

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

**A COMPONENT UNIT OF THE
WEST FELICIANA PARISH POLICE JURY**

ST. FRANCISVILLE, LOUISIANA

OCTOBER 31, 2003 AND 2002

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

Release Date 3.31.04

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

**FOR THE YEARS ENDED
OCTOBER 31, 2003 AND 2002**

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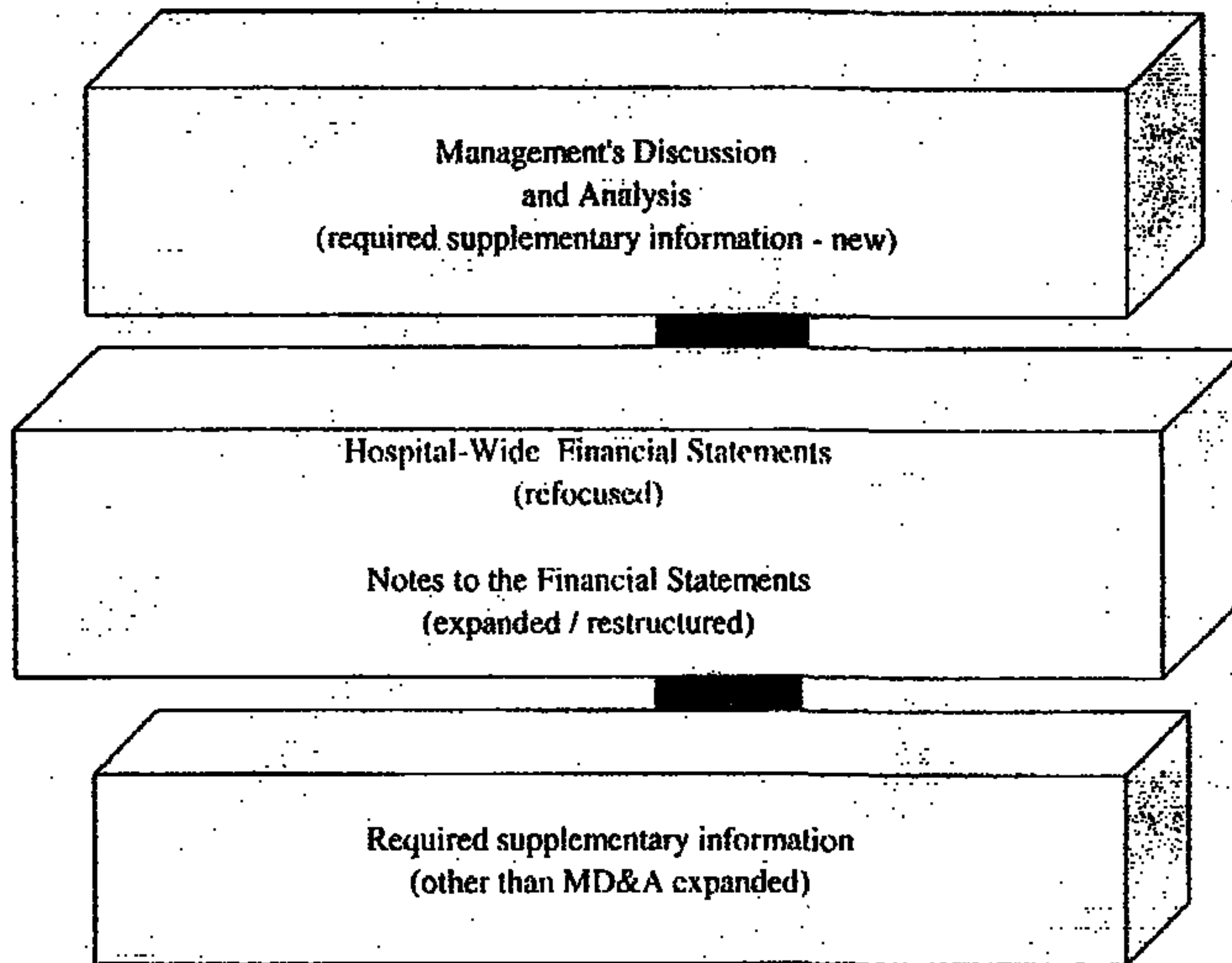
WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

OCTOBER 31, 2003 AND 2002

West Feliciana Parish Hospital Service District No. 1's (the Hospital) management discussion and analysis is intended to assist the reader in focusing on significant financial issues, provide an overview of the Hospital's financial activity, identify changes in the Hospital's financial position and its ability to address the next and subsequent year challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements - and Managements Discussion and Analysis - for State and Local Governments" and is intended to provide the financial results for the fiscal years ending October 31, 2003 and 2002.

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



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

Hospital-wide Financial Statements

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

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

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

OCTOBER 31, 2003 AND 2002

Financial Analysis of the Hospital as a Whole

Summary of Net Assets

Assets	<u>2003</u>	<u>2002</u>
Current Assets	\$ 7,937,538	\$ 6,597,180
Capital Assets	5,773,015	5,691,853
Less: Accumulated Depreciation	<u>(3,453,508)</u>	<u>(3,120,783)</u>
Capital Assets, Net Book Value	<u>2,319,507</u>	<u>2,571,070</u>
Total Assets	<u>\$10,257,045</u>	<u>\$ 9,168,250</u>
Liabilities		
Current Liabilities	\$ 1,414,840	\$ 1,482,460
Total Liabilities	<u>1,414,840</u>	<u>1,482,460</u>
Net Assets		
Net capital assets, net of related debt	2,319,507	2,571,070
Restricted	3,508,404	3,526,118
Unrestricted	<u>3,014,294</u>	<u>1,588,602</u>
Total Net Assets	<u>8,842,205</u>	<u>7,685,790</u>
Total Liabilities and Net Assets	<u>\$10,257,045</u>	<u>\$ 9,168,250</u>

As indicated by the statement above, total net assets are \$8,842,205 and \$7,685,790, for the years 2003 and 2002, respectively. Net assets can be separated into three categories: net capital assets net of related debt, restricted, and unrestricted assets.

