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**OPELOUSAS GENERAL HEALTH SYSTEM**

**FINANCIAL REPORT**

**JUNE 30, 2004**

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 2-2-05

**Opelousas General Hospital Trust Authority and Hospital Service District #2 of  
St. Landry Parish, Louisiana (d/b/a Opelousas General Health System)**

*Years ended June 30, 2004 and 2003 with Report of Independent Auditors*

**MANAGEMENT'S DISCUSSION AND ANALYSIS AND BASIC FINANCIAL STATEMENTS**

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**OPELOUSAS GENERAL HOSPITAL TRUST AUTHORITY AND HOSPITAL SERVICE DISTRICT #2 OF  
ST. LANDRY PARISH, LOUISIANA (D/B/A OPELOUSAS GENERAL HEALTH SYSTEM)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS AND BASIC FINANCIAL STATEMENTS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Hospital's annual financial report presents background information and management's analysis of the Hospital's financial performance during the fiscal year that ended June 30, 2004. Please read it in conjunction with the financial statements in this report.

**Financial Highlights**

Opelousas General Health System showed an increase in earnings in excess of expenses of approximately \$3,023,000, or 150.9% over the prior year. The increase was due to the following:

- OGHS and the Cardiovascular Institute of the South (CIS) entered into a 20 years exclusivity contract on January 2004. This exclusivity contract redirected the cardiac business currently not going to OGHS to our campus.
- A Spine Orthopedic Physician started on September 2, 2003 and has exceeded our expectations. The current Spine Orthopedic physician has a partner scheduled to start in January 2005.
- During the year, Opelousas General Health System's total operating revenues increased by approximately \$12,165,000, or 19.4%. Expenses increased by approximately \$9,152,000, or - 14.9%. The Hospital's income from operations was approximately \$4,108,000.
- During the fiscal year, OGHS made capital investments for a total of approximately \$3,287,000. The following is a list of significant items:

<u>Capital Investments</u>	<u>Department</u>	<u>Cost 2004</u>
Lab Upgrade (Hardware & Software)	Laboratory	\$570,953
Cardiology Image Information System (W.I.T.T.)	Cath. Lab	\$429,167
Resurfacing of Parking Lot	Administration	\$132,423
Land Purchase (Sunset LA)	Administration	\$270,987
Operating Room #7	Surgery	\$176,134
Excimer Laser	Surgery	\$ 91,777
Telemetry Upgrade	ICU	\$313,748
Two Steris Sterilizers	Surgery	\$147,073
2nd Floor Renovations	Peds	\$151,787
2nd Floor Fireproofing	Day Surgery	\$225,354
E/R Waiting	Emergency	\$145,187

The source of the funding for these projects was derived from operations.

**OPELOUSAS GENERAL HOSPITAL TRUST AUTHORITY AND HOSPITAL SERVICE DISTRICT #2 OF  
ST. LANDRY PARISH, LOUISIANA (D/B/A OPELOUSAS GENERAL HEALTH SYSTEM)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**Required Financial Statements**

The basic financial statements of the Hospital report information about the Hospital using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The balance sheets include all of the Hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Hospital, and assessing the liquidity and financial flexibility of the Hospital. All of the current year's revenues and expenses are accounted for in the statements of revenue, expenses, and changes in net assets. This statement measures improvements in the Hospital's operations over the past years and can be used to determine whether the Hospital has been able to recover all of its costs through its patient service revenue and other revenue sources. The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Hospital's cash from operations, investing, and financing activities, and to provide answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

**Financial Analysis of the Hospital**

The balance sheets and the statements of revenue, expenses, and changes in net assets report information about the Hospital's activities. These two statements report the net assets of the Hospital and changes in them. Increases or decreases in the Hospital's net assets are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

**OPELOUSAS GENERAL HOSPITAL TRUST AUTHORITY AND HOSPITAL SERVICE DISTRICT #2 OF  
ST. LANDRY PARISH, LOUISIANA (D/B/A OPELOUSAS GENERAL HEALTH SYSTEM)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**Net Assets**

A summary of Opelousas General Health System's balance sheets is presented in Table 1 below:

**TABLE 1  
Condensed Balance Sheets  
(In Thousands)**

	<u>2004</u>	<u>2003</u>	<u>Dollar Change</u>
<b>ASSETS</b>			
Total Currents Assets	\$ 33,542	\$ 29,036	\$ 4,506
Property, Plant & Equipment (less accumulated depreciation)	35,726	34,967	759
Other Assets - including board designated funds	<u>33,130</u>	<u>10,493</u>	<u>22,637</u>
Total Assets	<u>\$102,398</u>	<u>\$ 74,496</u>	<u>\$ 27,902</u>
<b>LIABILITIES</b>			
Current Liabilities	\$ 9,090	\$ 6,998	\$ 2,092
Long-term debt outstanding	<u>26,660</u>	<u>5,876</u>	<u>20,784</u>
Total Liabilities	<u>\$ 35,750</u>	<u>\$ 12,874</u>	<u>\$ 22,876</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 25,789	\$ 28,355	\$ (2,566)
Restricted Assets	22,198	1,114	21,084
Unrestricted Assets	<u>18,661</u>	<u>32,153</u>	<u>(13,492)</u>
Total Net Assets	<u>\$ 66,648</u>	<u>\$ 61,622</u>	<u>\$ 5,026</u>
Total Liabilities & Net assets	<u>\$102,398</u>	<u>\$ 74,496</u>	<u>\$ 27,902</u>

As shown in Table 1, total assets increased by \$ 27,902 to \$102,398 in fiscal year 2004 up from \$74,496 in fiscal year 2003. The major change in total assets resulted from the \$18,359 of Construction Funds held by Trustee related to the 2003 Bond Issue.

**OPELOUSAS GENERAL HOSPITAL TRUST AUTHORITY AND HOSPITAL SERVICE DISTRICT #2 OF  
ST. LANDRY PARISH, LOUISIANA (D/B/A OPELOUSAS GENERAL HEALTH SYSTEM)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**Summary of Revenue, Expenses, and Changes in Net Assets**

A summary of Opelousas General Health System's historical revenues and expenses for the fiscal years ended June 30, 2004 and 2003 is presented in Table 2 below:

**TABLE 2  
Condensed Statements of Revenue, Expenses, and  
Changes in Net Assets  
(In Thousands)**

	<u>2004</u>	<u>2003</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Revenue:</b>				
Net Patient Service Revenue	\$ 73,439	\$ 61,492	\$ 11,947	19.4%
Other Operating Revenue	1,448	1,230	218	17.7
Total Operating Revenue	<u>\$ 74,887</u>	<u>\$ 62,722</u>	<u>\$ 12,165</u>	19.4%
<b>Expenses:</b>				
Routine Services	\$ 11,484	\$ 10,490	\$ 994	9.5%
Ancillary Services	31,437	27,146	4,291	15.8
General Services	5,402	4,918	484	9.8
Fiscal & Administrative Services	9,745	8,365	1,380	16.5
Depreciation	5,434	5,552	(118)	(2.1)
Interest	496	523	(27)	(5.2)
Provision for Uncoll. Accounts	6,781	4,633	2,148	46.4
Total Operating Expenses	<u>\$ 70,779</u>	<u>\$ 61,627</u>	<u>\$ 9,152</u>	14.9%
Operating Income	<u>\$ 4,108</u>	<u>\$ 1,095</u>	<u>\$ 3,013</u>	275.2%
<b>Nonoperating Income (Loss):</b>				
Investment Income	\$ 585	\$ 639	\$ (54)	(8.5%)
Home Health Income	402	437	(35)	(8.0)
Other Income/(Loss)	(69)	(168)	99	(58.9%)
Total Nonoperating Income	<u>\$ 918</u>	<u>\$ 908</u>	<u>\$ 10</u>	
Excess of Revenue over Expenses	\$ 5,026	\$ 2,003	\$ 3,023	150.9%
Net Assets - Beginning of Year	61,622	59,619	2,003	33.6
Net Assets - End of Year	<u>\$ 66,648</u>	<u>\$ 61,622</u>	<u>\$ 5,026</u>	(8.2%)

OPELOUSAS GENERAL HOSPITAL TRUST AUTHORITY AND HOSPITAL SERVICE DISTRICT #2 OF  
 ST. LANDRY PARISH, LOUISIANA (D/B/A OPELOUSAS GENERAL HEALTH SYSTEM)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

SOURCES OF REVENUE

*Operating Revenue*

During fiscal year 2004, the hospital derived the majority, or approximately 98%, of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payors, who receive care in the Health System's facilities. Reimbursement for the Medicare and Medicaid programs and the third-party payors is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes cafeteria sales, gift shop sales, rental income, and other miscellaneous services.

