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R E P O R T
EAST JEFFERSON GENERAL HOSPITAL
RETIREMENT AND SAVINGS PLAN
DECEMBER 31, 1997 AND 1996

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, when appropriate, at the office of the parish clerk of court.

Release Date 4-15-98

EAST JEFFERSON GENERAL HOSPITAL
RETIREMENT AND SAVINGS PLAN
INDEX TO REPORT
DECEMBER 31, 1997 AND 1998

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT.....	1 - 2
FINANCIAL STATEMENTS:	
Statements of Plan Net Assets.....	3
Statements of Changes in Plan Net Assets.....	4
Notes to Financial Statements.....	5 - 30
SUPPLEMENTARY INFORMATION:	
Schedule of Contributions - Employer and Other Sources.....	31
Schedule of Funding Progress.....	32
Notes to Schedule of Contributions and Schedule of Funding Progress.....	33
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	14 - 15
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	16



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INDEPENDENT AUDITOR'S REPORT

February 6, 1998

To the Pension Committee
East Jefferson General Hospital
Retirement and Savings Plan
Metairie, Louisiana

We have audited the accompanying statements of plan net assets of the East Jefferson General Hospital Retirement and Savings Plan as of December 31, 1997 and 1998 and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Pension Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards 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 opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the East Jefferson General Hospital Retirement and Savings Plan at December 31, 1997 and 1998 and the results of its operations and changes in net assets for the years then ended in conformity with generally accepted accounting principles.

We have audited the financial statements of the Plan for the years ended December 31, 1997 and 1998 and issued our unqualified opinion on such financial statements. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplemental schedules listed in the foregoing index to report are presented for the purposes of additional analysis and are not a part of the basic financial statements. Such required supplemental schedules for the years ending December 31, 1997 through December 31, 1997 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued reports dated February 8, 1998 on our consideration of the East Jefferson General Hospital Retirement and Savings Plan's internal control structure and on its compliance with laws and regulations.

Douglas L. Chapman, Chapman & Knicker Ltd

EAST JEFFERSON GENERAL HOSPITAL
RETIREMENT AND SAVINGS PLAN
STATEMENTS OF PLAN NET ASSETS
DECEMBER 31, 1997 AND 1996

	1 9 9 7			1 9 9 6		
	DEFERRED RENTAL RETIREMENT PLAN	147000 DOLLARS	(70%) MEMBERSHIP DOLLARS	DEFERRED RENTAL RETIREMENT PLAN	147000 DOLLARS	(70%) MEMBERSHIP DOLLARS
ASSETS:						
Investments:						
Accrued interest and dividends	\$ 144,078	\$ —	\$ 100,855	\$ 135,312	\$ —	\$ 93,713
Investments, at fair value						
Cash equivalents	1,261,660	1,444	1,066,076	1,668,700	76,668	1,543,113
U.S. Government and						
Agency Issues	11,096,710	—	10,965,760	9,247,660	—	8,247,660
Equities	64,028,000	—	19,836,883	8,881,678	—	6,881,678
Mutual Funds	—	10,666,873	10,666,873	—	10,416,176	10,416,176
Securitized Investment contracts	—	6,885,113	6,885,113	—	1,416,943	1,416,943
REMIC	—	6,885,113	6,885,113	—	1,416,943	1,416,943
Total Investments	77,486,370	26,442,539	49,499,625	39,746,038	22,310,687	41,585,370
TOTAL ASSETS	78,630,448	26,442,539	50,566,480	40,181,350	22,310,687	43,169,083
LIABILITIES:						
Cash overdraft	—	—	—	—	1,266	1,266
Unfunded benefit payable	—	263,764	263,764	—	263,764	263,764
Contributions paid in advance	—	111,000	111,000	—	61,500	61,500
and forfeitures	—	111,000	111,000	—	61,500	61,500
Total Liabilities	—	485,764	485,764	—	327,030	327,030
NET ASSETS HELD IN TRUST FOR MEMBERS	\$ 78,630,448	\$ 26,442,539	\$ 50,566,480	\$ 40,181,350	\$ 22,310,687	\$ 43,169,083

