

FINANCIAL STATEMENTS**ABBEVILLE GENERAL HOSPITAL****DECEMBER 31, 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 9-8-04

FINANCIAL STATEMENTS

ABBEVILLE GENERAL HOSPITAL

DECEMBER 31, 2003 and 2002

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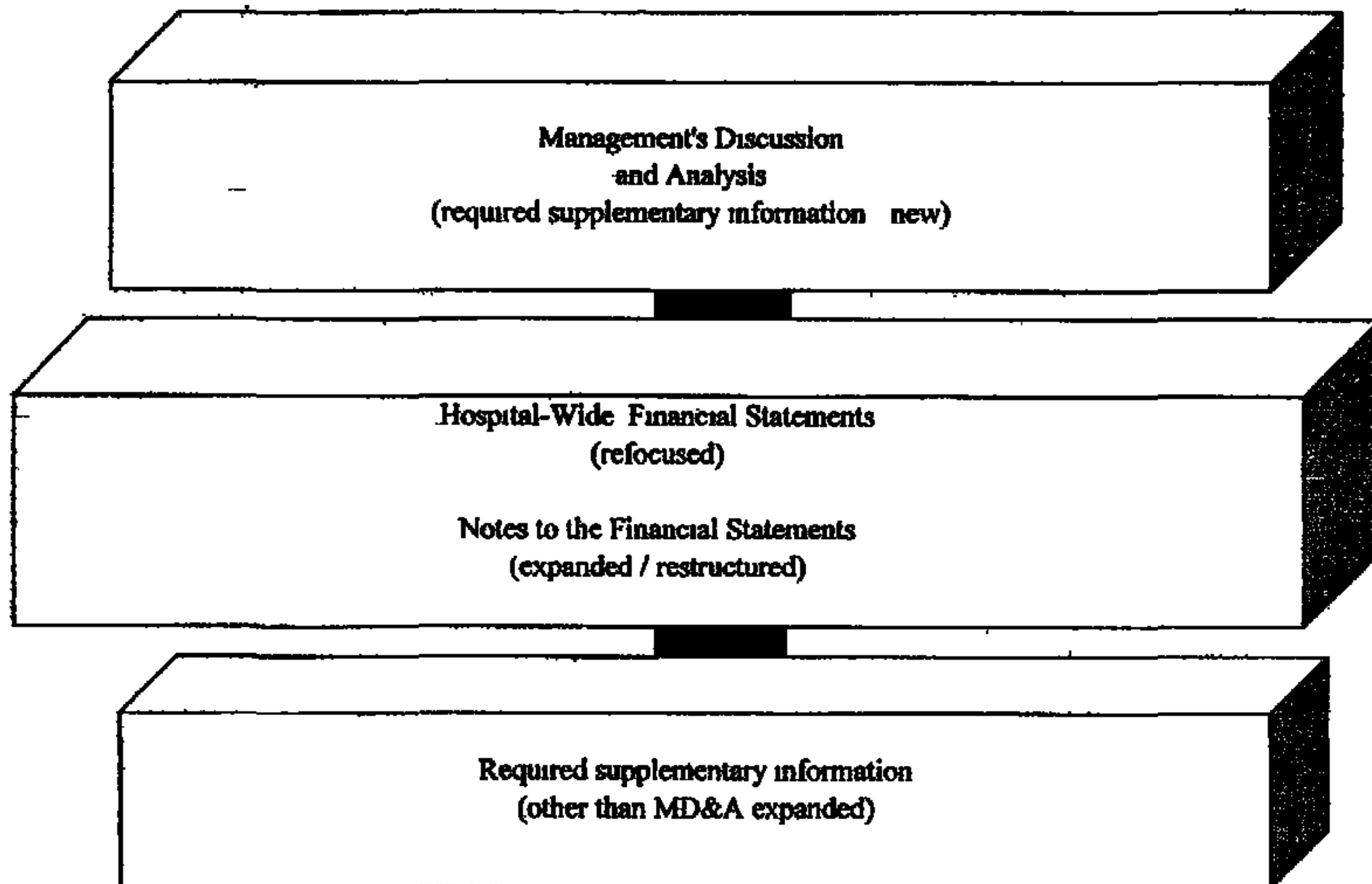
ABBEVILLE GENERAL HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

DECEMBER 31 2003 AND 2002

Abbeville General Hospital Service District No 2 s (the Hospital) management discussion and analysis is intended to assist the reader in focusing on significant financial issues provide an overview of the Hospital s financial activity identify changes in the Hospital s financial position and it's ability to address the next and subsequent year challenges It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns This is a requirement of the Governmental Accounting Standards Board Statement No 34 (GASB 34) "Basic Financial Statements - and Management s Discussion and Analysis - for State and Local Governments" and is intended to provide the financial results for the fiscal years ending December 31 2003 and 2002

The following is an illustration on how this financial report is presented



GASB 34 requires the presentation of two basic types of financial statements Hospital Wide Financial Statements and Fund Financial Statements However due to the fact that the Hospital consists of a single proprietary fund type the Hospital-wide and Fund financial statements are equivalent

Hospital-wide Financial Statements

The Hospital statements are new and provide a perspective of the Hospital as a whole These statements use the full accrual basis of accounting similar to private sector companies There are three Hospital statements the Statements of Net Assets the Statements of Activities and the Statements of Cash Flows

Consistent with the full accrual basis method of accounting the Statement of Activities accounts for current year revenues and expenses regardless of when cash is received or paid The intent of this statement is to summarize and simplify the user s analysis of the costs of various Hospital services

ABBEVILLE GENERAL HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

DECEMBER 31 2003 AND 2002

Financial Analysis of the Hospital as a Whole

Summary of Net Assets

Assets	<u>2003</u>	<u>2002</u>
Current Assets	\$ 8 502 555	\$ 8 130 358
Assets whose use is limited	9 174 847	12 538 993
Capital Assets	34 712 937	33 178 185
Less Accumulated Depreciation	(27 460 751)	(26 245,663)
Capital Assets Net Book Value	<u>7 252 186</u>	<u>6 932 522</u>
Deferred Financing Costs Net	103 955	31 330
Total Assets	<u>\$ 25 033 543</u>	<u>\$ 27 633 203</u>
Liabilities		
Current Liabilities	\$ 3 791 537	\$ 4 807 634
Other Liabilities	1 940 254	2 281 550
Long-term Liabilities	3 295 000	3 825 000
Total Liabilities	<u>9 026 791</u>	<u>10 914 184</u>
Net Assets		
Net capital assets net of related debt	7 252 186	6 932 522
Restricted	7 973,418	8 602 300
Unrestricted	781 148	1 184 197
Total Net Assets	<u>16 006 752</u>	<u>16 719 019</u>
Total Liabilities and Net Assets	<u>\$ 25 033 543</u>	<u>\$ 27 633 203</u>

As indicated by the statement above total net assets are \$16,006 752 and \$16 719 019 for the years 2003 and 2002 respectively Net assets can be separated into three categories net capital assets net of related debt restricted and unrestricted assets

Net capital assets are a combination of funds available for capital assets plus capital assets at original cost less accumulated depreciation and related debt At December 31 2003 and 2002 the original cost of capital assets was \$34 712 937 and \$33 178 185 respectively which is an accumulation of capital assets year after year less any capital disposals The accumulated depreciation is the accumulation of depreciation expense since acquisition In accordance with Generally Accepted Accounting Principles (GAAP) depreciation expense is recorded on the original cost of the asset less an estimated salvage value expensed over the estimated useful life of the asset Total accumulated depreciation is \$27 460 751 and \$26 245 663 for the years 2003 and 2002 respectively

Restricted net assets in the amounts of \$7 973 418 and \$8 602 300 for December 31 2003 and 2002 respectively consist of funds that have been restricted under agreements with third-party payers and Board designated funds

The remaining \$781 148 and \$1 184 197 for December 31, 2003 and 2002 is unrestricted The unrestricted fund balance is an accumulation of prior years operating results This balance is directly affected each year by the Hospital s operating results

