

Hospital Service District No. 1 of Tangipahoa Parish, Louisiana

Notes to Financial Statements (continued)

4. Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. The following information measures the level of charity care provided during the years ended June 30, 1996 and 1995.

	<u>1996</u>	<u>1995</u>
Charges foregone, based on established rates	<u>\$ 4,999,212</u>	<u>\$ 2,002,204</u>

5. Assets Whose Use is Limited

The terms of the Hospital's 1994 and 1991 Revenue Bonds require funds to be maintained on deposit in certain accounts with the trustee. The funds on deposit in the accounts are required to be invested by the trustee in accordance with the terms of the Bond Resolution. As of June 30, 1996 and 1995, the funds were deposited as follows:

	<u>1996</u>	<u>1995</u>
Bond debt service accounts	<u>\$ 269,974</u>	<u>\$ 269,729</u>
Sinking fund accounts	<u>853,397</u>	<u>808,026</u>
Construction accounts	<u>32,274,188</u>	<u>33,876,709</u>
Capitalized interest	<u>1,865,238</u>	<u>1,323,366</u>
Reserve accounts	<u>4,985,938</u>	<u>4,264,893</u>
	<u>\$ 48,248,735</u>	<u>\$ 43,542,623</u>

The Hospital board of commissioners has designated Hospital funds to be used for future plant and equipment additions, separate and apart from the expansion program, and to fund self-insurance claims.

The funds, included in assets whose use is limited, were invested in certificates of deposit, U. S. Government obligations and money market funds which are carried at cost which approximates the market value at June 30, 1996 and 1995.

Hospital Service District No. 1 of Tangipahoa Parish, Louisiana

Statements of Cash Flows

	Year ended June 30	
	1996	1995
Operating activities		
Revenue in excess of expenses	\$ 10,497,289	\$ 9,114,689
Adjustments to reconcile revenue in excess of expenses to net cash provided by operating activities:		
Depreciation	4,422,779	3,989,291
Net gain on disposals of assets	(1,189)	(7,488)
Interest income	(3,804,233)	(1,139,575)
Interest expense	1,992,663	1,940,642
Changes in operating assets and liabilities:		
Patient accounts receivable	(3,393,388)	(1,314,942)
Inventories, prepaid expenses and other current assets	(387,832)	(264,862)
Net amounts due to Medicare and Medicaid programs	(1,256,698)	1,849,024
Accounts payable, accrued salaries and payroll-related costs, and other accrued expenses	1,790,166	890,282
Net cash provided by operating activities	11,286,596	13,157,946
Capital and related financing activities		
Proceeds from issuance of long-term debt	-	68,554,084
Purchases of property, plant and equipment	(11,396,862)	(5,999,496)
Proceeds from disposals of assets	1,189	51,789
Principal payments on long-term debt	(555,080)	(10,495,000)
Principal payments on capital lease obligations	(349,982)	(470,811)
Interest payments on bonds and capital leases	(3,493,273)	(2,258,368)
Payments of bond issuance costs	-	(2,383,482)
Other	18,871	-
Net cash provided by (used in) capital and related financing activities	(15,764,346)	36,379,576
Investing activities		
Maintenance or certification of deposit	-	1,503,828
Interest earned	4,042,495	3,098,624
Increase in assets whose use is limited	(453,161)	(38,742,270)
Other	43,426	57,398
Net cash provided by (used in) investing activities	3,632,660	(5,082,420)
Net (increase) (decrease) in cash	954,910	555,000
Cash at beginning of year	5,188,214	2,553,210
Cash at end of year	\$ 6,143,124	\$ 3,108,210

See accompanying notes.

Hospital Service District No. 1 of Tangipahoa Parish, Louisiana

Notes to Financial Statements

June 30, 1986

1. Organization and Significant Accounting Policies

Organization

The Hospital Service District No. 1 of Tangipahoa Parish, Louisiana (the Hospital or the District) is a nonprofit public corporation organized under powers granted to parish police juries by Chapter 10, Title 45 of the Louisiana Revised Statutes of 1950. All corporate powers are vested in the board of commissioners appointed by the Tangipahoa Parish Police Jury. The District owns and operates North Oaks Medical Center and North Oaks Rehabilitation Hospital which is located on two campuses in the city of Hammond, Louisiana. As a political subdivision, the Hospital is exempt from federal income taxes under Section 115 of the Internal Revenue Code. This exemption also applies to state income taxes.

