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BUNKIE GENERAL HOSPITAL

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

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 1/22/03

FOR THE YEARS ENDED
JUNE 30, 2002, 2001 AND 2000

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Hospital Service District No. 1
Parish of Avoyelles, State of Louisiana
Bunkie, Louisiana

We have audited the accompanying general purpose financial statements of the Hospital Service District No. 1, Parish of Avoyelles, dba Bunkie General Hospital (the Hospital), a component unit of the Avoyelles Parish Police Jury, as of and for the years ended June 30, 2002, 2001, and 2000, as listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 1, Parish of Avoyelles, dba Bunkie General Hospital, as of June 30, 2002, 2001, and 2000, and the results of its operations and cash flows of such funds for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated November 6, 2002, 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 Auditing Standards and should be read in conjunction with this report in considering the results of our audits.

Board of Commissioners
Hospital Service District No. 1
Parish of Avoyelles, State of Louisiana
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Our audits were conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements of Hospital Service District No. 1, Parish of Avoyelles, dba Bunkie General Hospital. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Lester, Miller & Wells

Certified Public Accountants

November 6, 2002

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
BUNKIE GENERAL HOSPITAL
BALANCE SHEETS - UNRESTRICTED FUND
JUNE 30, 2002, 2001 AND 2000

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 865,438	\$ 1,196,064	\$ 814,354
Patient accounts receivable, net of estimated uncollectibles (Note 4)	1,395,597	1,468,155	1,409,750
Inventory	204,483	240,821	152,476
Prepaid expenses	<u>79,341</u>	<u>44,594</u>	<u>62,316</u>
Total current assets	2,544,859	2,949,634	2,438,896
Assets limited as to use (Note 6)	174,574	164,911	365,711
Property, plant and equipment, net (Note 5)	2,697,574	2,526,036	2,742,205
Other assets	<u>83,507</u>	<u>74,050</u>	<u>78,050</u>
Total assets	<u>\$ 5,500,514</u>	<u>\$ 5,714,631</u>	<u>\$ 5,624,862</u>
Liabilities and Fund Balance			
Current liabilities:			
Accounts payable and accrued expenses (Note 7)	\$ 752,081	\$ 683,012	\$ 525,525
Current maturities of long-term debt (Note 8)	<u>118,860</u>	<u>96,159</u>	<u>68,578</u>
Total current liabilities	870,941	779,171	594,103
Long-term debt, net of current maturities (Note 8)	<u>689,822</u>	<u>710,354</u>	<u>848,858</u>
Total liabilities	1,560,763	1,489,525	1,442,961
Fund balance - unrestricted	<u>3,939,751</u>	<u>4,225,106</u>	<u>4,181,901</u>
Total liabilities and fund balance	<u>\$ 5,500,514</u>	<u>\$ 5,714,631</u>	<u>\$ 5,624,862</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 STATEMENTS OF OPERATIONS - UNRESTRICTED FUND
 YEARS ENDED JUNE 30, 2002, 2001 AND 2000

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Revenue:			
Net patient service revenue	\$ 8,554,262	\$ 7,895,814	\$ 7,506,695
Ad valorem taxes	82,140	75,918	70,634
Other	<u>230,852</u>	<u>223,572</u>	<u>240,055</u>
Total revenue	<u>8,867,254</u>	<u>8,195,304</u>	<u>7,817,384</u>
Expenses:			
Salaries and benefits	3,472,819	2,715,620	2,875,257
Medical supplies and expenses	1,137,361	1,029,568	932,445
Medical professional fees	2,182,548	2,290,246	2,002,426
Other expenses	1,290,150	1,137,144	1,101,058
Insurance	123,457	81,536	82,266
Provision for bad debt	646,100	676,288	573,593
Depreciation and amortization expense	309,262	279,223	288,923
Interest expense	<u>45,254</u>	<u>39,770</u>	<u>54,935</u>
Total expenses	<u>9,206,951</u>	<u>8,249,395</u>	<u>7,910,903</u>
Operating income (loss)	(339,697)	(54,091)	(93,519)
Nonoperating income:			
Investment income	<u>54,342</u>	<u>97,296</u>	<u>49,360</u>
Excess of revenues (expenses)	<u>\$ (285,355)</u>	<u>\$ 43,205</u>	<u>\$ (44,159)</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 STATEMENTS OF CHANGES IN FUND BALANCE - UNRESTRICTED FUND
 YEARS ENDED JUNE 30, 2002, 2001 AND 2000

	<u>Unrestricted</u>
CHANGES IN FUND BALANCE:	
Balance, June 30, 1999	\$ 4,226,060
Excess of expenses over revenues for the year ended June 30, 2000	<u>(44,159)</u>
Balance, June 30, 2000	4,181,901
Excess of revenues over expenses for the year ended June 30, 2001	<u>43,205</u>
Balance, June 30, 2001	4,225,106
Excess of expenses over revenues for the year ended June 30, 2002	<u>(285,355)</u>
Balance, June 30, 2002	<u>\$ 3,939,751</u>
COMPOSITION OF FUND BALANCE AT JUNE 30, 2001:	
Contributions	
Hill-Burton	\$ 400,000
Bond issue	338,770
Public contributions	<u>233,296</u>
	972,066
Excess of revenues over expenses	<u>2,967,685</u>
Total	<u>\$ 3,939,751</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
BUNKIE GENERAL HOSPITAL
STATEMENTS OF CASH FLOWS - UNRESTRICTED FUND
YEARS ENDED JUNE 30, 2002, 2001 AND 2000

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Cash flows from operating activities:			
Operating income (loss)	\$ (285,355)	\$ 43,205	\$ (44,159)
Interest expense considered capital financing activity	45,254	39,770	54,935
Ad valorem taxes considered financing activity	(82,140)	(75,918)	(70,634)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	319,929	279,223	286,224
(Gain) loss on disposal of assets	10,788	1,426	1,298
Provision for bad debts	646,100	676,288	573,593
Interest income	(54,342)	(97,296)	(49,360)
(Increase) decrease in current assets:			
Patient accounts receivable, net	(573,542)	(734,693)	(183,276)
Inventory	36,338	(88,345)	2,893
Prepaid expenses	(34,747)	17,722	(1,917)
Increase (decrease) in current liabilities:			
Accounts payable and accrued expenses	<u>69,069</u>	<u>157,487</u>	<u>(203,263)</u>
Net cash provided by operating activities	<u>97,352</u>	<u>218,869</u>	<u>366,334</u>
Cash flows from investing activities:			
Interest on investments	54,342	97,296	49,360
Stipend payment to medical student	<u>-0-</u>	<u>4,000</u>	<u>(50,002)</u>
Net cash provided by investing activities	<u>54,342</u>	<u>101,296</u>	<u>(642)</u>
Cash flows from non-capital financing activities:			
Ad valorem taxes	<u>82,140</u>	<u>75,918</u>	<u>70,634</u>
Net cash provided by non-capital financing activities	\$ <u>82,140</u>	\$ <u>75,918</u>	\$ <u>70,634</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
BUNKIE GENERAL HOSPITAL
STATEMENTS OF CASH FLOWS - UNRESTRICTED FUND (Continued)
YEARS ENDED JUNE 30, 2002, 2001 AND 2000

