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

VIVIAN, LOUISIANA

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2004

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2004

Our discussion and analysis of North Caddo Service District, d/b/a North Caddo Medical Center's (the Medical Center) financial performance provides an overview of the Medical Center's financial activities for the year ended June 30, 2004. Please read this in conjunction with the Medical Center's financial statements in this report.

Financial Highlights

The Medical Center's net assets increased by $368,171, or 13.04 percent, as a result of this year's operations.

During the year, the Medical Center's operating revenues increased $55,439, or .78 percent, to $7,190,182 from the prior year while operating expenses increased $43,707, or 0.63 percent, to $7,003,018. The Medical Center had operating income of $187,164, which was 2.60 percent of operating revenues, versus operating income of $175,432, which was 2.46 percent of operating revenues, last year.

The Medical Center experienced a change in management in September 2003. The Board of Commissioners appointed Todd Blanchard of Willis-Knighton Health System as the hospital's new administrator. Mr. Blanchard was preceded by acting administrators Herbert Darling and Jerry Lee also of Willis-Knighton Health System.

Using this Annual Report

This annual report consists of three basic financial statements using Governmental Accounting Standards Board (GASB) accounting principles. The Balance Sheet, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows (Exhibits A, B, and C) provide information about the activities of the Medical Center and present short-term and long-term views of the Medical Center's finances and activities.

Required Financial Statements

Our analysis of the Medical Center focuses on Exhibits A, B, and C. One of the most important questions asked about the Medical Center's finances is, "Has the Medical Center's financial position been improved or worsened as a result of the year's operations?" The Balance Sheet (Exhibit A); the Statement of Revenues, Expenses, and Changes in Net Assets (Exhibit B); and the Statement of Cash Flows (Exhibit C) report information about the Medical Center and about its activities in a way that helps answer this question. The Balance Sheet and Statement of Revenues, Expenses, and Changes in Net Assets include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Balance Sheet and Statement of Revenues, Expenses, and Changes in Net Assets report the Medical Center's net assets balance and changes in it. You can think of the Medical Center's net assets, the difference between assets and liabilities, as a way to measure the Medical Center's financial health, or financial position. Over time, increases or decreases in the Medical Center's net assets is an indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the community, changes in Medicare and Medicaid regulations, and changes in managed care contracting.

The Statement of Cash Flows reports the Medical Center's cash balance and changes in it. The Statement of Cash Flows provides information about the Medical Center's cash provided from or used by operating, investing, and financing activities. The Statement of Cash Flows provides information to tell you about where the Medical Center's cash came from and what the cash was used for.

In the Balance Sheet; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows, all of the Medical Center's functions and programs are reported as business-type activities. Patient revenues (including those from third party payors), Medicaid disproportionate share payments received, and property taxes finance these activities. The Medical Center does not have any component units.

Financial Analysis of the Medical Center

The Medical Center operates one proprietary enterprise fund with only business-type activities for services provided to the general public, primarily to patients residing in the Vivian, Louisiana area.

Net Assets

A summary of the Medical Center's Balance Sheets are presented in Table 1 below:

Table 1
Condensed Balance Sheets

	At June 30 2004	At June 30 2003	Increase (Decrease)	Percent Increase (Decrease)
Current and Other Assets	$ 2,571,121	$ 2,405,210	$ 165,911	6.90
Capital Assets-Net of Depreciation	1,305,960	1,436,897	(130,937)	(9.11)
Total Assets	$ 3,877,081	$ 3,842,107	$ 34,974	0.91
Total Liabilities	$ 685,887	$1,019,084	$(333,197)	(32.70)
Net Assets	3,191,194	2,823,023	368,171	13.04
Total Liabilities and Net Assets	$ 3,877,081	$ 3,842,107	$ 34,974	0.91

Revenues, Expenses, and Changes in Net Assets

Table 1 shows us that the Medical Center's Net Assets increased $368,171 to $3,191,194 during the year. This increase is detailed in Table 2 below which summarizes the Medical Center's operations:

Table 2
Condensed Statements of Revenues, Expenses and Changes in Net Assets

	For the Years Ended June 30			Percent
	2004	2003	Increase (Decrease)	Increase (Decrease)
Operating Revenues	$ 7,190,182	$ 7,134,743	55,439	0.78
Operating Expenditures	7,003,018	6,959,311	43,707	0.63
Operating Income	187,164	175,432	11,732	6.69
Nonoperating Revenues	181,007	177,873	3,134	1.76
Excess of Revenues Over (Expenses)	368,171	353,305	14,866	4.21
Net Assets at Beginning of Year	2,823,023	2,469,718	353,305	14.31
Net Assets at End of Year	$ 3,191,194	$ 2,823,023	$ 368,171	13.04

Sources of Revenue

Net patient revenues were 97 percent of the Medical Center's total revenues for each of the fiscal years ended June 30, 2004 and June 30, 2003. Included in net patient revenues are payments from the Medicare and Medicaid programs as well as payments from patients and other third party payors. Medicare, Medicaid, and most private insurance payments are based on contracted rates that are less than the Medical Center's established rates. Differences between the established rates charged and the contracted rates collected are recorded as contractual discounts. The Medical Center's net patient revenues reported on Exhibit B, Statement of Revenues, Expenses and Changes in Net Assets, are net of contractual discounts. Other revenues include income derived from investments, rent income, property taxes, and other miscellaneous services.

The Louisiana Medicaid disproportionate share hospital program allows for the reimbursement of uncompensated care costs to small rural hospitals serving a disproportionate number of low-income patients. The reimbursements are calculated based on cost reports filed by the small rural hospitals and are paid by the state from federal funding. Although federal appropriations have enabled the state to pay almost 100 percent of uncompensated costs to rural hospitals over the past several years, there is no assurance federal funding will continue and, therefore, no assurance that the Medical Center will receive any future payments. During the year ended June 30, 2004, the Medical Center received $700,770 in disproportionate share payments.

