
	September 30, 1996	Additions	Deletions	September 30, 1997
Land	\$ 38,263	\$ 2,085	\$ -0-	\$ 40,348
Land Improvements	163,824	2,186	-0-	166,010
Buildings and fixed equipment	7,426,367	321,872	-0-	7,748,199
Movable equipment	<u>1,858,240</u>	<u>99,547</u>	<u>-0-</u>	<u>1,957,787</u>
Total	<u>\$ 9,686,694</u>	<u>\$ 653,690</u>	<u>\$ -0-</u>	<u>\$ 10,340,314</u>
	ACCUMULATED DEPRECIATION			
	September 30, 1996	Additions	Deletions	September 30, 1997
Land Improvements	\$ 130,256	\$ 1,629	\$ -0-	\$ 131,885
Buildings and fixed equipment	3,543,661	195,342	-0-	3,739,003
Movable equipment	<u>1,558,814</u>	<u>101,483</u>	<u>-0-</u>	<u>1,660,297</u>
Total	<u>\$ 5,232,731</u>	<u>\$ 308,461</u>	<u>\$ -0-</u>	<u>\$ 5,541,192</u>

LASALLE GENERAL HOSPITAL
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended September 30, 1996:

	<u>ASSET COST</u>			
	September 30, 1995	<u>Additions</u>	<u>Deletions</u>	September 30, 1996
Land	\$ 41,263	\$ 17,000	\$ -0-	\$ 58,263
Land improvements	154,051	9,661	-0-	163,712
Buildings and fixed equipment	7,592,497	51,870	-0-	7,644,367
Miscable equipment	<u>1,859,825</u>	<u>97,724</u>	<u>50,159</u>	<u>1,897,390</u>
Total	<u>\$ 9,647,636</u>	<u>\$ 156,255</u>	<u>\$ 50,159</u>	<u>\$ 9,853,732</u>
	<u>ACCUMULATED DEPRECIATION</u>			
	September 30, 1995	<u>Additions</u>	<u>Deletions</u>	September 30, 1996
Land improvements	\$ 123,897	\$ 3,129	\$ -0-	\$ 127,026
Buildings and fixed equipment	3,516,593	206,358	-0-	3,722,951
Miscable equipment	<u>1,468,078</u>	<u>94,847</u>	<u>21,911</u>	<u>1,541,014</u>
Total	<u>\$ 4,927,678</u>	<u>\$ 204,334</u>	<u>\$ 21,911</u>	<u>\$ 5,210,107</u>

LASALLE GENERAL HOSPITAL
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended September 30, 1995:

	<u>ASSET COST</u>			September 30, 1995
	September 30, 1994	<u>Additions</u>	<u>Deletions</u>	
Land	\$ 41,260	\$ 0-	\$ 0-	\$ 41,260
Land improvements	139,043	15,120	0-	154,163
Buildings and fixed equipment	7,195,182	197,815	300	7,392,497
Movable equipment	<u>1,812,282</u>	<u>119,724</u>	<u>40,781</u>	<u>1,891,225</u>
Total	<u>\$ 9,187,767</u>	<u>\$ 332,659</u>	<u>\$ 41,081</u>	<u>\$ 9,479,345</u>

	<u>ACCUMULATED DEPRECIATION</u>			September 30, 1995
	September 30, 1994	<u>Additions</u>	<u>Deletions</u>	
Land improvements	\$ 120,283	\$ 4,814	\$ 0-	\$ 125,097
Buildings and fixed equipment	3,136,561	199,655	15	3,336,331
Movable equipment	<u>1,486,169</u>	<u>169,365</u>	<u>40,781</u>	<u>1,614,753</u>
Total	<u>\$ 4,683,243</u>	<u>\$ 373,834</u>	<u>\$ 40,896</u>	<u>\$ 4,997,678</u>

NOTE 8 - OTHER ASSETS

Other assets consist of silver recovered from x-ray films and converted to silver bars, carried at an estimated value at September 30, 1997, 1996 and 1995 of \$7,150.