Net capital assets are a combination of funds available for capital assets, plus capital assets at original cost less accumulated depreciation and related debt. The original cost of capital assets is \$5,773,015, which is an accumulation of capital assets year after year less any capital disposals. The accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with Generally Accepted Accounting Principles (GAAP), depreciation expense is recorded on the original cost of the asset, less an estimated salvage value, expensed over the estimated useful life of the asset. Total accumulated depreciation is \$3,453,508 and \$3,120,783, for the years 2003 and 2002, respectively.

Restricted net assets in the amount of \$3,508,404, consist of funds that have been restricted under agreements with third-party payers for funded depreciation.

The remaining \$3,014,294 is unrestricted. The unrestricted fund balance is an accumulation of prior years' operating results. This balance is directly affected each year by the Hospital's operating results.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

OCTOBER 31, 2003 AND 2002

Results of Operations	<u>2003</u> <u>Amount</u>	<u>2003</u> <u>% of Total</u>	<u>2002</u> <u>Amount</u>	<u>2002</u> <u>% of Total</u>
Program Revenue				
Net Patient Services Revenue	\$ 6,852,945	78.46%	\$ 6,362,556	76.67%
Total Program Revenue	<u>6,852,945</u>	<u>78.46%</u>	<u>6,362,556</u>	<u>76.67%</u>
General Revenue				
Taxes	1,678,038	19.21%	1,604,517	19.33%
Other	<u>203,114</u>	<u>2.33%</u>	<u>331,578</u>	<u>4.00%</u>
Total General Revenue	<u>1,881,152</u>	<u>21.54%</u>	<u>1,936,095</u>	<u>23.33%</u>
Total Revenues	<u>8,734,097</u>	<u>100.00%</u>	<u>8,298,651</u>	<u>100.00%</u>
Expenses				
Payroll Costs	3,549,235	46.84%	3,564,069	47.88%
Purchased Services	1,455,690	19.21%	1,429,100	10.01%
Supplies	875,936	11.56%	968,813	13.01%
Depreciation	360,194	4.75%	364,803	4.90%
Provision for Bad Debts	711,109	9.38%	603,722	3.92%
Other Expenses	<u>625,518</u>	<u>8.26%</u>	<u>513,472</u>	<u>20.28%</u>
Total Expenses	<u>7,577,682</u>	<u>100.00%</u>	<u>7,443,979</u>	<u>100.00%</u>
Increase in Net Assets	<u>\$ 1,156,415</u>		<u>\$ 854,672</u>	

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

As indicated above net assets increased \$1,156,415. This increase relates directly to patient service revenue.

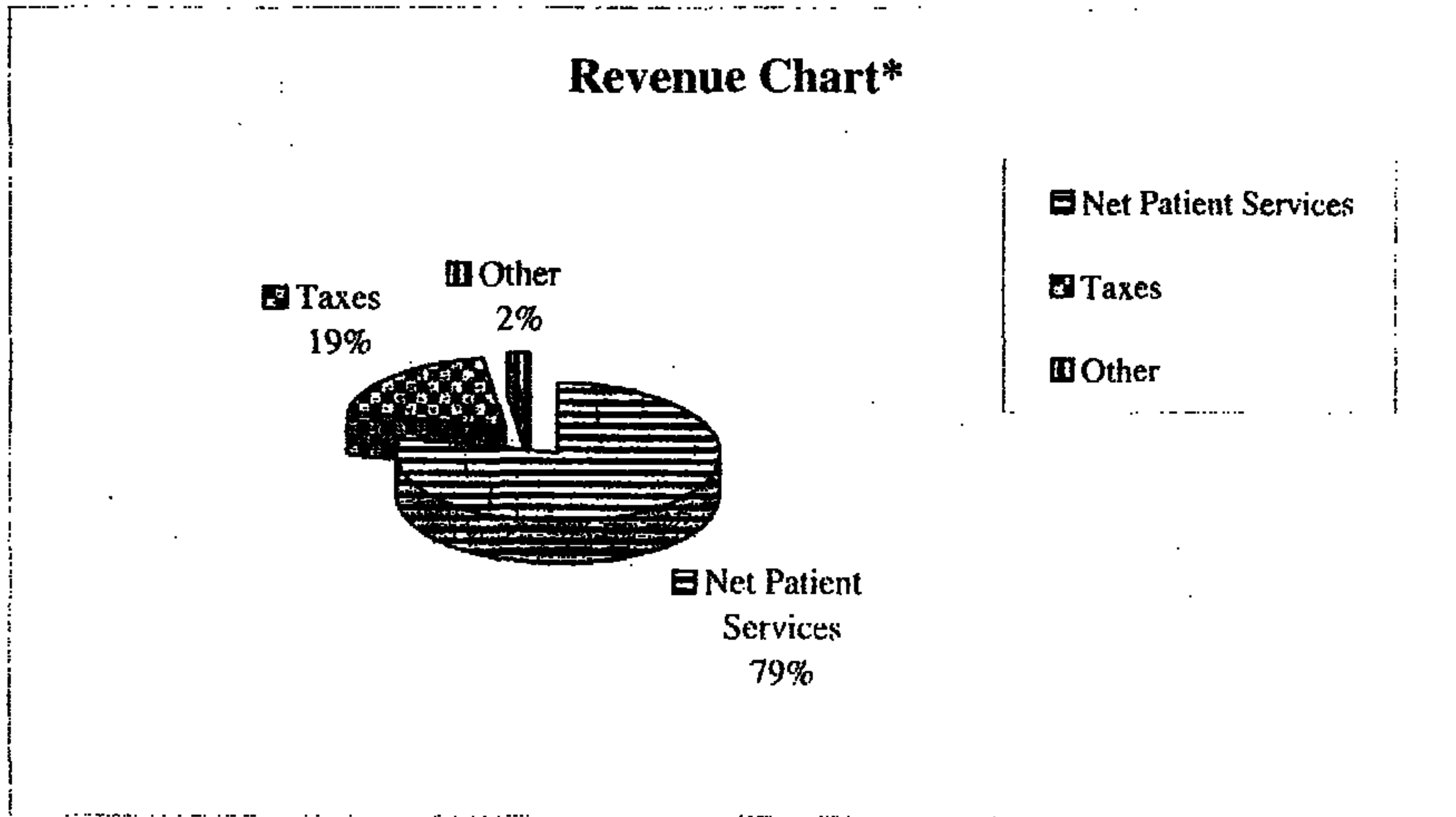
WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

OCTOBER 31, 2003 AND 2002

Revenues

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



*Revenue chart is based on all Hospital Funds combined.