Table 3 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended June 30, 2004 and 2003.

**TABLE 3**  
**Payor Mix by Percentage**

	<u>Year Ended June 30</u>	
	<u>2004</u>	<u>2003</u>
Medicare	52.94%	54.13%
Medicaid	17.73	19.03
Medicare HMO	0.46	0.62
Commercial/PPO	23.63	21.40
Workers Comp	0.94	0.82
Self Pay	2.96	2.67
Other	1.34	1.33
	<u>100.00%</u>	<u>100.00%</u>

**OPELOUSAS GENERAL HOSPITAL TRUST AUTHORITY AND HOSPITAL SERVICE DISTRICT #2 OF  
ST. LANDRY PARISH, LOUISIANA (D/B/A OPELOUSAS GENERAL HEALTH SYSTEM)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

*Other Revenue*

Other revenue includes cafeteria sales, rental income, and other miscellaneous services.

**TABLE 4  
Other Revenue  
(In Thousands)**

	<u>Year Ended June 30</u>	
	<u>2004</u>	<u>2003</u>
Other Revenue:		
Cafeteria	\$ 461	\$ 390
Gift Shop	106	97
Rental Income	574	515
Nutritional Counseling	89	78
Outside Housekeeping & Laundry Services	121	105
Grant Revenue - St. Landry Rural Health Network	31	-
Miscellaneous	66	45
	<u>\$1,448</u>	<u>\$1,230</u>

*Investment Revenue*

Opelousas General Health System holds designated and restricted funds in its balance sheets that are invested primarily in money market funds and securities issued by the U.S. Treasury and other federal agencies. These investments earned \$585,000 during fiscal year 2004.

**Operating and Financial Performance**

The following summarizes Opelousas General Health System's statements of revenue, expenses.

Overall activity at the Hospital, as measured by patient discharges, improved 8.1% to 7,206 discharges in 2004 from 6,667 discharges in 2003. Patient days increased 8.08% over prior year from 32,075 in 2003 to 33,709 in 2004. The average length of stay for acute care patients (excluding newborns and rehabilitation) was 4.1 and 4.2 for fiscal years 2004 and 2003 respectively. OGHS is increasing its patient days and discharges while decreasing ALOS, which is a tribute to case management and discharge planning.



**OPELOUSAS GENERAL HOSPITAL TRUST AUTHORITY AND HOSPITAL SERVICE DISTRICT #2 OF  
ST. LANDRY PARISH, LOUISIANA (D/B/A OPELOUSAS GENERAL HEALTH SYSTEM)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**TABLE 5  
Patient and Hospital Statistical Data**

	<u>Year Ended June 30</u>	
	<u>2004</u>	<u>2003</u>
Discharges:		
Acute Care	6,802	6,282
Rehabilitation	404	385
Newborn	790	686
Patient Days:		
Acute Care	27,885	26,084
Rehabilitation	5,824	5,991
Newborn	1,648	1,427
Operating Room I/P Visits	2,315	2,580
Outpatient Surgeries	3,722	2,928
Emergency Room Visits	21,338	20,888
Outpatient Registrations (Including ER)	78,217	71,817
Deliveries	789	681
Procedures:		
Radiology	39,356	40,956
CT Scan	9,528	7,381
Nuclear Medicine	1,280	1,237
MRI	3,363	2,395
Radiation Therapy	4,479	4,715
Heart Cath Unit Cases	1,647	1,317
Hyperbaric Oxygen	1,941	2,423
Physical Therapy	38,913	32,244
Average Daily Census:		
Acute Care	76.2	71.5
Rehabilitation	15.9	16.4
Newborn	4.5	3.9
Average Length of Stay (excluding newborns):		
Acute Care	4.1	4.2
Rehabilitation	14.6	15.6

**OPELOUSAS GENERAL HOSPITAL TRUST AUTHORITY AND HOSPITAL SERVICE DISTRICT #2 OF  
ST. LANDRY PARISH, LOUISIANA (D/B/A OPELOUSAS GENERAL HEALTH SYSTEM)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Total net patient service revenue increased \$ 11,947,000 or 19.4% in 2004.

Increases in net patient service revenue primarily are due to volume increases as depicted on the preceding page (Table 5 patient and hospital statistical data). While gross patient revenue increased \$37,998,000 or 31.2%, from prior year due to increased volumes, net patient service revenue only increased \$11,947,000 or 19.4% due to increases in contractual allowances.

Allowances increased over prior year as described in Table 6 below:

**TABLE 6  
Allowance Summary  
(In Thousands)**

	<u>Year ended June 30</u>	
	<u>2004</u>	<u>2003</u>
Allowances:		
Administrative allowances and other	\$ 59	\$ 63
Charity Care	38	-
Blue Cross discounts	7,219	3,817
Government contractual allowances -		
Medicare and Medicaid	67,856	48,982
Managed care allowance	11,033	7,292
	<u>\$ 86,205</u>	<u>\$ 60,154</u>

As a result of increase in revenues, days in accounts receivable increased from 52.8 days to 59.7 days.

Salary expenses increased \$2,279,000, or 9.5%, to \$26,221,000 in 2004 from \$23,942,000 in 2003. As a percentage of net patient service revenue, salary expense was approximately 35.7% and 38.9% for the fiscal years ended June 2004 and 2003, respectively.

**OPELOUSAS GENERAL HOSPITAL TRUST AUTHORITY AND HOSPITAL SERVICE DISTRICT #2 OF  
ST. LANDRY PARISH, LOUISIANA (D/B/A OPELOUSAS GENERAL HEALTH SYSTEM)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Employee benefit expense decreased \$37,000, or 0.8%, from prior year. Employee benefit expense represented 18.0% and 19.9% of salary expenses in the current and prior fiscal years, respectively. This decrease is primarily due to lower workmen's compensation claims.

Provision for bad debts increased \$2,148,000 or 46.4% over prior year due to the Louisiana Charity System closing their OB/GYN, Orthopedic and Psychiatric beds at University Medical Center in Lafayette. This has caused an up-flux of indigent patients including psychiatric patients who have to be admitted while finding appropriate placement in a either Psychiatric and/or Chemical Dependency unit.

Depreciation expense decreased by \$118,000 or 2.1% compared to the prior year.

Interest expense decreased by \$27,000 or 5.2% compared to prior year. Interest on the 2003 Bond Issue is being capitalized during the construction period. Net Capitalized Interest was \$599,000 as of June 30, 2004

Total operating expenses increased by \$9,152,000 or 14.9% for the year ended June 30, 2004 for the reasons discussed above.

Investment income consists of interest earnings on funds designated by the board of commissioners and funds held by trustee under bond resolution. Investment income decreased from the prior year due to the fact that there was lower investment yields in the current year than in the previous year.

**OPELOUSAS GENERAL HOSPITAL TRUST AUTHORITY AND HOSPITAL SERVICE DISTRICT #2 OF  
ST. LANDRY PARISH, LOUISIANA (D/B/A OPELOUSAS GENERAL HEALTH SYSTEM)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**Capital Assets**

During fiscal year 2004, OGHS invested \$4,091,000 in a broad range of capital assets included in Table 7 below.

**TABLE 7  
Capital Assets  
(In Thousands)**

	<u>2004</u>	<u>2003</u>	<u>Dollar Change</u>
Land	\$ 5,122	\$ 4,654	\$ 468
Building and Equipment	42,825	41,981	844
Major Movable Equipment	<u>43,559</u>	<u>40,584</u>	<u>2,975</u>
Subtotal	\$ 91,506	\$ 87,219	\$ 4,287
Less accumulated depreciation	(58,129)	(52,866)	(5,263)
Construction in progress	<u>2,349</u>	<u>614</u>	<u>1,735</u>
Net property, plant, and Equipment	<u>\$ 35,726</u>	<u>\$ 34,967</u>	<u>\$ 759</u>

Net property, plant, and equipment has increased as OGHS has enhanced existing facilities, equipment, and is in the process of renovating existing facilities and building new space to accommodate inpatient and outpatient services.

