

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

Note 10- Pension Plan (Continued)

The pension benefit obligation for the Plan B fund at December 31, 1995 and December 31, 1994 is as follows:

	At December 31	
	<u>1995</u>	<u>1994</u>
For Current Employees:		
Accumulated Employee Contributions	\$ 4,764,420	\$ 4,636,773
Employer Financed Vested	5,853,653	3,864,606
Employer Financed Non-Vested	<u>11,959,414</u>	<u>10,723,354</u>
Total Active Members	22,577,487	19,224,733
Retirees, Beneficiaries, and Terminated	<u>14,842,983</u>	<u>13,537,008</u>
Total Pension Benefit Obligation	37,420,470	32,761,741
Net Assets Available for Benefits at Amortized Cost	<u>48,304,460</u>	<u>45,416,793</u>
(Overfunded) Pension Benefit Obligation	\$(<u>10,883,990</u>)	\$(<u>12,655,052</u>)
Fair Market Value of Net Assets Available for Benefits	\$ <u>53,910,945</u>	\$ <u>45,037,650</u>

Plan Funding

Employer and employee contributions to the Pension Plan are established by State statute. For the years ended December 31, 1995 and December 31, 1994, employees contributions are 2.0 percent of covered wages in excess of \$100 per month. Employer contributions are 1 percent of covered wages for the year ended December 31, 1995 and 1.5 percent for the year ended December 31, 1994. In addition to the aforementioned contributions the tax collectors of various parishes contribute one fourth of one percent of all tax collections. Contributions required and made by all employers in the Plan B fund for the years ended December 31, 1995 and December 31, 1994 are as follows:

	Year Ended December 31	
	<u>1995</u>	<u>1994</u>
Employee	\$ 576,542	\$ 580,422
Employer	300,372	425,625
Taxing Bodies	<u>261,693</u>	<u>260,110</u>
	\$ <u>1,138,607</u>	\$ <u>1,266,157</u>

The actuarially required employer contributions as determined by the funding method and assumptions are as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Employer</u> <u>Contributions</u>	<u>Percentage</u> <u>of Payroll</u>
1994	516,263	.99
1995	584,113	1.01
1996	1,043,626	2.44

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

Note 10-Pension Plan (Continued)

The plan provides benefits for surviving spouses and minor children under certain provisions in the statutes.

Valuation Method

The plan accounts for all investments, other than equity in stocks at amortized cost. Premiums and discounts on long-term investments, other than zero coupon U.S. Treasury Bonds which pay interest at maturity, are amortized over the life of the investment using the straight-line method. Differences between the straight-line method and the interest method are considered immaterial. Discounts on zero coupon bonds are amortized using the interest method over the life of the investment.

Stock equities are carried at cost.

Related Party Transactions

There are no investments in, loans to, or leases with parties related to the Pension Plan.

Plan Obligations

Presented below is the total pension benefit obligation for the Plan B fund of the Parochial Employees' Retirement System of Louisiana as of December 31, 1995, the date of the actuarial valuation. The amount of the total pension benefit obligation is based on a standardized measurement established by GASB 5 that, with some exceptions, must be used by a PERS. The standardized measurement is the actuarial value of credited projected benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effects of projected salary increases and any step-rate benefits.

A variety of significant actuarial assumptions are used to determine the standardized measure of the pension benefit obligation and these assumptions are summarized below:

1. The present value of future pension payments was computed using a discount rate of 8%.
2. Future pension payments reflect an assumption of a 5.5% annual salary increase as a result of inflation.
3. Future pension payments reflect no post-retirement benefit increases, which is consistent with the terms of pension agreement.

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

Note 3 - Patient Revenues and Accounts Receivable (Continued)

The Hospital has also entered into reimbursement agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations which result in contractual adjustments from established rates.

Established rates for most of the Hospital's services were increased by 10 to 20 percent effective July, 1995.

A summary of patient revenues for the years ended June 30, 1996 and June 30, 1995 follows:

	Year Ended June 30	
	<u>1996</u>	<u>1995</u>
Patient Revenues at Established Rates	\$ 7,511,331	\$ 6,055,419
<u>Less-Deductions from Patient Revenues:</u>		
Provisions for Contractual Adjustments Under Third Party Reimbursement Programs	3,251,487	2,158,602
Provision for Bad Debts	<u>326,045</u>	<u>443,488</u>
Total Deductions	<u>3,577,532</u>	<u>2,602,090</u>
Net Patient Revenues	<u>\$ 3,933,799</u>	<u>\$ 3,453,329</u>

Accounts receivable from patient services consist of uncollateralized amounts due under the Medicare and Medicaid programs, insurance carriers, and directly from patients. Patients served are typically from the Vivian, Louisiana vicinity. Net accounts receivable from patient services is comprised as follows:

	At June 30	
	<u>1996</u>	<u>1995</u>
Gross Patient Accounts Receivable	\$ 1,906,768	\$ 1,289,000
<u>Estimated Allowances, Uncollectible Accounts and Provisions for Settlements with Third- Party Payors: (Note 16)</u>		
Allowances for Bad Debts and Contractual Adjustments Under Third-Party Reimburse- ment Programs	(864,851)	(555,583)
Provision for Settlements to Third-Party Payors	(242,455)	
Provision for Settlements from Third-Party Payors Expected to be Collected Within Twelve Months		<u>159,484</u>
	<u>1,107,306</u>	<u>396,099</u>
Net Accounts Receivable from Patient Services	<u>\$ 799,462</u>	<u>\$ 892,901</u>