Inventories

Inventories are valued at the latest invoice price which approximates lower of cost (first-in, first-out method) or market.

Property, Plant and Equipment

The Hospital records all property, plant and equipment acquisitions at cost except for assets donated to the Hospital. Donated assets are recorded at appraised value at the date of donation. The Hospital provides for depreciation of its plant and equipment using the straight-line method based on the estimated useful lives of the assets as suggested by the American Hospital Association. Equipment recorded under capital lease obligations is included in buildings and equipment and the associated amortization of these assets is included in depreciation expense.

Debt Issuance Expense

The Hospital recorded as an asset the costs incurred in connection with the issuance of the 1984 Revenue Bonds. These costs are being amortized using the interest method over the life of the bond issue. The amortization is included in interest expense in the statement of revenue, expenses and fund balance.

Self-Insurance Claims

Accrued self-insurance claims represent the Hospital's accrual for self-insured professional liability and workers' compensation claims and employee health.

Hospital Service District No. 1 of Tangipahoa Parish, Louisiana

Notes to Financial Statements (continued)

2. Cash and Investments (continued)

contracts issued by a financial institution having one of the two highest rating categories of Standard & Poor's Corporation or Moody's Investors Services, or its mutual or trust institutions which are registered with the Securities Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940 and which have underlying investments consisting solely of securities of the United States Government or its agencies.

The Hospital's bank balances of deposits at June 30, 1996 and 1995, which are included in cash and assets whose use is limited on the balance sheet, were entirely insured or collateralized with securities held by an agent for the pledging bank in the Hospital's name.

At June 30, 1996 and 1995, the Hospital had invested \$51,404,862 and \$33,114,464, respectively, in U. S. Government obligations and money market accounts whose underlying investments consist solely of securities of the U. S. Government or its agencies, which are held by a trustee or an agent of the Hospital in the Hospital's name. These funds are recorded in assets whose use is limited on the balance sheet.

3. Health Insurance Program Reimbursement

The Hospital participates in the Medicare and Medicaid program as a provider of medical services to program beneficiaries. During the years ended June 30, 1996 and 1995, approximately 89% and 71%, respectively, of the Hospital's patient service charges were furnished to Medicare and Medicaid program beneficiaries.

Medicare and Medicaid settlements have been determined following the principles of reimbursement applicable to each program and have been recorded in the accounts of the Hospital. Estimated settlements for the years through June 30, 1994 have been audited or reviewed by program representatives and adjustments of \$582,336 and \$611,960 for fiscal years 1996 and 1995, respectively, have been recorded to increase net patient service revenue in each of the years to reflect the effect of changes made by program representatives. No significant differences are anticipated between the settlements recorded and the final settlements to be determined by program representatives.

Hospital Service District No. 1 of Tangipahoa Parish, Louisiana

Notes to Financial Statements (continued)

6. Note Receivable

The Hospital entered into an agreement with the Cancer, Radiation and Research Foundation (the Foundation) for the purpose of constructing a facility that provides radiation oncology treatments on an outpatient basis. Under the terms of the agreement, the Hospital loaned \$600,000 to the Foundation to construct the facility on the Hospital's campus. The note receivable from the Foundation is payable over 30 years and bears an annual interest rate of 5.5%. The Hospital holds a mortgage on the facility (including equipment, furniture and fixtures) to collateralize the note receivable. In addition, the Hospital agreed to lease the land upon which the facility is located to the Foundation for a nominal annual rental fee. The initial lease term is for 30 years with 3 successive 10-year renewal options.

7. Employee Retirement Plan

The Hospital has a defined contribution plan which covers all full-time employees who elect to participate after they have met certain eligibility requirements. Under the plan, the Hospital is required to contribute 2% of the salaries of eligible employees while participants may contribute up to the maximum level allowed by the Internal Revenue Code or 25% of gross salary, whichever is less. The participants vest immediately in the Hospital's and their contributions. The retirement benefits received by the participants will depend upon the accumulated value of their accounts upon termination, attaining age 59 1/2, severe financial hardship, or death.