In schedule of funding
progress for the plan
is presented on Page 122

**EAST JEFFERSON GENERAL HOSPITAL
RETIREMENT AND SAVINGS PLAN
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1998**

	1997			1998		
	DEFERRED ANNUITY RETIREMENT PLAN	DEFERRED ANNUITY PLAN	TOTAL MEMBERSHIP NET WT	DEFERRED ANNUITY RETIREMENT PLAN	DEFERRED ANNUITY PLAN	TOTAL MEMBERSHIP NET WT
ADDITIONS:						
Contributions:						
Members:	\$	\$	\$	\$	\$	\$
Employer	3,371,724	3,898,000	5,009,092	30,893	3,375,370	3,496,263
Total contributions	3,371,724	4,396,000	5,418,184	30,893	3,690,740	3,826,526
Investment Income:						
Net appreciation in fair value of investments	1,715,945	1,995,000	4,111,000	1,275,490	1,471,000	1,897,000
Interest	788,800	897,000	1,555,711	629,800	880,000	1,479,000
Dividends	187,137	281,000	281,000	113,700	180,000	180,000
	2,691,882	3,473,000	6,347,811	2,018,990	2,531,000	3,736,000
Less:						
Investment advisory services	188,000	2,000	188,000	181,400	88,000	181,400
Contractual fees	25,888	—	11,000	14,700	—	14,700
Net investment income	2,477,994	3,469,000	6,148,811	1,822,890	2,443,000	3,530,000
Total additions	4,849,718	8,465,000	11,567,000	3,798,000	6,133,740	8,556,526
DEDUCTIONS:						
Benefit to plan	100,000	1,000,000	2,100,000	800,000	1,175,000	1,800,000
Total deductions	100,000	1,000,000	2,100,000	800,000	1,175,000	1,800,000
NET INCREASE	4,749,718	7,465,000	9,467,000	2,998,000	4,958,740	6,756,526
NET ASSETS HELD IN TRUST FOR MEMBER BENEFITS:						
Beginning of year	28,170,000	29,100,000	67,270,000	28,820,000	17,910,000	29,540,000
END OF YEAR	\$ 32,919,718	\$ 36,565,000	\$ 76,737,000	\$ 31,818,000	\$ 22,868,740	\$ 36,296,526

See accompanying notes.

**EAST JEFFERSON GENERAL HOSPITAL
RETIREMENT AND SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1997 AND 1998**

Hospital service districts are authorized under Louisiana R.S. 40:1958 to establish and maintain actuarially sound pension and retirement systems making contributions from hospital service district funds. They may make contracts of insurance with any insurance company legally authorized to do business in Louisiana and may enter into other contracts and trust Agreements with banks, which are incidental to creating and maintaining an actuarially sound pension and retirement system.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements are prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB) as the successor to the National Council on Governmental Accounting (NCGA).

Basis of Accounting:

The Plan's financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized in the period in which the employee is compensated for services performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Interest and dividend income is recognized when earned.

Method Used to Value Investments:

Investments are reported at fair value, short-term investments are reported at cost and insurance contracts at contract value, which approximates fair value.

Memoranda Only Column:

The total columns on the Statement of Plan Net Assets and Statement of Changes in Plan Net Assets are captioned memorandum only to indicate that they are presented to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

2. PLAN DESCRIPTION AND CONTRIBUTION INFORMATION:

The Plan is the administrator of a single employer defined benefit retirement plan and a defined contribution savings plan. The Plan was established for the purpose of providing retirement benefits for substantially all employees of East Jefferson General Hospital (Hospital).

DEFINED BENEFIT RETIREMENT PLAN:

All full-time employees at least age 21 with at least one year of credited service are eligible to participate in the Plan. Plan benefits vest after 5 years of credited service. Employees who retire at or after age 62 with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life. The Plan also provides death benefits. This benefit provision and all other requirements are established by the Plan.

