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WEST LOUISIANA HEALTH SERVICES, INC.
DeRidder, Louisiana

Financial Statements
Years Ended October 31, 1998 and 1997

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BROUSSARD & COMPANY, APC
CERTIFIED PUBLIC ACCOUNTANTS
Founded in 1978

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
West Louisiana Health Services, Inc.
DeRidder, Louisiana

We have audited the accompanying statements of financial position of West Louisiana Health Services, Inc. as of October 31, 1998 and 1997, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation'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 West Louisiana Health Services, Inc. as of October 31, 1998 and 1997, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Broussard & Company

February 11, 1999
/dkb

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WEST LOUISIANA HEALTH SERVICES, INC.
DeRidder, Louisiana

Statements of Financial Position
For the Years Ended October 31,

Assets	1998	1997
Current Assets		
Cash and cash equivalents	$ 616,753	$ 389,836
Accrued interest receivable	15,294	16,022
Due from Hospital Service District #2 of Beauregard Parish	-	565,479
Other receivables - current position	16,349	24,178
Notes receivable - physicians - current position	45,948	10,385
Total Current Assets	694,344	1,005,900
Investments	4,794,375	4,423,361
Property, Plant, and Equipment		
Equipment	44,307	70,858
Buildings and improvements	293,136	293,136
Land	349,683	387,183
Less accumulated depreciation	(95,318)	(103,777)
Net Property, Plant, and Equipment	591,808	647,400
Other Assets		
Note receivable - physician - net of current portion	530,391	72,959
Other receivables - net of current portion	95,478	157,205
Total Other Assets	625,869	230,164
Total Assets	$ 6,706,396	$ 6,306,825

Liabilities and Net Assets	1998	1997
Current Liabilities		
Accounts payable	$ 571,902	$ 606,888
Accrued payroll	326,812	225,589
Other accrued expenses	222,565	170,000
Due from Hospital Service District #2 of Beauregard Parish	100,851	-
Accrued vacation payable	443,733	405,903
Accrued disability benefits	443,964	418,117
Total Current Liabilities	2,109,827	1,826,497
Net Assets - Unrestricted	4,596,569	4,480,328
Total Liabilities and Net Assets	$ 6,706,396	$ 6,306,825

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

WEST LOUISIANA HEALTH SERVICES, INC.
DeRidder, Louisiana

Statements of Activities
For the Years Ended October 31,

	1998	1997
Unrestricted Net Assets		
Support		
Reimbursements from Hospital Service District #2 of Beauregard Parish	$ 19,423,183	$ 18,516,686
Interest income	199,287	196,053
Realized gain (loss) on sale	192,931	319,180
Unrealized gain (loss)	161,336	403,668
Other	30,646	136,296
Total Unrestricted Support	20,007,383	19,571,883
Expenses		
Nursing expenses	3,251,358	3,169,591
Other professional expenses	9,980,292	9,177,409
General service expenses	2,175,882	2,047,352
Fiscal and administration service expenses - Hospital District	4,015,651	4,122,334
Fiscal and administration service expenses - WLHS	467,959	187,632
Total Expenses	19,891,142	18,704,318
Increase in Unrestricted Net Assets Before Cumulative Effect of Change in Accounting Principle	116,241	867,565
Cumulative Effect of Change in Accounting Principle - Unrealized Gain as of October 31, 1996	-	176,130
Increase in Unrestricted Net Assets	116,241	1,043,695
Net Assets at Beginning of Year	4,480,328	3,436,633
Net Assets at End of Year	$ 4,596,569	$ 4,480,328

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

WEST LOUISIANA HEALTH SERVICES, INC.
DeRidder, Louisiana

Statements of Cash Flows
For the Years Ended October 31,

		1998		1997
Cash Flows From Operating Activities:				
Excess (deficiency) of revenue over expenses	$	116,241	$	1,043,695
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:				
Depreciation		18,092		24,993
Realized (gain) loss on sale of investments		(192,931)		(319,180)
Unrealized (gain) loss on investments		(161,336)		(579,798)
(Increase) decrease in interest receivable and other receivables		(422,711)		(62,371)
(Increase decrease in due from Hospital Service District # 2 of Beauregard Parish		666,330		(426,758)
Increase (decrease) in accounts payable and other payables		182,479		7,707
Total Adjustments		89,923		(1,355,407)
Net Cash Provided (Used) by Operating Activities		206,164		(311,712)
Cash Flows From Investing Activities:				
Capital expenditures		(104,792)		(18,903)
Proceeds from sale and maturities of investments		1,531,716		1,133,584
Purchase of securities		(1,406,171)		(1,613,560)
Net Cash Provided (Used) by Investing Activities		20,753		(498,879)
Net Increase (Decrease) in Cash		226,917		(810,591)
Cash and Cash Equivalents, beginning of year		389,836		1,200,425
Cash and Cash Equivalents, end of year	$	616,753	$	389,834