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NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEMORIAL HOSPITAL

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NOV 21 1996

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor 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

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Release Date DEC 18 1996

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEMORIAL HOSPITALGENERAL AND ADMINISTRATIVE EXPENSESFOR THE YEARS ENDED JUNE 30, 1996 AND JUNE 30, 1995

	Year Ended June 30	
	<u>1996</u>	<u>1995</u>
General and Administrative Salaries	168,249	169,205
Professional Fees	35,135	32,775
Telephone	10,804	9,785
Insurance	101,670	81,063
Employee Benefits and Payroll Taxes	279,892	280,820
Supplies and Other	<u>96,775</u>	<u>97,250</u>
	<u>692,525</u>	<u>670,898</u>

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEMORIAL HOSPITAL
COMPENSATION PAID TO MEMBERS OF THE BOARD OF COMMISSIONERS
FOR THE YEAR ENDED JUNE 30, 1996

Compensation (including per diem)
Paid to Board Members:

Virgil G. Martin	480
Earl G. Williamson, Jr.	400
Kenneth D. Clay	440
Bonnie B. Dominick	480
Bob L. Bogan	360
Robert Guth	400

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEMORIAL HOSPITAL

SUMMARY OF OPERATING RESULTS

	<u>Year Ended June 30</u>	
	<u>1996</u>	<u>1995</u>
Total Gross Revenue	7,778,423	6,338,794
Discounts and Bad Debts	3,577,532	2,602,090
Cost and Expense	<u>3,748,615</u>	<u>3,671,229</u>
Net Income	<u>452,276</u>	<u>65,475</u>
Total Hospital Patient Days	3,039	3,418
Admissions	726	754
Inpatient Revenue Per Patient Day	1,743	1,311
Inpatient Revenue as a Percent of Total Patient Revenue	70.53%	73.99%
Net Income per Patient Day	148.82	19.16
Net Income as a Percent of Gross Patient Revenues	6.02%	1.08%
Number of Days Net Patient Revenues in Net Patient Receivables	96.67	77.52
Average Length of Patient Stay in Days	4.19	4.53

NORTH CADDO HOSPITAL SERVICE DISTRICT d/b/a NORTH CADDO MEMORIAL HOSPITAL

FIXED ASSETS AND ACCUMULATED DEPRECIATION

AT JUNE 30, 1996

	ASSETS AT COST				ACCUMULATED DEPRECIATION				Book Value 6-30-96
	Balance 6-30-95	Additions	Deductions	Transfers	Balance 6-30-96	Additions	Deductions	Transfers	
Land	95,367				95,367				95,367
Land Improvements	109,193	6,485			115,678	6,281			71,813
Buildings and Building Improvements	1,734,730				1,734,730	65,475			747,476
Equipment	1,544,672	150,209	28,090	54,766	1,721,557	128,511	28,090	23,305	1,274,208
Equipment Under Capital Leases	108,175		18,968	(54,766)	34,441	19,372	16,221	(23,305)	15,487
	<u>3,592,137</u>	<u>156,694</u>	<u>47,058</u>	<u>-0-</u>	<u>3,701,773</u>	<u>219,639</u>	<u>44,311</u>	<u>-0-</u>	<u>2,108,984</u>
									<u>1,592,789</u>

COLE, EVANS & PETERSON

CERTIFIED PUBLIC ACCOUNTANTS

M. ALTON EVANS, JR., C.P.A.
PARTNER EMERITUS

WILLIAM JEFFERSON COLE, C.P.A.
A. WILLIAM PETERSON, C.P.A.
CAROL T. BARNES, C.P.A.
C. WILLIAM GERARDY, JR., C.P.A.
BARRY S. SHIPP, C.P.A.
STEVEN W. HEDGEPEETH, C.P.A.
STEVEN R. BAYER, C.P.A.
GWENDOLYN H. HARJU, C.P.A.
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BAILEY B. BAYNHAM, C.P.A.
ROBERT A. BUSBY, C.P.A.

FIFTH FLOOR TRAVIS PLACE

POST OFFICE DRAWER 1768

SHREVEPORT, LOUISIANA 71166-1768

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JUDY E. MONCRIEF, C.P.A.
ANNE-MARIE COLE CAIN, C.P.A.
TIMOTHY W. BORST, C.P.A.
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DAVID W. BULLOCK, C.P.A.
NINA G. GLORIOSO, C.P.A.
J. AMY HEMMINGS, C.P.A.

TELEPHONE (318) 222-8367
TELECOPIER (318) 425-4101

September 5, 1996

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

Board of Commissioners
North Caddo Hospital Service District
Vivian, Louisiana

We have audited the financial statements of North Caddo Hospital Service District d/b/a North Caddo Memorial Hospital at and for the year ended June 30, 1996 and have issued our report thereon dated September 5, 1996.