**EAST JEFFERSON GENERAL HOSPITAL
RETIREMENT AND SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1992 AND 1991**

2. PLAN DESCRIPTION AND CONTRIBUTION INFORMATION: (Continued)

DEFINED BENEFIT RETIREMENT PLAN: (Continued)

Membership in the Plan as of the last actuarial valuation, January 1, 1992 consists of:

	<u>1/1/92</u>
Retirees and beneficiaries receiving benefits	174
Terminated employees entitled to benefits but not yet receiving them	843
Active employees	<u>1,816</u>
TOTAL PARTICIPANTS:	<u>2,733</u>

Pension Benefits:

The annual benefit at normal retirement will be equal to the benefit accrued through December 31, 1988 under the previous pension plan formula plus, for each year after 1988, benefits accrued under the new formula.

Under the new formula benefits accrue at .75% of participant's annual pay up to a designated "breakpoint" and 1.25% of annual pay in excess of the breakpoint. In succeeding years the new formula would continue to apply, but as the Social Security taxable wage base increases, so will the breakpoint.

After five years of employment with the Hospital (counting all prior service), the pension benefit will be fully vested.

At retirement, the participant may choose to receive a monthly benefit amount in one of several annuity forms - life annuity, joint and survivor annuity, and ten year certain and life annuity.

Spouse Benefits:

If a participant dies after becoming vested, the surviving spouse will receive a monthly benefit from the plan. This benefit is only available to the surviving spouse and will be payable at the time the participant would have qualified for early retirement, unless the spouse elects to defer payments to a later date.

Contributions:

The Plan's funding policy provides for actuarially determined periodic contributions.

The actuarially determined recommended contribution for the plan year ending December 31, 1992 is shown below compared to the contribution made based on the prior valuation for 1991.

	January 1, 1992 for 1992	January 1, 1991 for 1991
ANNUAL CONTRIBUTIONS:		
As a dollar amount	\$ 1,417,503	\$ 1,357,257
As a percent of payroll	8.0%	8.7%
Participant payroll	17,380,919	15,598,758

EAST JEFFERSON GENERAL HOSPITAL
RETIREMENT AND SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1997 AND 1996

2. PLAN DESCRIPTION AND CONTRIBUTION INFORMATION: (Continued)

DEFERRED CONTRIBUTION SAVINGS PLAN:

The Plan covers all full-time employees who have been employed for a twelve month period during which at least one thousand hours of service are completed and who are at least twenty-one years of age. The Plan had 2,705 and 2,531 members for the years ended 1997 and 1996, respectively.

Contributions:

The Plan provides for a basic contribution by the Hospital of two percent of eligible annual compensation including overtime. Effective in December 1997, the plan was amended to allow employees to contribute up to twenty percent, six percent previously, of eligible annual compensation of which the Hospital will match up to two percent. This matching contribution is in addition to the basic contribution received by all participants.

Participants' Accounts:

Each participant's account is credited with the Hospital's contribution and Plan earnings. Allocation of the Hospital's contributions is based on Plan compensation. Compensation for Plan purposes is the employee's total annual compensation and overtime pay and other extra compensation as specified in the plan document.

Vesting:

The participant is one hundred percent vested after the completion of five years of vesting service. For this purpose participants earn one year of vesting service for each year in which they work one thousand hours or more. Any contributions made by participants for the Plan and earnings on that contribution are one hundred percent vested to the participants when made.

Withdrawals and Distributions:

Participants are allowed to withdraw their own contributions to the Plan. Hospital contributions may not be withdrawn. Withdrawals are limited to one per calendar year. No contributions may be made to the plan for a six month period after a withdrawal, and during that six months the participant is ineligible to receive the Hospital's matching contributions.

Loans are not permitted under the terms of the Plan.

Upon termination of employment for resignation, dismissal, retirement or death, the participant's contributions plus the vested portion of the Hospital's contributions, and the related earnings are distributed to the participant or his/her designated beneficiary. Distributions may be in the form of a lump sum or annuity provided by an insurance carrier.

