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HOSPITAL SERVICE DISTRICT NO. 18
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 d/b/a RICHARDSON MEDICAL CENTER

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

FOR THE YEARS ENDED
 SEPTEMBER 30, 2003, 2002, AND 2001

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

HOSPITAL SERVICE DISTRICT NO. 18
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 (d/b/a RICHARDSON MEDICAL CENTER)
 HOSPITAL ENTERPRISE FUND
 YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

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Richard Parish Hospital Service District No. 18
d/b/a Richardson Medical Center

Management's Discussion and Analysis

This section of the Richard Parish Hospital Service District No. 18's d/b/a Richardson Medical Center (the Medical Center) annual financial report provides important background information and management's analysis of the Medical Center's financial performance during the fiscal year ended September 30, 2003. Please read this section in conjunction with the combined basic financial statements beginning on page 3 and the notes to the combined basic financial statements beginning on page 7 in this report.

Required Financial Statements

The basic financial statements contained in this report are presented using Governmental Accounting Standards Board (GASB) accounting principles. These combined financial statements provide overall information about the Medical Center's financial activities on both a short-term and long-term basis. The combined balance sheet presents information about its assets (resources) and liabilities (the amounts obligated to its creditors). The statements of revenues, expenses, and changes in net assets present information about the current and prior years' activities in revenues and expenses. This statement also provides useful information for determining whether the Medical Center's patient service revenue and other revenue sources were sufficient to allow the Medical Center to recover all of its costs. The final required financial statement in this report is the statement of cash flows which provides information about the Medical Center's cash from operations, investing, and financing activities. In addition, this statement provides useful information to answer questions such as where cash came from, what cash was used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the Medical Center

The balance sheets and the statements of revenue, expenses, and changes in net assets report information about the Medical Center's activities. These two statements report the net assets of the Medical Center and the changes in them. Increases or decreases in the Medical Center's net assets are one of a number of indicators of whether its overall 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.

Richard Parish Hospital Service District No. 18
d/b/a Richardson Medical Center

Management's Discussion and Analysis

Net Assets

A summary of the Medical Center's balance sheets is presented in Table 1 below:

TABLE 1
Condensed Balance Sheets

	September 30,		Dollar	Percent
	2003	2002	Change	Change
Total current assets	\$3,538,565	\$4,039,902	\$500,997	-12.40%
Capital assets - net	1,868,249	1,750,992	117,257	7.66%
Other assets	3,476,429	3,538,510	(62,081)	-1.65%
Total assets	\$8,903,453	\$9,329,404	\$422,921	-4.53%
Current liabilities	1,073,966	1,000,650	73,199	7.31%
Long-term liabilities	128,730	224,356	(95,626)	-42.62%
Total liabilities	1,202,716	1,225,006	(22,290)	-1.81%
Restricted net assets	7,700,754	8,107,189	(406,434)	-4.99%
Total liabilities and net assets	\$8,903,453	\$9,329,404	\$422,921	-4.53%

As shown in Table 1, the Medical Center's total assets decreased by approximately \$422,921 to \$8,903,453 in fiscal year 2003, down from \$9,329,404 in fiscal year 2002.

Richard Parish Hospital Service District No. 18
 434½ Richardson Medical Center

Management's Discussion and Analysis

Summary of Revenues, Expenses, and Changes in Net Assets

The following table presents a summary of the Medical Center's historical revenues and expenses for each of the fiscal years ended September 30, 2003 and 2002.

TABLE 2
 Condensed Statements of Revenues, Expenses, and Change in Net Assets

	September 30,		Dollar	Percent
	2003	2002	Change	Change
Operating revenues:				
Net patient revenue	\$13,912,880	\$13,067,166	\$ (845,714)	-6.46%
Other operating revenue	412,260	594,068	(181,808)	-30.60%
Total operating revenue	<u>13,725,140</u>	<u>13,661,234</u>	<u>(64,906)</u>	<u>-0.48%</u>
Operating expenses:				
Salaries and employee benefits	6,457,101	6,728,727	(271,626)	-4.04%
Supplies, fees, and purchased services	5,091,020	5,622,414	(531,394)	-9.45%
Provision for bad debts	1,404,408	1,384,838	19,570	1.41%
Depreciation	428,302	438,801	(10,499)	-2.39%
Interest expense, net	18,645	25,709	(7,064)	-27.48%
Total operating expenses	<u>14,198,476</u>	<u>14,168,489</u>	<u>29,987</u>	<u>0.21%</u>
Loss from operations	(473,336)	(308,248)	(165,088)	-53.71%
Interest income	73,278	372,948	(300,670)	-80.90%
Revenue in excess of expenses	<u>(400,058)</u>	<u>(235,300)</u>	<u>(164,758)</u>	<u>-70.02%</u>
Net assets - beginning of year	\$ 121,156	\$ 306,494	(185,338)	(-60.83%)
Net assets - end of year	<u>\$ 230,754</u>	<u>\$ 121,156</u>	<u>\$ 109,598</u>	<u>90.47%</u>

Sources of Revenue

- Net Patient Revenue

During fiscal year 2003, the Medical Center derived the majority, or approximately 97%, 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 Medical Center's facilities. Reimbursements 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. Total net patient service revenue decreased \$44,273 or 0.33% in 2003.

Richland Parish Hospital Service District No. 18
d/b/a Richardson Medical Center

Management's Discussion and Analysis

Table 3 presents the relative percentage of gross charges billed for patient services by payer for the fiscal years ended September 30, 2003 and 2002.

TABLE 3
Payer Mix by Percentage

	September 30,	
	2003	2002
Medicare	51%	51%
Medicaid	13%	14%
Commercial	21%	20%
Self-pay	8%	8%
Total patient revenues	100%	100%

• Other Revenue

Other revenue (Table 4) includes Richland Parish property taxes, cafeteria sales, rental income, pharmacy sales to employees, and other miscellaneous services.

TABLE 4
Other Revenue

	September 30,		Dollar Change	Percent Change
	2003	2002		
Other revenue:				
Property tax	\$258,838	\$241,581	\$24,723	+10.23%
Cafeteria	41,911	48,789	(4,787)	-9.83%
Medical records	4,458	5,999	(1,541)	-25.69%
Vending machines	5,529	5,959	(420)	-7.05%
Rentals	39,450	37,294	2,795	7.50%
Pharmacy sales to employees	42,880	48,640	(3,780)	-7.77%
Miscellaneous	19,613	17,847	1,795	10.06%
Total other revenue	\$412,789	\$394,595	\$21,258	+5.39%

• Investment Income

The Medical Center holds designated and restricted funds in its balance sheets that are invested in certificate of deposits. These investments earned \$72,252 in interest income during fiscal year 2003. This is a decrease of 27.39% from the prior year.

