

HOSPITAL SERVICE DISTRICT NO. 3  
OF THE PARISH OF ALLEN, STATE OF LOUISIANA  
ALLEN PARISH HOSPITAL

BASIC FINANCIAL STATEMENTS  
WITH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AND  
INDEPENDENT AUDITORS' REPORT

YEARS ENDED  
JUNE 30, 2004, 2003, AND 2002

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2-2-05

Hospital Service District No. 3  
Of the Parish of Allen, State of Louisiana  
Allen Parish Hospital  
Hospital Enterprise Fund  
Years Ended June 30, 2004, 2003 and 2002

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Hospital Service District No. 3  
Of the Parish of Allen, State of Louisiana  
Allen Parish Hospital

Management's Discussion and Analysis

This section of the Hospital's annual financial report presents background information and management's analysis of the Hospital's financial performance during the fiscal year that ended on June 30, 2004. Please read it in conjunction with the financial statements included in this report.

**Financial Highlights**

- The Hospital's total assets increased by approximately \$1,568,000, or approximately 67%, primarily as a result of an increase in accounts receivable and an increase investment in property, plant and equipment. These increases can be attributed to two events. First, the Hospital was successful in passing an Ad Valorem tax that generates approximately \$440,000 per year over the next ten years. The Hospital then leveraged a portion of the tax to secure a bond valued at \$1,500,000 which was invested in property, plant and equipment used to provide emergency and surgical services. Second, the result of reestablishing emergency services was an improved inpatient census and outpatient volume, thus an increase in accounts receivable.
- During the year, the Hospital's total operating revenues increased \$2,464,616, or 69%, to \$6,022,896 from the prior year while expenses increased \$2,131,441, or 55%, to \$5,998,227. The Hospital had a gain from operations of \$25,305, which is less than 1% of total operating revenue; compared to the prior fiscal year's loss of income from operations of \$308,506.
- The Hospital made several significant capital acquisitions and incurred other legal, professional, advertising, and training expenses as it prepared to open its emergency department. The source of the funding for these expenses came from the \$1,500,000 bond. The total amount involved was approximately \$1,100,000. A summary of some of the capital acquisitions follows:
  - Significant IT acquisitions including hardware and software of approximately \$128,000.
  - Improvements to the physical plant along with equipment and supplies totaling approximately \$150,000.
  - Emergency department equipment and supplies such as a telemetry unit, suction equipment, defibrillator, stretchers, lights, nurse control station, pharmaceutical supplies, etc. totaling approximately \$280,000.
  - Endoscopy equipment and supplies totaling approximately \$135,000.
  - Laboratory equipment, supplies, and professional services for developing blood banking capabilities totaling approximately \$97,000.
  - Radiology equipment including CT scanner, portable x-ray, ultrasound, etc. totaling approximately \$200,000.

**Required Financial Statements**

The Basic Financial Statements of the Hospital report information about the Hospital using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The Balance Sheets include all of the Hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Hospital and assessing the liquidity and financial flexibility of the Hospital. All of the current year's revenues and expenses are accounted for in

Hospital Service District No 3  
Of the Parish of Allen, State of Louisiana  
Allen Parish Hospital

Management's Discussion and Analysis

**Required Financial Statements (Continued)**

the Statement of Revenue, Expenses and Changes in Net Assets This statement measures improvements in the Hospital's operations over the past two years and can be used to determine whether the Hospital has been able to recover all of its costs through its patient service revenue and other revenue sources The final required financial statement is the Statement of Cash Flows The primary purpose of this statement is to provide information about the Hospital's cash from operations, investing and financing activities, and to provide answers to such questions as where did cash come from, what was cash used for and what was the change in cash balance during the reporting period

**Financial Analysis of the Hospital**

The Balance Sheet and the Statement of Revenue, Expenses and Changes in Net Assets report information about the Hospital's activities. These two statements report the net assets of the Hospital and changes in them. Increases or decreases in the Hospital's net assets are one indicator of whether its financial health is improving or deteriorating. However, other financial factors such as changes in the healthcare industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered

Hospital Service District No. 3  
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Allen Parish Hospital

Management's Discussion and Analysis

**Net Assets**

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

**TABLE 1**  
**Condensed Balance Sheet**  
**(In Thousands)**

	June 30,			Percentage Change
	2004	2003	Dollar Change	
Total current assets	\$ 2,036,138	\$ 1,512,128	\$ 524,010	34.65%
Capital assets, net	1,432,162	746,984	685,178	91.73%
Assets whose use is limited	400,971	-	400,971	100.00%
Other assets	44,165	86,350	(42,185)	-48.85%
<b>Total assets</b>	<b>\$ 3,913,436</b>	<b>\$ 2,345,462</b>	<b>\$ 1,567,974</b>	<b>66.85%</b>
Total current liabilities	\$ 1,330,696	\$ 1,070,716	\$ 259,980	24.28%
Long-term debt, net of current maturities	1,462,372	186,303	1,276,069	684.94%
Total liabilities	2,793,068	1,257,019	1,536,049	122.20%
Invested in capital assets, net of related debt	(243,960)	559,490	(803,450)	-143.60%
Restricted net assets	400,971	-	400,971	100.00%
Unrestricted net assets	963,357	528,953	434,404	82.13%
<b>Total liabilities and net assets</b>	<b>\$ 3,913,436</b>	<b>\$ 2,345,462</b>	<b>\$ 1,567,974</b>	<b>66.85%</b>

As can be seen in Table 1, total assets increase by \$1,567,974. The major changes occurred with current asset increases in accounts receivable and investment in property, plant and equipment. Management expects operating income resulting from the investment in property, plant and equipment to be realized by June 30, 2005. As of June 30, 2004, current assets continued to exceed current liabilities. The current ratio increased to 1.53 in 2004 versus 1.41 in 2003. It should be noted that this increase is indicative of the Hospital's decision to reinvest current assets in increased patient services.