**EAST JEFFERSON GENERAL HOSPITAL
RETIREMENT AND SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1997 AND 1996**

2. PLAN DESCRIPTION AND CONTRIBUTION INFORMATION: (Continued)

DEFINED CONTRIBUTION SAVINGS PLAN: (Continued)

Forfeitures:

Basic and matching deposits in the account of a participant who separates from service prior to becoming vested are forfeited and used to reduce hospital contributions.

If a participant returns to service within five years, the dollar amount forfeited is restored to his account.

3. ACTUARIAL COST METHOD:

The Traditional Unit Credit Cost Method was used to calculate the funding requirements for the defined benefit retirement plan for the years ended December 31, 1997 and 1996. This funding method provides for actuarially determined periodic contributions at rates that, for individual participants, remains fairly constant over time so that sufficient assets will be available to pay benefits when due. Under this method, the actuarial gains and losses generally reduce or increase the unfunded actuarial accrued liability.

4. REQUIRED SUPPLEMENTAL SCHEDULES:

Information in the required supplemental schedules is designed to provide information about the Plan's progress made in accumulating sufficient assets to pay benefits and is presented on pages 11 - 15.

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the Plan's cash equivalents and investments at December 31, 1997 and 1996.

	Defined Benefit Retirement Plan	Savings Plan	Total
1997:			
Cash equivalents	\$ 1,247,482	\$ 1,444	\$ 1,248,926
Investments	22,815,986	29,601,684	52,417,670
	<u>\$24,063,468</u>	<u>\$29,603,128</u>	<u>\$53,666,596</u>
1996:			
Cash equivalents	\$ 1,466,785	\$ 78,922	\$ 1,545,707
Investments	18,188,029	32,858,127	51,046,156
	<u>\$19,654,814</u>	<u>\$32,937,049</u>	<u>\$52,591,863</u>

Cash Equivalents:

The Plan's cash equivalents totaling \$1,248,926 consist of government backed pooled funds. The funds are held by a sub-custodian and are managed by a separate money manager and are in the name of the Plan's custodian's trust department.

**WEST JEFFERSON GENERAL HOSPITAL
RETIREMENT AND SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1997 AND 1998**

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Investments:

Hospital service districts are authorized under Louisiana R.S. 46:1968 to establish and maintain actuarially sound pension and retirement systems making contributions from hospital service district funds. They may make contracts of insurance with any insurance company legally authorized to do business in Louisiana and may enter into other contracts and Trust Agreements with banks, which are incidental to creating and maintaining an actuarially sound pension and retirement system. Except for deposits with insurance companies and INVECO, the Plan's investments were held by the First National Bank of Commerce's Trust Department at December 31, 1997 and 1998.

The Plan's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end, that is, the risk associated with the exposure to a potential loss from unauthorized transfer of a financial instrument. Category 1 includes investments that are insured or registered or for which the securities are held by the Plan or its agent in the Plan's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Plan's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Plan's name.

	Defined Benefit		Total	Category
	Retirement Plan	Savings Plan		
U.S. Government and Agency Issues	\$12,868,702	\$ --	\$12,868,702	1
Equities	18,555,983	--	18,555,983	1
Mutual Funds	--	15,868,876	15,868,876	N/A
Guaranteed Investment contracts	--	4,988,212	4,988,212	N/A
INVECO	--	5,948,887	5,948,887	N/A
	<u>\$22,424,685</u>	<u>\$26,806,064</u>	<u>\$49,230,749</u>	

6. USE OF ESTIMATES:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unrecorded transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

7. CONTRACTS WITH INSURANCE COMPANIES:

The Plan has entered into guaranteed investment contracts with life insurance companies investing contributions during specified periods of time at guaranteed interest rates.

Generally the accounts are increased by contributions for the period specified and interest earned net of expenses. The accounts are reduced by withdrawals charged by each company.