Table 3 below presents a summarized description of the mix of gross patient revenues and their related contractual adjustments or discounts along with their respective percentages of net patient revenues.

Table 3
Payor Mix of Gross Patient Revenues and Related Contractual Adjustments

	For the Years Ended June 30					
	2004	Percentage of Net Patient Revenues	2003	Percentage of Net Patient Revenues	Increase (Decrease)	Percent Increase (Decrease)
Gross Patient Revenues-Medicare	$ 5,490,711	76.74	$ 5,649,444	79.51	$(158,733)	(2.81)
Contractual Adjustments-Medicare	(2,480,350)	(34.67)	(2,193,583)	(30.87)	(286,767)	13.07
Net Patient Revenues-Medicare	3,010,361	42.07	3,455,861	48.64	(445,500)	(12.89)
Gross Patient Revenues-Medicaid	1,427,915	19.96	1,714,130	24.12	(286,215)	(16.70)
Contractual Adjustments-Medicaid	(927,663)	(12.97)	(700,245)	(9.85)	(227,418)	32.48
Medicaid Disproportionate Share Payments Received	700,770	9.79	539,529	7.59	161,241	29.89
Net Patient Revenues-Medicaid	1,201,022	16.78	1,553,414	21.86	(352,392)	(22.69)
Gross Patient Revenues-Other 3rd Party Payors	3,555,470	49.70	2,764,340	38.91	791,130	28.62
Other Contractual Adjustments	(612,359)	(8.56)	(668,268)	(9.41)	55,909	(8.37)
Net Patient Revenues-Other	2,943,111	41.14	2,096,072	29.50	847,039	40.41
Total Gross Patient Revenues	10,474,096	146.40	10,127,914	142.54	346,182	3.42
Total Contractual Adjustments	(4,020,372)	(56.19)	(3,562,096)	(50.13)	(458,276)	12.87
Medicaid Disproportionate Share Payments Received	700,770	9.79	539,529	7.59	161,241	29.89
Net Patient Revenues	7,154,494	100.00	7,105,347	100.00	49,147	0.69
Bad Debts	942,663	(13.18)	1,096,563	15.43	(153,900)	(14.03)
Patient Revenues-Net of Bad Debts	$ 6,211,831	86.82	$ 6,008,784	84.57	$ 203,047	3.38

Operating and Financial Performance

The following summarizes the Medical Center's Statements of Revenues, Expenses, and Changes in Net Assets between the years ended June 30, 2004 and June 30, 2003:

As detailed in Table 2, operating revenues remained relatively unchanged from last year, only increasing by 0.78 percent. The consistency in operating revenues was primarily due to net patient revenues remaining unchanged. The stability in net patient revenues can be explained by the number of admissions, the number of patient days, and inpatient revenues per patient day. The Medical Center had 907 admissions during the year which is 19, or 2.05 percent, fewer than last year. The number of patient days also dropped by 184, or 5.89 percent, to 2,942. As a result, the average patient's length of stay fell to 3.24 days in 2004 from 3.38 days in 2003. However, inpatient revenues per patient day increased by 9.77% to $2,023 per day this year from $1,843 per day last year. These factors offset one another resulting in relatively unchanged net patient revenues and operating revenues.

As detailed in Table 3, net "other" patient revenues increased 40.41 percent in 2004. Included in other patient revenues are self-pay patients and patients with private insurance such as Blue Cross. Bad debt expense decreased 14.03 percent in 2004 and other contractual adjustments decreased by 8.37 percent.

The 0.63 percent increase in operating expenses shown in Table 2 was due primarily to increased employee salaries. As a group, employee salaries is the Medical Center's single most significant operating expense. 43.55 and 41.73 percent of total operating expenses were employee salaries in 2004 and 2003, respectively. Total salaries increased 5.03 percent from $2,903,977 in 2003 to $3,049,916 in 2004. Table 4 following details each department's payroll expense for 2004 and 2003.

Table 4
Departmental Wages and Salaries

	For the Years Ended June 30					
	2004	Percentage of Total Payroll	2003	Percentage of Total Payroll	Increase (Decrease)	Percent Change
Nursing	$ 868,066	28.46	$ 809,426	27.87	$ 58,640	7.24
Aides & Orderlies	149,886	4.91	144,002	4.96	5,884	4.09
Clerical	37,072	1.22	42,592	1.47	(5,520)	(12.96)
Inhalation Therapy	131,986	4.33	135,508	4.67	(3,522)	(2.60)
General Surgery	3,258	0.11	3,025	0.10	233	7.70
Materials Management	22,631	0.74	25,344	0.87	(2,713)	(10.70)
Central Supply	37,367	1.23	35,272	1.21	2,095	5.94
Treatment Room	4,294	0.14	2,545	0.09	1,749	68.72
Education	73,925	2.42	69,035	2.38	4,890	7.08
Laboratory	288,007	9.44	268,464	9.24	19,543	7.28
Radiology & CT Scan	176,343	5.78	158,630	5.46	17,713	11.17
Pharmacy	137,817	4.52	134,691	4.64	3,126	2.32
Emergency Room-Clerical	53,880	1.77	48,871	1.68	5,009	10.25
Kid-Med & Healthplex	110,772	3.63	100,991	3.48	9,781	9.69
Medical Records	76,845	2.52	119,705	4.12	(42,860)	(35.80)
Dietary	133,772	4.39	110,825	3.82	22,947	20.71
Plant Maintenance	44,319	1.45	39,341	1.35	4,978	12.65
Housekeeping	141,500	4.64	135,541	4.67	5,959	4.40
Management & Adminstrative	270,273	8.86	246,582	8.49	23,691	9.61
Ambulance	234,923	7.70	229,871	7.92	5,052	2.20
Fitness Center	52,980	1.74	43,716	1.51	9,264	21.19
Total Wages and Salaries Paid	$ 3,049,916	100.00	$ 2,903,977	100.00	$ 145,939	5.03

