

Tri-Ward General Hospital and Clinic
 Financial Statements
 and
 Independent Auditors' Report
 Years Ended December 31, 1998, 1997 and 1996

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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, where appropriate, at the office of the parish clerk of court.

Release Date 7-21-99

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Tri-Ward General Hospital and Clinic
Bernice, Louisiana

We have audited the accompanying general purpose financial statements of Tri-Ward General Hospital and Clinic, a component unit of the Union Parish Police Jury, Bernice, Louisiana, as of and for the years ended December 31, 1998, 1997 and 1996, listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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.

Governmental Accounting Standards Board Technical Bulletin 98-1, Disclosures about Year 2000 Issues, requires disclosure of certain matters regarding the year 2000 issue in order for financial statements to be prepared in conformity with generally accepted accounting principles. Such required disclosures include:

- any significant amount of resources committed to make computer systems and other electronic equipment year 2000-compliant;
- a general description of the year 2000 issue, including a description of the stages of work in process or completed as of the end of the reporting period to make computer systems and other electronic equipment critical to conducting operations year 2000-compliant; and
- the additional stages of work necessary for making the computer systems and other electronic equipment year 2000-compliant.

The District has omitted such disclosures. We do not provide assurance that the District is or will be year 2000 ready, that the District's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the District does business will be year 2000 ready.

In our opinion, except for the omission of the information discussed in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Tri-Ward General Hospital and Clinic as of December 31, 1998, 1997 and 1996, and the results of its operations and cash flows for the years then ended, in conformity with generally accepted accounting principles applicable to government entities.

In accordance with Government Auditing Standards, we have also issued a report dated March 11, 1999, on our consideration of the District's internal control structure and on its compliance with laws and regulations.

Board of Commissioners
Tri-Ward General Hospital and Clinic
Page Two

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

Easley, Lester & Wells
Certified Public Accountants

March 11, 1999

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Balance Sheets - Restricted and Unrestricted Funds
December 31, 1998, 1997 and 1996

ASSETS	1998	1997	1996
Current assets:			
Cash and cash equivalents (Note 3)	\$ 275,906	\$ 431,364	\$ 273,349
Accounts receivable less estimated uncollectibles (Note 5)	275,631	213,295	185,417
Inventory	124,093	114,447	97,655
Prepaid expenses	<u>28,396</u>	<u>40,133</u>	<u>29,772</u>
Total current assets	<u>704,026</u>	<u>799,239</u>	<u>586,193</u>
Property, plant and equipment, less accumulated depreciation (Note 6)	407,831	395,279	456,405
Investments (Note 4)	<u>119,650</u>	<u>74,816</u>	<u>50,208</u>
Total assets	<u>\$ 1,231,507</u>	<u>\$ 1,269,334</u>	<u>\$ 1,092,806</u>
LIABILITIES AND FUND BALANCE			
Current liabilities:			
Accounts payable	\$ 32,629	\$ 37,399	\$ 60,591
Accrued expenses and withholdings payable (Note 7)	68,085	75,403	78,056
Current installments of long-term debt	2,431	2,139	1,376
Unearned physician's rent	<u>-0-</u>	<u>-0-</u>	<u>1,333</u>
Total current liabilities	<u>103,145</u>	<u>114,941</u>	<u>141,356</u>
Long-term debt	6,151	8,718	8,813
Commitments and contingencies (Note 14)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total liabilities	<u>109,296</u>	<u>123,659</u>	<u>150,169</u>
Fund balance:			
Unrestricted (including unrealized gains on available for-sale securities of \$104,816, \$59,982 and \$35,374 in 1998, 1997 and 1996, respectively)	1,122,211	1,145,675	930,636
Temporarily restricted	<u>-0-</u>	<u>-0-</u>	<u>12,001</u>
Total fund balance	<u>1,122,211</u>	<u>1,145,675</u>	<u>942,637</u>
Total liabilities and fund balance	<u>\$ 1,231,507</u>	<u>\$ 1,269,334</u>	<u>\$ 1,092,806</u>

See accompanying notes to financial statements.

