

RICHARDSON MEDICAL CENTER
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
SEPTEMBER 30, 2009, 2008 AND 2007

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 4/21/10



LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

HOSPITAL SERVICE DISTRICT NO. 1B
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 d/b/a RICHARDSON MEDICAL CENTER AND AFFILIATE
 HOSPITAL ENTERPRISE FUND
 YEARS ENDED SEPTEMBER 30, 2009, 2008, AND 2007

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

Management's Discussion and Analysis

This section of the annual financial report for Richland Parish Hospital Service District No. 1B d/b/a Richardson Medical Center (the Medical Center) provides background information and management's analysis of the Medical Center's financial performance during the fiscal year ended September 30, 2009. Please read it in conjunction with the financial statements beginning on page 3 and the notes to the financial statements beginning on page 7 in this report.

Required Financial Statements

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

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

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

Management's Discussion and Analysis

Net Assets

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

TABLE 1
Condensed Balance Sheets
(in thousands)

	September 30,			
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Total current assets	\$ 2,791	\$ 2,726	\$ 2,870	\$ 3,107
Capital assets - net	2,878	3,076	3,320	3,890
Board designated investments	105	51	994	650
Other assets	<u>22</u>	<u>1</u>	<u>-0-</u>	<u>41</u>
Total assets	\$ <u>5,796</u>	\$ <u>5,854</u>	\$ <u>7,184</u>	\$ <u>7,688</u>
Current liabilities	\$ 2,743	\$ 2,313	\$ 2,461	\$ 3,678
Long-term liabilities	<u>928</u>	<u>1,150</u>	<u>1,386</u>	<u>441</u>
Total liabilities	3,671	3,463	3,847	4,119
Controlling net assets	2,194	2,481	3,399	3,569
Noncontrolling interest in subsidiary	<u>(69)</u>	<u>(90)</u>	<u>(62)</u>	<u>-0-</u>
Total net assets	<u>2,125</u>	<u>2,391</u>	<u>3,337</u>	<u>3,569</u>
Total liabilities and net assets	\$ <u>5,796</u>	\$ <u>5,854</u>	\$ <u>7,184</u>	\$ <u>7,688</u>

As shown in Table 1, the Medical Center's total assets decreased by approximately \$60,000 or 1.0% from fiscal year 2008 to 2009, decreased by \$1,330,000 or 18.5% from fiscal year 2007 to 2008, and decreased by \$504,000 or 6.6% from fiscal year 2006 to 2007. The Medical Center's capital assets decreased by approximately \$198,000 or 6.4% from fiscal year 2008 to 2009, compared to a decrease of approximately \$244,000 or 7.3% from fiscal year 2007 to 2008, and \$570,000 or 14.7% from fiscal year 2006 to 2007. Board designated investments increased by approximately \$54,000 or 105.9% during fiscal year 2009, compared to a decrease of approximately \$943,000 or 94.9% from fiscal year 2007 to 2008, and an increase of approximately \$344,000 or 53.0% from fiscal year 2006 to 2007. Total liabilities increased by approximately \$208,000 or 6.0% from fiscal year 2008 to 2009, decreased by approximately \$384,000 or 10.0% from fiscal year 2007 to 2008, and \$272,000 or 6.6% from fiscal year 2006 to 2007.

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

Management's Discussion and Analysis

Summary of Revenue, Expenses, and Changes in Net Assets

The following table presents a summary of the Medical Center's historical revenue and expenses for each of the fiscal years ended September 30:

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating revenue:				
Net patient service revenue	\$ 11,992	\$ 12,026	\$ 13,075	\$ 13,028
Other revenue	<u>880</u>	<u>695</u>	<u>555</u>	<u>617</u>
 Total operating revenue	 <u>12,872</u>	 <u>12,721</u>	 <u>13,630</u>	 <u>13,645</u>
Operating expenses:				
Salaries and employee benefits	7,156	7,180	6,782	7,287
Supplies, fees, and purchased services	2,712	2,884	3,180	3,283
Other expenses	2,599	2,927	3,271	3,752
Depreciation and amortization	<u>589</u>	<u>586</u>	<u>608</u>	<u>483</u>
 Total operating expenses	 <u>13,056</u>	 <u>13,577</u>	 <u>13,841</u>	 <u>14,805</u>
Loss from operations	(184)	(856)	(211)	(1,160)
Interest income and expense, net	<u>(82)</u>	<u>(90)</u>	<u>(21)</u>	<u>27</u>
Excess of revenue over expenses	(266)	(946)	(232)	(1,133)
Consolidated Net Income - Non Controlling Interest	<u>(21)</u>	<u>28</u>	<u>62</u>	<u>-0-</u>
Comprehensive Income	(287)	(918)	(170)	(1,133)
Net assets - beginning of year	<u>2,481</u>	<u>3,399</u>	<u>3,569</u>	<u>4,702</u>
Net assets - end of year	\$ <u>2,194</u>	\$ <u>2,481</u>	\$ <u>3,399</u>	\$ <u>3,569</u>

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

Management's Discussion and Analysis

Source of Revenue

Net Patient Revenue

During fiscal year 2009, the Medical Center derived the majority, or approximately 93%, of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or patients with other third-party coverage, who receive care in the Medical Center's facilities. Reimbursement from the Medicare and Medicaid programs and other third-party payors is based upon established contracts. The difference between the covered charges and the established contract rates is recognized as a contractual allowance. Total net patient service revenue decreased by approximately \$34,000 or 0.2% during fiscal year 2009, compared to a decrease of approximately \$1,049,000 or 8.0% from fiscal year 2007 to 2008, and an increase of \$47,000 or 0.4% from fiscal year 2006 to 2007.

Table 3 presents the relative percentage of gross charges billed for patient services by payor for the fiscal years ended September 30:

TABLE 3
Payor Mix by Percentage

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Medicare	49%	47%	51%	54%
Medicaid	25%	27%	24%	23%
Commercial insurance	19%	19%	18%	16%
Self-pay	<u>7%</u>	<u>7%</u>	<u>7%</u>	<u>7%</u>
Total patient revenue	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

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

Management's Discussion and Analysis

Other Revenue

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

TABLE 4
Other Revenue
(in thousands)

	Years Ended September 30,			
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Other revenue:				
Property tax	\$ 486	\$ 355	\$ 323	\$ 309
Cafeteria	57	50	30	39
Medical records	2	2	2	1
Vending machines	5	3	9	8
Rentals	15	17	44	46
Pharmacy sales to employees	33	35	28	38
Grants	146	142	-0-	23
Joint venture income	119	72	98	96
Miscellaneous	17	19	21	69
Total other revenue	\$ <u>880</u>	\$ <u>695</u>	\$ <u>555</u>	\$ <u>629</u>

Rental Income

The rental income for fiscal year 2009 decreased 11.8% or approximately \$2,000, compared to a decrease of 61.3% or approximately \$27,000 to \$17,000 during fiscal year 2008, and 4.3% or \$2,000 from fiscal year 2006 to 2007.

Miscellaneous Income

Miscellaneous income decreased approximately 10.5% or \$2,000 from fiscal year 2008 to 2009, following a decrease of approximately 9.5% or \$2,000 from fiscal year 2007 to 2008, and a significant decrease of 70% or \$48,000 in fiscal year 2007. In fiscal year 2006, the Hospital received a refund from the Rural Hospital Coalition of \$32,479.

Investment Income

The Medical Center holds designated and restricted funds in its balance sheets that are invested in certificates of deposit. These investments earned \$3,382 in interest income during fiscal year 2009. This decreased 82.3% or approximately \$16,000 from fiscal year 2008. The drastic decrease in interest income is due to the withdrawal of \$115,000 of CDs throughout the fiscal year.

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

Management's Discussion and Analysis

Operating and Financial Performance

The following financial information summarizes the Medical Center's statements of revenue, expenses, and changes in net assets for 2009 through 2006:

Overall activity at the Medical Center, as measured by patient discharges, decreased by 65 from fiscal year 2008 to 2009, 254 from fiscal year 2007 to 2008, and 161 from fiscal year 2006 to 2007. Patient days decreased 6.2% and 23.0% in fiscal years 2009 and 2008, respectively.

TABLE 5
Patient and Hospital Statistical Data

	Year Ended September 30,			
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Discharges:				
Acute care	989	1,028	1,222	1,366
Swing bed	94	120	104	85
Psychiatric care	-0-	-0-	76	112
Patient days:				
Acute - Medicare	2,246	2,617	3,291	4,294
Acute - Medicaid	543	503	820	674
Acute - Commercial	691	581	467	716
Acute - Self pay	137	156	135	124
Swing bed	897	1,195	1,147	896
Psychiatric care	-0-	-0-	702	970
Operating room patients	792	934	763	830
Emergency room visits	7,760	7,646	7,000	7,057
Average daily census:				
Adult and pediatric	9.9	10.6	12.9	15.9
Swing bed	2.5	3.3	3.1	2.5
Psychiatric care	-0-	-0-	1.9	2.7
Average length of stay:				
Acute care	3.7	3.8	3.9	4.3
Swing bed	9.5	10.0	11.0	10.5
Psychiatric care	-0-	-0-	9.2	8.7
Percentage of total acute patient days:				
Medicare	62%	68%	70%	74%
Medicaid	15%	13%	17%	12%
Rural health clinic visits	18,838	20,391	21,313	24,182
Full-time equivalents (FTEs)	163.8	162.9	170.2	184.4

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

Management's Discussion and Analysis

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

TABLE 6
Allowance Summary
(in thousands)

	<u>2009</u>	September 30, <u>2008</u>	<u>2007</u>
Allowances:			
Other adjustments	\$ 1,984	\$ 1,192	\$ 1,669
Medicaid contractual allowances	2,387	3,306	2,664
Medicare contractual allowances	5,626	4,407	3,854
Uncompensated care reimbursement	(879)	(1,601)	(1,550)
Discounts	92	43	39
Provision for bad debts	<u>2,729</u>	<u>2,654</u>	<u>2,124</u>
 Total adjustments and allowances	 \$ <u>11,939</u>	 \$ <u>10,001</u>	 \$ <u>8,800</u>

Medicare contractual allowances increased from fiscal year 2008 to 2009 by 27.7% or approximately \$1,219,000. This increase is attributable to several factors. There was an overall increase in gross charges which was greater than the increase in Medicare payments.