Sources of Revenues

Net patient service sources of revenues total \$6,852,945 and \$6,362,556, for the years 2003 and 2002, respectively; it is reported at estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final

Total tax revenue for each year consists of the Hospital Maintenance Tax, Sales Tax Collections, and State Revenue Sharing Funds received by the Hospital Service District.

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

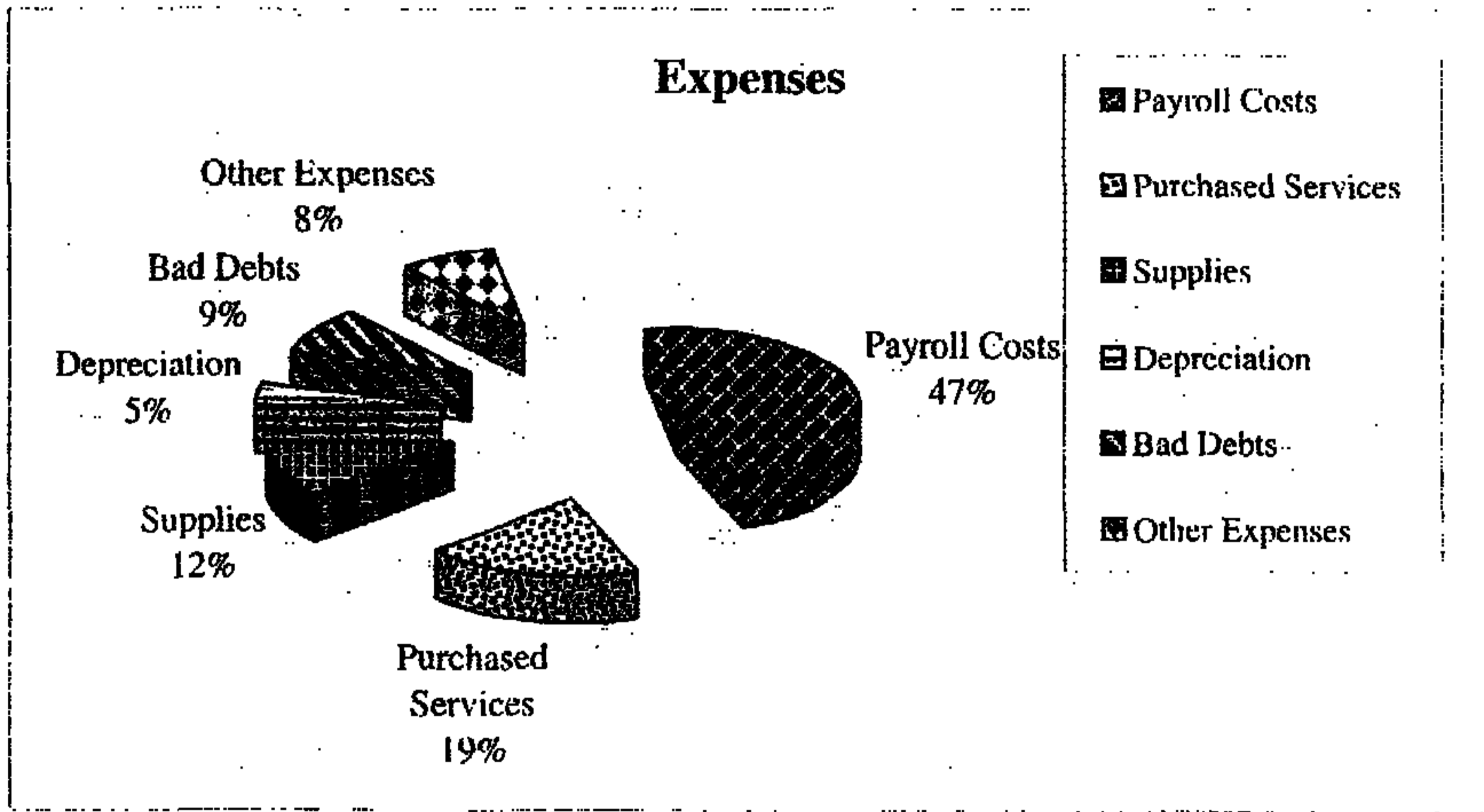
WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

OCTOBER 31, 2003 AND 2002

Expenses

The following chart illustrates the Hospital's expenses by percentages:



Consistent with other hospital service districts, 66% of total expenses are for wages and purchased services. Most expenses directly relate to the provision of care to patients.

Capital Assets

As of October 31, 2003, the Hospital had \$5,773,015 invested in a broad range of capital assets, including land, buildings, and equipment.

	<u>2003</u>	<u>2002</u>
Land and improvements	\$ 389,798	\$ 377,998
Buildings	1,690,137	1,690,138
Equipment	3,686,315	3,617,221
Construction in Process	6,765	6,496
Subtotal	<u>5,773,015</u>	<u>5,691,853</u>
Less accumulated depreciation	<u>(3,453,508)</u>	<u>(3,120,783)</u>
Net Capital Assets	<u>\$ 2,319,507</u>	<u>\$ 2,571,070</u>

Depreciation expense for the year is \$360,194.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

OCTOBER 31, 2003 AND 2002

Economic Factors

The approximately \$1 million in disproportionate share (DSH) payments is subject to change due to proposed changes in Medicaid Reimbursement. Also, the national, state and local economy continues to falter for the second year in a row, with industries reducing their workforce. West Feliciana Parish Hospital, however, like hospitals across the state, continues to grow, serving as an economic engine in the community. It is expected, given the declining job market, that the Hospital will be faced with absorbing more uninsured patients, and more uncompensated care. The Hospital receives local taxpayer

Contacting the Hospital's Financial Management

The financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability for the money it receives. If you have any questions about this report or need additional information, contact West Feliciana Parish Hospital Service District No. 1, P.O. Box 368, St. Francisville, LA 70775.