	2002	2001	2000
Cash flows from capital and related financing activities:			
Proceeds from sale of property and equipment	\$ 625	\$ -0-	\$ -0-
Purchases of property and equipment	(512,337)	(64,480)	(42,703)
Proceeds from assets limited as to use	(9,663)	200,800	(58,473)
Proceeds from new debt	255,389	-0-	-0-
Principal paid on long-term debt	(253,220)	(110,923)	(98,054)
Interest paid on long-term debt	<u>(45,254)</u>	<u>(39,770)</u>	<u>(54,935)</u>
Net cash used by capital and related financing activities	<u>(564,460)</u>	<u>(14,373)</u>	<u>(254,165)</u>
Net increase (decrease) in cash and cash equivalents	(330,626)	381,710	182,161
Cash and cash equivalents, beginning of year	<u>1,196,064</u>	<u>814,354</u>	<u>632,193</u>
Cash and cash equivalents, end of year	<u>\$ 865,438</u>	<u>\$ 1,196,064</u>	<u>\$ 814,354</u>
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	<u>\$ 45,254</u>	<u>\$ 39,770</u>	<u>\$ 54,954</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
BUNKIE GENERAL HOSPITAL
UNRESTRICTED FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2002, 2001 AND 2000

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

The Avoyelles Parish Hospital Service District (the "Hospital" or the "District") was created by an ordinance of the Avoyelles Parish Police Jury on February 14, 1968.

As the governing authority of the parish, for reporting purposes, the Avoyelles Parish Police Jury is the financial reporting entity for Avoyelles Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Because the police jury appoints all commissioners of the Avoyelles Parish Hospital Service District, the District is a component unit of the Avoyelles Parish Police Jury, the financial reporting entity. The accompanying financial statements present only the funds maintained by the District and do not present information on the police jury, the general government services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

Nature of Business

The Hospital provides outpatient, emergency, skilled nursing (through "swing-beds"), acute inpatient *hospital services and home health services*. On October 7, 1993, the Hospital converted 20 acute beds to an adolescent care psychiatric unit. In July 1994, the Hospital opened an outpatient rural health clinic and hired a nurse practitioner and a physician to provide non-emergency services to the community. In July 1997, the adolescent care psychiatric unit was converted to a geriatric care psychiatric unit. In fiscal 2002, the Hospital employed several new physicians and began to operate fee based clinics for the new physicians.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Proprietary Fund Accounting

The Hospital utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Revenue is reported when earned, net of the provision for contractual adjustments based upon each payor's agreement with the Hospital. Expenditures are recorded when incurred. Hospital accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the Louisiana Governmental Audit Guide, and the Audit and Accounting Guide - Health Care Organizations, published by the American Institute of Certified Public Accountants, and standards set by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
BUNKIE GENERAL HOSPITAL
UNRESTRICTED FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2002, 2001 AND 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposits in checking and money market accounts and certificates of deposit with original maturities of 90 days or less. Cash and cash equivalents are stated at cost, which approximates market value. The caption "cash and cash equivalents" does not include amounts limited as to use.

Credit Risk

The Hospital provides medical care primarily to Avoyelles Parish residents and grants credit to patients, substantially all of whom are local residents. The Hospital's estimate of collectibility is based on evaluation of historical collections compared to gross charges and an analysis of aged accounts receivable to establish an allowance for uncollectible accounts.

Significant Concentration of Economic Dependence

The Hospital has an economic dependence on a small number of staff physicians who admit over 90% of the Hospital's patients. Revenues from Medicare and Medicaid are significant. Accordingly, *government changes in reimbursement and patient coverage significantly impact the Hospital.*

Third Party Cost-Based Revenues

Contractual agreements with governmental agencies provide for reimbursement based on a fixed price per patient stay based upon the patient's primary diagnosis for Medicare inpatient services. Medicare and Medicaid outpatients are reimbursed based upon the lesser of reasonable cost (subject to certain limits) or charges to patients. Until July 1, 1994, the Medicaid inpatient services were reimbursed based upon the lesser of reasonable cost (subject to certain limits) or charges to the patient. As of July 1, 1994, the program reimbursement is based upon a fixed price per day. These reimbursements are subject to audit and retroactive adjustments by each payor.

Inventory

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

Changes in Reporting Classification

The classification of certain prior year amounts have been changed to reflect consistent reporting when compared to current year balances. The financial statement format has been changed to reflect changes in the AICPA Audit and Accounting Guide - Health Care Organizations.

Income Taxes

The entity is a political subdivision and exempt from taxation.

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 UNRESTRICTED FUND
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2002, 2001 AND 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

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

Buildings	15 to 50 years
Machinery and Equipment	3 to 20 years
Furniture and Fixtures	5 to 20 years

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

The cost of assets retired or otherwise disposed of and related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently.

NOTE 3 - DEPOSITS

Included in cash and cash equivalents and assets whose use is limited are cash on hand, deposits with the depository banks for money market accounts, checking accounts and certificates of deposits, which were secured at the balance sheet dates by federal depository insurance coverage and by pledged securities. For all deposits, the market value and carrying value are the same.

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Petty cash	\$ 2,274	\$ 1,322	\$ 1,330
Checking accounts	388,241	798,595	280,215
Money Market accounts	474,923	106,590	136,874
Certificates of deposit	115,028	397,137	707,454
LHA Trust deposits	<u>59,546</u>	<u>57,331</u>	<u>54,192</u>
Total deposits	<u>\$ 1,040,012</u>	<u>\$ 1,360,975</u>	<u>\$ 1,180,065</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 UNRESTRICTED FUND
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2002, 2001 AND 2000

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable as of June 30, is presented below:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Patient accounts receivable	\$ 2,738,369	\$ 2,380,934	\$ 2,218,820
Due from (to) governmental third party reimbursement programs	455,555	487,070	340,959
Other receivables	<u>23,795</u>	<u>83,056</u>	<u>107,038</u>
	3,217,719	2,951,060	2,666,817
Estimated uncollectibles	<u>(1,822,122)</u>	<u>(1,482,905)</u>	<u>(1,257,067)</u>
Patient accounts receivable, net of estimated uncollectibles	<u>\$ 1,395,597</u>	<u>\$ 1,468,155</u>	<u>\$ 1,409,750</u>