Salaries increased \$103,332 or 1.7% in fiscal year 2009 compared to an increase of \$383,985 or 6.7% in fiscal year 2008. As a percentage of net patient service revenue, salary expense was approximately 51.7%, 50.7%, and 43.7%, for the fiscal years ended September 30, 2009, 2008 and 2007, respectively. In 2008, the Medical Center hired two salaried physicians and added the lab department on payroll which attributed to the increase in salaries.

Employee benefits expense increased \$128,070 or 11.8% in 2009 from the prior year. Employee benefit expenses represented 15.5%, 17.8%, and 18.8% of salary expenses in the current and prior two fiscal years, respectively.

Supplies expense increased \$109,611 or 13.2% from fiscal year 2008 to 2009, following an increase of \$160,991 or 24.1% from fiscal year 2007 to 2008, and a decrease of \$38,754 or 5.5% from fiscal year 2006 to 2007.

Professional fees decreased by approximately \$281,000 or 13.9% during the fiscal year from 2008 to 2009 compared to a decrease of approximately \$457,000 or 18.2% during the fiscal year from 2007 to 2008, and \$65,000 or 2.5% during the fiscal year from 2006 to 2007. The decrease resulted from the Emergency Room service contract being renegotiated and a contract physician leaving.

Other operating expenses decreased \$341,393 or 14.0% in fiscal year 2009 compared to a decrease of \$384,844 or 13.6% in fiscal year 2008 and a decrease of \$453,119 or 13.8% in fiscal year 2007. The majority of the decrease came from the lack of legal fees and the decrease of repair and maintenance expenses.

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

Management's Discussion and Analysis

Total overall operating expenses for 2008 decreased by approximately \$521,000 or 3.8% during fiscal year 2009 compared to a decrease of approximately \$264,000 or 1.9% from fiscal year 2007 to 2008, and a decrease of \$964,000 or 6.5% during fiscal year 2007.

Capital Assets

During the 2009 fiscal year, the Medical Center invested \$576,553 in a broad range of capital assets included in Table 7 below:

TABLE 7
Capital Assets
(in thousands)

	Year Ended September 30,		Dollar Change	Percentage Change
	<u>2009</u>	<u>2008</u>		
Land and improvements	\$ 45	\$ 45	\$ -0-	0.0%
Building and equipment	<u>13,122</u>	<u>12,733</u>	<u>389</u>	<u>3.1%</u>
Subtotal	13,167	12,778	389	3.0%
Less accumulated depreciation	<u>10,290</u>	<u>9,702</u>	<u>588</u>	<u>6.1%</u>
Net	<u>\$ 2,877</u>	<u>\$ 3,076</u>	<u>\$ (199)</u>	<u>-6.5%</u>

Long-Term Debt (Excluding Capital Leases)

At 2009 fiscal year end, the Medical Center had \$1,245,535 in short-term and long-term debt.

Contacting the Medical Center's Financial Manager

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Medical Center's finances and to demonstrate the Medical Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Hospital Administration.



LESTER, MILLER & WELLS

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Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of Hospital Service District No. 1B, Parish of Richland d/b/a Richardson Medical Center (the Hospital) and its affiliate (collectively the Hospital), a component unit of the Richland Parish Police Jury, as of and for the years ended September 30, 2009, 2008, and 2007, as listed in the foregoing table of contents. These consolidated financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated 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, 2009, 2008, and 2007, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that Richardson Medical Center will continue as a going concern. As discussed in Note 16 to the financial statements, under existing circumstances, there is substantial doubt about the ability of Richardson Medical Center to continue as a going concern at September 30, 2009. Management's plans in regard to that matter also are described in Note 16. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Board of Commissioners
Hospital Service District No. 1B
Parish of Richland, State of Louisiana
Rayville, Louisiana
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In accordance with Government Auditing Standards, we have also issued our report dated March 12, 2010, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audits were performed for the purpose of forming an opinion on the consolidated 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 consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Management's discussion and analysis on pages "i" through "viii" is not a required part of the consolidated financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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
Alexandria, Louisiana
March 12, 2010



HOSPITAL SERVICE DISTRICT NO. 1B
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHARDSON MEDICAL CENTER AND AFFILIATE
HOSPITAL ENTERPRISE FUND
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30,

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current			
Cash and cash equivalents (Note 2 & 3)	\$ 388,184	\$ 274,783	\$ 436,439
Short-term investments	-0-	-0-	131,157
Limited use assets (Note 6)	70,353	181,971	-0-
Accounts receivable, net (Note 4)	1,957,185	1,931,569	1,662,219
Estimated third-party payor settlements	32,045	2,999	222,268
Due from joint venture	22,668	13,899	23,486
Accrued interest	-0-	1,097	17,436
Inventory	320,635	320,166	324,266
Prepaid expenses	-0-	-0-	52,852
Total Current Assets	<u>2,791,070</u>	<u>2,726,484</u>	<u>2,870,123</u>
Property, plant, and equipment, net (Note 5)	2,877,471	3,075,725	3,320,023
Limited use assets (Note 6)	105,450	50,923	993,902
Other assets	<u>22,349</u>	<u>1,003</u>	<u>-0-</u>
Total Assets	<u>\$ 5,796,340</u>	<u>\$ 5,854,135</u>	<u>\$ 7,184,048</u>
<u>LIABILITIES AND NET ASSETS</u>			
Current			
Accounts payable	\$ 1,660,433	\$ 1,335,082	\$ 1,776,930
Accrued expenses	529,358	503,432	421,312
Estimated third-party payor settlements	235,967	56,390	-0-
Current portion of long-term debt (Note 7)	<u>317,301</u>	<u>418,183</u>	<u>262,579</u>
Total Current Liabilities	2,743,059	2,313,087	2,460,821
Long-term			
Notes payable (Note 7)	<u>928,234</u>	<u>1,149,903</u>	<u>1,386,011</u>
Total Liabilities	<u>3,671,293</u>	<u>3,462,990</u>	<u>3,846,832</u>
Net Assets			
Restricted	70,353	181,971	-0-
Invested in capital assets, net of related debt	1,631,936	1,507,639	1,671,433
Unrestricted	<u>491,959</u>	<u>791,394</u>	<u>1,728,100</u>
Total controlling net assets	2,194,248	2,481,004	3,399,533
Noncontrolling interest in subsidiary	<u>(69,201)</u>	<u>(89,859)</u>	<u>(62,317)</u>
Total Net Assets	<u>2,125,047</u>	<u>2,391,145</u>	<u>3,337,216</u>
Total Liabilities and Net Assets	<u>\$ 5,796,340</u>	<u>\$ 5,854,135</u>	<u>\$ 7,184,048</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 AND AFFILIATE
HOSPITAL ENTERPRISE FUND
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30,

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenues			
Net patient service revenues	\$ 11,991,890	\$ 12,025,930	\$ 13,074,822
Property taxes	486,125	354,887	323,322
Grants	146,195	142,380	-0-
Gain (loss) on disposal of assets	-0-	444	500
Other operating revenues	<u>247,245</u>	<u>197,093</u>	<u>231,379</u>
Total Revenues	<u>12,871,455</u>	<u>12,720,734</u>	<u>13,630,023</u>
Expenses			
Salaries	6,196,912	6,093,580	5,709,595
Benefits and payroll taxes	958,671	1,086,741	1,072,654
Supplies and drugs	938,767	829,156	668,165
Professional fees	1,773,669	2,054,932	2,511,917
Other expenses	2,094,735	2,436,128	2,820,972
Insurance	504,058	490,244	449,600
Depreciation and amortization	<u>589,128</u>	<u>585,849</u>	<u>608,199</u>
Total Expenses	<u>13,055,940</u>	<u>13,576,630</u>	<u>13,841,102</u>
Operating Income (Loss)	<u>(184,485)</u>	<u>(855,896)</u>	<u>(211,079)</u>
Nonoperating Revenues (Expenses)			
Interest income on investments limited as to use	3,706	24,238	82,475
Interest income other	266	1,454	5,282
Interest expense	<u>(85,585)</u>	<u>(115,867)</u>	<u>(108,488)</u>
Excess of Revenues (Expenses)	(266,098)	(946,071)	(231,810)
Less: consolidated net (income) loss attributable to noncontrolling interest	<u>(20,658)</u>	<u>27,542</u>	<u>62,317</u>
Excess of Revenues (Expenses)	(286,756)	(918,529)	(169,493)
Beginning Net Assets	<u>2,481,004</u>	<u>3,399,533</u>	<u>3,569,026</u>
Ending Net Assets	<u>\$ 2,194,248</u>	<u>\$ 2,481,004</u>	<u>\$ 3,399,533</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
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30,

