

Disagreements With Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements or in the wording of our report on the financial statements.

Consultation With Other Accountants

We are not aware nor have we been informed of any consultations management had with other independent accountants about accounting or auditing matters. Also, there were no major issues discussed regarding the application of accounting principles or auditing standards in connection with our engagement.

Difficulties Encountered in Performing the Audit

We encountered no difficulty with management relating to the performance of the audit.

Material Contingencies

The financial statements reflect no disclosures associated with material contingencies and there were no matters we believe should be disclosed as such.

* * *

We would be pleased to respond to any questions you have about the foregoing or to discuss any other matter you would like to discuss.

JAMES F. DOUGLAS, III.

JAMES F. DOUGLAS, III.
Certified Public Accountant

December 3, 1997

James R. Douglas, LTD.

PROFESSIONAL ACCOUNTING CORPORATION

ONE CONFIDENTIAL DRIVE
DARTMOUTH SQUARE, COLLEENAMA, IRELAND
19001 817-2818

Board of Commissioners
Lamar Memorial Hospital
Baptist Medical Center, No. 1 of
East Baton Rouge Parish, Louisiana

This letter is intended to confirm that the Board of Commissioners is fully informed about significant matters relating to the conduct of the annual audit of Lamar Memorial Hospital so that you can appropriately discharge your oversight responsibility and so that we comply with our obligations to you under professional standards. This letter is intended solely for the use of the Board of Commissioners.

The following summarizes various matters which must be communicated to you under generally accepted auditing standards:

The Auditor's Responsibility Under Generally Accepted Auditing Standards

We originally communicated to you in our arrangement letter dated April 28, 1991, that the audit would be conducted in accordance with generally accepted auditing standards. An audit, as such, is not designed to include a detailed search of all transactions nor to discover all deficiencies, irregularities or illegal acts, should any exist. An audit conducted in accordance with generally accepted auditing standards is designed to obtain reasonable rather than absolute assurance about the financial statements. We believe that our audit accomplished these objectives.

Significant Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies and procedures used by the Hospital. The Hospital did not adopt any significant new accounting policies and procedures nor have there been any changes in existing significant accounting policies and procedures during the current year which should be brought to your attention.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management requires their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us that they used all the relevant facts available to them at the time to make the best judgments about accounting estimates and are aware with the results of these estimates.

Significant Audit Adjustments

We made several audit adjustments and have discussed these adjustments with management.

Other Information in Documents Containing Audited Financial Statements

We have not been informed of any documents that contain your audited financial statements. If there were such documents, we have a responsibility to determine that financial information included in these documents is not materially inconsistent with the audited financial statements of the Hospital.

EMPLOYEE PARTICIPATION INFORMATION - CONTRIBUTING PORTION OF
REVENUES BY PERIOD AND SERVICE BY TYPE (UNADJUSTED)

LONG SERVICE AWAITING RETIREMENT PLAN

June 30, 1997

Supplementary statistical summary of revenues by service and category by type for the Lane Memorial Hospital Retirement Plan is presented below for all years in which this information is available.

REVENUES BY SERVICE

Period Ended June 30	Employee Contributions (\$Millions)	Employee Participations (\$Millions)	Transfers (\$Millions)	SSOL	Annual Revenue (\$Million)	Percentage**	Employee Contributions (\$Million)
1993	2474.188	9,185,321	0	66,273,258	87,538,877	4.29	2474.188
1994	425,229	159,181	0	32,728	9,468,431	3.29	425,229
1995	495,794	247,527	1,021,828	3,115,087	4,798,883	3.28	495,794
1996	287,829	153,149	1,228,128	2,927,287	3,878,240	2.78	287,829
1997	285,142	144,828	1,338,463	3,170,243	3,924,828	2.81	285,142

REVENUES BY TYPE

Period Ended June 30	Benefits	Administrative Expenses	SSOL
1993	2228.843	0	828,848
1994	287,480	19,182	285,184
1995	428,528	14,126	520,122
1996	278,829	14,228	471,247
1997	283,824	16,063	458,475

* The period ended June 30, 1997 covered a period of time shorter than periods the periods ended June 30, 1994, 1995, 1996, and 1997 covered a fiscal year.

** Employee contributions divided by annual covered payroll.

Analysis of Working Expenses

(Balance as of October 31)

1988	1987	1986	1985	1984	1983
67,967,333	66,808,868	64,881,178	66,575,901	64,865,589	68,227,178
6,581,949	6,568,968	1,859,818	4,858,775	4,405,000	2,854,856
318.48	108.84	118.48	300.48	108.79	118.18
874,355	698,898	941,568	337,326	248,388	5,227,323
7,585,577	6,748,095	6,460,858	4,780,886	4,475,586	4,675,381
12.58	8.88	18.18	3.48	5.48	58.78

REQUIRED SUPPLEMENTARY INFORMATION - ANALYSIS OF
FUNDING PROGRAMS COMMITTEE

LEAS MEMORIAL HOSPITAL RETIREMENT PLAN

JUNE 30, 1967

Required supplementary historical information for the Leas Memorial Hospital Retirement Plan is presented below for all years for which this information is available.

	Analysis of Funding Programs			
	(Amounts in \$'s unless noted)			
	1967	1966	1965	1964
Net assets available for benefits, at market value	\$12,540,208	\$12,425,680	\$8,378,988	\$8,375,128
Pension benefit obligation	8,571,549	8,532,322	7,758,589	7,450,575
Net assets for benefits available as a percentage of the pension benefit obligation	146.24	145.14	107.24	111.74
Assets in excess of pension benefit obligation	3,968,659	3,893,358	6,620,399	9,924,553
Estimated covered annual payroll*	9,404,634	8,886,540	8,708,962	8,404,151
Assets in excess of pension benefit obligation as a percentage of estimated covered annual payroll	42.34	43.84	76.14	118.10

Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides an indication of the Plan's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Excess in assets in excess of pension benefit obligation and entire net covered annual payroll are both affected by inflation. Expressing the assets in excess of pension benefit obligation as a percentage of estimated covered annual payroll approximately adjusts for the effects of inflation and aids in the analysis of the Plan's progress made in accumulating sufficient assets to pay benefits when due.

* Effective October 1, 1961, covered payroll was increased by 34; prior years have been corrected to reflect the 34 increase. Effective July 1, 1964, the increase was changed to 48.