LANGLINAIS

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BROUSSARD

(A Corporation of Certified Public Accountants)

Glen P. Langlinais, C.P.A.
Michael P. Broussard, C.P.A.

Gayle Falcon, C.P.A.
Patrick M. Guldry, C.P.A.
Chip Contrell, C.P.A.
Ken Bonin, C.P.A., M.B.A.

Chris Kohlenberg, C.P.A., M.B.A., M.H.A.

INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
West Feliciana Parish Hospital
Service District No. 1
St. Francisville, Louisiana

We have audited the accompanying component unit financial statements of West Feliciana Parish Hospital Service District No. 1 (the "Hospital"), a component unit of West Feliciana Parish Police Jury, State of Louisiana, as of and for the years ended October 31, 2003 and 2002. These component unit financial statements are the responsibility of the Hospital's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In accordance with Government Auditing Standards, we have also issued our report dated December 8, 2003, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Audit Standards and should be read in conjunction with this report in considering the results of our audit. No compliance items reported in this report had any material effect on the amounts and disclosures reported in these financial statements.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Hospital taken as a whole. The accompanying supplemental information, identified in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Feliciana parish Hospital Service District No. 1, a component unit of West Feliciana Parish Police Jury, State of Louisiana, as of October 31, 2003 and 2002, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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


Langlinais & Broussard
(A Corporation of Certified Public Accountants)

December 8, 2003

2419 Old South Plaza • P. O. Box 1123 • Abbeville, Louisiana 70511-1123 • Telephone (337) 893-6232 • Fax (337) 893-6249

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

STATEMENTS OF NET ASSETS

OCTOBER 31,

ASSETS	<u>2003</u>	<u>2002</u>
Current Assets		
Cash And Cash Equivalents	\$ 2,136,344	\$ 920,463
Assets Limited As To Use		
Cash	510,592	1,775,635
Investments	2,997,812	1,750,483
Receivables:		
Patient Accounts, Less Allowance For Uncollectible Accounts	1,085,599	1,001,394
Other Receivables	965,949	862,409
Inventories	179,443	220,195
Prepaid Expenses	61,799	66,601
Total Current Asset	<u>7,937,538</u>	<u>6,597,180</u>
Capital Assets		
Land And Land Improvements	389,798	377,998
Buildings And Leasehold Improvements	1,690,137	1,690,138
Equipment	3,686,315	3,617,221
Construction On Process	6,765	6,496
Gross Capital Assets	<u>5,773,015</u>	<u>5,691,853</u>
Less Accumulated Depreciation	<u>(3,453,508)</u>	<u>(3,120,783)</u>
Total Capital Assets, Net Of Accumulated Depreciation	<u>2,319,507</u>	<u>2,571,070</u>
 TOTAL ASSETS	 <u>\$ 10,257,045</u>	 <u>\$ 9,168,250</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable And Other Liabilities	\$ 55,784	\$ 45,901
Credit Balances in Patient Accounts	18,538	52,260
Deferred Disproportionate Share Revenue	586,235	652,995
Deferred Ad Valorem Tax Revenue	535,932	543,185
Accrued Salaries And Wages	132,614	100,712
Compensated Absences	85,737	87,407
Total Current Liabilities	<u>1,414,840</u>	<u>1,482,460</u>
Total Liabilities	<u>1,414,840</u>	<u>1,482,460</u>
 Net assets		
Invested In Capital Assets, Net Of Related Debt	2,319,507	2,571,070
Restricted	3,508,404	3,526,118
Unrestricted	3,014,294	1,588,602
Total Net Assets	<u>8,842,205</u>	<u>7,685,790</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 10,257,045</u>	 <u>\$ 9,168,250</u>

The notes to the financial statement are an integral part of this statement.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED OCTOBER 31,

	<u>2003</u>	<u>2002</u>
Operating Revenues		
Net Patient Service Revenue	\$ 6,852,945	\$ 6,362,556
Other Operating Revenue	90,109	116,764
Total Operating Revenue	<u>6,943,054</u>	<u>6,479,320</u>
Operating Expenses		
Salaries, Wages And Benefits	3,549,235	3,564,069
Professional Fees	1,455,690	1,429,100
Supplies And Other	875,936	968,813
Provisions For Bad Debts	711,109	603,722
Depreciation And Amortization	360,194	364,803
Other Operating Expenses	624,290	513,472
Total Operating Expenses	<u>7,576,454</u>	<u>7,443,979</u>
Operating Income	<u>(633,400)</u>	<u>(964,659)</u>
Nonoperating Revenues(Expenses)		
Sale Of Home Health Agency	-	100,000
Interest Income	62,514	93,823
Interest Expense	(1,228)	(223)
Tax Revenues	1,678,038	1,604,517
Other Nonoperating Revenues(Expenses)	50,491	20,991
Total Nonoperating Revenues(Expenses)	<u>1,789,815</u>	<u>1,819,108</u>
Change In Net Assets	<u>1,156,415</u>	<u>854,449</u>
Total Net Assets, Beginning (unadjusted)	<u>7,685,790</u>	<u>6,828,316</u>
Prior period adjustments		
Deferred Ad Valorem tax	-	(445,656)
Grant revenue correction	-	350,906
Uncompensated care correction	-	97,775
Total prior period adjustments	<u>-</u>	<u>3,025</u>
Total Net Assets, Beginning (adjusted)	<u>7,685,790</u>	<u>6,831,341</u>
Total Net Assets, Ending	<u>\$ 8,842,205</u>	<u>\$ 7,685,790</u>