Proprietary Fund Budgetary Highlights

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

Capital Assets

Capital Assets are recorded in the Balance Sheet and depreciated over their estimated useful lives. Capital asset additions for the year ended June 30, 2004 are summarized in Table 5 following:

Table 5
Capital Asset Additions

Laboratory and Radiology Equipment Held Under Capital Lease	$ 33,245
Lab Exhaust Fan and Grill	1,100
Entrance Desk	2,785
Four Ton Air Conditioner	4,000
Two Door Freezer	2,666
Control Station	4,783
7 Computers, 5 Printers, and Media Projector	13,740
Internet Web Based Performance Monitoring System	3,680
Echocardiogram Video Cassette Recorder	3,710
	$ 69,709

Changes in the Medical Center's Capital Assets are summarized in Table 6 below.

Table 6
Summary of Capital Assets

	At June 30 2004	At June 30 2003	Increase (Decrease)	Percent Increase (Decrease)
Land	$ 111,243	$ 111,243	$	
Land Improvements	173,837	173,837		
Buildings and Building Improvements	2,040,590	2,040,590		
Equipment	2,635,728	2,549,264	86,464	3.39
Equipment Held Under Capital Lease	33,245	50,000	(16,755)	(33.51)
	4,994,643	4,924,934	69,709	1.42
Less-Accumulated Depreciation	3,688,683	3,488,037	200,646	5.75
Net Capital Assets	$ 1,305,960	$ 1,436,897	$(130,937)	(9.11)

Contacting the Medical Center's Financial Management

This financial report is designed to provide taxpayers, customers, and creditors with a general overview of the Medical Center's finances and to show the Medical Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the administration of North Caddo Medical Center at 1000 South Spruce Street, Vivian, Louisiana.

COLE, EVANS & PETERSON
CERTIFIED PUBLIC ACCOUNTANTS

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. HEDGEPETH, 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.
ERIC D. SMITH, C.P.A.
MARY WELLS CARMODY, C.P.A.

JOHN A. CASKEY, C.P.A.
JUDY E. MONCRIEF, C.P.A.
NINA G. GLORIOSO, C.P.A.
J. AMY HEMMINGS, C.P.A.
BARBARA BAYAH SIMPSON, C.P.A.
LINDA K. BIBLE, C.P.A.
SHEILA F. NATTIN, C.P.A.
LAURA A. HUFF, C.P.A.
JAMES D. COLLINS, C.P.A.
KYLE S. DOBBINS, C.P.A.
WILLIAM D. JARRETT, III, C.P.A.
TROY D. RABURN, C.P.A.
CHARLES J. RICE, C.P.A.

FIFTH FLOOR TRAVIS PLACE
600 BLOCK TRAVIS STREET
SHREVEPORT, LOUISIANA 71101-3013

www.cepcpa.com

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

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

MAILING ADDRESS:
P. O. DRAWER 1768
SHREVEPORT, LOUISIANA 71166-1768

September 8, 2004

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
North Caddo Hospital Service District
Vivian, Louisiana

We have audited the accompanying 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, 2004 and June 30, 2003 and the related statements of revenues, expenses, and changes in net assets, 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 auditing standards generally accepted in the United States of America 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, 2004 and June 30, 2003 and the results of its operations, changes in net assets, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated September 8, 2004 on our consideration of North Caddo Hospital Service District, d/b/a North Caddo Medical Center's internal control and its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audits were made for the purpose of forming an opinion on the Medical Center's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to auditing procedures applied by us in the audit 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.

Management's discussion and analysis on pages 1 through 7 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 primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Cole, Evans & Peterson

Cole, Evans & Peterson

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

BALANCE SHEETS

AT JUNE 30, 2004 AND JUNE 30, 2003

	June 30	
ASSETS	2004	2003
Current Assets:		
Cash and Cash Equivalents (Note 4)	1,126,129	994,526
Accounts Receivable from Patient Services-Net of Estimated Allowances and Uncollectible Accounts (Note 3)	1,272,535	1,212,582
Inventories-Drugs and Supplies	137,333	123,985
Prepaid Expenses	32,939	70,839
Total Current Assets	2,568,936	2,401,932
Capital Assets: (Note 5)		
Land	111,243	111,243
Land Improvements	173,837	173,837
Buildings and Building Improvements	2,040,590	2,040,590
Equipment	2,635,728	2,549,264
Equipment Held Under Capital Leases (Note 6)	33,245	50,000
	4,994,643	4,924,934
Less-Accumulated Depreciation	3,688,683	3,488,037
Net Capital Assets	1,305,960	1,436,897
Other Assets:		
Unamortized Cost of Tax Election	2,185	3,278
Total Assets	3,877,081	3,842,107

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

AT JUNE 30, 2004 AND JUNE 30, 2003

LIABILITIES AND NET ASSETS	June 30 2004	2003
Current Liabilities:		
Accounts Payable (Note 16)	87,551	152,270
Estimated Third-Party Payor Settlements (Note 3)	308,462	667,109
Accrued Salaries, Withholdings and Retirement	196,244	140,666
Accrued Employee Vacation Benefits	64,786	57,106
Accrued Interest Payable	225	9
Capital Lease Obligations-Current Portion (Note 6)	10,208	1,924
Total Current Liabilities	667,476	1,019,084
Long-Term Liabilities:		
Capital Lease Obligations (Note 6)	28,619	1,924
Less-Current Portions	10,208	1,924
Total Long-Term Liabilities	18,411	- 0 -
Commitments and Contingent Liabilities (Note 7)		
Total Liabilities	685,887	1,019,084
Net Assets:		
Invested in Capital Assets, Net of Related Debt	1,277,341	1,434,973
Restricted	- 0 -	- 0 -
Unrestricted	1,913,853	1,388,050
Total Net Assets	3,191,194	2,823,023
Total Liabilities and Net Assets	3,877,081	3,842,107