LAW MEMORIAL HOSPITAL RETIREMENT PLAN

7. ASSETS HELD FOR INVESTMENT

At June 30, 1997, the assets held for investment consisted of:

<u>Cash Equivalents</u>	<u>Cost</u>	<u>Fair Value</u>
The One Group US Treas Sec Inv Mkt Fd	\$ 499,000	\$ 499,000
<u>Mutual Funds - Fixed</u>		
The One Group Government Bond Fd 650,000.00 shares	4,258,843	4,256,177
The One Group Int Volatility Bd Fd 89,404.938 shares	853,718	850,270
Three Mutual Partners Bond Fund 42,424.763 shares	833,898	829,112
	<u>\$5,945,459</u>	<u>\$5,935,459</u>
<u>Mutual Funds - Equity</u>		
The One Group Income Equity Fd 71,348.401 shares	1,803,187	1,806,117
The One Group Value Growth Fd 211,574.948 shares	1,950,458	2,438,128
The One Group Gold South Growth Fd 24,926.530 shares	876,315	1,069,698
Three Capital Appreciation Fund 33,388.346 shares	432,874	488,520
	<u>\$4,062,834</u>	<u>\$5,802,563</u>

LASE MEMORIAL HOSPITAL RETIREMENT PLAN

5. INVESTMENTS

The Plan's investments are held by the trust departments of two local banks. A summary of the activity in these investments follows:

	Bank One Trust	Wideman Trust	Total
Fair market value, July 1, 1986	\$ 8,826,078	\$ 1,124,088	\$10,000,166
Add:			
Employer contributions	336,894	-	336,894
Employee contributions	382,348	-	382,348
Investment earnings	881,382	180,798	1,062,180
Bank fees paid to the Plan	<u>88,153</u>	<u>884</u>	<u>88,997</u>
	<u>1,381,898</u>	<u>181,682</u>	<u>1,563,580</u>
DEDUCT:			
Benefits paid	427,882	-	427,882
Bank fees paid by the Plan	<u>16,826</u>	<u>3,722</u>	<u>20,548</u>
	<u>444,708</u>	<u>3,722</u>	<u>448,430</u>
Other - (deduct):			
Net appreciation in fair value of investments	<u>684,882</u>	<u>177,966</u>	<u>862,848</u>
Fair market value, June 30, 1987	<u>18,928,122</u>	<u>1,428,226</u>	<u>20,356,348</u>

The Plan has adopted certain investment goals and objectives and policy guidelines, as outlined below, which are intended to protect and preserve the Plan's assets while providing an appropriate return.

Investment Class	Target
Equity securities	45%
Fixed income securities	55%

As of June 30, 1987, 51% of the Plan's invested assets were in equity securities, while 49% of the Plan's invested assets were in fixed income securities.

6. HISTORICAL FUND INFORMATION

Historical fund information designed to provide information about the Plan's progress made in accumulating sufficient assets to pay benefits when due is presented on the following two pages.

LAWSON MEMORIAL HOSPITAL RETIREMENT PLAN

2. SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

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

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

Employee contributions: Employee contributions are recognized as revenues when the pay roll deductions are made from the participant's salary.

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

Administrative expenses: The administrative expenses of the Plan, with minor exceptions, have been paid by the Employer and are not to be reimbursed by the Plan.

3. FUNDING STATUS AND PROGRESS

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

The pension benefit obligation was determined as part of an actuarial valuation as of June 30, 1997. Significant actuarial assumptions used include: (a) rate of return on the investment of premium and future assets of 8% per year, compounded annually, and (b) projected salary increases of 4% per year, compounded annually.

4. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The funding policy of the Plan provides for periodic employer contributions at actuarially determined rates that are sufficient to fund normal (current year) costs plus an additional amount necessary to amortize ungraded past service costs over a 30-year period from the date the past service cost was first recognized. However, the Ungraded old contributions no more than the amount necessary to achieve a ratio of "actuarial value of assets" to the "present value of accrued benefits" of 100% determined as of the beginning of the Plan year. The significant actuarial assumptions underlying the actuarial method used to compute the contribution requirements are the same as those used to compute the pension benefit obligation.

The actuarially determined contribution requirement for the year ended June 30, 1997 was \$19,187 which amount was paid during the Plan year. Contributions paid during the current year represented 2.04% of estimated covered annual payroll of \$9,394,818.

LAKE MEMORIAL HOSPITAL RETIREMENT PLAN

1. PLAN DESCRIPTION

General: The Lake Memorial Hospital Retirement Plan (the Plan) is a single-employer, non-union, defined benefit public employer retirement system (PERS). The Plan covers eligible employees of Lake Memorial Hospital (the Employer) who elect to join after meeting certain length of service requirements and is funded through employer and employee contributions and investment earnings. As a governmental entity, the Plan provides disclosures required by the governmental accounting standards Board. The Plan is not subject to the financial reporting requirements of the Employee Retirement Income Security Act of 1974 (ERISA).

Plan membership: At June 30, 1987 and 1988, the Plan's membership consisted of:

	FY00 31	
	1987	1988
Active employees		
Fully-vested	213	214
Partially-vested	134	133
Non-vested	229	230
Total current employees	576	577
Retirees and beneficiaries currently receiving benefits	28	24
Terminated employees entitled to benefits but not yet receiving them	18	21
Total	622	622
Total plan participants	650	626

Eligibility requirements: An employee is eligible to participate in the Plan if, at the ENDING OF THE FISCAL Year, he/she has at least ten years of continuous service and is vested an average of 20 or more hours per week. An eligible employee must make an application to the Employer for participation in the Plan and agree to the terms of the Plan.

Retirement benefits: The Plan provides retirement benefits as well as death and disability benefits. All benefits are vested 100% after 15 years of credited service. The basic annual retirement benefit at age 62 is a benefit payable for life in an amount equal to the number of years of credited service multiplied by 1.25 of the average of the high-10 of three years of compensation. Employees may elect to receive a lump-sum payment in lieu of other options (refer to the Plan document for other options).

Unfunded benefits: A member leaving employment after five years of credited service but before attaining retirement age is entitled to a benefit at age 62 equal to the member's accrued benefit upon termination of employment.

Disability benefits: A member leaving employment because of total and permanent disability before attaining retirement age is eligible for deferred benefits or may elect to receive reduced benefits beginning on the disability retirement date.

Survivor benefits: The survivor benefit provided under the Plan is a death benefit PAYABLE payable in the form of a post-retirement survivor annuity.