ABBEVILLE GENERAL HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

DECEMBER 31 2003 AND 2002

Results of Operations	2003	Percent	2002	Percent
	Amount	of Total	Amount	of Total
Program Revenue				
Net Patient Services Revenue	\$ 21,171 850	92 57%	\$ 21 450 387	93 95%
Total Program Revenue	<u>21 171 850</u>	<u>92 57%</u>	<u>21,450 387</u>	<u>93 95%</u>
General Revenue				
Taxes	748 157	3 27%	730,976	3 20%
Other	952 063	4 16%	650 686	2 85%
Total General Revenue	<u>1,700,220</u>	<u>7 43%</u>	<u>1,381,662</u>	<u>6 05%</u>
Total Revenues	<u>22 872 070</u>	<u>100 00%</u>	<u>22 832 049</u>	<u>100 00%</u>
Expenses				
Nursing services	6 337 664	26 87%	5 964 171	25 27%
Other professional services	8 268,420	35 05%	8 103 550	34 33%
General services	2,499,684	10 60%	2 383 199	10 10%
Fiscal services	1 088 759	4 62%	1 062 151	4 50%
Administrative services	3 090 110	13 10%	2 724 631	11 54%
Depreciation and amortization	1 227 426	5 20%	1,315 221	5 57%
Provision for doubtful accounts	1 075 124	4 56%	2 049 994	8 69%
Total Expenses	<u>23 587 187</u>	<u>100 00%</u>	<u>23,602,917</u>	<u>100 00%</u>
Non operating revenues (expenses)	<u>2 850</u>	<u>100 00%</u>	<u>168 833</u>	<u>100 00%</u>
Decrease in Net Assets	<u>\$ (712 267)</u>		<u>\$ (602 035)</u>	

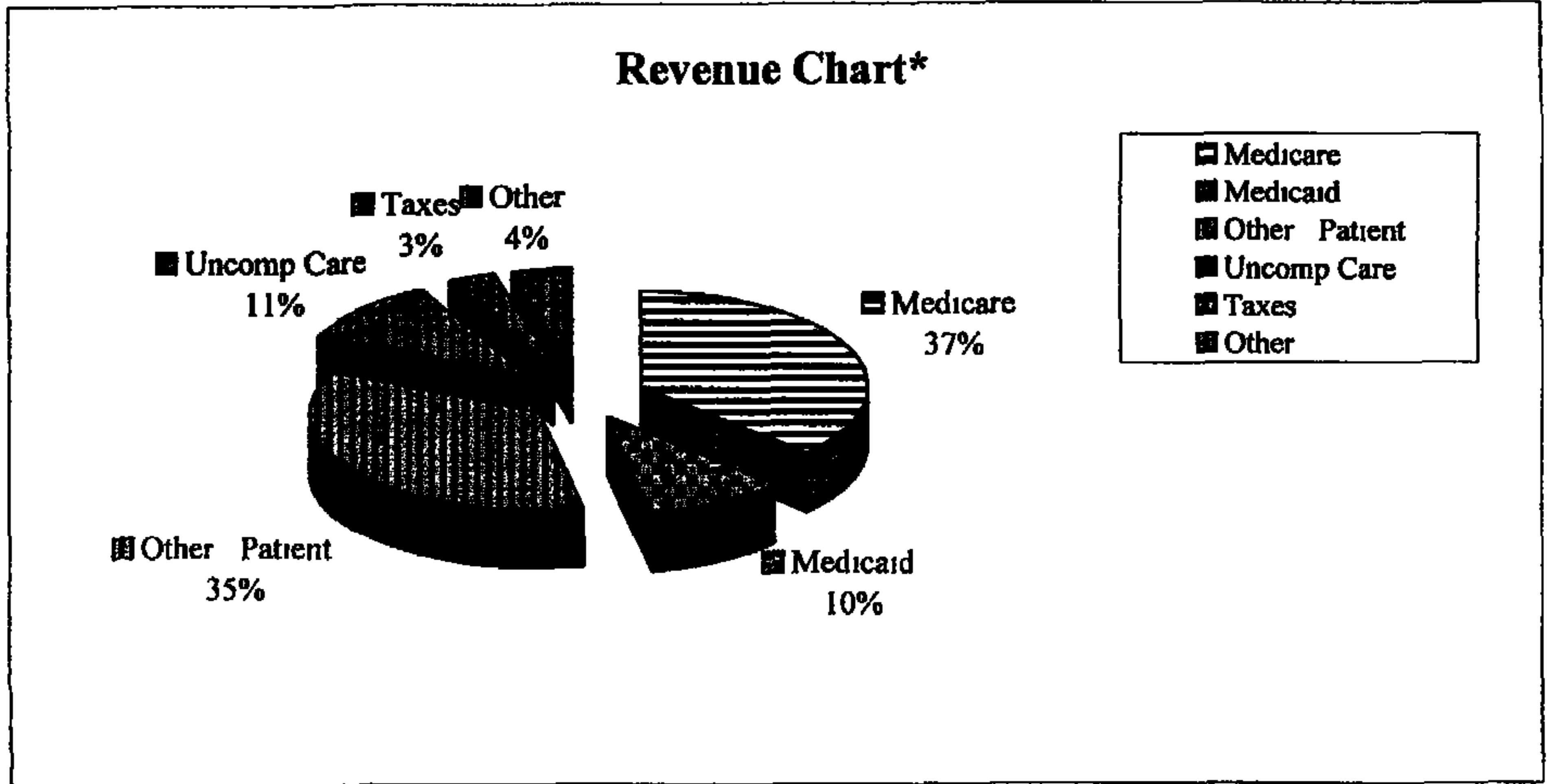
The year over year comparisons as shown is a requirement of GASB 34

As indicated above for the years ended December 31 2003 and 2002 net assets decreased \$712 267 and \$602 035 respectively This decrease relates mainly to patient service revenue

ABBEVILLE GENERAL HOSPITAL

Revenues

The following chart illustrates the Hospital's sources of revenues by percentages



*Revenue chart is based on all Hospital Funds combined

Sources of Revenues

Net patient service sources of revenues total \$21,171,850 and \$21,450,387 for the years 2003 and 2002 respectively. It is reported at estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. 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.

Total tax revenue for each year consists of the Hospital Debt Service Tax.

Other Revenues include interest income, dietary income received, and other nonoperating types of income.

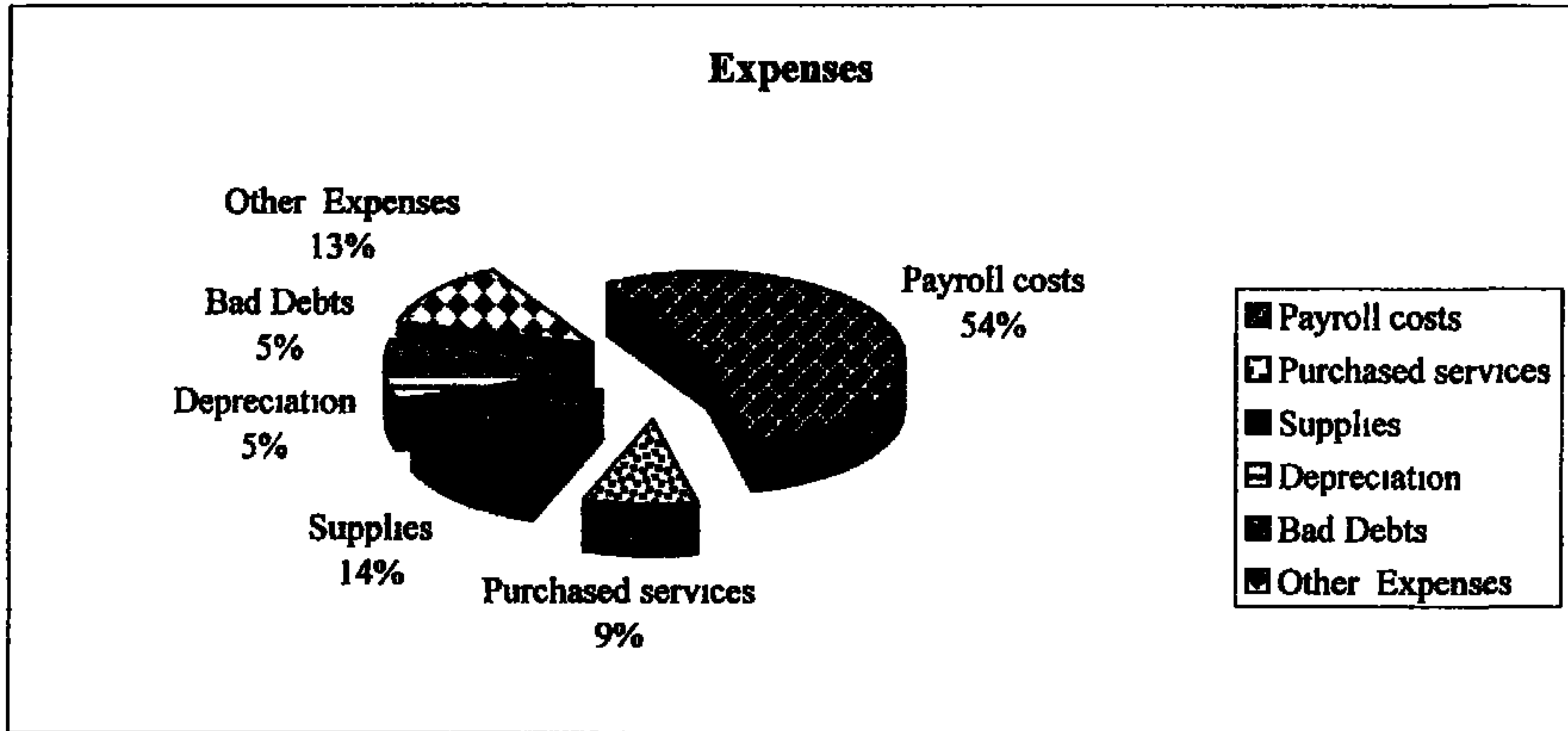
ABBEVILLE GENERAL HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

