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HOSPITAL SERVICE DISTRICT NO. 1A
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHLAND PARISH HOSPITAL - DELHI

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 clerk of court.

Release Date 3-17-04

HOSPITAL SERVICE DISTRICT NO. 1A
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 d/b/a RICHLAND PARISH HOSPITAL - DELHI
 HOSPITAL ENTERPRISE FUND
 YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

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HOSPITAL SERVICE DISTRICT NO. 1A
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHLAND PARISH HOSPITAL - DELHI
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Richland Parish Hospital Service District No. 1A (the Hospital) presents background information and management's analysis of the Hospital's financial performance during the fiscal year ended September 30, 2003. Please read it in conjunction with the financial statements in this report.

Financial Highlights

- The Hospital's total assets remained approximately the same as the previous year.
- During the year, the Hospital's total operating revenues decreased \$135,000 from prior year. The Hospital had an increase in operating expenses of \$189,000.
- The Hospital received reimbursement of Uncompensated Care under the State's Medicaid Program in the amount of \$514,204.
- The Hospital received \$277,747 in payments from a cooperative endeavor agreement which provides home health services to the Hospital's service area.

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 amount 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.

HOSPITAL SERVICE DISTRICT NO. 1A
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 d/b/a RICHLAND PARISH HOSPITAL - DELHI
 MANAGEMENT'S DISCUSSION AND ANALYSIS

Net Assets

A summary of the Hospital's balance sheets are presented in Table 1 below:

TABLE 1
 Condensed Balance Sheets
 (in thousands)

	September 30,		Dollar	Percentage
	<u>2003</u>	<u>2002</u>	<u>Change</u>	<u>Change</u>
Total Current Assets	\$ 2,918	\$ 3,388	\$ (470)	-13.87%
Capital Assets - Net	2,560	2,671	(111)	-4.16%
Board Designated Investments	2,711	2,149	562	26.15%
Other Assets	<u>57</u>	<u>65</u>	<u>(8)</u>	<u>-12.31%</u>
 Total Assets	 \$ <u>8,246</u>	 \$ <u>8,273</u>	 \$ <u>(27)</u>	 <u>-0.33%</u>
 Current Liabilities	 \$ 550	 \$ 599	 \$ (49)	 -8.18%
Long-Term Debt	<u>462</u>	<u>517</u>	<u>(55)</u>	<u>-10.64%</u>
 Total Liabilities	 1,012	 1,116	 (104)	 -9.32%
 Net Assets	 <u>7,234</u>	 <u>7,157</u>	 <u>77</u>	 <u>1.08%</u>
 Total Liabilities and Net Assets	 \$ <u>8,246</u>	 \$ <u>8,273</u>	 \$ <u>(27)</u>	 <u>-0.33%</u>

As seen in Table 1, total assets remained approximately the same as the prior year. Current assets decreased by \$470,000 primarily due to collections from third-party payor settlements and joint venture. The increase in collections was invested in board designated investments which accounts for most of the \$562,000 increase from the previous year.

HOSPITAL SERVICE DISTRICT NO. 1A
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHLAND PARISH HOSPITAL - DELHI
MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary of Revenue, Expenses and Changes in Net Assets

TABLE 2
Condensed Statements of Revenue, Expenses and Changes in Net Assets
(in thousands)

	Year Ended September 30,		Dollar	Percentage
	<u>2003</u>	<u>2002</u>	Change	Change
Net Patient Service Revenue	\$ 10,759	\$ 10,785	\$ (26)	-0.24%
Other Revenue	<u>752</u>	<u>861</u>	<u>(109)</u>	<u>-12.66%</u>
Total Operating Revenue	<u>11,511</u>	<u>11,646</u>	<u>(135)</u>	<u>-1.16%</u>
Salaries and Benefits	7,412	7,450	(38)	-0.51%
Other Expenses	2,761	2,779	(18)	-0.65%
Depreciation and Amortization	356	380	(24)	-6.32%
Provision for Bad Debts	<u>967</u>	<u>698</u>	<u>269</u>	<u>38.54%</u>
Total Operating Expenses	<u>11,496</u>	<u>11,307</u>	<u>189</u>	<u>1.67%</u>
Operating Income	15	339	(324)	-95.58%
Nonoperating Income	<u>62</u>	<u>49</u>	<u>13</u>	<u>26.53%</u>
Excess of Revenue over Expenses	77	388	(311)	-80.15%
Net Assets - Beginning of Year	<u>7,157</u>	<u>6,769</u>	<u>388</u>	<u>5.73%</u>
Net Assets - End of Year	\$ <u>7,234</u>	\$ <u>7,157</u>	\$ <u>77</u>	<u>1.08%</u>

Sources of Revenue

Operating Revenue

During fiscal year 2003, the Hospital derived the majority 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 Hospital'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, joint venture, pharmacy sales to employees, vending machine and other miscellaneous services.

HOSPITAL SERVICE DISTRICT NO. 1A
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 MANAGEMENT'S DISCUSSION AND ANALYSIS

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

TABLE 3
 Payor Mix by Percentage

	Year Ended September 30,	
	<u>2003</u>	<u>2002</u>
Medicare	63%	66%
Medicaid	18%	13%
Commercial Insurance	14%	17%
Self-Pay	<u>5%</u>	<u>4%</u>
 Total Patient Revenue	 <u>100%</u>	 <u>100%</u>

Operating and Financial Performance

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

Overall activity at the Hospital, as measured by combined acute patient and psychiatric patient discharges, increased to 1,210 discharges in 2003 from 1,135 discharges in 2002. Combined patient days decreased to 5,319 in 2003 from 5,692 in 2002. As a result, the average length of stay for acute care patients was 3.4 days and psychiatric patients 10.6 days.

