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**NORTH CADDO HOSPITAL SERVICE DISTRICT,**  
**d/b/a NORTH CADDO MEDICAL CENTER**

**VIVIAN, LOUISIANA**

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 1999**

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 interested 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 8 5 1999

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER

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October 29, 1999

## 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 Medical Center, component unit of the Caddo Parish Commission, at June 30, 1999 and June 30, 1998 and the related statements of operations and changes in fund balances, and cash flows for the years then ended. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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, 1999 and June 30, 1998 and the results of its operations, changes in fund 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 October 29, 1999 on our consideration of North Caddo Hospital Service District, d/b/a North Caddo Medical Center's internal control and its compliance with laws and regulations.

*Cole, Evans & Peterson*  
Cole, Evans & Peterson

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTERBALANCE SHEETS-PROPRIETARY FUNDAT JUNE 30, 1999 AND JUNE 30, 1998

| <u>ASSETS</u>  | Enterprise Fund  |                        |
|--|------------------|------------------------|
|  | <u>1999</u>      | June 30<br><u>1998</u> |
| <u>Current Assets:</u>   |                  |                        |
| Cash and Cash Equivalents (Note 4)   | 221,698          | 192,631                |
| Certificates of Deposit (More than Three Month Maturities)<br>(Note 4)   | 800,000          | 1,015,062              |
| Accounts Receivable from Patient Services-Net of Estimated<br>Allowances and Uncollectible Accounts<br>(\$932,497 - 1999; \$575,500 - 1998) (Note 3) | 1,005,681        | 747,206                |
| Interest Receivable  | 1,439            | 2,620                  |
| Inventories-Drugs and Supplies   | 132,030          | 120,458                |
| Prepaid Expenses   | <u>14,697</u>    | <u>22,913</u>          |
| Total Current Assets   | 2,175,545        | 2,100,890              |
| <u>Fixed Assets: (At Cost) (Note 5)</u>  |                  |                        |
| Land   | 95,367           | 95,367                 |
| Land Improvements  | 173,837          | 173,837                |
| Buildings and Building Improvements  | 1,891,939        | 1,761,122              |
| Equipment  | 1,888,183        | 1,672,761              |
| Equipment Held Under Capital Leases (Note 6)   | <u>308,464</u>   | <u>292,905</u>         |
|  | 4,357,790        | 3,995,992              |
| <u>Less-Accumulated Depreciation</u>   | <u>2,528,058</u> | <u>2,318,537</u>       |
| Net Fixed Assets   | 1,829,732        | 1,677,455              |
| <u>Other Assets:</u>   |                  |                        |
| Assets Not in Service  | 4,710            | 25,942                 |
| Unamortized Cost of Tax Election   | <u>7,648</u>     | <u>8,740</u>           |
| Total Other Assets   | <u>12,358</u>    | <u>34,682</u>          |
| Total Assets   | <u>4,017,635</u> | <u>3,813,027</u>       |

The Accompanying Notes Are An Integral Part Of These Financial Statements

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER

BALANCE SHEETS-PROPRIETARY FUND

AT JUNE 30, 1999 AND JUNE 30, 1998

| <u>LIABILITIES<br/>AND FUND BALANCE</u>                      | <u>1999</u>      | <u>Enterprise Fund<br/>June 30<br/>1998</u> |
|--|------------------|---|
| <u>Current Liabilities:</u>                                  |                  |   |
| Accounts Payable   | 106,598          | 16,133                                      |
| Accrued Salaries, Withholdings and Retirement                | 74,611           | 79,965                                      |
| Accrued Employee Vacation Benefits                           | 59,684           | 75,155                                      |
| Accrued Interest Payable                                     | 1,375            | 1,685                                       |
| Current Portion of Obligations Under Capital Leases (Note 6) | <u>57,778</u>    | <u>49,816</u>                               |
| Total Current Liabilities                                    | 300,046          | 222,754                                     |
| <br><u>Long-Term Liabilities:</u>                            |                  |   |
| Obligations Under Capital Leases (Note 6)                    | 235,981          | 243,110                                     |
| Less-Current Portions  | <u>57,778</u>    | <u>49,816</u>                               |
| Total Long-Term Liabilities                                  | 178,203          | 193,294                                     |
| <br><u>Commitments and Contingent Liabilities (Note 7)</u>   |                  |   |
| <br>Total Liabilities  | <u>478,249</u>   | <u>416,048</u>                              |
| <br><u>Fund Balance:</u>                                     |                  |   |
| Restricted   | - 0 -            | - 0 -                                       |
| Unrestricted   | <u>3,539,386</u> | <u>3,396,979</u>                            |
| Total Fund Balance   | <u>3,539,386</u> | <u>3,396,979</u>                            |
| <br>Total Liabilities and Fund Balance                       | <u>4,017,635</u> | <u>3,813,027</u>                            |

The Accompanying Notes Are An Integral Part Of These Financial Statements

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER

STATEMENTS OF OPERATIONS AND  
CHANGES IN FUND BALANCES-PROPRIETARY FUND  
FOR THE YEARS ENDED JUNE 30, 1999 AND JUNE 30, 1998

|   | Enterprise Fund    |                  |
|---|--------------------|------------------|
|   | Year Ended June 30 |                  |
|   | <u>1999</u>        | <u>1998</u>      |
| <u>Operating Revenue:</u>                               |                    |                  |
| Net Patient Revenue (Note 3)                            | 4,979,406          | 4,315,274        |
| Other Operating Revenue                                 | <u>3,033</u>       | <u>3,114</u>     |
| Total Operating Revenues                                | 4,982,439          | 4,318,388        |
| <u>Operating Expenses:</u>                              |                    |                  |
| Direct Departmental Expenses                            | 3,107,142          | 2,758,881        |
| Housekeeping  | 175,396            | 140,125          |
| Maintenance and Utilities                               | 208,968            | 186,473          |
| Medical Records   | 83,768             | 80,893           |
| General and Administrative (Notes 8, 9, 11, 16 and 17)  | 813,853            | 828,210          |
| Provisions for Bad Debts (Note 3)                       | 461,354            | 372,737          |
| Depreciation (Note 5)                                   | 263,543            | 259,375          |
| Amortization  | 1,093              | 1,092            |
| Interest Expense  | <u>22,012</u>      | <u>13,603</u>    |
| Total Operating Expenses                                | <u>5,137,129</u>   | <u>4,641,389</u> |
| <u>Operating Income (Loss)</u>                          | ( 154,690)         | ( 323,001)       |
| <u>Nonoperating Revenue:</u>                            |                    |                  |
| Interest Income   | 47,727             | 51,814           |
| Ambulance Tax Revenues (Note 10)                        | 152,461            | 170,150          |
| Grant (Note 18)   | 80,000             |                  |
| Rent Income (Note 13)                                   | 9,600              | 9,600            |
| Contributed Property (Note 15)                          |                    | 3,723            |
| Gain on Sale of Equipment                               | 7,309              |                  |
| Loss on Disposal of Equipment                           |                    | ( 10,157)        |
| Total Nonoperating Revenues                             | <u>297,097</u>     | <u>225,130</u>   |
| <u>Increase (Decrease) in Unrestricted Fund Balance</u> | 142,407            | ( 97,871)        |
| <u>Unrestricted Fund Balance at Beginning of Year</u>   | <u>3,396,979</u>   | <u>3,494,850</u> |
| <u>Unrestricted Fund Balance at End of Year</u>         | <u>3,539,386</u>   | <u>3,396,979</u> |

