

NORTH CAROLINA HOSPITAL SERVICE DISTRICT, aka NORTH CAROLINA MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

Gains and losses on the disposal of fixed assets are considered incidental to the provision of health care services and, as such, are reported as miscellaneous.

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.

Inventory

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

Compensated Absences

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

Amortization of Intangibles

The cost of an election to levy taxes for the Medical Center'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 18.

A new tax election was voted in and is effective for the year end June 30, 1991. The costs of this new election to levy taxes for the Medical Center's benefit have been capitalized and are being amortized over the life of the levy (10 years) beginning with the year ended June 30, 1991, the year during which tax revenues were first received.

**NORTH CALHO HOSPITAL SERVICE DISTRICT, dba NORTH CALHO MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies (Continued)

Cash Equivalents

Cash and cash equivalents includes all unrestricted highly liquid deposits and debt instruments acquired with maturities of three months or less.

Accounting Standards

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 26, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting* and Statement No. 29, *The Use of Cost for Financial Accounting and Financial Reporting Principles by Governmental Entities*, the Medical Center has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, which were developed for business enterprises, rather than those whose provisions are limited to not-for-profit organizations or address issues primarily concerning such organizations.

See Note 17 concerning a change in the Medical Center's reporting practices.

Risk Management

The Medical Center is exposed to various risks of loss from theft; theft of, damage to, and destruction of assets; business interruptions; errors and omissions; employee injuries and illnesses; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. See Note 15.

Note 2 - Organization and Operations

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

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

Since the Medical Center is a component unit of the Calho Parish Commission it is considered part of the Commission and is not listed as such for financial reporting purposes. The governing authority of the Medical Center 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 Medical Center board was established by an ordinance of the Calho Parish Commission.

The Medical Center was determined to be a component unit of the Calho Parish Commission due to its financial accountability to the Commission as follows:

**NORTH CAROLINA HOSPITAL SURVEILLANCE AND NORTH CAROLINA MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS**

Note 2 - Organization and Operations (Continued)

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 Medical Center and other facilities.

The accompanying financial statements present information only on the sole fund established by the Medical Center and do not present information on the Caidle Parish Commission.

Note 3 - Patient Revenues and Accounts Receivable

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

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 Medical Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audit by the Medicare fiscal intermediary.

For the years ended June 30, 1997 and June 30, 1996, the Medical Center received approximately 60 percent and 71 percent, respectively, of its gross patient revenue (58 and 62 percent, respectively, of its net patient revenues) from Medicare beneficiaries. These revenues are subject to health insurance program fiscal intermediary review and retrospective adjustment. Cost reports for the years ended June 30, 1997, 1996 and 1995 are subject to examination. Provisions have been made for estimated settlements and adjustments.

Under the Medicaid program, 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 Medical Center is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audit 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 Medical Center's Medicaid cost reports for the years ended June 30, 1997, 1996 and 1995 are subject to examination by the Medicaid fiscal intermediary. Provisions have been made for estimated settlements and adjustments.

The Medical Center has also entered into reimbursement agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations which result in cost net of adjustments from established rates.

**NORTH CAROLINA HOSPITAL SERVICE DISTRICT, 4504 NORTH CAROLINA MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS**

Note 3 - Patient Revenues and Accounts Receivable (Continued)

A summary of patient revenues for the years ended June 30, 1997 and June 30, 1996 follows:

	Year Ended June 30	
	1997	1996
Patient Revenues at Established Rates	\$ 7,681,896	\$ 7,511,151
<u>Late-Deductions from Patient Revenues:</u>		
Provisions for Contractual Adjustments Under Third-Party Reimbursement Programs	3,810,365	3,254,887
Provision for Bad Debt	<u>362,993</u>	<u>278,043</u>
Total Deductions	3,873,358	3,532,930
Net Patient Revenues	<u>\$ 4,118,538</u>	<u>\$ 3,978,221</u>

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

	At June 30	
	1997	1996
Gross Patient Accounts Receivable	\$ 1,814,798	\$ 1,908,788
<u>Estimated Allowances and Uncollectible Accounts: (Note 13)</u>		
Allowances for Bad Debts and Contractual Adjustments Under Third-Party Reimbursement Programs	778,128	851,871
Provision for Settlements to Third-Party Payers	<u>346,672</u>	<u>247,455</u>
	<u>1,124,800</u>	<u>1,099,326</u>
Net Accounts Receivable from Patient Services	<u>\$ 689,998</u>	<u>\$ 809,462</u>

NORTHCAROLINA HOSPITAL SERVICE DISTRICT, aka NORTHCAROLINA MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 2 - Patient Receivables and Accounts Receivable (Continued)

At June 30, 1996, the Medical Center had \$186,138 in settlements receivable from the Medicaid program that were not expected to be realized within twelve months, and accordingly reported as noncurrent. However, notwithstanding that expectation, the settlements were received during April, 1997.