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

Compliance with laws, regulations, contracts, and grants applicable to North Caddo Memorial 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, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

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

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

Cole, Evans & Peterson
Cole, Evans & Peterson

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

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

Cole, Evans & Peterson
Cole, Evans & Peterson

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

Note 6 - Capital Leases (Continued)

Following is a summary of property held under the leases:

	At June 30	
	<u>1996</u>	<u>1995</u>
Ambulance	\$	\$ 54,766
Computer Equipment	34,441	34,441
Office Equipment	<u> </u>	<u>18,968</u>
	34,441	108,175
<u>Less-Accumulated Depreciation</u>	<u>15,487</u>	<u>35,641</u>
	<u>\$ 18,954</u>	<u>\$ 72,534</u>

Minimum future lease payments under the computer lease is as follows:

<u>Year Ending June 30</u>	
1997	\$ 8,412
1998	8,412
1999	<u>5,683</u>
	22,507
<u>Less-Amount Representing Interest</u>	<u>2,206</u>
Net Present Value of Minimum Lease Payments	<u>\$ 20,301</u>
Imputed Rate of Interest	7.60%

Note 7 - Notes Payable

Following is a summary of notes payable at June 30, 1995:

	<u>Terms</u>	<u>June 30</u> <u>1995</u>
Bank One, N.A. (Formerly Premier Bank, N.A.)	Principal Payable in 120 monthly installments of \$1,458 beginning 8-1-85, interest at 9% is payable semi-annually; Secured by pledge of excess revenues pursuant to certificate of indebtedness	\$ 2,917

COLE, EVANS & PETERSON

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TELEPHONE (318) 222-8367
TELECOPIER (318) 425-4101

September 5, 1996

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Commissioners
North Caddo Hospital Service District
Vivian, Louisiana

Our audits of the June 30, 1996 and June 30, 1995 financial statements of North Caddo Hospital Service District, d/b/a North Caddo Memorial Hospital were made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedules 1 through 5 which follow are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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.

(Cole, Evans & Peterson)
Cole, Evans & Peterson

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

Note 9 - Operating Leases (Continued)

Effective June 1, 1995, the Hospital entered into a one year sublease with the Vivian Industrial Development Corporation (VIDC) for a house located in Vivian, Louisiana. The VIDC, as lessee, agrees to pay the monthly rent of \$350 to the original lessor and the Hospital, as subleasee, agrees to pay all water, sewerage, gas, electricity, telephone, and cable services used at the leased premises. The Hospital is obligated to utilize the house only as a residence for a person who is a licensed medical doctor, nurse practitioner, medical student or related health care provider in order to promote the economic development of the community. The Hospital has an annual option to renew the sublease for a period of one year. Total expense under this sublease for the year ended June 30, 1996 and June 30, 1995 was \$1,661 and \$611, respectively.

See Note 6 concerning capital leases.

Note 10-Pension Plan

Plan Description

The Parochial Employees' Retirement System of Louisiana, a Public Employee Retirement System (PERS), is the administrator of a cost sharing multiple-employer plan that was established by the Louisiana legislature as of January 1, 1953, by Act 205 of 1952. The system was revised by Act No. 765 of 1979, effective January 1, 1980, to replace the "regular plan" with the Plan B Fund of which North Caddo Hospital Service District is a participant. The Retirement System is governed by the Louisiana Revised Statutes, Title 11, Sections 1901 through 2015, specifically, and other general laws of the State of Louisiana.

Covered Employees

Any person who is a permanent employee and works at least 28 hours a week and whose compensation is paid wholly or partially by a covered employer is covered by this system. Membership is mandatory for all employees of taxing districts of a parish or any branch or sections of a parish including a hospital district.

Plan Eligibility and Benefits

Any member is eligible for normal retirement if he has at least 30 years of creditable service and is at least age 55, or 10 years of creditable service and is at least age 62 if the preceding requirements are met. Early retirement is allowed at age 60, provided that benefits are reduced by 3 percent for each year below age 62. The retirement allowance is 2 percent, subject to the provisions of the statutes, of the member's final compensation (average annual earnings during the highest 36 consecutive months or joined months if service was interrupted), in excess of \$1,200, times his years of creditable service.

A member is eligible to retire and receive disability benefits if he has at least 10 years of creditable service, is not eligible for normal retirement and suffers disability. The disability must be certified by the State Medical Disability Board. The disability rate is 2 percent of the member's final compensation, multiplied by his years of creditable service under certain conditions outlined in the statutes.

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

Note 11- Ambulance Property Taxes

The Hospital received \$181,448 and \$185,106 in property tax revenues for the years ended June 30, 1996 and June 30, 1995, respectively. This revenue is used primarily for the establishment, maintenance and operation of an ambulance service for the residents of the North Caddo Hospital Service District. Any revenues in excess of the ambulance service costs may be used for maintaining, operating, and improving the Hospital.

The property tax is assessed on January 1, levied not later than June 1, due by December 31, and lien on January 1 (one year after the assessment date). The Caddo Parish Sheriff Department collects the taxes. The property tax revenues are summarized as follows:

	Year Ended June 30	
	1996	1995
Property Tax Assessment	\$ 204,521	\$ 211,882
Allowance for Uncollectible Assessments	(21,610)	(31,068)
Property Tax Collected	182,911	180,814
Collections and Adjustments Related to Prior Period	(1,463)	4,292
Property Taxes Reported	\$ 181,448	\$ 185,106

The ambulance service property tax levy will expire in May, 1997. The renewal vote held in March, 1996 was approved and will be effective for the year ending June 30, 1997.