Salaries increased by \$20,000 from the prior year, while benefits decreased by \$64,000 from the prior year. The Hospital, which is self-insured for health benefits, experienced fewer claims than the previous year.

The cost of supplies and materials increased by \$52,000. This increase is primarily due to the increase in the volume of patient days.

The provision for bad debts increased by \$269,000 from the prior year. The increase is the result of the increase in volume of self-pay charges.

Other operating income decreased by \$109,000 from the previous year. Included in other operating income is income received by a home health joint venture. The income from the home health joint venture is \$180,000 less than last year, due to decrease in volume and reduction in Medicare reimbursement.

HOSPITAL SERVICE DISTRICT NO. 1A
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 d/b/a RICHLAND PARISH HOSPITAL - DELHI
 MANAGEMENT'S DISCUSSION AND ANALYSIS

TABLE 4
 Patient and Hospital Statistical Data

	Year Ended September 30,	
	<u>2003</u>	<u>2002</u>
Discharges:		
Adult and pediatric	977	858
Swing bed	148	171
Psychiatric care	85	106
Patient days:		
Adult and pediatric	3,294	3,056
Medicare (included in adult and pediatric)	2,345	2,311
Medicaid (included in adult and pediatric)	613	514
Swing bed	1,128	1,399
Psychiatric care	897	1,237
Emergency room visits	4,968	4,209
Average daily census:		
Adult and pediatric	9.0	8.4
Swing bed	3.1	3.8
Psychiatric care	2.5	3.4
Average length of stay:		
All patients	3.4	3.6
Medicare patients	3.5	3.5
Medicaid patients	3.2	2.7
Swing bed	7.6	8.2
Psychiatric care	10.6	11.7
Percentage of total acute patient days:		
Medicare	71%	76%
Medicaid	19%	17%
Rural health clinic visits	24,475	23,007
Full-time equivalents (FTEs)	174.8	171.9

HOSPITAL SERVICE DISTRICT NO. 1A
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHLAND PARISH HOSPITAL - DELHI
MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets

Table 5 summarizes major additions to capital assets:

TABLE 5
Major Hospital Additions

	Year Ended September 30, <u>2003</u>
Ventilator	\$ 17,000
IBM server and software	34,000
Holter monitor	11,000
Transcription equipment	<u>8,000</u>
Total	\$ <u>70,000</u>

Long-Term Debt

At year-end, the Hospital had \$517,000 in short-term and long-term debt. This has decreased by \$52,000 in fiscal year 2003, which was the amount of principal payments on outstanding debt for the fiscal year. More detailed information about the Hospital's long-term liabilities is presented in the notes to the basic financial statements. No new long-term debt was incurred in the current year.

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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Robert G. Miller, CPA
Paul A. Delaney, CPA
Mary L. Carroll, CPA

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Hospital Service District No. 1A
Parish of Richland, State of Louisiana
Delhi, Louisiana

We have audited the accompanying basic financial statements of Hospital Service District No. 1A, 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 1A, Parish of Richland, as of September 30, 2003, 2002, and 2001, and the results of its operations and the 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 December 17, 2003, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Board of Commissioners
Hospital Service District No. 1A
Parish of Richland, State of Louisiana
Delhi, Louisiana
Page Two

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 auditing procedures applied by us 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.

As discussed in Note 2 to the financial statements, effective October 1, 2002, the Hospital changed its accounting policy related to 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 "vi" 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

December 17, 2003

HOSPITAL SERVICE DISTRICT NO. 1A
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHLAND PARISH HOSPITAL - DELHI
HOSPITAL ENTERPRISE FUND
BALANCE SHEETS
SEPTEMBER 30, 2003, 2002, AND 2001

