

**UNION GENERAL HOSPITAL, INC.**  
*Farmerville, Louisiana*

***REPORT OF EXAMINATION***

***For the Years Ended  
June 30, 2004 and 2003***

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 3-9-05

**PARRISH • MOODY & FIKES, p.c.**  
*Certified Public Accountants  
Waco, Texas*



**UNION GENERAL HOSPITAL, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2004 AND 2003**

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**INDEPENDENT AUDITOR'S REPORT**

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To the Board of Directors  
Union General Hospital, Inc.  
Farmerville, Louisiana

We have audited the accompanying balance sheets of Union General Hospital, Inc. (the "*Hospital*") as of June 30, 2004 and 2003, and the related statements of operations, changes in net assets, and cash flows for 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 audits.

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, *the financial position of Union General Hospital, Inc. as of June 30, 2004 and 2003, and the results of its operations, changes in net assets, and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 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.

*Parrish, Moody & Fikes, p.c.*

Waco, Texas  
September 1, 2004

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UNION GENERAL HOSPITAL, INC.

BALANCE SHEETS

JUNE 30, 2004 AND 2003

Assets	2004	2003
<b>Current assets</b>		
Cash and cash equivalents	\$ 471,436	\$ 595,805
Patient accounts receivable, net	993,709	929,116
Estimated third-party payor settlements receivable	288,019	68,369
Other current assets	<u>397,546</u>	<u>458,838</u>
Total current assets	<u>2,150,710</u>	<u>2,052,128</u>
<b>Assets limited as to use - long-term</b>	45,019	44,784
<b>Property and equipment, net</b>	1,555,905	1,728,348
<b>Other assets</b>	<u>178,819</u>	<u>171,891</u>
<b>Total assets</b>	<u>\$ 3,930,453</u>	<u>\$ 3,997,151</u>

Liabilities and Net Assets	2004	2003
<b>Current liabilities</b>		
Current portion of long-term debt	\$ 3,281	\$ 6,563
Accounts payable	207,450	209,805
Estimated third-party payor settlements payable	36,053	-
Accrued expenses	<u>277,150</u>	<u>234,011</u>
Total current liabilities	<u>523,934</u>	<u>450,379</u>
<b>Long-term debt, net of current portion</b>	<u>-</u>	<u>3,281</u>
Total liabilities	<u>523,934</u>	<u>453,660</u>
<b>Commitments and contingencies</b>		
<b>Net assets</b>		
Unrestricted	2,594,769	2,666,770
Temporarily restricted	<u>811,750</u>	<u>876,721</u>
Total net assets	<u>3,406,519</u>	<u>3,543,491</u>
<b>Total liabilities and net assets</b>	<u>\$ 3,930,453</u>	<u>\$ 3,997,151</u>

The accompanying notes are an integral part of these financial statements.

**UNION GENERAL HOSPITAL, INC.**

**STATEMENTS OF OPERATIONS**

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

	2004	2003
<b>Unrestricted revenues, gains and other support</b>		
Net patient service revenue	\$ 7,230,106	\$ 6,830,426
Other revenue	236,869	189,315
Contributions	230,475	264,054
Total revenues, gains and other support	<u>7,697,450</u>	<u>7,283,795</u>
<b>Expenses</b>		
Operating expenses	6,579,084	6,062,294
Depreciation and amortization	215,427	200,027
Interest	258	108
Provision for bad debts	1,044,857	760,653
Total expenses	<u>7,839,626</u>	<u>7,023,082</u>
<b>Operating income (loss)</b>	(142,176)	260,713
<b>Other income</b>		
Investment income	<u>5,204</u>	<u>9,188</u>
<b>Excess (deficit) of revenues over expenses</b>	(136,972)	269,901
Assets released from restrictions - nonoperating	<u>64,971</u>	<u>130,248</u>
<b>Increase (decrease) in unrestricted net assets</b>	<u>\$ (72,001)</u>	<u>\$ 400,149</u>

The accompanying notes are an integral part of these financial statements.

**UNION GENERAL HOSPITAL, INC.**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED**  
**JUNE 30, 2004 AND 2003**

	2004	2003
<b>Unrestricted net assets:</b>		
Excess (deficit) of revenues over expenses	\$ (136,972)	\$ 269,901
Net assets released from restrictions - nonoperating	<u>64,971</u>	<u>130,248</u>
Increase (decrease) in unrestricted net assets	<u>(72,001)</u>	<u>400,149</u>
<b>Temporarily restricted net assets:</b>		
Assets removed	4,629	(60,648)
Net assets released from restrictions	<u>(69,600)</u>	<u>(69,600)</u>
Increase (decrease) in temporarily restricted net assets	<u>(64,971)</u>	<u>(130,248)</u>
<b>Increase (decrease) in net assets</b>	(136,972)	269,901
<b>Net assets, beginning of year</b>	<u>3,543,491</u>	<u>3,273,590</u>
<b>Net assets, end of year</b>	<u>\$ 3,406,519</u>	<u>\$ 3,543,491</u>

The accompanying notes are an integral part of these financial statements.



**UNION GENERAL HOSPITAL, INC.**

**STATEMENTS OF CASH FLOWS**

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

	2004	2003
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (136,972)	\$ 269,901
Adjustment to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation and amortization	215,427	200,027
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(64,593)	44,050
(Increase) decrease in other assets	61,292	4,307
Increase (decrease) in accounts payable and accrued expenses	40,783	(17,684)
(Increase) decrease in third-party payor settlements	(183,597)	(590,135)
Other prepaids, deferrals, and accruals, net	<u>(6,928)</u>	<u>9,529</u>
Net cash provided by (used in) operating activities	<u>(74,588)</u>	<u>(80,005)</u>
<b>Cash flows from investing activities</b>		
Change in assets whose use is limited	(235)	49,595
Purchase of property and equipment	<u>(42,984)</u>	<u>(225,281)</u>
Net cash provided by (used in) investing activities	<u>(43,219)</u>	<u>(175,686)</u>
<b>Cash flows from financing activities</b>		
Principal payments on long-term debt and notes payable	<u>(6,562)</u>	<u>(6,563)</u>
Net cash provided by (used in) financing activities	<u>(6,562)</u>	<u>(6,563)</u>
Net increase (decrease) in cash and cash equivalents	(124,369)	(262,254)
<b>Cash balance, beginning of year</b>	<u>595,805</u>	<u>858,059</u>
<b>Cash balance, end of year</b>	<u><u>\$ 471,436</u></u>	<u><u>\$ 595,805</u></u>

The accompanying notes are an integral part of these financial statements.

**UNION GENERAL HOSPITAL, INC.**

**STATEMENTS OF CASH FLOWS  
(Continued)  
FOR THE YEARS ENDED  
JUNE 30, 2004 AND 2003**

	2004	2003
<b>Supplemental disclosures of cash flow information</b>		
Cash payments for:		
Interest (net of interest capitalized)	<u>\$ 258</u>	<u>\$ 108</u>

The accompanying notes are an integral part of these financial statements.

**UNION GENERAL HOSPITAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED**  
**JUNE 30, 2004 AND 2003**

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**1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Union General Hospital, Inc. (the "*Hospital*"), located in, Farmerville, Louisiana, is a not-for-profit acute care hospital. The Hospital provides inpatient, outpatient, emergency care, and home health services for the residents of Farmerville, Louisiana, and the surrounding area. Admitting physicians are primarily practitioners in the local area.

On November 22, 1983, the Hospital leased the hospital facilities from East Union Parish Hospital Service District (the "*District*"). The hospital facilities were originally built by the District, which issued ad valorem tax bonds to finance its construction. The Hospital's financial obligation under the lease is to maintain the leased premises in good repair and replace equipment as needed. The District's cost basis of these facilities is included in property and equipment with the net book value of the facilities being reported as temporarily restricted net assets. The current year's depreciation of these assets is reported as net assets released from restrictions.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. 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.

**Cash and Cash Equivalents**

Cash and cash equivalents include certain investments in certificates of deposit with original maturities of three months or less.

**Investments**

Investments in debt securities (if any) are measured at fair value in the balance sheet. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the excess of revenues over expenses unless the investments are trading securities.

**UNION GENERAL HOSPITAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED**  
**JUNE 30, 2004 AND 2003**

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**1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets Whose Use is Limited**

Assets limited as to use primarily include cash designated by the board for the payment of employee benefits. The board maintains direct control of the funds set aside for employee benefits and may at its discretion subsequently use these funds for other purposes. Amounts required to meet current liabilities of the Hospital have been reclassified in the balance sheet at June 30, 2004 and 2003.

**Inventories**

Inventories represent dietary and medical supplies on hand and are valued at the latest invoice price which approximates the lower of cost (first-in, first-out) or market.

**Prepaid Expenses**

Prepaid expenses are amortized on a straight-line basis over the period of the respective terms.

**Property 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 (if any) 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 (if any) such as land, building, 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.

**UNION GENERAL HOSPITAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED**  
**JUNE 30, 2004 AND 2003**

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**1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets (if any) is comprised of assets whose use by the Hospital has been limited by donors to a specific time period or purpose. Permanently restricted net assets (if any) have been restricted by donors to be maintained by the Hospital in perpetuity.