**OPELOUSAS GENERAL HOSPITAL TRUST AUTHORITY AND HOSPITAL SERVICE DISTRICT #2 OF  
ST. LANDRY PARISH, LOUISIANA (D/B/A OPELOUSAS GENERAL HEALTH SYSTEM)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**Long-Term Debt (Excluding Capital Leases)**

At year-end, the OGHS had \$28,143,000 in short-term and long-term debt. The debt amount is shown net in the balance sheet of the unamortized bond discount of \$312,000. This has increased by \$21,531,000 in fiscal year 2004, which is primarily to the October of 2003 Bond issue for \$22,500,000. More detailed information about the Hospital's long-term liabilities is presented in the notes to basic financial statements. Total debt outstanding represents approximately 27.5% of OGHS's total assets at June 30, 2004.

**Contacting the Hospital's Financial Manager**

This financial report is designed to provide our citizens, customers, 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 questions about this report or need additional financial information, contact Hospital Administration.

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**BROUSSARD, POCHE', LEWIS & BREAU, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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To the Board of Trustees  
Opelousas General Hospital Trust Authority  
and Board of Commissioners  
Hospital Service District No. 2  
St. Landry Parish, Louisiana

We have audited the accompanying consolidated balance sheets of Opelousas General Hospital Trust Authority and Hospital Service District No. 2 of St. Landry Parish, Louisiana as of June 30, 2004 and 2003, and the related consolidated statements of revenues and expenses, change in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Eugene C. Gilder, CPA\*  
Donald W. Kelley, CPA\*  
Herbert Lemoine II, CPA\*  
Frank A. Stagno, CPA\*  
Scott J. Broussard, CPA\*  
L. Charles Abshire, CPA\*  
Kenneth R. Dugas, CPA\*  
P. John Blanchet III, CPA\*  
Stephen L. Lambousy, CPA\*  
Craig C. Babineaux, CPA\*  
Peter C. Borrello, CPA\*  
George J. Trappey III, CPA\*  
Gregory B. Milton, CPA\*  
S. Scott Soileau, CPA\*  
Patrick D. McCarthy, CPA\*  
Martha B. Wyatt, CPA\*  
Troy J. Breau, CPA\*  
Fayette T. Dupré, CPA\*  
Mary A. Castille, CPA\*  
Joey I. Breau, CPA\*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and in accordance with the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. These 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.

*Retired:*

Sidney L. Broussard, CPA 1980  
Leon K. Poché, CPA 1984  
James H. Breau, CPA 1987  
Erma R. Walton, CPA 1988  
George A. Lewis, CPA\* 1992  
Geraldine J. Wimberly, CPA\* 1995  
Rodney L. Savoy, CPA\* 1996  
Larry G. Broussard, CPA\* 1996  
Lawrence A. Cramer, CPA\* 1999  
Michael P. Crochet, CPA\* 1999

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Opelousas General Hospital Trust Authority and Hospital Service District No. 2 of St. Landry Parish, Louisiana as of June 30, 2004 and 2003, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Members of American Institute of  
Certified Public Accountants  
Society of Louisiana Certified  
Public Accountants

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To the Board of Trustees  
Opelousas General Hospital Trust Authority  
and Board of Commissioners  
Hospital Service District No. 2  
St. Landry Parish, Louisiana

Management's Discussion and Analysis on pages i through xi 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 5, 2004, on our consideration of the Hospital's internal control structure and a report dated November 5, 2004, on its compliance with laws and regulations.

*Broussard, Poché, Lewis : Breang L.L.P.*

Opelousas, Louisiana  
November 5, 2004

OPELOUSAS GENERAL HOSPITAL TRUST AUTHORITY  
AND HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA

CONSOLIDATED BALANCE SHEETS  
June 30, 2004 and 2003  
(In Thousands)

ASSETS	<u>2004</u>	<u>2003</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,640	\$ 1,262
Patient accounts receivable, less allowances for uncollectible accounts of \$8,531 and \$6,688 at 2004 and 2003, respectively	12,064	8,875
Investments	14,763	13,308
Inventories	1,810	1,631
Prepaid expenses	948	1,162
Other receivable	<u>2,317</u>	<u>2,798</u>
Total current assets	<u>\$ 33,542</u>	<u>\$ 29,036</u>
<b>OTHER ASSETS</b>		
Debt retirement funds held by Trustees:		
Bond reserve fund:		
Cash and cash equivalents	\$ 19	\$ 103
Investments	2,888	1,008
Accrued interest receivable	19	3
Bond fund:		
Cash and cash equivalents	913	-
Deposits designated for:		
Plant repair and expansion:		
Cash and cash equivalents	157	559
Investments	10,227	8,661
Accrued interest receivable	68	17
Bond construction funds held by Trustees:		
Bond construction fund:		
Cash and cash equivalents	79	-
Investments	18,254	-
Accrued interest receivable	26	-
Unamortized expense	467	128
Other investments	9	9
Other assets	<u>4</u>	<u>5</u>
	<u>\$ 33,130</u>	<u>\$ 10,493</u>
PROPERTY, PLANT AND EQUIPMENT, less accumulated depreciation of \$58,129 and \$52,866 at 2004 and 2003, respectively	<u>\$ 35,726</u>	<u>\$ 34,967</u>
	<u>\$102,398</u>	<u>\$ 74,496</u>

See Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	<u>2004</u>	<u>2003</u>
<b>CURRENT LIABILITIES</b>		
Trade accounts payable	\$ 2,553	\$ 1,395
Current portion of long-term debt	1,483	736
Employee compensation payable	2,426	2,196
Other accrued expenses	1,662	1,125
Estimated third-party payor settlements	<u>966</u>	<u>1,546</u>
Total current liabilities	\$ 9,090	\$ 6,998
<b>LONG-TERM LIABILITIES</b>		
Long-term portion of debt	<u>26,660</u>	<u>5,876</u>
Total liabilities	<u>\$ 35,750</u>	<u>\$ 12,874</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	<u>\$ 25,789</u>	<u>\$ 28,355</u>
Restricted:		
For debt retirement:		
Bond reserve fund	\$ 3,839	\$ 1,114
For construction	18,359	-
Total restricted net assets	<u>\$ 22,198</u>	<u>\$ 1,114</u>
Unrestricted	<u>\$ 18,661</u>	<u>\$ 32,153</u>
Total net assets	<u>\$ 66,648</u>	<u>\$ 61,622</u>
Total liabilities and net assets	<u>\$102,398</u>	<u>\$ 74,496</u>

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OPELOUSAS GENERAL HOSPITAL TRUST AUTHORITY  
AND HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA

CONSOLIDATED STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS  
Years Ended June 30, 2004 and 2003  
(In Thousands)

	<u>2004</u>	<u>2003</u>
Net patient service revenues	\$ 73,439	\$ 61,492
Other operating revenues	<u>1,448</u>	<u>1,230</u>
Total operating revenues	<u>\$ 74,887</u>	<u>\$ 62,722</u>
Operating expenses:		
Routine services	\$ 11,484	\$ 10,490
Ancillary services	31,437	27,146
General services	5,402	4,918
Fiscal and administrative services	9,745	8,365
Depreciation	5,434	5,552
Interest	496	523
Provision for uncollectible accounts	<u>6,781</u>	<u>4,633</u>
	<u>\$ 70,779</u>	<u>\$ 61,627</u>
Excess of operating revenue over operating expenses	<u>\$ 4,108</u>	<u>\$ 1,095</u>
Nonoperating revenues (expenses):		
Gain/loss on disposal of assets	\$ (22)	\$ (104)
Donations	5	15
Interest income	585	639
Other	7	11
Home health investment income	402	437
Equity in loss of OGH Medical Services, Inc.	(59)	(88)
Equity in loss of After Hours Clinic	-	(2)
	<u>\$ 918</u>	<u>\$ 908</u>
Excess of revenues over expenses	\$ 5,026	\$ 2,003
Net assets, beginning	<u>61,622</u>	<u>59,619</u>
Net assets, ending	<u>\$ 66,648</u>	<u>\$ 61,622</u>

See Notes to Consolidated Financial Statements.