DECEMBER 31 2003 AND 2002

Expenses

The following chart illustrates the Hospital's expenses by percentages



Consistent with other hospital service districts 63% of total expenses are for wages and purchased services. Most expenses directly relate to the provision of care to patients.

Capital Assets

As of December 31, 2003 and 2002, the Hospital had \$34,712,937 and \$33,178,185, respectively, invested in a broad range of capital assets including land, buildings, and equipment.

	2003	2002
Land	\$ 251,000	\$ 251,000
Land improvements	255,321	253,161
Building	15,704,417	15,607,113
Fixed equipment	3,008,370	2,875,122
Major movable equipment	14,811,267	14,073,802
Plant assets under construction	682,562	117,987
Subtotal	<u>34,712,937</u>	<u>33,178,185</u>
Less accumulated depreciation	<u>(27,460,751)</u>	<u>(26,245,663)</u>
Net Capital Assets	<u>\$ 7,252,186</u>	<u>\$ 6,932,522</u>

Depreciation expense for the years ended December 31, 2003 and 2002 was \$1,215,089 and \$1,271,867, respectively.

ABBEVILLE GENERAL HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

DECEMBER 31 2003 AND 2002

Economic Factors

The hospital received approximately \$2.4 million for each of the years ended December 31, 2003 and 2002 in disproportionate share (DSH) payments. These payments are subject to change due to proposed changes in Medicaid Reimbursement. Also, the national state and local economy continues to falter for the second year in a row with industries reducing their workforce. Abbeville General Hospital, however, like hospitals across the state, continues to grow, serving as an economic engine in the community. It is expected, given the declining job market, that the Hospital will be faced with absorbing more uninsured patients and more uncompensated care. The Hospital receives local taxpayer support to assist with this care.

Contacting the Hospital's Financial Management

The financial report is designed to provide our citizens, taxpayers, customers, investors, 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 any questions about this report or need additional information, contact Abbeville General Hospital, Service District No. 2, P.O. Box 580, Abbeville, LA 70511-0580.

LANGLINAIS
&
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(A Corporation of Certified Public Accountants)

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INDEPENDENT AUDITOR'S REPORT

Chairman and Board of Commissioners
Abbeville General Hospital
Abbeville Louisiana

We have audited the general purpose financial statements of Abbeville General Hospital a component unit of the Vermilion Parish Police Jury State of Louisiana as of December 31 2003 and 2002 and the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit.

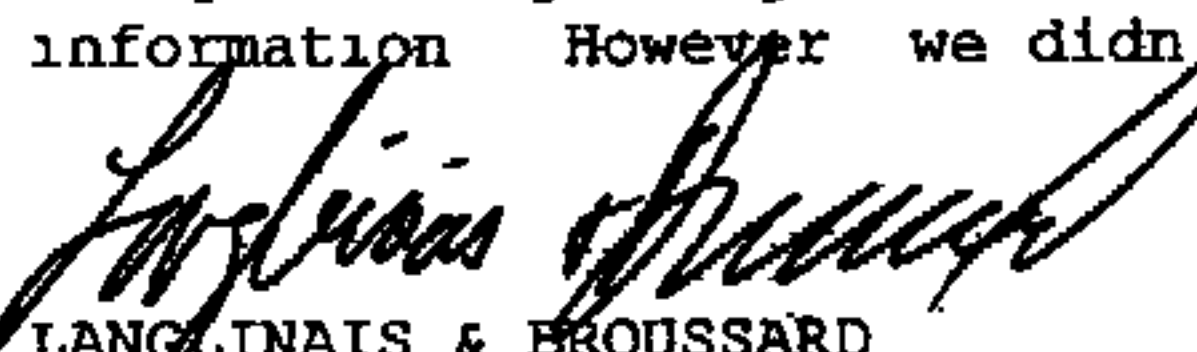
We conducted our audit in accordance with auditing standards generally accepted in the United States of America the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform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

In accordance with Government Auditing Standards we have also issued our report dated April 9 2004 on our consideration of the Hospital'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 Audit Standards and should be read in conjunction with this report in considering the results of our audit. No compliance items reported in this report had any material effect on the amounts and disclosures reported in these financial statements.

In our opinion based on our audit the component unit financial statements referred to above present fairly in all material respects the financial position of Abbeville General Hospital a component unit of the Vermilion Parish Police Jury State of Louisiana at December 31 2003 and 2002 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedules 1 through 8 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.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However we did not audit the information and express no opinion on it.


LANGLINAIS & BROUSSARD
Certified Public Accountants

April 9 2004

ABBEVILLE GENERAL HOSPITAL

STATEMENTS OF NET ASSETS

	<u>2003</u>	<u>2002</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1 245 779	\$ 803 925
Assets whose use is limited and that are required for current liabilities	889,850	1 634 943
Accounts receivable less allowance for doubtful accounts of \$944 311 in 2003 and \$670 523 in 2002	4,554 461	3,405,256
Due from third party payors	775,992	1,225 503
Other receivables	53 814	82 455
Inventories	730 874	742 358
Prepaid expenses	<u>-251,785</u>	<u>235,918</u>
Total Current Assets	<u>8,502,555</u>	<u>8,130,358</u>
ASSETS WHOSE USE IS LIMITED		
Employee benefit trust fund	200,434	273,623
By board for capital improvements		
Cash and cash equivalents	135 398	2,825 620
Investments	8 011,252	8,562 569
Accrued interest	166 109	237,801
By parish ordinance for principal and interest		
Cash and cash equivalents	890,070	1,635 874
Property taxes receivable	<u>661,434</u>	<u>638,449</u>
Total assets whose use is limited	10,064,697	14,173 936
Less Assets whose use is limited and that are required for current liabilities	<u>889,850</u>	<u>1,634,943</u>
Noncurrent assets whose use is limited	<u>9,174,847</u>	<u>12,538,993</u>
PROPERTY PLANT AND EQUIPMENT		
Property plant and equipment, cost	34 030,375	33 060 198
Plant assets under construction	682,562	117 987
Accumulated depreciation	<u>(27,460,751)</u>	<u>(26,245,663)</u>
Property, Plant and Equipment net	<u>7,252,186</u>	<u>6,932,522</u>
DEFERRED FINANCING COSTS, NET	<u>103,955</u>	<u>31,330</u>
TOTAL ASSETS	<u>\$ 25,033,543</u>	<u>\$ 27,633,203</u>

STATEMENT A

DECEMBER 31,

	2003	2002
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 530,000	\$ 1 170 000
Accounts receivable credit balances	146 703	110,300
Accounts payable	961 827	977,330
Property taxes paid under protest	15 442	12 508
Due to third party payors	658 338	1 419 806
Accrued salaries and related withholdings	611,228	502 867
Interest payable	18,644	88 481
Accrued vacation and holiday expenses	346,504	330,603
Accrued pension	398 393	16 690
Employee benefit trust fund	104,458	179,049
Total Current Liabilities	<u>3,791,537</u>	<u>4,807,634</u>
OTHER LIABILITIES		
Deferred revenue - Uncompensated Care	<u>1,940,254</u>	<u>2,281,550</u>
Total Other Liabilities	<u>1,940,254</u>	<u>2,281,550</u>
LONG-TERM LIABILITIES		
Long-Term Debt		
Refunding bond issue 2003	3 295 000 -	-
Refunding bond issue 1999	-	<u>3,825,000</u>
Total Long-Term Liabilities	<u>3,295,000</u>	<u>3,825,000</u>
TOTAL LIABILITIES	9 026 791	10 914 184
NET ASSETS	<u>16,006 752</u>	<u>16,719,019</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 25,033,543</u>	<u>\$ 27,633,203</u>