The Accompanying Notes Are An Integral Part Of These Financial Statements

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER

STATEMENTS OF CASH FLOWS-PROPRIETARY FUND

FOR THE YEARS ENDED JUNE 30, 1999 AND JUNE 30, 1998

|   | Enterprise Fund    |             |
|---|--------------------|-------------|
|   | Year Ended June 30 |             |
|   | <u>1999</u>        | <u>1998</u> |
| <u>Cash Flows from Operating Activities:</u>  |                    |             |
| Increase (Decrease) in Unrestricted Fund Balance (Exhibit B)  | 142,407            | ( 97,871)   |
| Reconciliation of Increase (Decrease) in Unrestricted Fund Balance to Cash Flows from Operating Activities: |                    |             |
| Depreciation and Amortization   | 264,636            | 260,467     |
| Interest Income on Investing Activities   | ( 47,727)          | ( 51,814)   |
| Property Tax Revenues   | ( 152,461)         | ( 170,150)  |
| Contributed Property  |                    | ( 3,723)    |
| Interest Expense on Financing Activities  | 22,012             | 13,603      |
| (Gain) on Assets Sold   | ( 7,309)           |             |
| Loss on Assets Disposed   |                    | 10,157      |
| Grant from Noncapital Financing Activities  | ( 80,000)          |             |
| Changes in Operating Assets and Liabilities:  |                    |             |
| Decrease (Increase) in Accounts Receivable  | ( 258,475)         | 262,726     |
| Increase in Accounts Payable  | 69,640             | 13,574      |
| Decrease in Prepaid Expenses  | 8,216              | 3,839       |
| Decrease (Increase) in Inventory  | ( 11,572)          | 5,899       |
| Net Cash Provided (Used) by Operating Activities  | ( 50,633)          | 246,707     |
| <u>Cash Flows from Noncapital Financing Activities:</u>   |                    |             |
| Property Tax Revenues Received  | 152,461            | 170,150     |
| Grant Received  | 80,000             |             |
| Net Cash Provided by Noncapital Financing Activities  | 232,461            | 170,150     |
| <u>Cash Flows from Capital and Related Financing Activities:</u> (Note 15)                                  |                    |             |
| Acquisition and Construction of Capital Assets  | ( 345,326)         | ( 119,892)  |
| Proceeds from Sale of Assets  | 8,047              |             |
| Principal Payments on Capital Leases  | ( 57,130)          | ( 28,098)   |
| Interest Payments on Capital Leases   | ( 22,322)          | ( 11,918)   |
| Net Cash (Used) by Capital and Related Financing Activities   | ( 416,731)         | ( 159,908)  |
| <u>Cash Flows from Investing Activities:</u>  |                    |             |
| Interest Income on Investments  | 48,908             | 51,175      |
| Purchase of Certificates of Deposit   | (1,400,000)        | (1,860,062) |
| Redemption of Certificates of Deposit   | 1,615,062          | 1,490,000   |
| Net Cash Provided (Used) by Investing Activities  | 263,970            | ( 318,887)  |

The Accompanying Notes Are An Integral Part Of These Financial Statements



NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER  
STATEMENTS OF CASH FLOWS-PROPRIETARY FUND  
FOR THE YEARS ENDED JUNE 30, 1999 AND JUNE 30, 1998

|   | Enterprise Fund<br>Year Ended June 30 |                |
|---|---------------------------------------|----------------|
|   | <u>1999</u>                           | <u>1998</u>    |
| <u>Increase (Decrease) in Cash and Cash Equivalents</u> | 29,067                                | ( 61,938)      |
| <u>Cash and Cash Equivalents at Beginning of Year</u>   | <u>192,631</u>                        | <u>254,569</u> |
| <u>Cash and Cash Equivalents at End of Year</u>         | <u>221,698</u>                        | <u>192,631</u> |

The Accompanying Notes Are An Integral Part Of These Financial Statements

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTERNOTES TO FINANCIAL STATEMENTSNote 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 12 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.

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.

Statement of Operations Classifications

Revenues and expenses deemed by management to be ongoing, 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.

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 nonoperating.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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 those unpaid benefits. The Medical Center 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.

Amortization of Intangibles

The costs of an 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, 1997, the year during which tax revenues were first received.

Cash Equivalents

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Accounting Standards

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting and Statement No. 29, The Use of Not-for-Profit 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, that do not conflict with or contradict GASB pronouncements and which were developed for business enterprises.

Risk Management

The Medical Center is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; 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 14.

Note 2 - Organization and Operations

North Caddo Hospital Service District, d/b/a North Caddo Medical Center (the "Medical Center") 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 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 Caddo Parish Commission. It has no component units in its operations. The Medical Center operates and is financially independent of the Caddo Parish Commission.

Since the Medical Center 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 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 Caddo Parish Commission.

The Medical Center 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 Medical Center and other facilities.

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

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 3 - Patient Revenues and Accounts Receivable

The Medical Center has agreements with third-party payors 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 payors.*

Under the Medicare program, inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services outpatient services, and defined capital and medical education costs related to 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 audits by the Medicare fiscal intermediary.

For the years ended June 30, 1999 and June 30, 1998, the Medical Center received approximately 68 percent and 65 percent respectively, of its gross patient revenue (48 and 45 percent, respectively, of its net patient revenues) 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, 1999, 1998 and 1997 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 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 Medical Center's Medicaid cost reports for the years ended June 30, 1999, 1998 and 1997, 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 contractual adjustments from established rates.