OPELOUSAS GENERAL HOSPITAL TRUST AUTHORITY  
AND HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2004 and 2003  
(In Thousands)

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Revenue collected	\$ 64,809	\$ 58,730
Cash payments to employees and for employee-related costs	(30,688)	(28,750)
Cash payments for operating expenses	<u>(25,358)</u>	<u>(22,810)</u>
Net cash provided by operating expenses	<u>\$ 8,763</u>	<u>\$ 7,170</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	\$ 850	\$ 1,016
Purchase of investments - held-to-maturity	(44,529)	(20,961)
Maturity of investments - held-to-maturity	21,374	17,422
Other	<u>-</u>	<u>(104)</u>
Net cash used in investing activities	<u>\$(22,305)</u>	<u>\$ (2,627)</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of property and equipment	\$ (6,289)	\$ (2,341)
Principal payments on long-term debt incurred for capital purposes	(728)	(861)
Principal payments on capital lease obligations	-	(24)
Interest payments on long-term debt and capital lease obligations	(496)	(523)
Net proceeds from the issuance of debt	22,259	-
Increase in bond costs	(394)	-
Other	<u>74</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ 14,426</u>	<u>\$ (3,749)</u>
Net increase in cash	\$ 884	\$ 794
Cash, beginning of year	<u>1,924</u>	<u>1,130</u>
Cash, end of year	<u>\$ 2,808</u>	<u>\$ 1,924</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS</b>		
Cash and cash equivalents in current assets	\$ 1,640	\$ 1,262
Restricted cash and cash equivalents:		
Bond reserve fund	19	103
Plant repair and expansion	157	559
Bond construction fund	79	-
Bond fund	<u>913</u>	<u>-</u>
	<u>\$ 2,808</u>	<u>\$ 1,924</u>

(Continued)

OPELOUSAS GENERAL HOSPITAL TRUST AUTHORITY  
AND HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)  
Years Ended June 30, 2004 and 2003  
(In Thousands)

	<u>2004</u>	<u>2003</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Revenue in excess of expenses	\$ 4,108	\$ 1,095
Adjustments to reconcile revenue in excess of expenses to net cash provided by operating activities:		
Depreciation and amortization	5,489	5,552
Interest paid on capital debt	496	523
Provision for bad debts	6,781	4,633
Changes in operating assets and liabilities:		
Patient accounts receivable (net of write-offs)	(9,970)	(4,048)
Inventories, prepaid expenses, and other current assets	35	109
Other receivables	482	(275)
Estimated third-party payer settlements	(580)	(451)
Accounts payable, accrued employee-related expenses and other accrued expenses	1,922	179
Other	<u>-</u>	<u>(147)</u>
Net cash provided by operating activities	<u>\$ 8,763</u>	<u>\$ 7,170</u>

See Notes to Consolidated Financial Statements.

OPELOUSAS GENERAL HOSPITAL TRUST AUTHORITY  
AND HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization and Significant Accounting Policies

Organization and Consolidation:

The accompanying financial statements include the consolidated accounts and transactions of Hospital Service District No. 2 of St. Landry Parish, Louisiana (District), and Opelousas General Hospital Authority (Authority). In addition, the Authority owns 100% of OGH Medical Services, Inc. The Authority also owns 100% of OGH Medical Offices, Inc. All significant transactions between the two entities have been eliminated in consolidation.

The District, which is the beneficiary of the Authority, is a political subdivision of the State created by an ordinance adopted by the St. Landry Parish Police Jury on July 6, 1953 for the purpose of establishing the Hospital. The geographical limits of the District coincide with those of Ward 1, St. Landry Parish, which includes the corporate limits of the City of Opelousas. Members of the Board of Commissioners are appointed by the St. Landry Parish Police Jury and may also serve as Trustees of the Authority.

The Authority was created under the laws of the State of Louisiana pursuant to a Trust Indenture executed on April 6, 1971 for the benefit of the District and is a public instrumentality of the State of Louisiana. The stated purpose of the Authority is to acquire hospital facilities by lease, purchase, and gift or otherwise and to plan, establish, develop, construct and administer hospital properties for the use and benefit of the residents of the District. The Authority is empowered to issue temporary notes, bonds, or other evidences of indebtedness from time to time to accomplish any of these purposes.

On May 21, 2002, the Hospital, by a vote of its board, changed the name of its operating entity from "Opelousas General Hospital" to "Opelousas General Health System."

Net patient service revenues:

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

Classification of revenues and expenses:

Operating revenues - The Authority considers revenues directly related to the operation of the facility and meeting the goals of the facility to be operating in nature. In addition to the charges for services, the Authority considers cafeteria, gift shop, housekeeping and laundry charges, and rental from physician offices to be operating revenues.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nonoperating revenues and expenses - The Authority considers revenues and expenses which do not fall into the above classification as nonoperating revenues and expenses. Items generally included in nonoperating revenues and expenses are interest and other investing income (loss), donations and gains and losses on sales of equipment.

### Basis of Accounting:

The Hospital reports in accordance with accounting principles generally accepted in the United States as specified by the American Institute of Certified Public Accountants' *Audits of Providers of Health Care Services* and, as a governmental entity, also provides certain disclosures required by the Governmental Accounting Standards Board (GASB).

### Method of Accounting:

On July 1, 2002, the Hospital adopted the provisions of Statement No. 34 (Statement 34) of GASB, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Statement 34 established standards for external financial reporting for all state and local governmental entities, which include a balance sheet; a statement of revenue and expenses and changes in net assets; and a direct method statement of cash flows. It requires the classification of net assets into three components - invested in capital assets, net of related debt, restricted, and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - This component of net assets consists of constraints creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

### Trade receivables and allowance for uncollectible accounts:

Trade receivables are carried at the original billed amount less an estimate made for uncollectible accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for uncollectible accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Trade receivables are written-off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Concentration of credit risk - accounts receivable:

The Hospital grants credit without collateral to its patients, most of who are local residents from in and around the Opelousas area and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2004 was as follows:

Medicare	35%
Medicaid	17
Blue Cross	5
Other third-party payors	34
Patients	9
	<u>100%</u>

### Inventories:

Inventories are valued at the latest invoice price, which approximates the lower of cost (first-in, first-out method) or market.

### Investments:

Investments include certificates of deposit, obligations of the U.S. Government Agencies and commercial paper issued by United States corporations with ratings of at least A-1 (Moody's) and P-1 (Standard and Poor's) and the Louisiana Hospital Investment Pool, and are stated at cost or amortized cost. All investments have fixed maturities. It is the Authority's intention to hold investments to maturity.

### Property, plant, and equipment:

The Hospital records all property, plant and equipment acquisitions at cost, except for assets donated to the Hospital. Donated assets are recorded at fair market value at the date of donation.

As indicated in Note 5, interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of acquiring those assets.

The Hospital provides for depreciation of its plant and equipment using the straight-line method in amounts sufficient to amortize the cost of its assets over their estimated useful lives.

### Unamortized expense:

Unamortized expenses are recorded as other assets and are amortized over the estimated lives of the related assets.

### Gifts, Grants, and Bequests:

Gifts, grants and bequests not designated by donors for specific purposes are reported as nonoperating revenues regardless of the use for which they might be designated by the Board. Gifts, grants and bequests restricted by donors for a specific purpose are reported as additions to the restricted funds and are transferred to the non-designated funds when the funds have been disbursed for the intended purpose.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Cash and cash equivalents:

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

### Use of Estimates:

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

### Environmental matters:

Due to the nature of the Hospital's operations, materials handled could lead to environmental concerns. However, at this time, management is not aware of any environmental matters, which need to be considered.

### Advertising costs:

The Hospital expenses advertising costs as they are incurred. Total advertising costs expensed were \$380,000 and \$209,000 for 2004 and 2003, respectively.

### Risk management:

The Hospital is exposed to various risks of loss from tort; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health. Commercial insurance coverage is purchased for claims arising from such matters.

### Reclassifications:

Certain amounts previously reported have reclassified to conform to the 2004 presentation. There is no effect on current or prior year operating results as a result of the reclassifications.

## Note 2. Net Patient Revenues

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Medicare - Inpatient acute care services (and related capital costs) rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. Acute care service rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain outpatient services related to Medicare beneficiaries are paid based on a cost reimbursement methodology, while other outpatient services are reimbursed on a fee schedule. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2001.

- Medicaid - Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per day. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, subject to certain limits, while other outpatient services are reimbursed on a fee schedule. The Hospital is reimbursed for outpatient services at an interim rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary.