The Hospital generates a substantial portion of its charges and net revenues from the Medicare and Medicaid programs. Related amounts as of June 30, are presented below:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Medicare and Medicaid gross patient charges	\$ 9,640,508	\$ 8,788,213	\$ 7,869,229
Contractual adjustments, adjusted to remove effect of Medicaid disproportionate share	<u>(4,104,451)</u>	<u>(4,176,299)</u>	<u>(3,087,180)</u>
Net patient service revenue	<u>\$ 5,536,057</u>	<u>\$ 4,611,914</u>	<u>\$ 4,782,049</u>
Percentage Medicare and Medicaid charges are to gross charges	<u>76%</u>	<u>72%</u>	<u>72%</u>
Percent of total net patient revenues	<u>65%</u>	<u>58%</u>	<u>64%</u>
Medicaid disproportionate share revenue	<u>\$ 710,198</u>	<u>\$ 604,319</u>	<u>\$ 462,721</u>
Percentage Medicaid disproportionate share is to net patient revenue	<u>8%</u>	<u>8%</u>	<u>6%</u>

The Hospital received interim amounts for Medicaid and self-pay uncompensated care services (Medicare disproportionate share revenue) for the years ended June 30, 2002, 2001 and 2000, respectively. The interim amounts received are based upon uncompensated cost incurred in previous years. Current regulations require retroactive audit of the claimed uncompensated cost and comparison to the interim amounts paid by Medicaid in each fiscal year. Any overpayments will be recouped by Medicaid and the Hospital has not made any provisions for such recoupments. Management contends interim amounts paid reasonably estimate final settlement. To the extent management's estimates differ from actual results, the differences will be used to adjust income for the period when differences arise.

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
BUNKIE GENERAL HOSPITAL
UNRESTRICTED FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2002, 2001 AND 2000

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment and related accumulated depreciation for the years ended June 30, 2002, 2001, and 2000.

	June 30, 2001	<u>ASSET COST</u>		June 30, 2002
		<u>Additions</u>	<u>Deductions</u>	
Land	\$ 88,352	\$ -0-	\$ -0-	\$ 88,352
Land improvements	295,089	10,790	25,137	280,742
Buildings	1,935,772	-0-	27,504	1,908,268
Fixed equipment	527,743	3,768	176,456	355,055
Major moveable equipment	2,195,898	477,655	635,116	2,038,437
Clinic equipment	38,457	-0-	4,867	33,590
Dialysis building	<u>875,700</u>	<u>-0-</u>	<u>-0-</u>	<u>875,700</u>
Total	<u>\$ 5,957,011</u>	<u>\$ 492,213</u>	<u>\$ 869,080</u>	<u>\$ 5,580,144</u>

	June 30, 2001	<u>ACCUMULATED DEPRECIATION</u>		June 30, 2002
		<u>Additions</u>	<u>Deductions</u>	
Land improvements	\$ 148,954	\$ 21,832	\$ 25,137	\$ 145,649
Buildings	1,113,577	98,242	31,129	1,180,690
Fixed equipment	385,812	16,755	176,456	226,111
Major moveable equipment	<u>1,782,632</u>	<u>172,433</u>	<u>624,945</u>	<u>1,330,120</u>
Total	<u>\$ 3,430,975</u>	<u>\$ 309,262</u>	<u>\$ 857,667</u>	<u>\$ 2,882,570</u>

	June 30, 2000	<u>ASSET COST</u>		June 30, 2001
		<u>Additions</u>	<u>Deductions</u>	
Land	\$ 88,352	\$ -0-	\$ -0-	\$ 88,352
Land improvements	241,109	53,980	-0-	295,089
Buildings	1,935,772	-0-	-0-	1,935,772
Fixed equipment	527,743	-0-	-0-	527,743
Major moveable equipment	2,190,652	10,500	5,254	2,195,898
Clinic equipment	38,457	-0-	-0-	38,457
Dialysis building	<u>875,700</u>	<u>-0-</u>	<u>-0-</u>	<u>875,700</u>
Total	<u>\$ 5,897,785</u>	<u>\$ 64,480</u>	<u>\$ 5,254</u>	<u>\$ 5,957,011</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 UNRESTRICTED FUND
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2002, 2001 AND 2000

NOTE 5 - PROPERTY, PLANT & EQUIPMENT (Continued)

	June 30, 2000	<u>ACCUMULATED DEPRECIATION</u>		June 30, 2001
		Additions	Deductions	
Land improvements	\$ 134,936	\$ 14,018	\$ -0-	\$ 148,954
Buildings	987,213	126,364	-0-	1,113,577
Fixed equipment	367,424	18,388	-0-	385,812
Major moveable equipment	<u>1,666,007</u>	<u>120,448</u>	<u>3,823</u>	<u>1,782,632</u>
Total	<u>\$ 3,155,580</u>	<u>\$ 279,218</u>	<u>\$ 3,823</u>	<u>\$ 3,430,975</u>

	June 30, 1999	<u>ASSET COST</u>		June 30, 2000
		Additions	Deductions	
Land	\$ 88,352	\$ -0-	\$ -0-	\$ 88,352
Land improvements	228,850	12,259	-0-	241,109
Buildings	1,931,990	3,782	-0-	1,935,772
Fixed equipment	527,403	2,793	2,453	527,743
Major moveable equipment	2,171,341	23,869	4,558	2,190,652
Clinic equipment	38,457	-0-	-0-	38,457
Dialysis building	<u>875,700</u>	<u>-0-</u>	<u>-0-</u>	<u>875,700</u>
Total	<u>\$ 5,862,093</u>	<u>\$ 42,703</u>	<u>\$ 7,011</u>	<u>\$ 5,897,785</u>

	June 30, 1999	<u>ACCUMULATED DEPRECIATION</u>		June 30, 2000
		Additions	Deductions	
Land improvements	\$ 122,290	\$ 12,646	\$ -0-	\$ 134,936
Buildings	865,125	100,535	-0-	965,660
Fixed equipment	350,012	18,567	1,155	367,424
Major moveable equipment	<u>1,537,641</u>	<u>157,178</u>	<u>7,259</u>	<u>1,687,560</u>
Total	<u>\$ 2,875,068</u>	<u>\$ 288,926</u>	<u>\$ 8,414</u>	<u>\$ 3,155,580</u>

HOSPITAL SERVICE DISTRICT NO. 1
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NOTE 6 - ASSETS LIMITED AS TO USE

On November 12, 1968, Hospital Service District No. 1 accepted an offer from the Department of Housing and Urban Development to make a loan in order to aid in financing the construction of a new 30-bed general hospital. The indenture imposed restrictions on the hospital authority; a summary of cash restrictions follows:

All income earned from operations of the Hospital is to be deposited in the hospital operating fund. Funds are to be expensed in the following order of priority and for the following purposes.

