

HOSPITAL SERVICE DISTRICT NO. 1B
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA,
d/b/a RICHARDSON MEDICAL CENTER

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
SEPTEMBER 30, 2001, 2000 AND 1999

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 4/10/02

HOSPITAL SERVICE DISTRICT NO. 1B
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHARDSON MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
YEARS ENDED SEPTEMBER 30, 2001, 2000 AND 1999

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Hospital Service District No. 1B
Parish of Richland, State of Louisiana
Rayville, Louisiana

We have audited the accompanying general purpose financial statements of Hospital Service District No. 1B, Parish of Richland, d/b/a Richardson Medical Center (the Hospital), a component unit of the Richland Parish Police Jury, as of and for the years ended September 30, 2001, 2000 and 1999, as listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 1B, Parish of Richland, as of September 30, 2001, 2000 and 1999, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 11, 2002, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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



Certified Public Accountants
February 11, 2002

HOSPITAL SERVICE DISTRICT NO. 1B
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 d/b/a RICHARDSON MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 BALANCE SHEETS - UNRESTRICTED FUNDS
 SEPTEMBER 30, 2001, 2000 AND 1999

<u>ASSETS</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Current			
Cash and cash equivalents (Notes 2 & 3)	\$ 330,977	\$ 438,658	\$ 748,466
Accounts receivable, net (Note 4)	2,815,533	3,273,793	3,042,547
Estimated third-party payor settlements	851,566	339,305	361,399
Accrued interest	33,046	44,863	37,765
Inventory	312,883	304,772	291,424
Prepaid expenses	<u>147,645</u>	<u>122,675</u>	<u>61,737</u>
Total Current Assets	4,491,650	4,524,066	4,543,338
Property, plant and equipment, net (Note 5)	1,952,397	1,727,787	2,005,856
Assets limited as to use (Note 6)	3,218,721	3,087,725	3,062,449
Other assets (Note 7)	<u>35,514</u>	<u>28,652</u>	<u>36,783</u>
Total Assets	<u>\$ 9,698,282</u>	<u>\$ 9,368,230</u>	<u>\$ 9,648,426</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Current			
Accounts payable	\$ 692,647	\$ 666,827	\$ 504,550
Accrued expenses	259,602	256,390	170,961
Estimated third-party payor settlements	-0-	2,755	410,898
Current portion of lease obligations and long-term debt	<u>111,029</u>	<u>34,555</u>	<u>34,733</u>
Total Current Liabilities	1,063,278	960,527	1,121,142
Long-term			
Capital lease obligations and notes payable (Note 8)	<u>328,511</u>	<u>38,487</u>	<u>75,949</u>
Total Liabilities	1,391,789	999,014	1,197,091
Fund balance - unrestricted	<u>8,306,493</u>	<u>8,369,216</u>	<u>8,451,335</u>
Total Liabilities and Fund Balance	<u>\$ 9,698,282</u>	<u>\$ 9,368,230</u>	<u>\$ 9,648,426</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1B
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHARDSON MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
STATEMENTS OF OPERATIONS - UNRESTRICTED FUNDS
YEARS ENDED SEPTEMBER 30, 2001, 2000 AND 1999

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Revenue			
Net patient service revenue	\$ 13,325,504	\$ 13,022,903	\$ 12,720,869
Property taxes	288,693	265,207	253,667
Donations	-0-	1,912	-0-
Gain (loss) on disposal of equipment	3,308	7,500	4,217
Other operating revenue	<u>134,441</u>	<u>131,752</u>	<u>133,744</u>
 Total Revenue	 <u>13,751,946</u>	 <u>13,429,274</u>	 <u>13,112,497</u>
Expenses			
Salaries	5,650,652	5,434,781	4,950,347
Benefits and payroll taxes	460,171	561,005	347,458
Pension plan (Note 10)	348,377	323,070	304,573
Supplies and drugs	1,064,421	1,017,821	822,228
Professional fees	1,869,365	1,943,076	1,925,703
Other expenses	2,425,334	2,292,097	2,100,490
Insurance	315,993	224,093	224,560
Interest expense	29,430	11,352	16,566
Depreciation and amortization	488,942	493,961	488,829
Provision for bad debts	<u>1,535,681</u>	<u>1,403,770</u>	<u>1,458,900</u>
 Total Expenses	 <u>14,188,366</u>	 <u>13,705,026</u>	 <u>12,639,654</u>
 Operating Income (Loss)	 <u>(436,420)</u>	 <u>(275,752)</u>	 <u>472,843</u>
Non-Operating Income (Loss)			
Interest income on investments limited as to use	175,570	181,686	180,315
Interest income other	<u>8,277</u>	<u>11,947</u>	<u>18,146</u>
 Total Nonoperating Income (Loss)	 <u>183,847</u>	 <u>193,633</u>	 <u>198,461</u>
 Excess of Revenues (Expenses)	 <u>\$ (252,573)</u>	 <u>\$ (82,119)</u>	 <u>\$ 671,304</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1B
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 d/b/a RICHARDSON MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 STATEMENTS OF CHANGES IN FUND BALANCE - UNRESTRICTED FUNDS
 YEARS ENDED SEPTEMBER 30, 2001, 2000 AND 1999