*Unconditional promises to give cash and other assets to the Hospital (if any) are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give (if any) are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.*

**Excess of Revenues over Expenses**

The statement of operations includes excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, may include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

**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. 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.

**UNION GENERAL HOSPITAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED**  
**JUNE 30, 2004 AND 2003**

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**1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**Charity Care**

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not included in net revenue.

**Income Taxes**

The Hospital is a Louisiana not-for-profit corporation and has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying financial statements do not include provisions for income taxes.

**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 disaster; and employee health, dental, and accidental benefits. Commercial insurance coverage is purchased for claims arising from such matters, if not self-funded.

**Presentation**

Certain prior year amounts may have been reclassified in order to be presented comparatively with the current year classifications.

**2. NET PATIENT SERVICE REVENUE**

Prior to August 1, 2000, Medicare and Medicaid inpatient acute care services rendered to program beneficiaries were 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.

Subsequent to receiving its Critical Access Hospital designation on August 1, 2000, Medicare and Medicaid inpatient acute care services rendered to program beneficiaries, certain inpatient nonacute services, certain outpatient services, and defined capital and medical education costs related to beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediary. The Hospital's classification of patients under these programs and the appropriateness of their admission are subject to an independent review.

**UNION GENERAL HOSPITAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED**  
**JUNE 30, 2004 AND 2003**

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**2. NET PATIENT SERVICE REVENUE** *(Continued)*

Subject to the above mentioned review, the retroactive settlements receivable from (payable to) these programs at June 30, 2004 and 2003, respectively were \$251,966 and \$68,369. Adjustments to these amounts (if any) will be recognized in the year of determination.

	<u>2004</u>	<u>2003</u>
Current cost report receivable from (payable to) Medicare	\$ 126,260	\$ 2,289
Current cost report receivable from Medicaid	-	66,080
Current cost report payable to Medicaid	(36,053)	-
2004 Medicaid Disproportionate Share Funds	95,679	
Prior year receivable from Medicaid	<u>66,080</u>	<u>-</u>
	<u>\$ 251,966</u>	<u>\$ 68,369</u>

The Hospital has also entered into agreements with Blue Cross and certain commercial insurance carriers, health maintenance organizations, etc. The future impact of these changes is dependent upon interpretation of new regulations, patient acuity, and treatment patterns and has not been estimated. The basis for payment to the Hospital under these various agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

The Hospital's previous reimbursements are also subject to review by federal authorities. These authorities have several initiatives in progress. No material liabilities have been identified to date under these review programs; however, the potential exists for future claims. These will be recognized in the year the amounts are determined, if any.

**UNION GENERAL HOSPITAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED**  
**JUNE 30, 2004 AND 2003**

**3. UNCOMPENSATED CARE**

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics. Additionally, the Hospital foregoes charges relating to Medicare, Medicaid and other third-party payors. Following is a schedule of patient service revenue at established rates and charges foregone for the years ended June 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Gross patient service revenue	\$ 8,796,157	\$ 8,580,370
Medicare and Medicaid contractual adjustments	(1,823,681)	(1,960,187)
Charity care	(2,644)	(3,329)
Other adjustments	(299,572)	(301,029)
Disproportionate share	<u>559,846</u>	<u>524,854</u>
	<u>\$ 7,230,106</u>	<u>\$ 6,840,679</u>

Including bad debts, the total amount of uncompensated care was \$2,610,908 and \$2,510,597 in 2004 and 2003, respectively.

**4. LIMITED USE ASSETS AND INVESTMENTS**

The components of assets limited as to use at June 30, 2004 and 2003, are set forth in the following table. Investments are stated at fair value.

	<u>2004</u>	<u>2003</u>
Internally designated for Hospital's employee sick leave plan	\$ 45,019	\$ 44,769
Internally designated for teleradiology grant	<u>-</u>	<u>15</u>
	<u>\$ 45,019</u>	<u>\$ 44,784</u>



**UNION GENERAL HOSPITAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED**  
**JUNE 30, 2004 AND 2003**

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**5. CONCENTRATIONS OF CREDIT RISK**

**Accounts Receivable** - The Hospital is located in Farmerville, Louisiana. 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 from patients and third-party payors was as follows:

	<u>2004</u>	<u>2003</u>
Medicare	24%	33%
Medicaid	5%	9%
Other third-party payors	17%	9%
Patients	<u>54%</u>	<u>49%</u>
	<u>100%</u>	<u>100%</u>

	<u>2004</u>	<u>2003</u>
Accounts receivable - GROSS	\$ 1,868,485	\$ 1,874,355
Allowance for bad debts, uncollected accounts & contractual adjustments	<u>(874,776)</u>	<u>(945,239)</u>
Accounts receivable - NET	<u>\$ 993,709</u>	<u>\$ 929,116</u>

**Bank Accounts** - State law requires that bank accounts be collateralized by a pledge of sufficient market value of qualifying securities for amounts invested in excess of the insured amount. Insurance and collateralization at June 30, 2004 and 2003, follows:

	<u>2004</u>	<u>2003</u>
Insured (FDIC)	\$ 409,928	\$ 365,343
Collateralized by pledged securities	<u>69,519</u>	<u>291,424</u>
Total	<u>\$ 479,447</u>	<u>\$ 656,767</u>
Carrying Value	<u>\$ 516,455</u>	<u>\$ 640,589</u>

**Suppliers** - The Hospital is dependent on a third-party provider of emergency care services whose contract expires June 2004. Failure to obtain favorable renewal of this contract or locate an alternative supplier could result in a future disruption of service to patients.

**UNION GENERAL HOSPITAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED**  
**JUNE 30, 2004 AND 2003**

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**5. CONCENTRATIONS OF CREDIT RISK** *(Continued)*

**Physicians** - The Hospital is dependent on local physicians practicing in its service area to provide admissions, emergency care services, and to utilize Hospital services on an outpatient basis. A decrease in the number of physicians providing these services or change in their utilization patterns may have an adverse effect on Hospital operations.

**Professional Liability** - The Hospital participates in the Louisiana Patients' Compensation Fund established by the State of Louisiana to provide medical professional liability coverage to health care providers. The fund provides \$400,000 in coverage per occurrence above the first \$100,000 per occurrence. The first \$100,000 is covered by the Louisiana Hospital Association Malpractice & General Liability Trust. There is not a limitation placed on the number of occurrences covered.

Membership in the Louisiana Hospital Association Trust Fund provides additional coverage for the professional medical malpractice liability for the Hospital. Premiums paid to the fund are based on the loss experience of the Hospital. The portion of the funds that is refundable to the Hospital is included in other assets.

**Worker's Compensation** - The Hospital participates in the Louisiana Hospital Association's Self-Insurance Workmen's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the Hospital may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of assessments, if any, under this program. The portion of the fund that is refundable to the Hospital is included in other assets.

**6. PROPERTY AND EQUIPMENT**

A summary of property and equipment at June 30, 2004 and 2003 follows:

	<u>2004</u>	<u>2003</u>	<u>Lives</u>
Land and improvements	\$ 4,118	\$ 4,118	
Buildings and improvements	574,736	697,612	15-40 years
Equipment	1,639,701	1,534,099	5-20 years
Facilities leased from District	<u>3,495,693</u>	<u>3,495,692</u>	5-20 years
	5,714,248	5,731,521	
Less accumulated depreciation and amortization	<u>(4,158,343)</u>	<u>(4,003,173)</u>	
	<u>\$ 1,555,905</u>	<u>\$ 1,728,348</u>	

**UNION GENERAL HOSPITAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED**  
**JUNE 30, 2004 AND 2003**

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**7. LONG-TERM DEBT**

A summary of long-term debt at June 30, 2004 and 2003, follows:

	<u>2004</u>	<u>2003</u>
Due to bank; payable monthly at \$546.89, 0% interest; secured with auto; matures December 12, 2004.	\$ 3,281	\$ 9,844
Less current portion	(3,281)	(6,563)
	<u>\$ -</u>	<u>\$ 3,281</u>

**8. COMMITMENTS AND CONTINGENCIES**

**Operating Leases** - The Hospital leases various equipment and facilities under operating leases expiring at various dates. Total rental expense in 2004 and 2003 for all operating leases was \$191,492 and \$145,486, respectively.

**Litigation** - The Hospital is the defendant in certain litigation arising in the normal course of its business. In the opinion of management and the Hospital's legal counsel, the claims are without merit and the awards for damages (if any) resulting from these claims will not exceed the applicable insurance coverage. Therefore, the Hospital has made no provision in the financial statements for loss contingency related to these suits.

**Management Agreements** - The Hospital entered into a contract for administrative services with Glenwood Regional Medical Center, which automatically renews each year. This contract requires that the management company provide personnel to perform duties as the Hospital administrator. As of June 1, 2004, the monthly fee was increased from \$6,000 to \$8,450.

**UNION GENERAL HOSPITAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED**  
**JUNE 30, 2004 AND 2003**

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**9. PHYSICIAN GUARANTEE**

During fiscal year 2001, the Hospital entered into an agreement with a physician guaranteeing a minimum income in return for his agreement to practice in the surrounding area. This agreement requires the Hospital to make advances in months the physician's net income falls below certain amounts. The physician is required to maintain his practice in Farmerville for a specified time period. Each year after the specified period that he practices in Farmerville, one-third of the amount advanced will be forgiven. A receivable of \$93,813 and \$140,720 was recorded as of June 30, 2004 and 2003, respectively.