Note 12- Noncash Capital and Related Financing Activities

During the year ended June 30, 1995, the Hospital received as a donation the addition of a lighting system and improvements to the helipad on Hospital property, which was recorded as land improvements and contributed capital at the cost of construction to the donor, \$10,573, and microfilm equipment which was recorded as equipment and contributed capital at the estimated fair market value at the time of donation, \$300.

Note 13- Grant Received

The Hospital received \$50,714 and \$75,000 in grants during the year ended June 30, 1996 and June 30, 1995, respectively, from the Louisiana Department of Health and Hospitals. The purpose of the grants is to strengthen the ability of the Hospital to provide high quality emergency health services.

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEMORIAL HOSPITAL

REVENUE, DEDUCTIONS FROM REVENUE AND DIRECT DEPARTMENTAL EXPENSE

FOR THE YEARS ENDED JUNE 30, 1996 AND JUNE 30, 1995

Department:	Year Ended June 30, 1996		Year Ended June 30, 1995	
	Revenue	Expense	Revenue	Expense
Patient Care	1,438,557	843,124	1,163,136	839,295
X-Ray	389,779	140,322	319,330	85,975
Pharmacy	1,080,738	248,049	985,518	270,110
Laboratory	1,273,091	263,008	1,073,143	244,872
Operating and Recovery	247,493	48,349	138,324	27,683
Emergency Room	411,252	275,001	256,944	275,700
Cardiac Care (Monitor)	212,920	12,931	101,663	11,259
Anesthesiology	90,050	58,352	57,913	56,032
Inhalation Therapy	1,019,188	127,505	903,373	128,581
Central Supply	466,580	107,605	330,138	108,060
Physical Therapy	2,840	900	1,300	2,100
CT Scan	313,529	46,336	195,941	67,211
Nuclear Medicine	29,836	38,139	22,813	26,904
Cardiology	253,665	31,569	218,726	36,664
Kid-Med	39,736	28,885	37,627	26,612
Social Services	13,400	20,644	16,020	23,205
Treatment Room	41,892	3,406	43,500	3,661
Ambulance	186,785	179,648	190,010	179,714
Totals	7,511,331	2,473,773	6,055,419	2,413,638
Deductions from Revenue:				
Medicare and Medicaid Discounts	(3,168,337)		(2,107,127)	
Other Contractual Adjustments	(83,150)		(51,475)	
Bad Debts	(326,045)		(443,488)	
	3,577,532		2,602,090	
Net Patient Service Revenue	3,933,799		3,453,329	
				3,641,781

North Caddo Hospital Service District
(Political Subdivision)
Caddo Parish, Louisiana

ANNUAL SWORN FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 1996
WITH APPROPRIATE SUPPLEMENTAL INFORMATION

Required by Louisiana Revised Statute 24:514 to
be filed with the Office of the Legislative Auditor
within 90 days after the close of the fiscal year

A F F I D A V I T

Personally came and appeared before the undersigned authority, Patricia Wilkins (name), who, duly sworn, deposes and says that the financial statements herewith given present fairly the financial position of the North Caddo Hospital Service District (political subdivision) as of June 30, 1996, and the results of operations for the year then ended, in accordance with the basis of accounting described within the accompanying financial statements.


Signature

Sworn to and subscribed before me, this 20 day of November 1996.

P. W. Harrett
NOTARY PUBLIC

Officer Patricia Wilkins, Administrator
Address Post Office Box 792
Vivian, Louisiana 71082
Telephone No. 318-375-3235

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

Note 10- Pension Plan (Continued)

The net employer contribution for the 1996 calendar year set at 2.5 percent of payroll is in excess of the amount required to fund the plan according to the actuarial methods employed.

North Caddo Hospital's contributions to the Plan for the years ended June 30, 1996 and June 30, 1995 are as follows:

	Year Ended June 30	
	<u>1996</u>	<u>1995</u>
Employers' Contribution Included in General and Administrative Expenses	\$ <u>16,999</u>	\$ <u>20,416</u>
Total Covered Payroll	\$ <u>1,655,941</u>	\$ <u>1,616,989</u>
Total Payroll	\$ <u>1,890,995</u>	\$ <u>1,894,434</u>

Analysis of Funding Progress

Historical trend information is included in the separately issued Public Employee Retirement System (PERS) financial statements for the year ended December 31, 1995.