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 12,116,805	\$ 12,041,826	\$ 13,134,557
Other receipts from operations	871,893	710,699	544,985
Cash payments to employees and for employee-related cost	(7,129,657)	(7,098,201)	(6,882,056)
Cash payments for other operating expenses	<u>(4,986,347)</u>	<u>(6,196,359)</u>	<u>(6,453,805)</u>
Net cash provided (used) by operating activities	<u>872,694</u>	<u>(542,035)</u>	<u>343,681</u>
Cash flows from investing activities:			
Cash proceeds (invested) certificates of deposit	-0-	131,157	(131,157)
Cash proceeds limited use assets	57,091	761,008	200,841
Interest income	<u>3,972</u>	<u>25,692</u>	<u>87,757</u>
Net cash provided (used) by investing activities	<u>61,063</u>	<u>917,857</u>	<u>157,441</u>
Cash flows from capital and related financing activities:			
Proceeds from notes payable	-0-	112,950	62,950
Proceeds from sales of property, plant, and equipment	-0-	580	500
Startup cost for cardiac-cath lab	(21,346)	-0-	-0-
Acquisition of property, plant, and equipment	(390,874)	(341,687)	(38,695)
Principal payments on long-term debt	(322,551)	(193,454)	(91,603)
Interest expense	<u>(85,585)</u>	<u>(115,867)</u>	<u>(108,488)</u>
Net cash provided (used) by capital and related financing activities	<u>(820,356)</u>	<u>(537,478)</u>	<u>(175,336)</u>
Net increase (decrease) in cash and cash equivalents	113,401	(161,656)	325,786
Beginning cash and cash equivalents	<u>274,783</u>	<u>436,439</u>	<u>110,653</u>
Ending cash and cash equivalents	\$ <u>388,184</u>	\$ <u>274,783</u>	\$ <u>436,439</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1B
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
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HOSPITAL ENTERPRISE FUND
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED SEPTEMBER 30,

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ (184,485)	\$ (855,896)	\$ (211,079)
Adjustments to reconcile revenue in excess of expenses to net cash provided by operating activities:			
Depreciation	589,128	585,849	608,199
(Gain) loss on disposal of assets	-0-	(444)	(500)
Provision for bad debts	2,728,530	2,654,095	2,124,268
Change in current assets (increase) decrease			
Patient accounts receivable, net	(2,754,146)	(2,923,445)	(2,022,381)
Estimated third-party payor settlements	(29,046)	219,269	(46,703)
Due from joint venture	(8,769)	9,587	4,551
Accrued interest receivable	1,097	16,339	(9,716)
Inventory	(469)	4,100	15,008
Prepaid expenses	-0-	52,852	83,947
Change in current liabilities (increase) decrease			
Accounts payable	325,351	(441,848)	(143,452)
Accrued expenses	25,926	82,120	(99,807)
Estimated third-party payor settlements	179,577	56,390	-0-
Change in other assets (increase) decrease	<u>-0-</u>	<u>(1,003)</u>	<u>41,346</u>
Net cash provided (used) by operating activities	\$ <u>872,694</u>	\$ <u>(542,035)</u>	\$ <u>343,681</u>
Supplemental disclosure of cash flow information:			
Cash paid during the period for interest	\$ <u>85,585</u>	\$ <u>110,867</u>	\$ <u>112,880</u>

See accompanying notes to financial statements.

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HOSPITAL ENTERPRISE FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2009, 2008, AND 2007

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. On November 3, 1998, Richland Parish Hospital Service District No. 1B transferred operations and management of the Mangham Outpatient Clinic to Richland Parish Hospital Service District No. 1C.

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.

An affiliate, Richland Open MRI, LLC (the Company) was organized on May 18, 2006, as a Louisiana limited liability company. The Company is a perpetual limited liability company. The Hospital has 51.12% ownership in the Company.

Nature of Business

The Hospital provides outpatient, skilled nursing (through "swing-beds"), home health (by joint venture beginning May 2005) and acute inpatient hospital services. In 1995, the District began operation of a rural health clinic.

Richland Open MRI, LLC provides imaging 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.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements. Such accounting and reporting procedures conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the Louisiana Governmental Audit Guide, and to the AICPA, Audit and Accounting Guide - Health Care Organizations, published by the American Institute of Certified Public Accountants.

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 and surrounding 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 11. Changes in federal and state legislation or interpretations of rules have a significant impact on the Hospital.

Net Patient Service Revenues

The District has entered into agreements with third-party payors, including government programs, health insurance companies, and managed care health plans, under which the Hospital is paid based upon established charges, the cost of providing services, predetermined rates per diagnosis, fixed per diem rates, or discounts from established charges.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Patient Service Revenues (Continued)

Revenues are recorded at estimated amounts due from patients and third-party payors for the Hospital services provided. Settlements under reimbursement agreements with third-party payors are estimated and recorded in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

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.

Property, Plant, and Equipment

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

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

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

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

Net Assets

Net assets consist of net assets invested in capital assets (property and equipment), net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation and the outstanding balance of any related debt that is attributable to the acquisition of the capital assets. Restricted net assets are those assets that are externally restricted by creditors, grantors, contributors, or laws and regulations, or those restricted by constitutional provisions and enabling legislation. Unrestricted net assets consist of all other assets.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenses

The Hospital's statements of revenues, expenses and changes in net assets distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Hospital's principal activity. Nonexchange revenues are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Principles of Consolidation

The consolidated financial statements include the accounts of the District and its affiliate, after elimination of all significant intercompany balances and transactions. The District has recorded a minority interest for the portion of equity and income attributable to other investors in Richland Open MRI, LLC.

Use of Estimates

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

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year classification.

NOTE 3 - DEPOSITS AND INVESTMENTS

Investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in direct obligations of the United States Government and its agencies pledged by its full faith and credit, certificates of deposit and savings accounts which are secured by FDIC or pledge of securities, and government backed mutual or trust funds.

Custodial Credit Risks – Custodial credit risk for deposit is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. Louisiana-state statutes require that all of the deposits of the Hospital be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The Hospital's deposits were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the Hospital's name at September 30, 2009, 2008 and 2007.

Interest Rate Risks – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

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NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Patient accounts receivable	\$ 4,702,821	\$ 5,015,126	\$ 3,662,416
Other accounts receivable	<u>3,802</u>	<u>2,564</u>	<u>7,803</u>
	4,706,623	5,017,690	3,670,219
Estimated uncollectibles	<u>(2,749,438)</u>	<u>(3,086,121)</u>	<u>(2,008,000)</u>
Net patient accounts receivable	\$ <u>1,957,185</u>	\$ <u>1,931,569</u>	\$ <u>1,662,219</u>

The following is a summary of the mix of receivables from patients and third-party payors at September 30:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Medicare	22%	24%	25%
Medicaid	14%	22%	18%
Commercial and other third-party payors	28%	21%	21%
Patients	<u>36%</u>	<u>33%</u>	<u>36%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</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 at September 30:

	September 30, <u>2008</u>	<u>Additions</u>	<u>Deductions</u>	September 30, <u>2009</u>
Land	\$ 16,000	\$ -0-	\$ -0-	\$ 16,000
Land improvements	28,867	-0-	-0-	28,867
Buildings and improvements	4,634,895	186,809	-0-	4,821,704
Major movable equipment	7,893,525	22,505	-0-	7,916,030
Construction in progress	<u>204,296</u>	<u>367,239</u>	<u>186,809</u>	<u>384,726</u>
Total	12,777,583	576,553	186,809	13,167,327
Accumulated depreciation	<u>9,701,858</u>	<u>587,998</u>	<u>-0-</u>	<u>10,289,856</u>
Net	\$ <u>3,075,725</u>	\$ <u>(11,445)</u>	\$ <u>186,809</u>	\$ <u>2,877,471</u>

	September 30, <u>2007</u>	<u>Additions</u>	<u>Deductions</u>	September 30, <u>2008</u>
Land	\$ 16,000	\$ -0-	\$ -0-	\$ 16,000
Land improvements	28,867	-0-	-0-	28,867
Buildings and improvements	4,634,895	-0-	-0-	4,634,895
Major movable equipment	8,274,024	137,391	517,890	7,893,525
Construction in progress	<u>-0-</u>	<u>204,296</u>	<u>-0-</u>	<u>204,296</u>
Total	12,953,786	341,687	517,890	12,777,583
Accumulated depreciation	<u>9,633,763</u>	<u>585,848</u>	<u>517,753</u>	<u>9,701,858</u>
Net	\$ <u>3,320,023</u>	\$ <u>(244,161)</u>	\$ <u>137</u>	\$ <u>3,075,725</u>

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

	September 30, <u>2006</u>	<u>Additions</u>	<u>Deductions</u>	September 30, <u>2007</u>
Land	\$ 16,000	\$ -0-	\$ -0-	\$ 16,000
Land improvements	28,867	-0-	-0-	28,867
Buildings and improvements	4,626,395	8,500	-0-	4,634,895
Major movable equipment	<u>8,243,829</u>	<u>30,195</u>	<u>-0-</u>	<u>8,274,024</u>
 Total	 12,915,091	 38,695	 -0-	 12,953,786
Accumulated depreciation	<u>9,025,564</u>	<u>608,199</u>	<u>-0-</u>	<u>9,633,763</u>
 Net	 \$ <u>3,889,527</u>	 \$ <u>(569,504)</u>	 \$ <u>-0-</u>	 \$ <u>3,320,023</u>