The accompanying notes are an integral part of these financial statements

ABBEVILLE GENERAL HOSPITALSTATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31,

	2003	2002
OPERATING REVENUES		
Net patient service revenues	\$ 21,171,850	\$ 21,450,387
Advalorem taxes	748,157	730,976
Other operating revenue	952,063	650,686
TOTAL OPERATING REVENUE	<u>22,872,070</u>	<u>22,832,049</u>
OPERATING EXPENSES		
Nursing services	6,337,664	5,964,171
Other professional services	8,268,420	8,103,550
General services	2,499,684	2,383,199
Fiscal services	1,088,759	1,062,151
Administrative services	3,090,110	2,724,631
Depreciation and amortization	1,227,426	1,315,221
Provision for doubtful accounts	1,075,124	2,049,994
- TOTAL OPERATING EXPENSES	<u>23,587,187</u>	<u>23,602,917</u>
INCOME (LOSS) FROM OPERATIONS	<u>(715,117)</u>	<u>(770,868)</u>
NON-OPERATING REVENUES (EXPENSES)		
Income of investments whose use is limited		
By board for capital improvements	150,544	412,071
By parish ordinance for principal and interest	3,450	5,800
Interest income	5,073	7,209
Interest expense	(156,217)	(256,247)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>2,850</u>	<u>168,833</u>
CHANGE IN NET ASSETS	<u>(712,267)</u>	<u>(602,035)</u>
TOTAL NET ASSETS, BEGINNING	<u>16,719,019</u>	<u>17,321,054</u>
TOTAL NET ASSETS ENDING	<u>\$ 16,006,752</u>	<u>\$ 16,719,019</u>

The accompanying notes are an integral part of these financial statements

ABBEVILLE GENERAL HOSPITAL

STATEMENTS OF CHANGES IN FUND EQUITY YEAR ENDED DECEMBER 31 2003

	CONTRIBUTED CAPITAL	BY BOARD	BY BOND INDENTURE FOR PRINCIPAL AND INTEREST	OPERATING FUND	TOTAL
BALANCE AT DECEMBER 31 2001	\$ 1 115,050	\$ 9 557 850	\$ 2 865 246	\$ 3 792,908	\$ 17 321 054
Additions (deductions)					
Distribution of net income (loss)	-	8 101	730 976	(1 766 192)	(1 027 115)
Income (loss) from operations	-	223 084	-	201 996	425 080
Non-operating revenues	-	(475 000)	(630,000)	1 105 000	-
Payments on long-term debt	-	(197 604)	(58 643)	256 247	-
Transfer for principal and interest	-				
BALANCE AT DECEMBER 31 2002	1 115 050	9 116 431	2 907 579	3 579 959	16 719 019
Additions (deductions)					
Distribution of net income (loss)	-	3 161	748 157	(1 622 652)	(871 334)
Income (loss) from operations	-	223,876	-	(64 809)	159 067
Non-operating revenues	-	(495 000)	(675 000)	1 170 000	-
Payments on long-term debt	-	(141 253)	(14 963)	156 216	-
Transfer for principal and interest	-				
BALANCE AT DECEMBER 31 2003	\$ 1 115 050	\$ 8 707 215	\$ 2 965 773	\$ 3 218 714	\$ 16 006 752

The accompanying notes are an integral part of these financial statements

ABBEVILLE GENERAL HOSPITALSTATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31,

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from patients	\$20 363 514	\$23 731 066
Cash payments to suppliers for goods and services	(11 049 033)	(12 370 174)
Cash payments to employees for services	(11,058,140)	(10,015,591)
Net Cash Flow From Operating Activities	<u>(1,743,659)</u>	<u>1,345,301</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES		
Ad valorem taxes	748,157	730 976
Net cash provided by noncapital financing activities	<u>748,157</u>	<u>730,976</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES		
Acquisition of property and equipment	(1 534 752)	(657 901)
Principal payments on long-term debt	<u>(1,170,000)</u>	<u>(1,105,000)</u>
Net Cash Used in Capital and Related Financial Activities	<u>(2,704,752)</u>	<u>(1,762,901)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends on investments	153 993	307 512
Purchase of investments	(3 992 117)	(14 724 004)
Proceeds from sale of investments	4 465 945	13,295 196
Interest income	5,072	7,209
Net Cash Provided (Used) in Financing Activities	<u>632,893</u>	<u>(1,114,087)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3 067,361)	(800 711)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR INCLUDING \$4 735 117 AND \$5 936 567 LIMITED AS TO USE FOR 2003 AND 2002 RESPECTIVELY	<u>5,539,042</u>	<u>6,339,753</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR INCLUDING \$1 225 902 AND \$4 735 117 LIMITED AS TO USE FOR 2003 AND 2002 RESPECTIVELY	<u>\$ 2,471,681</u>	<u>\$ 5,539,042</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income	\$ (1,619,491)	\$ (1 758 091)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	1 215 089	1 271 867
Amortization of bond issuance costs	(72 625)	43 354
Provision for doubtful accounts	1 075 124	2 049 994
Increase in receivables and due from third parties	(2 494 226)	(960 776)
Decrease (Increase) in inventories and prepaid expenses	(4,383)	(107,750)
Decrease (Increase) in other assets	74 591	(33 035)
Increase in accounts payable and accrued expenses	423 558	298 963
Increase (Decrease) in deferred revenue	<u>(341,296)</u>	<u>540,775</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ (1 743 659)</u>	<u>\$ 1 345,301</u>
NONCASH INVESTING CAPITAL AND FINANCING ACTIVITIES		
Increase (Decrease) in fair market value of investments	<u>\$ (76,492)</u>	<u>\$ 180,886</u>

The accompanying notes are an integral part of these financial statements

ABBEVILLE GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003 and 2002

NOTE 1 DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity Abbeville General Hospital (the Hospital) was created by the Vermilion Parish Police Jury to operate control and manage matters concerning the parish's health care functions. The Vermilion Parish Police Jury appoints the Board of Commissioners of the Hospital and the Hospital may not issue debt without the Parish's approval. For this reason, the Hospital is considered to be a component unit of the Vermilion Parish Police Jury, State of Louisiana.

Use of estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Proprietary fund accounting The Hospital utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual.

Inventories. Inventories of drugs and supplies are stated at the lower of cost (first-in, first-out) or market.

Property, Plant and Equipment Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Costs of borrowing Expenses related to issuance of advance refunding bonds are deferred and amortized over the life of the old debt or the new debt, whichever is shorter.

Cash and cash equivalents Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

ABBEVILLE GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003 and 2002

NOTE 1 DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Ad valorem Taxes The Hospital received approximately 3.5 percent in 2003 and 3.4 percent in 2002 of its financial support from ad valorem taxes. These funds were used as follows:

	<u>2003</u>	<u>2002</u>
Percentage used for debt service on general obligations bonds	3.5%	3.4%

Current taxes are received beginning in November of each year and become delinquent after January 31, of the following year.

Risk Management The Hospital 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, natural disasters, and employee health, dental, and accident benefits. 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.

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*, the Hospital 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.

Investments in debt and equity securities Investments in debt and equity securities are carried at fair value except for investments in debt securities with maturities of less than one year at the time of purchase. These investments are reported at amortized cost, which approximates fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating income when earned.

Net patient service revenue The Hospital has agreements with third-party payors that provide payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. 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.

NOTE 2. MAJOR SOURCE OF REVENUE

The Hospital participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Hospital derived approximately 61% and 64% of its gross patient service revenue in 2003 and 2002 respectively from patients covered by the Medicare and Medicaid programs. Included in net patient service revenues for 2003 and 2002 is additional reimbursement for Medicaid Uncompensated Care Adjustments of \$2,406,895 and \$2,400,000 respectively.

ABBEVILLE GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003 and 2002

NOTE 3. NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical diagnostic and other factors. Inpatient nonacute services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology and pre-determined fee schedules. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through December 31, 2000.

Medicaid Medicaid inpatients are reimbursed a fixed rate per day for med/surg and psychiatric patients. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology with certain limitations and exceptions. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports filed by the hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through December 31, 2000.