A summary of patient revenues for the years ended June 30, 1999 and June 30, 1998 follows:

|   | Year Ended June 30  |                     |
|---|---------------------|---------------------|
|   | <u>1999</u>         | <u>1998</u>         |
| Patient Revenues at Established Rates   | \$ 8,568,982        | \$ 7,424,979        |
| <u>Less-Deductions from Patient Revenues:</u>   |                     |                     |
| Provisions for Contractual Adjustments<br>Under Third-Party Reimbursement<br>Programs | 4,022,549           | 3,347,217           |
| Medicaid Disproportionate Share Payments<br>Received                                  | <u>( 432,973)</u>   | <u>( 237,512)</u>   |
|   | <u>3,589,576</u>    | <u>3,109,705</u>    |
| Net Patient Revenues  | <u>\$ 4,979,406</u> | <u>\$ 4,315,274</u> |

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 3 - Patient Revenues and Accounts Receivable (Continued)

The Medical Center qualifies for Medicaid "disproportionate share payments" under the 1997 Rural Hospital Preservation Act. Such payments are contingent on annual federal funding and recognized as decreases to contractual adjustments in the year received.

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>1999</u>         | <u>1998</u>       |
| Gross Patient Accounts Receivable  | \$ 1,938,178        | \$ 1,322,706      |
| Estimated Allowances and Uncollectible<br>Accounts: (Note 12)  |                     |                   |
| Allowances for Bad Debts and<br>Contractual Adjustments Under Third-<br>Party Reimbursement Programs | 1,009,052           | 555,500           |
| Provision for Settlements to Third-Party<br>Payors   | ( 76,555)           | 20,000            |
|  | <u>932,497</u>      | <u>575,500</u>    |
| Net Accounts Receivable from Patient<br>Services   | \$ <u>1,005,681</u> | \$ <u>747,206</u> |

Note 4 - Cash and Certificates of Deposit

Louisiana law requires banks and savings and loan associations to secure a government's deposits (cash in banks) by pledging qualifying securities as collateral. For this purpose "cash in banks" is comprised of the account balances according to the banks' records which at June 30, 1999 are as follows:

|  | Citizens<br>National<br>Bank | Bank<br>One,<br>NA  |
|--|------------------------------|---------------------|
| Cash in Banks  | \$ <u>806,014</u>            | \$ <u>345,443</u>   |
| Insured by FDIC  | \$ <u>100,000</u>            | \$ <u>100,000</u>   |
| Collateralization (Includes \$215,000 in Texas<br>Municipal Bonds) | \$ <u>715,000</u>            | \$ <u>1,340,000</u> |
| Uncollateralized   | \$ <u>- 0 -</u>              | \$ <u>- 0 -</u>     |

Although the deposits with Citizens National Bank are collateralized, \$215,000 of the collateral does not qualify under Louisiana law because it consists of Texas Municipal Bonds.

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 4 - Cash and Certificates of Deposit (Continued)

Collateral is held by the pledging financial institution's trust department in the name of North Caddo 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 |                  |
|--|--------------------|------------------|
|  | <u>1999</u>        | <u>1998</u>      |
| Buildings and Building Improvements<br>(15-40 years) | \$ 68,556          | \$ 67,271        |
| Equipment and Furniture (4-25 years)                 | 184,598            | 183,485          |
| Land Improvements (8-20 years)                       | <u>10,389</u>      | <u>8,619</u>     |
|  | <u>\$263,543</u>   | <u>\$259,375</u> |

Note 6 - Capital Leases

The Medical Center leased computer equipment under a capital lease which expired in 1999. At its expiration the lease transferred ownership of the equipment to the Medical Center.

The Medical Center leases laboratory equipment under a capital lease which expires in the year 2002. The lease automatically transfers ownership of the laboratory equipment to the Medical Center at the end of the lease term.

During the year ended June 30, 1999, the Medical Center signed a capital lease for a new AS/400 computer system, which expires in 2003. The lease automatically transfers ownership of the equipment to the Medical Center at the end of the lease term.

During the year ended June 30, 1998, the Medical Center signed capital leases for a CT scanner and laser camera, which expire in 2003. The Medical Center may purchase the CT scanner and laser camera for \$1 each at the end of the lease term.

Following is a summary of property held under capital leases:

|                                      | At June 30       |                  |
|--------------------------------------|------------------|------------------|
|                                      | <u>1999</u>      | <u>1998</u>      |
| Laboratory Equipment                 | \$ 17,184        | \$ 17,184        |
| Computer Equipment                   | 50,000           | 34,441           |
| CT Scanner                           | 186,680          | 186,680          |
| Laser Camera                         | <u>54,600</u>    | <u>54,600</u>    |
|                                      | 308,464          | 292,905          |
| <u>Less-Accumulated Depreciation</u> | <u>86,057</u>    | <u>55,294</u>    |
|                                      | <u>\$222,407</u> | <u>\$237,611</u> |

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 6 - Capital Leases (Continued)

Minimum future lease payments under these leases are as follows:

| <u>Year Ended June 30</u>                      | <u>CT<br/>Scanner</u> | <u>Laser<br/>Camera</u> | <u>Computer<br/>Equipment</u> | <u>Laboratory<br/>Equipment</u> | <u>Total</u>     |
|--|-----------------------|-------------------------|-------------------------------|---------------------------------|------------------|
| 2000   | \$ 46,212             | \$ 13,512               | \$ 11,628                     | \$ 4,356                        | \$ 75,708        |
| 2001   | 46,212                | 13,512                  | 11,628                        | 4,356                           | 75,708           |
| 2002   | 46,212                | 13,512                  | 11,628                        | 3,993                           | 75,345           |
| 2003   | 25,317                | 9,653                   | 11,628                        | - 0 -                           | 46,598           |
| 2004   | <u>- 0 -</u>          | <u>- 0 -</u>            | <u>1,939</u>                  | <u>- 0 -</u>                    | <u>1,939</u>     |
|  | 163,953               | 50,189                  | 48,451                        | 12,705                          | 275,298          |
| <u>Less-Amount Representing</u>                |                       |                         |                               |                                 |                  |
| Interest                                       | <u>24,175</u>         | <u>7,693</u>            | <u>5,764</u>                  | <u>1,685</u>                    | <u>39,317</u>    |
| Net Present Value of Minimum<br>Lease Payments | <u>\$139,778</u>      | <u>\$ 42,496</u>        | <u>\$ 42,687</u>              | <u>\$ 11,020</u>                | <u>\$235,981</u> |
| Imputed Rate of Interest                       | 9.05%                 | 9.04%                   | 6.10%                         | 9.75%                           |                  |

Note 7 - Commitments and Contingent Liabilities

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

See Note 8 concerning operating lease commitments.