- (1) The payment of reasonable expenses of administration, operation and maintenance of the Hospital.
- (2) A cash transfer to the Hospital Bond and Interest Sinking Fund by the 15th day of each month, sums equal to one-fifth of the interest due on the next interest payment date, plus one-tenth of the principal due on the next principal payment date. Transfer will continue until a reserve of \$24,000 has been accumulated; thereafter, cash transfers will be made as are necessary to meet the current year's debt service requirements and maintain the reserve of \$24,000.
- (3) A cash transfer to the Hospital Repair and Replacement Reserve Fund of \$125 monthly until a reserve of \$15,000 has been accumulated and maintained in such amount. The money may be withdrawn for the purpose of paying extraordinary maintenance of repairs, renewals and replacement. Should the Hospital Bond and Interest Sinking Fund be insufficient to pay a required installment, funds in the Hospital Repair and Replacement Reserve Fund will be transferred to the extent required to eliminate the deficiency.

It is the contention of management that the accounting requirements of the revenue bond issue were met.

Pursuant to a resolution by the Board of Directors of the Hospital on January 18, 1973, a board-designated plant fund was established to be utilized for replacement of existing capital assets and the purchase of new capital assets. Those limited use funds described above contained the investments and accrued interest at June 30, as follows:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
<u>By Bond Indenture</u>			
Hospital bond and interest sinking fund	\$ 57,711	\$ 52,437	\$ 257,567
Hospital repair and replacement reserve fund	37,332	35,916	34,457
<u>By Board</u>			
Plant fund	-0-	-0-	1,101
Dialysis building fund	19,985	19,227	18,394
LHA Trust deposits	<u>59,546</u>	<u>57,331</u>	<u>54,192</u>
Noncurrent assets whose use is limited	<u>\$ 174,574</u>	<u>\$ 164,911</u>	<u>\$ 365,711</u>

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NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

A summary of accounts payable and accrued expenses as of June 30, follows:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Accounts payable	\$ 555,491	\$ 496,104	\$ 341,462
Salaries	88,437	68,111	56,835
Payroll taxes	(4,241)	21,080	22,827
Interest	2,516	1,543	3,572
Compensated absences	<u>109,878</u>	<u>96,174</u>	<u>100,829</u>
Total	<u>\$ 752,081</u>	<u>\$ 683,012</u>	<u>\$ 525,525</u>

NOTE 8 - LONG-TERM DEBT

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

	<u>2002</u>	<u>2001</u>	<u>2000</u>
5.48 percent note to American Security Bank, collateralized by assignment of lease of the new <i>dialysis building</i>	\$ 435,296	\$ 494,196	\$ 554,442
7.0 percent note payable to Union Bank, due June 1, 2007, unsecured	-0-	134,693	154,796
1.57 percent capital lease obligation due October 18, 2006, collateralized by leased equipment	196,607	7,624	23,198
4.75 percent Revenue Bonds due November 1, 2009, collateralized by a pledge of the Hospital's gross receipts	155,000	170,000	185,000
Note to Ford Motor Credit, due October 22, 2006, collateralized by the purchased van	<u>21,779</u>	<u>-0-</u>	<u>-0-</u>
Total long-term debt	808,682	806,513	917,436
Less current maturities of long-term debt	<u>(118,860)</u>	<u>(96,159)</u>	<u>(68,578)</u>
Long-term debt net of current maturities	<u>\$ 689,822</u>	<u>\$ 710,354</u>	<u>\$ 848,858</u>

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NOTE 8 - LONG-TERM DEBT (Continued)

Scheduled principal repayments on revenue bonds and payments on capital lease obligations and notes payable are as follows:

<u>Year Ending June 30,</u>	<u>Revenue Bonds</u>	<u>Notes and Leases</u>
2003	\$ 15,000	\$ 103,860
2004	15,000	115,992
2005	20,000	120,618
2006	20,000	125,004
2007	20,000	94,418
Thereafter	<u>65,000</u>	<u>93,790</u>
Total	<u>\$ 155,000</u>	<u>\$ 653,682</u>

NOTE 9 - LEASES

The Hospital is the lessee of various equipment under capital leases expiring in various years through 2007. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over their estimated productive lives, as Medicare rules mandate. Depreciation of assets under capital leases is included in depreciation expense for the periods ended June 30. Following is a summary of property held under capital leases:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
AT&T phones	\$ 20,969	\$ 20,969	\$ 20,969
Fidelity - IBM line printer	8,934	8,934	8,934
GE legacy system	<u>230,260</u>	<u>-0-</u>	<u>-0-</u>
	260,163	29,903	29,903
Less: Accumulated depreciation	<u>(42,603)</u>	<u>(8,718)</u>	<u>(5,533)</u>
	<u>\$ 217,560</u>	<u>\$ 21,185</u>	<u>\$ 24,370</u>

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NOTE 9 - LEASES (Continued)

Minimum future lease payments under capital leases as of June 30, 2002, and for each subsequent year in aggregate are provided below:

<u>Years Ending June 30,</u>	<u>Amount</u>
2003	\$ 43,868
2004	47,856
2005	47,856
2006	47,856
2007	<u>15,952</u>
Total minimum lease payments	203,388
Less: Amounts representing interest	<u>(6,781)</u>
Net minimum lease payments	\$ <u>196,607</u>

Leases that do not meet the criteria for capitalization are classified as operating leases with related rental charged to operations as incurred. The following is a schedule by year of future minimum lease payments under operating leases as of June 30, 2002, that have initial or remaining lease terms in excess of one year.

<u>Years Ending June 30,</u>	<u>Amount</u>
2003	\$ 118,191
2004	109,613
2005	101,074
2006	<u>75,600</u>
Total minimum lease payments	\$ <u>404,478</u>

NOTE 10 - COMPENSATED ABSENCES

Employees of the Hospital are entitled to paid days off and sick days depending on length of service. The Hospital charged operations during the periods ended June 30, 2002, 2001 and 2000, for accrued paid days off of \$109,878, \$96,174, and \$100,829, respectively. It is impracticable to estimate the amount of compensation for future unvested sick pay and, accordingly, no liability has been recorded in the accompanying financial statements. The Hospital's policy is to recognize the cost of unvested sick pay when actually paid to employees.

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NOTE 11 - PROFESSIONAL LIABILITY RISK

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

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

NOTE 12 - CHARITY CARE

The Hospital has a policy of providing charity care to patients who can prove they are indigent. Charity care charges were \$24,831, \$52,871, and \$35,226 for the respective fiscal periods ended June 30, 2002, 2001 and 2000.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

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

The principal contingencies are described below:

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

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

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NOTE 13 - COMMITMENTS AND CONTINGENCIES (Continued)

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

Professional Liability Risk (Note 11) - The Hospital is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund.

The Hospital participates in the Louisiana Hospital Association 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 additional assessments, if any. Accordingly, the Hospital is contingently liable for assessments by the Louisiana Hospital Association Trust Fund. The Hospital's account balance in the Louisiana Hospital Association Trust Fund is \$273,468.