The Hospital has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Hospital under some of these agreements includes prospectively determined daily rates.

NOTE 4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment by major category is as follows at December 31, 2003 and 2002:

	<u>Asset life in years</u>	<u>2003</u>	<u>2002</u>
Land		\$ 251,000	\$ 251,000
Land improvements	10 - 20	255,321	253,161
Building	10 - 40	15,704,417	15,607,113
Fixed equipment	15 - 20	3,008,370	2,875,122
Major movable equipment	5 - 20	<u>14,811,267</u>	<u>14,073,802</u>
Total cost		34,030,375	33,060,198
Less accumulated depreciation		<u>27,460,751</u>	<u>26,245,663</u>
		6,569,624	6,814,535
Plant assets under construction		<u>682,562</u>	<u>117,987</u>
Net Property, Plant and Equipment		<u>\$ 7,252,186</u>	<u>\$ 6,932,522</u>

ABBEVILLE GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003 and 2002

NOTE 5 LONG-TERM DEBT

Long-term debt at December 31 2003 and 2002 consisted of the following

	<u>2003</u>	<u>2002</u>
General obligation bonds dated August 1 1991 bearing an average interest rate of 6 533% maturing serially on May 1 of each year beginning in 1994 with interest payable on May 1 and November 1 of each year with the final maturity of May 1 2003	\$ -	\$ 675 000
Hospital refunding bonds dated February 1 1999 bearing interest of 4 50%, maturing serially on February 1 of each year beginning in 2000 with interest payable February 1 and August 1 of each year beginning in 1999 with the final maturity on February 1 2010	525 000	4 320,000
Hospital refunding bonds, dated December 1 2003 bearing interest of 3 2%, maturing serially on February 1 of each year beginning in 2004 with interest payable February 1 and August 1 of each year beginning in 2004 with the final maturity on February 1 2010	<u>3,300,000</u>	<u>-</u>
	3 825 000	4 995 000
Less current portion	<u>530,000</u>	<u>1,170,000</u>
Long-term portion	<u>\$ 3,295,000</u>	<u>\$ 3,825,000</u>

Under the terms of the Note Indentures the Hospital is required to maintain certain deposits with a trustee Such deposits are included with assets limited as to use in the financial statements

Scheduled repayments on long-term debt are as follows

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 530 000	\$ 82 133	\$ 612 133
2005	565,000	96,400	661 400
2006	585 000	78 000	663,000
2007	600 000	59 040	659 040
2008	615 000	39,600	654 600
Thereafter	<u>930,000</u>	<u>24,320</u>	<u>954,320</u>
Total	<u>\$3,825,000</u>	<u>\$ 379,493</u>	<u>\$ 4,204,493</u>

NOTE 6 OPERATING LEASES

Total rental expense for 2003 and 2002 for all operating leases was \$260 245 and \$238,810 respectively

ABBEVILLE GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003 and 2002

NOTE 7 PENSION PLAN

The Hospital has established a non-contributory defined contribution retirement plan funded through contributions to Securian Retirement Services. Any employee who on any entry date is within six (6) months of meeting the plan eligibility requirements will qualify. Plan eligibility is defined as three (3) years of service. Any employee who is a member of a union and is covered by a collective bargaining agreement under the terms which retirement benefits have been a subject of good faith bargaining will not be eligible to participate in the plan. Any persons who are contract workers and/or physicians shall not be considered employees for plan purposes and therefore will not be eligible to participate in the plan. Any employee who was a participant in the plan prior to the amendment and restatement will continue to remain a participant in the restated plan. Total payroll of employees covered by the plan for the year ended December 31, 2003 and 2002 was \$7,589,468 and \$6,822,954 respectively. Total payroll was \$11,058,140 and \$10,015,591 in 2003 and 2002 respectively.

The employer shall contribute for each plan year which the plan is in effect that amount which is actuarially determined to be necessary to fund the "assumed plan benefits" determined under the "individual premium funding method" assuming an interest rate of six (6) percent annually. Employer contributions are five (5) percent of covered payroll and employees may contribute to the plan only with the consent of the employer. Pension cost amounted to \$380,907 and \$343,674 in 2003 and 2002 respectively.

NOTE 8. INVESTMENTS

Assets Limited as to Use

The composition of assets limited as to use at December 31, 2003 and 2002 is set forth in the following table. Investments are stated at fair value.

	<u>2003</u>	<u>2002</u>
Internally designated for capital acquisition		
Cash and cash equivalents	\$ 135,398	\$ 2,825,620
U S Treasury obligations	8,011,252	8,562,569
Interest receivable	<u>166,109</u>	<u>237,801</u>
	<u>8,312,759</u>	<u>11,625,990</u>
Held by trustee under indenture agreement		
U S Treasury obligation	889,850	1,634,943
Interest receivable	220	931
Property tax receivable	<u>661,434</u>	<u>638,449</u>
	<u>1,551,504</u>	<u>2,274,323</u>
Employee benefit trust fund		
Cash	<u>200,434</u>	<u>273,623</u>
	<u>\$ 10,064,697</u>	<u>\$ 14,173,936</u>

Investment income and gains on assets limited as to use, cash equivalents and other investments are comprised of the following for the years ending December 31, 2003 and 2002.

	<u>2003</u>	<u>2002</u>
Income		
Interest income	\$ 230,486	\$ 236,985
Unrealized gain (loss) on securities	<u>(76,492)</u>	<u>180,886</u>
	<u>\$ 153,994</u>	<u>\$ 417,871</u>

ABBEVILLE GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003 and 2002

NOTE 9. CASH FLOWS SUPPLEMENTAL INFORMATION

Total interest paid by the Hospital was \$205 706 and \$270 608 for 2003 and 2002 respectively

NOTE 10 BOND DEFEASANCE

On December 1 2003 the Hospital issued \$3 300 000 in Revenue Bonds (Refunding Bonds Series 2003) with an interest rate of 3 2% to advance refund \$3 300 000 of outstanding 1999 Revenue Bonds with an interest rate of 4 5% The net proceeds of \$3,369,364, after payment of \$35 136 in underwriting fees insurance and other issuance cost plus an additional \$104 500 of 1992 sinking fund monies were used to purchase U S government securities Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 1992 Revenue Bonds which mature after February 1 2004

As a result the 1999 Refunding Bonds maturing after February 1 2004 are considered to be defeased and the liability for those bonds has been removed from long-term debt Although the advance refunding resulted in the recognition of an accounting loss of \$88 574 for the year ended December 31 2003 the Hospital in effect reduced its aggregate debt service payments by almost \$102 470 over the next 10 years and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of almost \$86 058 The effective interest rate on the new issue is 3 2%

NOTE 11 EMPLOYEE HOSPITALIZATION PLAN

The Hospital is currently enrolled in a self-insurance plan to provide health insurance to its employees The Hospital makes monthly contributions to a trust fund to cover expected expenses to be incurred by its employees These monthly contributions are computed by an outside administrator who assists in processing claims Included within the monthly contributions is an amount for excess risk insurance This excess risk insurance has a \$60 000 deductible per employee per year which in effect limits the Hospital s exposure to \$60 000 per employee

NOTE 12. CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit without collateral to its patients most of whom are local residents and are insured under third-party payor agreements The mix of receivables (net of allowances) from patients and third-party payors at December 31 2003, and 2002 are as follows

	<u>2003</u>	<u>2002</u>
Medicare	22%	14%
Medicaid	10	6
Commercial and other third-party payors	39	56
All other	<u>29</u>	<u>24</u>
	<u>100%</u>	<u>100%</u>

NOTE 13 FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Hospital in estimating the fair value of its financial instruments

Cash and cash equivalents The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value

ABBEVILLE GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003 and 2002

NOTE 13 FAIR VALUE OF FINANCIAL INSTRUMENTS (cont)

Investments Fair values, which are the amounts reported in the balance sheet, are based on quoted market prices for similar securities

Assets limited as to use These assets consist primarily of cash and short-term investments and interest receivable The carrying amount reported in the balance sheet is fair value

Accounts payable and accrued expenses The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates its fair value

Estimated third-party payor settlements The carrying amount reported in the balance sheet for estimated third-party payor settlements approximates its fair value

Long-term debt Fair values of the Hospital s revenue notes are based on current traded value The fair value of the Hospital s remaining long-term debt is estimated using discounted cash flow analyses based on the Hospital s current incremental borrowing rates for similar types of borrowing arrangements