	2001	2000	1999
CHANGES IN FUND BALANCE:			
Balance, beginning of year	\$ 8,369,216	\$ 8,451,335	\$ 7,780,031
Transfer from Richland Parish Hospital Service District No. 1	189,850	-0-	-0-
Excess of revenues (expenses)	<u>(252,573)</u>	<u>(82,119)</u>	<u>671,304</u>
Balance, September 30	<u>\$ 8,306,493</u>	<u>\$ 8,369,216</u>	<u>\$ 8,451,335</u>
COMPOSITION OF FUND BALANCE:			
Contributions Transfer from Richland Parish Hospital Service District No. 1	\$ 5,732,950	\$ 5,543,100	\$ 5,543,100
Excess of revenues over expenses	<u>2,573,543</u>	<u>2,826,116</u>	<u>2,908,235</u>
Total	<u>\$ 8,306,493</u>	<u>\$ 8,369,216</u>	<u>\$ 8,451,335</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1B
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHARDSON MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
STATEMENTS OF CASH FLOWS - UNRESTRICTED FUNDS
YEARS ENDED SEPTEMBER 30, 2001, 2000 AND 1999

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Cash Flows from Operating Activities:			
Operating income (loss)	\$ (436,420)	\$ (275,752)	\$ 472,843
Interest expense considered capital financing activity	29,430	11,352	16,566
Fund transfer from Richland Parish Hospital Service District No. 1	189,850	-0-	-0-
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	488,942	480,961	478,648
Amortization	-0-	13,000	10,181
(Gain) loss on disposal of assets	(3,308)	(7,500)	(4,217)
Provision for bad debts	(1,535,681)	(1,403,770)	(1,458,900)
Change in current assets (increase) decrease			
Accounts receivable	1,993,941	1,172,524	979,609
Estimated third-party payor settlements	(512,261)	22,094	(311,430)
Accrued interest receivable	11,817	(7,098)	1,920
Inventory	(8,111)	(13,348)	15,327
Prepaid expenses	(24,970)	(60,938)	16,320
Change in current liabilities increase (decrease)			
Accounts payable	25,820	162,277	(232,408)
Accrued expenses	3,212	85,429	20,863
Estimated third-party payor settlements	(2,755)	(408,143)	(367,892)
Change in other assets (increase) decrease	<u>(6,862)</u>	<u>(4,869)</u>	<u>4,319</u>
Net cash provided by operating activities	<u>212,644</u>	<u>(233,781)</u>	<u>(358,251)</u>
Cash Flows from Investing Activities:			
Cash invested in assets limited as to use	(673,387)	(699,730)	(229,662)
Cash proceeds from assets limited as to use	542,391	674,454	563,441
Interest earned	<u>183,847</u>	<u>193,633</u>	<u>198,461</u>
Net cash provided by investing activities	<u>\$ 52,851</u>	<u>\$ 168,357</u>	<u>\$ 532,240</u>

(Continued)

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1B
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHARDSON MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
STATEMENTS OF CASH FLOWS - UNRESTRICTED FUNDS (Continued)
YEARS ENDED SEPTEMBER 30, 2001, 2000 AND 1999

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from sales of property, plant and equipment	\$ 20,202	\$ 7,500	\$ 5,166
Acquisition of capital assets	(275,038)	(199,508)	(379,923)
Principal payments on long-term debt	(88,910)	(41,024)	(51,715)
Interest paid on long-term debt	<u>(29,430)</u>	<u>(11,352)</u>	<u>(16,566)</u>
Net cash used by capital and related financing activities	<u>(373,176)</u>	<u>(244,384)</u>	<u>(443,038)</u>
Net increase (decrease) in cash and cash equivalents	(107,681)	(309,808)	(269,049)
Cash and cash equivalents at beginning of year	<u>438,658</u>	<u>748,466</u>	<u>1,017,515</u>
Cash and cash equivalents at end of year	<u>\$ 330,977</u>	<u>\$ 438,658</u>	<u>\$ 748,466</u>
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	<u>\$ 29,430</u>	<u>\$ 11,352</u>	<u>\$ 16,566</u>

The Hospital entered into capital lease obligations of \$455,408, \$3,384 and \$24,224 for equipment in 2001, 2000 and 1999, respectively.