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 REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2004 AND JUNE 30, 2003

	Year Ended June 30	
	2004	2003
Operating Revenues:		
Net Patient Revenues (Note 3)	7,154,494	7,105,347
Other Operating Revenue	35,688	29,396
Total Operating Revenues	7,190,182	7,134,743
Operating Expenses:		
Direct Departmental Expenses	4,061,498	3,855,165
Housekeeping	213,282	201,838
Maintenance and Utilities	158,082	124,077
Medical Records	86,530	138,416
General and Administrative (Notes 8, 9, 11, 15 and 16)	1,338,074	1,301,815
Bad Debts (Note 3)	942,663	1,096,563
Depreciation (Note 5)	200,646	238,926
Amortization	1,093	1,093
Interest Expense	1,150	1,418
Total Operating Expenses	7,003,018	6,959,311
Operating Income	187,164	175,432
Nonoperating Revenues:		
Interest Income	4,499	10,112
Property Tax Revenues (Note 10)	166,908	158,161
Rent Income (Notes 13 and 16)	9,600	9,600
Total Nonoperating Revenues	181,007	177,873
Excess of Revenues Over Expenses	368,171	353,305
Net Assets at Beginning of Year	2,823,023	2,469,718
Net Assets at End of Year	3,191,194	2,823,023

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

FOR THE YEARS ENDED JUNE 30, 2004 AND JUNE 30, 2003

	2004	2003
Cash Flows From Operating Activities:		
Cash Received From Patients and Third-Party Payors	5,793,231	5,957,911
Other Operating Receipts	45,288	38,927
Cash Paid to Suppliers and Employees	(5,834,375)	(5,815,409)
Net Cash Provided by Operating Activities	4,144	181,429
Cash Flows from Noncapital Financing Activities:		
Property Tax Revenues Received	166,908	158,161
Cash Flows from Capital and Related Financing Activities: (Note 18)		
Acquisition and Construction of Capital Assets	(36,464)	(133,283)
Proceeds from Sale of Assets		1,039
Principal Payments on Capital Leases	(6,550)	(45,058)
Interest Payments on Capital Leases	(934)	(1,653)
Net Cash (Used) by Capital and Related Financing Activities	(43,948)	(178,955)
Cash Flows from Investing Activities:		
Interest Income on Investments	4,499	10,937
Increase in Cash and Cash Equivalents	131,603	171,572
Cash and Cash Equivalents at Beginning of Year	994,526	822,954
Cash and Cash Equivalents at End of Year	1,126,129	994,526
Reconciliation of Income From Operations to Net Cash Provided by Operating Activities:		
Excess Revenues Over Expenses (Exhibit B)	368,171	353,305
Interest Income on Investing Activities	(4,499)	(10,112)
Property Tax Revenues	(166,908)	(158,161)
Interest Expense on Financing Activities	1,150	1,418
(Gain) on Assets Sold		(69)
Adjustments to Reconcile Excess Revenues to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	201,739	240,019
Changes in Operating Assets and Liabilities:		
(Increase) in Accounts Receivable	(59,953)	(88,836)
(Decrease) in Accounts Payable	(360,108)	(111,096)
Decrease (Increase) in Prepaid Expenses	37,900	(39,429)
(Increase) in Inventory	(13,348)	(5,610)
Net Cash Provided by Operating Activities	4,144	181,429

The Accompanying Notes Are An Integral Part Of These Financial Statements

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

Method of Accounting

The financial statements of North Caddo Hospital Service District, d/b/a North Caddo Medical Center (Medical Center) are prepared using the accrual method of accounting. Hospital accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the requirements set forth in the Louisiana Governmental Audit Guide, and the American Institute of Certified Public Accountants Audit and Accounting Guide Health Care Organizations, and standards set by the Governmental Accounting Standards Board (GASB), which is the accepted standard setting body for establishing governmental accounting and financial reporting principles in the United States of America.

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 and Accounts Receivable

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.

Charges to patient accounts receivable are recorded contemporaneously with the services provided based on the established rates for those services. Reductions to patient accounts receivable results from cash collections, discounts under contractual agreements and bad debts. The Medical Center does not make its patient accounts receivable available for sale. Interest on unpaid balances is generally not charged. Allowances for bad debts are based on estimated percentages applied to the various age groups of account balances that are not payable by Medicare, Medicaid, or certain other large third-party payers. Allowances for discounts on accounts payable by Medicare, Medicaid and certain other large third-party payers are based primarily on the latest discount percentages experienced with each payer.

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

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Performance Indicator

The Medical Center's performance indicator, "excess of revenue over expenses," includes operating and nonoperating revenues and expenses and excludes, consistent with industry practice, unrealized gains and losses on investment securities and contributions of long-lived assets.

Capital Assets and Depreciation

Capital 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.

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. See Note 11.

Income Taxes

As a component unit of the Caddo Parish Commission and the State of Louisiana (Note 2), the Hospital is exempt from federal and state 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 the tax levy was approved.

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

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 under Louisiana Revised Statutes, Chapter 10, Title 46 and is a component unit of the Caddo Parish Commission (the Commission). The Medical Center operates and is financially independent of the Commission and has no component units in its operations.

Since the Medical Center is a component unit of the 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 (the Board) consisting of nine voting members. The members are appointed by the Commission for four-year terms. The governing authority of the Medical Center board was established by an ordinance of the Commission.

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

NOTES TO FINANCIAL STATEMENTS

Note 2 - Organization and Operations (Continued)

The Medical Center was determined to be a component unit of the 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 Commission.

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.