Retirement expense included in administration and general expense on the statement of revenues, expenses and fund balance was \$385,100 in fiscal year 1996 and \$311,093 in fiscal year 1995, representing the required contributions in both years. Employee contributions were \$748,269 in 1996, representing 4.15% of total covered payroll. Total payroll and covered payroll were \$42,734,676 and \$18,267,668, respectively, for the year ended June 30, 1996.

8. Risk Management

Prior to July 1, 1993, the Hospital was self-insured for medical malpractice on a claims-made basis for individual claims up to \$100,000. Effective July 1, 1993, the Hospital subscribed to the Louisiana Hospital Association Insurance Trust Fund for medical malpractice coverage up to \$100,000. For individual malpractice claims in excess of \$100,000, the Hospital participates in the State of Louisiana Patient Compensation Fund (the Fund). The Fund provides malpractice coverage to the Hospital for claims in excess of \$100,000 up to

Hospital Service District No. 1 of Tangipahoa Parish, Louisiana

Notes to Financial Statements (continued)

B. Risk Management (continued)

\$500,000. According to current state law, medical malpractice liability (exclusive of future medical care awards) is limited to \$500,000 per occurrence. Hospital management has no reason to believe that the Hospital will be prevented from continuing its participation in the Fund.

The Hospital is involved in litigation arising in the ordinary course of business. Claims alleging malpractice have been asserted against the Hospital and are currently in various stages of litigation. As of June 30, 1996, the Hospital has accrued \$450,000 for the estimated loss and litigation expenses related to professional liability claims for which the Hospital is self-insured. Claims have been filed alleging damages in excess of the amounts accrued for estimated malpractice costs. It is the opinion of management that estimated malpractice costs accrued at June 30, 1996 are adequate to provide for potential losses resulting from pending or threatened litigation. Additional claims may be asserted against the Hospital arising from services provided to patients through June 30, 1996. The Hospital is unable to determine the ultimate cost of the resolution of such potential claims and, accordingly, no accrual has been made for them.

The Hospital is self-insured for workers' compensation up to \$225,000 per claim, and employee health up to \$50,000 per claim. A liability is recorded when it is probable that a loss has been incurred and the amount of that loss can be reasonably estimated. Liabilities for claims incurred are reevaluated periodically to take into consideration recently settled claims, frequency of claims and other economic and social factors. The Hospital purchased commercial insurance which provides coverage for workers' compensation and employee health claims in excess of the self-insured limit.

Changes in the Hospital's aggregate claims liability in fiscal year 1996 and 1995 were as follows:

Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
1996	\$ 1,817,348	\$ 4,121,783	\$ (4,444,073)	\$ 1,495,058
1995	\$ 835,466	\$ 4,324,312	\$ (3,342,431)	\$ 1,817,348

Hospital Service District No. 1 of Tangipahoa Parish, Louisiana

Notes to Financial Statements (continued)

9. Capital Lease Obligations

The Hospital has entered into capital lease obligations for radiology, cat scans and telephone equipment. Future minimum lease payments, by year and in the aggregate, under these capital lease obligations consisted of the following at June 30, 1996:

1997	\$ 284,463
1998	281,250
1999	345,008
2000	308,509
2001	—
Total minimum lease payments	<u>1,219,229</u>
Less amount representing imputed interest	<u>68,824</u>
Present value of net minimum lease payments (including \$246,824 classified as current)	<u>\$ 972,175</u>

During 1995, the Hospital entered into two capital lease obligations with the present value of future minimum lease payments totaling \$491,855 at inception. The future lease payments are included in the table above. No capital lease obligations were entered into in 1996.

The cost of leased assets included in equipment totaled \$1,513,367 in 1996 and \$2,590,371 in 1995 and accumulated amortization was \$673,217 and \$1,099,083 at June 30, 1996 and 1995, respectively. The equipment collateralizes the capital lease obligations.

The Hospital has entered into various cancellable operating leases for equipment usage. Operating lease expense was \$1,290,890 and \$1,114,321 for the years ended June 30, 1996 and 1995, respectively.