NOTE 6 - ASSETS WHOSE USE IS LIMITED

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Restricted by Third Parties			
Used as collateral for a bank loan	\$ 70,353	\$ 181,971	\$ -0-
Restricted by Hospital Board			
To be used for asset additions and replacements - Certificates of deposits	105,450	50,923	993,902
Less limited use assets required for current liabilities	<u>(70,353)</u>	<u>(181,971)</u>	<u>-0-</u>
 Non-current limited use assets	 \$ <u>105,450</u>	 \$ <u>50,923</u>	 \$ <u>993,902</u>

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NOTE 7 - LONG-TERM DEBT

The following is a summary of the changes in long-term debt and capital lease obligations as of September 30:

	September 30, 2008	Additions	Payments	September 30, 2009	Due Within One Year
USDA note payable	\$ 272,061	\$ -0-	\$ 50,921	\$ 221,140	\$ 53,129
Series 2004A bond payable	80,000	-0-	40,000	40,000	40,000
Note payable - MRI buildout	247,157	-0-	19,730	227,427	23,160
Note payable - MRI equipment	768,751	-0-	87,580	681,171	125,215
Note payable - MRI operating	<u>200,117</u>	<u>-0-</u>	<u>124,320</u>	<u>75,797</u>	<u>75,797</u>
Total	\$ <u>1,568,086</u>	\$ <u>-0-</u>	\$ <u>322,551</u>	\$ <u>1,245,535</u>	\$ <u>317,301</u>
	September 30, 2007	Additions	Payments	September 30, 2008	Due Within One Year
USDA note payable	\$ 320,868	\$ -0-	\$ 48,807	\$ 272,061	\$ 50,922
Series 2004A bond payable	120,000	-0-	40,000	80,000	40,000
Note payable - MRI buildout	262,464	-0-	15,307	247,157	22,229
Note payable - MRI equipment	856,981	-0-	88,230	768,751	104,915
Note payable - MRI operating	<u>88,277</u>	<u>112,950</u>	<u>1,110</u>	<u>200,117</u>	<u>200,117</u>
Total	\$ <u>1,648,590</u>	\$ <u>112,950</u>	\$ <u>193,454</u>	\$ <u>1,568,086</u>	\$ <u>418,183</u>
	September 30, 2006	Additions	Payments	September 30, 2007	Due Within One Year
USDA note payable	\$ 367,647	\$ -0-	\$ 46,779	\$ 320,868	\$ 48,807
Series 2004A bond payable	160,000	-0-	40,000	120,000	40,000
Note payable - MRI buildout	262,464	-0-	-0-	262,464	13,867
Note payable - MRI equipment	861,805	-0-	4,824	856,981	71,628
Note payable - MRI operating	<u>25,327</u>	<u>62,950</u>	<u>-0-</u>	<u>88,277</u>	<u>88,277</u>
Total	\$ <u>1,677,243</u>	\$ <u>62,950</u>	\$ <u>91,603</u>	\$ <u>1,648,590</u>	\$ <u>262,579</u>

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NOTE 7 - LONG-TERM DEBT (Continued)

The following are the terms and due dates of the Hospital's long-term debt at September 30:

- USDA note payable at 4.25%, due in 120 monthly installments of \$5,125 through August 12, 2013, collateralized by operating revenues.
- Series 2004A Revenue Bond, at .5% below Prime not to exceed 6.25%, due in 5 annual installments of \$40,000 plus interest, collateralized by a pledge and dedication of Hospital revenues.
- Bancorp South Bank note payable for building renovation at 4.79%, due in 120 monthly installments of \$2,757 through January 1, 2018, secured by certificates of deposit.
- Bancorp South Bank note payable for MRI equipment at 7.75%, interest due in 59 monthly installments of \$13,188 and a balloon payment of \$305,939 at December 11, 2012, secured by MRI equipment.
- Bancorp South Bank \$250,000 line of credit at 6.50%, interest due in monthly installments with principal payment due October 17, 2009, of which \$174,203 was unused as of September 30, 2009.

Scheduled principal and interest payments on long-term debt and payments on capital lease obligations are as follows:

<u>Year Ended September 30,</u>	<u>Long-term Debt Principal</u>	<u>Long-term Debt Interest</u>
2010	\$ 317,301	\$ 73,575
2011	211,360	39,969
2012	221,701	29,628
2013	226,960	18,778
2014	167,923	8,846
2015 thru 2018	<u>100,290</u>	<u>19,658</u>
Totals	\$ <u>1,245,535</u>	\$ <u>190,454</u>

NOTE 8 - 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.

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NOTE 8 - AFFILIATED ORGANIZATION (Continued)

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>2009</u>	<u>2008</u>	<u>2007</u>
Beginning amount due from (to) Richland Parish Hospital - Delhi	\$ -0-	\$ -0-	\$ -0-
Revenue earned by the Hospital	-0-	-0-	11,991
Received from Richland Parish Hospital - Delhi	-0-	-0-	(11,991)
Ending amount due from (to) Richland Parish Hospital - Delhi	\$ -0-	\$ -0-	\$ -0-

NOTE 9 - 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 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 \$375,933, \$355,825, and \$341,309 for the years ended September 30, 2009, 2008, and 2007, respectively.

NOTE 10 - COMPENSATED ABSENCES

Employees of the District are entitled to paid days off and sick days depending on length of service. The District accrued \$215,639, \$243,214, and \$202,544 of vacation pay at September 30, 2009, 2008, and 2007, respectively. It is impracticable to estimate the amount of compensation for future unvested sick pay and, accordingly, no liability has been recorded in the accompanying financial statements. The Hospital's policy is to recognize the cost of unvested sick pay when actually paid to employees.

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NOTE 11 - NET PATIENT SERVICE REVENUES

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 through December 31, 2009. The hold harmless payments were \$-0-, \$99,287 and \$138,226, for the years ended September 30, 2009, 2008, and 2007, respectively. Swing bed routine services are reimbursed based on a prospectively determined rate per patient day.

Medicaid - Inpatient services are reimbursed based on a prospectively determined per diem rate. Most 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.

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 following is a summary of the Hospital's net patient service revenues for the years ended September 30:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Gross patient service revenues	\$ 23,930,848	\$ 22,027,669	\$ 21,875,014
Contractual adjustments	(9,997,131)	(8,904,969)	(8,186,670)
Provision for bad debts	(2,728,530)	(2,654,095)	(2,124,268)
Discounts	(92,450)	(43,356)	(39,248)
Uncompensated care reimbursement	<u>879,153</u>	<u>1,600,681</u>	<u>1,549,994</u>
Net patient service revenues	\$ <u>11,991,890</u>	\$ <u>12,025,930</u>	\$ <u>13,074,822</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 CONSOLIDATED FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 2009, 2008, AND 2007

NOTE 11 - NET PATIENT SERVICE REVENUES (Continued)

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 net patient service revenues for the years ended September 30:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Medicare and Medicaid charges	\$ 17,753,128	\$ 16,248,167	\$ 16,471,327
Contractual adjustments	<u>(8,014,475)</u>	<u>(7,712,580)</u>	<u>(6,518,109)</u>
Program patient service revenue	\$ <u>9,738,653</u>	\$ <u>8,535,587</u>	\$ <u>9,953,218</u>
Percent of total gross patient charges	<u>74%</u>	<u>74%</u>	<u>75%</u>
Percent of total net patient revenues	<u>81%</u>	<u>71%</u>	<u>76%</u>

The Hospital received interim amounts of \$879,153, \$1,600,681 and \$1,549,994 for Medicaid and self-pay uncompensated care services (UCC) for the years ended September 30, 2009, 2008, and 2007, respectively, which represents 7%, 13%, and 12% of the net patient service revenue. 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. Current regulations do not provide for settlement of underpayments by Medicaid. 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. Future UCC payments are dependent upon State appropriations, which require annual approval by the State legislature. Should the State not fund or substantially change this program, it would have a significant impact on the Hospital's revenue.

The Hospital has a significant reliance on Medicare volume adjustments, which occur when acute discharges drop by more than five percent from the previous year. Included in income is \$526,067 which is 4.4% of net patient service revenue for the year ended September 30, 2008.

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.

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YEARS ENDED SEPTEMBER 30, 2009, 2008, AND 2007

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 11) - 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 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. The District has acquired stop-loss insurance to cover individual claims exceeding \$30,000 or aggregate claims exceeding \$1,000,000 per year.

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 HOSPITAL ENTERPRISE FUND
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 2009, 2008, AND 2007

NOTE 14 - JOINT VENTURE

A "cooperative endeavor" agreement was entered into with Richardson Medical Center Homecare, LLC on May 1, 2004. 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 its ownership share of thirty-three percent (33%).

NOTE 15 - AD VALOREM TAXES

The Hospital levies a property tax on all property subject to taxation in the service district. A 9.22 mill tax runs for a period of ten years, beginning with the year 2002 and ending with the year 2012, to be dedicated and used for operating, maintaining, renovating, and improving emergency medical services. Property taxes are collected through the local sheriff's office and remitted, net of collection fees, to the Hospital. Property tax notices are mailed by November 15 each year, due by December 31, and are considered delinquent by January 31.

NOTE 16 - GOING CONCERN

As shown in the accompanying financial statements, the Hospital has a current ratio of 1.0 as of September 30, 2009. This financial indicator combined with five consecutive years of negative earnings creates an uncertainty about the Hospital's ability to continue as a going concern. Management of the Hospital has developed the following plan to return the Hospital to a profitable position. The ability of the Hospital to continue as a going concern is dependent on the plan's success. The financial statements do not include any adjustments that might be necessary if the Hospital is unable to continue as a going concern.