<u>ASSETS</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Current			
Cash and cash equivalents (Note 2 & 3)	\$ 529,942	\$ 679,248	\$ 3,209
Accounts receivable, net (Note 4)	1,721,829	1,760,878	1,543,709
Estimated third-party payor settlements	315,710	544,932	795,290
Due from joint venture	81,666	153,390	63,276
Accrued interest receivable	20,443	11,426	15,930
Inventory	233,971	226,935	221,829
Prepaid expenses	14,476	11,523	23,635
Total Current Assets	2,918,037	3,388,332	2,666,878
Property, plant, and equipment, net (Note 5)	2,560,317	2,670,393	2,747,163
Assets whose use is limited (Note 6)	2,710,600	2,149,010	1,908,955
Other (Note 7)	57,039	64,852	70,169
Total Assets	\$ <u>8,245,993</u>	\$ <u>8,272,587</u>	\$ <u>7,393,165</u>
<u>LIABILITIES AND NET ASSETS</u>			
Current			
Accounts payable	\$ 237,532	\$ 316,668	\$ 347,773
Accrued expenses	208,779	186,158	155,877
Estimated third-party payor settlements	48,674	43,636	120,749
Current portion of long-term debt	54,750	52,300	-0-
Total Current Liabilities	549,735	598,762	624,399
Long-Term			
Certificates of indebtedness (Note 9)	462,450	517,200	-0-
Total Liabilities	1,012,185	1,115,962	624,399
Net Assets			
Invested in capital assets, net of related debt	2,560,317	2,670,393	2,747,163
Unrestricted	4,673,491	4,486,232	4,021,603
Total Net Assets	7,233,808	7,156,625	6,768,766
Total Liabilities and Net Assets	\$ <u>8,245,993</u>	\$ <u>8,272,587</u>	\$ <u>7,393,165</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1A
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHLAND PARISH HOSPITAL - DELHI
HOSPITAL ENTERPRISE FUND
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Revenue			
Net patient service revenue	\$ 10,759,389	\$ 10,785,011	\$ 10,127,755
Gain (loss) on disposal of assets	-0-	(2,940)	15,395
Contributions	-0-	755	7,836
Grants	158,674	112,551	152,781
Property tax revenue	112,832	135,183	-0-
Other operating revenue	479,850	615,036	134,670
Total Revenue	<u>11,510,745</u>	<u>11,645,596</u>	<u>10,438,437</u>
Expenses			
Salaries	6,518,018	6,498,261	6,163,900
Benefits and payroll taxes	500,366	564,439	526,821
Pension plan (Note 11)	393,502	386,804	364,283
Supplies and drugs	560,705	508,745	546,592
Professional fees	94,736	118,091	75,916
Other expenses	1,835,240	1,771,540	1,856,848
Insurance	244,276	364,142	169,754
Interest expense	25,127	16,298	-0-
Depreciation	352,819	360,014	401,056
Amortization	3,612	20,263	155,433
Provision for bad debts	967,089	697,715	641,699
Total Expenses	<u>11,495,490</u>	<u>11,306,312</u>	<u>10,902,302</u>
Operating Income (Loss)	<u>15,255</u>	<u>339,284</u>	<u>(463,865)</u>
Nonoperating Income (Loss)			
Interest income on investments whose use is limited	58,250	45,416	93,203
Interest income, other	3,678	3,159	5,322
Total Nonoperating Income (Loss)	<u>61,928</u>	<u>48,575</u>	<u>98,525</u>
Excess of Revenue over Expenses	77,183	387,859	(365,340)
Net Assets Beginning of Year	7,156,625	6,768,766	7,007,539
Transfer from Richland Parish Hospital Service District No. 1	<u>-0-</u>	<u>-0-</u>	<u>126,567</u>
Net Assets End of Year	<u>\$ 7,233,808</u>	<u>\$ 7,156,625</u>	<u>\$ 6,768,766</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1A
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHLAND PARISH HOSPITAL - DELHI
HOSPITAL ENTERPRISE FUND
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 10,065,609	\$ 10,043,372	\$ 9,467,069
Other receipts from operations	827,281	758,465	360,281
Cash payments to employees and for employee-related cost	(7,389,265)	(7,419,223)	(7,405,365)
Cash payments for other operating expenses	<u>(2,833,098)</u>	<u>(2,782,113)</u>	<u>(2,796,535)</u>
Net cash provided (used) by operating activities	<u>670,527</u>	<u>600,501</u>	<u>(374,550)</u>
Cash flows from investing activities:			
Cash invested in assets whose use is limited	(561,591)	(778,024)	(63,523)
Cash proceeds from assets whose use is limited	-0-	537,969	555,958
Interest Income	<u>61,928</u>	<u>48,575</u>	<u>98,525</u>
Net cash provided (used) by investing activities	<u>(499,663)</u>	<u>(191,480)</u>	<u>590,960</u>
Cash flows from capital and related financing activities:			
Proceeds from issuance of bonds	-0-	569,500	-0-
Proceeds from sales of property, plant and equipment	-0-	14,751	39,744
Acquisition of property, plant and equipment	(242,743)	(300,935)	(547,728)
Principal payments on long-term debt	(52,300)	-0-	-0-
Interest expense	<u>(25,127)</u>	<u>(16,298)</u>	<u>-0-</u>
Net cash provided (used) by capital and related financing activities:	<u>(320,170)</u>	<u>267,018</u>	<u>(507,984)</u>
Net increase (decrease) in cash and cash equivalents	(149,306)	676,039	(291,574)
Beginning cash and cash equivalents	<u>679,248</u>	<u>3,209</u>	<u>294,783</u>
Ending cash and cash equivalents	\$ <u>529,942</u>	\$ <u>679,248</u>	\$ <u>3,209</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1A
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHLAND PARISH HOSPITAL - DELHI
HOSPITAL ENTERPRISE FUND
STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

	<u>2003</u>		<u>2002</u>		<u>2001</u>
Reconciliation of income from operations to net cash provided by operating activities:					
Operating income (loss)	\$ 15,255	\$	339,284	\$	(463,865)
Interest expense considered capital financing activity	25,127		16,298		-0-
Adjustments to reconcile revenue in excess of expenses to net cash provided by operating activities:					
Depreciation	352,819		360,014		401,056
Amortization	3,612		20,263		155,433
(Gain) loss on disposal of assets	-0-		2,940		(15,395)
Provision for bad debts	967,089		697,715		641,699
Transfer from Richland Parish Hospital Service District No. 1	-0-		-0-		126,567
Change in current assets (increase) decrease					
Patient accounts receivable, net	(928,040)		(914,884)		(191,080)
Estimated third-party payor settlements	229,222		250,358		(426,681)
Due to (from) joint venture	71,724		(90,114)		(63,276)
Accrued interest receivable	(9,017)		4,504		11,852
Inventory	(7,035)		(5,106)		57,202
Prepaid expenses	(2,953)		12,112		(10,354)
Change in current liabilities (increase) decrease					
Accounts payable	(79,136)		(31,105)		(206,125)
Accrued expenses	22,621		30,281		(350,361)
Estimated third-party payor settlements	5,038		(77,113)		(42,925)
Change in other assets (increase) decrease	<u>4,201</u>		<u>(14,946)</u>		<u>1,703</u>
Net cash provided by operating activities	\$ <u>670,527</u>	\$	<u>600,501</u>	\$	<u>(374,550)</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1A
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHLAND PARISH HOSPITAL - DELHI
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. 1A (the Hospital or the District) was created by an ordinance of the Richland Parish Police Jury on April 18, 1989. The District is comprised of and embraces the territory contained within 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 Delhi to Richland Parish Hospital Service District No. 1A, 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 District provides outpatient, skilled nursing (through "swing-beds"), home health (by joint venture effective August 1, 2002), psychiatric and acute inpatient hospital services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise 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.