Under this agreement, the Hospital also makes monthly payments directly to the financing company to repay the physician's outstanding student education loan. The physician is required to maintain his practice in Farmerville for a specified time period. Each year after the specified period that he practices in Farmerville, one-fourth of the amount owed will be forgiven. A receivable of \$38,986 and \$39,144 was recorded as of June 30, 2004 and 2003, respectively, for the loan.

**10. EMPLOYEE BENEFITS**

**Compensated Absences** - As of June 30, 2004 and 2003, the Hospital has accrued a compensated absence liability of \$164,865 and \$150,119, respectively. The Hospital does pay accrued vacation absences upon termination if proper notice and termination procedures are followed. The Hospital also pays accrued sick leave to employees who have been employed with the Hospital for 20 years at the time of termination, for employees that were hired before November 1992 and if proper notice and termination procedures are followed.

**Pension Plan** - The Hospital has a discretionary contribution plan covering substantially all of its employees with over 1,040 hours of service. Employees are allowed to contribute up to 20% of compensation. Contributions by the Hospital, if any, are up to the discretion of the Board. During the years ended June 30, 2004 and 2003, the Hospital did not contribute to the plan.

**11. FUNCTIONAL EXPENSES**

The Hospital provides general health care services to residents within its geographic vicinity. Expenses related to providing these services are as follows:

	<u>2004</u>	<u>2003</u>
Health care services	\$ 6,982,683	\$ 6,197,189
General and administrative	<u>856,943</u>	<u>825,893</u>
	<u>\$ 7,839,626</u>	<u>\$ 7,023,082</u>

**UNION GENERAL HOSPITAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED**  
**JUNE 30, 2004 AND 2003**

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**12. CONTRIBUTIONS**

In November 1998, the voters of the District approved the authorization of a ten-year, \$5 million, property tax levy on all taxable property located within the District. The tax can be used for constructing, maintaining, improving, equipping, and operating the Hospital facilities. The District Board of Directors determines how the tax proceeds will be spent. The Hospital may receive a portion of the tax proceeds from the District as a contribution. During the years ended June 30, 2004 and 2003, the Hospital received a portion of the District tax receipts in the amount of \$230,475 and \$263,954, respectively.

**13. SUBSEQUENT EVENT**

Subsequent to year end, the Hospital opened a physician clinic and plans to convert it to a rural health clinic by year end 2005.

*SUPPLEMENTAL INFORMATION*

**PARRISH • MOODY & FIKES, p.c.**  
CERTIFIED PUBLIC ACCOUNTANTS

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

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To the Board of Directors  
Union General Hospital, Inc.  
Farmerville, Louisiana

We have audited the financial statements of Union General Hospital, Inc. (the "Hospital") as of and for the years ended June 30, 2004 and 2003, and have issued our report thereon dated September 1, 2004. We conducted our audits in accordance with U.S. generally accepted auditing standards and 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 Union General Hospital, Inc.'s financial statements are free of material misstatements, 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 audits 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 Union General Hospital, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Union General Hospital Inc.'s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Reportable conditions are described in the accompanying schedule of findings as items 04-1, 04-2, 04-3, 03-1, 03-2, and 03-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described below is a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management of Union General Hospital Inc., in a separate letter dated September 1, 2004.

This report is intended for the information of the Hospital's board of directors and management, and the Legislative Auditor's Office of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.

*Parnesh, Moody & Fides, p.c.*

Waco, Texas  
September 1, 2004



UNION GENERAL HOSPITAL, INC.

SUMMARY SCHEDULE OF AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2004

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**04-1 Segregation of Duties: Cash Disbursements, Payroll, General Ledger, and Bank Reconciliation —**

Due to the limited number of people working in the office, many critical duties are combined and given to the available employees. Presently, a single individual, reconciles bank accounts, performs all payroll duties as well as maintains the general ledger. To the extent possible, duties should be segregated to serve as a check and balance on the employee's integrity and to maintain the best control system as possible. We feel segregation could be improved if the Hospital were to implement the following procedures:

- Different employees should perform the separate duties of processing cash receipts and cash disbursements, and maintaining books of original entry.
- The person who opens the mail should restrictively endorse all checks, create a control log (perhaps an adding machine tape) of the total amount of checks, and send the control log directly to the individual responsible for reconciling the bank account.

**Response:** The Hospital has reviewed its cash receipts process and has made the following changes: A business office employee will open all checks, restrictively endorse the checks, run an adding machine tape of the checks for accounting, while keeping a log to compare with the deposit slip that is returned by the bank.

**04-2 Contractual Adjustments —**

As part of our audit procedures, we selected a sample of contractual deductions, and bad debt and charity write-offs. In 2 out of the 40 items selected, we noted that the contractual deduction amounts posted to the patient accounts were incorrect. This results in an overstatement of accounts receivable and an understatement of contractual adjustments. Our concern is the lack of control procedures necessary to detect and correct these types of errors. We suggest that policies and procedures be implemented to ensure that contractual adjustments are properly recorded.

**Response:** The Hospital has changed its process to have the Billing Supervisor compare the adjustments posting report with the third-party remittance advice to insure that contractual adjustments are properly recorded.

**04-3 Home Health Accounts Receivable —**

We noted that the Home Health Accounts Receivable is maintained on a system that does not interface with the general ledger package currently being used by the Hospital. This requires the Hospital to make manual entries to the general ledger in order to record the Home Health revenue and related accounts receivable. We noted that during the process, the Hospital is not reconciling the home health accounts receivable subsidiary ledger to the general ledger. This practice serves as a check on the accuracy of the record-keeping process and maintains the accounts receivable on a more accurate basis. The detail listing of home health accounts receivable should be reconciled to the general ledger control accounts at the end of each month after the manual entries have been posted. Any differences should be investigated and resolved as soon as possible.

**UNION GENERAL HOSPITAL, INC.**  
**SUMMARY SCHEDULE OF AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**04-3 Home Health Accounts Receivable — (Continued)**

**Response:** The Hospital is currently working with the Home Health accounts receivable system vendor to provide a report that will allow the Hospital to reconcile the Home Health accounts receivable subsidiary ledger to the general ledger.

UNION GENERAL HOSPITAL, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2003

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**03-1 Segregation of Duties —**

The Hospital has a lack of segregation of duties. While management has segregated certain specific functions and attempts to provide control commensurate with the Hospital's level of staffing, the overall control of accounting data is more concentrated than desirable. This problem is common in small and medium sized facilities that are forced to control personnel costs at the expense of improved control. We suggest that you evaluate whether your level of control is appropriate for your current situation.

**Response:** The Hospital reviewed their check signing policy and will require another person's signature other than Juanita Sanford for check signing. Additionally, the Hospital has added a new chief financial officer who will provide additional segregation and control of the accounting data.

**Current Status:** Checks are currently being signed by two employees with appropriate authority, other than Ms. Juanita Sanford. Ms. Sanford's signature will only be required in emergency situations when a check must be signed and no other approved signatures are available.

**03-2 Bank Reconciliations —**

The Hospital does not have a responsible official review and sign off bank reconciliations prepared by business office personnel. While it was noted that bank reconciliations are performed by the assigned business office personnel, an important control procedure that should be considered is assigning someone other than the person reconciling the bank accounts who can review and verify the preparer's accuracy.

**Response:** The Hospital reviewed their bank reconciliation procedures and will require another person to verify that correct procedures were followed in its preparation.

**Current Status:** The CFO is currently reviewing bank reconciliations on a monthly basis.

**03-3 Late Charges —**

During the course of our fieldwork, we noted that sometimes "late charges" would be added to a patient account. During our audit test work, we noted one late charge from lab and one from ambulance that was posted to patient accounts. Late charges are simply charges that are not recorded on the patient account or the general ledger at the date of service. Rather, they are posted at some later date. Late charges have two implications:

- The account may already be billed when the charges are added to the account. Because the Hospital is reimbursed on a rate per day basis, this has no initial reimbursement effect for the Hospital. However, it does have a cost report effect at year-end. The bottom line is that according to Medicare these "late charges" do not exist.
- "Late charges" may cause revenues to be reported in the wrong accounting period. In order to improve this area, we suggest that the Hospital implement a policy that requires departments to report their charges in a timely manner.

**UNION GENERAL HOSPITAL, INC.**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

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**03-3 Late Charges — (Continued)**

**Response:** Hospital now requires all charges due to the business office the morning following the day of service.

**Current Status:** No similar findings were noted during 2004 audit.

**UNION GENERAL HOSPITAL, INC.**  
*Farmerville, Louisiana*

***MANAGEMENT LETTER,  
COMMUNICATIONS WITH THE  
BOARD OF DIRECTORS,  
AND SUPPLEMENTAL INFORMATION***

***For the Year Ended  
June 30, 2004***

**PARRISH • MOODY & FIKES, p.c.**  
*Certified Public Accountants  
Waco, Texas*



**UNION GENERAL HOSPITAL, INC.**  
**MANAGEMENT LETTER,**  
**COMMUNICATIONS WITH THE BOARD OF DIRECTORS,**  
**AND SUPPLEMENTAL INFORMATION**

**JUNE 30, 2004**

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# *Section A*

**PARRISH • MOODY & FIKES, p.c.**

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OFFICES IN  
WACO, MARLIN &  
AUSTIN, TEXAS

September 1, 2004

Ms. Evalyn Ormond  
Union General Hospital, Inc.  
Farmerville, Louisiana

This letter is a recommendation letter which will offer other comments and suggestions that were not included in our internal control report. That report only contains items which were considered reportable conditions or material weaknesses under standards established by the American Institute of Certified Public Accountants. This letter focuses on other areas.

