

HOSPITAL SERVICE DISTRICT WARDS 3, 4 AND 10
OF THE PARISH OF UNION, STATE OF LOUISIANA
TRI-WARD GENERAL HOSPITAL AND CLINIC

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

FOR THE YEARS ENDED
DECEMBER 31, 2003, 2002, AND 2001

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 7-14-04

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Tri-Ward General Hospital and Clinic
Financial Statements
and
Independent Auditors' Report
Years Ended December 31, 2003, 2002, and 2001

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Hospital Service District Wards 3, 4, and 10 of the Parish of Union
Management's Discussion and Analysis
Of the Basic Financial Statements
Years ended December 31, 2003 and 2002

This section of the Health Service District's annual financial report presents background information and management's analysis of the District's financial performance during the fiscal year that ended on December 31, 2003. Please read it in conjunction with the financial statements in this report.

Financial Highlights

- The District's total assets decreased by approximately \$92,318, or approximately 2.88%.
- During the year, the District's net operating revenues decreased approximately \$103,539 or 2.67% to \$3,774,976 from the prior year while expenses increased approximately \$249,929 or 6.88%. The District had a loss from operations of approximately \$107,261 which compares to a profit of \$246,207 the previous year.
- The District received revenues for Uncompensated Costs Reimbursement in the amount of \$102,570 compared to \$113,245 the previous year.
- The District received property tax revenues of approximately \$193,472 compared to \$131,972 the previous year.
- The District made \$308,885 in capital acquisitions for the fiscal year.

Required Financial Statements

The Basic Financial Statements of the District report information about the District 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 District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statements of Revenue, Expenses and Changes in Net Assets. This statement measures improvements in the District's operations over the past two years and can be used to determine whether the District 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 Statements of Cash Flows. The primary purpose of this statement is to provide information about the District'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 Health Service District

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

Hospital Service District Wards 3, 4, and 10 of the Parish of Union
Management's Discussion and Analysis (Continued)

Net Assets

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

TABLE 1
Condensed Balance Sheets

	<u>2003</u>	<u>2002</u>	<u>\$ Change</u>	<u>% Change</u>
Total current assets	\$ 1,519,067	\$ 1,638,112	\$ (119,045)	-7.27%
Capital assets - net	841,535	634,939	206,596	32.54%
Other assets	<u>755,199</u>	<u>935,068</u>	<u>(179,869)</u>	<u>-19.24%</u>
 Total assets	 \$ <u>3,115,801</u>	 \$ <u>3,208,119</u>	 \$ <u>(92,318)</u>	 <u>-2.88%</u>
Current liabilities	\$ 226,277	\$ 263,528	\$ (37,251)	-14.14%
Long-term liabilities	629,356	644,928	(15,572)	-2.41%
Net assets	<u>2,260,168</u>	<u>2,299,663</u>	<u>(39,495)</u>	<u>-1.72%</u>
 Total liabilities and net assets	 \$ <u>3,115,801</u>	 \$ <u>3,208,119</u>	 \$ <u>(92,318)</u>	 <u>-2.88%</u>

As can be seen in Table 1, total assets decreased by \$92,318 to \$3,115,801 in fiscal year 2003, down from \$3,208,119 in fiscal year 2002.

Summary of Revenue, Expenses and Changes in Net Assets

The following table presents a summary of the District's historical revenues and expenses for each of the fiscal years ended December 31, 2003 and 2002.

Hospital Service District Wards 3, 4, and 10 of the Parish of Union
Management's Discussion and Analysis (Continued)

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

	<u>2003</u>	<u>2002</u>	<u>\$ Change</u>	<u>% Change</u>
Revenue:				
Net patient service revenue	\$ 3,130,857	\$ 3,310,986	\$ (180,129)	-5.44%
Grant revenue	12,677	10,253	2,424	23.64%
Property tax revenue	193,472	131,972	61,500	46.60%
Other revenue	<u>437,970</u>	<u>425,304</u>	<u>12,666</u>	<u>2.98%</u>
Total revenue	<u>3,774,976</u>	<u>3,878,515</u>	<u>(103,539)</u>	<u>-2.67%</u>
Expenses:				
Salaries and benefits	1,563,621	1,393,011	170,610	12.25%
Medical supplies and drugs	288,559	270,477	18,082	6.69%
Professional and contract services	969,558	986,513	(16,955)	-1.72%
Other expenses	502,893	440,978	61,915	14.04%
Insurance	55,348	44,277	11,071	25.00%
Interest	6,342	451	5,891	1306.21%
Depreciation	102,289	70,906	31,383	44.26%
Provision for bad debt	<u>393,627</u>	<u>425,695</u>	<u>(32,068)</u>	<u>-7.53%</u>
Total expenses	<u>3,882,237</u>	<u>3,632,308</u>	<u>249,929</u>	<u>6.88%</u>
Operating income (loss)	(107,261)	246,207	(353,468)	-143.57%
Nonoperating income				
Interest income	<u>47,210</u>	<u>42,162</u>	<u>5,048</u>	<u>11.97%</u>
Excess of revenue over expenses	(60,051)	288,369	(348,420)	-120.82%
Change in unrealized gains (loss) on securities	<u>20,556</u>	<u>(34,112)</u>	<u>54,668</u>	<u>160.26%</u>
Increase (decrease) in unrestricted fund balance	\$ <u>(39,495)</u>	\$ <u>254,257</u>	\$ <u>(293,752)</u>	\$ <u>-115.53%</u>

Hospital Service District Wards 3, 4, and 10 of the Parish of Union
Management's Discussion and Analysis (Continued)

Sources of Revenue

Operating Revenue

During fiscal year 2003, 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 payers, who receive care in the Hospital's facilities. Reimbursement for the Medicare and Medicaid programs and the third-party payers is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes interest income, cafeteria sales, and revenue from services provided to physicians, rental income and other miscellaneous services.

Table 3 presents the relative percentages of gross charges billed for patient services by payer for the fiscal years ended December 31, 2003.