Hospital Service District No 3  
Of the Parish of Allen, State of Louisiana  
Allen Parish Hospital

Management's Discussion and Analysis

**Summary of Revenue, Expenses and Changes in Net Assets**

**TABLE 2**  
**Condensed Statements of Revenue, Expenses and Changes in Net Assets**

	Years Ended		Dollar Change	Percentage Change
	2004	2003		
Net patient service revenue	\$ 5,097,111	\$ 3,343,208	\$ 1,753,903	52%
Maintenance taxes	555,922	114,035	441,887	388%
Other revenue	369,863	101,037	268,826	266%
<b>Total operating revenue</b>	<b>6,022,896</b>	<b>3,558,280</b>	<b>2,464,616</b>	<b>69%</b>
Salaries and employee benefits	2,821,151	2,106,245	714,906	34%
Supplies and other	1,553,238	976,444	576,794	59%
Professional, mgt and consulting fees	821,777	350,492	471,285	134%
Insurance	183,939	165,071	18,868	11%
Interest expense	53,589	21,902	31,687	145%
Depreciation and amortization	217,614	137,940	79,674	58%
Provision for bad debts	346,919	108,692	238,227	219%
<b>Total operating expenses</b>	<b>5,998,227</b>	<b>3,866,786</b>	<b>2,131,441</b>	<b>55%</b>
Operating income (loss)	24,669	(308,506)	333,175	-108%
Nonoperating income	7,256	14,393	(7,137)	-50%
Revenues in excess of expenses	31,925	(294,113)	326,038	-111%
Net assets - beginning of year	1,088,443	1,382,556	(294,113)	-21%
Net assets - end of year	<b>\$ 1,120,368</b>	<b>\$ 1,088,443</b>	<b>\$ 31,925</b>	<b>3%</b>

**Sources of Revenue**

**Operating Revenue**

During fiscal year 2004, the Hospital derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payors, who receive care in the Hospital's facilities. Reimbursement for the Medicare and Medicaid programs and the third-party payors is based upon established contracts. During the year, provisions for bad debt increased by \$238,227 primarily due to the opening of emergency services along with an increased number of uninsured patients in the psychiatric unit. Other revenue includes cafeteria sales, medical records transcript fees, rental income, grant income, debt forgiveness, and other miscellaneous services.

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Management's Discussion and Analysis

**Sources of Revenue (Continued)**

Operating Revenue (Continued)

Table 3 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended June 30, 2004 and 2003.

**TABLE 3**  
**Payor Mix by Percentage**

	Year ended June 30	
	2004	2003
Medicare	40.3%	34.0%
Medicaid	46.7%	59.5%
Commercial	10.9%	2.9%
Self-pay and other	2.1%	3.6%
Total patient revenues	100.0%	100.0%

Nonoperating Revenue

The Hospital holds designated and restricted funds in its balance sheets that are invested primarily in money market funds and securities issued by the U.S. Treasury and other federal agencies. These investments earned \$7,256 during fiscal year 2004. These earnings were less than earnings in prior years due to continued changes in interest rates and market conditions of the economy.

**Operating and Financial Performance**

The following summarizes the Hospital's Statements of Revenue, Expenses and Changes in Net Assets between 2004 and 2003:

Overall activity as measured by combined acute patient, skilled patient, and psychiatric patient discharges, increased by more than 37% to roughly 809 discharges in 2004 from 590 discharges in 2003. Patient days increased more than 33% over the prior year to 7,771 in 2004 from 5,811 in 2003. As a result, the average length of stay for acute patient stays increased slightly to 3.26 days in 2004 as compared to 3.08 days in 2003. The average length of stay for skilled care patients increased from 3.67 days in 2003 to 10.22 days in 2004. Length of stay averages for psychiatric care increased from 12.77 days in 2003 to 14.45 days in 2004.

Total net patient service revenue increased \$1,753,903 or 52%, in 2004.

Outpatient revenue increased in fiscal year 2004 by \$1,870,172 over the prior year due to added services such as ER, endoscopy, laboratory, and radiology. Outpatient visits increased from 8,004 in 2003 to 10,663, or 33% in 2004.

Hospital Service District No 3  
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Allen Parish Hospital

Management's Discussion and Analysis

**Operating and Financial Performance (Continued)**

During fiscal year 2004, management gave much attention to adding new service lines. The most significant addition would be the opening of emergency services on March 15, 2004. In addition, the Hospital began offering outpatient endoscopy services in November 2003 and CT services became fully operational about the same time. The increases in volume and subsequent increases in patient service revenue have placed an emphasis on accounts receivable. As a result, net days in accounts receivable have increased from 58 days in 2003 to 87 days in 2004. Management is aggressively working to improve accounts receivable days as we head into the next fiscal year.

Employee related expenses increased by \$714,906, or 34%, to \$2,821,151 in the current fiscal year from \$2,106,245 in the prior fiscal year. As a percentage of net patient service revenue, these expenses decreased to approximately 55% in 2004, from 63% in 2003. The Hospital had a significant increase in FTEs throughout the current fiscal year; therefore, the decrease is an indicator of productivity improvements through substantial increases in patient volume.

Medical supplies and drugs expense increased by \$371,659, or 97%, for the fiscal year. This increase occurred due to added services, general inflation, and an overall increase in the cost of drugs over the prior year.

General supply expense increased by \$118,076, or 51%, for 2004. This increase occurred due to the increase in patient volume and, for example, the subsequent cost associated with processing the additional claims, increased number of meals served, etc.

Professional, management and consulting fees increased by \$471,285, or 134%, for the current fiscal year. The increase primarily occurred due to the additional expense of providing 24 hour emergency service coverage by a licensed physician in the Hospital's emergency department.

Other expenses increased by \$87,059, or 24%, for 2004. The largest increase occurred in the area of legal and accounting fees. This is due to the cost associated with planning and opening the emergency department.

Insurance expense increased by \$18,868, or 11%, for 2004. This increase occurred due to the industry wide increase in the cost of providing general liability and medical malpractice insurance for health care facilities.

With the exception of salaries and benefits, the above expenses increased by a total of \$1,066,947, or 72%, for the current fiscal year. As a percentage of net patient service revenue, these expenses were approximately 50% for 2004 versus 45% for 2003.