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Statements of Operations - Unrestricted Fund
Years Ended December 31, 1998, 1997 and 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Revenue:			
Net patient service revenue	\$ 1,745,856	\$ 1,786,872	\$ 1,485,334
Grant revenue (Note 15)	74,200	75,000	50,714
Property tax revenue (Note 11)	165,427	179,819	146,781
Loss on equipment disposal	-0-	(7,318)	(2,418)
Other revenue	<u>234,139</u>	<u>238,074</u>	<u>208,872</u>
Total revenue	<u>2,219,622</u>	<u>2,272,447</u>	<u>1,889,283</u>
Expenses:			
Salaries and benefits	1,056,706	1,130,658	1,227,227
Medical supplies and drugs	195,240	203,549	163,732
Professional and contract services	476,848	263,943	158,982
Other expenses	254,978	252,287	223,091
Insurance	44,355	53,672	53,820
Leases	38,459	47,732	34,793
Interest	681	738	762
Depreciation	90,528	75,153	77,143
Provision for bad debts	<u>145,284</u>	<u>67,652</u>	<u>84,014</u>
Total expenses	<u>2,303,079</u>	<u>2,095,384</u>	<u>2,023,564</u>
Operating income (loss)	(83,457)	177,063	(134,281)
Nonoperating income			
Interest income	<u>15,159</u>	<u>13,368</u>	<u>11,558</u>
Excess of revenues over expenses	(68,298)	190,431	(122,723)
Change in unrealized gains on securities	<u>44,834</u>	<u>24,608</u>	<u>14,184</u>
Increase (decrease) in unrestricted fund balance	<u>\$ (23,464)</u>	<u>\$ 215,039</u>	<u>\$ (108,539)</u>

See accompanying notes to financial statements.

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Statements of Changes in Fund Balance - Restricted and Unrestricted Funds
Years Ended December 31, 1998, 1997 and 1996

	Unrestricted	Restricted
Fund balance, December 31, 1995	\$ 1,039,175	\$ -0-
Excess of revenues over expenses	(122,723)	-0-
Unexpended Rural Health Care Transition Grant, plus interest	-0-	12,001
Change in unrealized gain on securities	14,184	-0-
	<u>(108,539)</u>	<u>12,001</u>
Fund balance, December 31, 1996	<u>930,636</u>	<u>12,001</u>
Excess of expenses over revenues	190,431	-0-
Transfer from restricted to unrestricted	-0-	(12,001)
Change in unrealized gains on securities	24,608	-0-
	<u>215,039</u>	<u>(12,001)</u>
Fund balance, December 31, 1997	<u>1,145,675</u>	<u>-0-</u>
Excess of revenues over expenses	(68,298)	-0-
Change in unrealized gains on securities	44,834	-0-
	<u>(23,464)</u>	<u>-0-</u>
Fund balance, December 31, 1998	<u>\$ 1,122,211</u>	<u>\$ -0-</u>
Composition of Fund Balance at December 31, 1998:		
Accumulated excess of revenues over expenses	\$ 1,122,211	
Total unrestricted fund balance	<u>\$ 1,122,211</u>	

See accompanying notes to financial statements.

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Statements of Cash Flows - Restricted and Unrestricted Funds
Years Ended December 31, 1998, 1997 and 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Cash flows from operating activities:			
Operating income (loss)	\$ (83,457)	\$ 177,063	\$ (134,281)
Interest expense considered capital financing activity	681	738	762
Adjustments to reconcile net income to net cash provided by operating activities			
Provision for bad debt	145,284	67,652	84,014
Depreciation	90,528	75,153	77,143
(Gain) loss on disposal of assets	-0-	7,318	2,418
Changes in:			
Accounts receivable (net)	(195,753)	(92,372)	(14,597)
Third party payor	(11,867)	(3,158)	2,700
Inventory	(9,646)	(16,792)	(7,669)
Prepaid expenses	11,737	(10,361)	17,585
Accounts payable	(4,770)	(23,192)	19,072
Accrued expenses and withholdings payable	(7,318)	(2,653)	(7,630)
Unearned rents	<u>-0-</u>	<u>(1,333)</u>	<u>(4,200)</u>
Net cash provided (used) by operating activities	<u>(64,581)</u>	<u>178,063</u>	<u>35,317</u>
Cash flows from investing activities:			
Investment income	15,159	13,368	11,558
Cash invested in assets whose use is limited	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net cash provided by investing activities	<u>15,159</u>	<u>13,368</u>	<u>11,558</u>
Cash flows from non capital financing activities:			
Unexpended grant and interest	<u>-0-</u>	<u>(12,001)</u>	<u>12,001</u>
Net cash provided (used) by non capital financing activities	<u>-0-</u>	<u>(12,001)</u>	<u>12,001</u>
Cash flows from capital and related financing activities:			
Sale of capital assets	-0-	6,221	2,507
Acquisition of capital assets	(103,080)	(25,140)	(67,308)
Payments on long-term debt	(2,275)	(1,758)	(1,284)
Interest expenses on long-term debt	<u>(681)</u>	<u>(738)</u>	<u>(762)</u>
Net cash provided (used) by capital and related financing activities	<u>\$ (106,036)</u>	<u>\$ (21,415)</u>	<u>\$ (66,847)</u>

See accompanying notes to financial statements.