Richland Parish Hospital Service District No. 18
 676½ Richardson Medical Center

Management's Discussion and Analysis

Operating and Financial Performance

The following financial information summarizes the Medical Center's statements of revenue, expenses, and changes in net assets between 2002 and 2003:

- Overall activity at the Medical Center, as measured by patient discharges, decreased 0.62% from 1,691 discharges in 2002 to 1,685 discharges in 2003. Patient days decreased 3.00% from 6,028 in 2002 to 7,787 in 2003. Furthermore, the average length of stay for all patients decreased to 4.67 days in 2003 from 5.65 days in 2002.

TABLE 5
 Patient and Hospital Statistical Data

	September 30,	
	2003	2002
Discharges:		
Acute care	1,401	1,418
Swing bed	79	80
Psychiatric care	85	82
Patient days:		
Medicare	4,641	4,674
Medicaid	794	764
Commercial	702	615
Self pay	67	78
Swing bed	894	792
Psychiatric care	965	906
Operating room patients	901	1,073
Emergency room visits	7,636	6,257
Average daily census:		
Acute care	12.7	12.8
Swing bed	1.9	2.2
Psychiatric care	2.6	2.5
Average length of stay:		
Acute care	4.4	4.3
Swing bed	6.7	8.8
Psychiatric care	11.0	11.1
Percentage of total patient days:		
Medicare	59.95%	60.40%
Medicaid	10.41%	9.97%
Home Health Visits	3,703	3,089
Dermatology clinic	377	8
Full time equivalents	187.85	183.23

Richard Parish Hospital Service District No. 10
 c/o Richardson Medical Center

Management's Discussion and Analysis

- Allowances decreased over prior year as described in Table 6 below.

TABLE 6
 Allowance Summary

Allowances:	September 30,	
	2003	2002
Other adjustments	\$1,012,779	\$ 980,653
Medicaid contractual allowances	2,163,020	2,452,747
Medicare contractual allowances	2,718,317	2,517,504
Total adjustments and allowances	<u>\$6,894,116</u>	<u>\$5,950,904</u>

- Days in accounts receivable increased from 100 days to 114 days.
- Salary expenses increased \$51,542, or 1.09%, to \$5,763,793 in 2003 from \$5,701,816 in 2002. As a percentage of net patient service revenue, salary expense was approximately 43.29% and 42.66% for the fiscal years ended September 2003 and 2002, respectively.
- Employee benefit expense decreased \$105,958 or 31.65% from prior year. Employee benefit expenses represented 12.57% and 17.57% of salary expenses in the current and prior fiscal years, respectively. This decrease is primarily due to a reduction in facility health insurance costs.
- Supplies expense decreased \$287,572 or 31.73% from prior year. As a percentage of net patient service revenue, supplies expense decreased to approximately 4.36% from 6.28% for the fiscal years ended September 2003 and 2002, respectively. This decrease was due to management's continued focus on monitoring supplies expense in the current year.
- Professional fees increased \$43,322 or 2.08% from the prior year.
- Other operating expenses increased \$434,962 or 17.95% from the prior year. This was a result of increased utilization of contract services and non-patient related supplies.
- Provision for bad debts increased \$40,375 or 2.66% from the prior year.
- Depreciation and interest expense decreased \$15,353 or 3.32% from the prior year.
- Total overall operating expenses increased \$29,963 or 0.21% for the year ended September 30, 2003 per the reasons noted above.

Richard Parish Hospital Service District No. 18
 d/b/a Richardson Medical Center

Management's Discussion and Analysis

Capital assets

During the 2003 fiscal year, the Medical Center invested \$526,762 in a broad range of capital assets included in Table 7 below:

TABLE 7
 Capital Assets

	September 30,		Dollar	Percent
	2003	2002	Change	Change
Land and improvements	\$ 44,887	\$ 44,887	\$ -0-	0.00%
Building and equipment	9,488,875	9,329,579	392,481	4.20%
Subtotal	9,533,762	9,374,466	397,481	4.24%
Less accumulated depreciation	7,772,855	7,383,450	389,205	5.27%
Construction in progress	129,281	-0-	129,281	100.00%
Net property, plant and equipment	\$1,890,188	\$1,991,016	\$101,828	7.63%

Net property, plant and equipment have increased as the Medical Center has enhanced existing facilities, equipment, and is in the process of renovating the emergency department to accommodate patient services.

2004 Capital Budget

In Table 8, the Medical Center's fiscal year 2004 capital budget projects spending up to \$1,010,401 for capital projects. The equipment purchases will be financed from property tax revenues and operations. The renovations to the emergency room will be financed from a combination of grant funding and a U.S.D.A. issued loan. More information about the Medical Center's capital assets is presented in the notes to the basic financial statements.

TABLE 8
 Fiscal Year 2004 Capital Budget

Equipment purchases	\$ 248,177
Construction/renovation	762,224
Total	\$1,010,401

Richland Parish Hospital Service District No. 1B
d/b/a Richardson Medical Center

Management's Discussion and Analysis

Long-Term Debt (Excluding Capital Leases)

At year end, the Medical Center had \$54,875 in short-term and long-term debt.

Capital Leases

At year end, the Medical Center had \$234,358 in capital lease obligations. This is a decrease from the prior fiscal year of \$28,295 or 25.47%.

Contacting the Medical Center's Financial Manager

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Medical Center's finances and to demonstrate the Medical Center'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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Independent Auditor's Report

To the Board of Commissioners
Hospital Service District No. 18
Parish of Richland, State of Louisiana
Rayville, Louisiana

We have audited the accompanying basic financial statements of Hospital Service District No. 18, Parish of Richland (the Hospital), a component unit of the Richland Parish Police Jury, as of and for the years ended September 30, 2003, 2002, and 2001, as listed in the foregoing table of contents. These basic financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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. These standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 18, Parish of Richland, as of September 30, 2003, 2002, and 2001, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report (dated January 8, 2004, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audits were performed for the purpose of forming an opinion on the basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Board of Commissioners
Hospital Service District No. 18
Parish of Richland, State of Louisiana
Rayville, Louisiana
Page Two

As discussed in Note 2 to the financial statements, effective October 1, 2002, the Hospital changed its accounting policy related to the financial statement presentation to comply with the provisions of Statement No. 34 of the Governmental Accounting Standards Board.