Note 3 - Cash and Cash Equivalents of Deposits

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 U.S. 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, 1997 are as follows:

	Citizens National Bank	Bank of Am. N. A.
Cash in Banks	\$ 281,452	\$ 815,621
Insured by FDIC	\$ 180,000	\$ 180,000
Collateralization	\$ 300,000	\$ 280,000

Collateral is held by the pledging financial institution's trust department in the name of North Carolina Medical Center.

Note 5 - Depreciation

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

	Year Ended June 30	
	1997	1996
Buildings and Building Improvements (15-40 years)	\$ 65,581	\$ 65,475
Equipment and Furniture (4-12 years)	148,015	147,880
Land Improvements (8-20 years)	6,588	6,281
	\$219,984	\$219,636

**NORTH CAROLINA HOSPITAL SERVICE DISTRICT, dba NORTH CAROLINA MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS**

Note 6 - Capital Leases

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

During the year ended June 30, 1993, the Medical Center signed a capital lease for lab equipment, which expires in 2002. The lab-equipment lease automatically transfers ownership to the Medical Center at the end of the lease term.

During the year ended June 30, 1996, the Medical Center converted a capital lease of office equipment to an operating lease (See Note 8). Also during the year ended June 30, 1996, the Medical Center exercised its option to purchase an ambulance it was leasing under a capital lease.

Following is a summary of property held under the leases:

	At June 30	
	1993	1996
Lab Equipment	\$ 17,184	\$
Computer Equipment	<u>14,641</u>	<u>14,641</u>
	31,825	14,641
Less-Accumulated Depreciation	<u>12,661</u>	<u>15,097</u>
	<u>\$ 19,164</u>	<u>\$ 18,544</u>

Minimum future lease payments under these leases are as follows:

Year Ending June 30	Computer Equipment	Laboratory Equipment	Total
1998	\$ 3,412	\$ 3,593	\$ 7,005
1999	5,683	4,156	9,839
2000	- 0 -	4,156	4,156
2001	- 0 -	4,156	4,156
2002	- 0 -	<u>3,993</u>	<u>3,993</u>
	14,095	11,054	25,149
Less-Amount Representing Interest	<u>983</u>	<u>4,218</u>	<u>5,201</u>
Net Present Value of Minimum Lease Payments	<u>\$ 13,112</u>	<u>\$ 6,836</u>	<u>\$ 19,948</u>
Imputed Rate of Interest	7.80%	9.23%	

NORTH CAROLINA HOSPITAL SERVICE DISTRICT AND NORTH CAROLINA MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 7 - Commitments and Contingent Liabilities

The Medical Center has committed up to \$158,000 in cash and up to \$200,000 for in-kind services for the establishment of an OB/GYN department contingent on the Medical Center receiving grant funds. If the grant funds are not received, the Medical Center is not obligated to establish and operate an OB/GYN department. The probability of receiving the grant cannot be estimated.

See Note 15 regarding insurance contingencies.

See Note 8 concerning operating lease commitments.

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

Note 8 - Operating Leases

The Medical Center 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 May, 2002. Rent expense under these leases for the years ended June 30, 1997 and June 30, 1996 is as follows:

	Year Ended June 30	
	1997	1996
Telephones	\$ 14,579	\$ 14,795
Medical Equipment	29,782	53,817
Various Other Equipment	12,644	17,791
	\$ 57,005	\$ 86,403

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

Year Ending June 30	
1998	\$ 18,112
1999	17,327
2000	11,973
2001	11,973
2002	8,977
	\$ 78,362

Effective June 1, 1995, the Medical Center entered into a one-year sublease with the Vivian Industrial Development Corporation (VIDC) for a house located in Vivian, Louisiana. The VIDC, as lessor, agrees to pay the monthly rent of \$100 to the original lessor and the Medical Center, as sublessee, agrees to pay all water, sewerage, gas, electricity, telephone, and cable services used at the leased premises. The Medical Center 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 Medical Center has an annual option to renew the sublease for a period of one year. Total six person under this sublease for the year ended June 30, 1997 and June 30, 1996 was \$1,320 and \$1,663, respectively.