TABLE 3
Payer Mix by Percentage

	<u>2003</u>	<u>2002</u>
Medicare	42.50%	43.20%
Medicaid	18.00%	16.30%
Commercial Insurance	30.20%	30.70%
Self Pay	9.30%	9.80%

Non-operating Income

The District holds investments in its Balance Sheets that are invested primarily in the Certificates of Deposit. These investments were \$529,161 in total that earned \$47,210 interest income.

Operating and Financial Performance

The following summarizes the Hospital's Statements of Revenue, Expenses and Changes in Net Assets between 2003 and 2002:

Overall activity at the Hospital, as measured by patient admissions, decreased 7.97% to 439 in 2003 from 477 in 2002. Patient days decreased 5.16% to 1,711 in 2003 from 1,804 in 2002. Average length of stay increased to 3.95 in 2003 from 3.88 in 2002.

Operating and Financial Performance

Total net patient service revenue decreased by approximately \$180,129 or 5.44%. The change is attributed to a decrease in patient census.

Gross accounts receivable have increased by \$277,747 for the Hospital. Average days in hospital accounts receivable have increased to 47 in 2003 from 45 in 2002. The Hospital continues to exert every effort to assist patients in finding funding sources for health care.

Hospital Service District Wards 3, 4, and 10 of the Parish of Union
Management's Discussion and Analysis (Continued)

Operating and Financial Performance (Continued)

Salaries increased by approximately \$135,784 over the prior year. Benefits increased by \$34,826 over the previous year mainly due to the increase in health insurance premiums.

The cost of medical supplies decreased by \$36,859 over the previous year due to the decrease in inpatient and emergency room volume.

Medical professional fees increased by approximately \$37,986 due to an increase in hospitalists services.

Provision for bad debts decreased by approximately \$32,068.

Other expenses increased slightly due to inflation and increased patient volumes.

Capital Assets

During fiscal year 2003, the District invested approximately \$308,885 in capital assets included in Table 4 below.

**TABLE 4
Capital Assets**

	December 31, <u>2003</u>	December 31, <u>2002</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 23,454	\$ 23,454	\$ -0-	0.00%
Land improvements	10,680	6,767	3,913	57.82%
Buildings	858,268	471,276	386,992	82.12%
Fixed equipment	220,313	220,313	-0-	0.00%
Major moveable equipment	769,663	667,818	101,845	15.25%
Transportation equipment	21,874	-0-	21,874	100.00%
Minor equipment	1,177	1,177	-0-	0.00%
Construction in progress	<u>-0-</u>	<u>205,739</u>	<u>(205,739)</u>	<u>-100.00%</u>
 Total	 1,905,429	 1,596,544	 308,885	 19.35%
Accumulated depreciation	<u>1,063,894</u>	<u>961,605</u>	<u>102,289</u>	<u>10.64%</u>
Net property, plant, and equipment	 \$ <u>841,535</u>	 \$ <u>634,939</u>	 \$ <u>206,596</u>	 <u>32.54%</u>

Net property, plant and equipment have decreased because depreciation expense exceeded acquisitions.

Hospital Service District Wards 3, 4, and 10 of the Parish of Union
Management's Discussion and Analysis (Continued)

Contacting the Health Service District's Financial Manager

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

Bobby G. Lester, CPA
John S. Wells, CPA
Robert G. Miller, CPA
Paul A. Delaney, CPA
Mary L. Carroll, CPA

Melanie I. Layssard, CPA
Brenda J. Lloyd, CPA

LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS
3600 BAYOU RAPIDES ROAD
ALEXANDRIA, LOUISIANA 71303-3653

Telephone (318) 487-1450

Facsimile (318) 445-1184

Members

American Institute of CPA's
Society of Louisiana CPA's

Mailing Address:

P.O. Box 8758
Alexandria, LA 71306-1758

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Hospital Service District Wards 3, 4, and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Bernice, Louisiana

We have audited the accompanying basic financial statements of Tri-Ward General Hospital and Clinic (the "District"), a component unit of the Union Parish Police Jury, Bernice, Louisiana, as of and for the years ended December 31, 2003, 2002, and 2001, 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 basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic 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 Tri-Ward General Hospital and Clinic as of December 31, 2003, 2002 and 2001, 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 applicable to government entities.

In accordance with Government Auditing Standards, we have also issued a report dated May 11, 2004, on our consideration of the District's internal control over financial reporting and our test 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 Wards 3, 4, and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Page Two

Our audits were conducted for the purpose of forming an opinion on the District's 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 January 1, 2003, the District 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 "vi" 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.

Lester, Miller & Wells

Certified Public Accountants

May 11, 2004

Hospital Service District Wards 3, 4, and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Balance Sheets
December 31, 2003, 2002, and 2001

ASSETS	<u>2003</u>	<u>2002</u>	<u>2001</u>
Current assets:			
Cash and cash equivalents (Note 3)	\$ 659,168	\$ 822,043	\$ 520,816
Limited use assets - required for current liabilities (Note 8)	-0-	18,445	-0-
Accounts receivable less estimated uncollectibles (Note 5)	710,773	678,404	763,451
Inventory	129,796	104,040	92,097
Prepaid expenses	<u>19,330</u>	<u>15,180</u>	<u>13,622</u>
 Total current assets	 <u>1,519,067</u>	 <u>1,638,112</u>	 <u>1,389,986</u>
Other assets:			
Property, plant, and equipment less accumulated depreciation (Note 6)	841,535	634,939	319,638
Investments (Note 4)	529,161	497,796	515,764
Limited use assets (Note 8)	216,285	427,519	-0-
Other assets (Note 7)	<u>9,753</u>	<u>9,753</u>	<u>130</u>
 Total assets	 \$ <u>3,115,801</u>	 \$ <u>3,208,119</u>	 \$ <u>2,225,518</u>

See accompanying notes to financial statements.