These recommendations are a result of our audit of the financial statements of Union General Hospital, Inc. as of June 30, 2004. These recommendations should be considered as a basis for further action and may need to be balanced with other goals. Therefore, these comments should be adapted to the mission of the Hospital as defined by the Board of Directors.

A copy of this letter is included in our supplemental report for information purposes, but it is not intended for general distribution.

If you have any questions regarding these or any other matters, please feel free to contact our office.

Sincerely,

**PARRISH • MOODY & FIKES, p.c.**



**OTHER MATTERS****Compliance Plan —**

Compliance is an evolving discipline, and each year the Office of Inspector General (OIG) outlines its areas of concerns. We suggest the Board continually evaluate the Hospital's compliance plan and efforts in light of current developments and modify it to address risks as they are identified.

**Response:** Management has a working Compliance Plan in place and will continue to evaluate and modify the plan in order to address new issues as they arise.

**Vendor Listing —**

We noted during our audit that the Hospital does not have a system in place to recognize approved vendors, instead relying on the expertise and experience of accounting personnel to review cash disbursements. While this appears to be effective, we suggest that the Hospital establish a list of approved vendors, update it annually and periodically compare it to cash disbursements.

**Response:** The Hospital has a list of vendors currently in our Accounts Payable System. Management will begin to review that list on a regular basis to be sure that only approved vendors are included on the active list.

## ***Section B***

**PARRISH • MOODY & FIKES, p.c.**  
CERTIFIED PUBLIC ACCOUNTANTS

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WACO, MARLIN,  
& AUSTIN, TEXAS

**ACCOUNTANT'S REPORT**

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To the Board of Directors  
Union General Hospital, Inc.  
Farmerville, Louisiana

We have compiled the accompanying supplemental statements of revenues and expenses of Union General Hospital, Inc., as of the periods shown at Section B-2, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying revenues and expenses and, accordingly, do not express an opinion or any other form of assurance on them.

U.S. generally accepted accounting principles call for patient revenues to be presented net of contractual adjustments. Because these are considered to be a very important factor in the results of operations, contractual adjustments have been included in the statements of operations. If U.S. generally accepted accounting principles had been followed, these statements would only have shown the net patient service revenues. There is no impact on the excess of revenues over expenses because of this presentation.

Since they have already been disclosed in the audited financial statements, management has elected to omit substantially all of the disclosures required by U.S. generally accepted accounting principles in this report. If the omitted disclosures were included with the income statements, they might influence the user's conclusions about the Hospital's results of operations. Accordingly, these income statements are not designed for those who are not informed about such matters.

The financial statements for the years ended June 30, 2004, 2003, 2002, and 2001, were audited by us, and we expressed an unqualified opinion on them in our respectively dated reports, but we have not performed any auditing procedures since the original dates of our auditors' reports.

Sections B-3 and D-1 through E-3 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the procedures applied in the audits of the basic financial statements, and, accordingly, we express no opinion on it.

*Parrish, Moody & Fikes, p.c.*

Waco, Texas  
September 1, 2004

**Union General Hospital, Inc.**  
**Supplemental Information**  
**Details of Operating Income**  
**Amounts**  
**For the Years Ended June 30,**

	2001	2002	2003	2004
Inpatient revenue	\$ 3,663,895	\$ 3,636,415	\$ 3,836,575	\$ 3,339,823
Outpatient revenue	2,680,136	3,012,842	3,722,147	4,254,195
Home health revenue	565,483	586,536	516,630	602,189
Rural health clinic revenue	-	344,289	505,018	599,950
<b>Total patient service revenue</b>	<u>6,909,514</u>	<u>7,580,082</u>	<u>8,580,370</u>	<u>8,796,157</u>
Contractual deductions	(2,049,432)	(1,638,235)	(1,960,187)	(1,823,681)
Charity care	(1,669)	(2,255)	(3,329)	(2,644)
Other deductions	-	-	(301,029)	(299,572)
Disproportionate share and other credits	496,109	512,070	524,854	559,846
<b>Total deductions from revenue</b>	<u>(1,554,992)</u>	<u>(1,128,420)</u>	<u>(1,739,691)</u>	<u>(1,566,051)</u>
<b>Net patient service revenues</b>	5,354,522	6,451,662	6,840,679	7,230,106
Other revenue	116,031	135,338	179,062	236,869
Contributions	195,961	242,714	264,054	230,475
	<u>5,666,514</u>	<u>6,829,714</u>	<u>7,283,795</u>	<u>7,697,450</u>
Salaries	2,111,655	2,414,219	2,660,782	2,966,798
Employee benefits	60,670	79,707	114,630	165,662
Payroll taxes	154,901	183,601	210,587	231,182
Purchased/contracted services	436,343	519,501	462,633	483,736
Payments to physicians - ER	581,242	607,246	657,141	687,116
Payments to physicians - other	-	43,795	42,000	104,773
Supplies	825,569	914,529	1,046,401	1,069,967
Education and training	17,643	29,230	41,207	44,570
Travel	65,543	57,035	52,653	50,778
Telephone and utilities	171,282	155,850	165,014	181,599
Maintenance and repairs	50,976	84,070	132,320	80,054
Rental expense	54,631	75,748	145,486	191,492
Insurance	74,338	137,197	152,314	142,089
Legal and professional	55,485	53,667	65,229	60,922
Interest expense	5,739	154	108	258
Depreciation	192,088	171,671	200,027	215,427
Bad debts and uncollected accounts	836,565	843,420	760,653	1,044,857
Other expenses	76,376	121,871	113,897	118,346
<b>Total operating expenses</b>	<u>5,771,046</u>	<u>6,492,511</u>	<u>7,023,082</u>	<u>7,839,626</u>
<b>Operating income (loss)</b>	<u>\$ (104,532)</u>	<u>\$ 337,203</u>	<u>\$ 260,713</u>	<u>\$ (142,176)</u>

See accountant's report.

**Union General Hospital, Inc.**

**Supplemental Information  
Details of Operating Income  
Percents  
For the Years Ended June 30,**

	2001	2002	2003	2004
Inpatient revenue	53.03 %	47.97 %	44.71 %	37.97 %
Outpatient revenue	38.79 %	39.75 %	43.38 %	48.36 %
Home health revenue	8.18 %	7.74 %	6.02 %	6.85 %
Rural health clinic revenue	0.00 %	4.54 %	5.89 %	6.82 %
Long-term care revenue	0.00 %	0.00 %	0.00 %	0.00 %
<b>Total patient service revenue</b>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
Contractual deductions	(29.66)%	(21.61)%	(22.85)%	(20.73)%
Charity care	(0.02)%	(0.03)%	(0.04)%	(0.03)%
Other deductions	0.00 %	0.00 %	(3.51)%	(3.41)%
Disproportionate share and other credits	7.18 %	6.76 %	6.12 %	6.36 %
<b>Total contractual deductions</b>	<u>(22.51)%</u>	<u>(14.89)%</u>	<u>(20.28)%</u>	<u>(17.80)%</u>
<b>Net patient service revenues</b>	77.49 %	85.11 %	79.72 %	82.20 %
Other revenue	1.68 %	1.79 %	2.09 %	2.69 %
Contributions	2.84 %	3.20 %	3.08 %	2.62 %
	<u>82.01 %</u>	<u>90.10 %</u>	<u>84.89 %</u>	<u>87.51 %</u>
Salaries	30.56 %	31.85 %	31.01 %	33.73 %
Employee benefits	0.88 %	1.05 %	1.34 %	1.88 %
Payroll taxes	2.24 %	2.42 %	2.45 %	2.63 %
Purchased/contracted services	6.32 %	6.85 %	5.39 %	5.50 %
Payments to physicians - ER	8.41 %	8.01 %	7.66 %	7.81 %
Payments to physicians - other	0.00 %	0.58 %	0.49 %	1.19 %
Supplies	11.95 %	12.06 %	12.20 %	12.16 %
Education and training	0.26 %	0.39 %	0.48 %	0.51 %
Travel	0.95 %	0.75 %	0.61 %	0.58 %
Telephone and utilities	2.48 %	2.06 %	1.92 %	2.06 %
Maintenance and repairs	0.74 %	1.11 %	1.54 %	0.91 %
Rental expense	0.79 %	1.00 %	1.70 %	2.18 %
Insurance	1.08 %	1.81 %	1.78 %	1.62 %
Legal and professional	0.80 %	0.71 %	0.76 %	0.69 %
Interest expense	0.08 %	0.00 %	0.00 %	0.00 %
Depreciation	2.78 %	2.26 %	2.33 %	2.45 %
Bad debts and uncollected accounts	12.11 %	11.13 %	8.87 %	11.88 %
Other expenses	1.11 %	1.61 %	1.33 %	1.35 %
<b>Total operating expenses</b>	<u>83.52 %</u>	<u>85.65 %</u>	<u>81.85 %</u>	<u>89.13 %</u>
<b>Income (loss) from operations</b>	<u>(1.51)%</u>	<u>4.45 %</u>	<u>3.04 %</u>	<u>(1.62)%</u>

See accountant's report.