The Medical Center operates under the Medicare Critical Assess Hospital (CAH) program. Under the CAH program, the Medical Center is reimbursed under a cost reimbursement method. Under the cost reimbursement method, the Medical Center is reimbursed at tentative rates with final settlement determined after submission of annual cost reports by the Medical Center and audits by the Medicare fiscal intermediary. Inpatient acute care services rendered to Medicare program beneficiaries are tentatively paid at a per diem rate. Under the per diem method, one established rate is used for all patient stays regardless of the magnitude or complexity of the services provided. Outpatient services are tentatively paid based on 46 percent of established charges.

For the years ended June 30, 2004 and June 30, 2003, the Medical Center received approximately 52 percent and 56 percent, respectively, of its gross patient revenue (42 and 49 percent, respectively, of its net patient revenues) from the Medicare program. These revenues are subject to health insurance program fiscal intermediary review and retroactive adjustment. Cost reports for the years ended June 30, 2004, 2003, and 2002 are subject to examination. Provisions have been made for estimated settlements and adjustments.

Under the Louisiana 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, 2004, 2003, and 2002, 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.

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO 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, 2004 and June 30, 2003 follows:

	Year Ended June 30 2004	2003
Patient Revenues at Established Rates	$ 10,474,096	$ 10,127,914
Less-Provisions for Contractual Adjustments:		
Current Provisions	4,097,352	3,796,999
Changes in Prior Estimates	(76,980)	(234,903)
Medicaid Disproportionate Share Payments Received	(700,770)	(539,529)
	3,319,602	3,022,567
Net Patient Revenues	$ 7,154,494	$ 7,105,347

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.

The Medical Center grants credit without collateral to its patients, most of whom are from the Vivian, Louisiana vicinity. The mix of receivables from patients and third-party payors at June 30, 2004 and June 30, 2003 is as follows:

	At June 30 2004	2003
Medicare	20.96%	28.21%
Medicaid	8.17	16.77
Other Third-Party Payors and Patients	70.87	55.02
	100.00%	100.00%

Net accounts receivable from patient services is comprised as follows:

	At June 30 2004	2003
Gross Patient Accounts Receivable	$ 3,328,505	$ 2,555,301
Estimated Allowances for Bad Debts and Contractual Adjustments Under Third-Party Reimbursement Programs (Note 12)	(2,055,970)	(1,342,719)
Net Accounts Receivable from Patient Services	$ 1,272,535	$ 1,212,582

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

NOTES TO FINANCIAL STATEMENTS

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, 2004 are as follows:

	Citizens Bank & Trust	First Guaranty Bank
Cash in Banks	$ 1,036,767	$ 37,990
Insured by FDIC	$ 100,000	$ 100,000
Collateralization-Fair Market Value	$ 1,401,874	$ - 0 -
Uncollateralized	$ - 0 -	$ - 0 -

Collateral is held by the pledging financial institutions' 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 capital assets are as follows:

	Year Ended June 30 2004	2003
Buildings and Building Improvements (5-40 years)	$ 75,443	$ 73,626
Equipment (3-20 years)	119,684	159,781
Land Improvements (8-20 years)	5,519	5,519
	$ 200,646	$ 238,926

Note 6 - Capital Leases

During the year ended June 30, 2004, the Medical Center entered into two new capital lease contracts. One capital lease was for a blood coagulation machine, valued at $20,085, for the laboratory. The other capital lease was for a direct print connection between the ultrasound machine and the laser printer, valued at $13,160, for the radiology department.

The laboratory lease is with Dade Behring Financial Services. The lease has a term of five years and expires in January 2009. It has an interest rate of 6.55 percent per annum which requires monthly interest and principal payments of $393 each.

The radiology lease is with Eastman Kodak Company. The lease has a term of two years and expires in December 2005. It has an interest rate of 5.73 percent per annum which requires quarterly interest and principal payments of $1,758 each.

The Medical Center leased an AS/400 computer system, which expired in August 2003. The lease automatically transferred ownership of the equipment to the Medical Center at the end of the lease term.

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

NOTES TO FINANCIAL STATEMENTS

Note 6 - Capital Leases (Continued)

Following is a summary of property held under capital leases:

	At June 30 2004	At June 30 2003
Coagulation Machine	$ 20,085	$
Print Connection	13,160	
Computer Equipment		50,000
	33,245	50,000
Less-Accumulated Depreciation	3,544	48,333
Net Carrying Amount	$ 29,701	$ 1,667

Minimum future lease payments under these leases are as follows:

Year Ending June 30	Coagulation Machine	Print Connection	Total
2005	$ 4,722	$ 7,034	$ 11,756
2006	4,722	3,440	8,162
2007	4,722	- 0 -	4,722
2008	4,722	- 0 -	4,722
2009	2,753	- 0 -	2,753
	21,641	10,474	32,115
Less-Amount Representing Interest	2,991	505	3,496
Net Present Value of Minimum Lease Payments	$ 18,650	$ 9,969	$ 28,619
Imputed Rate of Interest	6.55%	5.73%	

Note 7 - Commitments and Contingent Liabilities

The healthcare industry is subject to numerous laws and regulations which include, among other things, matters such as government healthcare participation requirements, various licensure and accreditations, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government action has increased with respect to investigations and/or allegations concerning possible violations of fraud and abuse and false claims statutes and/or regulations by healthcare providers. Providers that are found to have violated these laws and regulations might be excluded from participating in government healthcare programs, subjected to fines or penalties or required to repay amounts received from the government for previously billed patient services. While management of the Medical Center believes its policies, procedures and practices comply with governmental regulations, no assurance can be given that the Medical Center will not be subjected to governmental inquiries or actions.

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

NOTES TO FINANCIAL STATEMENTS

Note 7 - Commitments and Contingent Liabilities (Continued)

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

See Note 6 concerning capital lease commitments.

See Note 8 concerning operating lease commitments.

See Note 14 regarding insurance contingencies.