Hospital Service District Wards 3, 4, and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Balance Sheets (Continued)
December 31, 2003, 2002, and 2001

LIABILITIES AND NET ASSETS	<u>2003</u>	<u>2002</u>	<u>2001</u>
Current liabilities:			
Accounts payable	\$ 130,783	\$ 124,058	\$ 71,782
Accrued expenses and withholdings payable (Note 9)	79,895	134,308	106,093
Current installments of long-term debt (Note 11)	<u>15,599</u>	<u>5,162</u>	<u>1,951</u>
 Total current liabilities	 <u>226,277</u>	 <u>263,528</u>	 <u>179,826</u>
 Long-term debt (Note 11)	 <u>629,356</u>	 <u>644,928</u>	 <u>286</u>
 Total liabilities	 <u>855,633</u>	 <u>908,456</u>	 <u>180,112</u>
Net assets:			
Invested in capital assets, net of related debt	379,782	396,309	319,638
Restricted net assets	216,285	443,638	-0-
Unrestricted net assets	<u>1,664,101</u>	<u>1,459,716</u>	<u>1,725,768</u>
 Total net assets	 <u>2,260,168</u>	 <u>2,299,663</u>	 <u>2,045,406</u>
 Total liabilities and net assets	 \$ <u>3,115,801</u>	 \$ <u>3,208,119</u>	 \$ <u>2,225,518</u>

See accompanying notes to financial statements.

Hospital Service District Wards 3, 4, and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Statements of Revenue, Expenses, and Changes in Net Assets
Years Ended December 31, 2003, 2002, and 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Revenue:			
Net patient service revenue	\$ 3,130,857	\$ 3,310,986	\$ 2,842,926
Grant revenue (Note 17)	12,677	10,253	6,500
Property tax revenue (Note 13)	193,472	131,972	178,745
Gain (loss) on sale of assets	-0-	-0-	(1,586)
Other revenue	<u>437,970</u>	<u>425,304</u>	<u>410,105</u>
 Total revenue	 <u>3,774,976</u>	 <u>3,878,515</u>	 <u>3,436,690</u>
Expenses:			
Salaries and benefits	1,563,621	1,393,011	1,366,390
Medical supplies and drugs	288,559	270,477	233,104
Medical, professional, and contract services	969,558	986,513	859,058
Other expenses	502,893	440,978	392,040
Insurance	55,348	44,277	38,316
Interest	6,342	451	229
Depreciation	102,289	70,906	64,272
Provision for bad debt	<u>393,627</u>	<u>425,695</u>	<u>265,354</u>
 Total expenses	 <u>3,882,237</u>	 <u>3,632,308</u>	 <u>3,218,763</u>
 Operating income (loss)	 (107,261)	 246,207	 217,927
Nonoperating income			
Interest income	<u>47,210</u>	<u>42,162</u>	<u>48,473</u>
 Excess of revenue over expenses	 (60,051)	 288,369	 266,400
 Net assets at the beginning of year	 2,299,663	 2,045,406	 1,803,461
 Change in unrealized gains (loss) on securities	 <u>20,556</u>	 <u>(34,112)</u>	 <u>(24,455)</u>
 Net assets at end of year	 \$ <u>2,260,168</u>	 \$ <u>2,299,663</u>	 \$ <u>2,045,406</u>

See accompanying notes to financial statements.

Hospital Service District Wards 3, 4, and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Statements of Cash Flows
Years Ended December 31, 2003, 2002, and 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 2,704,861	\$ 2,970,338	\$ 2,384,091
Other receipts from operations	644,119	567,529	595,350
Cash payments to employees and for employee-related cost	(1,618,034)	(1,703,470)	(1,502,714)
Cash payments for other operating expenses	<u>(1,839,539)</u>	<u>(1,364,796)</u>	<u>(1,353,775)</u>
Net cash provided (used) by operating activities	<u>(108,593)</u>	<u>469,601</u>	<u>122,952</u>
Cash flows from investing activities:			
LHA insurance trust	(4,053)	6,700	(3,942)
Purchase of certificates of deposit	(6,756)	9,444	(261,108)
Investment income	<u>47,210</u>	<u>42,162</u>	<u>48,473</u>
Net cash provided (used) by investing activities	<u>36,401</u>	<u>58,306</u>	<u>(216,577)</u>
Cash flows from capital and related financing activities:			
Sale of capital assets	-0-	-0-	201
Acquisition of capital assets	(308,885)	(384,531)	(77,964)
Bond issue costs and deposits	-0-	(9,623)	-0-
Cash invested in limited use assets	229,679	(480,076)	-0-
Proceeds from revenue bonds	-0-	650,000	-0-
Payments on long-term debt	(5,135)	(1,999)	(1,820)
Interest expense on long-term debt	<u>(6,342)</u>	<u>(451)</u>	<u>(229)</u>
Net cash provided (used) by capital and related financing activities	<u>(90,683)</u>	<u>(226,680)</u>	<u>(79,812)</u>
Net increase (decrease) in cash and cash equivalents	(162,875)	301,227	(173,437)
Cash and cash equivalents, beginning of year	<u>822,043</u>	<u>520,816</u>	<u>694,253</u>
Cash and cash equivalents, end of year	\$ <u>659,168</u>	\$ <u>822,043</u>	\$ <u>520,816</u>

See accompanying notes to financial statements.

Hospital Service District Wards 3, 4, and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Statements of Cash Flows (Continued)
Years Ended December 31, 2003, 2002, and 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	\$ <u>6,342</u>	\$ <u>451</u>	\$ <u>229</u>
Unrealized gains recorded to investments and net assets	\$ <u>20,556</u>	\$ <u>(34,112)</u>	\$ <u>(24,455)</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ (107,261)	\$ 246,207	\$ 217,927
Interest expense considered capital financing activity	6,342	451	229
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for bad debt	393,627	425,695	265,354
Depreciation	102,289	70,906	64,272
(Gain) loss on sale of assets	-0-	-0-	1,586
Changes in:			
Accounts receivable, net	(425,996)	(404,215)	(404,814)
Third-party payor	-0-	63,567	(54,021)
Inventory	(25,756)	(11,943)	4,739
Prepaid expenses	(4,150)	(1,558)	(530)
Accounts payable	6,725	52,276	15,595
Accrued expenses and withholdings payable	<u>(54,413)</u>	<u>28,215</u>	<u>12,615</u>
Net cash provided (used) by operating activities	\$ <u>(108,593)</u>	\$ <u>469,601</u>	\$ <u>122,952</u>

See accompanying notes to financial statements.