The following ten-year historical trend information is presented to enable the reader to assess the progress made by the Parochial Employees' Retirement System of Louisiana in accumulating sufficient assets to pay pension benefits as they become due:

Year Ended <u>December 31,</u>	Net Assets Available for Benefits at Amortized <u>Cost</u>	Pension Benefit <u>Obligation</u>	Percentage <u>Funded</u>	(Overfunded) Pension Benefit <u>Obligation</u>	Annual Covered <u>Payroll</u>	(Overfunded)
						Pension Benefit <u>Obligation</u>
1986	\$ 20,555,910	\$ 20,508,640	100.23	\$(47,270)	\$ 23,645,491	(.20)
1987	23,841,837	20,272,023	117.61	(3,569,814)	16,892,960	(21.13)
1988	25,997,268	19,302,902	134.68	(6,694,366)	16,934,107	(39.53)
1989	29,297,359	20,868,885	140.39	(8,428,474)	17,409,136	(48.41)
1990	31,671,159	22,678,693	139.65	(8,992,466)	19,618,490	(45.84)
1991	33,958,189	25,553,291	132.89	(8,404,898)	23,241,088	(36.16)
1992	37,256,737	27,815,412	133.94	(9,441,325)	25,134,051	(37.56)
1993	42,222,677	30,493,879	138.46	(11,728,798)	26,512,361	(44.24)
1994	45,416,793	32,761,741	138.63	(12,655,052)	28,640,627	(44.18)
1995	48,304,460	37,420,470	129.09	(10,883,990)	30,348,093	(35.86)

COLE, EVANS & PETERSON
CERTIFIED PUBLIC ACCOUNTANTS

M. ALTON EVANS, JR., C.P.A.
PARTNER EMERITUS

WILLIAM JEFFERSON COLE, C.P.A.
A. WILLIAM PETERSON, C.P.A.
CAROL T. BARNES, C.P.A.
C. WILLIAM GERARDY, JR., C.P.A.
BARRY S. SHIPP, C.P.A.
STEVEN W. HEDGEPEETH, C.P.A.
STEVEN R. BAYER, C.P.A.
GWENDOLYN H. HARJU, C.P.A.
TIMOTHY R. DURR, C.P.A.
BAILEY B. BAYNHAM, C.P.A.
ROBERT A. BUSBY, C.P.A.

FIFTH FLOOR TRAVIS PLACE
POST OFFICE DRAWER 1768

SHREVEPORT, LOUISIANA 71166-1768

TELEPHONE (318) 222-8367
TELECOPIER (318) 425-4101

September 5, 1996

JOHN A. CASKEY, C.P.A.
JUDY E. MONCRIEF, C.P.A.
ANNE-MARIE COLE CAIN, C.P.A.
TIMOTHY W. BORST, C.P.A.
RAYNELLE H. THOMPSON, C.P.A.
BRENDA J. BISHOP, C.P.A.
MARY WELLS CARMODY, C.P.A.
ERIC D. SMITH, C.P.A.
DAVID W. BULLOCK, C.P.A.
NINA G. GLORIOSO, C.P.A.
J. AMY HEMMINGS, C.P.A.

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
North Caddo Hospital Service District
Vivian, Louisiana

We have audited the accompanying proprietary fund balance sheets of North Caddo Hospital Service District, d/b/a North Caddo Memorial Hospital, component unit of the Caddo Parish Commission, at June 30, 1996 and June 30, 1995 and the related statements of revenues, expenses and changes in retained earnings, 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 Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Caddo Hospital Service District, d/b/a North Caddo Memorial Hospital at June 30, 1996 and June 30, 1995 and the results of its operations and its 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 dated September 5, 1996 on our consideration of North Caddo Hospital Service District, d/b/a North Caddo Memorial Hospital's internal control structure and a report dated September 5, 1996 on its compliance with laws and regulations.

(Cole, Evans & Peterson)
Cole, Evans & Peterson

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEMORIAL HOSPITAL
BALANCE SHEETS-PROPRIETARY FUND
AT JUNE 30, 1996 AND JUNE 30, 1995

<u>ASSETS</u>	<u>1996</u>	Enterprise Fund June 30 <u>1995</u>
<u>Current Assets:</u>		
Cash (Note 4)		
Certificates of Deposit (More than Three Month Maturities) (Note 4)	343,311	396,420
Accounts Receivable from Patient Services (Net of Estimated Allowances for Contractual Adjustments and Uncollectible Accounts of \$1,107,306 - 1996; \$396,099 - 1995) (Note 3)	345,000	
Interest Receivable	799,462	892,901
Inventories-Drugs and Supplies	1,348	486
Prepaid Expenses	141,707	136,745
Total Current Assets	<u>24,723</u> 1,655,551	<u>29,269</u> 1,455,821
<u>Fixed Assets: (At Cost) (Note 5)</u>		
Land		
Land Improvements	95,367	95,367
Buildings and Building Improvements	115,678	109,193
Equipment	1,734,730	1,734,730
Equipment Held Under Capital Lease (Note 6)	1,721,557	1,544,672
	<u>34,441</u>	<u>108,175</u>
Less-Accumulated Depreciation	3,701,773	3,592,137
Net Fixed Assets	<u>2,108,984</u> 1,592,789	<u>1,933,656</u> 1,658,481
<u>Other Assets:</u>		
Estimated Third-Party Payor Settlements (Note 3)	186,138	
Unamortized Cost of Tax Election	<u>12,922</u>	<u>3,994</u>
Total Other Assets	<u>199,060</u>	<u>3,994</u>
Total Assets	<u>3,447,400</u>	<u>3,118,296</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEMORIAL HOSPITAL
BALANCE SHEETS-PROPRIETARY FUND
AT JUNE 30, 1996 AND JUNE 30, 1995