# *Section C*

## **UNION GENERAL HOSPITAL, INC.**

### **COMMUNICATIONS WITH THE BOARD OF DIRECTORS**

In April 1988, the AICPA Auditing Standards Board issued a group of Statements on Auditing Standards commonly referred to as the "Expectation Gap" Auditing Statements. The following section provides required communications with the Board under these statements:

<b><u>Statement on Auditing Standards</u></b>	<b><u>Response for the 2004 Audit</u></b>
SAS No. 53, " <i>The Auditor's Responsibility to Detect and Report Errors and Irregularities</i> "	<ul style="list-style-type: none"><li>• We are not aware of any errors or irregularities that have not been communicated to the Board.</li></ul>
SAS No. 54, " <i>Illegal Acts by Clients</i> "	<ul style="list-style-type: none"><li>• We are not aware of any illegal acts that have not been communicated to the Board.</li></ul>
SAS No. 60, " <i>Communication of Internal Control Structure Related Matters Noted in an Audit</i> "	<ul style="list-style-type: none"><li>• We are not aware of any material internal control matters, which would require communication to the Board other than as included with this report.</li></ul>
SAS No. 61, " <i>Communication with Audit Committees</i> "	
The auditor's responsibility	<ul style="list-style-type: none"><li>• Our audit is designed to enable us to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.</li></ul>
Significant accounting policies	<ul style="list-style-type: none"><li>• The Board has been informed of significant accounting policies included in the notes to the financial statements.</li></ul>
Management judgments and accounting estimates	<ul style="list-style-type: none"><li>• Management judgment is required in estimating the allowances for contractual adjustments and estimated uncollectible accounts.</li></ul>

*(continued)*

**UNION GENERAL HOSPITAL, INC.**

**COMMUNICATIONS WITH THE BOARD OF DIRECTORS**

**Statement on Auditing Standards**

**Response for the 2004 Audit**

SAS No. 61, "Communication with Audit Committees" (Continued)

Significant audit adjustments:	(1) Entry necessary to estimate 2004 cost report settlement (increase net assets \$169,672).
Other information in documents containing audited financial statements.	• None
Disagreements with management.	• None
Consultations with other accountants.	• None
Major issues discussed with management prior to retention or reappointment.	• None

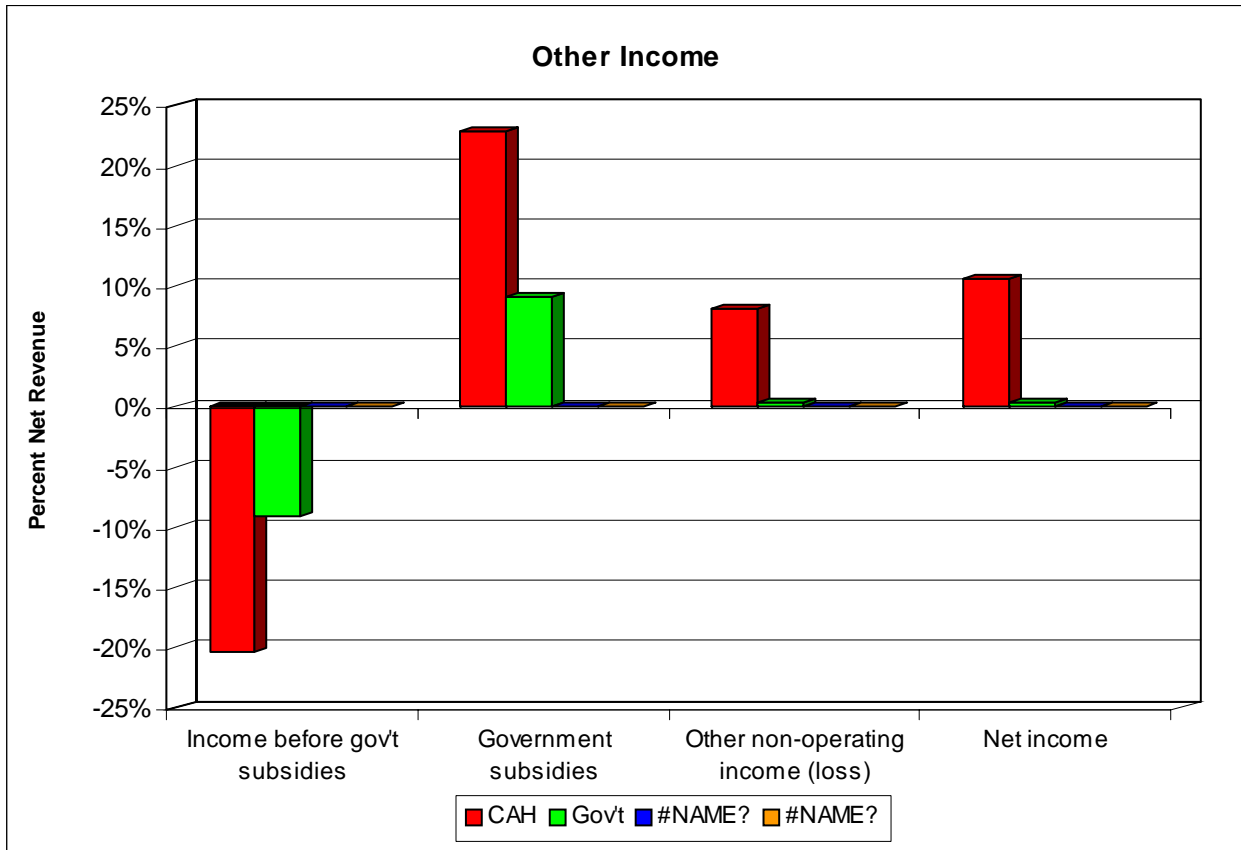
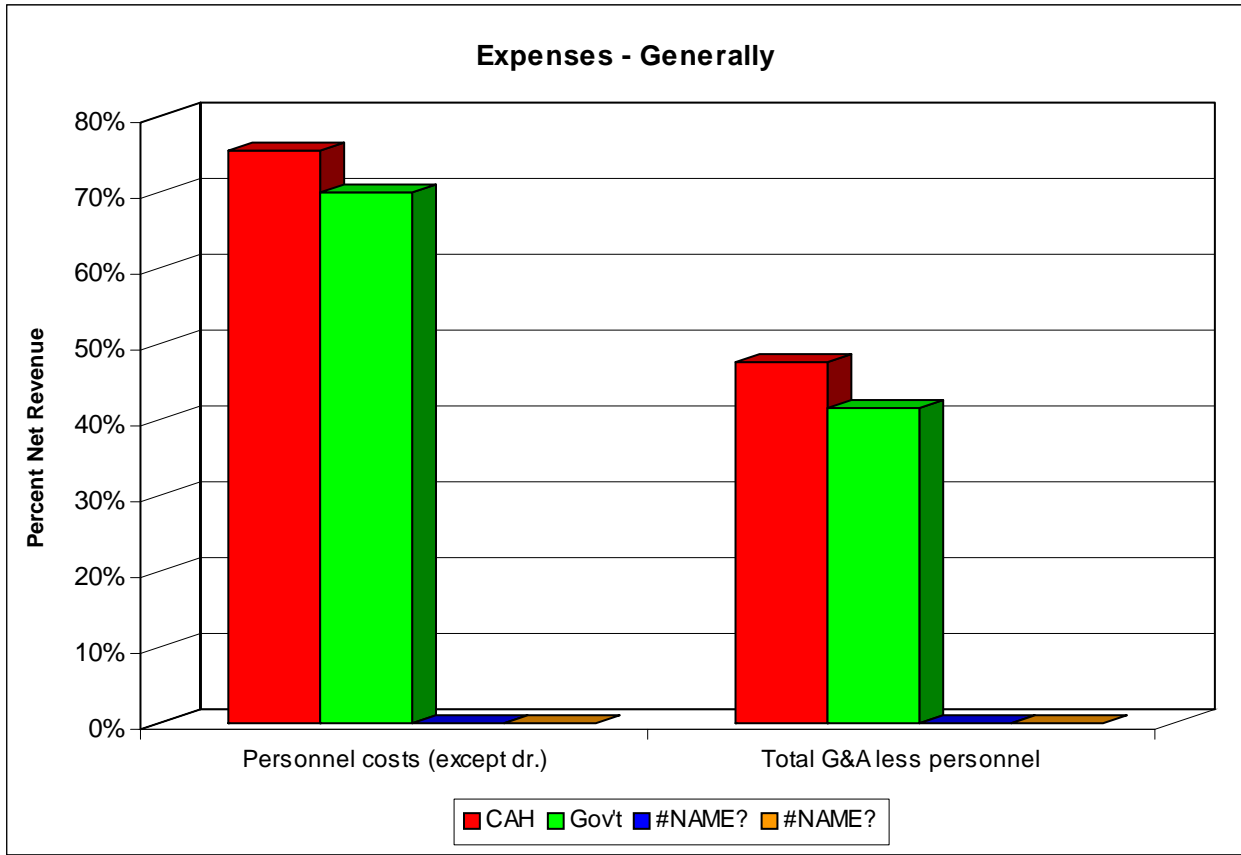