Depreciation and amortization expense increased \$78,218, or 57%, from the prior year. The increase is due to additions to capital assets of \$886,916 during 2004.

Interest expense increased \$31,687, or 145%, from the prior year. The increase is primarily due to increases in financing activity by the Hospital during 2004.

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Management's Discussion and Analysis

**Operating and Financial Performance (Continued)**

Maintenance tax income increased \$441,887, or 388%, for the current fiscal year. The increase is primarily due to the passage of a new Ad Valorem tax in July 2003, dedicated to the operation and maintenance of those facilities needed to provide emergency and surgical services. The remaining \$114,035 is an Ad Valorem tax received for maintenance and operation of the hospital and debt services and interest earnings on funds.

Other income increased \$268,826, or 266%, for the current fiscal year. The increase is primarily due to a forgiveness of debt valued at \$318,603.

**Capital Assets**

During fiscal year 2004, the Hospital made its largest investment in capital assets in many years. The Hospital's capital assets activities are included in Table 4 below:

**TABLE 4**  
**Capital Assets**

	June 30		Dollar Change	Total Percent Change
	2004	2003		
Land and land improvements	\$ 51,717	\$ 51,717	\$ -	0.0%
Buildings	1,485,515	1,407,927	77,588	5.5%
Fixed equipment	61,580	60,332	1,248	2.1%
Major movable equipment	2,325,126	1,517,046	808,080	53.3%
<b>Subtotal</b>	<b>3,923,938</b>	<b>3,037,022</b>	<b>886,916</b>	<b>29.2%</b>
Less accumulated depreciation and amortization	2,506,196	2,290,038	216,158	9.4%
Construction-in-progress	14,420	-	14,420	
<b>Net property, plant and equipment</b>	<b>\$ 1,432,162</b>	<b>\$ 746,984</b>	<b>\$ 685,178</b>	<b>91.7%</b>

Net property, plant and equipment have increased for the first time in many years for the Hospital. The Board of Directors and management made a decision to return and enhance such acute care services as emergency, endoscopy, radiology, and laboratory services. This decision required a considerable reinvestment in capital assets. The funding for this investment came from bond indebtedness secured by the passage of a new Ad Valorem tax. The total bond value was \$1,500,000 and by June 30, 2004, most of the funds were invested for capital related additions and improvements.

Hospital Service District No. 3  
Of the Parish of Allen, State of Louisiana  
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Management's Discussion and Analysis

**Long-Term Debt**

At year-end, the Hospital had \$1,697,783 in short-term and long-term debt. This has increased by \$1,489,820 in fiscal year 2004 due to the issuance of \$1,500,000 in bond indebtedness and a \$278,000 capital lease. Principal payments on the outstanding debt totaled \$288,179 for the period. More detailed information about the Hospital's long-term liabilities is presented in the notes to basic financial statements. Total debt outstanding represents 43% of the Hospital's total assets at June 30, 2004.

**Contacting the Hospital's Financial Manager**

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Hospital administration.

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Hospital Service District No. 3  
Parish of Allen, State of Louisiana  
Kinder, Louisiana

We have audited the accompanying basic financial statements of Hospital Service District No. 3, Parish of Allen, State of Louisiana, Allen Parish Hospital (the "District"), a component unit of the Allen Parish Police Jury, as of and for the years ended June 30, 2004, 2003 and 2002, as listed in the foregoing table of contents. These basic financial statements are the responsibility of the District'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 the standards applicable to financial audits contained in 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 basic financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 3, Parish of Allen, Allen Parish Hospital as of June 30, 2004, 2003 and 2002, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

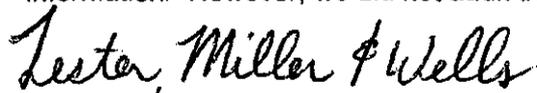
In accordance with Government Auditing Standards, we have also issued our report dated October 8, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an 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.

Board of Commissioners  
Hospital Service District No 3  
Parish of Allen, State of Louisiana  
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Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. 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 the auditing procedures applied 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.

As discussed in Note 2 to the financial statements, effective July 1, 2003, the Hospital changed its accounting policy related to financial statement presentation to comply with the provisions of Statement No 34 of the Governmental Accounting Standards Board.

Management's Discussion and Analysis on pages "i" through "viii" 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.



Certified Public Accountants

October 8, 2004

Hospital Service District No. 3  
Of the Parish of Allen, State of Louisiana  
Allen Parish Hospital  
Balance Sheets  
June 30, 2004, 2003 and 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 500,136	\$ 650,011	\$ 988,673
Investments	191,139	188,706	184,234
Patient accounts receivable, net of estimated uncollectibles (Note 4)	1,126,125	513,417	362,121
Inventory	187,285	141,357	138,216
Prepaid expenses	<u>31,453</u>	<u>18,637</u>	<u>38,852</u>
 Total current assets	 <u>2,036,138</u>	 <u>1,512,128</u>	 <u>1,712,096</u>
Property, plant and equipment, net (Note 5)	1,432,162	746,984	802,341
Assets whose use is limited (Note 6)	400,971	-0-	-0-
Other assets	<u>44,165</u>	<u>86,350</u>	<u>15,000</u>
 Total assets	 <u>\$ 3,913,436</u>	 <u>\$ 2,345,462</u>	 <u>\$ 2,529,437</u>
 <b>Liabilities and Net Assets</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 344,165	\$ 452,083	\$ 400,641
Accrued expenses (Note 7)	211,077	109,995	110,602
Estimated Medicare and Medicaid program settlements	540,043	486,978	365,083
Current maturities of long-term debt (Note 8)	<u>235,411</u>	<u>21,660</u>	<u>81,105</u>
 Total current liabilities	 <u>1,330,696</u>	 <u>1,070,716</u>	 <u>957,431</u>
Long-term debt, net of current maturities (Note 8)	<u>1,462,372</u>	<u>186,303</u>	<u>189,450</u>
 Total liabilities	 <u>2,793,068</u>	 <u>1,257,019</u>	 <u>1,146,881</u>
 <b>Net assets</b>			
Invested in capital assets, net of related debt	(243,960)	559,490	550,956
Restricted net assets	400,971	-0-	-0-
Unrestricted net assets	<u>963,357</u>	<u>528,953</u>	<u>831,600</u>
 Total net assets	 <u>1,120,368</u>	 <u>1,088,443</u>	 <u>1,382,556</u>
 Total liabilities and net assets	 <u>\$ 3,913,436</u>	 <u>\$ 2,345,462</u>	 <u>\$ 2,529,437</u>

See accompanying notes to financial statements.