Management's discussion and analysis on pages "I" through "VII" is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Lester, Miller & Wells

Certified Public Accountants

January 8, 2004

HOSPITAL SERVICE DISTRICT NO. 10
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
GRAB RICHARDSON MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
BALANCE SHEETS
SEPTEMBER 30, 2003, 2002, AND 2001

ASSETS	2003	2002	2001
Current			
Cash and cash equivalents (Note 2 & 3)	\$ 134,470	\$ 313,903	\$ 330,977
Short-term investments	284,850	-	-
Accounts receivable, net (Note 4)	2,583,194	2,488,437	2,815,533
Estimated third-party payor settlements	165,164	771,421	891,596
Accrued interest	11,770	14,380	33,048
Inventory	284,489	291,474	312,684
Prepaid expenses	114,451	166,827	147,645
Total Current Assets	3,638,935	4,039,902	4,491,653
Property, plant, and equipment,			
net (Note 5)	1,888,649	1,750,960	1,952,387
Assets whose use is limited (Note 6)	3,434,350	3,243,067	3,218,721
Other assets (Note 7)	42,075	72,643	38,514
Total Assets	\$ 8,963,453	\$ 9,126,404	\$ 9,699,382
LIABILITIES AND NET ASSETS			
Current			
Accounts payable	\$ 580,843	\$ 610,862	\$ 662,648
Accrued expenses	372,845	300,893	258,632
Current portion of lease obligations and long-term debt	180,501	89,296	111,629
Total Current Liabilities	1,073,899	1,000,860	1,063,277
Long-term			
Capital lease obligations and notes payable (Note 8)	138,730	234,366	328,511
Total Liabilities	1,212,629	1,235,206	1,391,788
Net Assets			
Invested in capital assets, net of related debt	1,803,318	1,437,041	1,512,857
Unrestricted	6,091,445	6,693,957	6,793,637
Total Net Assets	7,793,764	8,121,198	8,306,494
Total Liabilities and Net Assets	\$ 8,963,483	\$ 9,226,404	\$ 9,698,282

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 18
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 c/w/ RICHARDSON MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
 YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

	2003	2002	2001
Revenue			
Net patient service revenue	\$ 13,312,060	\$ 13,357,156	\$ 13,325,589
Property taxes	295,535	341,561	295,583
Grants	11,841	-	-
Donations	-	1,098	-
Gain (loss) on disposal of assets	(60)	15,025	2,269
Other operating revenue	<u>144,170</u>	<u>149,884</u>	<u>134,441</u>
Total Revenue	<u>13,795,872</u>	<u>13,861,244</u>	<u>13,791,982</u>
Expenses			
Salaries	5,793,750	5,701,818	5,650,649
Benefits and payroll taxes	341,066	671,011	660,171
Pension plan (Note 10)	351,305	346,066	348,377
Supplies and drugs	580,473	638,045	1,054,422
Professional fees	2,075,000	2,034,484	1,873,485
Other expenses	2,898,377	2,423,315	2,421,248
Insurance	375,478	320,579	315,983
Interest expense	18,645	25,709	29,430
Depreciation	428,282	426,621	488,842
Provision for bad debts	<u>1,404,458</u>	<u>1,364,638</u>	<u>1,535,891</u>
Total Expenses	<u>14,109,452</u>	<u>14,158,483</u>	<u>14,168,368</u>
Operating Income (Loss)	<u>(413,580)</u>	<u>(298,240)</u>	<u>(436,418)</u>
Nonoperating Income (Loss)			
Interest income on investments limited as to use	72,252	59,372	175,569
Interest income other	<u>1,124</u>	<u>3,677</u>	<u>8,277</u>
Excess of Revenue (Expenses)	<u>(400,434)</u>	<u>(295,290)</u>	<u>(293,572)</u>
Beginning Net Assets	8,101,168	8,306,484	8,368,216
Transfer from Richland Parish Hospital Service District No. 1	<u>-</u>	<u>-</u>	<u>158,850</u>
Ending Net Assets	<u>\$ 7,700,734</u>	<u>\$ 8,101,194</u>	<u>\$ 8,306,494</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 18
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 d/b/a RICHARDSON MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 STATEMENTS OF CASH FLOWS
 YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

	2003	2002	2001
Cash flow from operating activities:			
Cash received from patients and third-party payors	\$ 12,417,988	\$ 12,402,388	\$ 11,733,072
Other receipts from operations	417,388	506,649	434,891
Cash payments to employees and for employee-related cost	(5,385,140)	(5,679,436)	(5,455,085)
Cash payments for other operating expenses	<u>(5,697,820)</u>	<u>(5,682,899)</u>	<u>(5,695,202)</u>
Net cash provided (used) by operating activities	<u>162,396</u>	<u>546,702</u>	<u>212,648</u>
Cash flow from investing activities:			
Cash invested in assets whose use is limited	(664,807)	(377,918)	(673,287)
Cash proceeds from assets whose use is limited	418,725	83,568	542,391
Interest income	<u>73,372</u>	<u>102,948</u>	<u>183,648</u>
Net cash provided (used) by investing activities	<u>(172,698)</u>	<u>(191,397)</u>	<u>52,850</u>
Cash flow from capital and related financing activities:			
Proceeds from notes payable	60,000	-	-
Proceeds from sales of property, plant, and equipment	-	38,585	30,303
Acquisition of property, plant, and equipment	(305,913)	(258,680)	(375,038)
Principal payments on long-term debt	(94,420)	(128,889)	188,918)
Interest expense	<u>(18,645)</u>	<u>(25,799)</u>	<u>(29,428)</u>
Net cash provided (used) by capital and related financing activities:	<u>(618,988)</u>	<u>(373,783)</u>	<u>(373,138)</u>
Net increase (decrease) in cash and cash equivalents	(179,484)	(17,014)	(107,680)
Beginning cash and cash equivalents	<u>313,963</u>	<u>330,977</u>	<u>438,658</u>
Ending cash and cash equivalents	\$ <u>134,479</u>	\$ <u>313,963</u>	\$ <u>330,977</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 18
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHARDSON MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

	2003	2002	2001
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ (473,810)	\$ (508,340)	\$ (430,418)
Interest expense considered capital financing activity	18,648	25,709	29,430
Adjustments to reconcile revenue in excess of expenses to net cash provided by operating activities:			
Depreciation	428,332	438,801	485,042
(Gain) loss on disposal of assets	80	(18,800)	(2,308)
Provision for bad debts	1,404,439	1,384,839	1,325,681
Transfer from Richland Parish Hospital Service District No. 1	-	-	100,669
Change in current assets (increase) decrease:			
Patient accounts receivable, net	(1,521,135)	(1,034,943)	(1,077,421)
Estimated third-party payor settlements	608,237	80,148	(912,281)
Accrued interest receivable	4,901	16,768	11,817
Inventory	26,966	21,418	(8,111)
Prepaid expenses	45,476	(12,282)	(24,970)
Change in current liabilities (increase) decrease:			
Accounts payable	(80,018)	(61,064)	25,820
Accrued expenses	71,982	41,291	3,212
Estimated third-party payor settlements	-	-	(2,755)
Change in other assets (increase) decrease	<u>(19,238)</u>	<u>12,671</u>	<u>16,853</u>
Net cash provided by operating activities	<u>\$ 552,368</u>	<u>\$ 548,172</u>	<u>\$ 212,845</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 18
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
@BAS RICHARDSON MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Richland Parish Hospital Service District No. 18 (the Hospital or the District) was created by an ordinance of the Richland Parish Police Jury on April 10, 1989. The District is comprised of the entire parish excluding Ward 1 of the Parish of Richland, State of Louisiana, as constituted as of the date of the ordinance.