The notes to the financial statements are an integral part of this statement.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED OCTOBER 31,

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities		
Cash received from patients	\$ 6,758,367	\$ 6,541,567
Cash payments to suppliers for services and goods	(3,551,124)	(3,623,422)
Cash payments to employees for services	(3,579,467)	(3,597,493)
Net cash provided by operating activities	<u>(372,224)</u>	<u>(679,348)</u>
Cash flow from noncapital financing activities		
Miscellaneous Income	50,491	-
Tax receipts and operating grants	1,567,245	1,568,728
Net cash provided by noncapital financing activities	<u>1,617,736</u>	<u>1,568,728</u>
Cash flows from capital and related financing Activities		
Acquisition of capital assets	(108,631)	(506,542)
Proceeds from sale of home health	-	100,000
Interest paid	(1,228)	(223)
Net cash used in capital and related financing activities	<u>(109,859)</u>	<u>(406,765)</u>
Cash flows from investing activities		
Purchases of Investments	(2,347,329)	1,300,000
Maturities of investments	1,100,000	(1,301,558)
Interest received	62,514	93,823
Net cash provided by (used in) investing activities	<u>(1,184,815)</u>	<u>92,265</u>
 Net increase in cash and cash equivalents	 (49,162)	 574,880
 Cash and cash equivalents at beginning of year, including \$1,775,635 and \$1,748,925 limited as to use for 2003 and 2002, respectively	 <u>2,696,098</u>	 <u>2,121,218</u>
 Cash and cash equivalents at end of year, including \$510,592 and \$1,775,635 limited as to use for 2003 and 2002, respectively	 <u>\$ 2,646,936</u>	 <u>\$ 2,696,098</u>
Cash flows from operating activities		
Operating income	\$ (633,400)	\$ (964,659)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	360,194	364,803
Loss / (gain) on disposal of fixed assets	-	6,251
Increase in patient accounts receivable	(117,927)	111,063
Decrease in inventories	40,752	(91,298)
Increase in prepaid expenses	4,802	33,321
Decrease in accounts payable and other liabilities	9,883	(123,437)
Decrease in deferred disproportionate share revenue	(66,760)	(48,816)
Increase in accrued salaries and wages	31,902	31,477
Increase in accrued compensated absences	(1,670)	1,947
Net cash provided by operating activities	<u>\$ (372,224)</u>	<u>\$ (679,348)</u>

The notes to the financial statements are an integral part of this statement.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

OCTOBER 31, 2003 AND 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

On February 21, 1968, the West Feliciana Parish Police Jury passed a resolution creating the West Feliciana Parish Hospital District No. 1 (the "Hospital") under the authority of Article 6, Section 19, of the 1974 Louisiana Constitution and Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950, as amended. The Hospital is composed of all the territory situated within the limits of the Parish of West Feliciana.

The governing authority of the Hospital consists of a board of seven (7) commissioners, all of whom are qualified electors of West Feliciana Parish. The Commissioners serve with pay, per diem, and reimbursement of actual out-of-pocket expenses incurred in the performance of their duties.

The public purpose of the Hospital is to secure, provide for, and protect the public health and welfare by the treatment of human ailments through the acquisition and construction of projects as authorized by Chapter 10 of Title 46 of the 1974 Louisiana Constitution, and the financing and refinancing of indebtedness to acquire, construct, renovate, improve hospitals, clinics, laboratories, a nursing home, and any other facility, building or structure which may be of use and benefit in the teaching, training or practice of medical science and treatment of human ailments, or for such other facilities as the Hospital shall find useful in the study of, or research in, or treatment of illness or infirmities, all as is more fully set out in said Chapter 10 of Title 46 of the 1974 Louisiana Constitution.

The Hospital's component unit financial statements are an integral part of the West Feliciana Parish Police Jury's comprehensive annual financial report.

GASB Statement No. 34

During fiscal year 2002 the Hospital elected to early implement GASB Statement No. 34, "Basic Financial Statements, and Management's Discussion and Analysis for State and Local Governments," as amended by GASB Statement No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset

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

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

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

Use of Estimates

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation

The Hospital's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a Proprietary Fund, the Hospital distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing patient services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Hospital's enterprise fund are charges to customers related patient services. Operating expenses for the Hospital's enterprise fund include patient care expenses, general and administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed by the Hospital in the financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Hospital has

Charity Care

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

Cash and Equivalents

For the purposes of the statement of cash flows, the Hospital considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

State statutes authorize the Hospital to invest in obligations of the U.S. Treasury, certificates or other obligations of the United States of America, and time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana.

Inventories

Inventories are valued at the lower of cost (first-in, first-out method) or market.

Property Taxes

Property taxes were levied on January 1 on property values assessed on that date. Notices of tax liability are mailed on or about November 1 of the same year and are due and payable at that time. All unpaid taxes levied become delinquent January 1 of the following year. Property tax revenues are recognized in the same fiscal year within which they are billed because they are considered available in that period. Available includes those property tax receivables expected to be collected within sixty days after year end. However, the receivable for property taxes is recorded at the January 1 lien date.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

OCTOBER 31, 2003 AND 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable

Accounts receivable from patients, insurance companies and third-party reimbursement contractual agencies are recorded at established charge rates. Certain third-party insured accounts (Medicare and Medicaid) are based on cost reimbursement agreements which generally result in the Hospital collecting less than the established charge rates with the difference recorded as "contractual adjustments." Final determination of settlement is subject to review by appropriate authorities. Adequate allowances are provided for doubtful accounts and contractual adjustments. Doubtful accounts are written off against the allowance after adequate collection effort is exhausted and recorded as recoveries of bad debts if subsequently collected. Net operating revenue includes only those amounts estimated by management to be collectible.

Property and Equipment

Property and equipment is stated at cost, except for assets donated to the Hospital. Donated assets are recorded at the appraised value at the date of donation.

Depreciation is recorded on a straight-line basis over the useful lives of the assets. Equipment under capital leases 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.

Maintenance, repairs, replacements and improvements of minor importance are expensed. Major replacements and improvements are capitalized.