Hospital Service District No. 3  
Of the Parish of Allen, State of Louisiana  
Allen Parish Hospital  
Statements of Revenue, Expenses and Changes in Net Assets  
Years Ended June 30, 2004, 2003 and 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenue:			
Net patient service revenue	\$ 5,097,111	\$ 3,343,208	\$ 3,592,287
Maintenance taxes	555,922	114,035	103,405
Other	<u>369,863</u>	<u>101,037</u>	<u>80,446</u>
 Total revenue	 <u>6,022,896</u>	 <u>3,558,280</u>	 <u>3,776,138</u>
Expenses:			
Salaries and benefits	2,821,151	2,106,245	2,048,988
Medical supplies and drugs	754,828	383,169	388,249
Supplies	350,794	232,718	205,308
Professional, management and consulting fees	821,777	350,492	364,203
Other expenses	447,616	360,557	321,451
Insurance	183,939	165,071	123,199
Interest expense	53,589	21,902	24,776
Depreciation and amortization	217,614	137,940	134,852
Provision for bad debts	<u>346,919</u>	<u>108,692</u>	<u>70,389</u>
 Total expenses	 <u>5,998,227</u>	 <u>3,866,786</u>	 <u>3,681,415</u>
Operating income (loss)	24,669	(308,506)	94,723
Nonoperating income:			
Interest income	<u>7,256</u>	<u>14,393</u>	<u>20,946</u>
Excess of revenue over expenses	31,925	(294,113)	115,669
Net assets beginning of year	1,088,443	1,382,556	1,216,887
Transfer from Allen Parish Police Jury	<u>-0-</u>	<u>-0-</u>	<u>50,000</u>
Net assets end of year	\$ <u>1,120,368</u>	\$ <u>1,088,443</u>	\$ <u>1,382,556</u>

See accompanying notes to financial statements.

Hospital Service District No. 3  
Of the Parish of Allen, State of Louisiana  
Allen Parish Hospital  
Statements of Cash Flows  
Years Ended June 30, 2004, 2003 and 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 4,190,549	\$ 3,205,115	\$ 3,419,963
Other operating cash receipts	925,785	215,072	183,851
Cash paid to suppliers	(2,725,617)	(1,423,491)	(1,534,490)
Cash paid to employees and for employee benefits	<u>(2,720,069)</u>	<u>(2,106,852)</u>	<u>(2,029,873)</u>
Net cash provided (used) by operating activities	<u>(329,352)</u>	<u>(110,156)</u>	<u>39,451</u>
Cash flows from investing activities:			
Interest on investments	7,256	14,393	20,946
Other assets	40,729	(71,350)	(15,000)
Cash invested in certificates of deposit	<u>(2,433)</u>	<u>(4,472)</u>	<u>(7,383)</u>
Net cash provided (used) by investing activities	<u>45,552</u>	<u>(61,429)</u>	<u>(1,437)</u>
Cash flows from capital and related financing activities:			
Principal payments on long-term debt	(288,179)	(62,592)	(59,398)
Interest expense on long-term debt	(53,589)	(21,902)	(24,776)
Proceeds from long-term debt	1,500,000	-0-	-0-
Assets whose use is limited	(400,971)	-0-	-0-
Acquisition of capital assets	<u>(623,336)</u>	<u>(82,583)</u>	<u>(16,618)</u>
Net cash provided (used) by capital and related financing activities	<u>133,925</u>	<u>(167,077)</u>	<u>(100,792)</u>
Net increase (decrease) in cash and cash equivalents	(149,875)	(338,662)	(62,778)
Cash and cash equivalents, beginning of year	<u>650,011</u>	<u>988,673</u>	<u>1,051,451</u>
Cash and cash equivalents, end of year	\$ <u>500,136</u>	\$ <u>650,011</u>	\$ <u>988,673</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	\$ <u>56,216</u>	\$ <u>21,902</u>	\$ <u>24,945</u>
Equipment acquired under capital lease	\$ <u>278,000</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

See accompanying notes to financial statements.

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Of the Parish of Allen, State of Louisiana  
Allen Parish Hospital  
Statements of Cash Flows (Continued)  
Years Ended June 30, 2004, 2003 and 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ 24,669	\$ (308,506)	\$ 94,723
Interest expense considered capital financing activity	53,589	21,902	24,776
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	217,614	137,940	134,852
Provision for bad debts	346,919	108,692	70,389
Changes in:			
Patient accounts receivable	(959,627)	(259,988)	(191,029)
Estimated Medicare and Medicaid program settlements	53,065	121,895	18,705
Inventory	(45,928)	(3,141)	(16,965)
Prepaid expenses	(12,816)	20,215	(14,317)
Accounts payable	(107,918)	51,442	(100,798)
Accrued expenses	<u>101,081</u>	<u>(607)</u>	<u>19,115</u>
Net cash provided (used) by operating activities	\$ <u>(329,352)</u>	\$ <u>(110,156)</u>	\$ <u>39,451</u>

See accompanying notes to financial statements.

Hospital Service District No. 3  
Of the Parish of Allen, State of Louisiana  
Allen Parish Hospital  
Notes to Financial Statements  
Years Ended June 30, 2004, 2003 and 2002

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

The Allen Parish Hospital Service District No. 3 (the "Hospital" or the "District") was created by an ordinance of the Allen Parish Police Jury.