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1B
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, 2001, 2000 AND 1999

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Richland Parish Hospital Service District No. 1B (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 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 Mangham to Richland Parish Hospital Service District No. 1B, 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

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.

HOSPITAL SERVICE DISTRICT NO. 1B
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
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HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2001, 2000 AND 1999

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.

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 Hospital 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 4. 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 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

HOSPITAL SERVICE DISTRICT NO. 1B
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HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2001, 2000 AND 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 payor.

Inventory

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

Income Taxes

The entity is a political subdivision and exempt from taxation.

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.

Building 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 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 limited as to use are cash on hand and deposits with the deposing banks for checking accounts and certificates of deposits. At September 30, 2001, 2000, and 1999, all deposits were secured as of the balance sheet date. For all deposits, the market value and carrying value are the same.

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 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, 2001, 2000 AND 1999

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Net patient accounts receivable	\$ 4,073,845	\$ 4,408,029	\$ 4,366,755
Other accounts receivable	<u>2,688</u>	<u>1,764</u>	<u>5,792</u>
	4,076,533	4,409,793	4,372,547
Estimated uncollectibles	<u>(1,261,000)</u>	<u>(1,136,000)</u>	<u>(1,330,000)</u>
Total	<u>\$ 2,815,533</u>	<u>\$ 3,273,793</u>	<u>\$ 3,042,547</u>

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, 2001, 2000 and 1999.

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Medicare and Medicaid charges	\$17,594,407	\$16,504,183	\$13,615,404
Contractual adjustments	<u>(8,760,125)</u>	<u>(8,676,609)</u>	<u>(6,794,196)</u>
Program Patient Service Revenue	<u>\$ 8,834,282</u>	<u>\$ 7,827,574</u>	<u>\$ 6,821,208</u>
Percent of Total Gross Patient Charges	<u>77%</u>	<u>73%</u>	<u>69%</u>
Percent of Total Net Patient Revenues	<u>66%</u>	<u>60%</u>	<u>54%</u>

HOSPITAL SERVICE DISTRICT NO. 1B
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, 2001, 2000 AND 1999

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment and related accumulated depreciation.

	<u>ASSET COST</u>			September 30, <u>2001</u>
	September 30, <u>2000</u>	Additions	Deductions	
Land	\$ 16,000	\$ -0-	\$ -0-	\$ 16,000
Land improvements	28,867	-0-	-0-	28,867
Buildings and improvements	3,033,496	53,975	-0-	3,087,471
Major movable equipment	<u>5,339,238</u>	<u>676,471</u>	<u>44,423</u>	<u>5,971,286</u>
Total	<u>\$ 8,417,601</u>	<u>\$ 730,446</u>	<u>\$ 44,423</u>	<u>\$ 9,103,624</u>

	<u>ACCUMULATED DEPRECIATION</u>			September 30, <u>2001</u>
	September 30, <u>2000</u>	Additions	Deductions	
Land improvements	\$ 20,730	\$ 751	\$ -0-	\$ 21,481
Buildings and improvements	2,358,895	92,799	-0-	2,451,694
Major movable equipment	<u>4,310,189</u>	<u>395,392</u>	<u>27,529</u>	<u>4,678,052</u>
Total	<u>\$ 6,689,814</u>	<u>\$ 488,942</u>	<u>\$ 27,529</u>	<u>\$ 7,151,227</u>

	<u>ASSET COST</u>			September 30, <u>2000</u>
	September 30, <u>1999</u>	Additions	Deductions	
Land	\$ 16,000	\$ -0-	\$ -0-	\$ 16,000
Land improvements	28,867	-0-	-0-	28,867
Buildings and improvements	2,972,483	61,013	-0-	3,033,496
Major movable equipment	<u>5,197,359</u>	<u>141,879</u>	<u>-0-</u>	<u>5,339,238</u>
Total	<u>\$ 8,214,709</u>	<u>\$ 202,892</u>	<u>\$ -0-</u>	<u>\$ 8,417,601</u>