Net Patient Service Revenue

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

Vacation Pay

Accumulated unpaid vacation is accrued when earned. Employees earn and vest in vacation leave according to years of

<u>Years of Service</u>	<u>Full-Time Employees</u>
Less than 5 years	6.67 hours per month
After 5 years	10.00 hours per month
After 10 years	13.33 hours per month

NOTE 2 - NET PATIENT SERVICE REVENUE

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

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

OCTOBER 31, 2003 AND 2002

NOTE 2 - NET PATIENT SERVICE REVENUE - Continued

Medicare

Prior to January 1, 2002, inpatient acute care services rendered to Medicare program beneficiaries were paid at prospectively determined rates per discharge. These rates varied according to a patient classification system that was based on clinical, diagnostic, and other factors. Inpatient nonacute services, certain outpatient services and defined capital and medical education cost related to Medicare beneficiaries were paid based on a cost reimbursement methodology and predetermined fee schedules. The Hospital became a "critical access hospital" effective January 1, 2002. This enabled the hospital to receive cost based reimbursement from Medicare on or after January 1, 2002. The hospital is reimbursed at tentative interim rates with final settlement determined after submission of annual cost reports and audits of these reports by the Medicare fiscal intermediary. The difference between established billing rates and reimbursements are recorded as contractual adjustments to patient service revenue.

The Hospital's classification of patients under the Medicare Program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. The Hospital's Medicare cost report for the fiscal year ended October 31, 1999, has received a final settlement from the Medicare fiscal intermediary. Tentative settlements have been issued for the fiscal years ended October 31, 2000 and 2001.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology and predetermined fee schedules. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been reviewed by the Medicaid fiscal intermediary through October 31, 1999. Rural hospitals can be reimbursed up to 100% for uncompensated cost rendered to Medicaid and uninsured patients, commonly referred to as Disproportionate share payments.

Blue Cross

Inpatient services rendered to Blue Cross subscribers are reimbursed at prospectively determined rates per day of hospitalization. The prospectively determined per diem rates are not subject to retroactive adjustments.

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

NOTE 3 - CASH AND INVESTMENTS

At October 31 for the years ended 2003 and 2002, the Hospital's carrying amount of deposits was \$2,646,936 and \$2,696,098, and the bank balance was \$3,603,059 and \$2,778,722, respectively.

Of the bank balance, \$259,706 and \$189,108 for the years 2003 and 2002, respectively, were covered by federal depository insurance. The remaining balance was collateralized with securities held by pledging financial institution's trust department or agent in the financial institution's name.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

OCTOBER 31, 2003 AND 2002

NOTE 3 - CASH AND INVESTMENTS - Continued

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

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

At October 31, 2003, the Hospital's investment balances were as follows:

	CATEGORY			CARRYING AMOUNT	MARKET VALUE
	1	2	3		
Certificates of Deposit	\$ 40,294	\$ 1,709,706	\$ -	\$ 1,750,000	\$ 1,750,000
U.S. T-Bills	1,247,812	-	-	1,247,812	1,250,000
Total	\$ 1,288,106	\$ 1,709,706	\$ -	\$ 2,997,812	\$ 3,000,000

NOTE 4 - ACCOUNTS RECEIVABLE - PATIENTS

Accounts receivable - patients consist of the following:

	OCTOBER 31, 2003	OCTOBER 31, 2002
Total patient accounts receivable	\$ 2,187,516	\$ 2,259,987
Less allowance for uncollectible accounts	(1,101,917)	(1,258,593)
Net patient accounts receivable	\$ 1,085,599	\$ 1,001,394

NOTE 5 - ACCOUNTS RECEIVABLE - OTHER

Accounts receivable - other consists of the following:

	OCTOBER 31, 2003	OCTOBER 31, 2002
Uncollected sales tax revenue for the months of October and September	\$ 218,173	\$ 180,250
Accrued Maintenance Ad Valorem tax revenue	535,932	549,202
Unsettled Medicare and Medicaid cost reports	201,511	106,932
All other	10,334	26,025
Total Accounts receivable - other	\$ 965,949	\$ 862,409

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

OCTOBER 31, 2003 AND 2002

NOTE 6 - ASSETS LIMITED AS TO USE

Assets whose use is limited under agreements with third party payers for funded depreciation are summarized as follows. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

	<u>OCTOBER 31,</u> <u>2003</u>	<u>OCTOBER 31,</u> <u>2002</u>
<u>Investments</u>		
<u>U.S. Treasury Direct</u>		
Treasury Bills	\$ 1,247,812	\$ 249,218
<u>Certificates of Deposit</u>		
Various banks maturing 11/03/03 to 10/13/08		
Average interest rate 2.00%	<u>1,750,000</u>	<u>1,501,265</u>
	<u>2,997,812</u>	<u>1,750,483</u>
<u>Cash</u>		
<u>Merrill Lynch</u>		
ML Government Fund		
Yielding 0.91%	495,378	1,736,736
<u>Savings Account</u>		
Hancock Bank 0.90%	<u>15,214</u>	<u>38,899</u>
	<u>510,592</u>	<u>1,775,635</u>
Total Assets limited as to use	<u>\$ 3,508,404</u>	<u>\$ 3,526,118</u>

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

	<u>OCTOBER 31,</u> <u>2003</u>	<u>OCTOBER 31,</u> <u>2002</u>
Land	\$ 389,798	\$ 377,998
Building and improvements	1,690,138	1,690,138
Equipment	3,686,315	3,617,221
Construction in progress	<u>6,765</u>	<u>6,496</u>
Gross fixed assets	<u>5,773,017</u>	<u>5,691,853</u>
Allowance for depreciation	<u>(3,453,510)</u>	<u>(3,120,783)</u>
Total Property, plant and equipment	<u>\$ 2,319,507</u>	<u>\$ 2,571,070</u>

NOTE 8 - OTHER NONOPERATING REVENUE

The Hospital receives tax revenue from sales tax and property tax collected on purchases and property assessments in West Feliciana Parish. The sales tax is used for the operation of the Hospital and the property tax is to be used for operation and maintenance of the Hospital.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