Beginning January 1, 1997, the Hospital purchased a Workmen's Compensation insurance policy from Business Insurance Company.

Medical Benefits Trust - The Hospital maintains a medical benefits trust. The Hospital and employees contribute on a 50/50 basis amounts required to cover the health benefits cost of the employees. Employees with more than 90 days of service can participate.

The trust pays all claims from funds provided from the Hospital. The trust agreement provides that should it not have sufficient funds to cover its obligations, the Hospital is obligated to fund the shortfall. The Hospital purchases "excess" insurance coverage that provides for payment of individual claims in excess of \$10,000 or aggregate annual claims in excess of \$226,838.

During fiscal year 1999, the Hospital became self-insured to provide medical benefits to employees. The Hospital and employees contribute on a 50/50 basis amounts required to cover the insurance premiums.

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

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NOTE 14 - VOLUNTARY HOSPITALS OF AMERICA - GULF STATES ("VHA")

As a member of the VHA, the Hospital has committed to fund a percentage of the corporation's operating budget annually. The Hospital purchases medical-surgical supplies for use in hospital operations. The Hospital's current commitment is an annual minimum of \$2,000 per occupied bed.

NOTE 15 - RETIREMENT PROGRAM

Employees have available retirement coverage through an employee funded defined contribution plan. Beginning June 1, 1993, the Board began making semi-annual determinations as to how much the Hospital will contribute to an additional plan for full-time employees who work 64 or more hours per pay period. Each employee will be required to contribute a minimum of 3% of their base pay toward the program. Employees will become 100% vested in the Hospital's contributions after three full years of employment.

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Total payroll	\$ 2,442,331	\$ 2,458,026	\$ 2,513,909
Total covered payroll	2,242,819	1,158,313	2,175,080
Employee contributions	128,497	60,407	118,323
Employer contributions	61,109	59,157	89,961
Percentage employee contributions	5.7%	5.2%	5.4%
Percentage employer contributions	2.7%	5.1%	4.1%

NOTE 16 - AD VALOREM TAXES

The District levies real estate taxes on all real property on a calendar year basis, at a rate enacted by the Board of Commissioners as recommended by the local tax assessor. Property taxes are collected through the local sheriff and remitted, net of collection fees, to the District. The sheriff's office is responsible for collection, including establishing lien, levy and due dates of property taxes.

SUPPLEMENTAL INFORMATION

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
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 SCHEDULES OF NET PATIENT SERVICE REVENUE
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	<u>2002</u>	<u>2001</u>	<u>2000</u>
Routine services:			
Adult and pediatric	\$ 303,750	\$ 329,206	\$ 390,417
Psychiatric unit	2,510,000	2,257,000	1,603,000
Swing-bed	<u>45,836</u>	<u>50,810</u>	<u>59,620</u>
Total routine services	<u>2,859,586</u>	<u>2,637,016</u>	<u>2,053,037</u>
Other professional services:			
Operating room			
Inpatient	7,112	5,079	7,060
Outpatient	<u>72,720</u>	<u>67,937</u>	<u>81,560</u>
Total operating room	<u>79,832</u>	<u>73,016</u>	<u>88,620</u>
Recovery room			
Inpatient	220	110	110
Outpatient	<u>3,410</u>	<u>6,710</u>	<u>13,970</u>
Total recovery room	<u>3,630</u>	<u>6,820</u>	<u>14,080</u>
Anesthesia			
Inpatient	3,085	2,250	3,560
Outpatient	<u>26,930</u>	<u>40,455</u>	<u>74,610</u>
Total anesthesia	<u>30,015</u>	<u>42,705</u>	<u>78,170</u>
Radiology			
Inpatient	526,045	490,812	391,881
Outpatient	<u>1,529,573</u>	<u>1,511,692</u>	<u>1,242,579</u>
Total radiology	<u>2,055,618</u>	<u>2,002,504</u>	<u>1,634,460</u>
Laboratory			
Inpatient	713,614	744,362	499,095
Outpatient	<u>1,878,887</u>	<u>1,903,116</u>	<u>1,380,636</u>
Total laboratory	<u>2,592,501</u>	<u>2,647,478</u>	<u>1,879,731</u>

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 SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
 YEARS ENDED JUNE 30, 2002, 2001 AND 2000

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Blood			
Inpatient	\$ 25,690	\$ 17,167	\$ 6,488
Outpatient	<u>23,266</u>	<u>17,899</u>	<u>15,972</u>
Total blood	<u>48,956</u>	<u>35,066</u>	<u>22,460</u>
Inhalation therapy			
Inpatient	308,021	309,822	319,213
Outpatient	<u>89,582</u>	<u>102,689</u>	<u>91,909</u>
Total inhalation therapy	<u>397,603</u>	<u>412,511</u>	<u>411,122</u>
Physical therapy			
Inpatient	13,581	20,852	14,462
Outpatient	<u>-0-</u>	<u>177</u>	<u>1,314</u>
Total physical therapy	<u>13,581</u>	<u>21,029</u>	<u>15,776</u>
Cardiac rehab			
Inpatient	-0-	-0-	-0-
Outpatient	<u>34,326</u>	<u>54,571</u>	<u>35,720</u>
Total cardiac rehab	<u>34,326</u>	<u>54,571</u>	<u>35,720</u>
Electrocardiology			
Inpatient	31,195	25,840	30,005
Outpatient	<u>79,055</u>	<u>81,835</u>	<u>83,455</u>
Total electrocardiology	<u>110,250</u>	<u>107,675</u>	<u>113,460</u>
Electroencephalogram			
Inpatient	-0-	-0-	-0-
Outpatient	<u>1,221</u>	<u>2,250</u>	<u>3,250</u>
Total electroencephalogram	<u>1,221</u>	<u>2,250</u>	<u>3,250</u>
Telemetry			
Inpatient	45,200	43,500	58,600
Outpatient	<u>5,400</u>	<u>7,500</u>	<u>9,500</u>
Total telemetry	<u>50,600</u>	<u>51,000</u>	<u>68,100</u>

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 SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
 YEARS ENDED JUNE 30, 2002, 2001 AND 2000