Effective as of October 1, 1989, Richland Parish Hospital Service District No. 1 (which operated hospitals in Delhi and Rayville) transferred operations of the hospital in Rayville and clinic in Mangrove to Richland Parish Hospital Service District No. 18, along with all related assets, liabilities, and equity.

The Hospital is a political subdivision of the Richland Parish Police Jury whose jurors are elected officials. The Hospital's commissioners are appointed by the Richland Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Richland Parish Police Jury is the financial reporting entity for the Hospital. Accordingly, the Hospital was determined to be a component unit of the Richland Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

Nature of Business

The Hospital provides outpatient, skilled nursing (through "swing-beds"), home health and acute inpatient hospital services. In September 1995, the District opened a unit to provide geriatric psychiatric services and was recognized as a Medicare "distinct part" unit effective October 1, 1995. Also in 1995, the District began operation of a rural health clinic.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprises Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

HOSPITAL SERVICE DISTRICT NO. 10
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHARDSON MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2009, 2008, AND 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Method of Accounting

The Hospital uses the accrual method of accounting. 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 third-party reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related settlements are determined. Expenses 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, the AICPA, *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.

On October 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 revenues, expenses and changes in net assets, and a direct method statement of cash flows. It requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted and unrestricted. These classifications are defined as follows:

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

The adoption of Statement 34 resulted in the previously reported unrestricted fund balance amount being classified to conform to the above net asset classifications. Additionally, the Hospital restated the 2002 and 2007 statements of cash flows to conform to the direct method of reporting cash receipts and disbursements.

HOSPITAL SERVICE DISTRICT NO. 15
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA,
d/b/a RICHARDSON MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

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. Certificates of deposit with original maturities over 90 days are classified as short-term investments. Cash and cash equivalents and short-term investments are stated at cost, which approximates market value. The caption "cash and cash equivalents" does not include amounts whose use is limited or temporary cash investments.

Credit Risk

The District provides medical care primarily to Richland 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 District has an economic dependence on a small number of staff physicians. These physicians admit over 90% of the Hospital's patients. The Hospital also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 12. Changes in federal and state legislation or interpretations of rules have a significant impact on the Hospital.

Third-Party/Payer 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 acute services and on a fixed price per patient day for Medicaid inpatient acute and psychiatric services. Medicare and Medicaid outpatient services are reimbursed based upon the lesser of reasonable cost (subject to certain limits) or charges to patients. Home health services to Medicare patients are paid based upon prospective rates adjusted for acuity levels. Medicare inpatient psychiatric services are reimbursed based upon the reasonable cost of services to patients (subject to certain limits). These reimbursements are subject to audit and retroactive adjustments by each payer.

Inventories

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

Income Taxes

The entity is a political subdivision and exempt from taxation.

HOSPITAL SERVICE DISTRICT NO. 19
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 6746 RICHARDSON MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

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 method of determining depreciation for financial reporting and third-party reimbursement. The following estimated useful lives are generally used.

Buildings and Improvements	5 to 40 years
Machinery and Equipment	3 to 20 years
Furniture and Fixtures	3 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 the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposal are credited or charged to operations currently.

NOTE 3 - DEPOSITS

Included in cash and cash equivalents, short-term investments and assets whose use is limited are cash on hand and deposits with the depository banks for checking accounts and certificates of deposits. At September 30, 2003, 2002 and 2001, all deposits were secured by FDIC and pledged securities. For all deposits, the market value and carrying value are the same.

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	2003	2002	2001
Net patient accounts receivable	\$ 4,373,219	\$ 3,671,975	\$ 4,075,644
Other accounts receivable	<u>17,940</u>	<u>2,494</u>	<u>2,689</u>
	4,391,159	3,674,469	4,078,333
Estimated uncollectibles	<u>(1,808,000)</u>	<u>(1,188,000)</u>	<u>(1,261,000)</u>
Total	\$ <u>2,583,159</u>	\$ <u>2,486,469</u>	\$ <u>2,817,333</u>

HOSPITAL SERVICE DISTRICT NO. 18
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA,
 dba RICHARDSON MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

NOTE 5 - PROPERTY, PLANT, AND EQUIPMENT

The following is a summary of property, plant, and equipment and related accumulated depreciation at April 30:

	September 30, 2002	Additions	Deductions	September 30, 2003
Land	\$ 16,000	\$ -	\$ -	\$ 16,000
Land improvements	28,667	-	-	28,667
Buildings and improvements	3,108,871	25,956	-	3,132,827
Major movable equipment	6,962,750	419,802	(99,156)	8,384,149
Construction in progress	<u>-</u>	<u>129,361</u>	<u>-</u>	<u>129,361</u>
Total	9,134,441	665,919	(99,156)	9,801,204
Accumulated depreciation	<u>7,383,449</u>	<u>428,302</u>	<u>39,096</u>	<u>7,772,652</u>
Net	\$ <u>1,750,992</u>	\$ <u>137,617</u>	\$ <u>60</u>	\$ <u>1,898,549</u>
	September 30, 2001	Additions	Deductions	September 30, 2002
Land	\$ 16,000	\$ -	\$ -	\$ 16,000
Land improvements	28,667	-	-	28,667
Buildings and improvements	3,087,471	19,408	-	3,108,871
Major movable equipment	<u>5,971,268</u>	<u>240,266</u>	<u>228,678</u>	<u>5,982,703</u>
Total	9,103,824	269,684	228,678	9,134,441
Accumulated depreciation	<u>7,151,222</u>	<u>436,681</u>	<u>264,373</u>	<u>7,383,449</u>
Net	\$ <u>1,952,602</u>	\$ <u>(178,996)</u>	\$ <u>24,493</u>	\$ <u>1,750,962</u>

HOSPITAL SERVICE DISTRICT NO. 18
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHARDSON MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