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Statements of Cash Flows - Restricted and Unrestricted Funds (Continued)
Years Ended December 31, 1998, 1997 and 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Net increase (decrease) in cash and cash equivalents	\$ (155,458)	\$ 158,015	\$ (7,971)
Cash and cash equivalents, beginning of year	<u>431,364</u>	<u>273,349</u>	<u>281,320</u>
Cash and cash equivalents, end of year	<u>\$ 275,906</u>	<u>\$ 431,364</u>	<u>\$ 273,349</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	<u>\$ 681</u>	<u>\$ 738</u>	<u>\$ 762</u>
Unrealized gains recorded to investments and fund balance	<u>\$ 44,834</u>	<u>\$ 24,608</u>	<u>\$ 14,184</u>
Equipment acquisition under capital lease	<u>\$ -0-</u>	<u>\$ 2,426</u>	<u>\$ -0-</u>

See accompanying notes to financial statements.

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 1998, 1997 and 1996

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Hospital Service District Wards 3, 4 and 10 of the Parish of Union, State of Louisiana (referred to as "the District") was created by an ordinance of the Union Parish Police Jury on July 11, 1967, and is referred to as Tri-Ward General Hospital and Clinic.

The District is a political subdivision of the Union Parish Police Jury whose jurors are elected officials. Its commissioners are appointed by the Union Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Union Parish Policy Jury is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the Union Parish Policy Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

Nature of Business

The District provides outpatient, emergency, and inpatient acute hospital services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Method of Accounting

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

Income Taxes

The entity is a political subdivision and exempt from taxation.

Credit Risk and Uncollectible Accounts

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

The Hospital's estimate of collectibility is based on evaluation of historical collections compared to gross charges and an analysis of aged accounts receivable to establish an allowance for uncollectible accounts.

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 1998, 1997 and 1996

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Concentration of Economic Dependence

The District has an economic dependence on a small number of staff physicians. Two physicians admit over 90% of the Hospital's patients.

Net Patient Service Revenue

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

Inventory

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

Changes in Reporting Classification

The classification of certain prior year amounts has been changed to reflect consistent reporting when compared to current year balances. The financial statement format has been changed to reflect changes in the AICPA Audit and Accounting Guide - Health Care Organizations, issued May 1, 1998.

Property, Plant and Equipment

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

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

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

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

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 1998, 1997 and 1996

NOTE 3 - CASH AND CASH EQUIVALENTS

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

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Petty cash	\$ 505	\$ 505	\$ 505
Checking	53,151	215,707	149,561
Investment account	<u>222,250</u>	<u>215,152</u>	<u>123,283</u>
Total	<u>\$ 275,906</u>	<u>\$ 431,364</u>	<u>\$ 273,349</u>

One hundred thousand dollars of the above amount is covered by federal depository insurance. The remaining balances on December 31, 1998, 1997 and 1996, with the exception of petty cash, are covered by collateral held by the pledging financial institution's trust departments in the District's name

NOTE 4 - INVESTMENTS

The District considers certificates of deposit with original maturities in excess of 90 days to be temporary cash investments.

Investments in marketable equity securities at December 31 were as follows:

	Shares	-----Fair Value-----		
		<u>1998</u>	<u>1997</u>	<u>1996</u>
Consolidated Natural Gas	11	\$ 589	\$ 666	\$ 608
Exxon Corporation	400	29,083	24,475	19,600
Warner Lambert	1200	<u>89,978</u>	<u>49,675</u>	<u>30,000</u>
Total market value		119,650	74,816	50,208
Less: carrying value, at cost		<u>(14,834)</u>	<u>(14,834)</u>	<u>(14,834)</u>
Unrealized gain		<u>\$ 104,816</u>	<u>\$ 59,982</u>	<u>\$ 35,374</u>

As of January 1, 1995, the District recorded these registered securities under the provisions of the FASB Statement No. 115. These securities are classified as available for sale and are therefore recorded at fair value and unrealized gains are recognized as a component of fund equity. Fair values are based upon quoted market prices. Warner Lambert had a two for one stock split on May 17, 1996. Exxon had a two for one stock split on April 11, 1997. Warner Lambert had a three for one stock split on May 26, 1998.