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

Employee contributions: To join the Plan, the participant authorizes Lake Memorial Hospital to deduct from his/her salary - (1) 1% of his/her monthly earnings up to \$400 plus (2) 3% of any monthly earnings over \$400.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
AVAILABLE FOR PLAN BENEFITS

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LAMB MEDICAL HOSPITAL RETIREMENT PLAN

	YEAR ENDED JUNE 30	
	1997	1996
OPERATING REVENUES		
Employee contributions	\$ 269,187	\$ 287,500
Employee contributions	184,859	159,500
Investment income	1,121,846	1,088,145
Bank fees refunded	23,877	28,710
	<u>2,172,849</u>	<u>1,563,855</u>
OPERATING EXPENSES		
Benefits paid to participants and beneficiaries	408,808	873,870
Bank fees	22,683	3,298
	<u>431,491</u>	<u>877,168</u>
	OPERATING INCOME	
	1,741,358	1,058,794
NET ASSETS AVAILABLE FOR BENEFITS, beginning of year	10,823,818	9,279,504
NET ASSETS AVAILABLE FOR BENEFITS, end of year	<u>12,166,808</u>	<u>10,479,614</u>

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

LAW MEMORIAL HOSPITAL RETIREMENT PLAN

	JUNE 30	
	1997	1996
ASSETS		
Cash equivalents	4,496,868	\$ 340,170
Money funds - fixed	5,318,258	5,251,875
Money funds - equity	4,877,354	4,544,170
Contributions receivable	65,112	187,513
Accrued income receivable	34,112	27,819
Bank loans receivable	4,738	4,410
Cash	-	-
	<u>19,592,332</u>	<u>10,455,957</u>
LIABILITIES		
Bank loans payable	10,817	-
Other payables	1,815	1,200
	<u>12,632</u>	<u>2,400</u>
NET ASSETS AVAILABLE FOR PLAN BENEFITS	<u>16,959,699</u>	<u>10,453,557</u>
 PENSION BENEFIT OBLIGATION		
PROJECTED BENEFITS PAYABLE TO		
Active employees:		
Accumulated employee contributions with interest	1,899,729	848,412
Employees - discontinued vested BENEFIT OBLIGATION	2,538,173	2,544,444
Employees - discontinued unvested benefit obligations	1,208,218	2,819,780
Retirees and beneficiaries	1,299,288	1,298,801
Terminated vested participants	928,128	360,779
TOTAL PENSION BENEFIT OBLIGATION	<u>6,873,536</u>	<u>7,872,216</u>
ASSETS IN EXCESS OF PENSION BENEFIT OBLIGATION	<u>10,086,163</u>	<u>2,581,341</u>
	<u>16,959,699</u>	<u>10,453,557</u>

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

JAMES R. DOUGLAS, LTD.
PROFESSIONAL ACCOUNTING CORPORATION

PROFESSIONAL LEGAL
NATION HOUSE, LOUISIANA, THREE
FURNACE ROAD

REPORT OF INDEPENDENT AUDITORS

Levee Memorial Hospital
Retirement Plan

We have audited the accompanying balance sheets of the Levee Memorial Hospital Retirement Plan (the Plan) as of June 30, 1997 and 1996, and the related statements of revenues, expenses, and changes in net assets available for plan benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. These 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 the significant estimates made by management, as well as assessing the overall financial 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 aspects, the financial position of the Plan as June 30, 1997 and 1996, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

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

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

November 9, 1997

LAKE MEMORIAL HOSPITAL RETIREMENT PLAN
FINANCIAL STATEMENTS
JUNE 30, 1983 AND 1984

HISTORICAL DATA (CONTINUED)

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LAINI HOSPITAL, HOSPITAL

	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
COGNATE										
Patients admitted	4,048	6,207	6,292	4,181	4,218	4,298	4,298	4,298	4,298	4,298
Average per patient										
Average days	8.6 days	8.7 days	8.7 days	4.7 days	5.2 days	5.3 days	5.3 days	5.3 days	5.4 days	5.4 days
Average daily	17,042	34,593	35,158	25,189	25,189	25,189	25,189	25,189	25,189	25,189
Average daily	49.2 patients	50.5 patients	53.8 patients	66.1 patients	61.8 patients	63.8 patients	63.8 patients	63.8 patients	64.4 patients	64.4 patients
Average daily	33,013	38,718	38,342	25,222	34,271	35,519	35,519	35,519	35,519	35,519
Average daily	1,202	2,009	2,007	3,222	3,222	3,222	3,222	3,222	3,222	3,222
Average daily	18,814	18,812	18,234	19,239	24,239	24,239	24,239	24,239	24,239	24,239
Average daily	376	388	388	404	404	404	404	404	404	404
Average daily	23,838	23,223	23,588	22,478	21,878	21,878	21,878	21,878	21,878	21,878
NON-COGNATE										
Patients admitted	13,681	13,689	13,689	13,689	13,689	13,689	13,689	13,689	13,689	13,689
Average per patient										
Average days	51.3 patients	51.3 patients	51.4 patients	51.4 patients	51.4 patients	51.5 patients	51.5 patients	51.5 patients	51.6 patients	51.6 patients
Average daily	2,888	2,888	2,887	2,887	2,887	2,887	2,887	2,887	2,887	2,887
Average daily	40.8 patients	40.8 patients	40.8 patients	40.7 patients						