See Note 6 concerning capital leases.

**NORTH CAHOO HOSPITAL SERVICE DISTRICT, AKA NORTH CAHOO MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS**

Note 5 - Pension Plan

Plan Description

The Parochial Employee Retirement System of Louisiana, a Public Employee Retirement System (PERA), is the administrator of a cost sharing multiple-employer plan that was established by the Louisiana legislature as of January 1, 1993, by Act 208 of 1992. The system was revised by Act No. 785 of 1979, effective January 1, 1980, to replace the "regular plan" with the Plan B Fund of which North Cahoo Hospital Service District is a participant. The Retirement System is governed by the Louisiana Revised Statutes, Title 18, Sections 1901 through 2015, specifically, and other general laws of the State of Louisiana.

The Parochial Employee Retirement System of Louisiana, Inc. issues a publicly available financial statement report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing the Parochial Employees' Retirement System of Louisiana, Inc., Post Office Box 14618, Baton Rouge, Louisiana, 70899-4618.

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 20 years of creditable service and is at least age 59, 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.

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 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.

Equity securities are carried at cost.

NORTH CAROLINA HOSPITAL SERVICE DISTRICT, d/b/a NORTH CAROLINA MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 2 - Pension Plan (Continued)

Related Party Transactions

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

Valuations

Presented below is the total pension benefit obligation for the Plan B fund of the Periodical Employees' Retirement System of Louisiana as of December 31, 1996, 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 PEBS. 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 percent.
2. Future pension payments reflect an assumption of a 5.5 percent 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.

The pension benefit obligation for the Plan B fund at December 31, 1996 and December 31, 1995 is as follows:

	At December 31	
	1996	1995
For Current Employees:		
Accumulated Employee Contributions	\$ 5,693,840	\$ 4,764,428
Employee Financed Vested	8,280,448	5,835,613
Employee Financed Non-Vested	<u>12,587,570</u>	<u>11,099,113</u>
Total Active Members	26,561,866	22,700,154
Retirees, Beneficiaries, and Terminated	<u>15,131,868</u>	<u>14,847,993</u>
Total Pension Benefit Obligation	42,693,734	37,548,147
Net Assets Available for Benefits at Amortized Cost	<u>34,272,483</u>	<u>48,285,468</u>
(Overfunded) Pension Benefit Obligation	\$ <u>11,285,452</u>	\$ <u>18,881,979</u>
Fair Market Value of Net Assets Available for Benefits	<u>\$ 37,430,181</u>	<u>\$ 51,818,915</u>

NORTH CAROLINA HOSPITAL SERVICE DISTRICT, a/k/a NORTH CAROLINA MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note B - Pension Plan (Continued)

Plan Funding

Employee and employee contributions to the Pension Plan are established by State statute. For each of the years ended December 31, 1996 and December 31, 1995, employee contributions are 2 percent of covered wages in excess of \$100 per month. Employee contributions are 1 percent of covered wages for each of the years ended December 31, 1996 and December 31, 1995. In addition to the aforementioned contributions, the tax collector of various parishes contributes 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, 1996 and December 31, 1995 are as follows:

	Year Ended December 31	
	1996	1995
Employee	\$ 614,360	\$ 578,542
Employer	221,880	369,372
Taxing Bodies	31,142	200,693
	\$ 867,382	\$ 1,148,607

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

Year Ended (December 31)	Employer Contributions	Percentage of Payroll
1994	\$ 116,260	.96
1995	184,113	1.81
1996	1,047,828	2.44
1997	1,233,413	2.51

The net employer contribution for the 1997 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.

The Medical Center's contributions to the Plan for the years ended June 30, 1997 and June 30, 1996 are as follows:

	Year Ended June 30	
	1997	1996
Employee's Contributions Included in General and Administrative Expenses	\$ 32,700	\$ 16,372
Total Covered Payroll	\$1,821,628	\$1,800,311
Total Payroll	\$2,057,430	\$1,878,292

NORTH CALDO HOSPITAL SERVICE DISTRICT, dba NORTH CALDO MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 2 - Pension Plan (Continued)

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, 1996.