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

WEST LOUISIANA HEALTH SERVICES, INC.
DeRidder, Louisiana

Notes to Financial Statements
October 31, 1998 and 1997

Note 1 - ***Organization and Summary of Significant Accounting Policies***

Business and Nature of Activities

The physical facilities of Beauregard Memorial Hospital are owned by the Hospital Service District #2 of Beauregard Parish. On June 6, 1979, the Board of Commissioners of the Hospital Service District entered into an agreement with the Board of Trustees of Beauregard Memorial Hospital (a non-profit corporation) to manage and operate the hospital facilities. Under the terms of this agreement, which will expire in 99 years from the date executed if all the renewal period options are exercised, the Board of Trustees of Beauregard Memorial Hospital would collect all revenues and deposit to the account of the Hospital Service District and pay all necessary expenses incurred during the normal operations of the hospital. The Hospital Service District would reimburse Beauregard Memorial Hospital for these expenses.

During the year ended October 31, 1984, the Board of Trustees of Beauregard Memorial Hospital elected to change their name to the Board of Trustees of West Louisiana Health Services, Inc. West Louisiana Health Services, Inc. (organization) operates the Hospital facility known as Beauregard Memorial Hospital.

Financial Statement Presentation

In 1995, the Organization adopted Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Income Taxes

West Louisiana Health Services, Inc. is a nonprofit corporation as described in Code Section 501(c)(3) of the Internal Revenue Service and is exempt from Federal and State income taxes on related income pursuant to Section 501(a) of the code.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Continued

Note 1 - ***Organization and Summary of Significant Accounting Policies (Continued)***

Increase in Unrestricted Net Assets

The statements of activities include excess of operating expenses over operating and nonoperating revenues. Changes in unrestricted net assets which are excluded from excess operating expenses over revenue, consistent with industry practice, may include, but are not limited to, unrealized gains and loss on investment other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets.

Buildings and Equipment

Property, plant, and equipment are recorded at cost. Depreciation expense amounted to $18,092 and $24,993 for the years ended October 31, 1998 and 1997, respectively. Property, plant, and equipment are depreciated using the straight-line method over the estimated useful lives of the various assets shown below:

	Method	Life
Buildings	SL	15 - 30 Years
Equipment	SL	4 - 15 Years

The costs of maintenance and repairs of property and equipment are charged to expense as incurred. Expenditures for additions, improvements, and replacements are capitalized. The cost and related accumulated depreciation of property and equipment retired are removed from the accounts and any resulting gain or loss is recognized.

Investments

The Organization changed its policy of accounting for investments in equity securities with readily determinable fair values and all debt securities from lower of cost or market to fair value in accordance with SFAS No. 124, *"Accounting for Certain Investments Held for Not-For-Profit Organizations"*. The Organization adopted the provisions of SFAS No. 124 by recognizing the cumulative effect of the change in the year of change.

Cash and Cash Equivalents

The Organization considers all short-term unrestricted investments with an original maturity of three months or less to be cash equivalents.

Continued

Note 2 - ***Defined Contribution Plan***

The Hospital provides pension benefits for all of its full-time and part-time employees who meet certain age and service requirements through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. The Hospital contributes 5% of eligible participants' compensation. The participant is required to contribute 3% of compensation. The Hospital's contributions for each employee (and plan earnings allocated to the employee's account) are fully vested after six years service. Hospital contributions for, and plan earnings forfeited by, employees who leave employment before six years of service are used to reduce the Hospital's current period contribution requirement.

The Hospital's total payroll in fiscal year 1998 was $9,825,236. The Hospital's contributions were calculated using the base salary amount of $5,782,785. The Hospital's 5% contribution of covered employees, net of forfeitures, amounted to $289,139. The eligible employees 3% contribution amounted to $173,483.