OCTOBER 31, 2003 AND 2002

NOTE 9 - RETIREMENT PLAN

The Hospital has executed the Variable Annuity Life Insurance Company (VALIC) prototype Profit Sharing Plan with Cash or Deferred Arrangement Option Non Standardized Adoption Agreement No. 3. The defined contribution plan (457) provides benefits to substantially all employees. The Hospital contributes \$1 for each \$1 the employees defer up to 4% of the employees compensation. Total payroll for the fiscal years ended October 31, 2003 and 2002 was \$3,054,426 and \$2,880,167, respectively. Covered payroll was \$2,509,140 and \$1,878,137, for the years 2003 and 2002, respectively. Total pension expense was \$89,021 and \$71,011 for the 2003 and 2002 years ended October 31, respectively.

NOTE 10 - DIRECTOR'S FEES

The following is a schedule of Director's fees paid by the Hospital for the year ended October 31.:

	<u>2003</u>	<u>2002</u>
Mitch Brashier	\$ 480	\$ 520
Walter Weller	440	440
Sara Wilson-Wright	480	480
Raymond Minor	320	560
John Thompson	320	440
Dale Plauche	400	400
David Walker	-	80
Tom Flynn	<u>400</u>	<u>360</u>
 Total Director's Fees	 <u>\$ 2,840</u>	 <u>\$ 3,280</u>

NOTE 11 - INSURANCE RISK

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Hospital is a member of two separate trust funds established by the Louisiana Hospital Association that encompasses self insurance of (1) hospital professional liability and comprehensive general liability, and (2) statutory workers' compensation. The Hospital carries commercial insurance for all other risks of loss. As of the balance sheet date, the Hospital has no malpractice claims exceeding its coverage.

NOTE 12 - CONCENTRATIONS OF CREDIT RISK

The Hospital is located in St. Francisville, Louisiana, and grants credit without collateral to patients, most of whom are local residents and are insured under third-party payer agreements. Net Patient Revenue from patient and third party payers were as follows:

	<u>YEAR ENDED OCTOBER 31, 2003</u>	<u>YEAR ENDED OCTOBER 31, 2002</u>
Medicare	28.55%	28.04%
Medicaid	25.49%	21.56%
Other	<u>45.96%</u>	<u>50.40%</u>
	<u>100.00%</u>	<u>100.00%</u>

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

SUPPLEMENTAL INFORMATION

FOR THE YEARS ENDED OCTOBER 31,

<u>PATIENT SERVICE REVENUE</u>	<u>2003</u>	<u>2002</u>
Nursing services	\$ 481,083	\$ 410,544
Emergency services	823,499	797,047
Emergency services - physician's fees	644,196	680,816
Central services	292,561	222,665
Laboratory	1,528,728	1,061,244
Blood bank	13,303	9,736
Radiology - diagnostic	481,014	383,030
Radiology - physician's fees	(171)	94,136
Ambulance service	777,043	726,923
Respiratory therapy	655,105	508,070
Pharmacy	435,300	434,384
Physical therapy	508,437	360,818
Electrocardiology	103,622	122,715
All other	132,000	26,889
Occupational therapy / clinical services	10,342	5,667
Speech therapy	4,180	4,954
Ultrasound	132,020	107,131
Dr. Daniel's office	-	222,615
Dr. Nwabueze's office	507,030	394,415
Dr. Harris' office	450,721	395,113
Total patient service revenue	<u>7,980,013</u>	<u>6,968,912</u>
Less contractual adjustments	<u>(1,127,068)</u>	<u>(606,356)</u>
Net patient service revenue	<u>\$ 6,852,945</u>	<u>\$ 6,362,556</u>

SALARIES, WAGES, AND BENEFITS

Nursing	\$ 751,086	\$ 564,240
Laboratory technicians	208,099	188,559
Dietary management	100,989	93,582
Respiratory therapy	138,160	126,271
Radiology	149,012	134,720
Business Office	261,976	222,052
Administrative	99,619	154,774
Plant operations	112,769	91,453
Medical records	97,480	89,852
Housekeeping	78,222	74,966
Ambulance	449,538	382,421
Utilization review	58,037	53,730
All other salaries and benefits	553,560	775,484
Dr.'s offices	490,688	611,965
Total Salaries, Wages, and Benefits	<u>\$ 3,549,235</u>	<u>\$ 3,564,069</u>

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

SUPPLEMENTAL INFORMATION

FOR THE YEARS ENDED OCTOBER 31,

PROFESSIONAL FEES

Pharmacy	\$ 50,400	\$ 50,400
Respiratory therapy	18,137	13,296
Laboratory	121,570	115,104
Administrative	66,764	47,390
Laundry/linen	56,175	45,356
EKG	30,370	36,865
Plant operations	34,859	44,411
Radiology	-	283
Physical therapy	212,590	171,922
Ultrasound	78,106	80,370
Dietary	5,285	2,520
Business office	26,947	20,390
Occupational therapy	4,895	2,677
Radiologist physician fees	-	69,120
Dr.'s offices	20,004	16,478
ER Physician Fees	681,570	683,903
All other	48,018	28,615
Total Professional Fees	\$ 1,455,690	\$ 1,429,100

SUPPLIES AND OTHER EXPENSES

Laboratory	\$ 205,879	\$ 148,136
Nursing	25,173	26,934
Radiology	33,981	27,557
Pharmacy	130,975	123,036
Central services	155,513	64,642
Business office	34,325	68,073
Dietary	50,844	48,413
Plant operations	76,511	78,763
Housekeeping	12,715	22,420
Ambulance	63,771	83,694
Physical therapy	7,218	1,493
Administrative	18,469	41,831
Respiratory therapy	21,898	30,211
Dr.'s offices	45,993	187,488
Surgery	4,278	710
All other	(11,607)	15,412
Total supplies and other expenses	\$ 875,936	\$ 968,813