SILLAS WARDING FACILITY

Patients admitted
Average daily

LABOR MEMORIAL HOSPITAL

	YEAR ENDED JUNE 30, 1967			YEAR ENDED JUNE 30, 1968		
	SALARIES	OTHER EXPENSES	TOTAL	SALARIES	OTHER EXPENSES	TOTAL
GENERAL SERVICES						
Bakery	\$ 478,827	\$ 428,125	\$1,097,952	\$ 488,818	\$ 600,821	\$1,089,639
Maintenance	484,145	582,424	1,066,569	424,814	518,222	943,036
Utilities		478,021	478,021		487,804	487,804
Environmental						
Air-condition	275,481	215,029	490,510	270,128	208,848	478,976
Laundry	81,844	148,024	229,868	86,004	122,243	208,247
Sewage	122,243	82,882	205,125	108,022	58,021	166,043
	<u>\$1,362,379</u>	<u>\$1,358,456</u>	<u>\$2,720,835</u>	<u>\$1,082,424</u>	<u>\$1,298,586</u>	<u>\$2,381,010</u>
CLINICAL AND ADMINISTRATIVE SERVICES						
Hospital information management	200,844	87,120	287,964	204,425	78,282	282,707
Hospital information systems	189,740	248,287	438,027	173,207	218,421	391,628
Business office	585,801	380,523	966,324	572,789	428,422	1,001,211
Administrative	250,221	476,222	726,443	208,228	488,420	696,648
Public relations	90,427	218,742	309,169	82,228	238,227	320,455
Human resources	212,420	216,800	429,220	182,228	128,884	311,112
Materials management	120,214	51,418	171,632	128,424	45,222	173,646
Communications	24,800	12,225	37,025	24,217	8,228	32,445
Medical clinic	22,428	227,228	249,656	22,883	1,122,882	1,145,765
Accounting	287,804	82,812	370,616	188,818	47,827	236,645
Staff development	71,222	48,742	119,964	72,800	44,842	117,642
Diagnostic related group	44,825	14,228	59,053	44,828	10,220	55,048
Social services	-	-	-	24,228	8,217	32,445
Quality assurance	218,224	71,448	289,672	150,883	50,228	201,111
Quality team		12,224	12,224		7,888	7,888
Physician management seminars	14,822	7,228	22,050	15,822	5,421	21,243
Innocence		582,428	582,428		442,221	442,221
Transport	14,428	8,222	22,650	-	-	-
	<u>\$2,182,628</u>	<u>\$1,808,222</u>	<u>\$3,990,850</u>	<u>\$1,828,485</u>	<u>\$1,378,221</u>	<u>\$3,206,706</u>

REVENUES	TERRITORY		TOTAL
	FROM	TO	
52, 878, 728		\$ 588, 888	\$ 3, 547, 888
238, 008		88, 408	388, 418
-		-	-
512, 348		181, 708	674, 118
438, 488		81, 388	588, 888
488, 488		188, 808	678, 128
<u>5, 881, 288</u>		<u>1, 818, 788</u>	<u>7, 672, 248</u>
881, 888		882, 288	1, 768, 188
518, 888	2 90, 888	882, 288	1, 768, 188
888, 888		882, 288	1, 768, 188
428, 188		882, 288	1, 310, 476
228, 734		188, 248	416, 982
58, 477		88, 888	147, 365
888, 888		7, 888	90, 188
888, 888	1, 842, 322	888, 888	2, 788, 888
888, 888		1, 842, 322	2, 730, 210
888, 888	13, 888	1, 888, 288	2, 871, 176
88, 888		88, 788	177, 676
188, 777		88, 888	277, 665
148, 888		888, 288	1, 037, 176
88, 888		188, 288	277, 176
181, 888		88, 888	270, 776
881, 888		1, 888, 288	2, 770, 176
118, 777		188, 888	307, 665
2, 478		88, 888	91, 365
881, 888		88, 778	90, 665
88, 778		188, 888	277, 665
-		8, 128	12, 288
<u>5, 881, 818</u>	<u>1, 818, 848</u>	<u>3, 881, 128</u>	<u>10, 588, 188</u>

DEPARTMENTAL OPERATING EXPENSES

LAKE MEMORIAL HOSPITAL

	DATA COVERED JUNE 30, 1957			TOTAL
	BALANCE	PROFESSIONAL FEE	OTHER EXPENSE	
PHYSICIAN SERVICES				
Medical and surgical	42,731,486		\$ 259,845	4,271,331
Surgery	235,495		46,784	282,279
Surgery - head &	27,870		39,320	67,190
Intensive care	531,584		82,685	614,269
Skilled nursing facility	343,472		73,189	416,661
Nursing home	153,823		161,827	315,650
	<u>4,271,331</u>		<u>269,839</u>	<u>4,541,170</u>
OTHER PROFESSIONAL SERVICES				
Home health care	675,833		569,251	1,245,084
Cardiopulmonary	450,360	\$ 43,734	184,387	678,481
Laboratory	450,360		73,025	523,385
Operating room	138,151		184,439	322,590
X-ray	247,687		98,963	346,650
Nursing room	68,969		8,538	77,507
Emergency room	1,142,424	1,498,001	248,439	2,888,864
General supply	68,724		3,392,738	3,461,462
LABORATORY	818,108	18,428	1,894,629	2,731,165
Special equipment			78,058	78,058
Compositional therapy	54,564		38,872	93,436
Radiology	329,989		573,868	903,857
Electrocardiogram	145,548		129,925	275,473
Nuclear medicine	68,225		82,284	150,509
Pharmacy	329,098		871,894	1,200,992
Anesthesiology	283,134		54,836	337,970
Physical therapy	264,428		563,294	827,722
Dentistry			84,138	84,138
Speech therapy	3,500		52,272	55,772
Lakewood Family Practice	683,918		248,892	932,810
Dr. Hansen	121,278		44,891	166,169
Contract respiratory care	178,372		86,261	264,633
	<u>1,825,212</u>	<u>1,540,863</u>	<u>5,235,879</u>	<u>7,601,954</u>

YEAR ENDED JUNE 30, 1998

PROPERTY	SUBSTANTIAL	VEHICLE
\$ 4,484,383	\$ 138,548	\$ 4,522,761
177,888	-	177,888
-	-	-
1,251,878	-	1,251,878
846,653	-	846,653
853,357	-	853,357
<u>8,334,167</u>	<u>138,548</u>	<u>8,607,445</u>
-	3,923,798	3,923,798
4,346,121	555,039	4,901,560
346,481	48,808	395,487
188,138	360,858	1,474,186
158,888	883,873	942,279
85,284	193,873	183,277
-	-	-
464,458	1,488,815	3,133,274
227,174	870,811	1,248,486
4,083,123	2,870,281	6,133,680
5,001,932	5,219,258	8,227,187
2,300,943	581,824	2,881,968
40,182	227,884	228,428
1,485,578	3,388,808	4,488,087
428,987	882,973	890,890
132,844	702,855	215,277
4,328,742	886,768	5,228,021
853,515	118,807	1,248,524
327,742	481,872	769,424
148,884	9,889	158,753
74,718	1,810	79,788
34,112	74,285	108,707
-	128,833	128,833
-	-	-
<u>25,285,700</u>	<u>23,498,481</u>	<u>31,184,398</u>
<u>34,842,658</u>	<u>29,819,787</u>	<u>35,863,015</u>