	<u>ACCUMULATED DEPRECIATION</u>			September 30, <u>2000</u>
	September 30, <u>1999</u>	Additions	Deductions	
Land improvements	\$ 19,979	\$ 751	\$ -0-	\$ 20,730
Buildings and improvements	2,257,051	101,844	-0-	2,358,895
Major movable equipment	<u>3,931,823</u>	<u>378,366</u>	<u>-0-</u>	<u>4,310,189</u>
Total	<u>\$ 6,208,853</u>	<u>\$ 480,961</u>	<u>\$ -0-</u>	<u>\$ 6,689,814</u>

HOSPITAL SERVICE DISTRICT NO. 1B
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
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 HOSPITAL ENTERPRISE FUND
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 2001, 2000 AND 1999

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	<u>ASSET COST</u>			September 30, <u>1999</u>
	September 30, <u>1998</u>	<u>Additions</u>	<u>Deductions</u>	
Land	\$ 16,000	\$ -0-	\$ -0-	\$ 16,000
Land improvements	28,867	-0-	-0-	28,867
Buildings and improvements	2,942,351	30,132	-0-	2,972,483
Major movable equipment	<u>4,839,235</u>	<u>374,015</u>	<u>15,891</u>	<u>5,197,359</u>
Total	<u>\$ 7,826,453</u>	<u>\$ 404,147</u>	<u>\$ 15,891</u>	<u>\$ 8,214,709</u>

	<u>ACCUMULATED DEPRECIATION</u>			September 30, <u>1999</u>
	September 30, <u>1998</u>	<u>Additions</u>	<u>Deductions</u>	
Land improvements	\$ 19,228	\$ 751	\$ -0-	\$ 19,979
Buildings and improvements	2,158,804	98,247	-0-	2,257,051
Major movable equipment	<u>3,567,115</u>	<u>379,650</u>	<u>14,942</u>	<u>3,931,823</u>
Total	<u>\$ 5,745,147</u>	<u>\$ 478,648</u>	<u>\$ 14,942</u>	<u>\$ 6,208,853</u>

NOTE 6 - ASSETS LIMITED AS TO USE

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

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Restricted by Hospital Board			
To be used for asset additions and replacements			
Certificates of deposit	<u>\$ 3,218,721</u>	<u>\$ 3,087,725</u>	<u>\$ 3,062,449</u>

HOSPITAL SERVICE DISTRICT NO. 1B
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, 2001, 2000 AND 1999

NOTE 7 - OTHER ASSETS

Other assets consist of the following:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Start-up costs	\$ -0-	\$ -0-	\$ 13,000
Security deposit	188	188	-0-
Medical scholarships receivable	<u>35,326</u>	<u>28,464</u>	<u>23,783</u>
Total	<u>\$ 35,514</u>	<u>\$ 28,652</u>	<u>\$ 36,783</u>

Start-up costs are expenses incurred in establishing a senior care unit. These expenses are capitalized and amortized over a 60 month period.

Medical scholarships receivable are amounts paid to student doctors for tuition. The 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 a period of time. Otherwise, there are provisions for the physician to repay the scholarship with interest.

NOTE 8 - LONG-TERM DEBT

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

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Capital lease obligations, at varying rates of imputed interest from 6 percent to 12 percent collateralized by leased equipment.	<u>\$ 439,540</u>	<u>\$ 73,042</u>	<u>\$ 110,682</u>
Total long-term debt	439,540	73,042	110,682
Less current maturities of long-term debt	<u>111,029</u>	<u>34,555</u>	<u>34,733</u>
Long-term debt	<u>\$ 328,511</u>	<u>\$ 38,487</u>	<u>\$ 75,949</u>

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 HOSPITAL ENTERPRISE FUND
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 2001, 2000 AND 1999

NOTE 8 - LONG-TERM DEBT (Continued)

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

<u>Year Ended September 30</u>	<u>Notes and Leases</u>
2002	\$ 111,029
2003	102,305
2004	97,200
2005	102,235
2006	<u>26,771</u>
Total	<u>\$ 439,540</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.