Hospital Service District Wards 3, 4, and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 2003, 2002, and 2001

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Hospital Service District Wards 3, 4, and 10 of the Parish of Union, State of Louisiana (referred to as the "District") was created by an ordinance of the Union Parish Police Jury on July 11, 1967, and is referred to as Tri-Ward General Hospital and Clinic.

The District is a political subdivision of the Union Parish Police Jury whose jurors are elected officials. Its commissioners are appointed by the Union Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Union Parish Police Jury is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the Union 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, emergency, rural health clinic and inpatient acute hospital services.

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.

Method of Accounting

The District uses the accrual method of accounting. 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. Hospital accounting and reporting procedures 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 Accountants, and standards set by Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Hospital Service District Wards 3, 4, and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Notes to Financial Statements
Years Ended December 31, 2003, 2002, and 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Method of Accounting (Continued)

On January 1, 2003, the District 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”.

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 District restated the 2002 and 2001 statements of cash flows to conform to the direct method of reporting cash receipts and disbursements.

Income Taxes

The entity is a political subdivision and exempt from taxation.

Credit Risk and Uncollectible Accounts

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

The District’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.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Concentration of Economic Dependence

The District has an economic dependence on a small number of staff physicians. Two physicians admit over 90% of the Hospital's patients. The District also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 5. Accordingly, changes in federal or state legislation or interpretations of rules have a significant impact on the District.

The District leases space to and provides certain ancillary services to a rehabilitation hospital. Revenues from these services are significant to the District's operations. They consist of a \$30,000 monthly rental payment and a cost-plus arrangement for ancillary services.

Net 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.

Inventory

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

Changes in Reporting Classification

The classification of certain prior year amounts has been changed to reflect consistent reporting when compared to current year balances.

Property, Plant, and Equipment

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

Buildings	15 to 40 years
Machinery and Equipment	5 to 20 years
Furniture and Fixtures	5 to 15 years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations when incurred.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant, and Equipment (Continued)

The cost of assets retired or otherwise disposed of and the 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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist primarily of deposits in checking, money market and certificates of deposits with original maturities of 90 days or less. The following is a summary of cash and cash equivalents:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Petty cash	\$ 575	\$ 575	\$ 475
Checking	475,457	620,834	324,371
Money market	<u>183,136</u>	<u>200,634</u>	<u>195,970</u>
Total	\$ <u>659,168</u>	\$ <u>822,043</u>	\$ <u>520,816</u>

One hundred thousand dollars of the above amount is covered by federal depository insurance. The remaining balances, with the exception of petty cash, are covered by collateral held by the pledging financial institution's trust departments in the District's name.

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NOTE 4 - INVESTMENTS

Investments consist of the following:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Certificates of deposit	\$ 277,308	\$ 270,552	\$ 261,108
Investment in LHA trust fund	102,464	98,411	91,711
Investment in marketable securities	<u>149,389</u>	<u>128,833</u>	<u>162,945</u>
 Total investments	 \$ <u>529,161</u>	 \$ <u>497,796</u>	 \$ <u>515,764</u>

The District considers certificates of deposits with original maturities in excess of 90 days to be temporary cash investments. The District holds two certificates of deposit in the amounts of \$109,768 and \$167,540.

Investment in LHA Trust consists of allocations of equity from the Louisiana Hospital Association Malpractice and Worker's Compensation Trust Funds. Allocations consist of Capital Reserve funds set aside for the District.

Investments in marketable equity securities consist of stocks donated to the District in 1988. An analysis at December 31 is as follows:

	----- Fair Value -----			
	<u>Shares</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Exxon Corporation	800	\$ 32,800	\$ 27,952	\$ 31,440
Pfizer	3300	<u>116,589</u>	<u>100,881</u>	<u>131,505</u>
Total market value		149,389	128,833	162,945
Less cost basis		<u>(14,456)</u>	<u>(14,456)</u>	<u>(14,456)</u>
 Unrealized gain		 \$ <u>134,933</u>	 \$ <u>114,377</u>	 \$ <u>148,489</u>

The District records these registered securities under the provision of the FASB Statement No. 115. These securities are classified as available for sale and are therefore recorded at fair value and unrealized gains are recognized as a component of fund equity. Fair values are based upon quoted market prices as of the fiscal year end.

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NOTE 5 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Patients	\$ 1,196,340	\$ 951,651	\$ 870,350
Taxes receivable	96,148	101,459	102,066
Estimated third-party payor settlements	14,718	45,200	108,767
Other	193,124	124,273	65,694
	<u>1,500,330</u>	<u>1,222,583</u>	<u>1,146,877</u>
Estimated uncollectibles	<u>(789,557)</u>	<u>(544,179)</u>	<u>(383,426)</u>
Total	\$ <u>710,773</u>	\$ <u>678,404</u>	\$ <u>763,451</u>

NOTE 6 - PROPERTY, PLANT, AND EQUIPMENT

The following is a summary of property, plant, and equipment and related accumulated depreciation for the year ended December 31, 2003:

	December 31, <u>2002</u>	<u>Additions</u>	<u>Deletions</u>	December 31, <u>2003</u>
Land	\$ 23,454	\$ -0-	\$ -0-	\$ 23,454
Land improvements	6,767	3,913	-0-	10,680
Buildings	471,276	386,992	-0-	858,268
Fixed equipment	220,313	-0-	-0-	220,313
Major moveable equipment	667,818	101,845	-0-	769,663
Transportation equipment	-0-	21,874	-0-	21,874
Minor equipment	1,177	-0-	-0-	1,177
Construction in progress	<u>205,739</u>	<u>-0-</u>	<u>205,739</u>	<u>-0-</u>
Total	1,596,544	514,624	205,739	1,905,429
Accumulated depreciation	<u>961,605</u>	<u>102,289</u>	<u>-0-</u>	<u>1,063,894</u>
Net property, plant, and equipment	\$ <u>634,939</u>	\$ <u>412,335</u>	\$ <u>205,739</u>	\$ <u>841,535</u>

Hospital Service District Wards 3, 4, and 10
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Tri-Ward General Hospital and Clinic
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NOTE 6 - PROPERTY, PLANT, AND EQUIPMENT (Continued)

The following is a summary of property, plant, and equipment and related accumulated depreciation for the year ended December 31, 2002:

	December 31, <u>2001</u>	<u>Additions</u>	<u>Deletions</u>	December 31, <u>2002</u>
Land	\$ 23,454	\$ -0-	\$ -0-	\$ 23,454
Land improvements	6,767	-0-	-0-	6,767
Buildings	446,403	24,873	-0-	471,276
Fixed equipment	220,313	-0-	-0-	220,313
Major moveable equipment	512,224	155,594	-0-	667,818
Minor equipment	1,177	-0-	-0-	1,177
Construction in progress	<u>-0-</u>	<u>205,739</u>	<u>-0-</u>	<u>205,739</u>
Total	1,210,338	386,206	-0-	1,596,544
Accumulated depreciation	<u>890,700</u>	<u>70,905</u>	<u>-0-</u>	<u>961,605</u>
Net property, plant, and equipment	\$ <u>319,638</u>	\$ <u>315,301</u>	\$ <u>-0-</u>	\$ <u>634,939</u>

The following is a summary of property, plant, and equipment and related accumulated depreciation for the year ended December 31, 2001:

	December 31, <u>2000</u>	<u>Additions</u>	<u>Deletions</u>	December 31, <u>2001</u>
Land	\$ 23,454	\$ -0-	\$ -0-	\$ 23,454
Land improvements	6,767	-0-	-0-	6,767
Buildings	424,638	21,765	-0-	446,403
Fixed equipment	219,999	4,744	4,430	220,313
Major moveable equipment	460,769	51,455	-0-	512,224
Minor equipment	<u>1,177</u>	<u>-0-</u>	<u>-0-</u>	<u>1,177</u>
Total	1,136,804	77,964	4,430	1,210,338
Accumulated depreciation	<u>829,071</u>	<u>64,273</u>	<u>2,644</u>	<u>890,700</u>
Net property, plant, and equipment	\$ <u>307,733</u>	\$ <u>13,691</u>	\$ <u>1,786</u>	\$ <u>319,638</u>

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NOTE 7 - OTHER ASSETS

Other assets consist of the following:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Meter deposits	\$ 130	\$ 130	\$ 130
Unamortized bond issue costs	<u>9,623</u>	<u>9,623</u>	<u>-0-</u>
 Total	 <u>\$ 9,753</u>	 <u>\$ 9,753</u>	 <u>\$ 130</u>

NOTE 8 - LIMITED USE ASSETS

	<u>2003</u>	<u>2002</u>	<u>2001</u>
<u>Restricted by board</u>			
Protested taxes	\$ -0-	\$ 2,326	\$ -0-
 <u>Restricted by third-parties</u>			
HRSA Grant	8,579	-0-	-0-
Community Encourager	1,404	-0-	-0-
Bond sinking fund	-0-	29,250	-0-
Bond reserve fund	10,050	1,464	-0-
Bond contingency fund	10,050	1,464	-0-
Construction fund	64,318	9,792	-0-
Construction fund receivable	<u>121,884</u>	<u>401,668</u>	<u>-0-</u>
 Total assets limited as to use	 216,285	 445,964	 -0-
 Less amounts required for current liabilities	 <u>-0-</u>	 <u>(18,445)</u>	 <u>-0-</u>
 Total assets limited as to use	 <u>\$ 216,285</u>	 <u>\$ 427,519</u>	 <u>\$ -0-</u>

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NOTE 9 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

Accrued expenses and withholdings payable at December 31, 2003, 2002, and 2001, consist of the following:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Accrued interest	\$ 795	\$ 2,075	\$ -0-
Accrued payroll taxes	15,214	4,161	3,941
State and federal income taxes payable	2,932	2,164	1,970
State unemployment tax payable	1,876	1,906	1,969
Accrued vacation & holiday	42,644	48,684	46,448
Accrued payroll	16,434	56,873	51,765
Retainage payable	<u>-0-</u>	<u>18,445</u>	<u>-0-</u>
 Total	 \$ <u>79,895</u>	 \$ <u>134,308</u>	 \$ <u>106,093</u>

NOTE 10 - COMPENSATED ABSENCES

Employees of the District are entitled to paid vacation and sick days depending on job classification, length of service and other factors. It is impracticable to estimate the amount of accrued compensation for future unvested sick days and, accordingly, no liability has been recorded in the accompanying financial statements. However, vested vacation and paid days off have been recorded as a liability in the accompanying financial statements at employee earning rates in effect at the balance sheet date.

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NOTE 11 - LONG-TERM DEBT

The following is a summary of long-term debt at December 31, 2003, 2002, and 2001:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
7.0 percent mortgage note, due February 2003, collateralized by a mortgage on property and house.	\$ -0-	\$ 90	\$ 2,237
Series 2002 Hospital Revenue Bonds at a rate of 4.5%, collateralized by pledge and dedication of District revenue.	<u>644,955</u>	<u>650,000</u>	<u>-0-</u>
Total	644,955	650,090	2,237
Less current maturities of debt	<u>(15,599)</u>	<u>(5,162)</u>	<u>(1,951)</u>
Long-term debt maturities	\$ <u>629,356</u>	\$ <u>644,928</u>	\$ <u>286</u>

On August 20, 2002, the Series 2002 Hospital Revenue Bonds were issued. The bonds are secured by a lien and privilege on the District's income and revenues.