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Method of Accounting (Continued)

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 revenue, 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 asset 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 2001 statements of cash flows to conform to the direct method of reporting cash receipts and disbursements.

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.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 13. Changes in federal or state legislation or interpretations of rules have a significant impact on the Hospital.

Third-Party Payor Revenues

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

Inventory

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

Income Taxes

The entity is a political subdivision and exempt from taxation. Additionally, the District has received approval to be recognized as an organization described under Section 501(c)3 of the Internal Revenue Code.

Property, Plant, and Equipment

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

Buildings and Improvements	5 to 40 years
Machinery and Equipment	3 to 20 years
Furniture and Fixtures	3 to 20 years

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant, and Equipment (Continued)

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

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

NOTE 3 - DEPOSITS

Included in cash and cash equivalents and assets whose use is limited are cash on hand and deposits with the depository banks for checking accounts and certificates of deposits. At September 30, 2003, all of the District's deposits were secured by FDIC and pledged securities. At September 30, 2002, \$334,076 of the District's deposits were not secured, while \$2,682,742 were secured by FDIC and pledged securities. At September 30, 2001, all deposits were secured. For all deposits, the market value and carrying value are the same.

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Patient accounts receivable	\$ 2,334,178	\$ 2,350,008	\$ 2,397,918
Other accounts receivable	<u>4,651</u>	<u>4,870</u>	<u>24,791</u>
	2,338,829	2,354,878	2,422,709
Estimated uncollectibles	<u>(617,000)</u>	<u>(594,000)</u>	<u>(879,000)</u>
Total	\$ <u>1,721,829</u>	\$ <u>1,760,878</u>	\$ <u>1,543,709</u>

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NOTE 5 - PROPERTY, PLANT, AND EQUIPMENT

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

	Beginning Balance	2003		Ending Balance
		Additions	Dispositions	
Land	\$ 115,000	\$ -0-	\$ -0-	\$ 115,000
Buildings and improvements	3,899,097	17,599	-0-	3,916,696
Major movable equipment	3,145,633	135,803	-0-	3,281,436
Construction in progress	-0-	89,341	-0-	89,341
Total	7,159,730	242,743	-0-	7,402,473
Accumulated depreciation	4,489,337	352,819	-0-	4,842,156
Net	\$ <u>2,670,393</u>	\$ <u>(110,076)</u>	\$ <u>-0-</u>	\$ <u>2,560,317</u>

	Beginning Balance	2002		Ending Balance
		Additions	Dispositions	
Land	\$ 115,000	\$ -0-	\$ -0-	\$ 115,000
Buildings and improvements	3,786,019	113,078	-0-	3,899,097
Major movable equipment	2,953,846	215,987	24,200	3,145,633
Construction in progress	28,130	83,259	111,389	-0-
Total	6,882,995	412,324	135,589	7,159,730
Accumulated depreciation	4,135,832	360,014	6,509	4,489,337
Net	\$ <u>2,747,163</u>	\$ <u>52,310</u>	\$ <u>129,080</u>	\$ <u>2,670,393</u>

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

	Beginning Balance	2001		Ending Balance
		Additions	Dispositions	
Land	\$ 115,000	\$ -0-	\$ -0-	\$ 115,000
Buildings and improvements	3,383,088	403,654	723	3,786,019
Major movable equipment	2,955,457	122,819	124,430	2,953,846
Construction in progress	6,875	380,409	359,154	28,130
Total	6,460,420	906,882	484,307	6,882,995
Accumulated depreciation	3,835,580	403,671	103,419	4,135,832
Net	\$ 2,624,840	\$ 503,211	\$ 380,888	\$ 2,747,163

Property, plant, and equipment was transferred from Hospital Service District No. 1 of Richland Parish as of October 1, 1989, at historical cost. The accumulated depreciation was transferred at the recorded value to continue the existing basis of valuation and accounting.

NOTE 6 - ASSETS WHOSE USE IS LIMITED

	2003	2002	2001
Restricted by Hospital Board:			
To be used for asset additions and replacements			
Certificates of deposit	\$ 2,566,184	\$ 2,004,594	\$ 1,632,073
LHA trust deposits	144,416	144,416	276,882
Assets whose use is limited	\$ 2,710,600	\$ 2,149,010	\$ 1,908,955

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NOTE 7 - OTHER ASSETS

Other assets consist of the following:

	<u>2003</u>		<u>2002</u>		<u>2001</u>
Start-up cost	\$ 12,941	\$	16,553	\$	-0-
Medical scholarships receivable	44,098		48,299		59,744
Unamortized fees	<u>-0-</u>		<u>-0-</u>		<u>10,425</u>
 Total	 \$ <u>57,039</u>	\$	 <u>64,852</u>	\$	 <u>70,169</u>

Start-up costs are expenses incurred in establishing a rural health clinic. These expenses were capitalized and are being amortized over a 60 month period.