PATIENT SERVICE REVENUES

LAKE MEMORIAL HOSPITAL

	YEAR ENDED JUNE 30, 1977		
	1977	1976	1975
MAJOR SERVICES			
Medical and Surgical	\$ 8,138,887	\$ 125,820	\$ 8,263,507
Emergency	154,592		154,592
Emergency - Level 2	88,319		88,319
Intensive care	4,263,288		4,263,288
Skilled nursing facility	728,581		728,581
Nursing home	982,280		982,280
	<u>13,395,957</u>	<u>125,820</u>	<u>13,410,587</u>
ANCILLARY SERVICES			
Home health care		2,782,887	2,782,887
Cardiothoracic	4,483,184	345,323	4,828,507
Labor/delivery room	324,500	89,496	414,000
Operating room	724,823	785,438	1,510,261
Day surgery	138,963	789,884	928,847
Recovery room	54,879	59,931	114,810
Emergency room			
Professional	884,342	1,088,876	1,973,218
Other	284,948	987,185	1,272,133
Central supply	3,482,372	2,282,841	5,765,213
Laboratory	4,741,114	4,427,885	9,169,000
Special equipment	2,258,298	651,819	2,910,117
Occupational therapy	48,875	74,576	123,451
Mediology	1,593,035	3,478,348	5,071,383
Ultrasonnd	428,388	588,859	1,017,247
Nuclear medicine	124,734	187,810	312,544
Pharmacy	3,853,063	3,025,544	6,878,607
Anesthesiology	892,831	782,856	1,675,687
Physical therapy	294,581	428,321	722,902
Dietary	114,982	88,363	203,345
Dialysis	127,428	8,887	136,315
Speech Therapy	22,891	64,877	87,768
Lungary Family Practice		768,182	768,182
Contract respiratory care		827,084	827,084
Dr. Bauman		124,145	124,145
	<u>33,437,143</u>	<u>32,888,788</u>	<u>35,912,443</u>
	<u>\$3,398,114</u>	<u>\$2,189,126</u>	<u>\$5,776,411</u>

ANALYSIS OF TOTAL REVENUES

LAW MEDICAL HOSPITAL

	YEAR ENDED JUNE 30 1967	1966
PATIENT SERVICE REVENUES	\$ 9,364,000	\$ 9,497,018
Bedding services		
Auxiliary services	24,387,365	26,286,769
Inpatient	22,888,300	26,188,981
Outpatient	23,778,910	26,266,000
ALLOWANCES	528,000	399,018
Fire code	13,778,000	16,286,910
Medicare nonmedical allowances	2,583,515	3,942,010
Medicaid nonmedical allowances	3,889,376	3,222,765
MED/PC and other	20,148,322	20,886,143
NET DIRECT SERVICE REVENUES	12,028,289	14,795,752
OTHER REVENUES	282,588	266,018
Cafeteria	853	518
Telephones	2,324	6,542
Vending machines	80,883	78,510
Employee pharmacy	9,890	8,584
Medical records	300	300
N. S. P. Fee	4,828	10,110
Staff development fee	201,904	107,000
Six-week revenue	3,106	3,102
Mortgage application	-	200
Sale of scrap	1,021	21,543
Sale of supplies	21,561	21,207
Physician Management programs	33,782	34,611
Internal Laboratories	488	3,576
Miscellaneous	243,285	201,761
TOTAL REVENUES	12,310,877	15,061,770

SUPPLEMENTARY INFORMATION

We considered these instances of noncompliance in forming our opinion on whether the Hospital's June 30, 1987 financial statements are presented fairly, in all material aspects, in conformity with generally accepted accounting principles, and this report does not affect our report dated November 4, 1987, on those financial statements.

This report is intended solely for the information of the Board of Commissioners and no opinion. However, this report is a matter of public record and its distribution is not limited.

James A. Douglas, Ltd.

James A. Douglas, Ltd.
Certified Public Accountants

November 4, 1987

INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE OF THE HOSPITAL AS AN ENTITY

Board of Commissioners
Lowe Memorial Hospital
Hospital Service District No. 1 of
East Baton Rouge Parish, Louisiana

We have audited the financial statements of Lowe Memorial Hospital (Hospital Service District No. 1 of East Baton Rouge Parish, Louisiana) (the Hospital) as of and for the year ended June 30, 1991, and have issued our report thereon dated November 4, 1991.

We conducted our audit in accordance with generally accepted auditing standards and the SYSTEMS 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, regulations, and contracts applicable to the Hospital is the responsibility of the Hospital's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Hospital's compliance with certain provisions of laws, regulations, and contracts. 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 the following instances of noncompliance that is required to be reported herein under Government Auditing Standards for which the ultimate resolution cannot presently be determined. Additionally, no provision for any liability that may result has been recognized in the Hospital's June 30, 1991 financial statements.

INSTANCE OF NONCOMPLIANCE

Requirement: Louisiana Revised Statute 39:1225 requires that the amount of security shall at all times be equal to 100% of the amount of deposit to the credit of each depositing individual, except that portion of the deposits insured by any governmental agency insuring bank deposits, which is regulated under the laws of the United States.

Finding: Cash was maintained in the amount of \$87,824 as of June 30, 1991.

Recommendation: We recommend that management assign someone to monitor the pledged securities on an interim basis.

Management's Response: A certificate of deposit in the amount of 450,000 matured at Midstate National Bank on June 28, 1991. The \$500,000 was deposited into the Bank of Zachary in order to pay annual bond on the expansion project. Between the date \$100,000 was deposited into the account and the date the withdrawal was made, \$67,824 was encashed.

INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE OF THE HOSPITAL AS AN ENTITY

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

James H. Douglas, III

James H. Douglas, III
Certified Public Accountant

November 4, 1991

INDEPENDENT AUDITORS' REPORT ON THE
INTERNAL CONTROLS OF THE HOSPITAL.

LEWIS MEMORIAL HOSPITAL

4. PENSION PLAN - CONTINUED

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

Trend Information: Historical trend information is presented in order to assess the percentage made in accumulating sufficient assets to pay pension benefits as they become payable.

	1987	1986	1985
Net assets available for benefits as a percentage of the pension benefit obligation	143.88	125.18	109.70
Assets in excess of pension benefit obligation as a percentage of the Hospital's annual covered payroll	38.18	21.28	15.10
Hospital's contributions to the pension plan as a percentage of estimated annual covered payroll	2.98	3.78	5.10

The June 30, 1987 audited financial statements of the Plan include certain historical trend information related to net assets available for benefits, pension benefit obligations, and annual covered payroll.