See Note 14 regarding insurance contingencies.

See Note 16 regarding self-funded unemployment claims.

Note 8 - Operating Leases

The Medical Center has entered into several operating leases for telephones, other equipment, and real estate. 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, 1999 and June 30, 1998 is as follows:

|                 | <u>Year Ended June 30</u> |                  |
|-----------------|---------------------------|------------------|
|                 | <u>1999</u>               | <u>1998</u>      |
| Telephones      | \$ 17,262                 | \$ 16,202        |
| Other Equipment | 19,214                    | 22,176           |
| Real Estate     | <u>3,856</u>              | <u>2,055</u>     |
|                 | <u>\$ 40,332</u>          | <u>\$ 40,433</u> |



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

Note 8 - Operating Leases (Continued)

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

| <u>Year Ending June 30</u> |                  |
|----------------------------|------------------|
| 2000                       | \$ 11,973        |
| 2001                       | 11,973           |
| 2002                       | <u>9,977</u>     |
|                            | <u>\$ 33,923</u> |

See Note 6 concerning capital leases.

Note 9 - Pension Plan

Plan Description

The Medical Center contributes to the Parochial Employees' Retirement System of Louisiana, a Public Employee Retirement System (PERS), that is a cost sharing multiple-employer plan 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 the Medical Center is a participant. Plan B provides retirement and disability benefits and death benefits to plan members and beneficiaries. 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.

*The Parochial Employees' 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 14619, Baton Rouge, Louisiana, 70898-4619.*

Plan Funding

Employer and employee contributions to the Pension Plan are established by state statute. For the years ended December 31, 1998 and December 31, 1997, employees contributions are 2.5 percent and 2 percent, respectively, of covered wages in excess of \$100 per month. Employer contributions are 2.5 percent of covered wages for the years ended December 31, 1998 and December 31, 1997. In addition to the aforementioned contributions the tax collectors of various parishes contribute one fourth of one percent of all tax collections.

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 9 - Pension Plan (Continued)

The Medical Center's contributions to the Plan for the most recent three years are as follows:

| Year Ended June 30, | <u>Amount</u> | <u>Percentage of<br/>Required Amount</u> |
|---------------------|---------------|--|
| 1999                | \$ 52,558     | 100%                                     |
| 1998                | 48,950        | 100%                                     |
| 1997                | 32,207        | 100%                                     |

Note 10- Ambulance Property Taxes

The Medical Center received \$152,461 and \$170,150 in property tax revenues for the years ended June 30, 1999 and June 30, 1998, 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 Medical Center.

The property tax is assessed on January 1, levied not later than June 1, due by December 31, and liened 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:

|   | <u>Year Ended June 30</u> |                   |
|---|---------------------------|-------------------|
|   | <u>1999</u>               | <u>1998</u>       |
| Property Tax Assessment                               | \$ 168,228                | \$ 184,973        |
| Allowance for Uncollectible Assessments               | ( 16,136)                 | ( 15,686)         |
| Property Tax Collected                                | 152,092                   | 169,287           |
| Adjustments, Interest and<br>Prior Period Collections | <u>369</u>                | <u>863</u>        |
| Property Taxes Reported                               | <u>\$ 152,461</u>         | <u>\$ 170,150</u> |

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

Note 11- Advertising

Advertising costs for the years ended June 30, 1999 and June 30, 1998 are \$7,158 and \$6,789, respectively.

Note 12- 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.

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 12- Significant Estimates (Continued)

As described at Note 14, 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 13- Rental Income

The Medical Center leases office space in its Extended Services building to Willis-Knighton Medical Center under a 3-year operating lease that expires June 30, 2000. Rental income is presented in the statement of operations as nonoperating revenue. Rental income for each of the years ended June 30, 1999 and June 30, 1998 is \$9,600.

Note 14- Insurance

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

According to the trust document for the Malpractice Insurance Trust (the "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 formulated in the trust document. Each participant has this contingent assessment liability for the payment of actual losses and expenses incurred while a participant 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 such participant during such plan year.

According to the trust document for the Workmen's Compensation Group Self-Insurance Fund (the "Fund"), participants are liable jointly and in solido for claims not paid pursuant to Subpart J of Part I of Chapter 10 of Title 23 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 formulated in the trust document. Each participant has this contingent assessment liability for the payment of actual losses and expenses incurred while a participant in the Fund, but only to the extent that such losses and expenses are not paid by the excess coverage secured by the Fund.

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 \$500,000, which is covered by a primary \$100,000 with the Louisiana Hospital Association Malpractice and General Liability Trust and the additional \$400,000 through the State of Louisiana Patient's Compensation Fund.

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

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 15- Noncash Capital and Related Financing Activities

During the year ended June 30, 1999, the Medical Center entered into a capital lease for the acquisition of an AS/400 computer system. The amount of the asset capitalized under this lease is \$50,000.

During the year ended June 30, 1998, the Medical Center received as a donation the addition of a new sign which was recorded as land improvements and contributed capital at the cost of the purchase to the donor, \$3,723.

During the year ended June 30, 1998, the Medical Center entered into two capital leases for the acquisition of a CT scanner and laser camera. The amounts of the assets capitalized under these leases are \$186,680 and \$54,600, respectively.

Note 16- Self-Funded Unemployment Claims

North Caddo Medical Center became self-funded with respect to unemployment claims effective October 1, 1998. As a self-funded employer, the Medical Center must reimburse the Louisiana Department of Labor on a dollar-for-dollar basis for unemployment benefits paid to former employees. For the year ended June 30, 1999, the Medical Center reimbursed the Louisiana Department of Labor \$393 for claims paid on behalf of the Medical Center.

The Medical Center signed a three-year contract with Temple Resource Management, Inc. (TRM) for claims management services at an annual cost of \$2,000. TRM evaluates all claims, recommends appropriate action for all notices the Medical Center receives from the Louisiana Department of Labor, and audits the experience rates and unemployment benefits charged to the Medical Center.