**EAST JEFFERSON GENERAL HOSPITAL
RETIREMENT AND SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1997 AND 1998**

7. CONTRACTS WITH INSURANCE COMPANIES: (Continued)

The following is a summary of these agreements:

Date of Agreement	Life Insurance Company (Contract Number)	Term of Agreement	Contribution Period	Net Interest Rate
08/04/91 10/01/93	New York Life (#86318) E11-12426 LIFE Insurance Company (#86241-100A) (remaining 100A)	8/16/91-8/16/96 10/1/93-8/30/97 10/1/93-8/30/98	8/16/93-8/16/96 10/1/93-8/30/94 10/1/93-8/30/94	7.50% 6.5% 6.5%
09/21/94	Commonwealth Life (#00886) (50A) (remaining 100A)	9/21/94-8/30/98 9/21/94-8/30/98	9/21/94 9/21/94	7.50 7.50
09/23/94	Metropolitan Life (#20038) (50A) (remaining 100A)	9/23/94-8/30/98 9/23/94-8/30/98	9/23/94-9/30/98 9/23/94-9/30/98	7.50 7.50

The contracts are included in the financial statements at December 31, 1997 and 1998 contract values as reported to the Plan by each life insurance company.

8. INVESCO:

The Plan has entered into a participation agreement with INVESCO Trust Company. Under the agreement the Plan may invest in investment funds which are part of the INVESCO retirement trust, a collective trust of INVESCO Trust Company for Participating Pension and Profit Sharing Trusts.

During 1997 and 1998 most of the funds invested is guaranteed investment contracts (Note 7) which matured were transferred into the INVESCO Trust Company Stable Value Fund. The INVESCO Stable Value Fund invests in a diversified portfolio of investment contracts with insurance companies, banks, and other financial institutions. An investment contract is an agreement whereby the issuing entity promises a specific rate of return for a period time. Returns are expected to be consistent with the earnings generated by intermediate term high quality debt instruments. Funds invested in the trust earned interest of approximately 6.54% and 6.00% before fees during 1997 and 1998, respectively.

The funds are included in the financial statements at December 31, 1997 and 1998 at the contract value reported to the Plan by the Trust Company.

9. PLAN TERMINATION:

Although it has not expressed any intent to do so, the Hospital has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA.

10. RESTATEMENT:

The accompanying financial statements for 1998 have been restated to record income earned for 1998 not previously recorded. The effect of the restatement was an increase in the net assets held in trust for pension benefits for 1998 by \$432,347.

EAST JEFFERSON GENERAL HOSPITAL
 RETIREMENT AND SAVINGS PLAN
 SUPPLEMENTARY INFORMATION (RETIREMENT PLAN)
 SCHEDULE OF CONTRIBUTIONS - EMPLOYER AND OTHER SOURCES
DECEMBER 31, 1992 THROUGH 1997

<u>YEAR ENDED</u> <u>DECEMBER 31</u>	<u>ANNUAL</u> <u>REQUIRED</u> <u>CONTRIBUTION</u>	<u>PERCENTAGE</u> <u>CONTRIBUTED</u>
1992	\$ --	100%
1993	--	100
1994	--	100
1995*	--	100
1996	315,893	100
1997	1,357,257	100

* Although not required, a contribution was made to the Plan in 1995 totaling \$160,433.

EAST JEFFERSON GENERAL HOSPITAL
 RETIREMENT AND SAVINGS PLAN
 SUPPLEMENTARY INFORMATION (RETIREMENT PLAN)
 SCHEDULE OF FUNDING PROGRESS
 DECEMBER 31, 1992 THROUGH 1997

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCUMULATED LIABILITY (LAIL)	(UNFUNDING) RESERVE	FUNDED RATIO	COVERED PAYROLL	UNFUNDING AS A PERCENTAGE OF COVERED PAYROLL
01/01/93	\$ 11,811,178	\$ 11,467,428	\$ (2,262,746)	118.0%	\$ 32,329,999	-6.9%
01/01/94	13,404,811	11,249,811	12,158,188	118.0	40,981,488	-6.9
01/01/95	14,893,891	11,847,162	489,071	98.0	37,936,860	8.9
01/01/96	16,812,305	17,365,899	(583,298)	109.0	49,244,867	-6.9
01/01/97	18,750,044	18,885,883	(129,884)	100.0	65,326,769	-6.9
01/01/98	19,607,866	22,555,131	(1,799,434)	107.0	71,982,818	-6.9