7. ADJUSTMENTS TO PRIOR YEARS' COST REPORTS

Adjustments to prior years' cost reports (page 5), resulting in a gain of \$1,228,745, relate to 1983, 1984, and 1985 cost reports that had been filed by the Hospital. Management has recorded these gains as prior year errors.

8. INTEREST CAPITALIZED

Interest paid during the year under audit amounted to \$441,688. Of this amount, \$710,182 (\$268,494) pertained to the prime bonds which were retired; interest capitalized amounted to \$ 218,131, and \$73,245 was expensed, interest income on the bond proceeds, which was used to reduce the interest cost, was \$30,832.

LAKE MEMORIAL HOSPITAL

B. PENSION PLAN

Plan Description: The Hospital contributes to the Lake Memorial Hospital Retirement Plan (Plan) which is a single-employer, contributory, defined benefit public employee retire- ment system (PERS) which covers eligible employees of Lake Memorial Hospital who elect to join after meeting certain length of service requirements. The Hospital's total payroll for all employees and the Hospital's total covered payroll for the year ended June 30, 1997, amounted to \$14,986,273 and \$8,804,818, respectively, and \$24,987,043 and \$8,886,146, respectively, for the year ended June 30, 1998. Covered payroll refers to all compensation paid by the Hospital to active employees covered by the Plan at which contributions to the Plan are based.

The Plan is sponsored by the Hospital to provide retirement benefits as well as death and disability benefits. The Plan document provides that an employee, continuously employed for more than 38 hours a week and 1 month a year, is eligible to join the Plan after completing 2 years of continuous service. Plan benefits vest on a graded scale beginning at 25% for 2 years of service and increasing 25 per cent for each of the next 3 years, and 100 per cent for each of the following 3 years. Employees who retire 30 or after are entitled to an annual retirement benefit payable monthly for life. The benefit provided is based on the average of a participant's monthly earnings for the highest 3 consecutive dates preceding retirement or termination. The monthly pension equals 1.5% of participant's average monthly earnings multiplied by his years of credited service.

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

Funding Method: The amount shown below as pension benefit obligation was determined as part of an actuarial valuation as of July 1, 1997 as a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the Plan's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons with other plans. The measure is independent of the actuarial funding methods used to determine contributions to the Plan.

Pension Benefit Obligations:

Active and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 1,760,600
Current employees -	
Accumulated employee contributions with interest	3,082,221
Employee - financed vested benefit obligation	2,507,271
Employer - financed accumulated benefit obligation	<u>3,286,112</u>
Total pension benefit obligations	8,536,241
Net assets, at market, available for benefits	<u>12,180,129</u>
Net assets in excess of pension benefit obligations	<u>\$ 3,643,888</u>

The pension benefit obligation applicable to accumulated employee contributions (including allocated investment income which is included in current employee above) is \$1,665,701.

Contributions: The funding policy of the PERS provides for periodic employer contributions at actuarially determined rates that are necessary to fund normal (current) payroll costs plus an additional amount necessary to amortize unfunded past service costs over a 20-year period (from the date the past service cost was first recognized). However, the Hospital will contribute no more than the amount necessary to achieve a ratio of "actuarial value of assets" to the "present value of accrued benefits" of 100% determined as of the beginning of the Plan year. The actuarially determined contribution required for the year ended June 30, 1997 was \$268,147.

LAKE MINORAL HOSPITAL

2. CASES AND INVESTMENTS - CONTINUED

Cases through the pledged securities are considered uncollateralized (Category 2) under the provisions of Revised Financial Accounting Standards Board Statement 3, Louisiana Revised Statute 50:1227 imposes a statutory requirement on the districtal bank to advise and call the pledged securities within 18 days of being notified by the district that the district agent has failed to pay deposited funds upon demand.

3. RECEIVABLES AND EQUIPMENT

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

	1997	1996
Land	\$ 759,501	\$ 759,501
Buildings and land improvements	18,268,283	17,941,112
Physicians office buildings	1,409,869	1,409,869
Major movable equipment	13,882,543	12,078,271
Fixed equipment	2,884,141	3,843,817
Constructions in progress	8,511,214	8,288,711
Less accumulated depreciation	<u>112,397,203</u>	<u>118,398,817</u>
	<u>\$ 12,886,308</u>	<u>\$ 13,798,514</u>

4. LONG-TERM DEBT

A summary of long-term debt at June 30, 1997 and 1996, follows:

	1997	1996
Hospital Revenue and Refunding Bonds (Series 1994), 4.75% - 5.00%, due in installments to 2012	\$ 8,115,800	\$ 8,508,410
Less current maturities	<u>485,800</u>	<u>385,110</u>
Total	<u>\$ 7,630,000</u>	<u>\$ 8,123,300</u>

On February 1, 1998, the Hospital issued Hospital Revenue and Refunding Bonds (Series 1998) for the purpose of (a) refunding prior bonds, (b) financing and refinancing the Hospital for previous expenditures made in connection with various capital improvements and renovations to the Hospital, including the equipment purchased in connection therewith (the "1998 Project"), and (c) paying all legally incurred debts and expenses in connection with the issuance of the Series 1998 bonds.

The scheduled maturities of long-term debt for the next five years ending June 30 are as follows: 1998 - \$400,000; 1999 - \$425,000; 2000 - \$450,000; 2001 - \$475,000; and 2002 - \$500,000 - thereafter \$5,000,000.

The bonds are secured by certain revenues and property as defined in the Trust Indenture.

5. OCCUPATIONAL INDEMNITY

During 1976, the State of Louisiana enacted legislation that created a statutory limit of \$500,000 for each medical professional liability claim and established the Louisiana Medical Compensation Fund (State Insurance Fund) to provide professional liability insurance to participating health care providers. The Hospital participated in the State Insurance Fund, which provides up to \$400,000 coverage for settlement amounts in excess of \$200,000 per claim. The Hospital is insured through the Louisiana Hospital Association Trust Fund with respect to the first \$100,000 of each claim.