Management does not believe that any significant contingent liabilities exist under this arrangement at June 30, 1999.

Note 17- Related Party Transactions

On August 25, 1997, to expedite the completion of patient charts and thereby improve the Medical Center's cash flow, the Medical Center approved a contract whereby the Medical Center agreed to share equally with the Medical and Surgical Clinic (the "Clinic") the employment costs of a physician's assistant employed by the Clinic. On or about October 20, 1998, Dr. Stephen Taylor, a staff physician of the Medical Center, was appointed to the Medical Center's board of commissioners. Dr. Taylor has a financial interest in the Clinic. During the year ended June 30, 1999, the Medical Center continued the contractual arrangement with the Clinic while Dr. Taylor served on the Medical Center's board of commissioners.

During the year ended June 30, 1999, while Dr. Taylor served on the Medical Center's board, the Medical Center disbursed \$23,537 to the Clinic for its share of the physician assistant's employment cost.

Note 18- Grant Income

The Medical Center received \$80,000 for the year ended June 30, 1999 from Willis-Knighton Medical Center as reimbursement for anesthesiology physician fees. The purpose of this grant was to help the Medical Center re-establish the obstetrics department.

# 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.  
ANNE-MARIE COLE, C.P.A.  
TIMOTHY W. BORST, C.P.A.  
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J. AMY HEMMINGS, C.P.A.  
BARBARA BAYAH SIMPSON, C.P.A.  
MELISSA W. WATTS, C.P.A.  
M. AMANDA OLIVIER, C.P.A.  
MATTHEW R. MAY, C.P.A.  
JENNIFER M. PUCKETT, C.P.A.  
LINDA K. BIBLE, C.P.A.  
SHEILA F. NATTIN, C.P.A.

October 29, 1999

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Commissioners  
North Caddo Hospital Service District  
Vivian, Louisiana

Our audits of the June 30, 1999 and June 30, 1998 financial statements of North Caddo Hospital Service District, d/b/a North Caddo Medical Center 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.

The year 2000 supplementary information presented in Schedule 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the Medical Center is or will become year 2000 compliant, that the Medical Center's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Medical Center does business are or will become year 2000 compliant.

*Cole, Evans & Peterson*  
Cole, Evans & Peterson

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER

REVENUE, DEDUCTIONS FROM REVENUE AND DIRECT DEPARTMENTAL EXPENSE

FOR THE YEARS ENDED JUNE 30, 1999 AND JUNE 30, 1998

| Department:                     | Year Ended June 30, 1999 |           |           | Year Ended June 30, 1998 |           |           |
|---------------------------------|--------------------------|-----------|-----------|--------------------------|-----------|-----------|
|                                 | Revenue                  | Expense   | Net       | Revenue                  | Expense   | Net       |
| Patient Care                    | 1,831,960                | 1,088,769 | 743,191   | 1,636,237                | 1,005,329 | 630,908   |
| X-Ray                           | 461,342                  | 142,598   | 318,744   | 385,996                  | 135,496   | 250,500   |
| Pharmacy                        | 1,199,725                | 306,940   | 892,785   | 981,855                  | 269,637   | 712,218   |
| Laboratory                      | 1,231,558                | 292,622   | 938,936   | 1,037,599                | 259,938   | 777,661   |
| Operating and Recovery          | 248,471                  | 77,789    | 170,682   | 258,546                  | 45,464    | 213,082   |
| Emergency Room                  | 472,433                  | 333,398   | 139,035   | 404,974                  | 312,241   | 92,733    |
| Cardiac Care (Monitor)          | 138,803                  | 3,338     | 135,465   | 78,284                   | 1,493     | 76,791    |
| Anesthesiology                  | 105,428                  | 129,908   | ( 24,480) | 95,680                   | 67,108    | 28,572    |
| Inhalation Therapy              | 1,049,449                | 154,343   | 895,106   | 998,592                  | 136,276   | 862,316   |
| Central Supply                  | 455,478                  | 100,736   | 354,742   | 434,896                  | 102,072   | 332,824   |
| Physical Therapy                | 583                      | 280       | 303       | 2,317                    | 652       | 1,665     |
| CT Scan                         | 511,275                  | 73,304    | 437,971   | 341,647                  | 50,134    | 291,513   |
| Nuclear Medicine                | 26,899                   | 17,635    | 9,264     | 19,250                   | 896       | 18,354    |
| Cardiology                      | 308,122                  | 66,991    | 241,131   | 285,341                  | 66,171    | 219,170   |
| Kid-Med                         | 52,693                   | 32,790    | 19,903    | 43,404                   | 36,955    | 6,449     |
| Social Services                 | 16,115                   | 9,756     | 6,359     | 22,360                   | 22,142    | 218       |
| Treatment Room                  | 181,387                  | 3,428     | 177,959   | 140,208                  | 4,152     | 136,056   |
| Ambulance                       | 223,058                  | 208,028   | 15,030    | 209,028                  | 28,379    | ( 215)    |
| Geriatric Psychiatric           |                          |           |           | 18,857                   |           | ( 9,522)  |
| Obstetrics                      | 23,449                   | 57,392    | ( 33,943) |                          |           |           |
| Pain Management                 | 3,545                    | 220       | 3,325     |                          |           |           |
| Ultrasound                      | 27,209                   | 6,877     | 20,332    | 29,908                   | 5,103     | 24,805    |
| Totals                          | 8,568,982                | 3,107,142 | 5,461,840 | 7,424,979                | 2,758,881 | 4,666,098 |
| <u>Deductions from Revenue:</u> |                          |           |           |                          |           |           |
| Medicare and Medicaid Discounts | (3,758,942)              |           |           | (3,136,378)              |           |           |
| Medicaid Disproportionate       |                          |           |           |                          |           |           |
| Share Payments Received         | 432,973                  |           |           | 237,512                  |           |           |
| Other Contractual Adjustments   | (263,607)                |           |           | (210,839)                |           |           |
| Net Deductions                  | (3,589,576)              |           |           | (3,109,705)              |           |           |
| Net Patient Service Revenue     | 4,979,406                |           | 4,315,274 |                          |           |           |