EAST JEFFERSON GENERAL HOSPITAL
 RETIREMENT AND SAVINGS PLAN
 SUPPLEMENTARY INFORMATION (RETIREMENT PLAN)
 NOTES TO SCHEDULE OF CONTRIBUTIONS AND
 SCHEDULE OF FUNDING PROGRESS
 DECEMBER 31, 1997

The information presented in the Schedule of Contributions - Employer and Other and the Schedule of Funding Progress was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	January 1, 1998
Actuarial Cost Method	Traditional Unit Credit
Amortization Method	The required amounts are determined at a level payment each year for the remaining amortization period. The amortization period is for a specific number of years. (Closed Basis)
Remaining Amortization Period	30 years
Asset Valuation Method	Market value
Actuarial Assumptions:	
Investment Rate of Return	6.50%
Projected Salary Increases	12.50% Inflation, 2.50 Merit
Cost of Living Adjustments	Rice

EAST JEFFERSON GENERAL HOSPITAL
RETIREMENT AND SAVINGS PLAN
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE
RELATED MATTERS NOTED IN A FINANCIAL STATEMENT AUDIT
CONDUCTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED DECEMBER 31, 1997

February 6, 1998

To the Pension Committee
East Jefferson General Hospital
Retirement and Savings Plan
Metairie, Louisiana

We have audited the financial statements of East Jefferson General Hospital, Retirement and Savings Plan, for the year ended December 31, 1997, and have issued our report thereon dated February 6, 1998.

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

The management of East Jefferson General Hospital, Retirement and Savings Plan, 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, prospective or retrospective 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 East Jefferson General Hospital, Retirement and Savings Plan, for the year ended December 31, 1997, 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 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 assertions of management in the general purpose financial statements.

EAST JEFFERSON GENERAL HOSPITAL
RETIREMENT AND SAVINGS PLAN
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE
RELATED MATTERS NOTED IN A FINANCIAL STATEMENT AUDIT
CONDUCTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED DECEMBER 31, 1997

(Continued)

Trust Department Accounting-

During our audit we noted an unusual increase in interest income for the Retirement Savings Plan for 1997. Further review indicated that the item represented income related to the INRESCO Stable Value Fund from inception through December 1, 1997. Discussions with the Trustee revealed that they were not recording the monthly interest transaction. During 1997, this unrecorded income was noted by the Internal Audit Department of East Jefferson General Hospital and was brought to the attention of the Trust Department. Further review and test, however, during our audit revealed that income from Vanguard, INRESCO, and other guaranteed investment contracts is currently not properly recorded on the Trust Statement.

Although these income items were not accounted for correctly on the Trust Statement, it had no effect on the actual asset values or the participants' accounts. Test in this area determined that all income was received and that Watson Wyatt Company allocated income based on the statements received for each investment and did not use the Trust Statement.

We recommend that the Trustee review its policy and procedures relating to the accounting for investments that are not physically held in trust to determine that proper controls are in place to receive all statements and to provide a certification to East Jefferson General Hospital on a quarterly basis, that all assets accounted for on the trust statement have been reconciled to each investment account statement.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose 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. However, we believe that the reportable condition described above is not a material weakness.

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

Diagnostier, Chapman, Hogan & Mader, LLP

EAST JEFFERSON GENERAL HOSPITAL
 RETIREMENT AND SAVINGS PLAN
 INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS
 BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
 IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
 FOR THE YEAR ENDED DECEMBER 31, 1989

February 6, 1990

To the Pension Committee
 East Jefferson General Hospital
 Retirement and Savings Plan
 Metairie, Louisiana

We have audited the financial statements of East Jefferson General Hospital, Retirement and Savings Plan, as of and for the year ended December 31, 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.

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

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

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

Deputy: Hopmann, Hayes & Mosher L.L.P.