Medical scholarships receivable are amounts paid to student doctors for tuition. These scholarships are an incentive to attract physicians to the local community. If the physician establishes his or her practice locally, then the scholarship is deemed as being repaid over time. Otherwise, there are provisions for the physician to repay the scholarship with interest.

Unamortized fees are amounts paid for local physician practices which are net of amortization over periods ranging from 36 to 48 months.

NOTE 8 - LINE OF CREDIT

The District at September 30, 2002, had available a secured line of credit of \$20,000 of which \$-0- was outstanding. The line of credit is secured by a certificate of deposit for the same amount.

NOTE 9 - LONG-TERM DEBT

	<u>2003</u>		<u>2002</u>		<u>2001</u>
4.7 percent Series 2002 Certificates of Indebtedness, due February 1, 2011, collateralized by a pledge and dedication of the District's ad valorem tax revenues through 2010.	\$ <u>517,200</u>	\$	<u>569,500</u>	\$	<u>-0-</u>
 Total long-term debt	 517,200		 569,500		 -0-
Less current maturities of long-term debt	<u>54,750</u>		<u>52,300</u>		<u>-0-</u>
 Long-term debt	 \$ <u>462,450</u>	\$	 <u>517,200</u>	\$	 <u>-0-</u>

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NOTE 9 - LONG-TERM DEBT (Continued)

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

<u>Year Ended September 30</u>	<u>Amount</u>
2004	\$ 54,750
2005	57,300
2006	60,000
2007	62,850
2008	65,800
2009 - 2011	<u>216,500</u>
Total	\$ <u>517,200</u>

NOTE 10 - AFFILIATED ORGANIZATION

Affiliated organizations include Richland Parish Hospital Service District No. 1, Richland Parish Hospital Service District No. 1B, 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. 1B, dba Richardson Medical Center.

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Beginning amount due to Richardson Medical Center	\$ -0-	\$ -0-	\$ -0-
Expenses incurred by the Hospital and payable by the Hospital	22,652	22,680	20,025
Payments by the Hospital to Richardson Medical Center	<u>(21,460)</u>	<u>(22,680)</u>	<u>(20,025)</u>
Ending amount due to Richardson Medical Center	\$ <u>1,192</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

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NOTE 11 - PENSION PLAN

The Hospital elected to withdraw from the Social Security System effective as of January 1, 1993. In place of the Social Security System, the Hospital established a defined contribution annuity plan. Employees are eligible to participate upon 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, at a minimum of 7.5% of the participant's compensation. The amounts charged to pension expense under this plan were \$393,502, \$386,804 and \$364,283 for the years ended September 30, 2003, 2002 and 2001, respectively.

NOTE 12 - COMPENSATED ABSENCES

Employees of the Hospital are entitled to paid days off and sick days depending on length of service. The Hospital accrued \$130,106, \$136,036 and \$111,807 of vacation pay at September 30, 2003, 2002 and 2001, respectively. It is impracticable to estimate the amount of compensation for future unvested sick pay and, accordingly, no liability has been recorded in the accompanying financial statements. The District's policy is to recognize the cost of unvested sick pay when actually paid to employees.

NOTE 13 - 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 until January 1, 2006. 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, 2000, 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, 1998.

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NOTE 13 - PATIENT SERVICE REVENUE (Continued)

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.

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Medicare and Medicaid gross patient charges	\$ 13,086,057	\$ 12,417,315	\$ 11,596,842
Contractual adjustments	<u>(5,390,692)</u>	<u>(5,160,619)</u>	<u>(4,674,661)</u>
Program patient service revenue	\$ <u>7,695,365</u>	\$ <u>7,256,696</u>	\$ <u>6,922,181</u>
Percent of total patient gross charges	<u>82%</u>	<u>79%</u>	<u>81%</u>
Percent of total patient revenues	<u>72%</u>	<u>67%</u>	<u>68%</u>

The Hospital received interim amounts of \$514,204, \$595,877 and \$595,877 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 retroactive audit of the claimed uncompensated cost and comparison to the interim amounts paid by Medicaid in each fiscal year. Any overpayments will be recouped by Medicaid and the Hospital has not made any provisions for such recoupments. Management contends interim amounts paid reasonably estimate final settlement. To the extent management's estimates differ from actual results, the differences will be used to adjust income for the period when differences arise.

NOTE 14 - 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.

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NOTE 14 - PROFESSIONAL LIABILITY RISK (Continued)

The Hospital's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance, based upon an estimate of their census. At policy year-end, premiums are re-determined utilizing actual utilization of the Hospital. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The Hospital has not included these allocations or equity in the trust in its financial statements which reflect cash transactions with the trust fund as insurance expense or a reduction thereof.

NOTE 15 - 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 13) - The Hospital is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

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.

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

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NOTE 15 - CONTINGENCIES (Continued)

Professional Liability Risk (Note 14) - The Hospital is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

The Hospital participates in the Louisiana Hospital Association Self-Insurance Workmen's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the Hospital may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. Accordingly, the Hospital is contingently liable for assessments by the Louisiana Hospital Association Trust Fund.

The Hospital 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.