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 1998, 1997 and 1996

NOTE 5 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Patients	\$ 401,552	\$ 323,678	\$ 321,162
Other - BCRH	21,844	18,004	12,069
Estimated third party settlement	<u>27,839</u>	<u>9,344</u>	<u>6,186</u>
	451,235	351,026	339,417
Estimated uncollectibles	<u>(175,604)</u>	<u>(137,731)</u>	<u>(154,000)</u>
Total	<u>\$ 275,631</u>	<u>\$ 213,295</u>	<u>\$ 185,417</u>

The District generates a substantial portion of its charges from the Medicare and Medicaid programs at discounted rates. A summary of gross Medicare and Medicaid charges for the years ended December 31, 1998, 1997 and 1996 follows:

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Medicare patients	\$ 1,083,262	\$ 967,655	\$ 946,130
Medicaid patients	<u>117,614</u>	<u>111,505</u>	<u>126,397</u>
Total	<u>\$ 1,200,876</u>	<u>\$ 1,079,160</u>	<u>\$ 1,072,527</u>
Percent of all patients	<u>55%</u>	<u>54%</u>	<u>59%</u>

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended December 31, 1998:

	December 31, <u>1997</u>	<u>ASSET COST</u>		December 31, <u>1998</u>
		<u>Additions</u>	<u>Deletions</u>	
Land	\$ 23,454	\$ -0-	\$ -0-	\$ 23,454
Land improvements	6,767	-0-	-0-	6,767
Buildings	421,618	-0-	2,700	418,918
Fixed equipment	244,322	3,270	1,228	246,364
Major moveable equipment	589,028	99,810	623	688,215
Minor equipment	<u>1,177</u>	<u>-0-</u>	<u>-0-</u>	<u>1,177</u>
Total	<u>\$ 1,286,366</u>	<u>\$ 103,080</u>	<u>\$ 4,551</u>	<u>\$ 1,384,895</u>

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 1998, 1997 and 1996

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	December 31, <u>1997</u>	<u>ACCUMULATED DEPRECIATION</u>		December 31, <u>1998</u>
		<u>Additions</u>	<u>Deletions</u>	
Land improvements	\$ 2,700	\$ 445	\$ -0-	\$ 3,145
Buildings	283,118	17,778	5,206	295,690
Fixed equipment	190,664	10,321	1,228	199,757
Major moveable equipment	<u>414,605</u>	<u>64,490</u>	<u>623</u>	<u>478,472</u>
Total	\$ <u>891,087</u>	\$ <u>93,034</u>	\$ <u>7,057</u>	\$ <u>977,064</u>

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended December 31, 1997:

	December 31, <u>1996</u>	<u>ASSET COST</u>		December 31, <u>1997</u>
		<u>Additions</u>	<u>Deletions</u>	
Land	\$ 23,454	\$ -0-	\$ -0-	\$ 23,454
Land improvements	6,767	-0-	-0-	6,767
Buildings	421,618	-0-	-0-	421,618
Fixed equipment	244,322	-0-	-0-	244,322
Major moveable equipment	620,750	27,566	59,288	589,028
Minor equipment	<u>1,177</u>	<u>-0-</u>	<u>-0-</u>	<u>1,177</u>
Total	\$ <u>1,318,088</u>	\$ <u>27,566</u>	\$ <u>59,288</u>	\$ <u>1,286,366</u>

	December 31, <u>1996</u>	<u>ACCUMULATED DEPRECIATION</u>		December 31, <u>1997</u>
		<u>Additions</u>	<u>Deletions</u>	
Land improvements	\$ 2,255	\$ 445	\$ -0-	\$ 2,700
Buildings	264,643	18,475	-0-	283,118
Fixed equipment	180,204	10,460	-0-	190,664
Major moveable equipment	<u>414,581</u>	<u>45,773</u>	<u>45,749</u>	<u>414,605</u>
Total	\$ <u>861,683</u>	\$ <u>75,153</u>	\$ <u>45,749</u>	\$ <u>891,087</u>

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 1998, 1997 and 1996

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended December 31, 1996:

	December 31, <u>1995</u>	<u>ASSET COST</u>		December 31, <u>1996</u>
		<u>Additions</u>	<u>Deletions</u>	
Land	\$ 23,454	\$ -0-	\$ -0-	\$ 23,454
Land improvements	3,467	3,300	-0-	6,767
Buildings	417,217	4,401	-0-	421,618
Fixed equipment	244,322	-0-	-0-	244,322
Major moveable equipment	576,822	59,607	15,679	620,750
Minor equipment	<u>1,177</u>	<u>-0-</u>	<u>-0-</u>	<u>1,177</u>
Total	<u>\$ 1,266,459</u>	<u>\$ 67,308</u>	<u>\$ 15,679</u>	<u>\$ 1,318,088</u>

	December 31, <u>1995</u>	<u>ACCUMULATED DEPRECIATION</u>		December 31, <u>1996</u>
		<u>Additions</u>	<u>Deletions</u>	
Land improvements	\$ 1,949	\$ 306	\$ -0-	\$ 2,255
Buildings	245,648	18,995	-0-	264,643
Fixed equipment	169,744	10,460	-0-	180,204
Major moveable equipment	<u>377,953</u>	<u>47,382</u>	<u>10,754</u>	<u>414,581</u>
Total	<u>\$ 795,294</u>	<u>\$ 77,143</u>	<u>\$ 10,754</u>	<u>\$ 861,683</u>

Property, plant and equipment includes fully depreciated assets which are still in service in the amounts of \$399,817, \$375,353 and \$322,853 for 1998, 1997, and 1996, respectively.

NOTE 7 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

Accrued expenses and withholdings payable at December 31, 1998, 1997, and 1996, consist of the following:

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Accrued payroll taxes	\$ 2,254	\$ 1,985	\$ 1,756
State and federal income taxes payable	1,250	1,419	1,720
Social security tax payable	-0-	-0-	-0-
State unemployment tax payable	1,594	1,563	1,469
Accrued vacation & holiday	33,282	40,976	44,286
Accrued payroll	<u>29,705</u>	<u>29,460</u>	<u>28,825</u>
Total	<u>\$ 68,085</u>	<u>\$ 75,403</u>	<u>\$ 78,056</u>

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 1998, 1997 and 1996

NOTE 8 - COMPENSATED ABSENCES

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

NOTE 9 - NOTE AND LEASE PAYABLE

The following is a summary of notes and leases payable at December 31, 1998, 1997 and 1996:

	<u>1998</u>	<u>1997</u>	<u>1996</u>
7.0 percent mortgage note, due February 2003, collateralized by a mortgage on property and house.	\$ 7,337	\$ 8,813	\$ 10,189
6.0 percent lease payable, due August 2000, collateralized by EKG machine with a book value of 2,368.	<u>1,245</u>	<u>2,044</u>	<u>-0-</u>
Total	8,582	10,857	10,189
Less: Current maturities	<u>(2,431)</u>	<u>(2,139)</u>	<u>(1,376)</u>
Long-term maturities	<u>\$ 6,151</u>	<u>\$ 8,718</u>	<u>\$ 8,813</u>

A table of total debt service requirements follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1999	\$ 2,431	\$ 515	\$ 2,946
2000	2,094	355	2,449
2001	1,820	226	2,046
2002	1,951	95	2,046
2003	<u>286</u>	<u>2</u>	<u>288</u>
Total	<u>\$ 8,582</u>	<u>\$ 1,193</u>	<u>\$ 9,775</u>

NOTE 10 - NET PATIENT SERVICE REVENUE

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

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain outpatient services related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's classification of patients under the Medicare program and the appropriateness of their

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 1998, 1997 and 1996

NOTE 10 - NET PATIENT SERVICE REVENUE (Continued)

admission are subject to an independent review by a peer review organization under contract with the District. The District's Medicare cost reports have been audited by the Medicare fiscal intermediary through December 31, 1995.

Medicaid - Until July 1, 1994, inpatient services were reimbursed based upon the lesser of reasonable costs (subject to certain limits) or charges to the patient. As of July 1, 1994, the program reimbursement is based upon a prospectively determined per diem rate. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through December 31, 1994.

The District has entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment under these agreements include discounts from established charges and prospectively determined daily rates.

NOTE 11 - PROPERTY TAX REVENUE

Assets whose use is limited consist of property taxes that have been collected for maintenance and operation of the facility. The taxes are collected by the Union Parish Sheriff's office for an 8% collection fee. Property tax notices are mailed by November 15 each year and are due by December 31. The special maintenance and operation millage is a ten-year tax assessed on all taxable property within the District at the rate of 10.45 mills. The 5.11 mills, which expired December 31, 1995, has been renewed for the period 1996 through 2005. The 5.34 mills, which expired in 1991, has been renewed for the period 1992 through 2001.