<u>LIABILITIES AND FUND EQUITY</u>	<u>1996</u>	<u>Enterprise Fund June 30 1995</u>
<u>Current Liabilities:</u>		
Accounts Payable		
Accrued Salaries, Withholdings and Retirement	100,591	171,925
Accrued Employee Vacation Benefits	51,415	43,297
Accrued Interest Payable	65,665	56,136
Current Portion of Notes Payable (Note 7)		3,388
Current Portion of Obligations Under Capital Leases (Note 6)		5,834
Total Current Liabilities	<u>7,109</u>	<u>20,788</u>
	224,780	301,368
<u>Long-Term Liabilities:</u>		
Notes Payable (Note 7)		
Obligations Under Capital Leases (Note 6)		5,834
	<u>20,301</u>	<u>80,564</u>
Less-Current Portions	20,301	86,398
Total Long-Term Liabilities	<u>7,109</u>	<u>26,622</u>
	<u>13,192</u>	<u>59,776</u>
<u>Commitments and Contingent Liabilities (Note 8)</u>		
Total Liabilities	<u>237,972</u>	<u>361,144</u>
<u>Fund Equity:</u>		
Contributed Capital (Note 12)	539,950	539,950
Retained Earnings (Undesignated) (Exhibit B)	2,669,478	2,217,202
Total Fund Equity	<u>3,209,428</u>	<u>2,757,152</u>
Total Liabilities and Fund Equity	<u>3,447,400</u>	<u>3,118,296</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEMORIAL HOSPITAL
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS-PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 1996 AND JUNE 30, 1995

	Enterprise Fund Year Ended June 30	
	<u>1996</u>	<u>1995</u>
<u>Operating Revenue:</u>		
Net Patient Revenue (Note 3)	3,933,799	3,453,329
Other Operating Revenue	<u>3,080</u>	<u>3,520</u>
Total Operating Revenues	3,936,879	3,456,849
<u>Operating Expenses:</u>		
Direct Departmental Expenses	2,473,773	2,413,638
Housekeeping	133,731	128,714
Maintenance and Utilities	149,961	151,649
Medical Records	73,722	82,100
General and Administrative (Notes 9, 10 and 15)	692,525	670,898
Depreciation (Note 5)	219,639	212,875
Amortization	1,996	1,996
Interest Expense (Note 14)	<u>3,268</u>	<u>9,359</u>
Total Operating Expenses	3,748,615	3,671,229
<u>Income (Loss) from Operations</u>	188,264	(214,380)
<u>Nonoperating Revenue:</u>		
Interest Income	18,563	11,349
Ambulance Tax Revenues (Note 11)	181,448	185,106
Grant (Note 13)	50,714	75,000
Rent Income	8,400	8,400
Gain on Sale of Equipment	2,500	
Gain on Lease Conversion (Note 6)	<u>2,387</u>	
Total Nonoperating Revenues	264,012	<u>279,855</u>
<u>Net Income</u>	452,276	65,475
<u>Retained Earnings-Beginning of Year</u>	2,217,202	2,151,727
<u>Retained Earnings-End of Year</u>	<u>2,669,478</u>	<u>2,217,202</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEMORIAL HOSPITAL
STATEMENTS OF CASH FLOWS-PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 1996 AND JUNE 30, 1995

	Enterprise Fund Year Ended June 30	
	<u>1996</u>	<u>1995</u>
<u>Cash Flows from Operating Activities:</u>		
Net Income (Exhibit B)	452,276	65,475
Reconciliation of Net Income to Cash Flows from Operating Activities:		
Depreciation and Amortization	221,635	214,871
Interest Income on Investing Activities	(18,563)	(11,349)
Property Tax Revenues	(181,448)	(185,106)
Interest Expense on Financing Activities	3,268	9,359
(Gain) on Asset Disposed	(2,500)	
(Gain) on Lease Conversion	(2,387)	
Grant from Noncapital Financing Activities	(50,714)	(75,000)
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(92,699)	1,635
(Decrease) in Accounts Payable	(53,687)	(255,233)
Decrease (Increase) in Prepaid Expenses	4,546	(444)
Decrease (Increase) in Inventory	(4,962)	40
Net Cash Provided (Used) by Operating Activities	274,765	(235,752)
<u>Cash Flows from Noncapital Financing Activities:</u>		
Property Tax Revenues Received	181,448	185,106
Grant Received	50,714	75,000
Cost of Tax Election	(10,924)	—
Net Cash Provided by Noncapital Financing Activities	221,238	260,106
<u>Cash Flows from Capital and Related Financing Activities: (Note 12)</u>		
Acquisition and Construction of Capital Assets	(156,694)	(18,009)
Proceeds from Sale of Assets	2,500	
Principal Payments on Bank Loans	(5,834)	(35,000)
Principal Payments on Capital Leases	(55,129)	(19,001)
Interest Payments on Bank Loans and Capital Leases	(6,656)	(8,968)
Net Cash (Used) for Capital and Related Financing Activities	(221,813)	(80,978)
<u>Cash Flows from Investing Activities:</u>		
Interest Income on Investments	17,701	11,294
Purchase of Certificates of Deposit	(345,000)	—
Net Cash Provided (Used) from Investing Activities	(327,299)	11,294

The Accompanying Notes Are An Integral Part Of These Financial Statements

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEMORIAL HOSPITAL
STATEMENTS OF CASH FLOWS-PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 1996 AND JUNE 30, 1995

	Enterprise Fund Year Ended June 30	
	<u>1996</u>	<u>1995</u>
<u>(Decrease) in Cash and Cash Equivalents</u>	(53,109)	(45,330)
<u>Cash and Cash Equivalents at Beginning of Year</u>	<u>396,420</u>	<u>441,750</u>
<u>Cash and Cash Equivalents at End of Year</u>	<u>343,311</u>	<u>396,420</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The accompanying financial statements are prepared in conformity with generally accepted accounting principles. Application of those principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates. See Note 16 concerning significant estimates.