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

Year Ended December 31	Net Assets Available		Pension Benefit Obligation	Percentage Funded	Overfunded (Underfunded) Pension Benefit Obligation	Annual Contribution	Percentage of Total Fund
	in Dollars	in Percent					
	Current	1996					
1987	\$ 23,241,837	\$ 28,273,833	117.61	\$ 1,569,896	\$ 36,992,960	7.28%	
1988	24,997,244	19,382,982	124.68	1,499,454	36,824,357	7.19%	
1989	26,292,516	20,866,982	140.29	1,422,534	37,499,124	7.49%	
1990	27,671,179	22,678,993	129.62	1,392,186	37,618,499	7.58%	
1991	23,988,189	26,292,291	132.89	1,404,102	33,241,088	7.14%	
1992	21,266,217	27,802,412	133.84	1,441,195	28,124,681	7.16%	
1993	42,322,677	29,693,829	139.26	(11,728,792)	26,912,261	6.42%	
1994	42,486,791	32,781,261	128.62	(11,685,472)	26,681,627	6.51%	
1995	48,304,660	27,426,129	129.89	(10,881,530)	26,249,893	6.58%	
1996	34,272,433	42,683,829	127.12	(11,399,397)	34,781,191	7.16%	

Note 18 - Ambulance Property Taxes

The Medical Center received \$184,150 and \$181,448 in property tax revenues for the years ended June 30, 1997 and June 30, 1996, respectively. This revenue is used primarily for the establishment, maintenance and operation of an ambulance service for the residents of the North Caldo Hospital Service District. Any revenue in excess of the ambulance service costs may be used for maintaining, operating, and improving the Medical Center.

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

	Year Ended June 30	
	1997	1996
Property Tax Assessment	\$ 289,774	\$ 294,521
Allowance for Uncollectible Assessments	(18,241)	(21,619)
Property Tax Collected	182,533	262,902
Adjustments, Interest and Price Period Corrections	3,817	(1,820)
Property Taxes Reported	\$ 186,350	\$ 261,082

**NORTH CAROLINA HOSPITAL SERVICE DISTRICT, 6666 NORTH CAROLINA MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS**

Note 10- Ambulance Property Taxes (Continued)

The ambulance service property tax levy expired in May, 1997. A resolution was to extend the tax levy for an additional ten years was held in March, 1998 and was approved. The renewed tax levy will expire in May, 2007.

Note 11- Grant Revenue

The Medical Center received \$25,808 and \$58,714 in grants during the years ended June 30, 1997 and June 30, 1996, respectively, from the Louisiana Department of Health and Hospitals. The purpose of the grants is to recognize the ability of the Medical Center to provide high quality emergency health services.

Note 12- Advertising

Advertising costs for the years ended June 30, 1997 and June 30, 1996 are \$7,552 and \$7,879, respectively.

Note 13- Bad Debt Estimates

As described in 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.

As described in Note 15, the Medical Center participates in the Louisiana Hospital Association Malpractice Insurance Trust Fund and Workman's Compensation Group Self Insurance Fund. Due to uncertainties inherent in the estimation of potential claims, it is at least reasonably possible that actual claims that materialize in the near term could differ materially from the estimates.

Note 14- Rental Income

The Medical Center leases office space in its Extended Services building to Wilks-Knight Medical Center under a month-to-month operating lease. Rental income is presented in the statement of operations as nonoperating revenue. Rental income for each of the years ended June 30, 1997 and June 30, 1996 is \$8,400.

Note 15- Insurance

North Carolina Medical Center is a participant of the Louisiana Hospital Association Malpractice Insurance Trust Fund and Workman's Compensation Group Self Insurance Fund. These trust funds retroactively set premiums for members based on the loss history of each entity group. The Medical Center expenses premiums paid to these multi-provider captive insurance companies (trusts) over the policy periods covered.

NORTH CALIFORNIA HOSPITAL SERVICE DISTRICT, dba NORTH CALIFORNIA MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 15- Insurance (Continued)

According to the trust documents for the Malpractice Insurance Trust, participants are jointly and severally liable for the obligations of the Trust with the right of indemnity among the Participants for each Participant's pro rata share of the obligation as formalized in the trust document. Each Participant has the contingent economic liability for the payment of actual losses and expenses incurred while a Participant is in the Trust. This contingent liability is not to exceed the amount necessary to make up trust fund deficiencies in the trust fund year in which the obligations were incurred, and such liability is not to exceed an amount equal to the charges otherwise due by each Participant during each plan year.