The District has covenanted to set rates so that revenues are sufficient to pay all reasonable and necessary expenses of operating and maintaining the District.

Other requirements under the terms of indebtedness are as follows:

Sale or disposition of District property, plant, and equipment is limited. Future debt agreements may not take priority over this series of debt.

Create and maintain three funds:

Sinking Fund: Make monthly deposits equal to pro rata portion of the next principal and/or interest payment.

Reserve Fund: Make monthly deposits equal to 5% of the amount to be paid into the "Sinking Fund" until there has been accumulated a sum equal to the highest principal and interest falling due in any year on the bonds payable from the "Sinking Fund" as a Debt Service Reserve (the "Debt Service Requirement").

Contingency Fund: Make monthly deposits equal to 5% of the amount paid into the "Sinking Fund". When a sum equal to the Debt Service Requirement has been accumulated in the "Reserve Fund" the monthly payments shall be increased to 10% of the amount being paid monthly into the "Sinking Fund".

Collect payment on all services rendered.

Maintain all assets in first class repair and working order.

Carry full insurance coverage with a responsible licensed Louisiana company.

Hospital Service District Wards 3, 4, and 10
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NOTE 11 - LONG-TERM DEBT (CONTINUED)

Maintain complete and accurate records and have an annual audit.
Protect tax exempt status and refrain from activities that would require payment of arbitrage to the IRS.

Scheduled principal repayments over the next five years are as follows:

<u>Year ending December 31,</u>	
2004	\$ 15,599
2005	16,398
2006	17,150
2007	17,939
2008	18,688
2009 and thereafter	<u>559,181</u>
Total	<u>\$ 644,955</u>

NOTE 12 - NET PATIENT SERVICE REVENUE

The District has agreements with third-party payors that provide for payments to the District 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. Beginning August 1, 2000, the method of payment for outpatient services changed from a cost reimbursement methodology to a prospective payment method. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District'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 District. The District's Medicare cost reports have been audited by the Medicare fiscal intermediary through December 31, 2002.

Medicaid - Medicaid inpatient services are reimbursed based on a prospectively determined per diem rate. Most Medicaid outpatient services are reimbursed under a cost reimbursement methodology. The District is reimbursed at a tentative rate for cost based services with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through December 31, 2001.

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NOTE 12 - NET PATIENT SERVICE REVENUE (Continued)

Commercial

The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

The District generates a substantial portion of its charges from the Medicare and Medicaid programs at discounted rates. A summary of gross Medicare and Medicaid charges for the years ended December 31, follows:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Medicare and Medicaid gross patient charges	\$ 2,169,102	\$ 2,349,371	\$ 2,154,909
Contractual adjustments	<u>(469,632)</u>	<u>(450,614)</u>	<u>(586,768)</u>
Total patient revenues	\$ <u>1,699,470</u>	\$ <u>1,898,757</u>	\$ <u>1,568,141</u>
Percent of total patient gross charges	<u>55%</u>	<u>58%</u>	<u>60%</u>
Percent of net patient revenues	<u>54%</u>	<u>57%</u>	<u>55%</u>

NOTE 13 - PROPERTY TAX REVENUE

The District receives property taxes for the maintenance and operation of the facility. The taxes are collected by the Union Parish Sheriff's office for an 8% collection fee. Property tax notices are mailed by November 15 each year and are due by December 31. The special maintenance and operation millage is a ten-year tax assessed on all taxable property within the District at the rate of 10.45 mills. The 5.11 mills, which expired December 31, 1995, has been renewed for the period 1996 through 2005. The 5.34 mills, which expired in 2001, has been renewed for the period 2002 through 2011.

NOTE 14 - PROFESSIONAL LIABILITY RISK

The District participates in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to health care 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, the State of Louisiana

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NOTE 14 - PROFESSIONAL LIABILITY RISK (Continued)

enacted legislation limiting the amount of settlement for professional liability to \$500,000 per occurrence. Defense costs are not included in these amounts.

The District's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability and worker's compensation. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are redetermined utilizing actual losses of the District. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The District has included these allocations and equity in the trust in its financial statements.

NOTE 15 - BUSINESS AND CREDIT CONCENTRATIONS

The District grants credit to patients, substantially all of whom are local residents, under terms requiring timely repayment. The District generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, Blue Cross, and commercial insurance policies).

The mix of gross receivables from patients and third-party payors at December 31 was as follows:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Medicare and Medicaid	33%	39%	37%
Commercial insurance	13%	16%	16%
Patients	54%	45%	47%

NOTE 16 - 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 12) - 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 16 - CONTINGENCIES (Continued)

Further, in order to continue receiving reimbursement from the Medicare programs, the District entered into an agreement with a government agent allowing the agent access to the District's Medicare patient medical records for purposes of making medical necessity and appropriate level of care determination. The agent has the ability to deny reimbursement for Medicare patient claims which have already been paid to the District.

Medicaid Uncompensated Cost - The District received interim amounts of \$102,570, \$113,245, and \$84,688 for Medicaid and self-pay uncompensated care services for the years ended December 31, 2003, 2002, and 2001, 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. To the extent management's estimates differ from actual results, the differences will be used to adjust income for the period when differences arise.

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 privacy, 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 District 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 14) - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

Worker's Compensation Risk - The District carries worker's compensation insurance through the Louisiana Hospital Association Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any.

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 liability can be measured.

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NOTE 17 - GRANT REVENUE

The Louisiana Department of Health and Hospitals awarded Tri-Ward General Hospital a feasibility study grant in 2001 for \$6,500. The grant paid for a Critical Access Hospital feasibility study prepared during 2001.