The Hospital is a political subdivision of the Allen Parish Police Jury whose jurors are elected officials. The Hospital's commissioners are appointed by the Allen Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Allen Parish Police Jury is the financial reporting entity for the Hospital. Accordingly, the Hospital was determined to be a component unit of the Allen Parish Police Jury based on statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

Nature of Business

The District provides outpatient, skilled nursing (through "swing-beds"), home health, acute inpatient and psychiatric hospital services.

Hospital Land

The land on which the Hospital was built was donated by Powell Lumber Company to Allen Parish Hospital Service District No. 3. The donation was made with the restriction that the land is to be used primarily as a site for a public hospital and should the donee or their successors or assignees fail to use the land for a public hospital, the title shall revert to Powell Lumber Company.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The Hospital uses the accrual method of accounting. Under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, the Hospital has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989. Hospital accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the Louisiana Governmental Audit Guide, the AICPA, Audit and Accounting Guide - Health Care Organizations, published by the American Institute of Certified Public

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Accountants, and standards set by the Governmental Accounting Standards Board (GASB), which is the accepted standard setting body for establishing governmental accounting and financial reporting.

On July 1, 2003, the Hospital adopted the provisions of Statement No. 34 (Statement 34) of GASB, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Statement 34 established standards for external financial reporting for all state and local governmental entities, which include a balance sheet, a statement of revenue, expenses and changes in net assets; and a direct method statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

When both restricted and unrestricted resources are available for use, it is the Hospital’s policy to use restricted resources first, then unrestricted resources as they are needed.

The adoption of Statement 34 resulted in the previously reported unrestricted fund balance amount being classified to conform to the above net asset classifications. Additionally, the Hospital restated the 2003 and 2002 statements of cash flows to conform to the direct method of reporting cash receipts and disbursements.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposits in checking, money market accounts and certificates of deposit with original maturities of 90 days or less. Certificates of deposit with original maturities of more than 90 days are classified as short-term investments. Cash and cash equivalents and short-term investments are stated at cost, which approximates market value. The caption “cash and cash equivalents” does not include amounts whose use is limited or temporary cash investments

Credit Risk

The District provides medical care primarily to Allen Parish residents and grants credit to patients substantially all of whom are local residents.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit Risk (Continued)

The Hospital's estimate of collectibility is based on evaluation of historical collections compared to gross charges and an analysis of aged accounts receivable to establish an allowance for uncollectible accounts.

Significant Concentration of Economic Dependence

The Hospital has an economic dependence on a small number of staff physicians who admit over 90% of the Hospital's patients. The Hospital also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 12. Changes in federal or state legislation or interpretations of rules have a significant impact on the Hospital.

Third-Party Cost-Based Revenues

Contractual agreements with governmental agencies provide for reimbursement based on a fixed price per patient stay based upon the patient's primary diagnosis for Medicare inpatient services and on a fixed price per patient day for Medicaid inpatient services. Medicaid outpatient and Medicare inpatient psychiatric services are reimbursed based upon the lesser of reasonable cost (subject to certain limits) or charges to patients. Medicare home health services are reimbursed on a prospective payment system. Medicare outpatient reimbursement changed to prospective system effective August 1, 2000. Small rural hospitals are afforded a "hold harmless" status whereby the Hospital will receive the greater of the prospective payments or cost based reimbursement with reduction based upon the District's 1996 payment to cost ratio for the next six years. These reimbursements are subject to audit and retroactive adjustments by each payor.

Inventory

Inventories are stated at the lower of cost, determined by the first-in, first-out method, or market basis.

Income Taxes

The entity is a political subdivision and exempt from taxation.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost for purchased assets or at fair market value on the date of any donation. The Hospital uses straight-line depreciation for financial reporting and third-party reimbursement. The following estimated useful lives are generally used.

Buildings	12 to 40 years
Machinery and Equipment	3 to 20 years
Furniture and Fixtures	3 to 20 years

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property, Plant and Equipment (Continued)**

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations as incurred. The cost of assets retired or otherwise disposed of and related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently.

**Revenue and Expenses**

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are included in income or loss from operations; all peripheral transactions are reported as a component of nonoperating income.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

Investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in direct obligations of the United States Government and its agencies pledged by its full faith and credit, certificates of deposit and savings accounts which are secured by FDIC or pledge of securities, and government backed mutual or trust funds.

The Hospital's cash and investments are categorized below to give an indication of the level of risk assumed at June 30, 2004, 2003 and 2002. Category (1) includes investments that are insured, or registered in the Hospital's name, or for which the securities are held by the Hospital or its agent in the Hospital's name. Category (2) includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Hospital's name. Category (3) includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the Hospital's name. Balances at June 30 were as follows:

	Credit Risk Category			Carrying Amount
	(1)	(2)	(3)	
2004				
Investment type:				
Direct obligations of or securities backed by the full faith and credit of the U.S Government	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Cash and cash equivalents, certificates of deposit	691,275	-0-	-0-	691,275
Totals	\$ 691,275	\$ -0-	\$ -0-	\$ 691,275

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**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

	Credit Risk Category			Carrying Amount
	(1)	(2)	(3)	
<b>2003</b>				
Investment type:				
Direct obligations of or securities backed by the full faith and credit of the U.S.				
Government	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Cash and cash equivalents, certificates of deposit	838,717	-0-	-0-	838,717
<b>Totals</b>	<b>\$ 838,717</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 838,717</b>

	Credit Risk Category			Carrying Amount
	(1)	(2)	(3)	
<b>2002</b>				
Investment type:				
Direct obligations of or securities backed by the full faith and credit of the U.S.				
Government	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Cash and cash equivalents, certificates of deposit	1,172,907	-0-	-0-	1,172,907
<b>Totals</b>	<b>\$ 1,172,907</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 1,172,907</b>

**NOTE 4 - ACCOUNTS RECEIVABLE**

A summary of accounts receivable is presented below:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Patients	\$ 1,246,068	\$ 609,306	\$ 434,948
Other	57	111	173
<b>Total</b>	<b>1,246,125</b>	<b>609,417</b>	<b>435,121</b>
Estimated allowances for uncollectibles	(120,000)	(96,000)	(73,000)
<b>Net accounts receivable</b>	<b>\$ 1,126,125</b>	<b>\$ 513,417</b>	<b>\$ 362,121</b>

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**NOTE 5 - PROPERTY, PLANT AND EQUIPMENT**

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended June 30, 2004.