The carrying amounts and fair values of the Hospital s financial instruments at December 31, 2003, and 2002, are as follows

	<u>2003</u>		<u>2002</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 1 245 779	\$ 1 245 779	\$ 803 925	\$ 803 925
Assets limited as to use	10,064,697	10 064 697	14 173 936	14 173 936
Accounts payable and accrued expenses	2 336 595	2 336 595	1 915 971	1 915 971
Estimated third-party payor settlements	775 992	775 992	1 419 806	1,419,806
Long-term debt	3 770 545	3 831 771	4,963 670	5 049 379

NOTE 14 BANK DEPOSITS AND INVESTMENTS

State statutes authorize the Hospital to invest in obligations of the U S Treasury certificates or other obligations of the United States of America and time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana At December 31 2003 and 2002 the Hospital had bank balances as follows

	<u>2003</u>	<u>2002</u>
Insured (FDIC)	\$ 100 000	\$100 000
Collateralized by securities held by the pledging financial institution's trust department in the Hospital s name	3 193 500	4 074 208
Uncollateralized	-	196,274
Total	<u>\$3,293,500</u>	<u>\$4,370,482</u>
 Carrying Value	 <u>\$2,471,681</u>	 <u>\$5,539,042</u>

ABBEVILLE GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003 and 2002

NOTE 14 BANK DEPOSITS AND INVESTMENTS (cont)

For the year ended December 31, 2002, funds were transferred to operations from Funded Depreciation causing the bank balance to exceed the collateralized amount

Investments consist of certificates of deposit with financial institutions and U S Treasury obligations The fair value for these investments is not materially different from its reported amounts Investments are categorized into three categories of credit risk

- 1 Insured or registered, or securities held by the Hospital or its agent in the Hospital s name
- 2 Uninsured and unregistered with securities held by the counter-party s trust department or agent in the hospital's name
- 3 Uninsured and unregistered with securities held by the counter-party or by its trust department or agent but not in the Hospital s name

At year end the Hospital's investment balances were as follows

	CATEGORY		CARRYING	MARKET
	1	2	AMOUNT	VALUE
Certificates of Deposit	\$ 203 871	\$ -	\$ 203 871	\$ 203,871
U S. Treasury obligations		<u>7,807,382</u>	<u>7,807,382</u>	<u>7,920,051</u>
Total	<u>\$ 203,871</u>	<u>\$ 7,807,382</u>	<u>\$ 8,011,253</u>	<u>\$ 8,123,922</u>

NOTE 15 ASSETS LIMITED AS TO USE

Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets The composition of assets limited as to use at December 31 2003, and 2002, is set forth in the following table

	2003	2002
Internally designated for capital acquisitions	\$ 8 312 759	\$11 625 990
Held by trustees	200 434	273 623
Under indenture agreement	<u>1,551,504</u>	<u>2,274,323</u>
Total	<u>\$10,064,697</u>	<u>\$14,173,936</u>

NOTE 16 DEFERRED REVENUE

The Hospital receives a disproportionate share payment for uncompensated care This payment is based upon estimated uncompensated care cost and is subject to audit by the Louisiana Department of Health and Hospitals Coverage for uncompensated care is based on the State s fiscal year

ABBEVILLE GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003 and 2002

NOTE 17 TAXES PAID UNDER PROTEST

Act No 1149 of the Regular Session 2001 Amended La R S 47:1856(E) to provide as follows Any company instituting suit under these provisions [La R S 47:1856] shall timely pay in full its taxes in the jurisdiction from which its tax bill emanates. Any funds received as payment of taxes under the provisions of this Subsection shall be used only for non-recurring expenses except for any such funds pledged as security for any bonds or other evidences of indebtedness and for any such funds when the proposition approving the millage provides specifically for another intended purpose The governing authority of any jurisdiction shall not use any such funds for nonrecurring expenses in a manner which will displace, replace or supplant funds which were otherwise available for such nonrecurring expenses

Further La R S 47:1856(F)(1)(a)(i) provides that if the assessed valuation finally determined by the Court is less than the amount determined by the Louisiana Tax Commission the protesting public service company is entitled to a credit against future property taxes in each jurisdiction affected or refund in cash from each jurisdiction affected If the company chooses a refund, a refund is required to be paid by the Tax Collector of each affected jurisdiction from current tax collections and in no event will the refund be paid later than 90 days from the date in which the judgment is entered and becomes final and interest shall be credited thereon at the minimum rate as provided by La R S 39:1217.1 Taxes paid under protest at December 31 2003 and 2002 were \$15,442 and \$12,508 respectively

NOTE 18 GASB Statement No 34

During fiscal year 2003 the Hospital implemented GASB Statement No 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" as amended by GASB Statement No 37 and No 38 and applied those standards on a retroactive basis GASB Statement No 34 establishes standards for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories

Invested in capital assets net of related debt consist of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, note and other debt that are attributed to the acquisition construction or improvement of those assets

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors grantors contributions and the like or imposed by law through constitutional provisions or enabling legislation

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories Unrestricted net assets often are designated to indicate that management does not consider them to be available for general operations Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified

ABBEVILLE GENERAL HOSPITAL

SCHEDULES OF PATIENT SERVICE REVENUES

	<u>2003</u>	<u>2002</u>
INPATIENT SERVICE REVENUES		
Daily Patient Services		
Adults and pediatrics	\$ 2 342 202	\$ 2,242,370
Behavioral medicine	2 706 210	2 395 900
Partial psych unit	648 309	579 435
Intensive care	444,687	498,976
Newborn care	17 208	-
Swingbed	50,855	64,855
Total	<u>6,209,391</u>	<u>5,781,536</u>
Other Nursing Services		
Operating room	1 294 610	1 152 791
Recovery room	89,761	78,622
Delivery room	27 994	-
Central supplies	1,182,089	1,205,481
Intravenous therapy	1 048 507	1 069 234
Emergency service	288,609	277,253
Total	<u>3,931,570</u>	<u>3,783,381</u>
Other Professional Services		
Laboratory	1,426 517	1,398 871
Blood processing	130 312	104 379
Radiology	367 313	379 958
Scans	704 841	690 962
Ultrasounds	188 755	186 891
Pharmacy	3,292,042	3 306,152
Anesthesiology	571,317	586,534
Inhalation therapy	2 118 121	2,355 115
Physical therapy	109 633	102 481
Holter monitor	16 644	20 428
Radiology - therapeutic	96,408	138 245
Speech therapy	4,620	4,060
Total	<u>9,026,523</u>	<u>9,274,076</u>
TOTAL INPATIENT SERVICE REVENUE	<u>\$ 19 167 484</u>	<u>\$ 18,838 993</u>

SCHEDULE 1

FOR THE YEARS ENDED DECEMBER 31,

	2003	2002
OUTPATIENT SERVICES REVENUES		
Other Nursing Services		
Operating Room	\$ 1 109 255	\$ 1 200 769
Recovery room	113 004	117 875
Central supplies	559 363	560 737
Intravenous therapy	231,603	201 127
Emergency service	<u>1,185,986</u>	<u>1,086,107</u>
Total	<u>3,199,211</u>	<u>3,166,615</u>
Other Professional Services		
Clinic	533,571	199 411
Outpatient services	121 144	84 425
Laboratory	3 337 137	2 747 709
Blood processing	49 175	43 574
Electrocardiology	389 939	357 533
Electroencephalography	25 388	19 723
Radiology	1,294,725	1,259 695
Scans	1 653 866	1 637 614
Ultrasounds	543 079	507 727
Pharmacy	1 347 605	1 155,953
Anesthesiology	625 468	757 912
Inhalation therapy	464,357	324 901
Physical therapy	1 471	1 683
Holter monitor	99 025	78 487
Radiology-therapeutic	<u>938,374</u>	<u>807,029</u>
Total	<u>11,424,324</u>	<u>9,983,376</u>
TOTAL OUTPATIENT SERVICE REVENUE	<u>14,623 535</u>	<u>13 149 991</u>
GROSS PATIENT SERVICE REVENUE	33 791 019	31 988,984
Less Contractual Adjustments	<u>15,026,064</u>	<u>12,938,597</u>
Net Patient Service Revenue before Disproportionate Share	18 764 955	19 050,387
Medicaid Uncompensated Care	<u>2,406,895</u>	<u>2,400,000</u>
NET PATIENT SERVICE REVENUE	<u>\$ 21,171,850</u>	<u>\$ 21,450,387</u>