During 2002 a Small Rural Hospital Improvement Program grant of \$10,253 was awarded to Tri-Ward General Hospital by the Louisiana Department of Health and Hospital's Office of Primary Care and Rural Health. The grant is to be used in preparing to comply with the Health Insurance Portability and Accountability Act of 1996.

During 2003 Tri-Ward General Hospital received two grants. The Health Resources and Services Administration (HRSA) Hospital Bioterrorism Grant in the amount of \$8,551 was received June 13, 2003. These proceeds were spent by March 1, 2004, per grant restrictions to purchase ham radio. The maximum amount of the Better Health for the Delta Community Encourager Grant is \$17,000. Monies are advanced quarterly from December 15, 2003 through September 15, 2004.

NOTE 18 - COMMITMENTS

The District entered into a three year contract with a physician group on July 1, 2002. This agreement provides for coverage of the rural health clinic and the emergency room. This contract provides for payments to the physicians based on a productivity formula for rural health visits and an hourly rate for emergency room services.

NOTE 19 - REHABILITATION HOSPITAL ARRANGEMENT

In January, 2003, the rehabilitation hospital that leases space and purchases ancillary services from the District filed for reorganization under Chapter 11 Bankruptcy. The rehabilitation hospital is indebted to the District for \$202,896 and \$170,557 as of December 31, 2003 and 2002, respectively. An allowance has been established for \$170,557, the amount included in the bankruptcy reorganization plan. The future of this arrangement is unknown.

SUPPLEMENTAL INFORMATION

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Statements of Net Patient Service Revenue
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	<u>2003</u>	<u>2002</u>	<u>2001</u>
Daily patient services:			
Room and board	\$ 338,090	\$ 352,820	\$ 339,100
Swing	<u>14,680</u>	<u>21,220</u>	<u>-0-</u>
Total daily patient services	<u>352,770</u>	<u>374,040</u>	<u>339,100</u>
Other professional services:			
Radiology			
Inpatient	71,857	66,909	41,016
Outpatient	<u>130,701</u>	<u>125,629</u>	<u>100,190</u>
Total radiology	<u>202,558</u>	<u>192,538</u>	<u>141,206</u>
Laboratory			
Inpatient	208,615	223,812	201,802
Outpatient	<u>449,593</u>	<u>464,460</u>	<u>354,237</u>
Total laboratory	<u>658,208</u>	<u>688,272</u>	<u>556,039</u>
Blood			
Inpatient	30,249	45,508	36,537
Outpatient	<u>7,350</u>	<u>11,620</u>	<u>6,143</u>
Total blood	<u>37,599</u>	<u>57,128</u>	<u>42,680</u>
IV solutions			
Inpatient	127,120	129,804	160,331
Outpatient	<u>-0-</u>	<u>-0-</u>	<u>364</u>
Total IV solutions	<u>\$ 127,120</u>	<u>\$ 129,804</u>	<u>\$ 160,695</u>

Hospital Service District Wards 3, 4, and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Statements of Net Patient Service Revenue (Continued)
Years Ended December 31, 2003, 2002, and 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Oxygen			
Inpatient	\$ 305,988	\$ 330,226	\$ 337,168
Outpatient	<u>126,878</u>	<u>121,318</u>	<u>99,909</u>
Total oxygen	<u>432,866</u>	<u>451,544</u>	<u>437,077</u>
EKG			
Inpatient	14,124	11,132	12,408
Outpatient	<u>13,772</u>	<u>15,576</u>	<u>16,412</u>
Total EKG	<u>27,896</u>	<u>26,708</u>	<u>28,820</u>
Medical supply			
Inpatient	84,365	86,173	87,085
Outpatient	<u>41,360</u>	<u>29,433</u>	<u>36,630</u>
Total medical supply	<u>125,725</u>	<u>115,606</u>	<u>123,715</u>
Pharmacy			
Inpatient	424,595	434,303	388,957
Outpatient	<u>131,492</u>	<u>124,558</u>	<u>101,225</u>
Total pharmacy	<u>556,087</u>	<u>558,861</u>	<u>490,182</u>
Clinic/Rural Health Clinic			
Physician services	730,243	700,675	603,684
Ancillary income	<u>22,384</u>	<u>20,887</u>	<u>15,006</u>
Total Clinic/Rural Health Clinic	\$ <u>752,627</u>	\$ <u>721,562</u>	\$ <u>618,690</u>

Hospital Service District Wards 3, 4, and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Statements of Net Patient Service Revenue (Continued)
Years Ended December 31, 2003, 2002, and 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Emergency room			
Inpatient	\$ 232,833	\$ 288,680	\$ 271,385
Outpatient	<u>444,692</u>	<u>445,365</u>	<u>353,098</u>
Total emergency room	<u>677,525</u>	<u>734,045</u>	<u>624,483</u>
Monitor			
Inpatient	7,652	6,389	11,298
Outpatient	<u>2,755</u>	<u>3,016</u>	<u>3,513</u>
Total monitor	<u>10,407</u>	<u>9,405</u>	<u>14,811</u>
Total other professional services	<u>3,608,618</u>	<u>3,685,473</u>	<u>3,238,398</u>
Gross patient service revenue	<u>3,961,388</u>	<u>4,059,513</u>	<u>3,577,498</u>
Medicare and Medicaid contractual adjustments	572,202	563,860	671,455
Administrative and other adjustments	182,603	146,445	108,203
Rehab adjustments	178,296	151,467	39,602
Uncompensated care reimbursement	<u>(102,570)</u>	<u>(113,245)</u>	<u>(84,688)</u>
Total deductions from revenue	<u>830,531</u>	<u>748,527</u>	<u>734,572</u>
Net patient service revenue	\$ <u>3,130,857</u>	\$ <u>3,310,986</u>	\$ <u>2,842,926</u>