Hospital Service District No. 1 of Tangipahoa Parish, Louisiana

Notes to Financial Statements (continued)

18. Long-Term Debt

The Hospital's long-term debt as of June 30, 1996 and 1995 consisted of bonds payable as follows:

	1996	1995
Hospital Revenue Bonds, Series 1990	\$ 1,000,000	\$ 1,485,000
Hospital Revenue Bonds, Series 1994	61,385,000	61,485,000
Less unamortized bond discounts	929,571	590,115
	<u>61,455,429</u>	<u>61,379,885</u>
Less current portion	585,000	555,000
	<u>\$ 60,870,429</u>	<u>\$ 61,404,885</u>

The Hospital issued \$13,000,000 of Hospital Revenue Bonds (Series 1990) which are serial bonds with annual interest rates ranging from 6.85% to 6.50% and annual principal payments ranging from \$485,000 in 1990 to the final payment in 2000 of \$1,185,000. The Revenue Bonds are subject to optional redemption at the discretion of the Hospital on February 1, 1998 and thereafter at par. Payment of the scheduled principal and interest on the 1990 Revenue Bonds is insured by AMBAC Indemnity Corporation. The 1990 Revenue Bonds are obligations of the Hospital secured by a pledge of the Hospital's revenue. In connection with the issuance of the Series 1994 Revenue Bonds, the Hospital defeased \$10,015,000 of the Series 1990 Revenue Bonds maturing from 1999 to 2000 (see below).

On July 5, 1994, the District issued \$61,335,000 of Hospital Revenue Bonds, Series 1994 (the Series 1994 Bonds). The proceeds of the Series 1994 bonds, along with other available funds will be used to advance refund \$30,015,000 of the Series 1990 bonds, fund certain additions, renovation and improvements to the Hospital and reimburse the Hospital for the cost of previous property, plant and equipment acquisitions. The Series 1994 Bonds consist of \$36,190,000 of serial bonds and \$25,145,000 of term bonds. The serial bonds mature annually in amounts ranging from \$80,000 at February 1, 1995 to \$1,105,000 at February 1, 2009 and bear interest rates ranging from 3.80% to 3.95%. The term bonds consist of \$10,825,000 due February 1, 2004 bearing interest at 6.125% and \$34,480,000 due February 1, 2004 bearing interest at 6.250%. The term bonds are subject to mandatory sinking fund redemption prior to maturity at par in amounts ranging from \$1,920,000 at February 1, 2000 to \$4,400,000 at February 1, 2004. Payments of the scheduled principal and interest on the 1994 Revenue Bonds are insured by AMBAC

Hospital Service District No. 1 of Tangipahoa Parish, Louisiana

Notes to Financial Statements (continued)

14. Long-Term Debt (continued)

Indemnity Corporation. Under the terms of the Bond Indenture, the Hospital is required to maintain, among other provisions, a certain debt service coverage ratio and minimum level of days cash on hand.

In connection with the advance refunding of a portion of the outstanding Series 1990 Bonds, \$10,193,000 in proceeds from the Series 1994 bonds was deposited in an irrevocable trust with a trustee and used to purchase U. S. Government securities. The U. S. Government securities held by the trust, together with interest to be earned, are sufficient to provide for the payment of principal and interest on the portion of the Series 1990 Bonds advance refunded. As a result, \$10,015,000 of the Series 1990 Bonds are considered to be defeased effective July 3, 1994.

The advance refunding on July 3, 1994 resulted in the recognition of an accounting loss of \$495,000 which primarily represents the write-off of unamortized bond issuance costs. As a result, the District in effect reduced its aggregate debt service payments by approximately \$475,000 over the next 15 years and realized an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$300,000. The loss on defeasance has been included in interest expense on the statement of revenues, expenses and fund balance for the period ended June 30, 1995.

During fiscal years 1996 and 1995, the Hospital capitalized interest cost of \$2,620,259 and \$2,544,268, respectively, as part of the expansion project. In addition, interest earned on unexpended bond proceeds in the amount of \$2,225,840 and \$2,059,045 in fiscal years 1996 and 1995, respectively, were capitalized as a reduction to the expansion project.

The scheduled maturities of the Series 1990 Bonds (portion not advance refunded) and the Series 1994 Bonds for the next five fiscal years ending June 30 are as follows: 1997—\$369,000; 1998—\$1,015,000; 1999—\$1,050,000; 2000—\$1,125,000; 2001—\$1,150,000; and \$97,410,000 thereafter.

Hospital Service District No. 1 of Tangipahoa Parish, Louisiana

Notes to Financial Statements (continued)

II. Commitments

As of June 30, 1998, the Hospital had incurred \$326,047 related to renovations and expansion of certain routine and ancillary departments in the Hospital. These projects are expected to be completed during fiscal year 1999 at an estimated additional cost of \$802,552. The board of commissioners has approved the expenditure of \$1,238,600 to upgrade the Hospital's information systems.