NOTE 5 - PROPERTY, PLANT, AND EQUIPMENT - (Continued)

	September 30, 2003	Additions	Deductions	September 30, 2001
Land	\$ 15,000	\$ -0-	\$ -0-	\$ 15,000
Land improvements	28,867	-0-	-0-	28,867
Buildings and improvements	3,003,498	53,075	-8-	3,087,471
Major movable equipment	<u>5,329,238</u>	<u>678,471</u>	<u>44,423</u>	<u>5,871,286</u>
Total	8,417,601	730,446	44,423	9,103,624
Accumulated depreciation	<u>5,889,914</u>	<u>468,942</u>	<u>27,529</u>	<u>7,191,227</u>
Net	\$ <u>2,527,687</u>	\$ <u>261,504</u>	\$ <u>16,894</u>	\$ <u>1,912,397</u>

NOTE 6 - ASSETS WHOSE USE IS LIMITED

The following assets are restricted as to use as designated below:

	2003	2002	2001
Restricted by Hospital Board To be used for asset additions and replacements - Certificates of deposits	\$ <u>3,434,355</u>	\$ <u>3,313,067</u>	\$ <u>3,218,731</u>

NOTE 7 - OTHER ASSETS

Other assets consist of the following:

	2003	2002	2001
Security deposit	\$ -0-	\$ 188	\$ 188
Medical scholarships receivable	<u>42,079</u>	<u>22,655</u>	<u>35,328</u>
Total	\$ <u>42,079</u>	\$ <u>22,843</u>	\$ <u>35,516</u>

HOSPITAL SERVICE DISTRICT NO. 18
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 dbia RICHARDSON MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

NOTE 9 - LONG-TERM DEBT

Following is a summary of long-term debt at September 30.

	2003	2002	2001
4.25% note payable to USDA, due in monthly installments of \$5,125 through August 12, 2013, collateralized by operating revenues. At September 30, 2003, the District has drawn and is committed to \$80,000 towards this loan.	\$ 64,875	\$ -	\$ -
Capital lease obligations, at varying rates of imputed interest from 5.9 percent to 11.3 percent collateralized by leased equipment.	<u>224,350</u>	<u>313,651</u>	<u>428,540</u>
Total debt:	279,221	313,651	428,540
Less current maturities of long-term debt:	<u>150,501</u>	<u>89,230</u>	<u>111,820</u>
Long-term debt	\$ <u>128,720</u>	\$ <u>224,350</u>	\$ <u>328,511</u>

A table of principal maturities over the next five years follows:

Year Ended September 30	Notes and Leases
2004	\$ 150,501
2005	102,230
2006	36,490
2007	-
2008	<u>-</u>
Total	\$ <u>279,221</u>

The Hospital leases equipment under capital lease agreements expiring in various years. The assets and liabilities under capital leases are recorded at the fair value of the asset. The assets are depreciated over their estimated useful lives. Depreciation of assets under capital leases is included in depreciation expense.

HOSPITAL SERVICE DISTRICT NO. 18
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 c/o RICHARDSON MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

NOTE 5 - LONG-TERM DEBT (Continued)

The Hospital leases equipment under capital lease agreements expiring in various years. The assets and liabilities under capital leases are recorded at the fair value of the asset. The assets are depreciated over their estimated useful lives. Depreciation of assets under capital leases is included in depreciation expenses.

The following is a summary of property held under capital leases:

	2003	2002	2001
Copiers	\$ -0-	\$ -0-	\$ 218,205
Mailing machine & electronic postal scale	-0-	1,384	3,384
AS400 computer equipment	-0-	-0-	84,491
Radiology equipment	<u>455,458</u>	<u>455,458</u>	<u>455,458</u>
	455,458	456,842	741,488
Less: Accumulated depreciation	<u>258,065</u>	<u>167,914</u>	<u>324,462</u>
Total	<u>\$ 197,393</u>	<u>\$ 288,928</u>	<u>\$ 417,026</u>

Minimum future lease payments under capital leases as of September 30, 2003, and for each subsequent year in aggregate are provided below:

Year Ended September 30	Amount
2004	\$ 107,928
2005	107,928
2006	25,982
2007	<u>-0-</u>
Total minimum lease payments	242,838
Less: Amounts representing interest	<u>19,302</u>
Net minimum lease payments	<u>\$ 223,536</u>

HOSPITAL SERVICE DISTRICT NO. 18
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHARDSON MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

NOTE 9 - AFFILIATED ORGANIZATION

Affiliated organizations include Richland Parish Hospital Service District No. 1, Richland Parish Hospital Service District No. 1A, and the Richland Parish Police Jury. The districts are related because they are all political subdivisions of the Richland Parish Police Jury who appoints their commissioners.

During the fiscal years ended September 30, the Hospital had the following transactions and balances with its affiliated organization, Richland Parish Hospital Service District No. 1A, d/b/a Richland Parish Hospital - Delhi.

	2003	2002	2001
Beginning amount due from Richland Parish Hospital - Delhi	\$ 3,134	\$ 3,070	\$ 1,474
Revenue earned by the Hospital	22,952	22,980	20,020
Received from Richland Parish Hospital - Delhi	<u>(22,726)</u>	<u>(21,624)</u>	<u>(19,421)</u>
Ending amount due from Richland Parish Hospital - Delhi	\$ <u>3,357</u>	\$ <u>3,124</u>	\$ <u>2,073</u>

NOTE 10 - PENSION PLAN

The Hospital elected to withdraw from the Social Security System effective January 1, 1984. In place of Social Security, the Hospital established a nonqualified defined contribution annuity plan. Employees are eligible to participate upon the date of employment and after one year of service the employee is fully vested in the employer's matching contribution. Contributions to the plan by the Hospital are determined by the Board of Commissioners. The plan requires a minimum total contribution by the Hospital and the employee of at least 7.5%. The amounts charged to pension expense under this plan were \$261,375, \$346,095, and \$ 348,377 for the years ended September 30, 2003, 2002, and 2001, respectively.

NOTE 11 - COMPENSATED ABSENCES

Employees of the District are entitled to paid days off and sick days depending on length of service. The District accrued \$238,195, \$177,605, and \$193,171 of vacation pay at September 30, 2003, 2002, and 2001, respectively. It is impracticable to estimate the amount of compensation for future unvested sick day 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.

HOSPITAL SERVICE DISTRICT NO. 18
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
6546 RICHARDSON MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

NOTE 12 - PATIENT SERVICE REVENUE

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

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain outpatient services related to Medicare beneficiaries are paid based on a set fee per diagnosis with a hold harmless provision for cost reimbursement for the next three years following August 1, 2003. Swing bed routine services are reimbursed based on a prospectively determined rate per patient day and other services including home health and geriatric psychiatry are reimbursed based upon a cost reimbursement methodology (with home health being subject to limits on a cost per visit basis and geriatric psychiatry being subject to a target amount per discharge). On October 1, 2003, home health is paid a set rate based on diagnosis for each 60 day period.