See Note 15 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 June 2007. Rent expense under these leases for the years ended June 30, 2004 and June 30, 2003 is as follows:

	Year Ended June 30 2004	2003
Telephones	$ 1,374	$ 3,943
Other Equipment	38,365	40,432
Real Estate	5,100	5,177
	$ 44,839	$ 49,552

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

Year Ending June 30	
2005	$ 36,588
2006	35,192
2007	18,183
2008	- 0 -
2009	- 0 -
	$ 89,963

Note 9 - Pension Plan

Plan Description

The Medical Center contributes to the Parochial Employees' Retirement System of Louisiana, a Public Employee Retirement System (the Plan), 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 Statues, Title 11, Sections 1901 through 2015, specifically, and other general laws of the State of Louisiana.

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

NOTES TO FINANCIAL STATEMENTS

Note 9 - Pension Plan (Continued)

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 Plan are established by state statute. Employee contributions are 3 percent of covered wages in excess of $100 per month for each of the years ended December 31, 2003 and December 31, 2002. For the years ended December 31, 2003 and December 31, 2002, employer contributions are 3.75 and 2.75 percent, respectively, of covered wages in excess of $100. In addition to the aforementioned contributions the tax collectors of various parishes contribute one fourth of one percent of all tax collections.

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

Year Ended June 30,	Amount	Percentage of Required Amount
2004	$ 105,847	100%
2003	88,872	100%
2002	60,613	100%

Note 10- Property Tax Revenues

The Medical Center received $166,908 and $158,161 in property tax revenues for the years ended June 30, 2004 and June 30, 2003, respectively. This revenue is used primarily for establishing, maintaining and operating 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:

	Year Ended June 30	
	2004	2003
Property Tax Assessment	$ 185,595	$ 176,022
Allowance for Uncollectible Assessments	(23,371)	(29,653)
Property Tax Collected	162,224	146,369
Adjustments, Interest and		
Prior Period Collections	4,684	11,792
Property Taxes Reported	$ 166,908	$ 158,161

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

NOTES TO FINANCIAL STATEMENTS

Note 10- Property Tax Revenues (Continued)

The original 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, 2004 and June 30, 2003 are $15,714 and $15,078, 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.

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 month-to-month lease (the original three-year operating lease expired 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, 2004 and June 30, 2003 is $9,600. See Note 16.

Note 14- Insurance

The 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.

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

NOTES TO FINANCIAL STATEMENTS

Note 14- Insurance (Continued)

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.

Under current Louisiana law, the Medical Center's liability for medical malpractice is statutorily limited to $500,000 per claim. To cover this exposure, the Medical Center has obtained insurance coverage of $100,000 per claim with the Louisiana Hospital Association Malpractice and General Liability Trust and an additional $400,000 per claim with the State of Louisiana Patient's Compensation Fund.

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

Note 15- Self-Funded Unemployment Claims

The 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. The Medical Center reimbursed the Louisiana Department of Labor $7,278 and $10,557 for claims paid on behalf of the Medical Center during the fiscal years ended June 30, 2004 and June 30, 2003, respectively.

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, 2004.

Note 16- Related Party Transactions

On April 24, 2000 the Medical Center entered into a management contract with Willis-Knighton Medical Center (WKMC). Under this contract, WKMC has agreed to manage the operations of the Medical Center and to provide the Medical Center with a qualified administrator. The administrator is an employee of WKMC and acts on behalf of WKMC in the Medical Center's best interest. The contract is for three years and requires that the Medical Center reimburse WKMC for the salary and benefits of the Medical Center's administrator.

The Medical Center received rental income from WKMC in the amount of $9,600 for each of the years ended June 30, 2004 and June 30, 2003 for leased office space in its Extended Services building. See Note 13.

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

NOTES TO FINANCIAL STATEMENTS

Note 16- Related Party Transactions (Continued)

During the years ended June 30, 2004 June 30, 2003, the Medical Center paid WKMC, $199,585 and $186,512, respectively, for the administrator's salary and benefits, office supplies, laundry services and various patient services.

At June 30, 2004 and June 30, 2003, the Medical Center owes WKMC $27,708 and $14,322, respectively, for various services and supplies, which is included in accounts payable.

Note 17- Concentrations

See Note 3 concerning revenues derived from patients who are beneficiaries under the Medicare program.

See Note 3 concerning significant financial resources provided from Medicaid Disproportionate Share Payments.

Note 18- Noncash Capital and Relating Financing Transactions

During the year ended June 30, 2004, the Medical Center entered into two new capital lease contracts for the acquisition of a blood coagulation machine and a direct print connection. The amount of the assets capitalized under these leases is $33,245.

COLE, EVANS & PETERSON

CERTIFIED PUBLIC ACCOUNTANTS

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. HEDGEPETH, 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.
ERIC D. SMITH, C.P.A.
MARY WELLS CARMODY, C.P.A.

JOHN A. CASKEY, C.P.A.
JUDY E. MONCRIEF, C.P.A.
NINA G. GLORIOSO, C.P.A.
J. AMY HEMMINGS, C.P.A.
BARBARA BAYAH SIMPSON, C.P.A.
LINDA K. BIBLE, C.P.A.
SHEILA F. NATTIN, C.P.A.
LAURA A. HUFF, C.P.A.
JAMES D. COLLINS, C.P.A.
KYLE S. DOBBINS, C.P.A.
WILLIAM D. JARRETT, III, C.P.A.
TROY D. RABURN, C.P.A.
CHARLES J. RICE, C.P.A.