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

SUPPLEMENTAL INFORMATION

FOR THE YEARS ENDED OCTOBER 31,

OTHER OPERATING EXPENSES

Ambulance	\$ 1,014	\$ 2,122
Laboratory	10,807	16,639
Radiology	1,063	2,945
Pharmacy	175	570
Nursing services	7,139	3,850
Medical records	6,889	6,170
Plant operations	101,492	77,985
Dietary		2,510
Collection fees	29,880	48,821
Audit and legal fees	55,595	43,256
Postage	6,508	7,718
Equipment rental	26,615	14,453
Dues and subscriptions	14,542	14,643
Physician recruitment and other office	24,000	16,500
Administrative	79,847	80,702
Bad debts	711,109	603,722
Depreciation	360,194	364,803
All other	258,724	174,588
Total other operating expenses	<u>\$ 1,695,593</u>	<u>\$ 1,481,997</u>

LANGLINAIS
&
BROUSSARD

(A Corporation of Certified Public Accountants)

Glen P. Langlais, C.P.A.
Michael P. Broussard, C.P.A.

Gayle Falcan, C.P.A.
Patrick M. Suldry, C.P.A.
Chip Cantrell, C.P.A.
Ken Bonin, C.P.A., M.B.A.
Chris Kohlenberg, C.P.A., M.B.A., M.H.A.

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

The Board of Commissioners
West Feliciana Parish Hospital
Service District No. 1
St. Francisville, Louisiana

We have audited the financial statements of West Feliciana Parish Hospital Service District No. 1, a component of the West Feliciana Parish Police Jury, state of Louisiana (District), as of and for the years ended October 31, 2003 and 2002, respectively, and have issued our report thereon dated December 8, 2003.

We conducted our audit in accordance with generally accepted auditing standards of the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

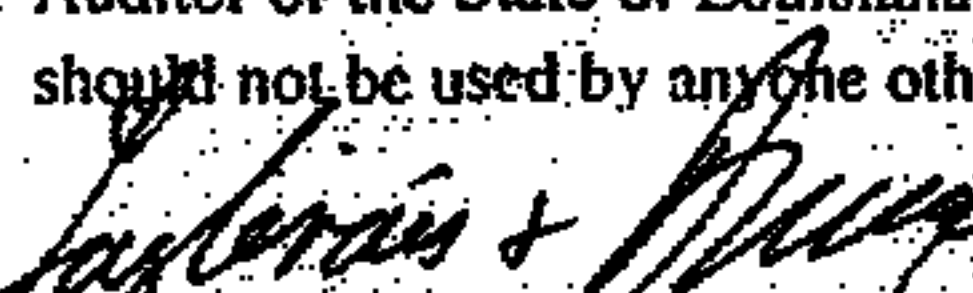
COMPLIANCE

As part of obtaining reasonable assurance about whether 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. However, certain instances of immaterial noncompliance have been communicated to the Hospital's management in a separate letter dated December 8, 2003.

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 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 reportable conditions. However, certain immaterial internal control issues have been communicated to the Hospital's management in a separate letter dated December 8, 2003.

This report is intended for the information of West Feliciana Parish Hospital Service District No. 1, the Legislative Auditor of the State of Louisiana, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


LANGLINAIS & BROUSSARD
Certified Public Accountants

LANGLINAIS

&

BROUSSARD

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The Board of Commissioners
West Feliciana Parish Hospital
Service District No. 1
St. Francisville, Louisiana

In planning and performing our audit for the component unit financial statements of West Feliciana Parish Hospital Service District No. 1 (the "Hospital"), a component unit of West Feliciana Parish Police Jury, State of Louisiana, as of and for the year ended October 31, 2003, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under the standards established by the American Institute of Certified Public Accountants (AICPA). Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Hospital's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

INVENTORY MONITORING

We noted during our analysis of inventory procedures that the Hospital has not instituted the process of monthly spot checks of inventory as suggested in the prior year audit. The Hospital had numerous errors in inventory procedures in the prior year and the institution of test counts on the perpetual inventory system was suggested to help motivate those employees responsible for inventory maintenance into complying with Hospital policies regarding processing inventory.

The Hospital should immediately begin the process of performing monthly spot checks of the perpetual inventory system to ensure proper procedures are being followed by inventory maintenance personnel.

UNCOLLATERALIZED DEPOSITS

We noted during our analysis of the Hospital's bank deposits that not all cash balances were either covered by FDIC insurance or were collateralized by securities by the financial institution. The Hospital should take care to monitor the collateralization of its deposits and should contact its financial institution whenever there is a risk of exceeding the insured and collateralized totals.

Care should always be taken to avoid special treatment for members of management in regards to write-offs of patient amounts receivable. In addition, the Hospital should adopt a formal Code of Ethics which specifically addresses abuses of authority by members of management.

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


Langlais & Broussard
(A Corporation of Certified Public Accountants)

December 8, 2003



WEST FELICIANA PARISH HOSPITAL

P. O. BOX 368

ST. FRANCISVILLE, LA. 70775

PHONE: (225) 635-3811

FAX: (225) 635-2435

email: wfphosp@bsf.net

March 17, 2004

Legislative Audit Advisory Council
State of Louisiana
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

Re: Corrective Action Plan for
10/31/03 FYE Audit

To Whom It May Concern:

West Feliciana Parish Hospital will take the following corrective action in response to reportable conditions brought to our attention by Langlinais & Broussard in their 10/31/03 Audit Report.

INVENTORY MONITORING

The Hospital will institute test counts the last week of each month to be performed by designated personnel. If variances are discovered, actions will be taken to ensure that we have accurate inventory counts.

UNCOLLATERALIZED DEPOSITS

A large deposit was made the last day of the year-end and the bank did not collateralize the deposit that day. Care will be taken to notify the bank ahead of time to have collateral ready for a large deposit or deposit unusually large checks to one of our Government funds which only invest in government securities. It is the hospital policy That all bank deposits are adequately insured or collateralized.

Sincerely,

Mark Chustz
Administrator

We Want You To Know Us WELL