# *Section D*

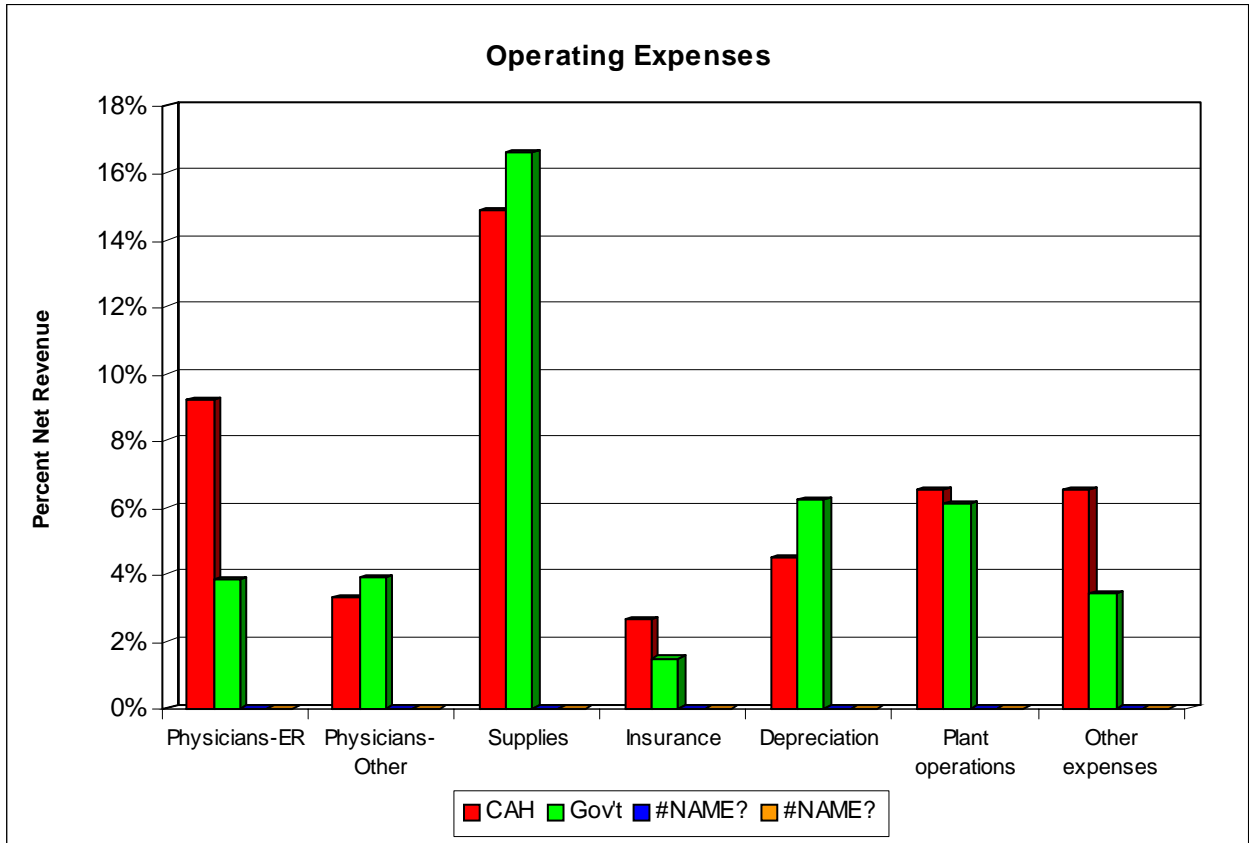
**Union General Hospital, Inc.**  
**Supplemental Information**  
**Peer Comparison**  
**For the Years Ended June 30,**

	Critical Access	Governmental	2003	2004
<b>% of Gross Patient Service Revenues</b>				
Inpatient revenue	30.83 %	44.72 %	44.71 %	37.97 %
Outpatient revenue	61.64 %	49.20 %	43.38 %	48.36 %
Home health revenue	1.60 %	1.70 %	6.02 %	6.85 %
Rural health clinic revenue	5.60 %	3.39 %	5.89 %	6.82 %
Long-term care revenue	0.33 %	0.64 %	0.00 %	0.00 %
Premium revenue	0.00 %	0.34 %	0.00 %	0.00 %
<b>Total patient service revenues</b>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
Contractual deductions	(17.18)%	(36.50)%	(22.85)%	(20.73)%
Bad debts and uncollected accounts	(11.56)%	(8.84)%	(8.87)%	(11.88)%
Charity care	(1.48)%	(3.08)%	(0.04)%	(0.03)%
Other deductions	(5.63)%	(6.02)%	(3.51)%	(3.41)%
Disproportionate share and other credits	1.86 %	2.40 %	6.12 %	6.36 %
<b>Total deductions from revenues</b>	<u>(33.98)%</u>	<u>(52.03)%</u>	<u>(29.14)%</u>	<u>(29.68)%</u>
<b>Net patient service revenues</b>	<u>66.02 %</u>	<u>47.97 %</u>	<u>70.86 %</u>	<u>70.32 %</u>
<b>% of Net Patient Service Revenues</b>				
Net patient service revenue	100.00 %	100.00 %	100.00 %	100.00 %
Other operating revenue	2.83 %	2.62 %	2.95 %	3.83 %
	<u>102.83 %</u>	<u>102.62 %</u>	<u>102.95 %</u>	<u>103.83 %</u>
Salaries	53.52 %	47.36 %	43.76 %	47.97 %
Employee benefits	7.67 %	8.68 %	1.89 %	2.68 %
Payroll taxes	3.94 %	3.33 %	3.46 %	3.74 %
Purchased/contracted services	10.38 %	10.61 %	7.61 %	7.82 %
Payments to physicians - ER	9.22 %	3.85 %	10.81 %	11.11 %
Payments to physicians - other	3.29 %	3.90 %	0.69 %	1.69 %
Supplies	14.87 %	16.61 %	17.21 %	17.30 %
Education and training	0.41 %	0.39 %	0.68 %	0.72 %
Travel	0.50 %	0.33 %	0.87 %	0.82 %
Telephone and utilities	3.01 %	2.45 %	2.71 %	2.94 %
Maintenance and repairs	2.07 %	2.17 %	2.18 %	1.29 %
Rental expense	1.45 %	1.50 %	2.39 %	3.10 %
Insurance	2.67 %	1.49 %	2.51 %	2.30 %
Legal and professional	1.84 %	0.75 %	1.07 %	0.98 %
Depreciation	4.50 %	6.25 %	3.29 %	3.48 %
Other expenses	3.79 %	1.98 %	1.87 %	1.91 %
<b>Total operating expenses</b>	<u>123.12 %</u>	<u>111.67 %</u>	<u>103.00 %</u>	<u>109.85 %</u>
<b>Operating income (loss)</b>	<u>(20.29)%</u>	<u>(9.05)%</u>	<u>(0.05)%</u>	<u>(6.02)%</u>
Property taxes and local governmental subsidies	22.77 %	9.06 %	0.00 %	0.00 %
<b>Operating income (loss) after property taxes and local governmental subsidies</b>	<u>2.47 %</u>	<u>0.01 %</u>	<u>(0.05)%</u>	<u>(6.02)%</u>
Investment income	0.26 %	0.45 %	0.15 %	0.08 %
Interest expense	(0.37)%	(0.80)%	0.00 %	0.00 %
Other nonoperating income (loss)	8.22 %	0.70 %	6.49 %	4.78 %
<b>Nonoperating income (loss)</b>	<u>8.10 %</u>	<u>0.35 %</u>	<u>6.64 %</u>	<u>4.86 %</u>
<b>Increase (decrease) in net assets</b>	<u>10.58 %</u>	<u>0.36 %</u>	<u>6.58 %</u>	<u>(1.16)%</u>