According to the trust documents for the Workers' Compensation Group Self Insurance Fund, participants are liable jointly and in whole for claims not paid pursuant to Subpart J of Part I of Chapter 10 of Title 27 of the Louisiana Revised Statutes of 1950, with the right of indemnity among the Participants for each Participant's pro rata share of the obligation as formalized in the trust documents. Each Participant has the contingent economic liability for the payment of actual losses and expenses incurred while a Participant is in the Trust, but only to the extent that such losses and expenses are not paid by the claims coverage received by the Trust.

North Caddo Medical Center is a member of the Louisiana Patient's Compensation Fund and therefore under current Louisiana law its liability should be limited to the statutory maximum of \$400,000, which is covered by a primary \$100,000 with the Louisiana Hospital Association Malpractice and General Liability Trust and the additional \$300,000 through the State of Louisiana Patient's Compensation Fund.

Management does not believe that any significant contingent liabilities exist under these insurance arrangements.

Note 16- Noncash Capital and Related Financing Activities

During the year ended June 30, 1991, the Medical Center entered into two capital leases for the acquisition of an ambulance and lab equipment. The amounts of assets capitalized under these leases are \$70,608 and \$17,184, respectively.

Note 17- Accounting Changes

The Medical Center has applied the provisions of the AICPA Audit and Accounting Guide titled Health Care Organizations (the "Guide") dated May 1, 1997, retroactively to July 1, 1996 and restated its financial statements for the year ended June 30, 1996. None of the effects of applying the Guide's provisions to the Medical Center's financial statements affected financial measurements, rather these effects were limited to changes in format, classifications and terminology.

**NORTH CAROLINA HEMATOLOGICAL DISTRICT AND NORTH CAROLINA MEDICAL CENTER
REPAIR PURCHASES FROM FISCAL AND DISTRICT DEPARTMENTAL EXPENSE**

FOR THE YEARS ENDING JUNE 30, 1992 AND JUNE 30, 1993

	Year Ended June 30, 1992		Year Ended June 30, 1993		
	Account	Debit	Credit	Account	Debit
DEPARTMENTAL	12,049.71		464,176	49,621	390,416
Medical Unit	371,967		114,241	214,466	249,425
Supply	1,348,465		272,039	471,814	1,051,221
Recovery	1,176,812		56,661	413,178	248,000
Laboratory	200,488		42,171	211,816	1,014,000
Operating and Support	391,212		249,154	558,711	487,548
Emergency Room	18,494		8,949	85,143	18,000
Cardiac Care (Medical)	89,528		44,815	293,81	11,498
Intensivists	964,174		111,711	411,241	107,500
Infusion Therapy	441,738		184,466	155,681	374,500
Central Supply	4,102		1,419	1,662	1,948
Physical Therapy	211,116		67,547	211,728	46,776
CT Scan	11,008		46,075	1,166	38,078
Neurological	248,152		79,660	21,272	1,800
Cardiology	46,147		31,461	91,164	222,961
ECG/MR	14,148		21,549	1,491	1,031
Special Services	42,814		7,447	55,756	28,511
Treatment Room	200,761		284,978	11	3,496
Anesthesia	1,000		10,000	30,000	179,648
Radiation Oncology			10,000	30,000	7,117
			30,000		
Totals	5,607,064		1,226,325	1,689,655	5,412,721

Debit to Cash Receipts
Medical and Medical Devices
Other Departmental Accounts
Bad Debt

Net Patient Service Revenue

1,149,075
1,411,186
1,120,000
1,177,117

1,689,655

NORTHCAROLINA HOSPITAL SERVICE DISTRICT, aka NORTHCAROLINA MEDICAL CENTER
 GENERAL AND ADMINISTRATIVE EXPENSES
 FOR THE YEARS ENDED JUNE 30, 1997 AND JUNE 30, 1996

	Year Ended June 30	
	1997	1996
General and Administrative Salaries	182,584	168,744
Professional Fees	25,533	35,115
Telephone	16,730	18,804
Insurance	96,025	83,678
Employee Benefits and Payroll Taxes	318,238	279,892
Supplies and Other	111,805	79,072
	<u>751,885</u>	<u>655,105</u>

NORTH CAROLINA HOSPITAL SURVIVAL DISTRICT AND NORTH CAROLINA MEDICAL CENTER
 COMPENSATION PAID TO MEMBERS OF THE BOARD OF COMMISSIONERS
 FOR THE YEAR ENDING JUNE 30, 1997

Compensation (including per diem)
 Paid to Board Members:

Virgil G. Martin	1,280
Earl G. Williamson, Jr.	1,750
Kenneth D. Clay	1,180
Dennis B. Dominick	150
Bob L. Hogan	1,380
Robert Craft	1,280
Helen Adger	1,180

NORTH CADDON HOSPITAL SERVICE DISTRICT, dba, NORTH CADDON MEDICAL CENTER
SUMMARY OF OPERATING RESULTS

	Year Ended June 30				
	2002	2001	2000	1999	1998
Total Gross Revenues	3,068,820	2,778,620	6,335,794	6,480,628	6,118,961
Discounts and Bad Debts	1,478,318	1,571,533	2,600,890	2,863,383	2,818,714
Cost and Expense	6,188,181	5,705,803	5,871,222	5,291,892	5,194,112
Net Income (Loss)	<u>(287,679)</u>	<u>(498,716)</u>	<u>(135,318)</u>	<u>(104,547)</u>	<u>(173,865)</u>
Total Hospital Patient Days	1,753	1,609	3,418	4,853	5,182
Admissions	482	726	734	821	780
Inpatient Revenue per Patient Day	1,873	1,741	1,211	1,269	1,087
Inpatient Revenue as a Percent of Total Patient Revenue	61.80%	60.50%	79.99%	79.63%	87.66%
Net Income per Patient Day	-164.00	-309.83	-39.58	(-21.54)	(-33.54)
Net Income as a Percent of Gross Patient Revenues	-3.70%	-6.83%	-3.00%	(-1.62%)	(-2.67%)
Number of Days Not Patient Revenue in Net Patient Revenues	92.14	96.67	77.52	81.52	94.87
Average Length-of Patient Stay in Days	4.08	4.18	4.83	4.83	6.07

**SOUTH CAROLINA HOSPITAL DISTRICT AND THE NORTH CAROLINA MEDICAL CENTER
FINANCIAL STATEMENTS AND ASSOCIATED INFORMATION**

AT DECEMBER 31, 2002

	ASSETS AT COST				ACCUMULATED DEPRECIATIONS				Total Value Adjusted
	Land	Buildings	Equipment	Intangible	Buildings	Equipment	Intangible	Reserve (Net)	
Land	96,447		96,447						96,447
Land Improvements	225,678	91,887	129,382	5,970	6,008			78,000	479,937
Buildings and Building Improvements	1,734,778	21,981	1,756,759	74,174	80,699			813,667	943,092
Equipment	1,711,887	193,854	1,905,741	28,779	184,108	111,866	(28,079)	1,771,480	487,448
Equipment (Net) Capital Leasing	14,441	12,114	26,555		1,621	1,173		(21,661)	5,397
	1,844,713	284,842	2,129,543	114,923	270,680	218,041	(28,079)	2,178,414	1,988,111

The consideration of internal control would not necessarily disclose all matters in internal control 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 components do not reduce to a relatively low level the risk that errors and irregularities in accounts 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 internal control and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the Cable Parish Commission, 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 R. Peterson

NORTHCAROL HOSPITAL SERVICE DISTRICT, aka NORTHCAROL MEDICAL CENTER

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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 auditor, or reviewers, 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.

COLE, EVANS & PETERSON

REGISTERED ACCOUNTANTS AND CERTIFIED PUBLIC

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MEMBERSHIP, Louisiana, FROM 1988

TELEPHONE (504) 335-1100
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September 9, 1997

INDEPENDENT AUDITORY REPORT

WILLIAM W. ANDERSON, PRESIDENT
NORTH CADDO HOSPITAL SERVICE DISTRICT
1000 NORTH STATE, SUITE 1100
MONROE, LOUISIANA 70601
DR. J. W. ANDERSON, VICE PRESIDENT
NORTH CADDO HOSPITAL SERVICE DISTRICT
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MONROE, LOUISIANA 70601

Board of Commissioners
North Caddo Hospital Service District
Vivian, Louisiana

We have audited the accompanying proprietary fiscal balance sheets of North Caddo Hospital Service District, d/b/a North Caddo Medical Center, component unit of the Caddo Parish Commission, at June 30, 1997 and June 30, 1996 and the related statements of operations and changes in fiscal balances, and cash flows for the periods indicated. These financial statements are the responsibility of the Medical Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. 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 audit provides 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 Medical Center at June 30, 1997 and June 30, 1996 and the results of its operations, changes in fiscal balances, 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 9, 1997 on our consideration of North Caddo Hospital Service District, d/b/a North Caddo Medical Center's internal control and a report dated September 9, 1997 on its compliance with laws and regulations.