In addition, the Hospital had incurred \$6,628,213 related to the expansion project in connection with the 1994 Bond Issue. The expansion is expected to be completed in April 1998 at an estimated additional cost of approximately \$41,962,828.

Hospital Service District No. 1 of Tangipahoa Parish, Louisiana

Financial Statements

Years ended June 30, 1996 and 1995

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Hospital Service District No. 1 of Tangipahoa Parish, Louisiana

Notes to Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

Net Patient Service Revenue and Related Reimburses

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. The Hospital provides care to patients even though they are covered by contractual payment arrangements that do not pay full charges or they lack adequate insurance. As a result, the Hospital is exposed to certain credit risks. The Hospital manages such risks by regularly reviewing its accounts and contracts by providing appropriate allowances.

Medicare and Medicaid Reimbursement

The Hospital is paid under the Medicare Prospective Payment System (PPS) which pays the Hospital a predetermined amount for Medicare inpatient services rendered based, for the most part, on the Diagnosis Related Group (DRG) assigned to the patient. Medicaid inpatient services are paid on a prospective per diem system.

Medicare outpatient services, psychiatric care, home health services, bed dates, skilled nursing services, rehabilitation services, and Medicaid outpatient services are reimbursed a certain amount during the year which is subject to a retrospective payment adjustment determined in accordance with appropriate Medicare or Medicaid program regulations. Retrospective cost settlements are accrued on an estimated basis in the period the related services are rendered and adjusted as necessary in future periods as final settlements are determined.

Changes in Presentation of Comparative Statements

Certain amounts in the 1995 financial statements have been reclassified to conform to the 1996 presentation.

2. Cash and Investments

States authorize the Hospital to invest in United States Government obligations and agencies, certificates of deposit of national banks located in Louisiana or banks organized under the laws of Louisiana, any federally insured investment, guaranteed investment

The 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 specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the 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, managers, and the Office of Legislative Auditor, State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Ernst & Young LLP

September 3, 2006

Financial Statements

**Hospital Service District No. 1
of Tangipahoa Parish, Louisiana**

*Years ended June 30, 1990 and 1989
with Report of Independent Auditors*

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Hospital Service District No. 1 of Tangipahoa Parish, Louisiana

June 30, 1996

Audited Financial Statements

Report of Independent Auditors on the Internal Control Structure

Report of Independent Auditors on Compliance With Laws and Regulations

Report of Independent Auditors on Compliance With Revenue Bond Resolutions

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: DEC 11 1996

Report of Independent Auditors

The Board of Commissioners
Hospital Service District No. 1 of
Tangipahoa Parish, Louisiana

We have audited the accompanying balance sheets of Hospital Service District No. 1 of Tangipahoa Parish, Louisiana (the Hospital or the District) as of June 30, 1996 and 1995, and the related statements of revenue, expenses and fund balance 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 the Hospital at June 30, 1996 and 1995, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.



September 5, 1996

Hospital Service District No. 1 of Tangipahoa Parish, Louisiana

Balance Sheets

	June 30	
	1996	1995
Assets		
Current assets:		
Cash	\$ 1,197,824	\$ 3,108,314
Patient accounts receivable, net of estimated uncollectibles of \$4,286,000 in 1996 and \$5,219,000 in 1995	19,086,544	15,614,899
Assets whose use is limited (required for current liabilities—self-insurance) claims and debt service	2,960,488	2,778,447
Inventories	126,146	186,783
Prepaid expenses and other current assets	1,286,442	968,999
Total current assets	25,737,144	22,666,729
Assets whose use is limited:		
Under bond indemnity agreements—held by trustee: Revenue Bonds, Series 1994 and 1995	40,248,729	43,573,068
By board for plant and equipment additions and replacements	23,990,130	30,256,856
By board for self-insurance claims	657,175	612,189
	<u>64,896,034</u>	<u>64,442,113</u>
Less assets whose use is limited (required for current liabilities)	2,960,488	2,778,447
Noncurrent assets whose use is limited	61,935,546	61,663,666
Notes receivable	578,696	594,448
Unamortized debt issuance costs	2,187,957	2,236,271
Property, plant and equipment:		
Land	3,829,784	3,177,089
Buildings and equipment	66,551,521	58,294,514
Construction in progress	7,993,889	4,810,672
	<u>78,375,194</u>	<u>66,282,275</u>
Less accumulated depreciation	35,762,486	31,722,947
	<u>42,612,708</u>	<u>34,559,328</u>
	\$132,982,801	\$122,801,289