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

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Copiers	\$ 218,205	\$ 218,205	\$ 218,205
Mailing machine & electronic postal scale	3,384	3,384	-0-
AS400 Computer equipment	64,491	64,491	64,491
Radiology equipment	<u>455,408</u>	<u>-0-</u>	<u>-0-</u>
	741,488	286,080	282,696
Less: Accumulated depreciation	<u>324,492</u>	<u>215,185</u>	<u>173,041</u>
Total	<u>\$ 416,996</u>	<u>\$ 70,895</u>	<u>\$ 109,655</u>

HOSPITAL SERVICE DISTRICT NO. 1B
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 HOSPITAL ENTERPRISE FUND
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 2001, 2000 AND 1999

NOTE 8 - LONG-TERM DEBT (Continued)

Minimum future lease payments under capital leases as of September 30, 2001, and for each subsequent year in aggregate are provided below:

<u>Year Ended September 30</u>	<u>Amount</u>
2002	\$ 139,342
2003	122,054
2004	109,720
2005	107,928
2006	<u>26,982</u>
Total minimum lease payments	506,026
Less: Amounts representing interest	<u>66,486</u>
Net minimum lease payments	\$ <u>439,540</u>

Interest rates on capital leases vary from 6.0% to 12.0% and are imputed based on the lessor's implicit rate of return.

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, dba Richland Parish Hospital - Delhi.

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Beginning amount due from Richland Parish Hospital - Delhi	\$ 1,474	\$ 1,474	\$ 10,950
Revenue earned by the Hospital	20,025	24,446	29,506
Received from Richland Parish Hospital - Delhi	<u>(19,421)</u>	<u>(24,446)</u>	<u>(38,982)</u>
Ending amount due from Richland Parish Hospital - Delhi	\$ <u>2,078</u>	\$ <u>1,474</u>	\$ <u>1,474</u>

HOSPITAL SERVICE DISTRICT NO. 1B
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
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HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2001, 2000 AND 1999

NOTE 10 - PENSION PLAN

The Hospital elected to withdraw from the Social Security System effective January 1, 1994. 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 \$348,377, \$323,070, and \$304,573 for the years ended September 30, 2001, 2000 and 1999, respectively.

NOTE 11 - COMPENSATED ABSENCES

Employees of the Hospital are entitled to paid days off and sick days depending on length of service. The Hospital accrued \$153,171, \$171,255, and \$117,358 of vacation pay at September 30, 2001, 2000 and 1999, respectively. It is impracticable to estimate the amount of compensation for future unvested sick pay and, accordingly, no liability has been recorded in the accompanying financial statements. The Hospital's policy is to recognize the cost of unvested sick pay when actually paid to employees.

NOTE 12 - 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 13 - 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 4) - 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.

HOSPITAL SERVICE DISTRICT NO. 1B
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d/b/a RICHARDSON MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2001, 2000 AND 1999

NOTE 13 - CONTINGENCIES (Continued)

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.

Professional Liability Risk (Note 12) - The Hospital is contingently liable for losses from professional liability not underwritten by the Louisiana Patient'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.

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.

SUPPLEMENTAL INFORMATION

HOSPITAL SERVICE DISTRICT NO. 1B
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 d/b/a RICHARDSON MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 NET PATIENT SERVICE REVENUE
 YEARS ENDED SEPTEMBER 30, 2001, 2000 AND 1999

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Routine Services:			
Adult and pediatric	\$ 1,551,193	\$ 1,547,134	\$ 1,143,290
Intensive care unit	305,625	272,850	197,927
Swing bed	162,432	199,902	189,531
Senior care	<u>1,223,150</u>	<u>1,009,058</u>	<u>976,650</u>
Total Routine Services	<u>3,242,400</u>	<u>3,028,944</u>	<u>2,507,398</u>
Other Professional Services:			
Operating room			
Inpatient	340,337	289,726	215,833
Outpatient	704,488	562,276	571,757
Swing bed	12,985	7,368	19,304
Senior care	<u>3,089</u>	<u>2,412</u>	<u>25</u>
Total	<u>1,060,899</u>	<u>861,782</u>	<u>806,919</u>
Anesthesia			
Inpatient	202,239	205,377	154,602
Outpatient	378,947	383,556	426,610
Swing bed	8,487	7,599	14,450
Senior care	<u>1,560</u>	<u>2,102</u>	<u>43</u>
Total	<u>591,233</u>	<u>598,634</u>	<u>595,705</u>
Radiology			
Inpatient	1,037,106	1,157,061	826,915
Outpatient	1,640,848	1,480,927	1,354,317
Swing bed	19,631	41,005	47,696
Senior care	<u>46,629</u>	<u>39,259</u>	<u>31,414</u>
Total	<u>2,744,214</u>	<u>2,718,252</u>	<u>2,260,342</u>
Laboratory			
Inpatient	1,031,679	1,025,875	751,646
Outpatient	729,398	732,966	683,514
Swing bed	47,577	71,138	86,022
Senior care	<u>85,824</u>	<u>61,986</u>	<u>58,447</u>
Total	<u>1,894,478</u>	<u>1,891,965</u>	<u>1,579,629</u>