NOTE 12 - PROFESSIONAL LIABILITY RISK

The District participates in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to health care providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the District is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of settlement for professional liability to \$500,000 per occurrence. The constitutionality of this legislation has not been tested by the courts, although the Louisiana Supreme Court has decided that this limit does not apply in cases of strict liability.

The District's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability and worker's compensation. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are redetermined utilizing actual losses of the District. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The District has included these allocations of equity in the trust in its financial statements as prepaid insurance and insurance expense or a reduction thereof. Any return of equity reduces the prepaid balance.

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 1998, 1997 and 1996

NOTE 13 - BUSINESS AND CREDIT CONCENTRATIONS

The District grants credit to patients, substantially all of whom are local residents, under terms requiring timely repayment. The District generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, Blue Cross, and commercial insurance policies).

The mix of gross receivables from patients and third-party payors at December 31 was as follows:

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Medicare and Medicaid	41%	36%	35%
Commercial Insurance	14%	8%	11%
Patients	38%	46%	43%
Contract	7%	10%	11%

NOTE 14 - COMMITMENTS AND CONTINGENCIES

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

The principal contingencies are described below:

Third Party Cost-Based Charges (Note 5) - The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

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

Professional Liability Risk (Note 12) - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

Worker's Compensation Risk - The District carries worker's compensation insurance through the Louisiana Hospital Association Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any.

Accordingly, the District is contingently liable for assessments by the Louisiana Hospital Association Trust Fund. The District has included these allocations of equity in the trust in its financial statements as prepaid insurance and insurance expense or a reduction thereof. Any return of equity reduces the prepaid balance.

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 1998, 1997 and 1996

NOTE 15 - GRANT REVENUE

The District was awarded emergency room operational grants under Act 810 of the State of Louisiana for \$25,000 and \$50,714 during 1997 and 1996, respectively. A Rural Health Transition Grant was awarded in 1996 for \$50,000 of which \$12,000 was received but unexpended at December 31, 1996. The unexpended amount is shown as temporarily restricted fund balance. The remaining \$38,000 was received in 1997 and the whole \$50,000 recorded in revenue in 1997. A Telemedicine Grant was awarded in 1998 for \$74,200, of which \$69,735 was received at December 31, 1998. The entire amount of the grant was recognized as income in 1998 because the District purchased the equipment the grant was intended for prior to receiving the grant money and was then reimbursed by the grantor after providing documentation that the equipment was purchased.

SUPPLEMENTAL INFORMATION

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Statements of Patient Statistics
Years Ended December 31, 1998, 1997 and 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Number of Hospital Patient Days			
Medicare	600	625	617
Medicaid	25	32	59
Other	<u>32</u>	<u>62</u>	<u>49</u>
Total	<u>657</u>	<u>719</u>	<u>725</u>
Number of Hospital Patient Discharges			
Medicare	155	152	142
Medicaid	12	9	19
Other	<u>25</u>	<u>21</u>	<u>22</u>
Total	<u>192</u>	<u>182</u>	<u>183</u>
Average Number of Days of a Hospital Patient Stay:			
Medicare	3.87	4.11	4.35
Medicaid	2.08	3.56	3.10
Other	1.28	2.95	2.22
Overall	3.42	3.95	3.96
Number of Emergency Room Visits	1,243	1,015	925

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Hospital Unrestricted Fund
Statements of Net Patient Service Revenue
Years Ended December 31, 1998, 1997 and 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Daily patient services:			
Room and board	\$ <u>103,658</u>	\$ <u>113,840</u>	\$ <u>115,164</u>
Total daily patient services	<u>103,658</u>	<u>113,840</u>	<u>115,164</u>
Other professional services:			
Radiology			
Inpatient	29,791	17,811	27,776
Outpatient	<u>81,746</u>	<u>54,378</u>	<u>69,521</u>
Total radiology	<u>111,537</u>	<u>72,189</u>	<u>97,297</u>
Laboratory			
Inpatient	96,222	78,757	80,980
Outpatient	<u>305,854</u>	<u>275,104</u>	<u>249,704</u>
Total laboratory	<u>402,076</u>	<u>353,861</u>	<u>330,684</u>
Blood			
Inpatient	4,057	4,761	8,612
Outpatient	<u>4,435</u>	<u>6,639</u>	<u>5,503</u>
Total blood	<u>8,492</u>	<u>11,400</u>	<u>14,115</u>
IV solutions			
Inpatient	40,489	43,148	36,951
Outpatient	<u>456</u>	<u>261</u>	<u>309</u>
Total IV solutions	<u>40,945</u>	<u>43,409</u>	<u>37,260</u>
Oxygen			
Inpatient	134,228	111,234	102,142
Outpatient	<u>30,032</u>	<u>14,627</u>	<u>22,937</u>
Total oxygen	<u>164,260</u>	<u>125,861</u>	<u>125,079</u>
EKG			
Inpatient	7,844	7,040	9,163
Outpatient	<u>22,467</u>	<u>23,525</u>	<u>23,680</u>
Total EKG	\$ <u>30,311</u>	\$ <u>30,565</u>	\$ <u>32,843</u>