- The Hospital opened a Cath Lab which is expected to increase revenues.
- The Hospital is in the process of opening a new Cat Scan unit which is expected to increase revenues.

NOTE 17 - DISCONTINUED OPERATIONS

The Hospital discontinued the senior care unit on September 30, 2007. The following is a summary of the senior care operations for 2009, 2008, and 2007.

	<u>2009</u>		<u>2008</u>		<u>2007</u>
Net senior care revenue	\$ -0-	\$	-0-	\$	758,064
Operating expenses	<u>-0-</u>		<u>-0-</u>		<u>529,274</u>
Income from operations	\$ <u>-0-</u>	\$	<u>-0-</u>	\$	<u>228,790</u>

SUPPLEMENTARY INFORMATION

HOSPITAL SERVICE DISTRICT NO. 1B
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHARDSON MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
CONSOLIDATING BALANCE SHEET
SEPTEMBER 30, 2009

	Richland Hospital Service <u>District No. 1B</u>	Richland Open <u>MRI, LLC</u>	Eliminating <u>Entries</u>	<u>Consolidated</u>
<u>ASSETS</u>				
Current				
Cash and cash equivalents	\$ 378,066	\$ 10,118	\$ -0-	\$ 388,184
Limited use assets	70,353	-0-	-0-	70,353
Accounts receivable, net	1,806,143	151,042	-0-	1,957,185
Estimated third-party payor settlements	32,045	-0-	-0-	32,045
Due from joint venture	22,668	169,539	(169,539)	22,668
Accrued interest	-0-	-0-	-0-	-0-
Inventory	<u>320,635</u>	<u>-0-</u>	<u>-0-</u>	<u>320,635</u>
Total Current Assets	2,629,910	330,699	(169,539)	2,791,070
Property, plant, and equipment, net	2,572,593	304,878	-0-	2,877,471
Limited use assets	105,450	-0-	-0-	105,450
Other assets	<u>22,349</u>	<u>-0-</u>	<u>-0-</u>	<u>22,349</u>
Total Assets	\$ <u>5,330,302</u>	\$ <u>635,577</u>	\$ <u>(169,539)</u>	\$ <u>5,796,340</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current				
Accounts payable	\$ 1,659,979	\$ 454	\$ -0-	\$ 1,660,433
Accrued expenses	529,358	-0-	-0-	529,358
Due to joint venture	169,539	-0-	(169,539)	-0-
Estimated third-party payor settlements	235,967	-0-	-0-	235,967
Current portion of long-term debt	<u>116,289</u>	<u>201,012</u>	<u>-0-</u>	<u>317,301</u>
Total Current Liabilities	2,711,132	201,466	(169,539)	2,743,059
Long-term				
Notes payable	<u>372,278</u>	<u>555,956</u>	<u>-0-</u>	<u>928,234</u>
Total Liabilities	<u>3,083,410</u>	<u>757,422</u>	<u>(169,539)</u>	<u>3,671,293</u>
Net Assets				
Restricted	70,353	-0-	-0-	70,353
Invested in capital assets, net of related debt	2,084,026	(452,090)	-0-	1,631,936
Unrestricted	<u>92,513</u>	<u>399,446</u>	<u>-0-</u>	<u>491,959</u>
Total controlling net assets	2,246,892	(52,644)	-0-	2,194,248
Noncontrolling interest in subsidiary	<u>-0-</u>	<u>(69,201)</u>	<u>-0-</u>	<u>(69,201)</u>
Total Net Assets	<u>2,246,892</u>	<u>(121,845)</u>	<u>-0-</u>	<u>2,125,047</u>
Total Liabilities and Net Assets	\$ <u>5,330,302</u>	\$ <u>635,577</u>	\$ <u>(169,539)</u>	\$ <u>5,796,340</u>

HOSPITAL SERVICE DISTRICT NO. 1B
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHARDSON MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2009

	Richland Hospital Service District No. 1B	Richland Open MRI, LLC	Eliminating Entries	Consolidated
Revenues				
Net patient service revenues	\$ 11,432,157	\$ 559,733	\$ -0-	\$ 11,991,890
Property taxes	486,125	-0-	-0-	486,125
Grants	146,195	-0-	-0-	146,195
Gain (loss) on disposal of assets	-0-	-0-	-0-	-0-
Other operating revenues	<u>402,303</u>	<u>4,573</u>	<u>(159,631)</u>	<u>247,245</u>
Total Revenues	<u>12,466,780</u>	<u>564,306</u>	<u>(159,631)</u>	<u>12,871,455</u>
Expenses				
Salaries	6,196,912	-0-	-0-	6,196,912
Benefits and payroll taxes	958,671	-0-	-0-	958,671
Supplies and drugs	938,767	-0-	-0-	938,767
Professional fees	1,773,669	-0-	-0-	1,773,669
Other expenses	1,969,098	285,268	(159,631)	2,094,735
Insurance	504,058	-0-	-0-	504,058
Depreciation and amortization	<u>414,485</u>	<u>174,643</u>	<u>-0-</u>	<u>589,128</u>
Total Expenses	<u>12,755,660</u>	<u>459,911</u>	<u>(159,631)</u>	<u>13,055,940</u>
Operating Income (Loss)	<u>(288,880)</u>	<u>104,395</u>	<u>-0-</u>	<u>(184,485)</u>
Nonoperating Revenues (Expenses)				
Interest income on investments limited as to use	3,706	-0-	-0-	3,706
Interest income other	266	-0-	-0-	266
Interest expense	<u>(23,453)</u>	<u>(62,132)</u>	<u>-0-</u>	<u>(85,585)</u>
Excess of Revenues (Expenses)	<u>(308,361)</u>	<u>42,263</u>	<u>-0-</u>	<u>(266,098)</u>
Less: consolidated net (income) loss attributable to noncontrolling interest	<u>-0-</u>	<u>(20,658)</u>	<u>-0-</u>	<u>(20,658)</u>
Excess of Revenues (Expenses)	<u>(308,361)</u>	<u>21,605</u>	<u>-0-</u>	<u>(286,756)</u>
Beginning Net Assets	<u>2,555,253</u>	<u>(74,249)</u>	<u>-0-</u>	<u>2,481,004</u>
Ending Net Assets	<u>\$ 2,246,892</u>	<u>\$ (52,644)</u>	<u>\$ -0-</u>	<u>\$ 2,194,248</u>

HOSPITAL SERVICE DISTRICT NO. 1B
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHARDSON MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
CONSOLIDATING BALANCE SHEET
SEPTEMBER 30, 2008

	Richland Hospital Service District No. 1B	Richland Open MRI, LLC	Eliminating Entries	Consolidated
<u>ASSETS</u>				
Current				
Cash and cash equivalents	\$ 252,642	\$ 22,141	\$ -0-	\$ 274,783
Limited use assets	181,971	-0-	-0-	181,971
Accounts receivable, net	1,715,845	215,724	-0-	1,931,569
Estimated third-party payor settlements	2,999	-0-	-0-	2,999
Due from joint venture	13,899	94,409	(94,409)	13,899
Accrued interest	1,097	-0-	-0-	1,097
Inventory	320,166	-0-	-0-	320,166
Total Current Assets	2,488,619	332,274	(94,409)	2,726,484
Property, plant, and equipment, net	2,596,204	479,521	-0-	3,075,725
Limited use assets	50,923	-0-	-0-	50,923
Other assets	1,003	-0-	-0-	1,003
Total Assets	\$ 5,136,749	\$ 811,795	\$ (94,409)	\$ 5,854,135
<u>LIABILITIES AND NET ASSETS</u>				
Current				
Accounts payable	\$ 1,328,047	\$ 7,035	\$ -0-	\$ 1,335,082
Accrued expenses	503,432	-0-	-0-	503,432
Due to joint venture	94,409	-0-	(94,409)	-0-
Estimated third-party payor settlements	56,390	-0-	-0-	56,390
Current portion of long-term debt	113,151	305,032	-0-	418,183
Total Current Liabilities	2,095,429	312,067	(94,409)	2,313,087
Long-term				
Notes payable	486,067	663,836	-0-	1,149,903
Total Liabilities	2,581,496	975,903	(94,409)	3,462,990
Net Assets				
Restricted	181,971	-0-	-0-	181,971
Invested in capital assets, net of related debt	1,996,986	(489,347)	-0-	1,507,639
Unrestricted	376,296	415,098	-0-	791,394
Total controlling net assets	2,555,253	(74,249)	-0-	2,481,004
Noncontrolling interest in subsidiary	-0-	(89,859)	-0-	(89,859)
Total Net Assets	2,555,253	(164,108)	-0-	2,391,145
Total Liabilities and Net Assets	\$ 5,136,749	\$ 811,795	\$ (94,409)	\$ 5,854,135

HOSPITAL SERVICE DISTRICT NO. 1B
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHARDSON MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2008