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTERGENERAL AND ADMINISTRATIVE EXPENSESFOR THE YEARS ENDED JUNE 30, 1999 AND JUNE 30, 1998

|                                     | Year Ended June 30 |                |
|-------------------------------------|--------------------|----------------|
|                                     | <u>1999</u>        | <u>1998</u>    |
| General and Administrative Salaries | 185,771            | 180,453        |
| Professional Fees                   | 35,608             | 35,221         |
| Telephone                           | 22,470             | 28,374         |
| Insurance                           | 96,704             | 104,699        |
| Employee Benefits and Payroll Taxes | 348,743            | 347,105        |
| Supplies and Other                  | <u>124,557</u>     | <u>132,358</u> |
|                                     | <u>813,853</u>     | <u>828,210</u> |

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER  
COMPENSATION PAID TO MEMBERS OF THE BOARD OF COMMISSIONERS  
FOR THE YEAR ENDED JUNE 30, 1999

Compensation (including per diem)

Paid to Board Members:

|                         |       |
|-------------------------|-------|
| Virgil G. Martin        | 100   |
| Earl G. Williamson, Jr. | 1,800 |
| Kenneth D. Clay         | 1,200 |
| Bob L. Bogan            | 1,000 |
| Robert Guth             | 1,200 |
| Helen Adger             | 1,100 |
| Stephen Taylor, M.D.    | 900   |



NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER

SUMMARY OF OPERATING RESULTS

|   | Year ended June 30 |                  |                  |                  |                  |
|---|--------------------|------------------|------------------|------------------|------------------|
|   | <u>1999</u>        | <u>1998</u>      | <u>1997</u>      | <u>1996</u>      | <u>1995</u>      |
| Total Gross Revenue   | 8,869,112          | 7,653,223        | 7,868,823        | 7,778,423        | 6,338,794        |
| Discounts and Bad Debts   | 4,050,930          | 3,482,442        | 3,478,210        | 3,577,532        | 2,602,090        |
| Cost and Expenses   | <u>4,675,775</u>   | <u>4,268,652</u> | <u>4,105,191</u> | <u>3,748,615</u> | <u>3,671,229</u> |
| Net Income (Loss)   | <u>142,407</u>     | <u>( 97,871)</u> | <u>285,422</u>   | <u>452,276</u>   | <u>65,475</u>    |
| Total Hospital Patient Days   | 2,964              | 2,708            | 2,755            | 3,039            | 3,418            |
| Admissions  | 724                | 692              | 682              | 726              | 754              |
| Inpatient Revenue per Patient Day   | 1,849              | 1,903            | 1,875            | 1,743            | 1,311            |
| Inpatient Revenue as a Percent<br>of Total Patient Revenue  | 63.97%             | 69.41%           | 67.91%           | 70.53%           | 73.99%           |
| Net Income (Loss) per Patient Day   | 48.05              | ( 36.14)         | 103.60           | 148.82           | 19.16            |
| Net Income (Loss) as a Percent<br>of Gross Patient Revenues   | 1.66%              | ( 1.32)%         | 3.75%            | 6.02%            | 1.08%            |
| Number of Days Net Patient Revenues<br>in Net Patient Receivables   | 68.11              | 64.89            | 82.94            | 89.28            | 68.70            |
| Number of Days Net Patient Revenues<br>(Without Medicaid Disproportionate<br>Share Payment) in Net Patient<br>Receivables | 74.59              | 68.67            | 82.94            | 89.28            | 68.70            |
| Average Length of Patient Stay<br>in Days   | 4.09               | 3.91             | 4.04             | 4.19             | 4.53             |

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER

FIXED ASSETS AND ACCUMULATED DEPRECIATION

AT JUNE 30, 1999

|  | ASSET AT COST      |                |               | ACCUMULATED DEPRECIATION |                |               | Book Value<br>6-30-99 |
|--|--------------------|----------------|---------------|--------------------------|----------------|---------------|-----------------------|
|  | Balance<br>6-30-98 | Additions      | Deductions    | Balance<br>6-30-99       | Additions      | Deductions    |                       |
| Land                                   | 95,367             |                |               | 95,367                   |                |               | 95,367                |
| Land Improvements                      | 173,837            |                |               | 173,837                  | 10,389         |               | 76,328                |
| Buildings and Building<br>Improvements | 1,761,122          | 130,817        |               | 1,891,939                | 68,556         |               | 945,929               |
| Equipment                              | 1,672,761          | 235,741        | 20,319        | 1,888,183                | 119,394        | 19,581        | 489,701               |
| Equipment Under<br>Capital Leases      | 292,905            | 50,000         | 34,441        | 308,464                  | 65,204         | 34,441        | 222,407               |
|  | <u>3,995,992</u>   | <u>416,558</u> | <u>54,760</u> | <u>4,357,790</u>         | <u>263,543</u> | <u>54,022</u> | <u>1,829,732</u>      |
|  |                    |                |               | <u>2,318,537</u>         | <u>65,204</u>  | <u>86,057</u> | <u>2,528,058</u>      |

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTERYEAR 2000 SUPPLEMENTARY INFORMATION(UNAUDITED)

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Medical Center's operations.

The Medical Center has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting the Medical Center's operations:

- The Medical Center expended \$50,000 to make their financial reporting and payroll systems year 2000 compliant. The hardware and software upgrades were validated and tested by the vendor.
- Medical equipment and building support systems have been validated and tested at nominal cost to the Medical Center.
- Tax collection for the Medical Center is handled by the Caddo Parish Sheriff's Office. The Sheriff's Office is responsible for remediating this system, and is solely responsible for any costs associated with this project.
- All other equipment and electronic data submission systems considered to be significant to the Medical Center's operations have been remediated, validated, and tested by the external vendor. The Medical Center has obtained letters from most vendors stating that the equipment and/or system is year 2000 compliant.

*Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Medical Center is or will be year 2000 ready, that the Medical Center's remediation efforts will be successful in whole or in part, or that parties with whom the Medical Center does business will be year 2000 ready.*

# COLE, EVANS & PETERSON

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October 29, 1999

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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 Medical Center at and for the year ended June 30, 1999 and have issued our report thereon dated October 29, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether North Caddo Hospital Service District, d/b/a North Caddo Medical Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Findings 99-1 through 99-4.