HOSPITAL SERVICE DISTRICT NO. 1B
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 d/b/a RICHARDSON MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 NET PATIENT SERVICE REVENUE (Continued)
 YEARS ENDED SEPTEMBER 30, 2001, 2000 AND 1999

	2001	2000	1999
Blood			
Inpatient	\$ 149,558	\$ 73,906	\$ 21,684
Outpatient	14,538	14,601	6,938
Swing bed	11,150	5,990	5,488
Senior care	<u>227</u>	<u>348</u>	<u>108</u>
Total	<u>175,473</u>	<u>94,845</u>	<u>34,218</u>
Respiratory therapy			
Inpatient	1,805,435	1,775,428	1,171,154
Outpatient	107,513	107,428	117,202
Swing bed	205,970	283,630	318,338
Senior care	<u>29,745</u>	<u>21,446</u>	<u>36,454</u>
Total	<u>2,148,663</u>	<u>2,187,932</u>	<u>1,643,148</u>
Physical therapy			
Outpatient	<u>-0-</u>	<u>-0-</u>	<u>87</u>
Occupational therapy			
Inpatient	85,998	94,704	60,941
Outpatient	50,666	55,722	145,186
Home health	52,390	22,100	10,920
Swing bed	28,290	41,857	56,213
Senior care	<u>15,046</u>	<u>15,100</u>	<u>25,333</u>
Total	<u>232,390</u>	<u>229,483</u>	<u>298,593</u>
Electrocardiology			
Inpatient	269,936	258,320	236,077
Outpatient	219,340	237,952	281,034
Swing bed	2,295	3,681	5,223
Senior care	<u>19,586</u>	<u>21,400</u>	<u>9,490</u>
Total	<u>\$ 511,157</u>	<u>\$ 521,353</u>	<u>\$ 531,824</u>

HOSPITAL SERVICE DISTRICT NO. 1B
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHARDSON MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED SEPTEMBER 30, 2001, 2000, AND 1999

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Central supply			
Inpatient	\$ 403,120	\$ 597,835	\$ 503,601
Outpatient	458,634	435,391	481,231
Swing bed	19,882	42,848	34,846
Home health	5,383	23,261	33,081
Senior care	<u>4,675</u>	<u>10,488</u>	<u>12,417</u>
Total	<u>891,694</u>	<u>1,109,823</u>	<u>1,065,176</u>
Pharmacy			
Inpatient	3,557,299	3,391,960	2,239,908
Outpatient	633,746	479,023	777,420
Swing bed	357,808	514,797	373,609
Senior care	<u>156,752</u>	<u>135,018</u>	<u>112,099</u>
Total	<u>4,705,605</u>	<u>4,520,798</u>	<u>3,503,036</u>
Oncology			
Inpatient	6,784	6,160	13,978
Outpatient	<u>78,614</u>	<u>63,243</u>	<u>127,988</u>
Total	<u>85,398</u>	<u>69,403</u>	<u>141,966</u>
Rural health clinic			
Outpatient	<u>1,366,637</u>	<u>1,357,265</u>	<u>1,422,223</u>
Psychiatric therapy			
Outpatient	<u>232,125</u>	<u>246,490</u>	<u>264,005</u>
Emergency room			
Inpatient	245,877	121,653	86,096
Outpatient	1,500,398	1,102,735	1,284,560
Senior care	1,201	1,168	345
Swing bed	<u>90</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>1,747,566</u>	<u>1,225,556</u>	<u>1,371,001</u>
Observation room			
Outpatient	\$ <u>29,330</u>	\$ <u>28,260</u>	\$ <u>37,940</u>

HOSPITAL SERVICE DISTRICT NO. 1B
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHARDSON MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED SEPTEMBER 30, 2001, 2000 AND 1999