(Continued)

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Hospital Unrestricted Fund
Statements of Net Patient Service Revenue (Continued)
Years Ended December 31, 1998, 1997 and 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Medical supply			
Inpatient	\$ 98,973	\$ 111,437	\$ 108,608
Outpatient	<u>70,007</u>	<u>66,526</u>	<u>57,157</u>
Total medical supply	<u>168,980</u>	<u>177,963</u>	<u>165,765</u>
Pharmacy			
Inpatient	144,410	145,845	109,744
Outpatient	<u>400,023</u>	<u>387,738</u>	<u>282,707</u>
Total pharmacy	<u>544,433</u>	<u>533,583</u>	<u>392,451</u>
Clinic/Rural Health Clinic			
Physician services	372,891	370,031	363,798
Ancillary income	<u>10,366</u>	<u>11,957</u>	<u>14,736</u>
Total Clinic/Rural Health Clinic	<u>383,257</u>	<u>381,988</u>	<u>378,534</u>
Emergency room			
Inpatient	3,788	4,060	7,596
Outpatient	<u>153,717</u>	<u>103,426</u>	<u>80,818</u>
Total emergency room	<u>157,505</u>	<u>107,486</u>	<u>88,414</u>
Monitor			
Inpatient	28,539	31,447	35,914
Outpatient	<u>7,727</u>	<u>8,623</u>	<u>6,572</u>
Total monitor	<u>36,266</u>	<u>40,070</u>	<u>42,486</u>
Total other professional services	<u>2,048,062</u>	<u>1,878,375</u>	<u>1,704,928</u>
Gross patient service revenue	2,151,720	1,992,215	1,820,092
Deductions from revenue	<u>405,864</u>	<u>205,343</u>	<u>334,758</u>
Net patient service revenue	<u>\$ 1,745,856</u>	<u>\$ 1,786,872</u>	<u>\$ 1,485,334</u>

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Hospital Unrestricted Fund
Statements of Deductions from Revenue
Years Ended December 31, 1998, 1997 and 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Medicare and Medicaid contractual adjustments	\$ 280,887	\$ 187,621	\$ 220,742
Administrative and other adjustments	7,692	8,956	4,581
Rehab adjustments	117,285	124,011	109,435
Dispro	<u>-0-</u>	<u>(115,245)</u>	<u>-0-</u>
 Total deductions from revenue	 <u>\$ 405,864</u>	 <u>\$ 205,343</u>	 <u>\$ 334,758</u>

Statements of Other Revenue
Years Ended December 31, 1998, 1997 and 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Rehab dietary	\$ -0-	\$ 41	\$ 466
Vending machine	60	(794)	914
Medical records	480	291	313
Contributions	1,164	11,518	17,231
Discounts taken	7,857	7,703	7,554
Rental income	208,233	202,379	163,337
Kid Med revenue	-0-	-0-	-0-
Miscellaneous revenue	<u>16,345</u>	<u>16,936</u>	<u>19,057</u>
 Total other revenue	 <u>\$ 234,139</u>	 <u>\$ 238,074</u>	 <u>\$ 208,872</u>

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Hospital Unrestricted Fund
Statements of Expenses - Salaries and Benefits
Years Ended December 31, 1998, 1997 and 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Administration	\$ 136,176	\$ 126,303	\$ 123,940
Plant maintenance	22,181	20,164	19,082
Housekeeping	17,115	16,526	15,213
Dietary	-0-	-0-	3,532
Nursing administration	88,222	83,942	86,862
Medical records	22,605	21,960	22,359
Nursing services	284,177	284,027	274,078
Radiology	48,302	44,675	46,681
Laboratory	85,190	80,882	79,875
EKG and EEG	1,975	1,719	3,164
Pharmacy	42,245	39,273	32,154
Rural Health Clinic	116,460	222,789	313,125
Emergency room	<u>38,399</u>	<u>29,357</u>	<u>24,663</u>
Total salaries	<u>903,047</u>	<u>971,617</u>	<u>1,044,728</u>
FICA/LUC	76,324	76,802	77,730
Health/life insurance	69,774	72,331	89,357
Workers' compensation	<u>7,561</u>	<u>9,908</u>	<u>15,412</u>
Total benefits	<u>153,659</u>	<u>159,041</u>	<u>182,499</u>
Total salaries and benefits	<u>\$ 1,056,706</u>	<u>\$ 1,130,658</u>	<u>\$ 1,227,227</u>