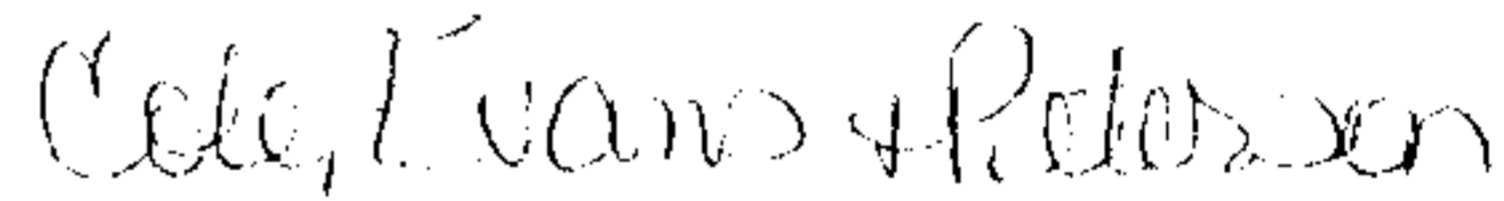
### Internal Control Over Financial Reporting

In planning and performing our audit, we considered North Caddo Hospital Service District, d/b/a North Caddo Medical Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Medical Center's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. These reportable conditions are described in the accompanying schedule of findings and questioned costs as Findings 99-5 through 99-7.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses.

This report is intended solely for the information and use of the Caddo Parish Commission, Board of Commissioners, management, and others within the organization and the Office of the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

  
Cole, Evans & Peterson

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October 29, 1999

## INDEPENDENT AUDITORS' SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 1999

We have audited the financial statements of North Caddo Hospital Service District, d/b/a North Caddo Medical Center at and for the year ended June 30, 1999, and have issued our report thereon dated October 29, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 1999 resulted in an unqualified opinion.

### Section 1 - Summary of Auditors' Report

#### a. Report of Internal Control and Compliance Material to the Financial Statements

##### Internal Control

Material Weaknesses - No

Reportable Conditions - Yes

##### Compliance

Compliance Material to the Financial Statements - Yes

#### b. Management Letter

Management letter issued - No

### Section 2 - Financial Statement Findings

#### FINDING 99-1 - Ethics Standards Concerning Participation in Certain Transactions Involving the Government Entity

**Requirement** - La. Rev. Stat. 42:1112(A) - No public servant, except as provided in R.S. 42:1120, shall participate in a transaction in which he has a personal substantial economic interest of which he may be reasonably expected to know involving the governmental entity.

La. Rev. Stat. 42:1112(B) - No public servant, except as provided in R.S. 42:1120, shall participate in a transaction involving the governmental entity in which, to his actual knowledge, any of the following persons has a substantial economic interest:

\*\*\*\*\*

- (2) Any person in which he has a substantial economic interest of which he may reasonably be expected to know.
- (3) Any person of which he is an officer, director, trustee, partner, or employee.

\*\*\*\*\*

**Condition** - On August 25, 1997, to expedite the completion of patient charts and thereby improve the Medical Center's cash flow, the Medical Center's Board approved a contract whereby the Medical Center agreed to share equally with the Medical and Surgical Clinic (the "Clinic") the employment costs of a physician's assistant employed by the Clinic. On or about October 20, 1998, Dr. Stephen Taylor, a staff physician of the Medical Center, was appointed to the Medical Center's Board of Commissioners. Dr. Taylor has a financial interest in the Clinic. During the year ended June 30, 1999, the Medical Center continued the contractual arrangement with the Clinic while Dr. Taylor served on the Medical Center's Board of Commissioners.

**Questioned Costs** - During the year ended June 30, 1999, while Dr. Taylor served on the Medical Center's Board, the Medical Center disbursed \$23,537 to the Clinic for its share of the physician assistant's employment costs.

**Cause** - The parties involved had the understanding that La. Rev. Stat. 46:1076, which specifically allows members of the medical staff of a hospital service district to serve on the hospital service district's board, allowed the Medical Center to have a contractual arrangement with the Clinic provided Dr. Taylor recused himself from voting on matters concerning that contractual arrangement.

**Recommendation** - Either the contractual arrangement between the Medical Center and the Clinic should be terminated or Dr. Taylor should resign from the Board.

**Management's Response** - At the September 21, 1999 regular Board meeting, it was unanimously voted to change Dr. Taylor's status from active board member to functioning ex-officio board member. Under this status, he will not have voting privileges or receive any type of payment.

The Medical Center received an advisory opinion from the Louisiana Ethics Board dated October 19, 1999 (Docket 99-617). It is management's understanding from this opinion that given Dr. Taylor's resignation from the Medical Center's Board, the continuation of the contract with the Clinic does not present a violation of any provisions of the Ethics Code.

**FINDING 99-2 - Computer Equipment Acquired in Excess of \$15,000 Without Letting for Public Bid**

**Requirement** - La. Rev. Stat. 38:2212 (A)(1)(a)(i) - All public work exceeding the contract limit as defined herein, including labor and materials, and all purchases of any materials or supplies exceeding the sum of fifteen thousand dollars to be paid out of public funds, to be done by a public entity shall be advertised and let by contract to the lowest responsible bidder who had bid according to the contract, plans and specifications as advertised, and no such public work shall be done and no such purchase shall be made except as provided in this Part.

**Condition** - The Medical Center acquired, by executing a capital lease, an IBM AS/400 2129 Computer Processor during the year ending June 30, 1999 without letting for public bid.

**Questioned Cost** - The cost of the above-mentioned equipment was \$50,000.

**Cause** - The Medical Center did not realize that it was necessary to let for public bid since the equipment was considered an upgrade to its computer system.

**Recommendation** - This occurrence appears to be isolated. Corrective action is not practicable.

**Management's Response** - The in-hospital management system was originally installed in 1988. The vendor was a partnership between I.B.M. for the hardware and Data Systems Management for the software. This system was upgraded in 1993 when internal storage space was used up. The system was upgraded again in 1998 in order to be Y2K compliant. Both of these changes were upgrades of the existing system. Technology changes, especially in computer systems, require upgrades in order to both enhance and comply. These upgrades are far less costly in both time and money than purchasing an entirely different system each time they become necessary.

**FINDING 99-3 - Construction Project Exceeding \$100,000 Not Let Out for Public Bid**

**Requirement** - La. Rev. Stat. 38:2212 (A)(1)(a)(i) - All public work exceeding the contract limit as defined herein, including labor and materials, and all purchases of any materials or supplies exceeding the sum of fifteen thousand dollars to be paid out of public funds, to be done by a public entity shall be advertised and let by contract to the lowest responsible bidder who had bid according to the contract, plans and specifications as advertised, and no such public work shall be done and no such purchase shall be made except as provided in this Part.