LASALLE GENERAL HOSPITAL
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 9 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

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

	1997	1996	1995
Accrued employee insurance payable	\$ 50,015	\$ 59,218	\$ 31,048
State unemployment taxes payable	7,631	2,626	3,537
Accrued interest payable	38,131	42,738	48,147
Accrued salaries and fees payable	78,057	86,599	44,978
Accrued compensated absences	136,318	143,385	143,986
Payroll withholdings	7,828	13,211	9,549
Louisiana transfered service charge	-0-	-0-	-0-
Total	\$ 317,962	\$ 328,015	\$ 281,345

NOTE 10 - COMPENSATED ABSENCES

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

NOTE 11 - PENSION PLAN

The District has a qualified contributory defined contribution plan providing retirement benefits for substantially all of its employees. Annually, the District contributes 5.1 percent of the salary of eligible employees to the plan. The plan administrator is ITT Hartford. For the year ended September 30, 1997, employee contributions were \$215,240 and employer contributions were \$202,151.

LASALLE GENERAL HOSPITAL
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 12 - LONG-TERM DEBT

A summary of long-term debt, including capital lease obligations at September 30, 1997, 1996 and 1995 follows:

	1997	1996	1995
5.0 percent revenue bonds due March 30, 2003, collateralized by a pledge of the District's revenues	\$ 1,345,000	\$ 1,330,000	\$ 1,703,000
5.1 percent note payable, due May 1, 1996, collateralized by a mortgage on the Nursing Home	0-	0-	96,731
Capital lease obligation at 6.75 percent, collateralized by lease equipment with a cost of \$28,931 at September 30, 1997	7,844	17,382	27,473
Total long-term debt	1,352,844	1,347,382	1,726,204
Less current maturities of long-term debt	202,844	203,020	240,853
Long-term debt net of current maturities	<u>\$ 1,150,000</u>	<u>\$ 1,144,362</u>	<u>\$ 1,485,351</u>

A table of annual debt service requirements follows:

Years Ending September 30,	Capital Leases	Revenue Bonds	Total
1998	\$ 8,000	\$ 195,000	\$ 203,000
1999	0-	205,000	205,000
2000	0-	215,000	215,000
2001	0-	230,000	230,000
2002	0-	245,000	245,000
2003	0-	235,000	235,000
	8,000	1,345,000	1,353,000
Less amount representing interest on capital lease obligations	166	0-	166
Total	<u>\$ 7,834</u>	<u>\$ 1,345,000</u>	<u>\$ 1,352,834</u>

LASALLE GENERAL HOSPITAL
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 11 - NET PATIENT SERVICE REVENUE

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

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain outpatient services related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audit thereof by the Medicare fiscal intermediary. The District's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the District. Home health is reimbursed based upon a cost reimbursement methodology which is subject to limits on a cost per visit basis. The District's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 1995.

Medicaid - Inpatient services prior to July 1, 1994 and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology (subject to a maximum per patient for inpatient services). Effective July 1, 1994, Medicaid inpatient services are reimbursed based on a prospectively determined per diem rate. The District is reimbursed at a tentative rate for cost based services with final settlement determined after submission of annual cost reports by the District and audit thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 1995.

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

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

LABALLE GENERAL HOSPITAL
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 14 - PROFESSIONAL LIABILITY RISK

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

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

NOTE 15 - COMMITMENTS AND CONTINGENCIES

The District evaluates contingencies based upon the best available evidence. The District believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the District's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

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

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

LASALLE GENERAL HOSPITAL
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 15 - COMMITMENTS AND CONTINGENCIES (Continued)

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

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

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

NOTE 16 - CHARITY CARE

The District has a policy of providing charity care to indigent patients who meet certain criteria under its charity care policy. The cost of the charity care was \$11,456, \$12,467 and \$10,244 for the fiscal years ended in 1997, 1996 and 1995, respectively.

LASALLE GENERAL HOSPITAL
DEBT SERVICE FUND
BALANCE SHEETS
SEPTEMBER 30, 1997, 1996 AND 1995

	1997	1996	1995
ASSETS			
Cash	\$ 17,645	\$ 18,344	\$ 33,189
Certificates of deposit	375,642	364,589	349,811
Accrued interest receivable	<u> 0</u>	<u> 0</u>	<u> 1,082</u>
Total assets	\$ <u>393,287</u>	\$ <u>382,933</u>	\$ <u>383,082</u>
FUND BALANCE			
Fund balance	\$ <u>393,287</u>	\$ <u>382,933</u>	\$ <u>383,082</u>

See accompanying notes to financial statements.