	2001	2000	1999
Home health			
Skilled nursing visits	\$ 311,350	\$ 534,548	\$ 621,790
Physical therapy visits	49,140	25,740	21,580
Social service visits	260	-0-	540
Speech therapy visits	4,550	5,931	-0-
Aide visits	<u>209,400</u>	<u>367,620</u>	<u>579,240</u>
Total	<u>574,700</u>	<u>933,839</u>	<u>1,223,150</u>
Hospital physician Clinic	<u>642,104</u>	<u>864,050</u>	<u>407,015</u>
Other Professional Services			
Inpatient	9,135,368	8,998,005	6,282,435
Outpatient	6,778,585	5,930,570	6,559,789
Clinics	2,008,741	2,221,315	1,829,238
Swing bed	714,165	1,019,913	961,189
Home health	632,473	979,200	1,267,151
Senior care	<u>364,334</u>	<u>310,727</u>	<u>286,175</u>
Total Other Professional Services	<u>19,633,666</u>	<u>19,459,730</u>	<u>17,185,977</u>
Gross Patient Service Charges	<u>22,876,066</u>	<u>22,488,674</u>	<u>19,693,375</u>
Contractual adjustments	10,194,708	9,660,291	7,319,012
Discounts	8,351	80,157	113,493
Uncompensated care reimbursement	<u>(652,497)</u>	<u>(274,677)</u>	<u>(459,999)</u>
Total Allowances and Uncollectibles	<u>9,550,562</u>	<u>9,465,771</u>	<u>6,972,506</u>
Net Patient Service Revenue	<u>\$ 13,325,504</u>	<u>\$ 13,022,903</u>	<u>\$ 12,720,869</u>

HOSPITAL SERVICE DISTRICT NO. 1B
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 d/b/a RICHARDSON MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 OTHER OPERATING REVENUE
 YEARS ENDED SEPTEMBER 30, 2001, 2000 AND 1999

	2001	2000	1999
Cafeteria	\$ 41,706	\$ 47,631	\$ 45,206
Medical records	4,208	3,759	5,638
Vending machines	4,922	4,299	4,284
Rentals	35,000	23,500	29,500
Pharmacy sales to employees	45,685	48,651	45,475
Miscellaneous	<u>2,920</u>	<u>3,912</u>	<u>3,641</u>
Total other operating revenue	<u>\$ 134,441</u>	<u>\$ 131,752</u>	<u>\$ 133,744</u>

HOSPITAL SERVICE DISTRICT NO. 1B
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, 2001, 2000 AND 1999

	2001	2000	1999
Administrative and general	\$ 461,112	\$ 386,009	\$ 408,562
Plant operations and maintenance	132,040	134,946	106,153
Housekeeping	195,206	174,472	165,179
Dietary and cafeteria	137,595	126,749	125,513
Nursing administration	40,734	38,674	40,265
Central supply	-0-	-0-	1,166
Pharmacy	174,063	154,215	148,440
Medical records	128,637	102,963	88,885
Nursing services	1,182,496	1,072,374	975,310
Intensive care unit	362,065	282,727	231,798
Senior care unit	478,329	435,536	379,532
Operating room	239,604	195,149	200,131
Anesthesia	82,986	47,296	-0-
Radiology	253,423	227,873	225,092
Laboratory	14,015	13,936	14,780
Respiratory therapy	202,770	187,926	162,263
Occupational therapy	80,769	76,147	82,430
EKG and EEG	60,782	80,012	60,674
Oncology	10,340	18,540	35,537
Rural health clinic	237,247	221,084	221,079
Psychiatric therapy	82,368	73,791	76,435
Emergency room	314,514	310,308	295,268
Home health	344,832	377,773	455,633
Physician clinic	397,298	657,901	411,034
Kid med	<u>37,427</u>	<u>38,380</u>	<u>39,188</u>
 Total salaries	 <u>5,650,652</u>	 <u>5,434,781</u>	 <u>4,950,347</u>
 Payroll taxes	 84,291	 83,600	 83,386
Hospital insurance	376,198	477,909	264,408
Other	<u>(318)</u>	<u>(504)</u>	<u>(336)</u>
 Total benefits	 <u>460,171</u>	 <u>561,005</u>	 <u>347,458</u>
 Total salaries and benefits	 <u>\$ 6,110,823</u>	 <u>\$ 5,995,786</u>	 <u>\$ 5,297,805</u>

HOSPITAL SERVICE DISTRICT NO. 1B
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 d/b/a RICHARDSON MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 SCHEDULES OF OPERATING EXPENSES - PROFESSIONAL FEES
 YEARS ENDED SEPTEMBER 30, 2001, 2000 AND 1999