La. Rev. Stat. 38:2212 (A)(1)(d) - The term "contract limit" as used herein shall be equal to the sum of one hundred thousand dollars per project, including labor, materials, and equipment..., etc.

**Condition** - The Medical Center renovated one wing of its hospital building to be used as an obstetrics department without letting for public bid. The total costs of the project were greater than the maximum amount allowed under La. Rev. Stat. 38:2212 (A)(1)(d).

**Questioned Cost** - The total cost of renovations were \$130,817.

**Cause** - The Medical Center did not realize that it was necessary to let for public bid because the labor was being performed by regular maintenance employees and the total cost at the onset of the project was expected to be less than \$100,000.

**Recommendation** - This occurrence appears to be isolated. Corrective action is not practicable.

**Management's Response** - The renovation plans and cost were drawn up by an architectural firm that estimated a cost of more than \$400,000.00. The hospital maintenance department proposed that it could be done in-house for approximately \$57,000.00. Because we chose to let the in-house maintenance department do the renovation, we did not think it necessary to go to bid. As it turned out, the project went a little over the \$100,000.00 limit, but it was still far less than would have been expended with an outside contractor.



**FINDING 99-4 - Bank Deposits Held at Citizens National Bank Not Fully Collateralized with Qualifying Securities**

**Requirement** - La. Rev. Stat. 39:1221 requires bank deposits in excess of the FDIC insured amount to be fully collateralized with certain types of interest bearing securities. Texas municipal bonds are not qualifying securities under this statute.

**Condition** - Citizens National Bank pledged two Texas municipal bonds totaling \$215,000 as collateral for the Medical Center's bank deposits. Texas municipal bonds are not qualifying securities under I.a. Rev. Stat. 39:1221. As a result, \$206,014 of the Medical Center's deposits at Citizens National Bank were not collateralized with qualifying securities at June 30, 1999.

**Cause** - Citizens National Bank did not realize that Texas municipal bonds were not qualifying securities.

**Recommendation** - The Medical Center should direct Citizens National Bank to replace the Texas municipal bonds with qualifying securities.

**Management's Response** - On September 27, 1999 a notice was sent by hospital administration to First American Capital Markets with a copy to Citizens Bank and Trust in Vivian, Louisiana, instructing that the Texas securities be released and qualifying securities substituted.

**FINDING 99-5 - Internal Control Reportable Condition -Inadequate safeguarding of pharmacy inventory.**

**Condition** - During the course of our audit we noted that the doors to the pharmacy supply room are not kept locked when unattended, and pharmacy supply carts are sometimes left unattended and unlocked in the halls of the hospital.

**Criteria** - Access to pharmacy supplies should be restricted to specific persons.

**Recommendation** - The Medical Center should establish policies to restrict access to the pharmacy supplies.

**Management's Response** - Policies for restricting access to pharmacy supplies are already in existence. There are locks on the drug room and on the drug carts. Other than the pharmacist, access to the drug room is to be made only in the case of an emergency. These policies will be re-reviewed with the pharmacist and nursing service and any violation of the policies will be corrected immediately.

**FINDING 99-6 - Internal Control Reportable Condition – Selection of accounts receivable for transfer to the bad debt category is centralized in one person.**

**Condition** - The Medical Center's administrator periodically reviews patient accounts receivable that are over 180 days old and decides whether any of those accounts should be applied against the allowance for bad debts (i.e. transferred to the bad debt category). There is no policy that the accounts selected for transfer to the bad debts category be reviewed and approved by another person.

**Criteria** - Accounts selected for transfer to bad debts should be reviewed and approved by another person or persons not otherwise involved in that process.

**Recommendation** - We recommend that a policy be established requiring the lists of accounts receivable selected for transfer to the bad debts category be approved by a person or persons not otherwise involved in the selection process.

**Management's Response** - A policy has been established, designating Jean Harkness in the Business Office as the person to review the listing of accounts selected for bad debts. In the event that Ms. Harkness is not available, Sharron Fussell, Business Office Manager, will serve in this capacity.

**FINDING 99-7 - Internal Control Reportable Condition - Reconciliation of accounts receivable subsidiary ledger to general ledger control account is not successfully completed each and every month.**

**Condition and Effect** - During the course of our audit we noted that although a reconciliation of the accounts receivable subsidiary ledger to the general ledger control account is attempted each month, certain unidentified differences may be allowed to go unresolved.

**Criteria** - All differences between the subsidiary accounts receivable ledger and the general ledger control account should be resolved and corrected each month.

**Recommendation** - Management should assign someone with the responsibility of reviewing the reconciliation for completeness every month.

**Management's Response** - The Business Office Manager has the responsibility of reconciling the accounts receivable each month. Unfortunately, she suffered a serious accident during the fiscal year and was away from her job for a lengthy period of time. However, the reconciliation was performed and balanced up to November, 1998 when the computer system was changed. Attempts each month since that time to reconcile were unsuccessful. The auditors found the discrepancy which was, indeed, attributable to the system change. Since the auditor's adjusting entry, the accounts receivable has been reconciled and balance successfully each and every month.

### **Section 3 - Federal Award Findings and Questioned Costs**

N/A

NORTH CADDO HOSPITAL SERVICE DISTRICT d/b/a NORTH CADDO MEDICAL CENTER

MANAGEMENT'S SCHEDULE OF PRIOR YEAR FINDINGS  
For the Year Ended June 30, 1999

**Section 1 - Internal Control and Compliance Material to the Financial Statements**

**Finding 98-1** - The total amount of deposits with Bank One at June 30, 1998 were not fully insured or collateralized with qualifying securities as required by La. Rev. Stat. 39:1221.

**Status** - This condition has been resolved. On November 8, 1998, Bank One collateralized all of the Medical Center's deposits in accordance with La. Rev. Stat. 39:1221.

**Finding 98-2** - Reconciliation of accounts receivable subsidiary ledger to the general ledger control account was not successfully completed each and every month. Auditor recommended that a person be assigned the responsibility of reviewing the reconciliation for completeness every month.

**Status** - This condition has not been resolved. Due in part to the extended absence of one employee, the successful completion of monthly reconciliations and review by a responsible person has not occurred each month. See Finding 99-7 of the Independent Auditor's Summary Schedule of Findings and Questioned Costs for the Year Ended June 30, 1999.

**Section 2 - Internal Control and Compliance Material to Federal Awards**

N/A

**Section 3 - Management Letter**

No findings during prior year.