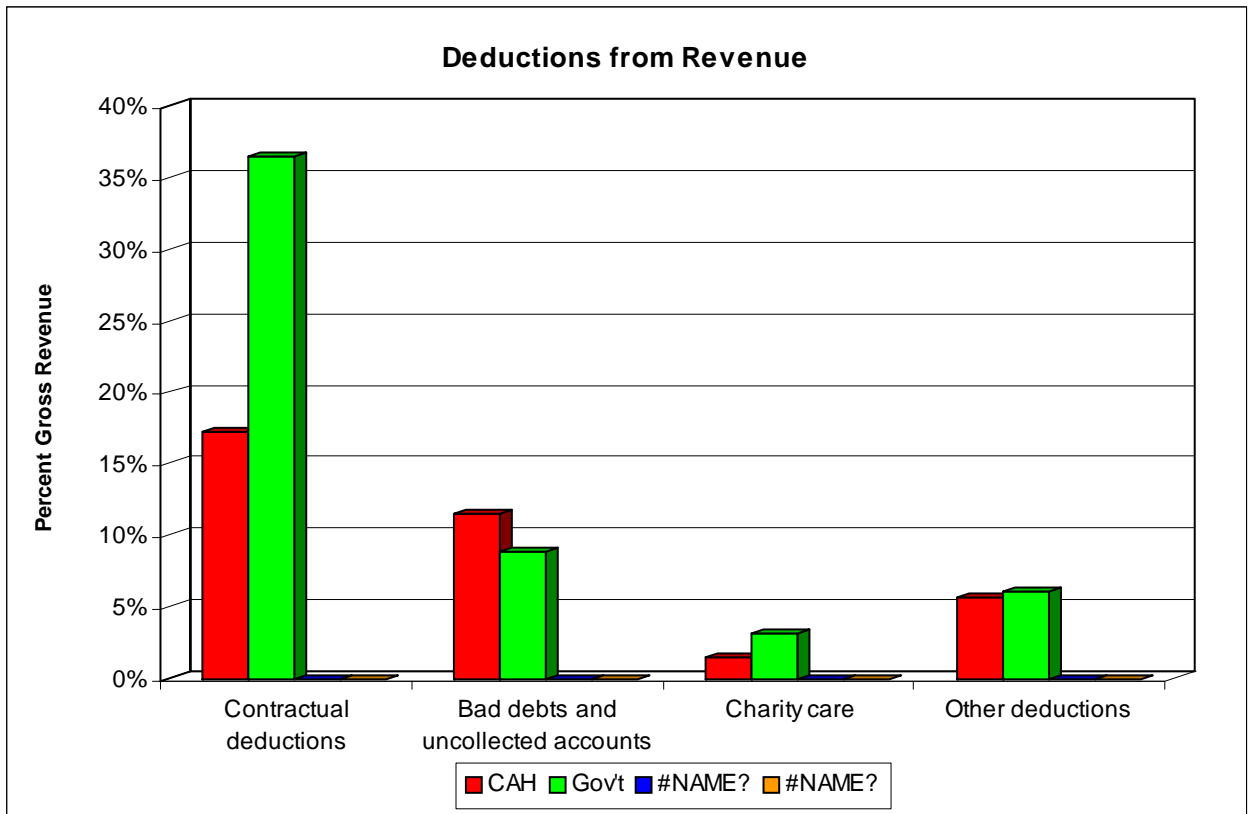
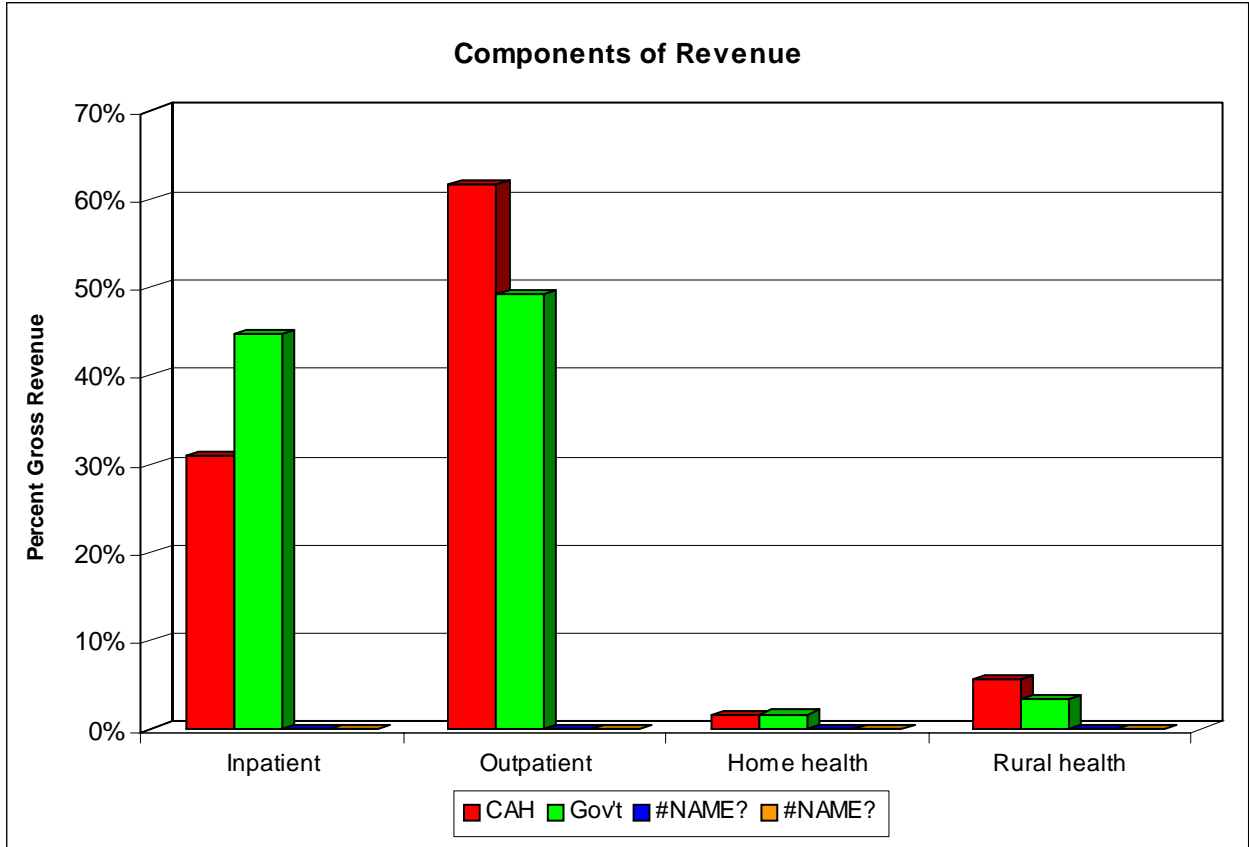
**Union General Hospital, Inc.  
For the Years Ended June 30,**



**Union General Hospital, Inc.  
For the Years Ended June 30,**

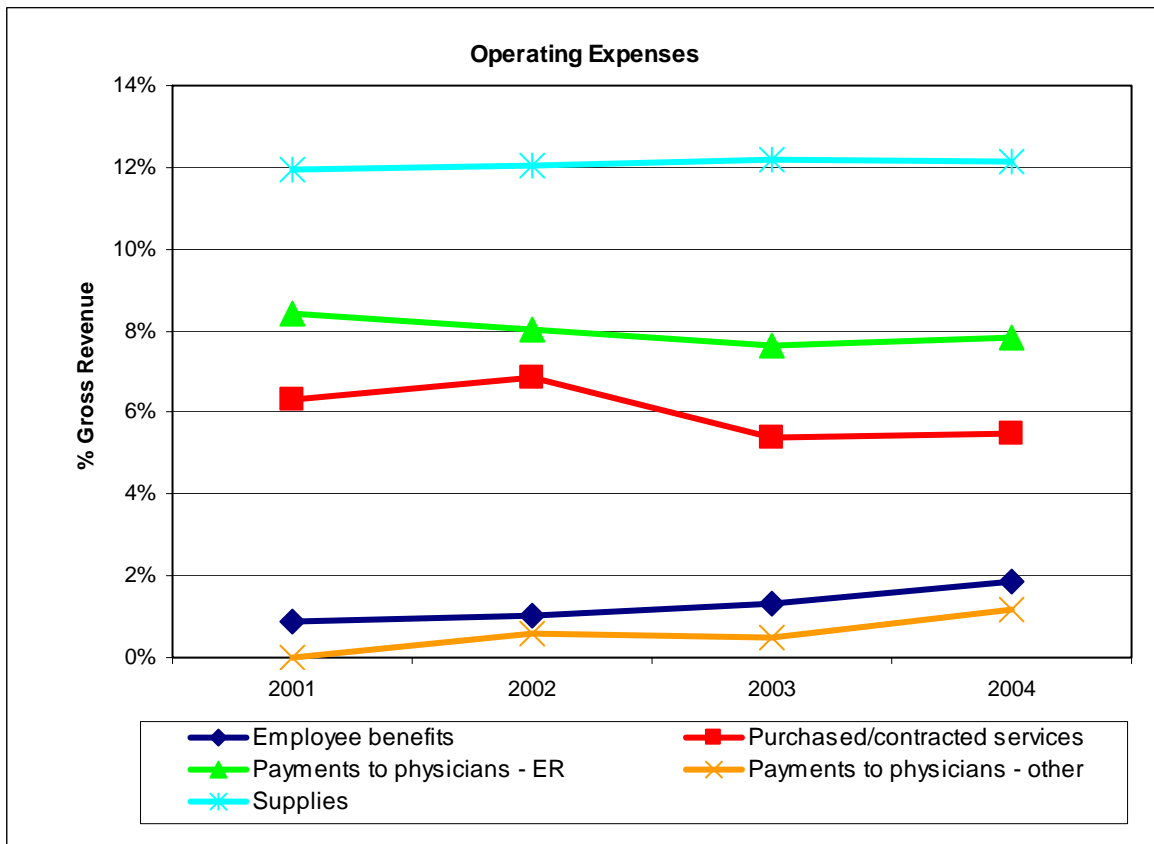
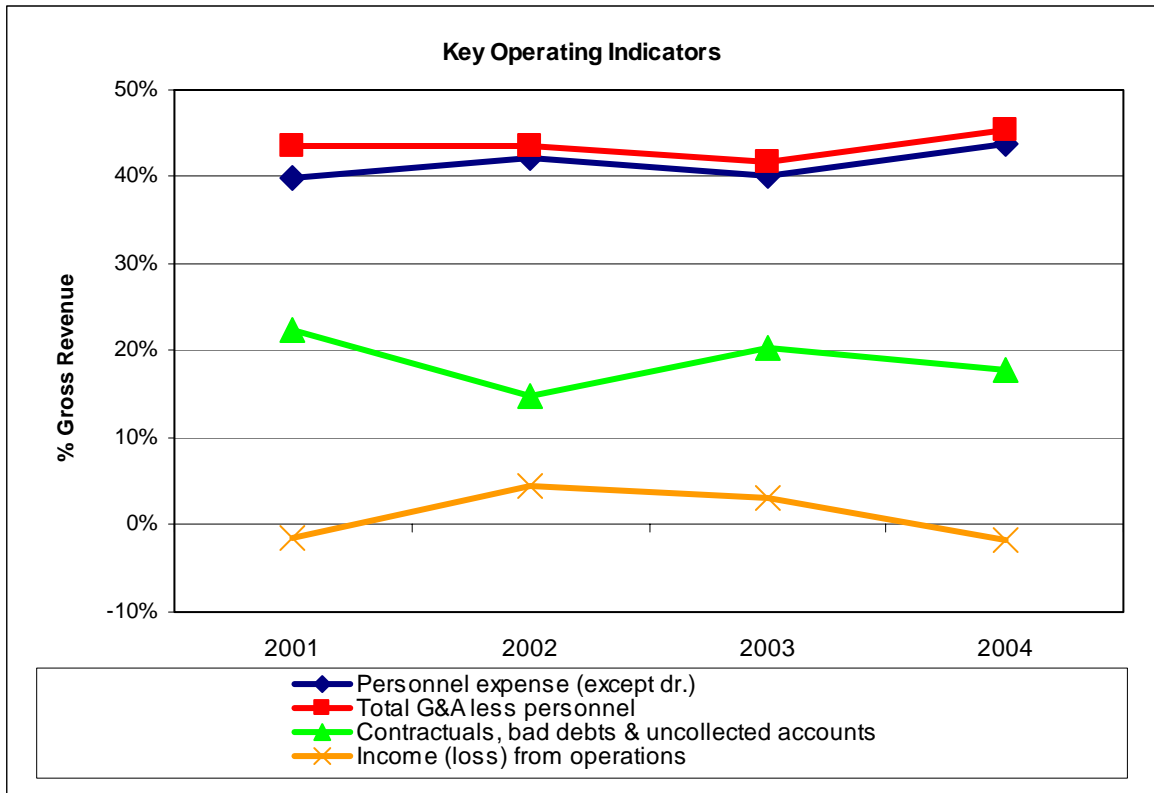