Medicaid - Inpatient services are reimbursed based on a prospectively determined per diem rate. Some outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid prospectively based on a fee schedule. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been examined by the Medicaid fiscal intermediary through April 30, 2003.

Commercial - The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. Payment methods under these agreements include prospectively determined rates per discharge, discounts from established charges and prospectively determined per diem rates.

The Hospital receives a substantial portion of its revenues from the Medicare and Medicaid programs at discounted rates. The following is a summary of Medicare and Medicaid patient revenues for the years ended September 30.

	2003	2002	2001
Medicare and Medicaid charges	\$ 15,887,641	\$ 16,148,131	\$ 17,524,407
Contractual adjustments	<u>(8,266,361)</u>	<u>(8,058,644)</u>	<u>(8,169,129)</u>
Program Patient Service Revenue	<u>\$ 7,621,280</u>	<u>\$ 8,089,487</u>	<u>\$ 9,355,278</u>
Percent of Total Gross Patient Charges	<u>74%</u>	<u>75%</u>	<u>72%</u>
Percent of Total Net Patient Revenues	<u>62%</u>	<u>61%</u>	<u>62%</u>

HOSPITAL SERVICE DISTRICT NO. 18
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHARDSON MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

NOTE 12 - PATIENT SERVICE REVENUE (Continued)

The Hospital received interim amounts of \$627,799, \$662,487 and \$662,467 for Medicaid and self-pay uncompensated care services for the years ended September 30, 2003, 2002, and 2001, respectively. The interim amounts received are based upon uncompensated cost incurred in previous years. Current regulations require retrospective 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.

NOTE 13 - PROFESSIONAL LIABILITY RISK

The Hospital participates in the Louisiana Patient's Compensation Fund ("PCF") 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 PCF, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limited the PCF's exposure to \$400,000 per occurrence.

NOTE 14 - 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:

Governmental Third-Party Reimbursement Programs (Note 12) - The Hospital is contingently liable for retrospective adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retrospective changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

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

HOSPITAL SERVICE DISTRICT NO. 18
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
8766 RICHARDSON MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

NOTE 14 - 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 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 13) - The Hospital is contingently liable for losses from professional liability not underwritten by the Louisiana Peloton's Compensation Fund or the Hospital's insurance carrier.

The Hospital also participates in the Louisiana Hospital Association Self-Insurance Employee Benefits Trust Fund. If the fund's assets are not adequate to cover the claims made against it, the Hospital will 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 District has acquired stop-loss insurance to cover individual claims exceeding \$20,000 or aggregate claims exceeding \$1,000,000 per year.

Two physicians have filed a suit against the Hospital based upon a contract dispute. The Hospital intends to vigorously defend itself. Management is unable to reasonably estimate a liability, if any, should the plaintiffs prevail. To the extent litigation costs are incurred, they shall be charged against operations as litigation services are obtained and billings received.

NOTE 15 - COMMITMENTS

The Hospital entered into a construction contract which totaled \$751,204, including change orders as of September 30, 2003. The Hospital paid \$26,337 towards this commitment as of September 30, 2003.

SUPPLEMENTAL INFORMATION

HOSPITAL SERVICE DISTRICT NO. 18
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 dba RICHARDSON MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 SCHEDULES OF NET PATIENT SERVICE REVENUE
 YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

	2003	2002	2001
Routine Services:			
Adult and pediatric	\$ 1,408,037	\$ 1,475,880	\$ 1,551,150
Intensive care unit	248,088	238,400	305,025
Swing bed	138,900	140,220	162,432
Senior care	<u>818,433</u>	<u>775,130</u>	<u>1,223,158</u>
Total Routine Services	<u>2,613,458</u>	<u>2,629,630</u>	<u>3,242,765</u>
Other Professional Services:			
Operating and recovery room			
Inpatient	388,515	385,337	340,337
Outpatient	913,782	905,220	704,488
Swing bed	3,485	11,348	12,985
Senior care	<u>-8</u>	<u>1,508</u>	<u>3,083</u>
Total	<u>1,295,772</u>	<u>1,293,413</u>	<u>1,060,893</u>
Anesthesia			
Inpatient	111,412	138,482	202,239
Outpatient	278,359	348,758	378,947
Swing bed	2,460	3,233	8,487
Senior care	<u>-8</u>	<u>582</u>	<u>1,993</u>
Total	<u>392,224</u>	<u>490,055</u>	<u>591,666</u>
Radiology			
Inpatient	845,233	1,010,167	1,037,705
Outpatient	1,439,839	1,509,383	1,648,847
Swing bed	12,438	20,945	18,831
Senior care	<u>40,017</u>	<u>37,561</u>	<u>45,829</u>
Total	<u>2,437,527</u>	<u>2,608,063</u>	<u>2,749,212</u>
Laboratory			
Inpatient	958,767	1,025,847	1,001,078
Outpatient	737,130	788,521	720,368
Swing bed	38,712	53,232	47,977
Senior care	<u>55,052</u>	<u>53,613</u>	<u>85,824</u>
Total	<u>\$ 1,790,661</u>	<u>\$ 1,921,213</u>	<u>\$ 1,855,247</u>

HOSPITAL SERVICE DISTRICT NO. 18
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 45% RICHARDSON MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
 YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

	2003	2002	2001
Blood			
Inpatient	\$ 901,968	\$ 107,444	\$ 148,550
Outpatient	4,633	6,763	14,330
Swing bed	1,017	6,373	11,190
Senior care	<u>-0-</u>	<u>-0-</u>	<u>237</u>
Total	<u>907,618</u>	<u>172,580</u>	<u>174,297</u>
Respiratory therapy			
Inpatient	1,814,668	1,600,555	1,685,430
Outpatient	504,957	32,293	187,813
Swing bed	117,384	168,828	265,970
Senior care	<u>21,624</u>	<u>12,143</u>	<u>23,745</u>
Total	<u>1,858,633</u>	<u>1,813,719</u>	<u>2,142,958</u>
Occupational therapy			
Inpatient	62,333	82,789	85,958
Outpatient	64,687	58,540	50,656
Swing bed	48,304	38,311	28,290
Home health	38,130	37,700	52,366
Senior care	<u>23,482</u>	<u>17,337</u>	<u>15,048</u>
Total	<u>266,936</u>	<u>236,667</u>	<u>232,318</u>
Electrocardiology			
Inpatient	348,407	363,636	299,698
Outpatient	347,888	358,702	319,343
Swing bed	2,812	812	2,258
Senior care	<u>15,333</u>	<u>93,280</u>	<u>19,588</u>
Total	<u>714,440</u>	<u>716,430</u>	<u>641,887</u>
Central supply			
Inpatient	371,431	384,344	403,129
Outpatient	445,334	478,025	458,634
Swing bed	8,020	18,953	19,882
Home health	7,817	4,267	5,383
Senior care	<u>3,818</u>	<u>2,829</u>	<u>4,673</u>
Total	<u>\$ 846,420</u>	<u>\$ 888,418</u>	<u>\$ 901,699</u>