A summary of significant accounting policies follows:

Fund Types and Basis of Accounting

The Hospital accounts for its financial position and results of operations in accordance with generally accepted accounting principles applicable to governmental units.

Given the nature of the Hospital's activities, only one proprietary type fund, an enterprise fund, is maintained. The Hospital conducts its activities on a fee for service basis in a manner similar to commercial enterprises that provide services to the public. Proprietary fund types are accounted for on the accrual basis.

Budgets and Budgetary Accounting

Under Louisiana law, hospital service districts are not required to operate under a formal budget. Accordingly, budgetary accounting is not presented in the financial statements.

Patient Revenue

Patient revenues are reported net of free services and contractual adjustments, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period in which the related services are rendered and adjusted in future periods as final settlements are determined. See Note 3.

Fixed Assets and Depreciation

Fixed assets other than those held under capital leases are included at cost, or if donated, at fair value on the date of receipt. Depreciation is computed using the straight-line method over the assets' estimated useful lives. See Note 5.

Capital Leases and Amortization

Assets and liabilities under capital leases are recorded at the present value of the minimum lease payments. The assets are amortized over their related lease terms which approximate their estimated productive lives. Amortization of assets under capital leases is included in depreciation.

Inventories

Inventories are reported principally at cost using a first-in, first-out cost flow assumption.

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEMORIAL HOSPITALNOTES TO FINANCIAL STATEMENTSNote 1 - Summary of Significant Accounting Policies (Continued)Compensated Absences

The Hospital's policy regarding employees' vacation pay provides that employees' earned and unused vacation benefits accumulate and vest. Therefore a liability is recorded for those unpaid benefits. The Hospital does not provide any other compensated absences that accumulate and vest.

Advertising

Costs of advertising are expensed as incurred.

Income Taxes

As a component unit of the Caddo Parish Commission and the State of Louisiana (Note 2), the Hospital is exempt from income taxes.

Intangibles

The cost of an election to levy taxes for the Hospital's benefit is being amortized over the life of the levy (10 years) beginning with the year ended June 30, 1988, the year which tax revenues were first received. See Note 11.

A new tax election was voted in and will be effective for year end June 30, 1997. The costs of this new election to levy taxes for the Hospital's benefit have been capitalized and will be amortized over the life of the levy (10 years) beginning with the year ended June 30, 1997, the year during which tax revenues will be first received.

Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes all unrestricted highly liquid deposits and debt instruments acquired with maturities of three months or less.

Note 2 - Organization and Operations

North Caddo Hospital Service District d/b/a North Caddo Memorial Hospital (the "Hospital") is located in Vivian, Louisiana and provides in-patient and out-patient acute and nonacute medical care, including emergency services, primarily to patients residing in the Vivian area. A significant portion of the Hospital's revenues are from patients who are beneficiaries under the Medicare program (See Note 3).

The Hospital is organized and operated as a hospital service district and is a component unit of the Caddo Parish Commission. It has no component units in its operations. The Hospital operates and is financially independent of the Caddo Parish Commission.

Since the Hospital is a component unit of the Caddo Parish Commission it is considered part of the Commission and is included as such for financial reporting purposes. The governing authority of the Hospital is a board of commissioners consisting of six voting members. The members are appointed by the Commission for six-year terms. The governing authority of the Hospital board was established by an ordinance of the Caddo Parish Commission.

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

Note 2 - Organization and Operations (Continued)

The Hospital was determined to be a component unit of the Caddo Parish Commission due to its financial accountability to the Commission as follows:

The Commission has the ability to appoint or remove members of the board at will.

The Commission requires the Board to advise them on problems concerning the operation of the hospital and other facilities.

The accompanying financial statements present information only on the sole fund maintained by the Hospital and do not present information on the Caddo Parish Commission.

Note 3 - Patient Revenues and Accounts Receivable

The Hospital has agreements with third-party payors that provide for reimbursement to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's established rates for services and amounts reimbursed by third-party payors.

Under the Medicare program, inpatient acute care services rendered to Medicare beneficiaries are paid at prospectively determined rates per discharge. Such rates include an amount for capital costs apportioned to inpatient Medicare beneficiaries and vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services, outpatient services and capital costs apportioned to outpatient Medicare beneficiaries are paid based upon a cost reimbursement method. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits by the Medicare fiscal intermediary.

For the years ended June 30, 1996 and June 30, 1995, the Hospital received approximately 71 percent and 70 percent respectively, of its gross patient revenue from Medicare beneficiaries. These revenues are subject to health insurance program fiscal intermediary review and retroactive adjustment. Cost reports for the years ended June 30, 1996, 1995 and 1994 are subject to examination. Provisions have been made for estimated settlements and adjustments.