	Richland Hospital Service District No. 1B	Richland Open MRI, LLC	Eliminating Entries	Consolidated
Revenues				
Net patient service revenues	\$ 11,610,206	\$ 415,724	\$ -0-	\$ 12,025,930
Property taxes	354,887	-0-	-0-	354,887
Grants	142,380	-0-	-0-	142,380
Gain (loss) on disposal of assets	444	-0-	-0-	444
Other operating revenues	<u>314,282</u>	<u>-0-</u>	<u>(117,189)</u>	<u>197,093</u>
Total Revenues	<u>12,422,199</u>	<u>415,724</u>	<u>(117,189)</u>	<u>12,720,734</u>
Expenses				
Salaries	6,093,580	-0-	-0-	6,093,580
Benefits and payroll taxes	1,086,741	-0-	-0-	1,086,741
Supplies and drugs	829,156	-0-	-0-	829,156
Professional fees	2,054,932	-0-	-0-	2,054,932
Other expenses	2,337,004	216,313	(117,189)	2,436,128
Insurance	490,244	-0-	-0-	490,244
Depreciation and amortization	<u>411,069</u>	<u>174,780</u>	<u>-0-</u>	<u>585,849</u>
Total Expenses	<u>13,302,726</u>	<u>391,093</u>	<u>(117,189)</u>	<u>13,576,630</u>
Operating Income (Loss)	<u>(880,527)</u>	<u>24,631</u>	<u>-0-</u>	<u>(855,896)</u>
Nonoperating Revenues (Expenses)				
Interest income on investments limited as to use	24,238	-0-	-0-	24,238
Interest income other	1,454	-0-	-0-	1,454
Interest expense	<u>(34,890)</u>	<u>(80,977)</u>	<u>-0-</u>	<u>(115,867)</u>
Excess of Revenues (Expenses)	(889,725)	(56,346)	-0-	(946,071)
Less: consolidated net (income) loss attributable to noncontrolling interest	<u>-0-</u>	<u>27,542</u>	<u>-0-</u>	<u>27,542</u>
Excess of Revenues (Expenses)	(889,725)	(28,804)	-0-	(918,529)
Beginning Net Assets	<u>3,444,978</u>	<u>(45,445)</u>	<u>-0-</u>	<u>3,399,533</u>
Ending Net Assets	\$ <u>2,555,253</u>	\$ <u>(74,249)</u>	\$ <u>-0-</u>	\$ <u>2,481,004</u>

HOSPITAL SERVICE DISTRICT NO. 1B
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHARDSON MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
CONSOLIDATING BALANCE SHEET
SEPTEMBER 30, 2007

	Richland Hospital Service <u>District No. 1B</u>	Richland Open MRI, LLC	Eliminating <u>Entries</u>	<u>Consolidated</u>
<u>ASSETS</u>				
Current				
Cash and cash equivalents	\$ 313,944	\$ 122,495	\$ -0-	\$ 436,439
Short-term investments	131,157	-0-	-0-	131,157
Accounts receivable, net	1,459,006	203,213	-0-	1,662,219
Estimated third-party payor settlements	222,268	-0-	-0-	222,268
Due from joint venture	148,517	-0-	(125,031)	23,486
Accrued interest	17,436	-0-	-0-	17,436
Inventory	324,266	-0-	-0-	324,266
Prepaid expenses	<u>52,852</u>	<u>-0-</u>	<u>-0-</u>	<u>52,852</u>
Total Current Assets	2,669,446	325,708	(125,031)	2,870,123
Property, plant, and equipment, net	2,665,723	654,300	-0-	3,320,023
Limited use assets	<u>993,902</u>	<u>-0-</u>	<u>-0-</u>	<u>993,902</u>
Total Assets	\$ <u>6,329,071</u>	\$ <u>980,008</u>	\$ <u>(125,031)</u>	\$ <u>7,184,048</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current				
Accounts payable	\$ 1,759,449	\$ 142,512	\$ (125,031)	\$ 1,776,930
Accrued expenses	421,312	-0-	-0-	421,312
Current portion of long-term debt	<u>102,674</u>	<u>159,905</u>	<u>-0-</u>	<u>262,579</u>
Total Current Liabilities	2,283,435	302,417	(125,031)	2,460,821
Long-term				
Notes payable	<u>600,658</u>	<u>785,353</u>	<u>-0-</u>	<u>1,386,011</u>
Total Liabilities	2,884,093	1,087,770	(125,031)	3,846,832
Net Assets				
Invested in capital assets, net of related debt	1,962,391	(290,958)	-0-	1,671,433
Unrestricted	<u>1,482,587</u>	<u>245,513</u>	<u>-0-</u>	<u>1,728,100</u>
Total controlling net assets	3,444,978	(45,445)	-0-	3,399,533
Noncontrolling interest in subsidiary	<u>-0-</u>	<u>(62,317)</u>	<u>-0-</u>	<u>(62,317)</u>
Total Net Assets	3,444,978	(107,762)	-0-	3,337,216
Total Liabilities and Net Assets	\$ <u>6,329,071</u>	\$ <u>980,008</u>	\$ <u>(125,031)</u>	\$ <u>7,184,048</u>

HOSPITAL SERVICE DISTRICT NO. 1B
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHARDSON MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2007

	Richland Hospital Service District No. 1B	Richland Open MRI, LLC	Eliminating Entries	Consolidated
Revenues				
Net patient service revenues	\$ 12,743,199	\$ 346,323	\$ (14,700)	\$ 13,074,822
Property taxes	323,322	-0-	-0-	323,322
Gain (loss) on disposal of assets	500	-0-	-0-	500
Other operating revenues	<u>301,160</u>	<u>-0-</u>	<u>(69,781)</u>	<u>231,379</u>
Total Revenues	<u>13,368,181</u>	<u>346,323</u>	<u>(84,481)</u>	<u>13,630,023</u>
Expenses				
Salaries	5,647,195	-0-	62,400	5,709,595
Benefits and payroll taxes	1,065,104	-0-	7,550	1,072,654
Supplies and drugs	668,165	-0-	-0-	668,165
Professional fees	2,511,917	-0-	-0-	2,511,917
Other expenses	2,745,247	230,156	(154,431)	2,820,972
Insurance	449,455	145	-0-	449,600
Depreciation and amortization	<u>433,553</u>	<u>174,646</u>	<u>-0-</u>	<u>608,199</u>
Total Expenses	<u>13,520,636</u>	<u>404,947</u>	<u>(84,481)</u>	<u>13,841,102</u>
Operating Income (Loss)	<u>(152,455)</u>	<u>(58,624)</u>	<u>-0-</u>	<u>(211,079)</u>
Nonoperating Revenues (Expenses)				
Interest income on investments limited as to use	82,475	-0-	-0-	82,475
Interest income other	5,282	-0-	-0-	5,282
Interest expense	<u>(39,623)</u>	<u>(68,865)</u>	<u>-0-</u>	<u>(108,488)</u>
Excess of Revenues (Expenses)	(104,321)	(127,489)	-0-	(231,810)
Less: consolidated net (income) loss attributable to noncontrolling interest	<u>-0-</u>	<u>62,317</u>	<u>-0-</u>	<u>62,317</u>
Excess of Revenues (Expenses)	(104,321)	(65,172)	-0-	(169,493)
Beginning Net Assets	<u>3,549,299</u>	<u>19,727</u>	<u>-0-</u>	<u>3,569,026</u>
Ending Net Assets	\$ <u>3,444,978</u>	\$ <u>(45,445)</u>	\$ <u>-0-</u>	\$ <u>3,399,533</u>

HOSPITAL SERVICE DISTRICT NO. 1B
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHARDSON MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
CONSOLIDATED SCHEDULES OF NET PATIENT SERVICE REVENUES
YEARS ENDED SEPTEMBER 30,

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Routine Services:			
Adult and pediatric	\$ 1,392,361	\$ 1,322,100	\$ 1,099,496
Intensive care unit	108,800	157,820	191,580
Swing bed	402,750	487,800	345,710
Senior care	<u>-0-</u>	<u>-0-</u>	<u>596,700</u>
Total Routine Services	<u>1,903,911</u>	<u>1,967,720</u>	<u>2,233,486</u>
Other Professional Services:			
Operating and recovery room			
Inpatient	435,469	376,209	206,310
Outpatient	1,116,738	1,275,322	1,027,159
Swing bed	<u>7,042</u>	<u>15,679</u>	<u>10,953</u>
Total	<u>1,559,249</u>	<u>1,667,210</u>	<u>1,244,422</u>
Anesthesia			
Inpatient	101,588	104,059	71,319
Outpatient	<u>355,767</u>	<u>368,414</u>	<u>323,583</u>
Total	<u>457,355</u>	<u>472,473</u>	<u>394,902</u>
Radiology			
Inpatient	611,208	623,362	785,423
Outpatient	3,661,013	3,866,818	3,466,297
Swing bed	21,035	37,865	33,302
Senior care	<u>-0-</u>	<u>-0-</u>	<u>19,379</u>
Total	<u>4,293,256</u>	<u>4,528,045</u>	<u>4,304,401</u>
Laboratory			
Inpatient	680,479	720,863	857,347
Outpatient	1,437,393	1,214,482	1,053,062
Swing bed	44,979	71,356	68,884
Senior care	<u>-0-</u>	<u>-0-</u>	<u>43,822</u>
Total	<u>\$ 2,162,851</u>	<u>\$ 2,006,701</u>	<u>\$ 2,023,115</u>