	2002	2001	2000
Central supply			
Inpatient	\$ 109,828	\$ 130,585	\$ 132,496
Outpatient	<u>105,841</u>	<u>147,964</u>	<u>173,555</u>
Total central supply	<u>215,669</u>	<u>278,549</u>	<u>306,051</u>
Intravenous therapy			
Inpatient	139,799	149,595	163,872
Outpatient	<u>103,011</u>	<u>109,798</u>	<u>109,175</u>
Total intravenous therapy	<u>242,810</u>	<u>259,393</u>	<u>273,047</u>
Pharmacy			
Inpatient	638,589	652,168	641,615
Outpatient	<u>298,210</u>	<u>326,092</u>	<u>302,459</u>
Total pharmacy	<u>936,799</u>	<u>978,260</u>	<u>944,074</u>
Emergency room			
Inpatient	65,315	64,058	47,870
Outpatient	<u>922,511</u>	<u>851,259</u>	<u>656,699</u>
Total emergency room	<u>987,826</u>	<u>915,317</u>	<u>704,569</u>
Emergency room physician			
Inpatient	18,310	13,015	33,690
Outpatient	<u>615,007</u>	<u>603,356</u>	<u>644,144</u>
Total emergency room physician	<u>633,317</u>	<u>616,371</u>	<u>677,834</u>
Observation room			
Inpatient	4,236	2,085	4,155
Outpatient	<u>65,767</u>	<u>65,070</u>	<u>74,835</u>
Total observation room	<u>70,003</u>	<u>67,155</u>	<u>78,990</u>
Dialysis treatment			
Inpatient	-0-	-0-	505
Outpatient	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total dialysis treatment	<u>-0-</u>	<u>-0-</u>	<u>505</u>

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SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED JUNE 30, 2002, 2001 AND 2000

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Home health visits	\$ 518,884	\$ 409,791	\$ 573,811
Rural health clinic	517,426	556,029	484,622
Partial day psychiatric services	-0-	63,792	433,656
Physician clinics	<u>317,068</u>	<u>-0-</u>	<u>-0-</u>
Total other professional services	<u>9,857,935</u>	<u>9,601,282</u>	<u>8,842,108</u>
Total patient service revenues	<u>12,717,521</u>	<u>12,238,298</u>	<u>10,895,145</u>
Deductions from revenue:			
Contractual adjustments	(4,804,992)	(4,850,018)	(3,806,338)
Disproportionate share payment - Medicaid	710,198	604,319	462,721
Charity care	(24,831)	(52,871)	(35,226)
Discounts	<u>(43,634)</u>	<u>(43,914)</u>	<u>(9,607)</u>
Total deductions from revenue	<u>(4,163,259)</u>	<u>(4,342,484)</u>	<u>(3,388,450)</u>
Net patient service revenue	<u>\$ 8,554,262</u>	<u>\$ 7,895,814</u>	<u>\$ 7,506,695</u>

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 SCHEDULES OF OTHER REVENUE
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	2002	2001	2000
Cafeteria sales	\$ 26,020	\$ 27,246	\$ 22,667
Medical records fees	9,131	6,719	8,379
Vending machines	8,638	9,152	8,084
Fitness Center fees	18,386	18,400	21,817
Silver Society fees	10,572	6,162	21,483
Contributions	910	850	25
Gain (loss) on disposal of equipment	(10,788)	(1,430)	(1,298)
Rental income	114,192	120,216	113,322
Pharmacy prescription sales	24,091	28,197	27,926
Miscellaneous revenue	<u>29,700</u>	<u>8,060</u>	<u>17,650</u>
 Total other revenue	 <u>\$ 230,852</u>	 <u>\$ 223,572</u>	 <u>\$ 240,055</u>

HOSPITAL SERVICE DISTRICT NO. 1
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 SCHEDULES OF EXPENSES - SALARIES AND BENEFITS
 YEARS ENDED JUNE 30, 2002, 2001 AND 2000

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Salaries:			
Administrative and general	\$ 226,029	\$ 229,590	\$ 231,138
Business office	181,715	174,401	198,255
Communications	15,640	13,846	13,479
Plant operation	112,169	106,156	105,200
Housekeeping	75,557	69,096	64,251
Dietary	84,413	82,835	86,953
Nursing administration	84,824	86,805	97,593
Central supply	34,033	33,342	10,772
Medical records	93,731	92,587	99,868
Nursing services	322,717	312,850	314,884
Psychiatric unit	15,150	14,000	20,000
Operating room	13,600	15,623	17,402
Radiology	185,605	148,556	154,724
Laboratory	164,966	147,383	145,913
EKG	1,636	3,245	3,245
Cardiac rehab	38,913	35,992	2,888
Rural health clinic	293,382	200,360	346,044
Emergency room	335,574	302,430	296,033
Observation room	60,072	57,366	55,028
Home health	218,049	190,576	193,976
Physician's office building	372,991	-0-	3,120
Fitness center	<u>34,452</u>	<u>37,103</u>	<u>57,528</u>
 Total salaries	 <u>2,965,218</u>	 <u>2,354,142</u>	 <u>2,518,294</u>
 Payroll taxes	 208,360	 172,231	 175,889
Hospitalization insurance	165,978	76,402	80,898
Deferred compensation	66,647	63,393	85,847
Workers compensation	59,625	40,409	11,282
Other	<u>6,991</u>	<u>9,043</u>	<u>3,047</u>
 Total benefits	 <u>507,601</u>	 <u>361,478</u>	 <u>356,963</u>
 Total salaries and benefits	 <u>\$ 3,472,819</u>	 <u>\$ 2,715,620</u>	 <u>\$ 2,875,257</u>

HOSPITAL SERVICE DISTRICT NO. 1
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 SCHEDULES OF EXPENSES - MEDICAL SUPPLIES AND EXPENSES
 YEARS ENDED JUNE 30, 2002, 2001 AND 2000

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Nursing services	\$ 47,396	\$ 22,633	\$ 22,291
Psychiatric unit	15,752	14,343	12,103
Operating room	2,056	1,394	3,653
Anesthesia	146	-0-	-0-
Radiology	220,076	234,139	200,757
Dialysis treatment	-0-	-0-	1,337
Laboratory	252,686	204,957	192,477
Blood	34,468	14,654	6,194
IV therapy	65,630	75,199	86,638
Respiratory therapy	3,691	4,331	4,453
EKG	409	214	186
Central supply	60,168	18,658	33,439
Pharmacy	400,129	422,049	349,759
Cardiac rehab	1,570	1,663	938
Partial day psychiatric	-0-	-0-	375
Rural health clinic	2,339	5,605	4,867
Emergency room	7,163	5,921	4,269
Observation room	254	402	500
Home health	5,020	3,406	8,006
Physical therapy	-0-	-0-	203
Physician's office building	<u>18,408</u>	<u>-0-</u>	<u>-0-</u>
 Total medical supplies and expenses	 \$ <u>1,137,361</u>	 \$ <u>1,029,568</u>	 \$ <u>932,445</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 SCHEDULES OF EXPENSES - MEDICAL PROFESSIONAL FEES
 YEARS ENDED JUNE 30, 2002, 2001 AND 2000