NOTE 16 - JOINT VENTURE

The Hospital entered into a cooperative endeavor agreement on August 15, 2001, with Delhi Homecare, LLC. The agreement's intention is to ensure that home health services are readily available to the residents of the Hospital's district. The Hospital participates in profits and losses equal to seventy-one percent (71%) within its service area. Outside of the Hospital's service area, the participation is lowered to twenty-nine percent (29%). The Hospital's liability for losses is limited to the amount of the annual rent paid by Delhi Homecare, LLC. The Hospital does not have an equity interest in the cooperative endeavor, therefore accounts for this arrangement using the cost method.

NOTE 17 - SUBSEQUENT EVENTS

On December 16, 2003, the Hospital terminated its cooperative endeavor agreement with Delhi Homecare, LLC and entered into a new agreement. Under the terms of the new agreement the Hospital agreed to change its profit sharing percentage from seventy-one percent (71%) and twenty-nine percent (29%) to thirty-three percent (33%) in exchange for \$315,000 and a thirty-three percent (33%) equity interest in Delhi Homecare, LLC.

SUPPLEMENTAL INFORMATION

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	<u>2003</u>	<u>2002</u>	<u>2001</u>
Routine Services:			
Adult and pediatric	\$ 1,085,284	\$ 979,278	\$ 963,311
Swing bed	203,580	253,080	265,970
Psychiatric unit	<u>762,450</u>	<u>1,047,150</u>	<u>8,500</u>
Total Routine Services	<u>2,051,314</u>	<u>2,279,508</u>	<u>1,237,781</u>
Other Professional Services:			
Operating room			
Inpatient acute	35,343	42,116	101,179
Outpatient	<u>185,321</u>	<u>277,102</u>	<u>370,154</u>
Total	<u>220,664</u>	<u>319,218</u>	<u>471,333</u>
Anesthesia			
Inpatient acute	310	3,937	22,411
Outpatient	<u>2,170</u>	<u>21,498</u>	<u>43,080</u>
Total	<u>2,480</u>	<u>25,435</u>	<u>65,491</u>
Radiology			
Inpatient acute	364,493	353,196	324,373
Outpatient	919,462	931,143	827,007
Swing bed	44,461	48,886	44,757
Psychiatric unit	<u>26,205</u>	<u>28,484</u>	<u>-0-</u>
Total	<u>1,354,621</u>	<u>1,361,709</u>	<u>1,196,137</u>
Laboratory			
Inpatient acute	541,977	421,179	352,361
Outpatient	1,117,836	1,029,347	770,542
Swing bed	53,656	55,547	68,744
Psychiatric unit	<u>40,981</u>	<u>48,353</u>	<u>454</u>
Total	<u>1,754,450</u>	<u>1,554,426</u>	<u>1,192,101</u>
Blood			
Inpatient acute	58,596	46,056	62,125
Outpatient	4,001	6,236	7,261
Swing bed	<u>7,588</u>	<u>6,581</u>	<u>3,263</u>
Total	<u>\$ 70,185</u>	<u>\$ 58,873</u>	<u>\$ 72,649</u>

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	<u>2003</u>	<u>2002</u>	<u>2001</u>
Respiratory therapy			
Inpatient acute	\$ 963,206	\$ 884,317	\$ 992,789
Outpatient	98,386	114,219	116,245
Swing bed	320,403	414,220	375,386
Psychiatric unit	12,439	13,780	-0-
Total	<u>1,394,434</u>	<u>1,426,536</u>	<u>1,484,420</u>
Physical therapy			
Inpatient acute	19,618	17,959	18,013
Outpatient	263,815	224,936	228,875
Swing bed	46,136	46,294	32,491
Total	<u>329,569</u>	<u>289,189</u>	<u>279,379</u>
Occupational therapy			
Inpatient acute	7,277	2,321	1,727
Outpatient	153,352	145,970	110,841
Swing bed	27,682	20,235	5,070
Total	<u>188,311</u>	<u>168,526</u>	<u>117,638</u>
Speech therapy			
Inpatient acute	150	585	-0-
Outpatient	4,920	88,235	6,609
Swing bed	-0-	4,770	-0-
Total	<u>5,070</u>	<u>93,590</u>	<u>6,609</u>
Electrocardiology			
Inpatient acute	134,066	116,502	99,550
Outpatient	135,683	145,740	135,801
Swing bed	1,812	3,224	3,844
Psychiatric unit	12,684	13,685	372
Total	<u>284,245</u>	<u>279,151</u>	<u>239,567</u>
Central supply			
Inpatient acute	100,683	143,731	198,705
Outpatient	51,096	53,453	67,485
Swing bed	26,193	46,691	72,107
Home health	-0-	-0-	15,655
Psychiatric unit	2,144	4,510	-0-
Total	<u>\$ 180,116</u>	<u>\$ 248,385</u>	<u>\$ 353,952</u>