HOSPITAL SERVICE DISTRICT NO. 18
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 alias RICHARDSON MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
 YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

	2003	2002	2001
Pharmacy			
Inpatient	\$ 2,988,855	\$ 3,120,184	\$ 3,957,299
Outpatient	921,487	464,217	603,748
Swing bed	164,712	268,387	357,808
Senior care	<u>118,043</u>	<u>108,148</u>	<u>193,752</u>
Total	<u>3,793,097</u>	<u>3,961,476</u>	<u>4,705,607</u>
Oncology			
Inpatient	-	470	6,764
Outpatient	<u>-</u>	<u>(3,232)</u>	<u>75,014</u>
Total	<u>-</u>	<u>(2,762)</u>	<u>81,778</u>
Cardiac rehab			
Outpatient	<u>3,199</u>	<u>-</u>	<u>-</u>
Psychiatric therapy			
Outpatient	<u>289,730</u>	<u>379,375</u>	<u>232,123</u>
Emergency room			
Inpatient	262,776	335,313	245,877
Outpatient	1,783,068	1,522,234	1,590,389
Swing bed	(300)	60	60
Senior care	<u>293</u>	<u>2,546</u>	<u>1,221</u>
Total	<u>2,075,805</u>	<u>1,790,153</u>	<u>1,747,547</u>
Observation			
Outpatient	<u>21,337</u>	<u>26,540</u>	<u>28,330</u>
Rural health clinic			
Outpatient	<u>1,775,088</u>	<u>1,589,879</u>	<u>1,368,837</u>
Home health			
Skilled nursing visits	251,420	228,200	311,360
Physical therapy visits	31,885	40,008	48,140
Social service visits	-	-	290
Speech therapy visits	1,920	1,170	4,590
Aide visits	<u>72,433</u>	<u>96,608</u>	<u>269,400</u>
Total	<u>\$ 387,778</u>	<u>\$ 384,276</u>	<u>\$ 634,780</u>

HOSPITAL SERVICE DISTRICT NO. 10
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 s/b/ RICHARDSON MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
 YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

	2003	2002	2001
Hospital physician Clinic	\$ 714,551	\$ 785,248	\$ 642,194
Other Professional Services			
Inpatient	8,219,958	8,507,597	9,135,387
Outpatient	8,885,787	6,958,323	6,778,584
Clinics	2,489,938	2,325,128	2,088,741
Bring bed	394,068	662,669	714,568
Home health	404,517	408,237	632,473
Senior care	<u>282,887</u>	<u>247,544</u>	<u>384,324</u>
Total Other Professional Services	<u>19,778,587</u>	<u>19,058,898</u>	<u>19,833,664</u>
Gross Patient Service Charges	<u>21,414,614</u>	<u>21,856,206</u>	<u>22,876,044</u>
Contractual adjustments	8,911,118	8,930,964	10,164,792
Discounts	18,323	22,653	8,351
Uncompensated care reimbursement	<u>(827,708)</u>	<u>(852,492)</u>	<u>(852,487)</u>
Total Allowances and Uncollectibles	<u>8,901,733</u>	<u>9,901,144</u>	<u>10,020,690</u>
Net Patient Service Revenue	\$ 13,312,881	\$ 13,955,158	\$ 13,325,908

HOSPITAL SERVICE DISTRICT NO. 18
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA,
 d/b/a RICHARDSON MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 SCHEDULES OF OTHER OPERATING REVENUE
 YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

	2003		2002		2001
Cafeteria	\$ 41,011	\$	45,799	\$	41,706
Medical records	4,468		5,999		4,208
Vending machines	8,039		8,959		4,923
Rentals	38,450		37,384		35,000
Pharmacy sales to employees	42,880		48,840		45,688
Miscellaneous	<u>7,832</u>		<u>1,784</u>		<u>3,685</u>
 Total other operating revenue	 \$ <u>144,170</u>	 \$	 <u>149,664</u>	 \$	 <u>134,441</u>

HOSPITAL SERVICE DISTRICT NO. 18
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 d/b/a RICHARDSON MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 SCHEDULES OF OPERATING EXPENSES - SALARIES AND BENEFITS
 YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

	2003	2002	2001
Administrative and general	\$ 822,775	\$ 559,464	\$ 461,111
Plant operations and maintenance	137,204	149,048	132,840
Housekeeping	146,600	193,418	182,314
Dietary and cafeteria	140,662	109,668	137,595
Nursing administration	67,548	41,710	40,734
Central supply	61,403	9,219	-
Pharmacy	186,666	171,619	174,063
Medical records	68,638	101,065	129,637
Nursing services	1,246,769	1,216,762	1,172,210
Intensive care unit	287,489	358,912	362,069
Senior care unit	308,179	484,979	476,329
Operating room	208,181	233,789	239,604
Anesthesia	4,673	8,513	82,066
Radiology	297,629	289,899	253,423
Laboratory	2,386	13,917	14,018
Respiratory therapy	264,176	233,789	302,779
Occupational therapy	83,350	82,268	80,769
EKG and EEC	47,344	73,322	60,782
Oncology	-	39	10,348
Cardiac Rehab	15,307	-	-
Psychiatric therapy	97,349	94,822	82,368
Emergency room	369,582	325,793	314,514
Rural health clinic	398,397	284,399	237,247
Home health	269,866	279,354	344,831
Physician clinic	489,634	421,795	416,475
Retail	6,116	42,832	27,427
	<u>3,283,790</u>	<u>3,231,818</u>	<u>3,856,649</u>
Total salaries			
Payroll taxes	83,208	90,450	84,291
Hospital insurance	257,824	581,861	378,199
Other	926	(400)	(316)
	<u>341,958</u>	<u>671,911</u>	<u>462,175</u>
Total benefits			
Total salaries and benefits	\$ <u>6,905,728</u>	\$ <u>6,373,729</u>	\$ <u>6,118,824</u>