FIFTH FLOOR TRAVIS PLACE
600 BLOCK TRAVIS STREET
SHREVEPORT, LOUISIANA 71101-3013

www.cepcpa.com

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

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

MAILING ADDRESS:
P. O. DRAWER 1768
SHREVEPORT, LOUISIANA 71166-1768

September 8, 2004

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Commissioners
North Caddo Hospital Service District
Vivian, Louisiana

Our audits of the June 30, 2004 and June 30, 2003 financial statements of North Caddo Hospital Service District, d/b/a North Caddo Medical Center were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedules 1 through 5 which follow are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cole, Evans & Peterson

Cole, Evans & Peterson

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

REVENUE, DEDUCTIONS FROM REVENUE AND DIRECT DEPARTMENTAL EXPENSE

FOR THE YEARS ENDED JUNE 30, 2004 AND JUNE 30, 2003

	Year Ended June 30, 2004			Year Ended June 30, 2003		
	Revenue	Expense	Net	Revenue	Expense	Net
Department:						
Inpatient Routine Care	1,599,475	1,267,117	332,358	1,574,320	1,177,974	396,346
Radiology	480.428	158,640	321,788	444,645	148,140	296,505
Pharmacy	957,212	461,584	495,628	1,018,272	432,618	585,654
Laboratory	1,926,160	481,950	1,444,210	1,632,513	441,558	1,190,955
Operating and Recovery	81,341	40,738	40,603	105,095	27,812	77,283
Emergency Room	1,526,663	603,665	922,998	1,683,425	606,387	1,077,038
Cardiac Care (Monitor)	217	6,268	(6.051)	120	16,776	(16,656)
Anesthesiology		158,165	(158,165)	71	153,139	(153,068)
Inhalation Therapy	644,449	162,407	482,042	499,033	164,951	334,082
Central Supply	1,121,288	110,865	1,010,423	1,104,198	96,121	1,008,077
Physical Therapy	4,611	2,205	2,406	3,898	1,635	2,263
CT Scanner	1,095,784	111,276	984,508	963,864	117,034	846,830
Cardiology	343,031	17,833	325,198	330,505	2,917	327,588
Health Unit and Kid-Med	117,867	127,075	(9,208)	132,492	118,799	13,693
Treatment Room	177,340	14,003	163,337	140,430	9,847	130,583
Ambulance	264,517	257,896	6,621	305,453	253,364	52,089
Obstetrics	78,963	17,643	61,320	134,343	27,009	107,334
Pain Management		334	(334)	36	1	35
Ultrasound	8,926	645	8,281	8,749	441	8,308
Fitness Center	45,824	61,189	(15,365)	46,452	58,642	(12,190)
Totals	10,474,096	4,061,498	6,412,598	10,127,914	3,855,165	6,272,749
Deductions from Revenues:						
Medicare and Medicaid Discounts	(3,408,013)			(3,126,829)		
Medicaid Disproportionate						
Share Payments Received	700,770			539,529		
Change in Medicaid Disproportionate						
Share Payment Prior Year Estimate				233,000		
Other Contractual Adjustments	(612,359)			(668,267)		
Net Deductions	(3,319,602)			(3,022,567)		
Net Patient Revenues	7,154,494			7,105,347		

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

GENERAL AND ADMINISTRATIVE EXPENSES

FOR THE YEARS ENDED JUNE 30, 2004 AND JUNE 30, 2003

	Year Ended June 30	
	2004	2003
General and Administrative Salaries	270,273	246,582
Accounting and Auditing Fees	25,000	29,000
Legal Fees	4,065	7,777
Cost Report Preparation and Consulting	40,071	74,945
Telephone	32,711	23,415
Insurance	129,122	107,760
Employee Benefits and Payroll Taxes	632,740	616,280
Supplies and Other	204,092	196,056
Total General and Administrative Expenses	1,338,074	1,301,815

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, 2004

Compensation (including per diem) Paid to Board Members:	Paid Board Meetings Attended	Compensation
Earl G. Williamson, Jr.	12	1,200
Kenneth D. Clay	12	1,200
Robert Guth	11	1,100
Helen Adger	10	1,000
Mary Jane Dominick	11	1,100
Scott Welch	8	800
Robert Green	12	1,200
Mary Irvin	12	1,200
Brenda Smith	11	1,100
	99	9,900

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

SUMMARY OF OPERATING RESULTS

	Year ended June 30				
	2004	2003	2002	2001	2000
Total Gross Revenue	10,690,791	10,335,184	9,769,285	8,807,754	8,893,961
Discounts and Bad Debts	4,262,265	4,119,130	4,286,191	4,201,292	4,123,038
Cost and Expenses	6,060,355	5,862,749	5,771,242	4,869,129	4,889,776
Net Income (Loss)	368,171	353,305	(288,148)	(262,667)	(118,853)
Total Hospital Patient Days	2,942	3,126	2,746	2,966	2,768
Admissions	907	926	865	836	711
Inpatient Revenue per Patient Day	2,023	1,843	2,048	1,788	1,889
Inpatient Revenue as a Percent of Total Patient Revenue	56.84 %	56.89 %	58.58 %	61.84 %	62.60 %
Net Income (Loss) per Patient Day	125.14	113.02	(104.93)	(88.49)	(42.94)
Net Income (Loss) as a Percent of Gross Patient Revenues	3.52 %	3.49 %	(3.00)%	(3.06)%	(1.42)%
Number of Days Net Patient Revenues in Net Patient Receivables	65.10	62.29	66.91	79.38	71.05
Number of Days Net Patient Revenues (Without Medicaid Disproportionate Share Payment and Change in Estimate) in Net Patient Receivables	72.17	69.89	71.18	83.41	74.34
Average Length of Patient Stay in Days	3.24	3.38	3.17	3.55	3.89