	<u>June 30, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2004</u>
Land	\$ 19,550	\$ -0-	\$ -0-	\$ 19,550
Land improvements	32,167	-0-	-0-	32,167
Buildings	1,407,927	77,588	-0-	1,485,515
Fixed equipment	60,332	1,248	-0-	61,580
Major movable equipment	1,517,046	808,080	-0-	2,325,126
Construction in progress	<u>-0-</u>	<u>14,420</u>	<u>-0-</u>	<u>14,420</u>
 Total	 3,037,022	 901,336	 -0-	 3,938,358
Accumulated depreciation	<u>2,290,038</u>	<u>216,158</u>	<u>-0-</u>	<u>2,506,196</u>
 Net	 \$ <u>746,984</u>	 \$ <u>685,178</u>	 \$ <u>-0-</u>	 \$ <u>1,432,162</u>

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended June 30, 2003.

	<u>June 30, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2003</u>
Land	\$ 19,550	\$ -0-	\$ -0-	\$ 19,550
Land improvements	30,617	1,550	-0-	32,167
Buildings	1,402,513	5,414	-0-	1,407,927
Fixed equipment	60,332	-0-	-0-	60,332
Major movable equipment	<u>1,441,427</u>	<u>75,619</u>	<u>-0-</u>	<u>1,517,046</u>
 Total	 2,954,439	 82,583	 -0-	 3,037,022
Accumulated depreciation	<u>2,152,098</u>	<u>137,940</u>	<u>-0-</u>	<u>2,290,038</u>
 Net	 \$ <u>802,341</u>	 \$ <u>(55,357)</u>	 \$ <u>-0-</u>	 \$ <u>746,984</u>

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NOTE 5 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended June 30, 2002.

	<u>June 30, 2001</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2002</u>
Land	\$ 19,550	\$ -0-	\$ -0-	\$ 19,550
Land improvements	30,617	-0-	-0-	30,617
Buildings	1,395,722	6,791	-0-	1,402,513
Fixed equipment	58,519	1,813	-0-	60,332
Major movable equipment	<u>1,433,413</u>	<u>8,014</u>	<u>-0-</u>	<u>1,441,427</u>
 Total	 2,937,821	 16,618	 -0-	 2,954,439
Accumulated depreciation	<u>2,017,246</u>	<u>134,852</u>	<u>-0-</u>	<u>2,152,098</u>
 Net	 \$ <u>920,575</u>	 \$ <u>(118,234)</u>	 \$ <u>-0-</u>	 \$ <u>802,341</u>

A summary of assets held under capital leases, which are included in property, plant and equipment, at June 30 follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Equipment	\$ 608,931	\$ 330,931	\$ 330,931
Accumulated depreciation	<u>(346,738)</u>	<u>(276,621)</u>	<u>(223,009)</u>
 Total	 \$ <u>262,193</u>	 \$ <u>54,310</u>	 \$ <u>107,922</u>

NOTE 6 - ASSETS WHOSE USE IS LIMITED

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Restricted by Third Parties:			
Series 2003 proceeds to be disbursed	\$ <u>400,971</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

Hospital Service District No. 3  
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NOTE 7 - ACCRUED EXPENSES

A summary of accrued expenses follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Salaries	\$ 186,889	\$ 104,840	\$ 104,254
Payroll taxes	13,365	7,452	6,536
Other	<u>10,823</u>	<u>(2,297)</u>	<u>(188)</u>
 Total	 <u>\$ 211,077</u>	 <u>\$ 109,995</u>	 <u>\$ 110,602</u>

NOTE 8 - LONG-TERM DEBT

A summary of long-term debt, including capital lease obligations, at June 30, 2004, 2003 and 2002, follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
1.07 percent Certificates of Indebtedness, Series 2003, due March 1, 2013, collateralized by a pledge of tax revenues	\$ 1,370,000	\$ -0-	\$ -0-
5.05 percent Certificates of Indebtedness, Series 1998, due March 1, 2007, collateralized by a pledge of tax revenues	39,000	51,000	62,000
8.75 percent note payable, 60 monthly payments of \$359.01, collateralized by nurses call system with a book value of \$13,667 at June 30, 2004	10,705	13,921	15,272
9.00 percent note payable due September 30, 2011, unsecured	64,249	70,173	75,591
Capital lease obligations, at varying rates of imputed interest 6.07 percent to 18.48 percent collateralized by leased equipment with a book value of \$262,193 at June 30, 2004	<u>213,829</u>	<u>72,869</u>	<u>117,692</u>
Total long-term debt	1,697,783	207,963	270,555
Less current portion of long-term debt	<u>235,411</u>	<u>21,660</u>	<u>81,105</u>
Long-term debt, net of current maturities	<u>\$ 1,462,372</u>	<u>\$ 186,303</u>	<u>\$ 189,450</u>

Hospital Service District No. 3  
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**NOTE 8 - LONG-TERM DEBT (Continued)**

Scheduled principal and interest payments on long-term debt and payments on capital obligations are as follows:

<u>Year Ending June 30.</u>	<u>Long-term Debt Principal</u>	<u>Long-term Debt Interest</u>	<u>Capital Lease Obligations</u>
2005	\$ 152,038	\$ 55,851	\$ 94,418
2006	162,337	51,661	69,469
2007	161,812	46,477	59,817
2008	153,544	40,842	9,970
2009	159,345	35,334	-0-
2010-2013	<u>694,878</u>	<u>74,044</u>	<u>-0-</u>
Totals	\$ <u>1,483,954</u>	\$ <u>304,208</u>	233,674
Less amount representing interest on capital lease obligations			<u>19,845</u>
Total			\$ <u>213,829</u>

The assets and liabilities under capital leases are recorded at the fair value of the asset. The assets are depreciated over their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense.