HOSPITAL SERVICE DISTRICT NO. 18
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 6544 RICHARDSON MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 SCHEDULES OF OPERATING EXPENSES – PROFESSIONAL FEES
 YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

	2003	2002	2001
Medical records	\$ 2,545	\$ -0-	\$ 419
Senior care unit	37,300	52,126	7,333
Operating room	11,360	11,919	11,390
Anesthesiology	219,325	203,778	114,239
Radiology	1,290	1,479	1,290
Laboratory	699,019	691,737	675,599
Respiratory therapy	-0-	500	2,000
EKG	1,290	-0-	2,000
Cardiac Rehab	609	-0-	-0-
Psychiatric services	21,250	16,063	2,890
Emergency room	607,003	636,584	652,345
Rural health clinic	467,704	400,539	399,953
Home health	20,049	24,789	9,937
Physician clinic	615	-0-	-0-
	<u> </u>	<u> </u>	<u> </u>
Total professional fees	\$ <u>2,079,656</u>	\$ <u>2,034,484</u>	\$ <u>1,873,652</u>

HOSPITAL SERVICE DISTRICT NO. 18
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 dbia RICHARDSON MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 SCHEDULES OF OPERATING EXPENSES - OTHER EXPENSES
 YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

	2003	2002	2001
Management fees	\$ 7,025	\$ 67,500	\$ 152,250
Contract services	927,028	438,487	485,017
Legal and accounting	310,881	128,987	199,951
Supplies	1,197,268	1,031,987	930,578
Repairs and maintenance	229,753	250,110	185,221
Utilities	201,687	168,989	200,301
Telephone	104,289	138,780	160,628
Travel, home health	17,487	39,121	33,514
Travel, other	5,848	8,811	0,709
Rentals	208,983	83,849	70,198
Education	28,821	30,349	32,377
Recruitment and advertising	73,150	35,590	34,580
Miscellaneous	<u>28,121</u>	<u>11,322</u>	<u>9,554</u>
 Total other expenses	 \$ <u>2,658,377</u>	 \$ <u>2,423,315</u>	 \$ <u>2,421,248</u>

HOSPITAL SERVICE DISTRICT NO. 1B
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 aka RICHARDSON MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 SCHEDULES OF PER DIEM AND
 OTHER COMPENSATION PAID TO BOARD MEMBERS
 YEARS ENDED SEPTEMBER 30, 2000, 2001, AND 2001

	-----TERM-----		2000	2001	2001
	BEGAN	ENDED			
Mr. Moses Wilkins	12/1/83	12/31/05	NONE	NONE	NONE
Mr. Oliver Holland	04/15/89	06/05/05	NONE	NONE	NONE
Dr. Craig P. Potee	03/07/95	07/16/04	NONE	NONE	NONE
Mr. David Cooper	03/02/99	06/23/01	NA	NA	NONE
Mr. Alan Thompson	06/20/00	06/20/04	NONE	NONE	NONE
Mr. Ted Saffers	08/20/00	07/20/04	NONE	NONE	NONE
Mr. Lee McDonald	12/07/01	12/07/06	NONE	NONE	NA

Walter G. Lester, CPA
John B. Wells, CPA
Robert G. Miller, CPA
Paul A. Delaney, CPA
May L. Carroll, CPA

Melinda L. Leonard, CPA
Ronda J. Lloyd, CPA

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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

Board of Commissioners
Hospital Service District No. 18
Parish of Richland, State of Louisiana
Rayville, Louisiana

We have audited the basic financial statements of Richland Parish Hospital Service District No. 18, (the District or the Hospital) as of and for the years ended September 30, 2000, 2002, and 2003, and have issued our report thereon dated January 6, 2004. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's basic 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 one instance of noncompliance that is 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 basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all deficiencies 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 basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Board of Commissioners
Hospital Service District No. 10
Parish of Richland, State of Louisiana
Rayville, Louisiana
Page Two

This report is intended for the information of the Board of Commissioners, Management and the Office of the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Lester, Miller & Wells

January 8, 2004

**RICHARDSON MEDICAL CENTER
MANAGEMENT RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2003**

We were pleased to find improvements in all areas where recommendations were made as a result of the 2003 audit. Our comments and recommendations with management's responses are repeated from last year with our assessment of resolution in 2003.

2003 Internal Controls

Finding: The District did not include the activity or bank account balance of a checking account on the books of the District.

Recommendation: We recommend recording all assets owned or held by the District on the books of the District and its financial statements.

Management's Response: All assets owned or held by the District will be recorded on the books of the District and its financial statements.

Resolution: This matter has been resolved.

Finding: The reconciliations for the payroll checking account were not completed in a timely manner.

Recommendation: All bank accounts should be reconciled monthly to prevent unauthorized transactions and misstatements of cash.

Management's Response: The payroll account reconciliations were completed and will be reconciled on a monthly basis in the future.

Resolution: This matter has been resolved.

Finding: The District held signed accounts payable checks several days before mailing to the appropriate vendor. By holding checks, the District undertakes its liability to vendors on its financial statements and violates internal controls.

Recommendation: We recommend that all vendor checks, once signed, be mailed promptly to the vendor.

Management's Response: The District will promptly mail all vendor checks.

Resolution: This matter has been resolved.

RICHARDSON MEDICAL CENTER
MANAGEMENT RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2003

2002 Internal Controls (Continued)

Finding: The District is calculating an estimate for bad debts associated with the private physician offices and the rural health clinic, but they are not recorded in the books of the District. By not recording the estimates, the District is misstating patient service revenue and accounts receivable.

Recommendation: We recommend recording on a monthly basis an estimate of bad debts for all types of patient receivables.

Management's Response: The District will record an estimate for bad debts for all types of patient receivables.

Resolution: This matter has been resolved.

2002 Compliance

Finding: The District does not have controls to insure bundling Rural Health Clinic charges with inpatient charges when a Medicare patient is admitted within 72 hours of the outpatient visit. Medicare requires all outpatient services performed within 72 hours of an inpatient admission to be billed on the inpatient claim.

Recommendation: We recommend integrating the software in order to establish computer controls that test for outpatient charges within a 72 hour admit of a Medicare patient.

Management's Response: The District has established manual controls for detecting Rural Health Clinic claims that occur within 72 hours of an inpatient admission.

Resolution: This matter has been resolved.

2002 Compliance

Finding: The District paid retroactive bonuses to employees which were in violation of Article VII, Section 14 of the 1974 Louisiana Constitution.

Recommendation: We recommend discontinuing payment of retroactive bonuses to employees.

Management's Response: The District will not pay bonuses to employees that violate Article VII, Section 14 of the 1974 Louisiana Constitution.