Prior to July 1, 1994, inpatient and outpatient services rendered to Medicaid beneficiaries were reimbursed under a cost reimbursement method. Effective July 1, 1994, inpatient services are reimbursed at a per diem rate and outpatient services are reimbursed under a cost reimbursement method. Under the cost reimbursement method, the Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits by the Medicaid fiscal intermediary. Under the per diem method, one established rate is used for all patient stays regardless of the magnitude or complexity of the services provided. The Hospital's Medicaid cost reports for the years ended June 30, 1996, 1995 and 1994, are subject to examination by the Medicaid fiscal intermediary. Provisions have been made for estimated settlements and adjustments.

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

Note 3 - Patient Revenues and Accounts Receivable (Continued)

At June 30, 1996, the Hospital has \$186,138 in settlements receivable from the Medicaid program that, due to administrative delays, are expected to be received no earlier than July 1, 1997.

Note 4 - Cash and Certificates of Deposit

All cash in banks is insured or collateralized. Louisiana law requires banks and savings and loan associations to secure a government's deposits by pledging government securities as collateral. For this purpose "cash in banks" is comprised of the account balances according to the banks' records which at June 30, 1996 are as follows:

	<u>Citizens National Bank</u>	<u>Bank One, N.A.</u>
Cash in Banks	\$ <u>177,129</u>	\$ <u>652,048</u>
Insured by FDIC	\$ <u>100,000</u>	\$ <u>100,000</u>
Collateralization	\$ <u>300,000</u>	\$ <u>565,000</u>

Collateral is held by the pledging financial institution's trust department in the name of North Caddo Memorial Hospital.

Note 5 - Depreciation

Depreciation expense and the estimated useful lives of the major categories of fixed assets are as follows:

	Year Ended June 30	
	<u>1996</u>	<u>1995</u>
Buildings and Building Improvements (15-40 years)	\$ 65,475	\$ 65,500
Equipment and Furniture (4-25 years)	147,883	141,422
Land Improvements (8-20 years)	<u>6,281</u>	<u>5,953</u>
	<u>\$ 219,639</u>	<u>\$ 212,875</u>

Note 6 - Capital Leases

The Hospital leases computer equipment under a capital lease which expires in 1999. The computer lease automatically transfers ownership of the equipment to the Hospital at the end of the lease term.

During the year ended June 30, 1996, the Hospital converted a capital lease of office equipment to an operating lease (See Note 9). Also during the year ended June 30, 1996, the Hospital excised its option to purchase an ambulance it was leasing under a capital lease.

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

Note 7 - Notes Payable (Continued)

Citizens Bank & Trust Company of Louisiana	Principal Payable in 120 monthly installments of \$1,458 beginning 8-1-85, interest at 9% is payable semi-annually; Secured by pledge of excess revenues pursuant to certificate of indebtedness	2,917
Total Notes Payable		\$ 5,834
<u>Less-Current Portion</u>		<u>5,834</u>
Long-Term Portion		<u>\$ - 0 -</u>

The two certificates of indebtedness mentioned above contain identical provisions among which are the Hospital's promises to generate adequate operating revenues, not make any additional pledges of excess revenues, and not use the loan proceeds in a way that would cause the debt to be treated as an arbitrage certificate within the meaning of Section 103(c) of the Internal Revenue Code.

Note 8 - Commitments and Contingent Liabilities

See Note 9 concerning operating lease commitments.

See Note 3 regarding contingencies concerning the Hospital's Medicare and Medicaid cost reports.

Note 9 - Operating Leases

The Hospital has entered into several operating leases for telephones, medical equipment, and various other equipment. These operating leases range from one month to five years with expiration dates through March, 1999. Rent expense under these leases for the years ended June 30, 1996 and June 30, 1995 is as follows:

	Year Ended June 30	
	1996	1995
Telephones	\$ 14,293	\$ 10,659
Medical Equipment	33,857	28,226
Various Other Equipment	<u>12,791</u>	<u>16,397</u>
	<u>\$ 60,941</u>	<u>\$ 55,282</u>

Minimum future rental payments under noncancellable operating leases are as follows:

<u>Year Ending June 30</u>	
1997	\$ 32,112
1998	7,140
1999	<u>5,355</u>
	<u>\$ 44,607</u>

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS

Note 14- Interest Expense

Interest expense is summarized below:

	Year Ended June 30	
	<u>1996</u>	<u>1995</u>
Interest Expense on Notes Payable	\$ - 0 -	\$ 2,014
Other Interest Expense	<u>3,268</u>	<u>7,345</u>
	<u>\$ 3,268</u>	<u>\$ 9,359</u>

Note 15- Advertising

Advertising costs for the years ended June 30, 1996 and June 30, 1995 are \$7,879 and \$3,894, respectively.

Note 16- Significant Estimates

As described at Note 3, estimated allowances from accounts receivable for bad debts and contractual discounts and settlements have been provided. Due to uncertainties inherent in the estimation of such allowances, it is at least reasonably possible that actual bad debts and contractual discounts and settlements that materialize in the near term could differ materially from the estimates.

Note 17- Fair Values of Financial Instruments

The carrying amounts of all the Hospital's financial instruments, both assets and liabilities, approximate their respective fair values due to their short maturities.