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Psychiatric unit	\$ 1,132,376	\$ 1,133,874	\$ 1,039,205
Anesthesia	16,470	25,480	52,390
Laboratory	19,860	16,050	24,001
Respiratory therapy	157,500	142,500	150,000
Physical therapy	42,506	23,181	11,875
Rural health clinic	19,690	140,790	47,805
Emergency room	<u>794,146</u>	<u>808,371</u>	<u>677,150</u>
 Total medical professional fees	 <u>\$ 2,182,548</u>	 <u>\$ 2,290,246</u>	 <u>\$ 2,002,426</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 SCHEDULES OF EXPENSES - OTHER EXPENSES
 YEARS ENDED JUNE 30, 2002, 2001 AND 2000

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Miscellaneous service fees	\$ 47,567	\$ 12,990	\$ 24,570
Legal	43,045	22,913	38,168
Accounting	65,568	79,837	80,751
Non-medical supplies	426,326	338,343	307,238
Dietary - food expense	55,832	53,879	53,397
Repairs and maintenance	177,065	150,752	118,577
Utilities	130,093	169,059	125,505
Telephone	71,506	74,396	63,573
Home health mileage	19,802	16,272	18,313
Rentals	81,517	92,682	137,395
Public relations	61,789	42,867	47,137
Dues and subscriptions	48,606	32,416	12,653
Medical staff expense & relocation	35,985	(5,930)	41,004
Litigation settlement	5,000	-0-	-0-
Miscellaneous expenses	<u>20,449</u>	<u>56,668</u>	<u>32,777</u>
 Total other expenses	 <u>\$ 1,290,150</u>	 <u>\$ 1,137,144</u>	 <u>\$ 1,101,058</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 SCHEDULES OF PATIENT STATISTICS
 YEARS ENDED JUNE 30, 2002, 2001 AND 2000

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Number of Beds			
Acute	28	28	28
Psychiatric	20	20	20
Bed Days Available			
Acute	10,220	10,220	10,220
Psychiatric	7,300	7,300	7,300
Patient Days			
Total Acute	1,334	1,481	1,730
Total Swing Bed	415	465	495
Total Psychiatric	2,514	2,257	1,581
Medicare Acute	969	1,030	1,223
Medicare Swing Bed	408	461	544
Medicare Psychiatric	2,405	2,227	1,594
Medicaid Acute	211	299	322
Percentage Occupancy			
Acute and Swing Bed	17.11	23.59	22.25
Psychiatric	34.44	30.92	21.84
Discharges			
Total Acute	425	482	517
Total Swing Bed	53	64	92
Total Psychiatric	214	201	135
Emergency Room Visits	7,384	7,374	7,692
Home Health Visits	6,017	5,100	7,071
Clinic Visits	6,694	7,549	7,219
Number of Surgeries	80	114	171

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 SCHEDULE OF INSURANCE
 JUNE 30, 2002

<u>POLICY NUMBER</u>	<u>COMPANY</u>	<u>FROM</u>	<u>TO</u>	<u>TYPE OF INSURANCE</u>	<u>COVERAGE LIMITS</u>
HPL-0090-2001	LA Hospital Association Trust Fund Louisiana Patient Compensation Fund	11/01/01	11/01/02	Hospital Professional Liability Comprehensive General Liability	\$100,000 per claim/\$400,000 excess \$5,000,000 umbrella \$1,000,000 per occurrence \$9,000,000 umbrella \$1,000,000 per claim
HPL-0090-2001	LA Hospital Association	01/01/02	01/01/03	Workmen's Compensation	\$1,000,000 each accident
039LB103073248A	The Benchmark Agency	04/29/02	04/29/03	Directors, Officers and Trustees Indemnity Insurance including Healthcare Organization Reimbursement Policy	\$1,000,000 - limit \$25,000 retention each loss
T215529	EMC Insurance	04/11/01	04/11/02	Liability on Business Auto Comprehensive and collision	\$1,000,000 - underinsured motorist \$1,000,000 - uninsured motorist \$1,000,000 - liability \$1,000 medical per person
T215529	EMC Insurance	05/18/02	05/18/03	Public Employee Bond	\$200,000 Employee dishonesty \$200,000 Forgery or alteration
1-57737	Lammico	01/01/02	01/01/03	Dr. Hines Comprehensive Professional	\$100,000 per claim \$300,000 annual aggregate
1-83113	Lammico	01/01/02	01/01/03	Dr. B. Brouillette Comprehensive Professional	\$100,000 per claim \$300,000 annual aggregate
1-80267	Lammico	10/01/01	10/01/02	Dr. G. Brouillette Comprehensive Professional	\$100,000 per claim \$300,000 annual aggregate
1-TBD	Lammico	04/01/02	04/01/03	Dr. Krupkin Comprehensive Professional	\$100,000 per claim \$300,000 annual aggregate
1-9233	Lammico	01/01/02	01/01/03	Dr. Lemoine Comprehensive Professional	\$100,000 per claim \$300,000 annual aggregate
33-7702-D11-18B	State Farm	04/11/02	10/11/02	Liability on Business Auto Comprehensive and collision	\$1,000,000 - under insured motorist \$1,000,000 - uninsured motorist \$1,000,000 - liability \$1,000 medical per person
MZF80393528	Fireman's Fund	04/11/01	04/11/02	Boiler and Machinery	\$9,809,000 Property except Business Inc \$2,000,000 Unnamed Location

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 SCHEDULES OF PER DIEM AND
 OTHER COMPENSATION PAID TO BOARD MEMBERS
 YEARS ENDED JUNE 30, 2002, 2001 AND 2000

	<u>Term Expires</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Board Members:				
Dr. Carl F. Jory	11-14-2004	\$ -0-	\$ -0-	\$ -0-
Mr. James Mixon	12-11-2003	-0-	-0-	-0-
Ms. Nancy Carruth	02-13-2008	-0-	-0-	-0-
Mr. Don P. Descant	02-13-2008	-0-	-0-	-0-
Mr. Jeff Keys	02-13-2008	600	480	640
Ms. Barbara Jones	11-15-2006	360	320	640
Mr. Harry Normand	02-14-2003	600	440	640

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

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

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

Board of Commissioners
Avoyelles Parish Hospital Service District No. 1
Bunkie, Louisiana

We have audited the general purpose financial statements of the Avoyelles Parish Hospital Service District No. 1 (the "District" or the "Hospital") for the years ended June 30, 2002, 2001 and 2000 and have issued our report thereon dated November 6, 2002. We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose 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 audits and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose 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 the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule.

Board of Commissioners
Avoyelles Parish Hospital Service District No. 1
Page Two

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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.

This report is intended solely for the information and use of management and the office of the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.



Certified Public Accountants

November 6, 2002

AVOYELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
AUDITORS' COMMENTS AND RECOMMENDATIONS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2002

Page 1 of 5

2002, Compliance

Condition: When testing compliance with debt covenants, the required deposits were made, but not timely.

Comment: Controls should be implemented to insure compliance with debt covenants.

Management's Response: The required deposits will be made timely by setting up the accounts payable system to print a recurring check in advance of date due. This will assure that the check is cut and mailed timely each month. The accounting department will monitor this process each month to assure compliance.