LARK MEMORIAL HOSPITAL

D. CASH AND INVESTMENTS

The nature of the Hospital's cash and investments at June 30, 1997 and 1996 are:

	1997	1996
Cash	\$ 4,494,000	\$ 4,879,100
Certificates of deposit (with maturities of less than three months when purchased)	-	1,800,000
Money market accounts	<u>487,500</u>	<u>304,200</u>
Total cash and cash equivalents	6,981,500	6,983,300
Certificates of deposit (with maturities of more than three months when purchased)	7,700,000	8,000,000
Accrued interest receivable	<u>48,000</u>	<u>72,000</u>
	<u>14,800,000</u>	<u>14,950,000</u>
Fair market value	<u>14,800,000</u>	<u>14,950,000</u>

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

	1997	1996
CURRENT ASSETS:		
Cash	\$ 4,174,500	\$ 3,904,100
Short-term investments	2,380,000	2,800,000
Accrued interest receivable	48,000	72,000
ASSETS LIMITED AS TO USE:		
Internally designated -		
Cash	107,400	270,000
Short-term investments held by trustee -	2,380,000	2,800,000
Money market accounts	487,500	316,200
CONSTRUCTION PROJECT FUND -		
Cash	-	887,100
Cash equivalents	-	1,400,000
Short-term investments	-	2,000,000
Accrued interest receivable	-	72,000
	<u>18,601,000</u>	<u>14,950,000</u>

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

As of June 30, 1997, the balances reported by banks for cash, cash equivalents, and certificates of deposit totaled \$11,068,700. Of the \$10,588,700, \$400,000 was covered by Federal Depositary Insurance, \$14,041,330 was collateralized with securities held by the pledging bank in the Hospital's name (Category II), and the remaining \$67,624 was uncollateralized.

LAKE MEMORIAL HOSPITAL

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

care - Inpatient concrete services, certain outpatient services and defined capital assets related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is paid for most reimbursable items on a prospective rate with final settlements determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

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

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

The Hospital derives a significant amount (approximately 47% for the year ended June 30, 1987 and 47% for the year ended June 30, 1988) of its net patient service revenue from patients covered by the Medicare and Medicaid programs.

Free care: The Hospital provides, without charge, care to patients who meet certain criteria under its free care policy. Because the Hospital does not pursue collection of amounts determined to qualify as free care, the amounts are not reported as revenue. Free care provided in the years ended June 30, 1987 and 1988, measured at established rates, was \$288,833 and \$184,374, respectively.

Contributions: Contributions not designated by donors for specific purposes are reported as miscellaneous gains regardless of the use for which they might be designated by the governing board.

Donor-restricted funds: Donor-restricted funds are used to differentiate revenues, the use of which is restricted by donors or grantors, from resources of general funds on which the donors or grantors place no restriction. Resources restricted by donors for joint replacement and expansion are recorded as additions to the restricted fund and are added to the general fund balance to the extent expended within the period.

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

LAKE MEMORIAL HOSPITAL

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Lake Memorial Hospital (the Hospital) is a nonprofit organization created by the Parish Council of East Baton Rouge Parish and Hospital Service District No. 1 of East Baton Rouge Parish, Louisiana on June 12, 1957 under the provisions of Chapter 22 of Title 48 of the Louisiana Revised Statutes of 1968 and is exempt from Federal and state income taxes. The governing authority of the District is the Metropolitan Council of the City of Baton Rouge and the Parish of East Baton Rouge and accordingly, approvals pertain to the Hospital Board. The Board oversees all administrative functions with respect to the operations and management of the Hospital. The Hospital reports its accounts with the American Institute of Certified Public Accountants' (AICPA) "Health Care Organizations" unit, as a governmental entity, also provides certain disclosures required by the Governmental Accounting Standards Board. In preparing the financial statements, the Hospital is required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. Significant accounting policies used by the Hospital in preparing and presenting its financial statements are summarized below.

Investments: Short-term investments are recognized at cost and consist of bank certificates of deposit with original maturities of more than three months when purchased. Funds that were established in connection with the issuance of the Hospital Revenue and Bonding Bonds (Series 1988) are maintained by a trustee in special trust accounts for the benefit and security of the holder and owner of the debt and are reported as assets whose use is limited under bond covenants. Investment income on trustee-held assets limited in use to be received within income from operations. All other investment income is recorded as nonoperating income.

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

Assets limited as to use: Assets limited as to use include assets not made by the Board of Commissioners for the Parish capital improvements fund which the Board retains control and may at its discretion subsequently use for other purposes, assets held by trustees as a trust indenture, and assets dedicated to capital improvements under the trust indenture.

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

Buildings and land improvements	5-40 years
Physicians office buildings	5-20 years
Major movable equipment	3-20 years
Fleet equipment	3-25 years

Costs of borrowing: Costs incurred in connection with the issuance of revenue bonds is amortized over the life of the bonds based upon the principal amount of the bonds outstanding.

Net patient service revenue: The Hospital has agreements with third-party payors that provide for payments to the Hospital as amounts determined from its established rates. The patient service revenue is reported at the estimated net amounts realizable from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements. Retroactive adjustments are assessed on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Government health care program reimbursements include adjustments for fiscal years subsequent to the fiscal year ended June 30, 1989 which are subject to audit and retroactive adjustment by the intermediary and the Department of Health and Human Services. Payment arrangements with major third-party payors are summarized below:

Medicare: Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge which vary according to a patient classification system that is based on diagnosis, diagnosis and other factors.

LANE MEMORIAL HOSPITAL

	YEAR ENDED JUNE 30	
	1997	1996
CASH FLOW FROM OPERATING ACTIVITIES		
Operating income	\$ 2,287,704	\$ 2,586,177
Interest expense considered capital financing activity	289,555	345,114
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,439,606	1,647,792
Adjustments to prior year cost reports	1,392,788	-
Changes in -		
Accounts receivable	296,568	(557,151)
Prepaid expenses and deposits	52,818	11,135
Accounts payable	(118,889)	88,174
Accrued expenses	223,408	415,143
Increase in reserves for estimated Medicare and Medicaid claims	280,808	-
Other	78	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 4,731,861</u>	<u>\$ 3,885,138</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES		
Unrestricted contributions	12,800	25,100
Restricted contributions	-	32,100
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>12,800</u>	<u>57,200</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of property and equipment	(6,847,738)	(2,941,161)
Financing cost	-	(85,121)
Principal paid on long-term debt	(285,808)	(2,602,401)
Interest paid on long-term debt	(289,555)	(345,114)
Proceeds from disposal of assets	288,888	5,415
Proceeds from bond issuance	-	8,582,138
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(7,133,813)</u>	<u>3,293,956</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Investment income	684,343	421,424
Cost of physician office buildings (net)	(21,542)	85,172
Depreciation of physician office buildings	54,828	34,114
Sale of certificates of deposit	3,280,808	-
Purchase of certificates of deposit	(2,880,808)	(2,382,128)
Other	-	(25,100)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>\$ 1,116,629</u>	<u>\$ 123,478</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>225,867</u>	<u>3,782,714</u>
Cash and cash equivalents at beginning of year	<u>\$ 8,226,474</u>	<u>\$ 4,443,760</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 8,452,341</u>	<u>\$ 8,226,474</u>