	June 30	
	1996	1995
Liabilities		
Current liabilities:		
Accounts payable	\$ 4,639,768	\$ 3,171,783
Accrued salaries and payroll related costs	2,479,534	1,831,083
Accrued interest payable	1,568,480	1,552,879
Accrued self-insurance claims	1,199,895	1,517,345
Estimated third-party payor settlements — Medicare and Medicaid	4,982,616	6,139,310
Current portion of capital lease obligations	248,824	247,716
Current portion of long-term debt	525,000	555,000
Total current liabilities	<u>15,587,277</u>	<u>15,145,106</u>
Capital lease obligations, excluding current portion	688,299	923,389
Long-term debt, net of unamortized bond discount of \$828,571 in 1996 and \$880,116 in 1995, excluding current portion	68,870,428	61,685,894
Fund balance	55,845,996	65,327,856
	<u>\$132,992,000</u>	<u>\$122,882,245</u>

See accompanying notes.

Hospital Service District No. 1 of Tangipahoa Parish, Louisiana

Statements of Revenue, Expenses and Fund Balance

	Year ended June 30	
	1996	1995
Net patient service revenue	\$ 88,756,597	\$ 83,057,385
Other revenue	3,375,285	2,187,191
Total revenue	<u>92,131,882</u>	<u>85,244,576</u>
Expenses:		
Routine services	14,374,668	12,528,838
Auxiliary services	35,248,637	31,494,861
Household and property	3,718,696	3,438,836
Dietary and calories	1,968,819	1,919,587
Administration and general	18,468,369	18,217,545
Provision for bad debts	2,068,822	2,602,127
Depreciation	4,432,539	3,989,291
Interest	1,392,663	1,640,642
Total expenses	<u>81,657,213</u>	<u>79,129,887</u>
Revenue in excess of expenses	10,474,669	6,114,689
Fund balance at beginning of year	48,327,836	36,213,187
Contributions for equipment additions	18,871	-
Fund balance at end of year	<u>\$ 66,821,376</u>	<u>\$ 42,327,876</u>

See accompanying notes.

Report of Independent Auditors on Compliance With Revenue Bond Resolution

The Board of Commissioners
Hospital Service District No. 1 of
Tangipahoa Parish, Louisiana

We have audited, in accordance with generally accepted auditing standards, the balance sheet of Hospital Service District No. 1 of Tangipahoa Parish, Louisiana (the District) as of June 30, 1996, and the related statements of income, expenses and fund balance and cash flows for the year then ended, and have issued our report thereon dated September 9, 1996.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the terms, covenants, provisions, or conditions of Sections 208, 400, 402, 501, 504 through 507, 512, 601, 602, 711, 718, 802a), 802b), and 1201 of the Composite Bond Resolution relating to \$25,000,000 Hospital Revenue Bonds (Series 1994) and \$61,535,000 Hospital Revenue Bonds (Series 1994) reflecting the provisions of Resolutions adopted by Hospital Service District No. 1 of the Parish of Tangipahoa, State of Louisiana on July 17, 1990, November 28, 1990, May 18, 1994, and June 23, 1994 insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information of the board of commissioners, management, the bond trustee, and the Office of Legislative Auditor, State of Louisiana. However this report is a matter of public record and its distribution is not limited.



September 9, 1996

Report of Independent Auditors on
Compliance With Laws and Regulations

The Board of Commissioners
Hospital Service District No. 1 of
Tangipahoa Parish, Louisiana

We have audited the financial statements of Hospital Service District No. 1 of Tangipahoa Parish, Louisiana (the District) as of and for the year ended June 30, 1996, and have issued our report thereon dated September 9, 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. These 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 the District is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, and contracts. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. The District has advised us that it has not received any grants; accordingly, no procedures were applied by us with respect to grants.

The results of our tests disclosed no instances of non-compliance 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 the Office of Legislative Auditor, State of Louisiana. However, this report is a matter of public record and its distribution is not limited.



September 9, 1996