Condition: A review of new capital leases found one which had neither the required non-appropriation clause nor the approval from the state bond commission. Additionally, a vehicle was purchased and a "zero" percent note was signed with monthly payments, but state bond commission approval was not obtained.

Comment: When entering into a capital lease, the lease must include a clause allowing termination of the lease if funds are not appropriated to make the next year's lease payments or the government body must obtain approval from the state bond commission for the included debt to not violate state law. When debt is incurred by a political subdivision, bond commission approval must be obtained to not violate state law.

Management's Response: A request has been sent to the lessors to amend the lease contracts to include a non-appropriation clause. An internal control process will be implemented to assure that all future leases and/or loans have met state law. No leases or financing will be executed or obtained without review by the Governing Board Finance Committee to assure proper language and determine if state bonding commission approval is needed.

Condition: An inspection of credit card disbursements and supporting documentation did not consistently include complete documentation required by the IRS and good accounting controls to support the business purpose.

Comment: We suggest management use IRS guidelines to fully document the business purposes of meals, travel, etc. on expense reports. This was an oral comment last year.

Management's Response: A policy will be implemented to assure that all credit card receipts are attached and filed appropriately with an employee's travel request. Copies of the credit card charges will be attached to the credit card statement supporting the charges made. The accounts payable department will bring to the attention of the CFO all credit card statements without appropriate documentation.

AVOUELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
AUDITORS' COMMENTS AND RECOMMENDATIONS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2002

Page 2 of 5

2002, Material Weaknesses

Condition: Our tests of cash accounts disclosed bank reconciliations were not completed after February 2002. Other reconciliations of subsidiary records to the general ledger, e.g. accounts receivable, prepaid expenses, accruals, etc., were not completed timely.

Comment: Monthly the general ledger must be balanced to subsidiary records for control purposes and to improve the accuracy of interim financial statements. Some of these reconciliation issues are repeated from last year.

Management's Response: Additional accounting staff will be added to accommodate internal control procedures such as timely reconciliation of balance sheet accounts.

Condition: While testing accounts receivable records, we found control totals for clinic and home health systems were included with hospital patient accounts. The clinic and home health subsidiary records, from other systems, did not tie to the control accounts. Revenue, collections, and writeoffs as posted to the general ledger had not been posted to the subsidiary systems.

Comment: Timely posting to the subsidiary systems and prompt, regular reconciliations of Hospital input to other systems' output must occur. The lack of controls and untimely postings allow the opportunity to misappropriate Hospital assets and leads to inaccurate financial information on which decisions are made.

Management's Response: The policy of handling other accounts receivable subsidiary systems will be changed to include setting up a separate general ledger account for each subsidiary and to include timely reconciliations of those accounts.

2002, Management Comments

Condition: The accounts receivable credit balance report total exceeded \$175,000.

Comment: Credit balance accounts must be reviewed at least monthly and corrections or refunds made timely.

Management's Response: With the addition of accounting staff, a monthly review of all accounts receivable accounts will be done for the purpose of determining the validity and collectibility of outstanding balances. The issue of credit balances will be addressed in this process to determine the amount of refunds to be disbursed or if other accounts are due, the appropriate amount of payment transfers to be made in order to reduce the credit balances and debit balances.

AVOYELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
AUDITORS' COMMENTS AND RECOMMENDATIONS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2002

Page 3 of 5

2002, Management Comments (Continued)

Condition: When bank reconciliations were completed, some items which were over one (1) year old were reported as reconciling items, but were not investigated.

Comment: Items which do not clear the bank reconciliation within a month should be investigated and management should approve staff's findings or plan of action. Staff's plan of action must be monitored to insure correct resolution of pending issues.

Management's Response: The outstanding check list will be reviewed monthly to investigate the cause of older outstanding items.

Condition: Inquiry as to business office procedures and cross training found no written description of positions and their duties.

Comment: Written descriptions of duties for functions within the business office are needed for cross training and to avoid missing critical tasks when employees are on leave or when personnel changes occur.

Management's Response: Job descriptions will be written and communicated to each business office employee. A review of positions that are critical to the billing and collections process will be made to identify the cross training necessary to protect the operations in case of personnel turnover, vacation, sickness, etc.

Condition: No formal policy is documented for estimating the allowance for uncollectible accounts.

Comment: We recommend researching, approving, and implementing a consistent method of estimating uncollectible accounts using historical trends, aging report, and other records. This needs to be done for all types of Hospital accounts, including hospital, clinic, home health, RHC, etc. services.

Management's Response: Research will be done to determine the appropriate manner of estimating uncollectibles each month. There are varying acceptable methods of estimating bad debts which include the revenue method (income statement approach) and aging of accounts receivable (balance sheet approach). After research has been done, an acceptable method will be approved and put into place.

AVOYELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
AUDITORS' COMMENTS AND RECOMMENDATIONS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2002

Page 4 of 5

2002, Management Comments (Continued)

Condition: Net income on the trial balance provided to us was \$150,000 more than the \$117,000 net loss on the financial statements presented to the Board of Commissioners.

Comment: Financial statements presented to the Board should be complete and accurate to facilitate informed decisions.

Management's Response: Revised financial statements were prepared and presented to the board immediately at the next board meeting. The revised net loss was \$145,317 compared to the originally reported loss of \$116,670. The submitted trial balance included additional revenues and expenses but did not include the appropriate adjustments for contractual allowances. Internal control procedures have been put in place to assure that all subsidiary systems have been posted before financial statements are prepared.

2001, Compliance

None

2001, Material Weaknesses

Condition: Reconciliations between subsidiary records and balance sheet general ledger account balances are not consistently completed. When completed, differences are not always fully investigated and/or corrections posted. Accounts adjusted included, but were not limited to accounts receivable, accounts payable, and cost settlements.

Comment: Each general ledger account should be reconciled to subsidiary records each month. Differences must be resolved each month and appropriate corrective entries or actions must be timely completed.

Management's Response: Additional accounting staff will be added to accommodate internal control procedures such as timely reconciliation of balance sheet accounts.

Resolution: This matter remains unresolved.

AVOYELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
AUDITORS' COMMENTS AND RECOMMENDATIONS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2002

Page 5 of 5

2000, Material Weaknesses

Condition: An adjustment was necessary to correct the estimated contractual adjustment calculation. Medicare ancillary psychiatric charges were omitted from a calculation. This caused a material understatement of deductions from revenue.

Comment: Procedures should be implemented to assure complete and accurate information for contractual estimates. Estimates must be adjusted to reflect changes in methods of reimbursement, especially in consideration of new prospective rates effecting previously cost based programs.

Management's Response: The management process of accessing data has been realigned to insure correct and complete data is used and changes are implemented as reimbursement methods change.

Resolution: This matter has been resolved.