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

LAKE MEMORIAL HOSPITAL

	YEAR ENDED JUNE 30			
	1987	1988	1989	1990
	Unrestricted	Restricted	Unrestricted	Restricted
FUND BALANCE, Beginning of year	\$22,489,734	\$	\$24,358,482	\$
Increase in unrestricted fund balance	3,881,408	-	3,134,784	-
Contributions - restricted	-	-	-	41,100
Transfer to Trustee equipment	-	-	28,540	(21,700)
Adjustments to prior years cost reports	1,280,760	-	-	-
	<u>\$27,651,902</u>	<u>\$</u>	<u>\$27,523,806</u>	<u>\$</u>
FUND BALANCE, End of year	\$27,651,902	\$	\$27,523,806	\$

STATEMENTS OF OPERATIONS - UNRESTRICTED FUNDS

Page 4

LAKE HENRIE HOSPITAL

	YEAR ENDED JUNE 30	
	1987	1986
REVENUE		
Net patient service revenue	433,435,188	394,767,520
Other	843,340	561,251
TOTAL REVENUE	<u>434,278,528</u>	<u>395,328,771</u>
EXPENSES		
Nursing services	6,336,873	6,875,141
Other professional services	15,893,370	14,644,573
Contract services	3,388,883	3,115,917
Pharmaceutical and laboratory services	6,889,215	6,865,119
Provision for bad debts	1,845,718	2,895,200
Depreciation and amortization	1,838,688	2,647,227
Interest expense, net of interest income		
from bond fund investments of \$3,188 in	189,588	141,174
1987 and \$ 2,542 in 1986		
TOTAL EXPENSES	<u>32,391,855</u>	<u>38,386,341</u>
OPERATING INCOME	<u>4,001,704</u>	<u>3,942,430</u>
NONOPERATING INCOME		
Unrestricted contributions	12,568	26,100
Rental of physician office buildings (net)	113,481	87,451
Loss on disposal of fixed assets	(24,288)	(142)
Income on investments limited as to use -		
internally designated	123,366	217,178
Other investment income	212,887	211,228
NONOPERATING INCOME, NET	<u>335,904</u>	<u>541,815</u>
INCREASE IN UNRESTRICTED FUND BALANCE	<u>4,337,608</u>	<u>4,484,245</u>

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

BALANCE SHEETS - UNRESTRICTED FUNDS

Page 3

LAKE MEMORIAL HOSPITAL

	JUNE 30	
	1987	1988
ASSETS		
CURRENT ASSETS		
Cash	\$ 8,178,508	\$ 8,814,171
Short-term investments	8,888,888	8,888,888
Assets limited as to use	583,683	8,881,488
Patients accounts receivable, net of estimated uncollectibles of \$1,888,518 in 1987 and \$2,073,838 in 1988	4,278,433	6,878,410
Estimated third-party paper settlements	3,158,443	481,138
Physicians guarantees receivable, net of estimated uncollectibles of \$478,488 in 1987 and \$348,188 in 1988	48,888	81,138
Other receivables	83,174	81,138
Investments	278,538	281,138
Prepaid expenses	218,388	281,138
Due from designated funds	-	1,214,138
TOTAL CURRENT ASSETS	18,318,888	22,881,488
ASSETS LIMITED AS TO USE		
Irrevocably designated	3,881,488	3,881,488
Held by trustees	881,538	288,138
Construction Project Fund	-	3,281,138
TOTAL ASSETS LIMITED AS TO USE	4,763,026	7,450,764
Less amounts required to meet current obligations	(188,588)	(1,281,488)
NET ASSETS LIMITED AS TO USE	4,574,438	6,169,276
PROPERTY AND EQUIPMENT, net	28,888,518	23,788,488
OTHER ASSETS	78,474	81,138
TOTAL ASSETS	43,888,888	43,487,474
LIABILITIES AND FUND BALANCE		
CURRENT LIABILITIES		
Trade accounts payable	1,281,888	1,481,488
Employee compensation payable	888,413	281,138
ACCOUNTS RECEIVABLE	881,858	881,138
Accounts receivable	278,888	281,138
ACCOUNTS PAYABLE AND OTHER LIABILITIES	281,588	281,138
Reserve for estimated Medicare and Medicaid claims	888,888	281,138
Estimated third-party paper settlements	888,888	281,138
CURRENT LIABILITIES OF DESIGNATED FUNDS	488,888	281,138
Due to Operating Fund	-	1,214,138
TOTAL CURRENT LIABILITIES	6,888,888	8,881,488
LONG-TERM DEBT, net of current maturities	7,118,888	8,118,488
TOTAL LIABILITIES	14,007,776	17,000,000
FUND BALANCE, unrestricted	29,881,112	26,487,474
TOTAL LIABILITIES AND FUND BALANCE	43,888,888	43,487,474

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

JAMES R. DOUGLAS, LTD.
PROFESSIONAL ACCOUNTING CORPORATION

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MEMPHIS, TENN.

REPORT OF INDEPENDENT AUDITORS

Board of Commissioners
Lowe Memorial Hospital
Hospital Service District No. 1 of
East Baton Rouge Parish, Louisiana

We have audited the accompanying balance sheets of Lowe Memorial Hospital (Hospital) Office District No. 1 of East Baton Rouge Parish, Louisiana as of June 30, 1997 and 1998, and the related statements of operations, changes in fund balances, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and in accordance with the standards for financial audits contained in Government Auditing Standards (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and 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 Lowe Memorial Hospital as of June 30, 1997 and 1998, and the results of its operations, changes in fund balances, and cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report on our observations of the Hospital's internal control structure and a report on its compliance with laws and regulations, both dated November 4, 1997.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in pages 20 through 24 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for the "Statistical Data", being unaudited, on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

November 4, 1997

LANK MEMORIAL HOSPITAL
FINANCIAL STATEMENTS
JUNE 30, 1997 AND 1996

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LAFAYETTE MEMORIAL HOSPITAL
COMPREHENSIVE ANNUAL REPORT
AS OF JUNE 30, 1967

15A-105
LAFAYETTE MEMORIAL HOSPITAL
COMPREHENSIVE ANNUAL REPORT
AS OF JUNE 30, 1967
This report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

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

Release Date JAN 2 1 1968