During the years ended June 30, 2004 and 2003, approximately 71% and 73%, respectively, of the Authority's gross patient service revenues were furnished to Medicare and Medicaid beneficiaries. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the near term. As a result of retroactive adjustments of certain prior year cost reports, the Authority recorded changes in estimates resulting in an increase in net patient service revenues of approximately \$919,000 and \$244,000 during the years ending June 30, 2004 and 2003, respectively.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Property, Plant, and Equipment

The following is a summary of the property, plant, and equipment by business activity.

	<u>2004</u>	
	<u>Hospital</u>	<u>Medical Services</u>
Land and land improvements	\$ 5,051,000	\$ 71,000
Building and fixed equipment	41,445,000	1,380,000
Major moveable equipment	43,559,000	-
Construction in progress	2,349,000	-
Accumulated depreciation	(57,512,000)	(617,000)
Net fixed assets	<u>\$34,892,000</u>	<u>\$ 834,000</u>

  

	<u>2003</u>	
	<u>Hospital</u>	<u>Medical Services</u>
Land and land improvements	\$ 4,583,000	\$ 71,000
Building and fixed equipment	40,648,000	1,333,000
Major moveable equipment	40,584,000	-
Construction in progress	614,000	-
Accumulated depreciation	(52,315,000)	(551,000)
Net fixed assets	<u>\$34,114,000</u>	<u>\$ 853,000</u>

Depreciation expense for the Hospital and Medical Services was \$5,434,000 and \$66,000, respectively in 2004; and \$5,468,000 and \$84,000, respectively, in 2003.

The construction in progress represents the costs involved in relation to various renovations at the hospital.

Note 4. Investments

The Hospital invests in certificates of deposits with local banks, obligations of U.S. Government Agencies and commercial paper issued by U.S. corporations with a rating of A-1 (Moody's) and P-1 (Standard and Poor's) or higher. All of the securities have fixed maturities and it is the Hospital's intention to hold them until maturity and are thereby classified as held-to-maturity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The balances at June 30, 2004 and 2003 are as follows:

<u>2004</u>	<u>Book Value</u>	<u>Market Value</u>
Certificates of deposit	\$ 1,942,000	\$ 1,942,000
U.S. Government obligations	44,286,000	43,570,000
Commercial paper	1,491,000	1,491,000
Total investments	<u>\$47,719,000</u>	<u>\$47,003,000</u>
Designated funds held by trustee	\$22,152,000	\$21,934,000
Funds held by hospital (designated and undesignated)	25,567,000	25,069,000
	<u>\$47,719,000</u>	<u>\$47,003,000</u>
 <u>2003</u>		
Certificates of deposit	\$ 683,000	\$ 683,000
U.S. Government obligations	20,294,000	20,239,000
Commercial paper	2,000,000	2,008,000
Total investments	<u>\$22,977,000</u>	<u>\$22,930,000</u>

A portion of the investments is classified as cash and cash equivalents on the statement of net assets.

Note 5. Long-Term Debt

The details and balances of long-term debt are presented below:

	<u>2004</u>	<u>2003</u>
CONSTRUCTION, REFUNDING, AND EQUIPMENT		
Hospital Revenue and Refunding Bonds Series 1999, interest at 5.85%, collateralized by a first mortgage on the leasehold interest of the facilities and pledge of hospital revenues, due serially to 2015 (\$775,000 due in 2005)	\$5,955,000	\$ 6,715,000
Hospital Revenue Bonds Series 2003, interest from 2.15% to 4.80%, collateralized by a first mortgage on the leasehold interest of the facilities and pledge of hospital revenues, due serially to 2023 (\$740,000 due in 2005)	22,500,000	-
Unamortized discount on the issuance of Series 1995, Series 1999, and Series 2003 bonds (\$32,000 in 2005)	(312,000)	(103,000)
Total long-term debt	<u>\$28,143,000</u>	<u>\$ 6,612,000</u>
Less: current portion	<u>(1,483,000)</u>	<u>(736,000)</u>
	<u>\$26,660,000</u>	<u>\$ 5,876,000</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Aggregate maturities and interest payments required on long-term debt at June 30, 2004 are as follows:

	<u>Principal Payment</u>	<u>Discount Amortization</u>	<u>Interest Payment</u>
2005	\$ 1,515,000	\$ (32,000)	\$ 1,433,000
2006	1,405,000	(18,000)	1,374,000
2007	1,395,000	(18,000)	1,312,000
2008	1,205,000	(18,000)	1,254,000
2009	1,260,000	(18,000)	1,195,000
2010-2014	7,310,000	(90,000)	4,966,000
2015-2019	6,515,000	(65,000)	3,100,000
2020-2024	7,850,000	(53,000)	1,179,000
	<u>\$28,455,000</u>	<u>\$ (312,000)</u>	<u>\$15,813,000</u>

A summary of bond activity for the year is as follows:

Bonds payable - beginning of year	\$ 6,715,000
Additions:	
Issuance of bonds	22,500,000
Reductions:	
Principal payments on debt	<u>(760,000)</u>
Bonds payable - end of year	<u>\$28,455,000</u>

Advance refunding:

On December 22, 1999, the Authority issued \$10,000,000 of Hospital Revenue and Refunding Bonds, Series 1999, with an interest rate of 5.85%. The purpose of these bonds is as follows:

Construction	\$ 1,625,000
Advance refunding of 1995 issue	6,550,000
Equipment acquisition	<u>1,825,000</u>
Total	<u>\$10,000,000</u>

The portion of the proceeds related to the advance refunding along with \$1,672,000 of Authority funds were deposited into an irrevocable trust with an escrow agent to defease the First Leasehold Mortgage Hospital Revenue Bonds Series 1995. As a result, the Series 1995 Bonds are considered defeased and the liability has been removed from the Authority's books. This advance refunding was undertaken to reduce total debt service payments over the next sixteen years by \$1,699,000 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$16,000. This gain is being amortized over the new debt's life.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Hospital revenue bonds - Series 2003:

During 2004, the Hospital issued \$22,500,000 of hospital revenue bonds for purposes of capital additions to the hospital facility. At June 30, 2004, construction was underway on early phases of the project. Interest capitalized during 2004 related to construction period interest amounted to \$599,000 (net of interest earnings of \$153,000). This amount is included in construction in progress in the financial statements.

The disbursement of the bond proceeds consisted of the following:

Deposited into construction fund	\$19,975,000
Deposited into debt service reserve fund	1,859,000
Deposited into cost of issuance fund	<u>200,000</u>
 Total funds actually received	 \$22,034,000
 Bond underwriter's fee	 225,000
Bond discount	<u>241,000</u>
Total bond issue	<u>\$22,500,000</u>

Note 6. Employee Retirement Plan

The Hospital has a defined contribution pension plan, which covers substantially all full-time Hospital employees after they have met certain eligibility requirements. Employees are required to contribute an amount equal to the existing Social Security and Medicare rate. All funds contributed by the employee are fully vested. The Hospital contributes amounts ranging from 5 to 13 percent of the employees salary based on length of employment. The Hospital's contribution is fully vested to the participants after 7 years of continued employment. The Hospital's contribution to the plan for the year ended June 30, 2004 and 2003, was \$1,465,000 and \$1,443,000, respectively.

Note 7. Contractual Discounts

As discussed in Note 2, the Hospital participates in Medicare and Medicaid programs as a provider of medical services to program beneficiaries.

Because of Federal and State regulations, the Hospital does not receive full payment from third party payors under these programs. The amounts uncollected as contractual adjustments were \$67,856,000 and \$48,982,000 during 2004 and 2003, respectively.

Note 8. Litigation and Claims

At June 30, 2004, the Hospital is involved as defendant in several lawsuits. In the opinion of legal counsel for the Hospital, all lawsuits filed against the Hospital are covered by insurance and the amount of out-of-pocket exposure is not material.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Federal Grant - St. Landry Parish Rural Health Network

During the year ended June 30, 2004, the Hospital received federal grant money from the United States Department of Health and Human Services under the Rural Health Outreach Program (Catalog of Federal Domestic Assistance No. 93.912). The purpose of the grant is to provide services to needy people in rural areas of St. Landry Parish. The grant was awarded to the Hospital on a temporary basis until the final grantor (St. Landry Parish Rural Health Network) can secure tax-exempt status under the Internal Revenue Code. The grant is a reimbursement type grant and the revenues included in the financial statements equal the expenses for the period. During 2004, a total of \$31,000 in grant revenue is included in other operating revenues.