**Union General Hospital, Inc.  
For the Years Ended June 30,**

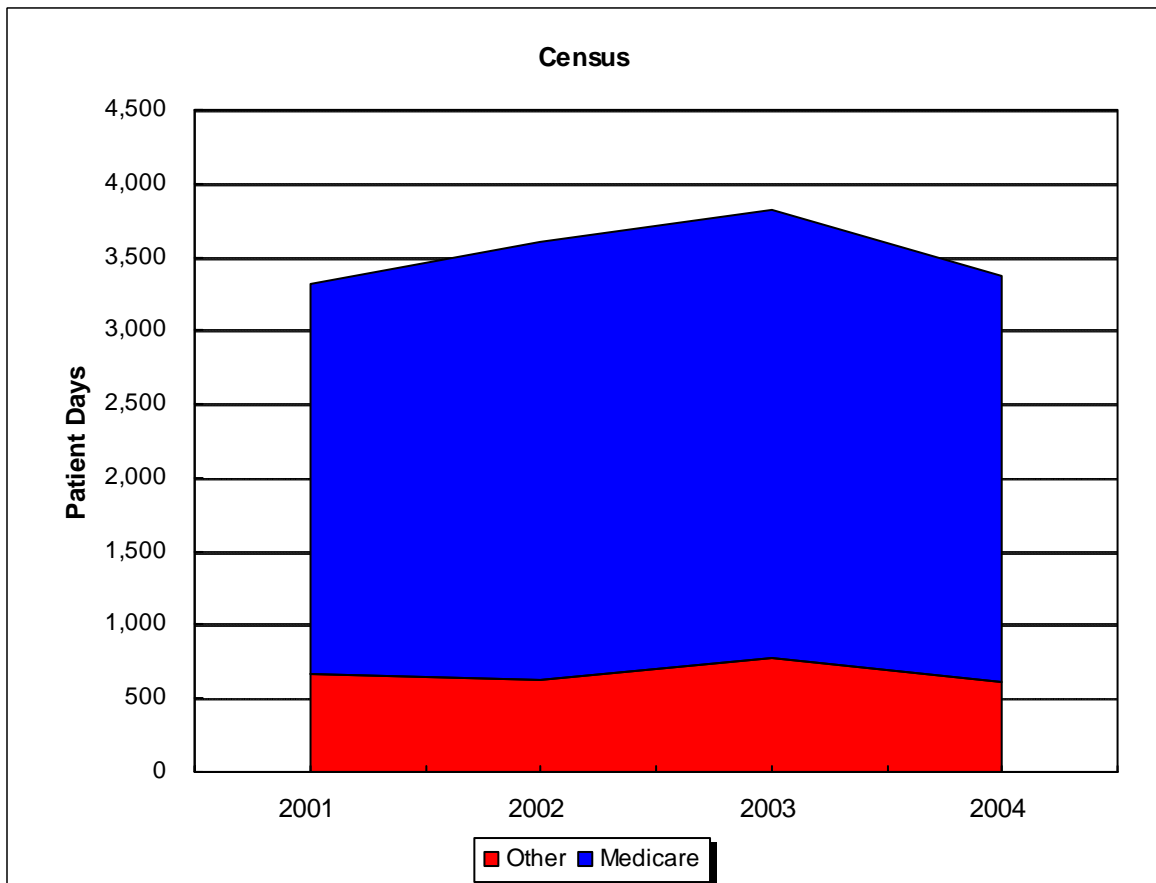
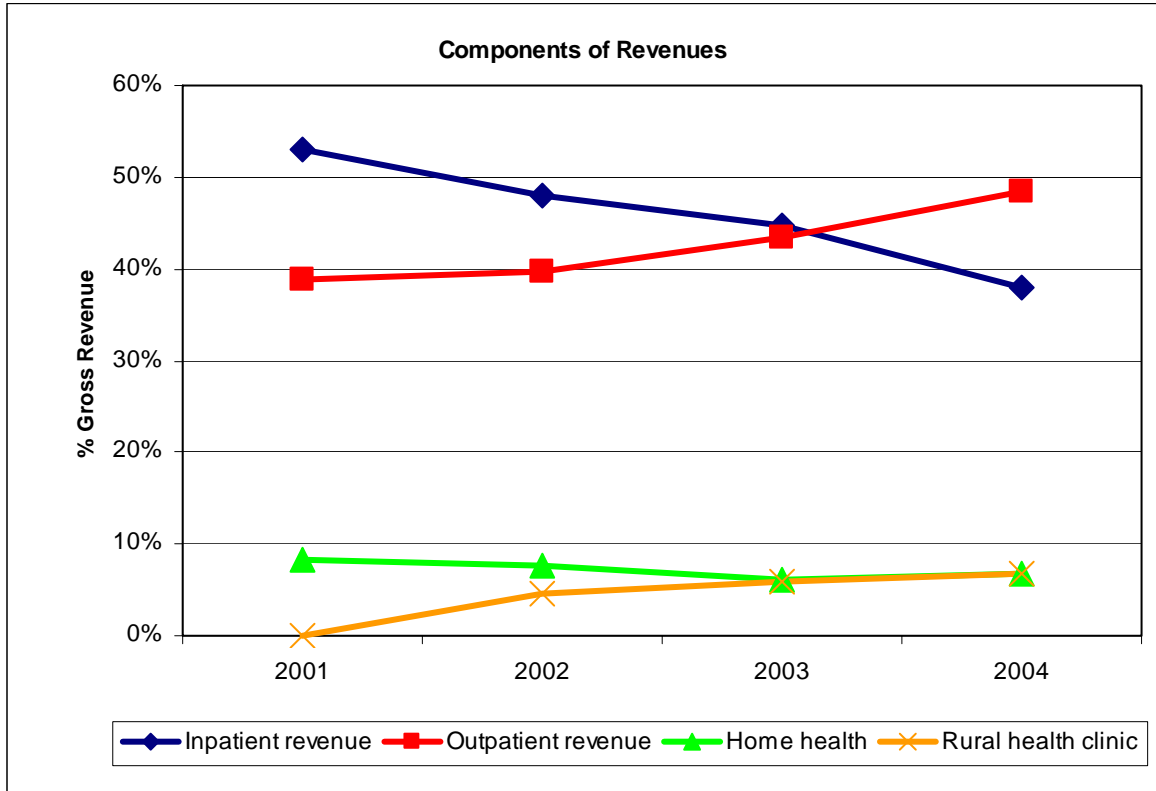


# *Section E*

**Union General Hospital, Inc.  
For the Years Ended June 30,**



**Union General Hospital, Inc.  
For the Years Ended June 30,**





**Union General Hospital, Inc.  
For the Year Ended June 30, 2004**