HOSPITAL SERVICE DISTRICT NO. 1A
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHLAND PARISH HOSPITAL - DELHI
HOSPITAL ENTERPRISE FUND
NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Pharmacy			
Inpatient acute	\$ 1,505,145	\$ 1,273,484	\$ 1,369,577
Outpatient	684,712	601,751	437,286
Swing bed	355,296	439,960	497,700
Psychiatric unit	<u>109,320</u>	<u>143,144</u>	<u>1,149</u>
Total	<u>2,654,473</u>	<u>2,458,339</u>	<u>2,305,712</u>
IOP/PHP Psychiatric therapy sessions			
Outpatient	<u>1,023,000</u>	<u>1,033,750</u>	<u>759,150</u>
Cardio rehabilitation			
Outpatient	<u>212,075</u>	<u>206,305</u>	<u>209,603</u>
Certified diabetic education			
Outpatient	<u>15,920</u>	<u>35,395</u>	<u>-0-</u>
Emergency room			
Inpatient acute	189,974	115,502	84,374
Outpatient	1,045,023	1,000,995	891,557
Swing bed	-0-	815	-0-
Psychiatric unit	<u>1,196</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>1,236,193</u>	<u>1,117,312</u>	<u>975,931</u>
Observation room			
Outpatient	<u>6,252</u>	<u>11,151</u>	<u>33,351</u>
Rural health			
Clinic	<u>2,875,151</u>	<u>2,704,385</u>	<u>2,628,568</u>
Home health			
Skilled nursing visits	-0-	-0-	434,400
Physical therapy visits	-0-	-0-	41,125
Occupational therapy visits	-0-	-0-	13,650
Speech therapy visits	-0-	-0-	2,100
Social service visits	-0-	-0-	525
Aide visits	<u>-0-</u>	<u>-0-</u>	<u>190,190</u>
Total	<u>-0-</u>	<u>-0-</u>	<u>681,990</u>
School-based			
Clinic	\$ <u>39,399</u>	\$ <u>48,206</u>	\$ <u>30,312</u>

HOSPITAL SERVICE DISTRICT NO. 1A
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHLAND PARISH HOSPITAL - DELHI
HOSPITAL ENTERPRISE FUND
NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Mental health rehabilitation Clinic	\$ <u>122,450</u>	\$ <u>6,000</u>	\$ <u>-0-</u>
Transportation Psychiatric unit	<u>6,721</u>	<u>-0-</u>	<u>-0-</u>
Other Professional Services			
Inpatient acute	3,920,838	3,420,885	3,627,184
Outpatient	5,923,024	5,927,226	5,014,847
Clinics	3,037,000	2,758,591	2,658,880
Swing bed	883,227	1,087,223	1,103,362
Home health	-0-	-0-	697,645
Psychiatric unit	<u>211,690</u>	<u>251,956</u>	<u>1,975</u>
Total Other Professional Services	<u>13,975,779</u>	<u>13,445,881</u>	<u>13,103,893</u>
Gross Patient Service Charges	<u>16,027,093</u>	<u>15,725,389</u>	<u>14,341,674</u>
Deductions from Revenue:			
Contractual allowances	5,768,186	5,514,619	4,786,323
Policy discount	13,722	21,636	23,473
Uncompensated care reimbursement	<u>(514,204)</u>	<u>(595,877)</u>	<u>(595,877)</u>
Total Deductions from Revenue	<u>5,267,704</u>	<u>4,940,378</u>	<u>4,213,919</u>
Net Patient Service Revenue	\$ <u>10,759,389</u>	\$ <u>10,785,011</u>	\$ <u>10,127,755</u>

HOSPITAL SERVICE DISTRICT NO. 1A
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 d/b/a RICHLAND PARISH HOSPITAL - DELHI
 HOSPITAL ENTERPRISE FUND
 OTHER OPERATING REVENUE
 YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

	<u>2003</u>		<u>2002</u>		<u>2001</u>
Pharmacy sales to employees	\$ 33,772	\$	25,814	\$	25,625
Television	5,987		2,643		6,301
Cafeteria	63,873		57,141		51,800
Medical records	6,112		2,240		2,489
Vending machines	30,086		27,709		26,342
Rentals	24,300		25,350		4,650
LHA insurance refund	-0-		-0-		8,422
Joint venture	277,747		457,453		9,332
Miscellaneous	<u>37,973</u>		<u>16,686</u>		<u>(291)</u>
 Total other operating revenue	 \$ <u>479,850</u>	\$	 <u>615,036</u>	\$	 <u>134,670</u>

HOSPITAL SERVICE DISTRICT NO. 1A
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHLAND PARISH HOSPITAL - DELHI
HOSPITAL ENTERPRISE FUND
SCHEDULE OF OPERATING EXPENSES – SALARIES AND BENEFITS
YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Administration	\$ 608,811	\$ 617,079	\$ 660,829
Plant operations and maintenance	87,003	105,966	90,704
Housekeeping	103,750	96,904	101,103
Dietary	136,178	126,045	119,776
Inservice	40,529	42,632	48,176
Central supply	13,496	12,620	7,127
Pharmacy	148,944	156,196	144,497
Medical records	174,806	158,826	154,653
Nursing services - Inpatient acute	782,437	782,971	915,564
Nursing services - Geriatric psychiatric	422,002	453,371	10,501
Operating room	38,124	96,169	135,108
Radiology	180,301	153,627	157,336
Laboratory	300,591	260,331	267,019
Respiratory therapy	145,308	147,881	140,624
Physical therapy	166,940	236,508	135,651
EKG	33,100	15,110	14,070
IOP/PHP - Psychiatric therapy	353,576	324,668	223,060
Cardio rehabilitation	106,193	91,687	97,067
Certified diabetic education	33,113	45,122	-0-
Rural health clinic	1,640,132	1,716,814	1,667,650
Emergency room	732,324	685,732	678,610
Home health	5,847	-0-	255,023
School based health clinic	148,711	137,325	139,752
Mental health rehabilitation clinic	99,988	34,677	-0-
Transportation	15,814	-0-	-0-
	<u>6,518,018</u>	<u>6,498,261</u>	<u>6,163,900</u>
Total salaries			
Payroll taxes	87,414	89,423	98,148
Hospital insurance	391,524	445,777	394,104
Other	21,428	29,239	34,569
	<u>500,366</u>	<u>564,439</u>	<u>526,821</u>
Total benefits			
Total salaries and benefits	\$ <u>7,018,384</u>	\$ <u>7,062,700</u>	\$ <u>6,690,721</u>