Cole, Evans & Peterson
Cole, Evans & Peterson

NORTH CAROLINA HOSPITAL SERVICE DISTRICT, aka NORTH CAROLINA MEDICAL CENTER

BALANCE SHEETS-PROPRIETARY FUND

AT JUNE 30, 1997 AND JUNE 30, 1996

ASSETS	1997	Enterprise Fund	
		June 30	1996
Current Assets:			
Cash and Cash Equivalents (Note 4)	154,500	103,714	
Certificates of Deposit (More than Three Month Maturity) (Note 4)	600,000	100,000	
Accounts Receivable From Patient Services-Net of Estimated Allowances and Uncollectible Accounts (\$804,867 - 1997; \$1,007,586 - 1996)(Note 3)	1,009,842	799,462	
Interest Receivable	1,001	1,318	
Inventories-Drugs and Supplies	126,357	141,707	
Prepaid Expenses	26,732	24,523	
Total Current Assets	2,064,592	1,669,724	
Fixed Assets- (At Cost)(Note 5)			
Land	95,367	95,367	
Land Improvements	126,480	135,878	
Buildings and Building Improvements	1,796,830	1,734,738	
Equipment	1,764,812	1,721,457	
Equipment Held Under Capital Lease (Note 6)	21,023	30,433	
	3,794,492	3,781,773	
Less-Accumulated Depreciation	2,181,717	2,188,984	
Net Fixed Assets	1,612,775	1,592,789	
Other Assets:			
Estimated Third-Party Payer Settlements (Note 3)		186,108	
Assets Not in Service	4,118		
Unrecovered Cost of Tax Election	2,873	17,972	
Total Other Assets	7,001	204,080	
Total Assets	3,684,368	3,466,593	

The Accompanying Notes Are An Integral Part Of These Financial Statements

NORTH CAROLINA HOSPITAL SERVICE DISTRICT AND NORTH CAROLINA MEDICAL CENTER
BALANCE SHEETS-PROPRIETARY FUNDS
AT JUNE 30, 1997 AND JUNE 30, 1996

	Enterprise Fund	
	1997	1996
LIABILITIES AND FUND BALANCE		
Current Liabilities:		
Accounts Payable	24,348	180,091
Accrued Salaries, Wages/Hours and Retirement	71,713	91,412
Accrued Employee Vacation Benefits	61,828	85,045
Current Portion of Obligations Under Capital Leases (Note 6)	<u>18,272</u>	<u>3,190</u>
Total Current Liabilities	184,961	360,738
Long-Term Liabilities:		
Obligations Under Capital Leases (Note 6)	28,928	28,341
Less-Current Portions	<u>18,272</u>	<u>3,190</u>
Total Long-Term Liabilities	10,656	15,151
Commitments and Contingent Liabilities (Note 7)		
Total Liabilities	<u>195,617</u>	<u>375,889</u>
Fund Balances:		
Restricted	-	-
Unrestricted	<u>1,896,858</u>	<u>2,799,178</u>
Total Fund Balances	<u>1,896,858</u>	<u>2,799,178</u>
Total Liabilities and Fund Balances	<u>1,892,451</u>	<u>2,811,489</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

**NORTH CAROLINA HOSPITAL SERVICE DISTRICT, 666 NORTH CAROLINA MEDICAL CENTER
STATEMENTS OF OPERATIONS AND
CHANGES IN FUND BALANCES (PROPRIETARY FUND)
FOR THE YEARS ENDED JUNE 30, 1997 AND JUNE 30, 1996**

	Enterprise Fund	
	Year Ended June 30	
	1997	1996
Operating Revenues:		
Net Patient Revenues (Note 3)	4,138,885	3,973,049
Other Operating Revenues	3,272	5,899
Total Operating Revenues	4,142,157	3,978,948
Operating Expenses:		
Direct Departmental Expenses	2,756,362	2,473,771
Housekeeping	124,688	175,710
Maintenance and Utilities	145,894	149,961
Medical Records	74,855	75,772
General and Administrative (Notes 8, 9 and 12)	711,380	682,525
Depreciation (Note 5)	249,634	299,639
Amortization	5,089	1,496
Interest Expense	4,493	7,248
Total Operating Expenses	4,335,391	3,788,632
Operating Income	206,766	190,316
Nonoperating Revenues:		
Interest Income	23,786	18,761
Ambulance Tax Revenues (Note 6)	194,350	183,438
Grants (Note 11)	25,080	88,711
Rent Income	4,480	4,480
Gain on Sale of Equipment	1,080	2,980
Gain on Lease Cancellation (Note 6)	-----	3,787
Total Nonoperating Revenues	248,776	298,157
Income in Unrestricted Fund Balance	285,542	488,473
Unrestricted Fund Balance at Beginning of Year	2,389,418	2,351,312
Unrestricted Fund Balance at End of Year	2,674,960	2,839,785