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Senior care services	\$ 9,413	\$ 12,130	\$ 7,860
Operating room	11,390	3,090	1,720
Anesthesiology	114,238	133,405	154,490
Laboratory	675,299	702,788	650,764
Occupational therapy	-0-	120	430
Rural health clinic	398,083	418,924	432,065
Emergency room	652,345	666,619	663,882
Home health	6,037	6,000	14,492
Inhalation therapy	2,000	-0-	-0-
Nuclear medicine	150	-0-	-0-
Medical records	<u>410</u>	<u>-0-</u>	<u>-0-</u>
 Total professional fees	 <u>\$ 1,869,365</u>	 <u>\$ 1,943,076</u>	 <u>\$ 1,925,703</u>

HOSPITAL SERVICE DISTRICT NO. 1B
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 d/b/a RICHARDSON MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 SCHEDULES OF OPERATING EXPENSES - OTHER EXPENSES
 YEARS ENDED SEPTEMBER 30, 2001, 2000 AND 1999

	2001	2000	1999
Management fees	\$ 232,297	\$ 189,006	\$ 227,776
Contract services	416,264	405,834	325,450
Legal and accounting	110,256	61,308	72,376
Supplies	937,664	931,121	844,134
Repairs and maintenance	185,221	169,362	162,655
Utilities	200,303	187,724	162,700
Telephone	146,879	138,634	122,295
Travel, home health	33,314	40,768	50,952
Travel, other	9,798	8,140	8,418
Rentals	76,490	71,700	42,732
Education	32,380	27,694	31,845
Recruitment and advertising	28,124	50,053	39,656
Miscellaneous	<u>16,344</u>	<u>10,753</u>	<u>9,501</u>
 Total other expenses	 <u>\$ 2,425,334</u>	 <u>\$ 2,292,097</u>	 <u>\$ 2,100,490</u>

HOSPITAL SERVICE DISTRICT NO. 1B
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 d/b/a RICHARDSON MEDICAL CENTER
 SCHEDULE OF PER DIEM AND
 OTHER COMPENSATION PAID TO BOARD MEMBERS
 YEARS ENDED SEPTEMBER 30, 2001, 2000 AND 1999

Board Members:	-----TERM-----		2001	2000	1999
	BEGAN	ENDING			
Mr. Moses Wilkins	12/21/93	12/21/05	NONE	NONE	NONE
Mr. Oliver Holland	04/18/89	08/06/05	NONE	NONE	NONE
Dr. Craig P. Folse	03/07/95	07/18/04	NONE	NONE	NONE
Mr. David Cooper	02/02/99	08/23/01	NONE	NONE	NONE
Mr. Alan Thompson	06/20/00	06/20/04	NONE	NONE	N/A
Mr. Ted Seffens	06/20/00	06/20/04	NONE	NONE	N/A
Mr. W. L. Strong	11/20/90	07/19/00	N/A	N/A	NONE
Mr. Bentley Curry	07/01/93	06/18/00	N/A	N/A	NONE
Ms. Zona McKay	12/07/93	02/01/99	N/A	N/A	NONE

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

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

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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. 1B
Parish of Richland, State of Louisiana
Rayville, Louisiana 71269

We have audited the general purpose financial statements of the Richland Parish Hospital Service District No. 1B (the District or the Hospital) as of and for the years ended September 30, 2001, 2000 and 1999, and have issued our report thereon dated February 11, 2002. 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 general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. 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 general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the Hospital's management in a separate letter dated February 11, 2002.

Board of Commissioners
Hospital Service District No. 1B
Parish of Richland, State of Louisiana
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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
February 11, 2002

HOSPITAL SERVICE DISTRICT NO. 1B
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHARDSON MEDICAL CENTER
MANAGEMENT RECOMMENDATIONS
YEARS ENDED SEPTEMBER 30, 2001, 2000 AND 1999

September 30, 2001

Finding: While compiling the Medicare and Medicaid statements of reimbursable cost, we found Medicare plus Medicaid charges totaled by UB-92 code exceeded the total charge in at least two departments, i.e. oncology and EKG. During fiscal 2001, charge master mapping within the general ledger was changed for several departments. For services, the charge no longer is mapped to match the reporting of expenses. This causes cost reporting and managerial problems.

Recommendation: When mapping individual charges to general ledger departments, management should insure proper matching of charges and expenses for departmental financial statement purposes and for cost reporting purposes. Because Medicare and Medicaid are the largest payers, consideration should be given to matching the recording of charges and expenses based upon how Medicare and Medicaid require reporting. Managerial reasons may require reporting of charges and expenses in more detail than required by Medicare and Medicaid, but never any less than the Medicare and Medicaid requirements.

Management's Response: Management will insure proper mapping of individual charges to general ledger departments and will match charges with expenses for proper Medicare and Medicaid reporting.

September 30, 2000

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