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Hospital Unrestricted Fund
Statements of Expenses - Medical Supplies and Drugs
Years Ended December 31, 1998, 1997 and 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Nursing services	\$ 22,203	\$ 26,499	\$ 19,815
Radiology	6,291	6,098	6,909
Laboratory	21,683	19,043	26,242
Blood	5,828	6,597	9,492
Respiratory therapy	4,365	4,744	4,064
EKG	693	645	704
Pharmacy	128,836	133,593	90,652
Rural Health Clinic	4,110	5,192	4,983
Emergency room	972	967	598
Monitor supplies	<u>259</u>	<u>171</u>	<u>273</u>
 Total medical supplies and drugs	 \$ <u>195,240</u>	 \$ <u>203,549</u>	 \$ <u>163,732</u>

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Hospital Unrestricted Fund
Statements of Expenses - Medical, Professional and Contract Services
Years Ended December 31, 1998, 1997 and 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Nursing	\$ 196	\$ 123	\$ -0-
Radiology	7,194	1,663	10,952
Laboratory	28,961	26,577	19,184
Cardiovascular	200	1,500	1,100
Rural Health Clinic	220,479	22,034	9,908
Emergency room	<u>219,818</u>	<u>212,046</u>	<u>117,838</u>
 Total medical, professional and contract services	 \$ <u>476,848</u>	 \$ <u>263,943</u>	 \$ <u>158,982</u>

Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Hospital Unrestricted Fund
Statements of Expenses - Other
Years Ended December 31, 1998, 1997 and 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Consulting and purchased services - non medical	\$ 48,350	\$ 38,528	\$ 31,296
Accounting and legal	20,612	19,828	22,198
Non medical supplies	46,976	49,068	45,305
Repairs and maintenance	30,798	26,323	20,485
Utilities	46,785	46,979	44,623
Telephone	13,325	10,867	10,360
Travel	2,841	2,609	2,205
Rentals	8,002	8,044	4,277
Training	3,188	1,787	2,109
Promotion and advertising	1,831	1,836	2,425
Licensing and publications	17,170	19,573	17,395
Recruitment	-0-	-0-	-0-
Miscellaneous	10,390	8,048	5,355
Tax assessor fees	<u>4,710</u>	<u>18,797</u>	<u>15,058</u>
Total other expenses	<u>\$ 254,978</u>	<u>\$ 252,287</u>	<u>\$ 223,091</u>

Hospital Service District Wards 3, 4 and 10
 of the Parish of Union, State of Louisiana
 Tri-Ward General Hospital and Clinic
 Hospital Unrestricted Fund
 Statements of Per Diem and
 Other Compensation Paid to Board Members
 Years Ended December 31, 1998, 1997 and 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Board Members:			
Pat Risinger	\$ -0-	\$ -0-	\$ -0-
Sammye Telford	-0-	-0-	-0-
W. C. Reeves	-0-	-0-	-0-
Oda Rockett	360	80	-0-
Isaac Payne	440	480	440
Clifton McIntosh	480	480	440
Melvin Stone	<u>480</u>	<u>480</u>	<u>480</u>
 Totals	 \$ <u>1,760</u>	 \$ <u>1,520</u>	 \$ <u>1,360</u>

Marvin H. Easley, CPA
Bobby G. Lester, CPA
John S. Wells, CPA
Robert G. Miller, CPA
Paul A. Delaney, CPA

Paul G. Mathews, CPA

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Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of
General Purpose Financial Statements
in Accordance with
Government Auditing Standards

Board of Commissioners
Hospital Service District Wards 3, 4 and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Bernice, Louisiana

We have audited the general purpose financial statements of Tri-Ward General Hospital and Clinic (the "District") as of and for the years ended December 31, 1998, 1997, and 1996, and have issued our report thereon dated March 11, 1999. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Board of Commissioners
Tri-Ward General Hospital and Clinic
Page Two

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



Certified Public Accountants

March 11, 1999