The Accompanying Notes Are An Integral Part Of These Financial Statements

NORTH CADDO HOSPITAL, SERVICE DISTRICT, AND NORTH CADDO MEDICAL CENTER
 STATEMENTS OF CASH FLOWS, PROPRIETARY FUND
 FOR THE YEARS ENDED JUNE 30, 1987 AND JUNE 30, 1986

	Proprietary Fund	
	1987	1986
Cash Flows from Operating Activities:		
Increase in Unrestricted Fund Balance (Exhibit B)	265,622	452,276
Reconciliation of Increase in Unrestricted Fund Balance to Cash Flows from Operating Activities:		
Depreciation and Amortization	243,723	221,678
Interest Income on Investing Activities	(27,786)	(18,762)
Property Tax Revenues	(194,386)	(181,318)
Interest Expense on Financing Activities	8,492	3,748
(Gain) on Asset Disposal	(3,680)	(2,981)
(Gain) on Lease Conversion		(2,767)
Grant from Noncapital Financing Activities	(25,000)	(50,712)
Changes in Operating Assets and Liabilities:		
(Increase) in Accounts Receivable	(24,315)	(82,679)
(Increase) in Accounts Payable	(58,992)	(51,681)
Increase (Decrease) in Prepaid Expense	(2,826)	-196
Decrease (Increase) in Inventory	15,328	(1,952)
Net Cash Provided by Operating Activities	218,277	274,765
Cash Flows from Noncapital Financing Activities:		
Property Tax Revenues Received	184,350	181,418
Grant Received	25,000	26,718
Cost of Tax Election		(18,504)
Net Cash Provided by Noncapital Financing Activities	215,350	270,132
Cash Flows from Capital and Related Financing Activities: (Note 14)		
Acquisition and Construction of Capital Assets	(168,694)	(156,641)
Proceeds from Sale of Assets	1,800	2,408
Principal Payments on Bank Loans		(5,844)
Principal Payments on Capital Leases	(18,157)	(55,179)
Interest Payments on Bank Loans and Capital Leases	(5,452)	(6,690)
Net Cash (Used) for Capital and Related Financing Activities	(205,743)	(221,946)
Cash Flows from Investing Activities: (Note 14)		
Interest Income on Investments	27,873	17,791
Purchase of Certificates of Deposit	(994,680)	(218,600)
Redemption of Certificates of Deposit	690,000	-----
Net Cash (Used) from Investing Activities	(326,807)	(200,809)

The accompanying Notes Are An Integral Part Of These Financial Statements.

NORTHCAROLINA HOSPITAL SERVICE DISTRICT, d/b/a NORTHCAROLINA MEDICAL CENTER
STATEMENTS OF CASH FLOWS - SUPPLEMENTARY FUND
FOR THE YEARS ENDED JUNE 30, 1997 AND JUNE 30, 1996

	Enterprise Fund Year Ended June 30	
	1997	1996
Operating Cash and Cash Equivalents	(88,742)	(53,009)
Cash and Cash Equivalents at Beginning of Year	345,311	298,470
Cash and Cash Equivalents at End of Year	256,569	245,461

The Accompanying Notes Are An Integral Part Of These Financial Statements

**NORFOLK ADMS HOSPITAL, SERVICE DISTRICT, 4004 NORFOLK ADMS MEDICAL CENTER
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 these 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 13 concerning significant estimates.

A summary of significant accounting policies follows:

Fund Types and Basis of Accounting

The Medical Center 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 Medical Center's activities, only one proprietary type fund, an enterprise fund, is maintained. The Medical Center 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.

Reserves 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.

Statement of Operations Classifications

Revenues and expenses deemed by management to be major, major, or central to the provision of health care services are reported as components of operating income. Transactions that are peripheral or incidental to providing health care services are reported as nonoperating.

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.