ABBEVILLE GENERAL HOSPITAL

<u>SCHEDULE OF OTHER OPERATING REVENUES</u>	<u>YEAR ENDED DECEMBER 31,</u>	
	<u>2003</u>	<u>2002</u>
Cafeteria sales	\$ 178 759	\$ 189 055
Interest income on borrowed funds held by trustee	2 846	2 974
Medical records	9 281	9 620
Vending	7 871	8 272
Nutrition consultation	1 755	835
Rehab support services	116 262	114 301
Other	340 051	26 192
Rehab Lease	273 348	273 348
Rental	21,890	26,089
Total	<u>\$ 952 063</u>	<u>\$ 650 686</u>

ABBEVILLE GENERAL HOSPITALSCHEDULE OF NURSING SERVICESYEAR ENDED DECEMBER 31,2003 2002Salaries and Fees

Administrative office	\$ 406,604	\$ 410,889
Medical and surgical	2,370,667	2,382,372
Obstetrics	170,697	-
Newborn nursery	65,481	-
Operating room	533,606	530,493
Recovery room	235,703	217,516
Central services	25,619	25,155
Emergency room	<u>1,243,541</u>	<u>1,174,090</u>
Total Salaries and Fees	<u>5,051,918</u>	<u>4,740,515</u>

Supplies and Other Expenses

Administrative office	5,537	3,621
Medical and surgical	75,354	84,719
Obstetrics	50,470	-
Newborn nursery	5,749	-
Operating room	766,210	736,162
Recovery room	3,158	3,437
Central services	335,057	353,550
Emergency room	<u>44,211</u>	<u>42,167</u>
Total Supplies and Other Expenses	<u>1,285,746</u>	<u>1,223,656</u>
Total Nursing Services	<u>\$ 6,337,664</u>	<u>\$ 5,964,171</u>

ABBEVILLE GENERAL HOSPITAL

<u>SCHEDULE OF OTHER PROFESSIONAL SERVICES</u>	<u>YEAR ENDED DECEMBER 31,</u>	
	<u>2003</u>	<u>2002</u>
Salaries and Fees		
Clinic	\$ 183,886	\$ 162,747
OB/GYN clinic	168,800	-
Surgery clinic	69,939	-
Outpatient services	286,132	286,730
Laboratory	494,188	482,327
Radiology	500,713	503,703
Scans	108,358	108,139
Ultrasound	75,110	73,178
Pharmacy	318,814	319,233
Anesthesiology	338,784	80,663
Inhalation therapy	435,814	424,046
Physical therapy	30,936	29,792
Medical records	294,850	276,358
Social service	58,882	66,177
Behavior unit	786,345	737,899
Partial unit	194,043	189,001
Infection control/Education	61,713	58,254
Specialty clinic	28,314	29,842
Total Salaries and Fees	4,435,621	3,828,089
Supplies and Other Expenses		
Clinic	63,132	70,281
OB/GYN clinic	39,535	-
Surgery clinic	19,376	-
Outpatient services	4,772	4,070
Laboratory	635,856	614,913
Blood processing	252,384	194,102
Holter monitor	982	757
Radiology	547,565	579,731
Ultrasound	72,013	105,447
Scans	236,838	229,940
Pharmacy	1,017,726	1,164,568
Anesthesiology	509,763	866,904
Inhalation therapy	103,842	125,326
Physical therapy	50,709	50,143
Medical records	66,651	60,441
Social service	822	100
Behavior unit	153,770	155,037
Partial unit	49,970	45,878
Infection control/Education	3,119	4,801
Specialty clinic	3,974	3,022
Total Supplies and Other Expenses	3,832,799	4,275,461
Total Other Professional Services	\$ 8,268,420	\$ 8,103,550

SCHEDULE 5

ABBEVILLE GENERAL HOSPITAL

SCHEDULE OF GENERAL SERVICES

YEAR ENDED DECEMBER 31,

	<u>2003</u>	<u>2002</u>
Salaries and Fees		
Dietary	\$ 440,006	\$ 445,270
Plant engineering	212,288	198,942
Housekeeping	345,204	309,466
Laundry and linen	20,895	20,295
Total Salaries and Fees	<u>1,018,393</u>	<u>973,973</u>
 Supplies and Other Expenses		
Dietary	352,852	370,381
Plant engineering	928,041	836,653
Housekeeping	103,850	97,708
Laundry and linen	96,548	104,484
Total Supplies and Other Expenses	<u>1,481,291</u>	<u>1,409,226</u>
 Total General Services	<u>\$ 2,499,684</u>	<u>\$ 2,383,199</u>

ABBEVILLE GENERAL HOSPITALSCHEDULE OF FISCAL SERVICES

YEAR ENDED DECEMBER 31,

	<u>2003</u>	<u>2002</u>
Salaries and Fees:		
Patient accounting	\$ 168,394	\$ 171,565
Admitting	127,940	122,319
Data processing	48,622	45,380
Communications	74,185	71,669
Receiving and stores	84,445	82,490
Personnel/public relations	110,780	114,842
Quality assurance	30,348	29,733
DRG coordination	87,740	85,315
Total Salaries and Fees	<u>732,454</u>	<u>723,313</u>
Supplies and Other Expenses		
Patient accounting	29,607	19,891
Credit and collections	80,004	62,038
Admitting	18,272	18,754
Data processing	78,422	73,516
Communications	114,910	126,065
Receiving and stores	3,396	4,935
Personnel/public relations	11,460	12,346
Quality assurance	13,793	16,187
DRG coordination	6,441	5,106
Total Supplies and Other Expenses	<u>356,305</u>	<u>338,838</u>
Total Fiscal Services	<u>\$ 1,088,759</u>	<u>\$ 1,062,151</u>

ABBEVILLE GENERAL HOSPITAL

SCHEDULE OF ADMINISTRATIVE SERVICES

YEAR ENDED DECEMBER 31,

	<u>2003</u>	<u>2002</u>
Salaries and Fees		
Administrative office	\$ 216 059	\$ 228 689
General accounting	88 909	82,543
Governing board	11,150	11,500
Total Salaries and Fees	<u>316,118</u>	<u>322,732</u>
Supplies and Other Expenses		
Administrative office	233 635	151 047
General accounting	37 116	40 365
Employee benefits	1 950,080	1,811 647
Insurance	325 807	254 028
Taxes	11,908	12 194
Other	60 696	51 733
Volunteer services	321	285
Physician's recruitment fees	154,429	80,600
Total Supplies and Other Expenses	<u>2,773,992</u>	<u>2,401,899</u>
Total Administrative Services	<u>\$ 3 090 110</u>	<u>\$ 2 724 631</u>

ARBEVILLE GENERAL HOSPITAL

SCHEDULE OF GOVERNING BOARD EXPENSES

YEAR ENDED DECEMBER 31,

	<u>2003</u>		<u>2002</u>	
	<u>NUMBER OF MEETINGS ATTENDED</u>	<u>COMPENSATION</u>	<u>NUMBER OF MEETINGS ATTENDED</u>	<u>COMPENSATION</u>
<u>COMMISSIONERS</u>				
Donald Primeaux	36	\$ 1,800	36	\$ 1,800
Jewitt Hulin	28	1,400	25	1,250
Robert LeBlanc	36	1,800	36	1,800
James Segura, III	29	1,450	31	1,550
Josephine Levy	29	1,450	35	1,750
John Boudreaux	36	1,800	36	1,800
Corbett Lebouef, M D	29	1,450	31	1,550
		<u>\$ 11,150</u>		<u>\$ 11,500</u>

LANGLOIS

&

BROUSSARD

(A Corporation of Certified Public Accountants)

Alan P. Langlois, C.P.A.
Michael P. Broussard, C.P.A.

Ernie Felton, C.P.A.
Patrick M. Gentry, C.P.A.
Chip Cottrell, C.P.A.
Ken Davis, C.P.A., M.B.A.
Chris Kohlenberg, C.P.A., M.B.A., M.S.A.