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Blood			
Inpatient	\$ 165,580	\$ 142,286	\$ 120,755
Outpatient	100,022	39,354	25,151
Swing bed	8,981	8,288	5,445
Senior care	<u>-0-</u>	<u>-0-</u>	<u>356</u>
Total	<u>274,583</u>	<u>189,928</u>	<u>151,707</u>
Respiratory therapy			
Inpatient	956,362	919,181	1,082,672
Outpatient	127,423	69,616	63,965
Swing bed	318,560	290,167	283,561
Senior care	<u>-0-</u>	<u>-0-</u>	<u>34,328</u>
Total	<u>1,402,345</u>	<u>1,278,964</u>	<u>1,464,526</u>
Occupational therapy			
Inpatient	5,421	8,187	33,614
Outpatient	-0-	512	947
Swing bed	27,249	47,346	39,248
Senior care	<u>-0-</u>	<u>-0-</u>	<u>9,284</u>
Total	<u>32,670</u>	<u>56,045</u>	<u>83,093</u>
Electrocardiology			
Inpatient	67,639	66,450	66,690
Outpatient	94,824	91,491	69,478
Swing bed	660	986	1,054
Senior care	<u>-0-</u>	<u>-0-</u>	<u>3,998</u>
Total	<u>163,123</u>	<u>158,927</u>	<u>141,220</u>
Central supply			
Inpatient	167,074	146,949	126,829
Outpatient	265,766	291,857	275,807
Swing bed	7,325	11,741	8,853
Senior care	<u>-0-</u>	<u>-0-</u>	<u>1,043</u>
Total	\$ <u>440,165</u>	\$ <u>450,547</u>	\$ <u>412,532</u>

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Pharmacy			
Inpatient	\$ 1,195,032	\$ 1,321,894	\$ 1,679,784
Outpatient	438,553	487,539	447,296
Swing bed	188,708	264,616	320,515
Senior care	<u>-0-</u>	<u>191</u>	<u>86,864</u>
Total	<u>1,822,293</u>	<u>2,074,240</u>	<u>2,534,459</u>
Cardiac cath lab			
Inpatient	151,981	-0-	-0-
Outpatient	<u>768,291</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>920,272</u>	<u>-0-</u>	<u>-0-</u>
Psychiatric therapy			
Outpatient	<u>1,184,464</u>	<u>-0-</u>	<u>350</u>
Emergency room			
Inpatient	433,001	413,764	366,239
Outpatient	3,116,095	3,121,242	2,688,025
Swing bed	630	2,321	1,025
Senior care	<u>-0-</u>	<u>-0-</u>	<u>3,010</u>
Total	<u>3,549,726</u>	<u>3,537,327</u>	<u>3,058,299</u>
Observation			
Outpatient	<u>240,870</u>	<u>186,210</u>	<u>176,686</u>
Rural health clinic			
Outpatient	<u>3,276,191</u>	<u>3,170,305</u>	<u>3,273,661</u>
Hospital physician Clinic	\$ <u>247,524</u>	\$ <u>283,027</u>	\$ <u>378,155</u>

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Other professional services			
Inpatient	\$ 4,970,834	\$ 4,843,204	\$ 5,396,982
Outpatient	12,907,219	11,012,857	9,617,806
Clinics	3,523,715	3,453,332	3,651,816
Swing bed	625,169	750,365	772,840
Senior care	<u>-0-</u>	<u>191</u>	<u>202,084</u>
 Total Other Professional Services	 <u>22,026,937</u>	 <u>20,059,949</u>	 <u>19,641,528</u>
 Gross Patient Service Charges	 <u>23,930,848</u>	 <u>22,027,669</u>	 <u>21,875,014</u>
Allowances and Uncollectibles:			
Contractual adjustments	9,997,131	8,904,969	8,186,670
Provision for bad debts	2,728,530	2,654,095	2,124,268
Discounts	92,450	43,356	39,248
Uncompensated care reimbursement	<u>(879,153)</u>	<u>(1,600,681)</u>	<u>(1,549,994)</u>
 Total Allowances and Uncollectibles	 <u>11,938,958</u>	 <u>10,001,739</u>	 <u>8,800,192</u>
 Net Patient Service Revenue	 \$ <u>11,991,890</u>	 \$ <u>12,025,930</u>	 \$ <u>13,074,822</u>

HOSPITAL SERVICE DISTRICT NO. 1B
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 d/b/a RICHARDSON MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 CONSOLIDATED SCHEDULES OF OTHER OPERATING REVENUES
 YEARS ENDED SEPTEMBER 30,

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Cafeteria	\$ 56,446	\$ 49,522	\$ 29,804
Medical records	2,288	1,573	1,558
Vending machines	4,938	2,817	9,353
Rentals	14,729	16,611	43,622
Pharmacy sales to employees	33,010	34,765	28,461
Joint venture income	118,736	71,522	97,952
Miscellaneous	<u>17,098</u>	<u>20,283</u>	<u>20,629</u>
 Total Other Operating Revenue	 \$ <u>247,245</u>	 \$ <u>197,093</u>	 \$ <u>231,379</u>

HOSPITAL SERVICE DISTRICT NO. 1B
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHARDSON MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
CONSOLIDATED SCHEDULES OF OPERATING EXPENSES – SALARIES AND BENEFITS
YEARS ENDED SEPTEMBER 30,

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Administrative and general	\$ 778,546	\$ 841,036	\$ 743,615
Plant operations and maintenance	105,859	106,821	105,879
Housekeeping	179,909	201,607	189,440
Dietary and cafeteria	151,448	162,405	144,477
Nursing administration	68,511	68,215	63,944
Central supply	41,008	41,775	43,446
Pharmacy	233,670	243,998	207,478
Medical records	89,316	77,935	74,071
Nursing services	1,083,161	1,081,444	1,206,870
Intensive care unit	286,941	303,919	320,527
Senior care unit	-0-	-0-	277,236
Operating room	265,110	256,281	222,470
Anesthesia	-0-	13,000	9,750
Radiology	451,353	443,054	391,355
Laboratory	437,987	410,556	-0-
Respiratory therapy	298,798	320,987	324,836
Occupational therapy	39,478	58,093	14,901
EKG and EEG	27,163	13,366	20,525
Emergency room	446,820	455,321	537,455
Rural health clinic	1,022,340	819,392	647,895
Physician clinic	19,859	24,383	163,425
School based health clinic	169,635	149,992	-0-
	<u>6,196,912</u>	<u>6,093,580</u>	<u>5,709,595</u>
Total Salaries			
Payroll taxes	108,751	91,190	95,131
Hospitalization insurance	470,439	636,361	632,084
Retirement	375,933	355,825	341,309
Other	3,548	3,365	4,130
	<u>958,671</u>	<u>1,086,741</u>	<u>1,072,654</u>
Total Benefits			
Total Salaries and Benefits	\$ <u>7,155,583</u>	\$ <u>7,180,321</u>	\$ <u>6,782,249</u>

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Medical records	\$ 4,425	\$ 5,280	\$ 9,924
Operating room	53,800	200,000	64,615
Anesthesiology	131,100	140,250	169,583
Radiology	25,173	28,074	18,242
Laboratory	92,143	125,001	741,756
Occupational therapy	-0-	-0-	21,126
EKG	19,762	20,602	21,720
Psychiatric therapy	235,230	-0-	-0-
Emergency room	627,276	906,675	662,407
Rural health clinic	568,240	617,470	802,544
School based health clinic	<u>16,520</u>	<u>11,580</u>	<u>-0-</u>
 Total Professional Fees	 \$ <u>1,773,669</u>	 \$ <u>2,054,932</u>	 \$ <u>2,511,917</u>

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Management fees	\$ 54,194	\$ 86,719	\$ 406,928
Contract services	317,248	316,358	362,171
Legal and accounting	51,894	166,708	170,152
Supplies	794,829	784,659	911,776
Repairs and maintenance	401,874	490,760	259,149
Utilities	204,473	247,886	257,279
Telephone	67,247	67,765	66,093
Travel	20,400	27,621	46,328
Rentals	93,619	103,078	149,318
Education	3,570	11,297	49,150
Recruitment and advertising	2,823	13,540	18,863
Dues and subscriptions	72,711	85,422	85,364
Miscellaneous	<u>9,853</u>	<u>34,315</u>	<u>38,401</u>
 Total Other Expenses	 \$ <u>2,094,735</u>	 \$ <u>2,436,128</u>	 \$ <u>2,820,972</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 PER DIEM AND
 OTHER COMPENSATION PAID TO BOARD MEMBERS
 YEARS ENDED SEPTEMBER 30,

	-----TERM-----		<u>2009</u>	<u>2008</u>	<u>2007</u>
	<u>BEGAN</u>	<u>ENDING</u>			
Mr. Moses Wilkins	12/21/93	12/03/13	NONE	NONE	NONE
Mr. Oliver Holland	04/18/89	08/01/09	NONE	NONE	NONE
Mr. Lee McDonald	12/05/01	12/12/13	NONE	NONE	NONE
Mr. Grover Burgess	08/02/04	05/07/07	N/A	N/A	NONE
Mrs. Janet Cheek	02/07/05	02/05/07	N/A	N/A	NONE
Dr. Lester Johnson	08/07/06	11/05/07	N/A	NONE	NONE
Mr. Eric Silk	02/05/07	02/05/13	NONE	NONE	NONE
Mr. Ernest Greer	05/07/07	09/08/08	N/A	NONE	N/A
Mrs. Beth Green	09/08/08	09/08/13	NONE	NONE	N/A
Dr. Dan LaFleur, M.D.	11/05/07	11/05/13	NONE	NONE	N/A



LESTER, MILLER & WELLS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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

We have audited the consolidated financial statements of Richland Parish Hospital Service District No. 1B, Parish of Richland (the District) and its affiliate, a component unit of the Richland Parish Police Jury, as of and for the years ended September 30, 2009, 2008, and 2007, and have issued our report thereon dated March 12, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2009-01, 2009-02, 2009-03, 2009-04, 2009-05, 2008-03, 2008-04, 2008-06, 2007-01, 2007-02 and 2004-01.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the audit committee, and the office of the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana
March 12, 2010



RICHARDSON MEDICAL CENTER
MANAGEMENT RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2009

Current Year Findings:

Internal Control

2009-01

Finding: Signature cards for the checking accounts contained signatures of past employees.