LASALLE GENERAL HOSPITAL
 DEBT SERVICE FUND
 STATEMENTS OF REVENUES AND EXPENDITURES
 AND CHANGES IN FUND BALANCE
 YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	1997	1996	1995
Revenue:			
Ad valorem taxes	\$ 104,649	\$ 96,488	\$ 88,807
Interest income	<u>11,053</u>	<u>13,682</u>	<u>19,233</u>
Total revenue:	<u>115,702</u>	<u>110,170</u>	<u>108,040</u>
Expenditures:			
Bonds redeemed	75,000	70,000	65,000
Interest on bonds	30,187	34,108	38,873
Fiscal agent fees	<u>180</u>	<u>180</u>	<u>98</u>
Total expenditures	<u>105,367</u>	<u>104,288</u>	<u>103,971</u>
Excess of revenue (expenditures)	10,335	(111)	24,073
Fund balance, beginning of year	<u>182,972</u>	<u>183,083</u>	<u>159,008</u>
Fund balance, end of year	\$ <u>193,307</u>	\$ <u>182,972</u>	\$ <u>183,081</u>

See accompanying notes to financial statements.

LASALLE GENERAL HOSPITAL
 GENERAL LONG-TERM DEBT ACCOUNT GROUP
 STATEMENTS OF GENERAL LONG-TERM DEBT
 YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	1997	1996	1995
<u>AMOUNT AVAILABLE AND TO BE PROVIDED FOR PAYMENT OF GENERAL LONG-TERM DEBT</u>			
Serial Bonds			
Amount available in Debt Service Fund	\$ 293,247	\$ 182,972	\$ 283,083
Amount to be provided	<u>56,681</u>	<u>142,928</u>	<u>211,512</u>
Total	\$ <u>450,000</u>	\$ <u>525,900</u>	\$ <u>705,095</u>
<u>GENERAL LONG-TERM DEBT PAYABLE</u>			
Serial Bonds Payable	\$ <u>450,000</u>	\$ <u>525,900</u>	\$ <u>705,095</u>

See accompanying notes to financial statements.

LASALLE GENERAL HOSPITAL
DEBT SERVICE FUND AND GENERAL LONG-TERM DEBT ACCOUNT GROUP
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Debt Service

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

General Long-Term Debt Account Group

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

Basis of Accounting

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

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

Budgets

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

NOTE 2 - DEPOSITS

Certificates of Deposit at September 30, 1997, 1996 and 1995 with the depository bank are secured at the balance sheet date by federal depository insurance coverage and by pledged securities.

LASALLE GENERAL HOSPITAL
DEBT SERVICE FUNDS AND GENERAL LONG-TERM DEBT ACCOUNT GROUP
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 3 - SERIAL BONDS PAYABLE

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

At September 30, 1997, there were outstanding bonds in an amount of \$450,000, as detailed below:

<u>Years</u>	<u>Bond Number</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1998	171 to 186	\$ 80,000	\$ 25,875	\$ 105,875
1999	187 to 203	85,000	21,275	106,275
2000	204 to 221	90,000	18,387	108,387
2001	222 to 240	95,000	11,212	106,212
2002	241 to 260	100,000	5,250	105,250
	Total	\$ <u>450,000</u>	\$ <u>81,499</u>	\$ <u>531,499</u>

LASALLE GENERAL HOSPITAL
 SCHEDULES OF PATIENT STATISTICS
 YEARS ENDED SEPTEMBER 30, 1997, 1998 AND 1999

	1997	1998	1999
Number of Hospital Patient Days of Care			
Medicare	9,374	9,359	10,746
Medicaid	5,913	1,522	1,811
Other	<u>658</u>	<u>483</u>	<u>926</u>
Total	<u>11,244</u>	<u>11,271</u>	<u>13,483</u>
Number of Hospital Patient Discharges			
Medicare	1,138	1,188	1,413
Medicaid	327	257	312
Other	<u>122</u>	<u>102</u>	<u>133</u>
Total	<u>1,487</u>	<u>1,547</u>	<u>1,858</u>
Average Length of Patient Stay			
Medicare	8.25	7.79	7.61
Medicaid	3.78	5.92	5.88
Other	5.39	6.79	7.23
All Patients	7.85	7.29	7.27
Number of Surgical Cases	<u>32</u>	<u>30</u>	<u>47</u>
Number of Home Health Visits	<u>15,509</u>	<u>13,326</u>	<u>14,817</u>
Number of Emergency Room Visits	<u>6,300</u>	<u>6,258</u>	<u>6,366</u>