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

Chairman and Board of Commissioners
Abbeville General Hospital
Abbeville Louisiana

We have audited the general purpose financial statements of Abbeville General Hospital, a component unit of the Vermilion Parish Police Jury State of Louisiana as of and for the year ended December 31 2003 and 2002, and have issued our report thereon dated April 9, 2004

We conducted our audit in accordance with generally accepted auditing standards of the United States 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 Abbeville General 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

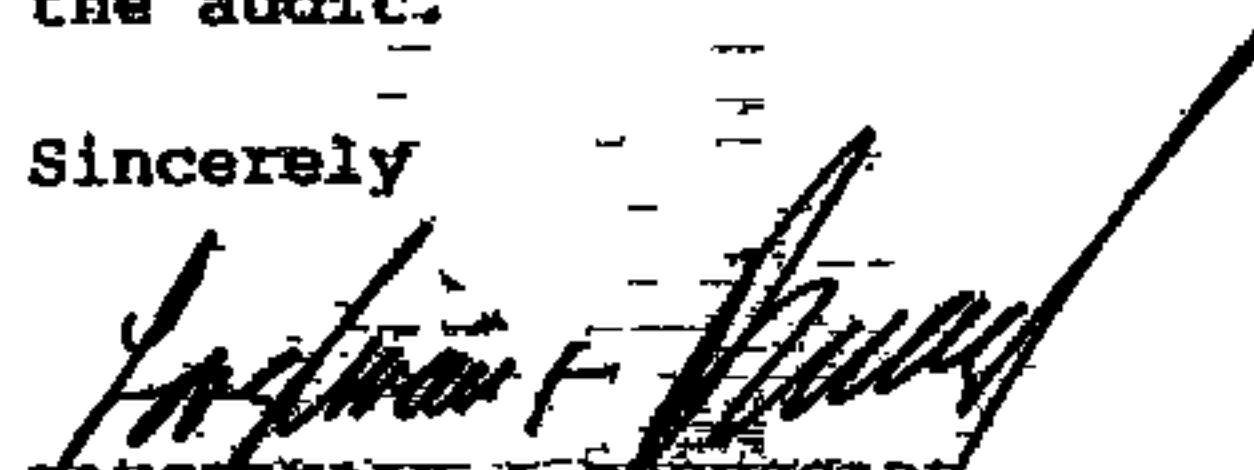
In planning and performing our audit we considered Abbeville General Hospital's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial 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 reportable condition.

This report is intended for the information of Abbeville General Hospital and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

We acknowledge with appreciation the courtesies extended our representatives during the audit.

Sincerely,



LANGLAIS & BROISSARD
Certified Public Accountants
April 9, 2004

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BROUSSARD

(A Corporation of Certified Public Accountants)

Board of Commissioners
Abbeville General Hospital
Abbeville Louisiana

Steve P. Langlois, C.P.A.
Michael P. Broussard, C.P.A.

Gayle Falcon, C.P.A.
Patrick M. Galdry, C.P.A.
Chip Cantrell, C.P.A.
Ken Doolin, C.P.A., M.B.A.
Chris Kohlenberg, C.P.A., M.B.A., M.F.A.

In planning and performing our audit of the general purpose financial statements of Abbeville General Hospital a component unit of the Vermilion Parish Police Jury State of Louisiana, (the Hospital) as of and for the year ended December 31 2003 we considered its internal control 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. We noted no matters involving the internal control and its operations that we consider to be a reportable condition under the standards established by the American Institute of Certified Public Accountants (AICPA). Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Hospital's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. However, during our audit we became aware of other matters that represent improvements in internal controls and operating efficiencies. The following summarizes our comments regarding these matters:

RECORDING OF BAD DEBTS

Findings and Observations

The hospital is currently transferring patient balances to the Patient Status (PS) "B" upon establishment of regular payment plans or submission to the collection agency prior to having exhausted its collection effort. The transfer to PS- B triggers the system to create a general ledger entry writing off the account as a Bad Debt. The Patient Status "B" system was designed for purpose of maintaining a record of uncollectible (bad debt) accounts. Consequently any subsequent payment toward these PS-B accounts triggers the system to generate an entry to the general ledger in which a "recovery of bad debts" is recorded. During 2003 recoveries totaled approximately \$688,000. A substantial amount of these recoveries actually represent valid (collectible) accounts receivable.

Consequently the PS B accounts reflect patient receivables that are likely to be collectible as well as accounts that are most likely uncollectible. In other words the PS-B accounts reflecting a "commingling" of both collectible and uncollectible accounts (i.e. bad debts). This complicates the valuation of accounts receivables because it is enormously difficult to establish the point at which accounts are considered written off.

Conclusions and Recommendations

Generally accounts should be "written off" as a bad debt when collection efforts have been exhausted, the accounts are deemed worthless, and sound business judgment established that there was no likelihood of recovery at any time in the future. In this situation accounts are written off before any of these situations occur. We recommend that the hospital delay the transfer of accounts to Patient Status "B" until it has been determined that these conditions exist. This will

- Result in a more appropriate reflection of valid accounts receivable
- Establish a more definitive write-off date that will coincide with the point at which accounts are considered to have little or no likelihood of recovery
- Simplify the valuation for estimating the realizable value of receivables when establishing allowances for uncollectible accounts

SYSTEM BACKUP

Findings and Observations

During the reconciliation of Accounts Receivable, problems were encountered with the data files provided by the Hospital. In an attempt to retrieve these files from the system backup of December 31, 2003, it was discovered that backup did not exist, it had been overwritten. Upon further discussion of this matter with Hospital personnel, it was also discovered that there is no system in place for keeping backups offsite.

Conclusions and Recommendations

We recommend that the Hospital review its system for storing backup data files. To help ensure the integrity of year-end (December 31) data files, two (2) copies should be made and retained for at least three (3) years. The Hospital should also consider storing backup data files at an off-site location to help ensure that the backup data is secure in the event of a disaster at the physical location of the hospital.

This report is intended for the information of the management and the Board of Commissioners of the Hospital, the Legislative Auditor of the State of Louisiana, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


LANGLINAIS & BROUSSARD
A corporation of Certified Public Accountants

April 9, 2004



118 North Hospital Drive
P O Box 580
Abbeville, Louisiana 70511-0580

June 10 2004

State of Louisiana Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

**RE RESPONSE TO ABBEVILLE GENERAL HOSPITAL'S FYE 12/31/03 AUDIT
CONTAINING TWO(2) OPERATIONAL IMPROVEMENT
RECOMMENDATIONS BY THE AUDITORS**

To Whom it May Concern

As a result of Abbeville General Hospital s FYE 12/31/03 financial audit, two(2) *recommendations for operational improvements were provided by the auditing firm conducting our annual audit. We offer the following responses as to AGH s approach in implementing necessary improvement measures*

ACCOUNTS RECEIVABLE CLASSIFICATION

As pointed out by the auditors AGH has been following a practice of managing its A/R that *prematurely assigns uncollected accounts as 'bad debt' Once an account is assigned a "bad debt status then through an automated process the general ledger updates the total A/R value as well as adjust the allowance for bad debt' general ledger Such general ledger handling is in agreeance with standard accounting practices*

The problem the auditors are noting is that there is a very high recovery of bad debts thus when *analyzed and determined that this has been a historical volume of recoveries the determination was made in previous audits to assign a value on the balance sheet which accommodated such a significant collection and as such a significant asset to be reported*

We concur with the auditor s recommendation that accounts transferred to a 'bad debt status *should occur subsequent to exhausting our established collection efforts It should be noted that the recoveries in FY 2003 consisted of 74% worth of collections from accounts with established*

payment arrangements With this in mind, it should further be noted that our practice was to transfer an account to "bad debt" status upon exhausting our collection effort and thus turning-over to an external collection agency or when an account was setup on payment arrangements

The practice of deeming an account as "bad debt" upon establishing payment arrangements will be changed. Rather an account making regular/timely payments in accord with existing policy will remain as an active account Therefore considering the potential complexities in implementing this conversion as well as being clear on the change to various management reports used in evaluating and reporting the performance of the A/R, the CFO and the Business Office Manager have been instructed to draft the policies needed to perfect the conversion as well as policies that clearly establish our accepted collection efforts prior to deeming an account as "bad debt."

As indicated to our auditors, full implementation of such conversion shall not go beyond the close of the 3rd quarter of our calendar fiscal year(9/30/04) In addition the CFO will begin submitting a written report to the Board of Commisioners on a monthly basis as to the status of the conversion.

SYSTEM BACK-UP

Prior practice encompassed retaining a back up of year-end computer system closing runs However it was not our practice to retain the back-up off site We have already implemented a policy that requires two(2) copies on site as well as one copy retained off site specifically at our fiscal agent s bank vault Such policy should sufficiently assure that, in the event a restore of computerized data is needed, such will occur with ease and minimal disruption to the ongoing operations

The above response is respectfully submitted

Sincerely



Ray Landry
Chief Executive Officer