Note 3 - ***Due from Hospital Service District #2 of Beauregard Parish***

At October 31, 1998 and 1997, West Louisiana Health Services, Inc. had a balance payable of $100,851, and a balance receivable totaling $565,479, respectively, to/from the Hospital Service District #2 of Beauregard Parish. These balances arise principally from the timing difference of recording accounts payable and accrued liabilities on the books of West Louisiana Health Services, Inc. and the actual payment by the Hospital Service District #2 of Beauregard Parish.

Note 4 - ***Accrued Compensated Balances***

Employees of the hospital are entitled to compensated absences. Compensated absences totaling $887,697 and $824,020 for the years ended October 31, 1998 and 1997, respectively, are a vested benefit, and are accrued in the financial statements.

Note 5 - ***Other Receivables***

	October 31, 1998	October 31, 1997
Details of other receivables are:		
Physician Income Guarantee		
Reimbursement Receivable	$ 30,718	$ 35,743
Educational Assistance/Physician		
Recruitment Advances	34,760	132,958
Other	16,349	12,682
Total Other Receivables	$ 111,827	$ 181,383

Continued

WEST LOUISIANA HEALTH SERVICES, INC.
DeRidder, Louisiana

Notes to Financial Statements (Continued)
October 31, 1998 and 1997

Note 6 - ***Investments***

The amortized cost and fair values of investment securities as of October 31, 1998 are as follows:

	Amortized Cost	Fair Value	Unrealized Gain (Loss)
Obligations of U.S. Government Agencies	$ 448,595	$ 477,501	$ 28,906
Mortgage-Backed Securities	1,178,073	1,234,973	56,900
Corporate Debenture	277,287	290,533	13,246
Common Stocks	2,149,286	2,791,368	642,082
	$ 4,053,241	$ 4,794,375	$ 741,134

The amortized cost and fair values of investment securities as of October 31, 1997 are as follows:

	Amortized Cost	Fair Value	Unrealized Gain (Loss)
Obligations of U.S. Government Agencies	$ 699,670	$ 699,046	$(624)
Mortgage-Backed Securities	1,112,284	1,089,634	(22,650)
Corporate Debenture	279,735	282,229	2,494
Common Stocks	1,751,874	2,352,452	600,578
	$ 3,843,563	$ 4,423,361	$ 579,798

Note 7 - ***Financial Instruments With Off-Balance-Sheet Risk***

The Organization had deposits on hand with financial institutions and brokerage firms in excess of insurance limits as of October 31, 1998 and 1997. Uninsured amounts in excess of FDIC and SIPC limits totaled $208,024 and $177,620, respectively, as of October 31, 1998 and 1997. Management believes that credit risk related to these deposits is minimal.

Note 8 - ***Note Receivable - Physician***

Note receivable (dated August 28, 1998), due in 60 installments of $2,016.26, with interest at 8.4% per annum. This note is secured by mortgage on equipment.

Note receivable (dated October 28, 1998), due in monthly installments of $4,607.13, with interest at 8.5% per annum until paid. This note is secured by mortgage on real estate.

Note receivable (dated November, 1996), due in equal monthly installments of $185.63, with interest at 8.25% per annum through the year 2006. The note is unsecured.

Continued

Note 9 - ***Related Party Transaction***

The Organization leases a building from a board member for $1,200 a month under a three year lease agreement. Total lease and other payments made for fiscal year October 31, 1998 were $7,200. Also, the Hospital paid insurance premiums of $97,049 to an insurance company whom employs the board member's husband.

The Organization also utilizes the professional services of a local psychology clinic which employs a board member of the Organization. Total payments to the clinic were $11,673.

The Hospital has agreed to purchase the building (clinic) of a member of the Organization's board. The purchase price is $159,000 (appraisal value) and the sale will be complete in 1999.

Note 10- ***Income Guarantees***

The Organization has entered into contracts with several local physicians. Under the contracts, the Organization guarantees net practice physician income ranging from $120,000 to $300,000. The total income guarantees aggregate $420,000. These amounts are offset with physician monthly net income and advances are made if required.

Note 11- ***Contingency***

The hospital is self-insured for employee medical benefits. Under this arrangement, the employees contribute a portion of the cost with the hospital paying the difference to a third-party administrator. A portion of the monthly contribution is used to purchase a re-insurance contract that covers individual claims exceeding $50,000. The accrued liability for incurred, but not reported health insurance benefit claims at October 31, 1998 was $225,569.