Note 10. Subsequent Event

As of the date of this report, the Hospital is in negotiations related to two joint ventures. One of the ventures would be for the construction of an outpatient diagnostic facility in Sunset, Louisiana. The other joint venture would be for the operating of the outpatient diagnostic center.

Note 11. Operating Leases

**Hospital as lessee:**

Infusion pumps

On March 31, 2003, the Hospital entered into an operating lease agreement with Baxter Healthcare Corporation for the lease of one hundred ninety-one (191) infusion pumps. The maximum term of the lease is sixty (60) months. At the end of twenty-four (24) months, the Hospital has the option to purchase the pumps for \$2,304 or \$4,557 for each pump (based upon the type of pump). Based upon the type of pump, the monthly lease payments for each pump is either \$49 or \$106 for the first twenty-four (24) months of the lease. If the option to purchase the pumps is not exercised, the monthly lease payment becomes \$68 and \$136 per pump (based upon the type of the pump) for the final thirty-six (36) months of the lease. At June 30, 2004, it was the intention of the Hospital to continue the lease and not exercise the purchase option.

The future minimum lease payments related to this lease are as follows:

2005	\$150,000
2006	181,000
2007	181,000
2008	<u>121,000</u>
Total	<u>\$633,000</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Hospital as Lessor:**

Health Club Facility

The Hospital entered into an agreement with Louisiana Physical Therapy, L.L.P. for the sale of virtually all of the equipment of the health club. In addition, they entered into an agreement with Louisiana Physical Therapy, L.L.P. (LPT) whereby LPT will lease the building and premises housing the health club for a monthly rental of \$8,333. The initial term of the lease is for sixty (60) months beginning June 30, 2003. The agreement contains options for additional one-year terms. In addition, any additional renovations or improvements to the facility, which are funded by the Hospital, will be reimbursed by LPT on a monthly basis over the remaining term of the lease.

The future minimum lease receipts related to this lease are as follows:

2005	\$100,000
2006	100,000
2007	100,000
2008	100,000
Total	<u>\$400,000</u>

In addition, the Hospital has various office facility leases with doctors for various rental amounts.

Note 12. Commitments and Contingencies

Construction projects

As discussed in Note 5, the Hospital issued bonds during 2004 for the purpose of constructing and expanding buildings within the Hospital complex. At June 30, 2004, the construction projects were ongoing and numerous contracts had been signed subsequent to year-end.

Note 13. Bank Deposits and Investments

At June 30, 2004, the Hospital had cash deposits, including demand deposits and certificates of deposit, with various financial institutions totaling \$3,275,000 (bank balance). Of that balance, \$790,000 was covered by Federal Deposit Insurance Corporation (FDIC) coverage and \$2,486,000 was unsecured and uncollateralized.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14. Joint Venture

The Hospital is a principal in a joint venture with Acadian Homecare, L.L.C. d/b/a St. Landry Home Care, in order to provide home health services to the patients of the Hospital service area. The Hospital has a 33% participation in the joint venture. The Hospital's equity interest in the joint venture was \$9,000 at June 30, 2004 and 2003. The Hospital recognized revenue related to the joint venture in the amount of \$402,000 and \$437,000 in 2004 and 2003, respectively.

Financial statements for the joint venture are available upon request.

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INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

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To the Board of Trustees  
Opelousas General Hospital Trust Authority  
and Board of Commissioners  
Hospital Service District No. 2  
St. Landry Parish, Louisiana

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies. The supplementary information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

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*Retired:*

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Members of American Institute of  
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*Broussard, Poche', Lewis, Breau L.L.P.*

Opelousas, Louisiana  
November 5, 2004

OPELOUSAS GENERAL HOSPITAL TRUST AUTHORITY AND  
HOSPITAL SERVICE DISTRICT NO. 2 OF  
ST. LANDRY PARISH, LOUISIANA

SCHEDULES OF INCOME FROM PATIENT SERVICES  
Years Ended June 30, 2004 and 2003  
(In Thousands)

	<u>Inpatient</u>	
	<u>2004</u>	<u>2003</u>
<b>Routine services:</b>		
Medical and surgical	\$ 8,881	\$ 7,260
Intensive care unit	2,070	1,580
Nursery	591	403
Rehab unit	5,873	5,474
Total routine services	<u>\$ 17,415</u>	<u>\$ 14,717</u>
<b>Ancillary services:</b>		
Ambulance service	\$ -	\$ 3
Anesthesiology	2,033	1,549
Cancer treatment center	83	54
Cardiac catheterization	6,884	6,689
Cardiopulmonary diagnostic lab and rehab	1,616	1,249
Central supply	2,439	1,918
Communication disorders	127	134
Contract dialysis	402	381
Crash cart	57	59
CT scan	2,594	1,709
Delivery room	1,034	777
Emergency room	831	726
Emergency room physician	1	-
Hyperbaric medicine	606	570
Inhalation therapy	9,602	6,381
Intravenous therapy	1,232	1,009
Laboratory	7,519	6,112
Lithotripsy	20	26
Medical imaging	1,562	1,371
Midwife services	177	160
MRI	560	368
Nuclear medicine	305	309
Operating room	9,434	5,901
Outpatient clinic	9	7
Pain management	-	-
Pharmacy	16,472	12,564
Physical therapy	1,641	771
Physician clinics	-	-
Pulmonary function	28	40
Recovery room	993	759
Sleep lab	113	79
Social services	80	69
Total ancillary services	<u>\$ 68,454</u>	<u>\$ 51,744</u>

<u>Outpatient</u>		<u>Totals</u>	
<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
\$ 723	\$ 504	\$ 9,604	\$ 7,764
17	18	2,087	1,598
-	-	591	403
4	2	5,877	5,476
<u>\$ 744</u>	<u>\$ 524</u>	<u>\$ 18,159</u>	<u>\$ 15,241</u>
\$ 3	\$ 2	\$ 3	\$ 5
2,522	2,184	4,555	3,733
2,016	1,768	2,099	1,822
10,711	5,089	17,595	11,778
1,589	1,384	3,205	2,633
939	807	3,378	2,725
307	294	434	428
120	133	522	514
17	14	74	73
6,563	4,231	9,157	5,940
161	77	1,195	854
3,904	3,349	4,735	4,075
1	(2)	2	(2)
1,934	1,645	2,540	2,215
1,949	1,173	11,551	7,554
379	319	1,611	1,328
8,826	6,776	16,345	12,888
166	190	186	216
5,231	4,669	6,793	6,040
90	80	267	240
4,147	2,523	4,707	2,891
1,073	860	1,378	1,169
8,433	6,508	17,867	12,409
310	482	319	489
6	12	6	12
7,717	6,721	24,189	19,285
715	831	2,356	1,602
5	24	5	24
239	257	267	297
1,031	878	2,024	1,637
1,922	1,378	2,035	1,457
5	5	85	74
<u>\$ 73,031</u>	<u>\$ 54,661</u>	<u>\$141,485</u>	<u>\$106,405</u>

OPELOUSAS GENERAL HOSPITAL TRUST AUTHORITY AND  
HOSPITAL SERVICE DISTRICT NO. 2 OF  
ST. LANDRY PARISH, LOUISIANA

SCHEDULES OF DEPARTMENTAL REVENUES AND EXPENSES  
Years Ended June 30, 2004 and 2003  
(In Thousands)

	Revenues	
	2004	2003
Routine services:		
Medical and surgical	\$ 9,604	\$ 7,764
Intensive care unit	2,087	1,598
Nursery	591	403
Rehab unit	5,877	5,476
Total routine services	\$ 18,159	\$ 15,241
Ancillary services:		
Ambulance service	\$ 3	\$ 5
Anesthesiology	4,555	3,733
Camp Azzie	-	-
Cancer treatment center	2,099	1,822
Cardiac catheterization	17,595	11,778
Cardiopulmonary diagnostic lab and rehab	3,205	2,633
Central supply	3,378	2,725
Communication disorders	434	428
Contract dialysis	522	514
Crash cart	74	73
CT scan	9,157	5,940
Delivery room	1,195	854
Emergency room	4,735	4,075
Emergency room physician	2	(2)
Hyperbaric medicine	2,540	2,215
Inhalation therapy	11,551	7,554
Intravenous therapy	1,611	1,328
Laboratory	16,345	12,888
Lithotripsy	186	216
Medical imaging	6,793	6,040
Midwife services	267	240
MRI	4,707	2,891
Nuclear medicine	1,378	1,169
Operating room	17,867	12,409
Outpatient clinic	319	489
Pain management	6	12
Pharmacy	24,189	19,285
Physical therapy	2,356	1,602
Physician clinics	5	24
Pulmonary function	267	297
Recovery room	2,024	1,637
Sleep lab	2,035	1,457
Social services	85	74
Total ancillary services	\$141,485	\$106,405
	\$159,644	\$121,646