Hospital Service District Wards 3, 4, and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Statements of Other Revenue
Years Ended December 31, 2003, 2002, and 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Vending machine	\$ 784	\$ 60	\$ 61
Medical records	2,644	2,239	652
Contributions	2,100	3,635	815
Discounts taken	15,072	11,882	8,477
Rental income	384,120	383,520	382,920
Miscellaneous revenue	<u>33,250</u>	<u>23,968</u>	<u>17,180</u>
 Total other revenue	 \$ <u>437,970</u>	 \$ <u>425,304</u>	 \$ <u>410,105</u>

Hospital Service District Wards 3, 4, and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Statements of Expenses - Salaries and Benefits
Years Ended December 31, 2003, 2002, and 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Administration	\$ 254,778	\$ 239,697	\$ 238,096
Plant maintenance	45,335	44,243	45,931
Housekeeping	39,054	36,065	27,016
Nursing administration	111,963	108,321	100,930
Medical records	48,944	38,646	41,414
Nursing services	388,356	303,403	326,934
Radiology	70,190	59,255	56,187
Laboratory	123,605	122,987	119,689
EKG and EEG	2,351	2,553	2,233
Pharmacy	52,783	51,520	51,372
Rural Health Clinic	96,266	91,838	67,024
Emergency room	<u>84,674</u>	<u>83,987</u>	<u>62,847</u>
 Total salaries	 <u>1,318,299</u>	 <u>1,182,515</u>	 <u>1,139,673</u>
 FICA/LUC	 108,511	 98,413	 95,014
Health/life insurance	117,044	95,852	117,378
Worker's compensation	<u>19,767</u>	<u>16,231</u>	<u>14,325</u>
 Total benefits	 <u>245,322</u>	 <u>210,496</u>	 <u>226,717</u>
 Total salaries and benefits	 \$ <u>1,563,621</u>	 \$ <u>1,393,011</u>	 \$ <u>1,366,390</u>

Hospital Service District Wards 3, 4, and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Statements of Expenses - Medical Supplies and Drugs
Years Ended December 31, 2003, 2002, and 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Nursing services	\$ 5,116	\$ 3,872	\$ 210
Radiology	8,402	8,733	7,230
Laboratory	43,040	39,081	23,205
Blood	22,210	31,814	22,640
Respiratory therapy	12,785	10,609	10,635
EKG	514	54	1,790
Pharmacy	188,954	169,742	160,686
Rural Health Clinic	4,000	3,619	5,235
Emergency room	1,088	1,242	1,137
Monitor supplies	<u>2,450</u>	<u>1,711</u>	<u>336</u>
 Total medical supplies and drugs	 \$ <u>288,559</u>	 \$ <u>270,477</u>	 \$ <u>233,104</u>

Hospital Service District Wards 3, 4, and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Statements of Expenses - Medical, Professional and Contract Services
Years Ended December 31, 2003, 2002, and 2001

	<u>2003</u>		<u>2002</u>		<u>2001</u>
Medical records	\$ 5,254	\$	27,013	\$	-0-
Nursing	4,081		939		2,474
Radiology	24,430		22,179		7,752
Laboratory	38,325		45,932		70,296
EKG	-0-		-0-		886
Rural Health Clinic	396,540		401,761		375,409
Emergency room	<u>500,928</u>		<u>488,689</u>		<u>402,241</u>
Total medical, professional, and contract services	\$ <u>969,558</u>	\$	<u>986,513</u>	\$	<u>859,058</u>

Hospital Service District Wards 3, 4, and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Statements of Expenses - Other
Years Ended December 31, 2003, 2002, and 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Consulting and purchased services - non medical	\$ 131,434	\$ 111,588	\$ 111,998
Accounting and legal	30,044	49,971	42,130
Non medical supplies	78,416	69,571	66,704
Repairs and maintenance	61,389	36,582	31,162
Utilities	55,594	47,626	58,008
Telephone	22,557	21,712	20,045
Travel	905	3,266	3,627
Rentals	50,273	46,462	10,739
Training	10,143	11,000	5,508
Promotion and advertising	5,038	3,865	7,252
Licensing and publications	26,448	23,163	16,575
Miscellaneous	12,828	16,172	9,712
Tax assessor fees	<u>17,824</u>	<u>-0-</u>	<u>8,580</u>
 Total other expenses	 \$ <u>502,893</u>	 \$ <u>440,978</u>	 \$ <u>392,040</u>

Hospital Service District Wards 3, 4, and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Statements of Per Diem and Other Compensation Paid to Board Members
Years Ended December 31, 2003, 2002, and 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Board members:			
Oda Rockett	\$ 480	\$ 400	\$ 480
Isaac Payne	480	480	480
Clifton McIntosh	80	440	480
Melvin Stone	-0-	-0-	320
Nita Green	280	-0-	-0-
W.C. Reeves	320	440	360
Jennifer Lenard	<u>400</u>	<u>440</u>	<u>160</u>
 Totals	 \$ <u>2,040</u>	 \$ <u>2,200</u>	 \$ <u>2,280</u>

Bobby G. Lester, CPA
John S. Wells, CPA
Robert G. Miller, CPA
Paul A. Delaney, CPA
Mary L. Carroll, CPA

Melanie I. Layssard, CPA
Brenda J. Lloyd, CPA

LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS
3600 BAYOU RAPIDES ROAD
ALEXANDRIA, LOUISIANA 71303-3653

Telephone (318) 487-1450
Facsimile (318) 445-1184

Members
American Institute of CPA's
Society of Louisiana CPA's

Mailing Address:
P.O. Box 8758
Alexandria, LA 71306-1758

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 Wards 3, 4, and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Bernice, Louisiana

We have audited the basic financial statements of Tri-Ward General Hospital and Clinic (the "District"), a component unit of the Union Parish Police Jury, as of and for the years ended December 31, 2003, 2002 and 2001, and have issued our report thereon dated May 11, 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 the District'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 the District'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 general purpose 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 Wards 3, 4, and 10
of the Parish of Union, State of Louisiana
Tri-Ward General Hospital and Clinic
Page Two

This report is intended solely 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

May 11, 2004