LASSALLE GENERAL HOSPITAL
SCHEDULE OF NET PATIENT SERVICE REVENUE
UNRESTRICTED FUND
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	1997	1996	1995
Routine services:			
Adult and pediatric	\$ 2,092,283	\$ 2,045,198	\$ 2,334,623
Swing bed	83,130	-	-
Skilled nursing	<u>24,820</u>	<u>216,168</u>	<u>244,920</u>
Total routine services	<u>2,200,233</u>	<u>2,261,366</u>	<u>2,579,543</u>
Other professional services:			
Operating room	82,964	182,418	187,925
Recovery room	6,221	9,108	10,119
Anesthesiology	47,325	71,323	82,768
Radiology	1,075,234	1,074,444	1,142,154
Laboratory and blood	2,340,826	2,285,319	2,335,098
IV therapy	413,742	428,518	433,316
Respiratory therapy	1,288,913	1,231,862	1,439,249
Physical therapy	386,412	485,519	572,009
Occupational therapy	1,872	-	2,259
Speech therapy	-	3,422	6,693
ECG, EKG, telemetry	973,561	871,472	888,327
Medical supply	774,998	841,301	978,281
Pharmacy	4,431,674	4,127,427	4,499,524
Grand care	428,246	303,752	34,825
Emergency service	461,612	452,618	443,790
Observation room	22,588	23,285	44,887
Ambulance service	312,602	243,820	238,666
Home health services	<u>1,448,577</u>	<u>1,543,458</u>	<u>1,252,802</u>
Total other professional services	<u>14,581,881</u>	<u>14,860,282</u>	<u>16,624,882</u>
Total patient service revenue	16,882,114	17,121,648	17,204,425
Deductions from revenue			
Medicare and Medicaid contractual adjustments	8,048,248	7,682,148	7,863,211
Employee discounts	14,980	7,214	9,389
Uncompensated services	23,836	23,078	19,682
Other	<u>346,921</u>	<u>111,788</u>	<u>67,068</u>
Total Deductions from Revenue	<u>8,233,885</u>	<u>7,824,228</u>	<u>7,969,350</u>
Net patient service revenue	<u>\$ 8,648,229</u>	<u>\$ 9,297,420</u>	<u>\$ 9,235,075</u>

LASALLE GENERAL HOSPITAL
 SCHEDULES OF OTHER REVENUE
 UNRESTRICTED FUND
 YEARS ENDED SEPTEMBER 30, 1987, 1986 AND 1985

	<u>1987</u>	<u>1986</u>	<u>1985</u>
Purchase discounts taken	\$ 6,776	\$ 9,160	\$ 6,438
Nursing home dietary contract	141,688	418,771	367,004
Cafeteria	116,069	123,482	123,091
Cat rentals	1,829	1,644	2,303
Contributions	922	-0-	-0-
Medical record abstracts	5,256	4,680	5,442
Vending	1,409	1,473	1,843
Nursing home lease	114,000	181,500	204,000
Ambulance reimbursement	129,800	94,200	98,000
Nursing home accounting fees	8,100	8,100	8,000
Miscellaneous revenue	<u>2,367</u>	<u>733</u>	<u>271</u>
 Total	 <u>\$ 772,816</u>	 <u>\$ 843,684</u>	 <u>\$ 818,794</u>

LASALLE GENERAL HOSPITAL
SCHEDULES OF EXPENSES - SALARIES AND BENEFITS
UNRESTRICTED FUND
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	1997	1996	1995
Salaries:			
Administration	\$ 377,865	\$ 387,331	\$ 361,671
Plant operations and maintenance	167,839	181,668	137,361
Laundry	84,309	83,528	78,632
Housekeeping	86,422	88,159	84,611
Dietary and cafeteria	260,775	237,351	242,688
Nursing administration	163,913	164,476	138,614
Medical records	64,183	71,768	69,883
Nursing services	635,418	694,178	1,039,903
Skilled nursing services	38,853	283,949	213,820
Grand care	101,895	78,949	8,344
Operating room	32,777	34,823	33,025
Recovery room	3,752	4,166	3,537
Radiology	114,411	114,826	114,603
Laboratory	138,683	138,423	138,861
Respiratory therapy	151,108	151,026	144,829
Physical therapy	38,511	28,474	19,084
Central supply	73,329	74,829	70,621
Pharmacy	123,338	123,651	121,604
Emergency room	313,913	269,553	231,944
Observation	2,901	2,495	349
Ambulance	141,803	141,692	134,330
Heart health	<u>418,347</u>	<u>428,850</u>	<u>356,582</u>
Total salaries	<u>4,617,824</u>	<u>4,201,123</u>	<u>4,627,734</u>
FICA/Social Security	78,932	87,857	79,277
Hospitalization insurance	344,708	335,751	363,396
Other	<u>147,697</u>	<u>164,871</u>	<u>58,049</u>
Total benefits	<u>571,337</u>	<u>588,479</u>	<u>500,722</u>
Total salaries and benefits	<u>\$ 5,189,161</u>	<u>\$ 4,789,602</u>	<u>\$ 5,128,456</u>