Direct Operating Expenses		Revenues Over (Under) Operating Expenses	
<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
\$ 6,847	\$ 6,280	\$ 2,757	\$ 1,484
1,634	1,353	453	245
459	426	132	(23)
<u>2,544</u>	<u>2,431</u>	<u>3,333</u>	<u>3,045</u>
<u>\$ 11,484</u>	<u>\$ 10,490</u>	<u>\$ 6,675</u>	<u>\$ 4,751</u>
\$ 48	\$ 46	\$ (45)	\$ (41)
1,724	1,641	2,831	2,092
16	28	(16)	(28)
729	688	1,370	1,134
3,167	2,213	14,428	9,565
356	349	2,849	2,284
809	705	2,569	2,020
197	240	237	188
341	357	181	157
15	11	59	62
493	423	8,664	5,517
1,411	1,208	(216)	(354)
1,291	1,208	3,444	2,867
495	448	(493)	(450)
777	821	1,763	1,394
1,074	962	10,477	6,592
7	22	1,604	1,306
3,020	2,629	13,325	10,259
72	86	114	130
1,800	1,749	4,993	4,291
262	244	5	(4)
369	336	4,338	2,555
369	346	1,009	823
4,811	3,272	13,056	9,137
97	213	222	276
-	-	6	12
5,000	4,042	19,189	15,243
694	500	1,662	1,102
708	1,122	(703)	(1,098)
220	230	47	67
468	438	1,556	1,199
484	468	1,551	989
<u>113</u>	<u>101</u>	<u>(28)</u>	<u>(27)</u>
<u>\$ 31,437</u>	<u>\$ 27,146</u>	<u>\$110,048</u>	<u>\$ 79,259</u>
<u>\$ 42,921</u>	<u>\$ 37,636</u>	<u>\$116,723</u>	<u>\$ 84,010</u>

OPELOUSAS GENERAL HOSPITAL TRUST AUTHORITY AND  
HOSPITAL SERVICE DISTRICT NO. 2 OF  
ST. LANDRY PARISH, LOUISIANA

SCHEDULES OF DEPARTMENTAL REVENUES AND EXPENSES (CONTINUED)  
Years Ended June 30, 2004 and 2003  
(In Thousands)

	Revenues Over (Under) Direct Operating Expenses	
	<u>2004</u>	<u>2003</u>
Revenues over direct operating expenses (forwarded)	\$116,723	\$ 84,010
Allowances	(86,205)	(60,154)
Other operating revenues	<u>1,448</u>	<u>1,230</u>
	<u>\$ 31,966</u>	<u>\$ 25,086</u>
Operating expenses:		
General services	\$ 5,402	\$ 4,918
Fiscal and administrative services	9,745	8,365
Depreciation	5,434	5,552
Interest	496	523
Provision for uncollectible accounts	<u>6,781</u>	<u>4,633</u>
Total operating expenses	<u>\$ 27,858</u>	<u>\$ 23,991</u>
Excess of hospital operating revenues over expenses	<u>\$ 4,108</u>	<u>\$ 1,095</u>

OPELOUSAS GENERAL HOSPITAL TRUST AUTHORITY AND  
HOSPITAL SERVICE DISTRICT NO. 2 OF  
ST. LANDRY PARISH, LOUISIANA

SCHEDULES OF OTHER OPERATING REVENUES AND ALLOWANCES  
Years Ended June 30, 2004 and 2003  
(In Thousands)

	<u>2004</u>	<u>2003</u>
Other operating revenues:		
Cafeteria	\$ 461	\$ 390
Gift shop	106	97
Grant revenue - St. Landry Rural Health Network	31	-
Miscellaneous	66	45
Outside housekeeping and laundry services	121	105
Rental income	574	515
Nutritional counseling	89	78
Total other operating revenues	<u>\$ 1,448</u>	<u>\$ 1,230</u>
Allowances:		
Administrative allowances	\$ 59	\$ 63
Blue Cross discounts	7,219	3,817
Charity allowances	38	(11)
Contractual adjustments - Medicare and Medicaid	67,856	48,982
Managed care allowance	11,033	7,303
Total allowances	<u>\$ 86,205</u>	<u>\$ 60,154</u>

OPELOUSAS GENERAL HOSPITAL TRUST AUTHORITY AND  
HOSPITAL SERVICE DISTRICT NO. 2 OF  
ST. LANDRY PARISH, LOUISIANA

SCHEDULES OF DEPARTMENTAL OPERATING EXPENSES  
Years Ended June 30, 2004 and 2003  
(In Thousands)

	Salaries		Physician Fees	
	2004	2003	2004	2003
<b>Routine services:</b>				
Medical and surgical	\$ 5,534	\$ 5,017	\$ 6	\$ 4
Intensive care unit	1,334	1,079	-	-
Nursery	359	340	-	-
Rehab unit	1,562	1,478	237	235
Total routine services	<u>\$ 8,789</u>	<u>\$ 7,914</u>	<u>\$ 243</u>	<u>\$ 239</u>
<b>Ancillary services:</b>				
Ambulance service	\$ -	\$ -	\$ -	\$ -
Anesthesiology	1,003	855	309	403
Camp Azzie	6	12	1	1
Cancer treatment center	383	382	-	-
Cardiac catheterization	386	368	44	-
Cardiopulmonary diagnostic lab and rehab	245	227	16	42
Central supply	253	229	-	-
Communication disorders	153	181	5	9
Contract dialysis	-	-	-	-
Crash cart	-	-	-	-
CT scan	129	167	-	-
Delivery room	1,115	939	-	-
Emergency room	1,028	949	-	-
Emergency room physician	-	-	495	448
Hyperbaric medicine	-	-	-	-
Inhalation therapy	707	636	57	62
Intravenous therapy	-	-	-	-
Laboratory	904	842	65	67
Lithotripsy	-	-	-	-
Medical imaging	1,073	1,005	-	-
Midwife services	152	143	37	37
MRI	88	109	-	-
Nuclear medicine	97	123	-	-
Operating room	1,175	909	45	51
Outpatient clinic	71	168	-	-
Pharmacy	689	694	-	-
Physical therapy	681	406	-	-
Physician clinics	-	22	704	1,081
Pulmonary function	149	161	4	4
Recovery room	341	326	-	-
Shots for Tots	3	4	-	-
Sleep lab	319	287	53	85
Social services	94	86	-	-
Total ancillary services	<u>\$ 11,244</u>	<u>\$ 10,230</u>	<u>\$ 1,835</u>	<u>\$ 2,290</u>

<u>Employee Benefits</u>		<u>Other Expenses</u>		<u>Totals</u>	
<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
\$ 954	\$ 1,009	\$ 353	\$ 250	\$ 6,847	\$ 6,280
240	229	60	45	1,634	1,353
74	72	26	14	459	426
145	156	600	562	2,544	2,431
<u>\$ 1,413</u>	<u>\$ 1,466</u>	<u>\$ 1,039</u>	<u>\$ 871</u>	<u>\$ 11,484</u>	<u>\$ 10,490</u>
\$ -	\$ -	\$ 48	\$ 46	\$ 48	\$ 46
200	180	212	203	1,724	1,641
1	5	8	10	16	28
60	59	286	247	729	688
72	72	2,665	1,773	3,167	2,213
50	47	45	33	356	349
52	49	504	427	809	705
31	39	8	11	197	240
-	-	341	357	341	357
-	-	15	11	15	11
30	37	334	219	493	423
199	198	97	71	1,411	1,208
194	201	69	58	1,291	1,208
-	-	-	-	495	448
-	-	777	821	777	821
147	133	163	131	1,074	962
-	-	7	22	7	22
187	183	1,864	1,537	3,020	2,629
-	-	72	86	72	86
208	207	519	537	1,800	1,749
32	31	41	33	262	244
20	24	261	203	369	336
14	23	258	200	369	346
233	191	3,358	2,121	4,811	3,272
16	34	10	11	97	213
141	145	4,170	3,203	5,000	4,042
-	78	13	16	694	500
-	3	-	12	704	1,118
30	34	37	31	220	230
70	70	57	42	468	438
1	-	-	-	4	4
66	61	46	35	484	468
19	15	-	-	113	101
<u>\$ 2,073</u>	<u>\$ 2,119</u>	<u>\$ 16,285</u>	<u>\$ 12,507</u>	<u>\$ 31,437</u>	<u>\$ 27,146</u>