HOSPITAL SERVICE DISTRICT NO. 1A
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 d/b/a RICHLAND PARISH HOSPITAL - DELHI
 HOSPITAL ENTERPRISE FUND
 SCHEDULE OF OPERATING EXPENSES – PROFESSIONAL FEES
 YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

	<u>2003</u>		<u>2002</u>		<u>2001</u>
Anesthesiology	\$ -0-	\$	4,675	\$	17,055
Radiology	451		1,125		-0-
Laboratory	8,250		6,125		6,000
Physical therapy	200		-0-		9,706
IOP/PHP - Psychiatric therapy sessions	72,101		99,802		44,683
Rural health clinic	2,075		1,100		-0-
Emergency room	-0-		-0-		(1,528)
Mental rehabilitation	12,000		5,264		-0-
Home health	(701)		-0-		-0-
EKG	360		-0-		-0-
	<hr/>		<hr/>		<hr/>
Total professional fees	\$ <u>94,736</u>	\$	<u>118,091</u>	\$	<u>75,916</u>

HOSPITAL SERVICE DISTRICT NO. 1A
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 d/b/a RICHLAND PARISH HOSPITAL - DELHI
 HOSPITAL ENTERPRISE FUND
 SCHEDULE OF OPERATING EXPENSES – OTHER EXPENSES
 YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Contract services	\$ 335,183	\$ 326,021	\$ 392,353
Legal and accounting	83,589	95,903	100,798
Supplies	907,358	906,873	882,168
Repairs and maintenance	108,846	110,076	93,236
Utilities	120,912	97,141	123,363
Telephone	80,732	77,347	83,598
Travel - home health	55	1,379	22,544
Travel - other	20,591	21,167	17,517
Rentals	64,060	50,815	35,669
Education	41,048	40,017	59,759
Recruitment and advertising	23,628	13,980	13,277
Dues and subscriptions	6,033	-0-	89
Miscellaneous	<u>43,205</u>	<u>30,821</u>	<u>32,477</u>
 Total other expenses	 \$ <u>1,835,240</u>	 \$ <u>1,771,540</u>	 \$ <u>1,856,848</u>

HOSPITAL SERVICE DISTRICT NO. 1A
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 d/b/a RICHLAND PARISH HOSPITAL - DELHI
 HOSPITAL ENTERPRISE FUND
 SCHEDULE OF PER DIEM AND
 OTHER COMPENSATION PAID TO BOARD MEMBERS
 YEARS ENDED SEPTEMBER 30, 2003, 2002, AND 2001

----- TERM -----

Board Members:	<u>BEGAN</u>	<u>ENDING</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Mr. Charles Black	04/18/89	05/07/05	NONE	NONE	NONE
Mrs. Eleanor Jones	04/18/89	05/07/07	NONE	NONE	NONE
Mr. Jimmy Hopson	04/18/89	10/05/09	NONE	NONE	NONE
Dr. Paul Grandon	08/20/93	10/05/09	NONE	NONE	NONE
Mr. Nathan Monroe	05/07/01	05/07/09	NONE	NONE	NONE
Mr. Sidney Perkins	04/18/89	04/15/01	N/A	N/A	NONE

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

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

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ALEXANDRIA, LOUISIANA 71303-3653

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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**

Members
American Institute of CPA's
Society of Louisiana CPA's

Mailing Address:

P.O. Box 8758

Alexandria, LA 71306-1758

Board of Commissioners
Hospital Service District No. 1A
Parish of Richland, State of Louisiana
Delhi, Louisiana

We have audited the basic financial statements of the Richland Parish Hospital Service District No. 1A, (the District or the Hospital) as of and for the years ended September 30, 2003, 2002, and 2001, and have issued our report thereon dated December 17, 2003. 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 no instances 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 Richland Parish Hospital - Delhi 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 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 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 one matter 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. 1A
Parish of Richland, State of Louisiana
Delhi, 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

Certified Public Accountants

December 17, 2003

RICHLAND PARISH HOSPITAL – DELHI
MANAGEMENT RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2003

General

We were pleased to find improvements in all areas where recommendations were made as a result of the 2002 audit. Our comments and recommendations with management's responses are repeated from last year with our assessment of resolution in 2003.

2002 Compliance

Finding: The District's deposits with two financial institutions exceeded the FDIC and pledged securities by \$277,053 and \$57,023 on September 30, 2002. Louisiana Revised Statutes requires all deposits to be fully secured.

Recommendation: We recommend the District monitor its deposits with financial institutions on a monthly basis to insure that they do not exceed the FDIC and pledged securities amount.

Management's Response: The District will monitor its deposits on a monthly basis and acquire additional pledged securities when needed.

Resolution: This matter has been resolved.

2002 Internal Controls

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.

2003 Internal Controls

Finding: While documenting the cash receipts process, we noted that one employee was responsible for receiving mail receipts, posting the receipts and preparing the daily deposit.

Recommendation: We recommend having an employee without access to the accounts receivable function prepare the deposit before the receipts are posted.

Management's Response: The District will segregate the duties for the cash receipts process.