Recommendation: We recommend that the signature cards be updated to contain current authorized signers only.

Management's Response: New signature cards have been obtained.

2009-02

Finding: Some of the adjusting journal entries proposed in the previously audited financial statements were not posted.

Recommendation: All adjusting entries should be posted in order for the internally prepared books to agree with the previous audited financial statements.

Management's Response: All adjusting entries have been posted in the current year.

2009-03

Finding: During the year, the MRI joint venture changed from an independent diagnostics testing facility to a hospital based facility. The Hospital did not have an agreement with the joint venture in the accounting for the receipts and disbursements of the patient funds.

Recommendation: We recommend obtaining an agreement to support the billing, collections and disbursement of MRI scans.

Management's Response: The current, signed agreement has been obtained and forwarded to the auditor.

2009-04

Finding: The charges and accounts receivable for patient activity related to a private physician office was not recorded.

Recommendation: We recommend recording all charges and accounts receivable for hospital services. Additionally, the activity should be reconciled to subsidiary ledgers on a monthly basis.

Management's Response: The charges and accounts receivable for the physician's private office have been recorded, beginning with October 2009.

RICHARDSON MEDICAL CENTER
MANAGEMENT RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2009

Current Year Findings (continued):

Internal Control (continued)

2009-05

Finding: The Hospital recorded a deposit received after year end as income.

Recommendation: Receipts should be recorded in the year received and posted against the patient's accounts receivable.

Management's Response: Deposits for patient accounts will be recorded in the year received.

RICHARDSON MEDICAL CENTER
MANAGEMENT RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2009

Prior Year Findings:

Internal Controls

2008-02

Finding: Employees under contract were not completing vacation requests and informing the payroll department of time taken off. While these employees are not granted vested benefits for vacation, they are allotted a certain amount of vacation on an annual basis. Without documentation, it could not be determined if the vacation time taken exceeded the contracted amount.

Recommendation: All employees should complete a written vacation request form and have their supervisor approve. Upon approval, the form should be submitted to the payroll department.

Management's Response: All employees under contract, including physicians who are employed by RMC, will be given a vacation transaction sheet. On this sheet will be their allotted vacation days and instructions regarding these days. In addition there will be a place to request time off. When they request time off, they will write their request on the form. This request will either be accepted or rejected by supervisor and returned to the contracted employee with the remaining days of vacation reflected on the form. This will be used to monitor vacation for all contracted employees.

Resolution: This matter has been resolved.

2008-03

Finding: The Hospital deposited proceeds of \$100,000 from a line of credit that was in the name of the joint venture.

Recommendation: The Hospital and joint venture transactions should be maintained separately.

Management's Response: The \$100,000 was erroneously transferred from the credit line of our MRI Joint Venture to the Hospital. It should have come from the Hospital's line of credit. When we discovered this, it was very close to the time we were going to receive our UCC payment, from which we were going to pay off the balance, so we waited the few weeks, and paid it off. We informed the MRI members and informed them that the interest that was charged to the MRI JV would be paid back by the Hospital to the MRI JV. This was done. The loan has been paid back.

Resolution: This matter has been resolved.

RICHARDSON MEDICAL CENTER
MANAGEMENT RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2009

Prior Year Findings (Continued):

Internal Controls (Continued)

2008-04

Finding: Many of the journal entries made throughout the year were erroneously posted to Medicaid contractuals. Additionally, these entries did not contain any support or written explanations.

Recommendation: The Hospital should maintain support for each entry with an adequate explanation which can be interpreted without assistance.

Management's Response: These journal entries were erroneously posted by one person who no longer works at RMC. The person hired to temporarily fill that spot began posting journal entries, and correcting erroneously posted entries. Before resigning, the temporary employee left instructions as to how entries should be posted and described how each entry should be explained.

Resolution: This matter has been resolved.

2008-05

Finding: Some of the employee check requests contained inadequate documentation and were not approved by their immediate supervisor.

Recommendation: Each check request from employees should contain adequate support and be approved by their immediate supervisor. For management, the approval should be from the Board.

Management's Response: Each check request will be approved by their supervisor. The CEO's check requests will be approved by a member of the Board.

Resolution: This matter has not been resolved.

2008-06

Finding: Gross accounts receivable for the Hospital and joint venture increased by \$1,747,000 or 32%. The majority of the increase resulted from the Medicaid accounts. The increase for the Medicaid accounts was \$1,657,000, up from \$1,093,000.

Recommendation: We recommend establishing monthly collection goals and monitoring the results on a monthly basis to ensure adequate collections are maintained.

Management's Response: These activities were allowed to happen by management with very little supervision of those people responsible for filing Medicaid. The CEO has now taken on responsibility of insuring that all claims, not only Medicaid, but also Medicare, commercial and any other insurance, is filed timely, followed up on quickly, and re-filed as necessary. We are in the process of determining collection goals as well as goals for all employees filing insurance. This monitoring is being done on a daily basis.

Resolution: This matter has been resolved.

RICHARDSON MEDICAL CENTER
MANAGEMENT RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2009

Prior Year Findings (Continued):

Internal Controls (Continued)

2008-07

Finding: There is a high turnover of accounting personnel which has led to a weakness of internal controls.

Recommendation: Continue search to hire competent financial personnel to develop and oversee internal controls during preparation of monthly financial statements.

Management's Response: CEO will do a better job of hiring the right personnel to perform financial/accounting work at the Hospital. He will monitor these people in the same way that he monitors all financial personnel.

Resolution: This matter has not been resolved.

2007-01

Finding: In the past, the auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, SAS 112 now requires management to ensure propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the knowledge and/or resources necessary internally to complete the reporting requirements.

Recommendation: Management should either (a) obtain the knowledge and/or resources necessary to internally prepare or review the auditor's preparation of the Hospital's financial statements and related footnote disclosures in accordance with GAAP, or (b) determine if the cost overrides the benefit of correcting this control deficiency.

Management's Response: Our goal will be to obtain the knowledge necessary to internally prepare or review the auditor's preparation of the Hospital's financial statements and related footnote disclosures in accordance with GAAP.

Resolution: This matter has not been resolved.

RICHARDSON MEDICAL CENTER
MANAGEMENT RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2009

Prior Year Findings (Continued):

Internal Controls (Continued)

2007-02

Finding: Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording and custody functions.

Recommendation: We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes 1) separating transaction authorization from custody of related assets; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

Management's Response: We will work to have the staff and the knowledge to segregate duties so that internal controls can be in place to prevent intentional and unintentional errors.

Resolution: This matter has not been resolved.

2004-01

Finding: The credit balances for accounts receivable grew from \$55,816 at September 30, 2003 to \$285,729 at September 30, 2004.

Recommendation: We recommend the Hospital assign the duty of investigating credit balances on patient accounts to one person who will make necessary adjustments to or timely refunds of the balances as needed on a monthly basis.

Management's Response: The Hospital will investigate and follow up on credit balances on a monthly basis.

Resolution: This matter has not been resolved and the 2009 balance is \$354,798.

2004-04

Finding: The Hospital was not maintaining an interim list of Medicare bad debts for cost reporting purposes.

Recommendation: We recommend maintaining a list of Medicare bad debts on a monthly basis, which allows interim reporting to Medicare and should allow Medicare to make interim pass through payments to accelerate cash flow.

Management's Response: A Medicare bad debt list will be maintained on a monthly basis.

Resolution: This matter has not been resolved.

RICHARDSON MEDICAL CENTER
MANAGEMENT RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2009

Prior Year Findings (Continued):

Compliance

2008-08

Finding: Amendment to a physician contract was not approved by the Board. Additionally, legal counsel was not utilized in drafting the amendment to insure compliance with laws and reasonableness of remuneration should be supported by written documentation for each renewal.

Recommendation: All physician contracts and changes thereof should be approved by the Board, after review by legal counsel with a background in healthcare. Internal and often external support for the reasonableness of compensation packages should be documented.

Management's Response: Since May, 2007 the CEO has hired two physicians and has contracted with one who will start in July 2009. He hired a gynecologist, the first ever in this parish; a pediatrician, the first ever in this parish, and a general surgeon. As these were salaried physicians, the CEO had no experience or guidance regarding contracts for salaried physicians. So, he did the best he could do. All physicians, their contracts, and their amendments were discussed openly with the Board, although salaries and incentives were discussed primarily with the chairman, so as to limit public knowledge of a physician's income. In the future, CEO will try to obtain assistance from outside sources and legal counsel to assure that he is operating in a way that is acceptable.

Resolution: This matter has been resolved.

Management Comments

2006-03

Finding: The Hospital did not report the quality indicators to the Centers for Medicare and Medicaid services. The reporting is voluntary, but if reported the Hospital would receive additional Medicare reimbursement.

Recommendation: We recommend reporting the quality indicators in order to receive the additional reimbursement.

Management's Response: Quality measures and reporting data to the Clinical Warehouse have been implemented with successful submission for three quarters in 2006.

Resolution: This matter has been resolved.