OPELOUSAS GENERAL HOSPITAL TRUST AUTHORITY AND  
HOSPITAL SERVICE DISTRICT NO. 2 OF  
ST. LANDRY PARISH, LOUISIANA

SCHEDULES OF DEPARTMENTAL OPERATING EXPENSES (CONTINUED)  
Years Ended June 30, 2004 and 2003  
(In Thousands)

	<u>Salaries</u>		<u>Employee Benefits</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<b>General services:</b>				
Biomedical services	\$ 184	\$ 191	\$ 38	\$ 43
Dietary	589	513	116	109
Housekeeping	847	813	173	173
Laundry and linen	176	144	36	31
Performance improvement	103	60	19	20
Plant engineering	376	340	79	72
Security	171	160	8	6
Total general services	<u>\$ 2,446</u>	<u>\$ 2,221</u>	<u>\$ 469</u>	<u>\$ 454</u>
<b>Fiscal and administrative services:</b>				
Accounting	\$ 162	\$ 254	\$ 35	\$ 55
Administration	609	571	156	108
Admitting	398	329	80	69
Business office	363	358	74	75
Centralized scheduling	55	59	12	12
Communications	92	90	19	19
Controller	-	-	-	-
Decision support	105	22	20	4
Gift shop	26	24	5	5
Health information services/quality assurance	618	617	121	130
Human resources	157	128	33	27
Industrial medicine	130	129	15	13
Infection control	44	72	11	9
Information technology	616	586	111	118
Marketing	61	72	13	15
Medical staff relations/physician development	124	110	25	23
Property and liability insurance	-	-	-	-
Public relations	70	63	14	13
Safety/grounds	68	67	14	14
St. Landry Parish Health Network	20	-	1	-
Sales taxes	-	-	-	-
Volunteer services	24	26	5	8
Total fiscal and administrative services	<u>\$ 3,742</u>	<u>\$ 3,577</u>	<u>\$ 764</u>	<u>\$ 717</u>

<u>Other Expenses</u>		<u>Totals</u>	
<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
\$ 20	\$ 12	\$ 242	\$ 246
530	430	1,235	1,052
166	171	1,186	1,157
188	160	400	335
7	14	129	94
1,575	1,455	2,030	1,867
1	1	180	167
<u>\$ 2,487</u>	<u>\$ 2,243</u>	<u>\$ 5,402</u>	<u>\$ 4,918</u>
\$ 43	\$ 42	\$ 240	\$ 351
1,113	808	1,878	1,487
27	26	505	424
556	527	993	960
2	3	69	74
211	211	322	320
(19)	-	(19)	-
67	98	192	124
76	65	107	94
190	169	929	916
159	77	349	232
81	106	226	248
5	7	60	88
570	470	1,297	1,174
446	254	520	341
219	157	368	290
1,400	976	1,400	976
1	-	85	76
24	24	106	105
5	-	26	-
36	27	36	27
27	24	56	58
<u>\$ 5,239</u>	<u>\$ 4,071</u>	<u>\$ 9,745</u>	<u>\$ 8,365</u>

OPELOUSAS GENERAL HOSPITAL TRUST AUTHORITY AND  
HOSPITAL SERVICE DISTRICT NO. 2 OF  
ST. LANDRY PARISH, LOUISIANA

DEPARTMENTAL STATISTICS  
Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Beds licensed:		
Acute care	159	159
Rehabilitation facility	<u>21</u>	<u>21</u>
Total	<u>180</u>	<u>180</u>
Percentage of occupancy for staff beds in service:		
Acute care	55.71%	51.05%
Rehabilitation facility	75.77%	78.16%
Percentage of gross patient service revenues:		
Medicare	53	54%
Medicaid	18	19
All other	<u>29</u>	<u>27</u>
Total	<u>100%</u>	<u>100%</u>
Discharges:		
Acute care	6,802	6,282
Rehabilitation facility	<u>404</u>	<u>385</u>
Total	<u>7,206</u>	<u>6,667</u>
Patient days in care:		
Medical and surgical	25,551	23,977
Intensive care	<u>2,334</u>	<u>2,107</u>
Acute care subtotal	27,885	26,084
Nursery	1,648	1,427
Rehabilitation facility	<u>5,824</u>	<u>5,991</u>
Total	<u>35,357</u>	<u>33,502</u>

(Continued)



OPELOUSAS GENERAL HOSPITAL TRUST AUTHORITY AND  
HOSPITAL SERVICE DISTRICT NO. 2 OF  
ST. LANDRY PARISH, LOUISIANA

DEPARTMENTAL STATISTICS (CONTINUED)  
Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Surgeries:		
Inpatient	2,315	2,580
Outpatient	<u>3,722</u>	<u>2,928</u>
Total surgeries	<u>6,037</u>	<u>5,508</u>
Deliveries	789	681
Procedures:		
Laboratory	341,486	314,584
Radiology	39,356	40,956
CT scan	9,528	7,381
Nuclear medicine	1,280	1,237
MRI	3,363	2,395
Radiation therapy	4,479	4,715
Heart catheterization unit cases	1,647	1,317
Hyperbaric oxygen	1,941	2,423
Physical therapy	38,913	32,244
Emergency room visits	21,338	20,888
Outpatient registrations (including emergency room visits)	78,217	71,817

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

To the Board of Trustees  
Opelousas General Hospital Trust Authority  
and Board of Commissioners  
Hospital Service District No. 2  
St. Landry Parish, Louisiana

We have audited the basic financial statements of Opelousas General Hospital Trust Authority as of and for the years ended June 30, 2004 and 2003, and have issued our report thereon dated November 5, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Opelousas General Hospital Trust Authority'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, we noted certain immaterial instances of noncompliance that we have reported to management of Opelousas General Hospital Trust Authority in a separate letter dated November 5, 2004.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Opelousas General Hospital Trust Authority'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

To the Board of Trustees  
Opelousas General Hospital Trust Authority  
and Board of Commissioners  
Hospital Service District No. 2  
St. Landry Parish, Louisiana

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 material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, management, and the Legislative Auditor is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Broussard, Pochi, Lewis & Breaux L.L.P.*

Opelousas, Louisiana  
November 5, 2004



**BROUSSARD, POCHE, LEWIS & BREAU, LLP**

CERTIFIED PUBLIC ACCOUNTANTS

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**MANAGEMENT LETTER**

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To the Board of Trustees  
Opelousas General Hospital Trust Authority and  
Board of Commissioners  
Hospital Service District No. 2  
St. Landry Parish, Louisiana

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We have audited the basic financial statements of Opelousas General Hospital Trust Authority as of and for the year ended June 30, 2004 and 2003, and have issued our report thereon dated November 5, 2004. We conducted our audit 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.

As a part of our examination, we have issued our report on the financial statements, dated November 5, 2004, and our report on internal control and compliance with laws, regulations, and contracts, dated November 5, 2004.

During the course of our examination, we became aware of the following matters which represent immaterial deviations of compliance or suggestions for improved internal controls.

**Suggestion 2004-1. Reporting of Compensation Paid to Board Members**

**Issue:** During the course of our audit, it came to our attention that the compensation paid to board members is being reported to the Internal Revenue Service on Form 1099-MISC. The Internal Revenue Code requires that compensation paid to elected or appointed board members should be reported on Form W-2.

**Recommendation:** We recommend that the Authority begin to include the compensation paid to board members on Form W-2 in accordance with the Internal Revenue Code.

**Response:** The Authority will report compensation paid to board members on Form W-2 beginning with January 1, 2005.

We recommend management address the foregoing issues as an improvement to operations and the administration of public programs. We are available to further explain the suggestions or help implement the recommendation.

*Broussard, Poche, Lewis, Breaux L.L.P.*

Opelousas, Louisiana  
November 5, 2004