**NOTE 9 - OPERATING LEASES**

Leases that do not meet the criteria for capitalization are classified as operating leases with related rental charged to operations as incurred. The following is a schedule by year of future minimum lease payments under operating leases as of June 30, 2004, that have initial or remaining lease terms in excess of one year.

<u>Year Ending June 30.</u>	<u>Amount</u>
2005	\$ 20,044
2006	1,841
2007	<u>-0-</u>
Total minimum lease payments	\$ <u>21,885</u>

Hospital Service District No 3  
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 Notes to Financial Statements  
 Years Ended June 30, 2004, 2003 and 2002

NOTE 10 - COMPENSATED ABSENCES

Employees of the Hospital are entitled to paid days off and sick days depending on length of service. The Hospital charged operations for accrued paid days off and vested sick pay of \$52,062, \$32,102 and \$38,280 in 2004, 2003 and 2002, respectively. It is impracticable to estimate the amount of compensation for future unvested sick pay and, accordingly, no liability has been recorded in the accompanying financial statements. The Hospital's policy is to recognize the cost of unvested sick pay when actually paid to employees.

NOTE 11 - RETIREMENT PLAN

On February 9, 2004, the Hospital elected to participate in the State of Louisiana's Public Employees Deferred Compensation Plan, which is a defined contribution plan. At June 30, 2004, there were 54 plan members. Employees are eligible to participate in the plan beginning on the date of hire, with a minimum contribution of \$20 per month, up to 100% of compensation, not to exceed \$13,000 in 2004. The Hospital has elected to contribute 1% of the participating employees' pay. Employees are immediately vested in employer and employee contributions. The Hospital's contribution was \$3,809 for the year ended June 30, 2004.

NOTE 12 - PATIENT SERVICE REVENUE

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The Hospital generated a substantial portion of its charges from Medicare and Medicaid programs at discounted rates. The following is a summary of gross Medicare and Medicaid patient charges:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Medicare patients	\$ 3,632,339	\$ 1,741,003	\$ 2,321,475
Medicaid patients	<u>4,475,494</u>	<u>4,345,518</u>	<u>4,055,987</u>
Total	<u>\$ 8,107,833</u>	<u>\$ 6,086,521</u>	<u>\$ 6,377,462</u>
Percent of all patients	<u>81%</u>	<u>85%</u>	<u>94%</u>

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NOTE 12 - PATIENT SERVICE REVENUE (Continued)

The Hospital received interim amounts of \$-0-, \$187,650, and (\$187,926) for Medicaid and self-pay uncompensated care services for the years ended June 30, 2004, 2003 and 2002, respectively. The interim amounts received are based upon uncompensated cost incurred in previous years. Current regulations require retroactive audit of the claimed uncompensated cost and comparison to the interim amounts paid by Medicaid in each fiscal year. Any overpayments will be recouped by Medicaid. Management estimated that the Hospital was overpaid by \$232,000 and \$288,000 during the years ended June 30, 2003 and 2001, and has made provisions for such recoupments. To the extent management's estimates differ from actual results; the differences will be used to adjust income for the period when differences arise.

NOTE 13 - PROFESSIONAL LIABILITY RISK

The District participates in the Louisiana Patient's Compensation Fund established by the State of Louisiana to provide medical professional liability coverage to healthcare providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the District is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund ("PCF"), the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limiting the PCF's exposure to \$400,000 per occurrence.

The District has acquired additional coverage for professional medical malpractice liability through a private insurance carrier by purchasing a claims-made policy.

NOTE 14 - CONTINGENCIES

The District evaluates contingencies based upon the best available evidence. The District believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the District's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

Third-Party Government-Based Revenues (Note 2) - Cost reimbursements are subject to examination by agencies administering the programs. Effective October 1, 1983, the Medicare program discontinued its cost-based reimbursement system for inpatient services. Under the program, the District receives a fixed fee for each patient, which is determined by the government. The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of those programs. The amount of such adjustments cannot be determined.

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NOTE 14 - CONTINGENCIES (Continued)

Federal and state budget restraints are increasing the time period taken to pay Medicare and Medicaid claims and the Medicaid program is delaying payment of year-end settlements.

The healthcare industry is subject to numerous laws and regulations of Federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Professional Liability Risk (Note 13) - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund.

Litigation and Other Matters - Various claims in the ordinary course of business are pending against the District. In the opinion of management and counsel, insurance is sufficient to cover adverse legal determinations in those cases where a liability can be measured.

NOTE 15 - AD VALOREM TAXES

The Hospital levies two property taxes on all property subject to taxation in the service district. The three mills tax was imposed for years 1997 through 2006, a period of ten years. The twelve mills tax runs for a period of ten years, beginning with the year 2003 and ending with the year 2012, to be dedicated and used for operating, maintaining, renovating, and improving emergency medical services. Property taxes are collected through the local sheriff's office and remitted, net of collection fees, to the Hospital. The property tax calendar includes these dates:

	<u>1998</u>	<u>2003</u>
Levy Date	November 5, 1997	July 19, 2003
Lien Date	November 5, 1997	July 19, 2003
Due Date	December 31, 2004	December 31, 2004