LASALLE GENERAL HOSPITAL
SCHEDULES OF EXPENSES - MEDICAL SUPPLIES AND DRUGS
UNRESTRICTED FUND
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	1997	1996	1995
Nursing services	\$ 13,757	\$ 13,790	\$ 18,483
Grand care	101	125	73
Skilled nursing	9	85	340
Operating room	18,840	21,180	21,881
Anesthesiology	111	455	335
Radiology	31,476	34,136	64,986
Laboratory and blood	25,537	14,188	23,179
IV therapy	74,967	79,066	85,987
Respiratory therapy	33,823	34,889	39,699
Physical therapy	3,263	2,514	2,297
Telemetry	4,718	4,512	4,981
Central supply	74,810	103,065	82,093
Pharmacy	587,139	539,958	582,165
Emergency room	3,396	3,283	3,313
Ambulance	2,711	2,274	1,199
Home health	<u>42,858</u>	<u>51,983</u>	<u>65,846</u>
Total medical supplies and drugs	<u>\$ 828,376</u>	<u>\$ 914,682</u>	<u>\$ 971,184</u>

LASALLE GENERAL HOSPITAL
SCHEDULES OF EXPENSES - PROFESSIONAL FEES
UNRESTRICTED FUND
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	1997	1996	1995
Swing bed	\$ 320	\$ -0-	\$ -0-
Oral care	68,175	153,098	31,277
Skilled nursing	279	480	6,405
Anesthesiology	58,846	49,185	53,382
Radiology	932,339	911,368	115,380
Laboratory	108,329	116,584	178,096
Physical therapy	197,223	172,662	208,778
Occupational therapy	-0-	-0-	1,987
Speech therapy	-0-	2,123	995
EMCU, EMSU	60,000	60,000	80,385
Emergency room	399,124	398,012	393,613
Home health	<u>21,613</u>	<u>7,959</u>	<u>8,749</u>
 Total professional fees	 <u>\$ 1,187,056</u>	 <u>\$ 1,289,481</u>	 <u>\$ 1,176,818</u>

LASALLE GENERAL HOSPITAL
SCHEDULES OF EXPENSES - OTHER EXPENSES
UNRESTRICTED FUND
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	1997	1996	1995
Contract services	\$ 13,430	\$ 7,755	\$ 7,755
Consultants	15,858	19,172	18,798
Legal	38,914	31,234	42,671
Supplies	628,393	648,819	658,498
Repairs and maintenance	315,736	315,391	372,565
Utilities	187,227	192,845	184,672
Telephone	34,842	31,742	27,286
Travel	48,822	45,258	41,780
Rentals	42,519	46,784	42,694
Advertising	8,894	10,189	10,225
Dues and subscriptions	28,210	29,726	27,348
Recruitment	-	62,215	824
Miscellaneous	<u>37,414</u>	<u>28,718</u>	<u>32,911</u>
Total other expenses	\$ 1,400,385	\$ 1,497,826	\$ 1,362,162

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL
STATEMENTS CONDUCTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of LaSalle General Hospital (the District) for the years ended September 30, 1997, 1996 and 1995 and have issued our report thereon dated January 30, 1998.

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

In planning and performing our audits of the financial statements of the District for the years ended September 30, 1997, 1996 and 1995, 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 general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

The management of the 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.

There were no matters noted involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with the intentions of management in the financial statements.

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

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended for the information of the Board of Commissioners, management and the office of the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Certified Public Accountants

January 10, 1998

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

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

We have audited the financial statements of LaSalle General Hospital (the District) as of and for the years ended September 30, 1991, 1990 and 1989 and have issued our report thereon dated January 31, 1990.

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

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

Compliance with laws, regulations, contracts and grants applicable to LaSalle General Hospital is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grants. However, it should be noted that our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, the District complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the District had not complied, in all material respects, with those provisions.

Board of Commissioners
LaSalle General Hospital
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This report is intended for the information of the Board of Commissioners, management and the office of the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Certified Public Accountants

January 30, 1988