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

CAPITAL ASSETS AND ACCUMULATED DEPRECIATION

FOR THE YEAR ENDED JUNE 30, 2004

	ASSETS				ACCUMULATED DEPRECIATION				
	Balance 6-30-03	Additions	Deductions	Balance 6-30-04	Balance 6-30-03	Additions	Deductions	Balance 6-30-04	Book Value 6-30-04
Land	111,243			111,243					111,243
Land Improvements	173,837			173,837	128,514	5,519		134,033	39,804
Buildings and Building Improvements	2,040,590			2,040,590	1,230,746	75,443		1,306,189	734,401
Equipment	2,549,264	86,464		2,635,728	2,080,444	164,473		2,244,917	390,811
Equipment Under Capital Leases	50,000	(16,755)		33,245	48,333	(44,789)		3,544	29,701
	4,924,934	69,709		4,994,643	3,488,037	200,646		3,688,683	1,305,960

COLE, EVANS & PETERSON

CERTIFIED PUBLIC ACCOUNTANTS

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A. WILLIAM PETERSON, C.P.A.
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C. WILLIAM GERARDY, JR., C.P.A.
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FIFTH FLOOR TRAVIS PLACE
600 BLOCK TRAVIS STREET
SHREVEPORT, LOUISIANA 71101-3013

www.cepcpa.com

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

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

MAILING ADDRESS:
P. O. DRAWER 1768
SHREVEPORT, LOUISIANA 71166-1768

September 8, 2004

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, 2004 and have issued our report thereon dated September 8, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 no instances of noncompliance that are required to be reported herein under *Government Auditing Standards.*

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

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 04-1 through 04-5.

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, of the reportable conditions described above, we consider Findings 04-1 through 04-4 to be 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. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statue 24:513, this report is distributed by the Legislative Auditor as a public document.

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September 8, 2004

INDEPENDENT AUDITORS' SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2004

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, 2004, and have issued our report thereon dated September 8, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, 2004 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 - Yes   Reportable Conditions - Yes

Compliance
Compliance Material to the Financial Statements - No

b. Management Letter

Management letter issued - Yes

Section 2 - Financial Statement Findings

FINDING 04-1 - There is no oversight over employees who have the ability to access and edit accounts receivable. There are no controls in place to prevent or detect errors or fraud when accounts are written off, discounted, or contractually adjusted.

Requirement - All nonroutine entries posted to the accounts receivable subsidiary ledger should be approved and reviewed by a responsible official.

Condition - Patient accounts were written off, discounted, and contractually adjusted with no review for accuracy or validity.

Cause - The Medical Center relies on the honesty and accuracy of the employees who make the adjustments to the accounts receivable subsidiary ledger.

Recommendation - Management should ensure that a responsible official not associated with detail receivable and cash functions approve and review all nonroutine entries to the accounts receivable subsidiary ledger.

Management's Response - Management intends to immediately implement the preceding recommendation.

FINDING 04-2 - There is inadequate separation of duties with regards to the preparation of bank reconciliations, and bank reconciliations are not reviewed.

Requirement – The persons assigned to perform the monthly bank reconciliations and who also have involvement with the cash disbursements process should not receive the monthly bank statements (with cancelled checks) unopened from the bank. The bank statements should be opened by someone with no involvement in the cash disbursements process and completed bank reconciliations should be reviewed by a responsible official independent of the reconciliation process.

Condition - The bank statements are not opened and examined by someone other than the person assigned to prepare the monthly bank reconciliations. The bank reconciliations are not reviewed by a responsible official.

Cause - The Medical Center relies on the honesty and accuracy of the persons preparing the bank reconciliations.

Recommendation - Management should ensure that someone is assigned the responsibility of opening and reviewing the bank statements and cancelled checks before they are given to the persons assigned to perform the monthly bank reconciliations. Management should also ensure that a responsible official is assigned the responsibility of reviewing the monthly bank reconciliations for accuracy and reasonableness.

Management's Response - Management intends to immediately implement the preceding recommendation.

FINDINGS 04-3 - Monthly reviews of the general ledger were not performed.

Requirement - A monthly review of the detailed general ledger should be performed by a responsible official.

Condition - Monthly financial statements were reviewed without examination of the detailed general ledger to ensure that all corresponding amounts appeared reasonable.

Cause - The Medical Center relies on the honesty and accuracy of the preparer of the financial statements.

Recommendation - Management should ensure that a responsible official not associated with the preparation of monthly financial statements is assigned the responsibility of reviewing the monthly financial statements and the detailed general ledger to ensure that corresponding amounts agree and appear reasonable.

Management's Response - Management intends to immediately implement the preceding recommendation.

FINDING 04-4 - Reconciliation of the accounts payable subsidiary ledger to the general ledger accounts are not completed on a monthly basis.

Requirement - A reconciliation of the accounts payable subsidiary ledger should be reconciled to the related general ledger accounts every month.

Condition - Monthly reconciliations of the subsidiary ledger to the respective general ledger accounts were not performed.

Cause - The Medical Center's accountant did not prepare the required reconciliations.

Recommendation - Management should ensure that a responsible official have the responsibility of reviewing the reconciliations for completeness and accuracy every month.

Management's Response - Management intends to immediately implement the preceding recommendation.

FINDING 04-5 - The Medical Center's payroll department cannot accurately accrue and keep track of accrued compensated absences.

Requirement - The Medical Center should perform payroll functions in a manner that is accurate and cost effective for the government.

Condition - Accrued compensated absences were not calculated correctly by the Medical Center's payroll system. The calculation for these absences was not performed without extensive manual work and review.

Cause - The Medical Center's payroll system is not capable of correctly calculating vacation hours for different departments due to shift differentials. The supplying vendor has either been unable or unwilling to resolve the Medical Center's payroll deficiencies despite repeated requests to do so.

Recommendation - Management should analyze the current payroll system and, based on the findings of the analysis, make a decision to either obtain the appropriate training and/or personnel required to operate the payroll system correctly or replace the payroll system.

Management's Response - Management intends to immediately implement the preceding recommendation.

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
(Findings Prior to the Year Ended June 30, 2004)

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

There were no findings for the prior year.

Section 2 - Internal Control and Compliance Material to Federal Awards

N/A

Section 3 - Management Letter

There were no findings for the prior year.