**SUPPLEMENTARY INFORMATION**

Hospital Service District No. 3  
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Schedules of Net Patient Service Revenue  
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	<u>2004</u>	<u>2003</u>	<u>2002</u>
Routine services			
Adult and pediatric	\$ 293,385	\$ 107,555	\$ 118,295
Psychiatric	4,999,410	4,311,073	4,337,360
Swing bed	<u>90,050</u>	<u>2,200</u>	<u>9,070</u>
 Total routine services	 <u>5,382,845</u>	 <u>4,420,828</u>	 <u>4,464,725</u>
Other professional services			
Operating room	155,055	-0-	-0-
Radiology	444,775	225,032	192,679
Nuclear medicine	385,404	51,660	43,750
Laboratory	939,873	451,021	435,373
Blood	24,484	3,970	6,124
Intravenous therapy	50,753	37,436	48,550
Respiratory therapy	161,898	73,215	82,861
Physical therapy	43,931	-0-	-0-
Electrocardiology	75,435	50,745	55,800
Central supply	194,063	93,332	106,960
Pharmacy	860,946	925,428	666,636
Sleep lab	5,000	6,500	9,000
Observation room	3,710	3,760	3,470
Provider based clinic	61,691	65,206	-0-
Emergency room	309,302	-0-	-0-
Home health visits	457,240	512,740	398,640
Contract physician	454,149	246,877	210,127
Oberlin health clinic	8,278	15,588	77,569
Kid med	<u>-0-</u>	<u>3,305</u>	<u>16,135</u>
 Total other professional services	 <u>4,635,987</u>	 <u>2,765,815</u>	 <u>2,353,674</u>
 Gross patient service revenues	 <u>10,018,832</u>	 <u>7,186,643</u>	 <u>6,818,399</u>
Contractual allowances	4,904,927	3,652,629	3,411,755
Medicaid disproportionate share payments	-0-	187,650	(187,926)
Discounts	<u>16,794</u>	<u>3,156</u>	<u>2,283</u>
 Total deductions from revenue	 <u>4,921,721</u>	 <u>3,843,435</u>	 <u>3,226,112</u>
 Net patient service revenue	 \$ <u>5,097,111</u>	 \$ <u>3,343,208</u>	 \$ <u>3,592,287</u>

Hospital Service District No. 3  
 Of the Parish of Allen, State of Louisiana  
 Allen Parish Hospital  
 Schedules of Other Operating Revenue  
 Years Ended June 30, 2004, 2003 and 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Meals	\$ 12,801	\$ 10,031	\$ 9,127
Medical records transcript fees	2,249	2,160	2,812
Miscellaneous rental	10,675	8,125	5,525
Grant income	19,595	60,253	-0-
Debt forgiveness	318,603	-0-	50,345
Other income	<u>5,940</u>	<u>20,468</u>	<u>12,637</u>
 Total other operating revenue	 <u>\$ 369,863</u>	 <u>\$ 101,037</u>	 <u>\$ 80,446</u>

Hospital Service District No. 3  
Of the Parish of Allen, State of Louisiana  
Allen Parish Hospital  
Schedules of Operating Expenses – Salaries and Benefits  
Years Ended June 30, 2004, 2003 and 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Administration	\$ 237,701	\$ 151,694	\$ 151,951
Plant operations and maintenance	69,402	52,191	50,729
Housekeeping	72,818	38,877	34,729
Dietary and cafeteria	105,200	88,785	80,738
Medical records	34,372	28,734	30,334
Nursing services, acute care	383,482	296,829	298,233
Psychiatric unit	758,462	636,390	572,260
Operating room	3,331	-0-	-0-
Radiology	109,110	75,838	82,026
Laboratory	133,729	64,931	58,425
Respiratory therapy	63,608	44,516	48,871
Central supply	10,170	9,926	9,171
Pharmacy	18,937	10,963	7,959
Emergency room	112,371	-0-	-0-
Home health	212,993	236,431	185,050
Private physician office	189,381	183,250	139,923
Oberlin health clinic	<u>69,606</u>	<u>32,204</u>	<u>148,603</u>
 Total salaries	 <u>2,584,673</u>	 <u>1,951,559</u>	 <u>1,899,002</u>
 Payroll taxes	 196,625	 153,969	 149,986
Health insurance	35,467	717	-0-
Retirement	3,809	-0-	-0-
Other	<u>577</u>	<u>-0-</u>	<u>-0-</u>
 Total salaries and benefits	 \$ <u>2,821,151</u>	 \$ <u>2,106,245</u>	 \$ <u>2,048,988</u>

Hospital Service District No. 3  
 Of the Parish of Allen, State of Louisiana  
 Allen Parish Hospital  
 Schedules of Operating Expenses – Other Expenses  
 Years Ended June 30, 2004, 2003 and 2002

	<u>2004</u>		<u>2003</u>		<u>2002</u>
Legal and accounting	\$ 97,368	\$	67,122	\$	44,656
Repairs and maintenance	63,214		48,504		51,584
Telephone	79,871		67,134		61,599
Utilities	75,446		64,067		61,530
Travel	42,799		45,455		47,522
Rentals	34,380		29,540		28,449
Dues and subscriptions	29,055		20,247		11,853
Miscellaneous	<u>25,483</u>		<u>18,488</u>		<u>14,258</u>
 Total other expenses	 <u>\$ 447,616</u>	\$	 <u>360,557</u>	\$	 <u>321,451</u>

Hospital Service District No. 3  
 Of the Parish of Allen, State of Louisiana  
 Allen Parish Hospital  
 Schedules of Per Diem and  
 Other Compensation Paid to Board Members  
 Years Ended June 30, 2004, 2003 and 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Board Members:			
Dr. Peggy Allemand	\$ 400	\$ 400	\$ 480
Ms. Carla Marcantel	450	400	440
Mr. Matt Martin	400	440	480
Mr. Ronald Craiger	450	440	480
Mr. Thomas Nevils	-0-	40	360
Mr. Jessie Chaffin	480	400	440
Ms. Barbara Lee	360	240	N/A
Mr. Richard Hollier	<u>400</u>	<u>400</u>	<u>400</u>
 Total	 \$ <u>2,940</u>	 \$ <u>2,760</u>	 \$ <u>3,080</u>

Bobby G. Lester, CPA  
John S. Wells, CPA  
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners  
Hospital Service District No. 3  
Parish of Allen, State of Louisiana  
Kinder, Louisiana

We have audited the basic financial statements of Hospital Service District No. 3, Parish of Allen, a component unit of the Allen Parish Police Jury, ("Allen Parish Hospital") as of and for the years ended June 30, 2004, 2003 and 2002, and have issued our report thereon dated October 8, 2004. We conducted our audits 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 Allen Parish Hospital'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 under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Allen Parish Hospital'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. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Board of Commissioners  
Hospital Service District No. 3  
Parish of Allen, State of Louisiana  
Kinder, Louisiana  
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This report is intended for the information of the Board of Commissioners, Management and the Office of the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record

*Lester, Miller & Wells*

Certified Public Accountants  
October 8, 2004