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RICHARDSON MEDICAL CENTER
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
SEPTEMBER 30, 2007, 2006 AND 2005

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

4/2/08



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, 2007, 2006, AND 2005

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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, 2007. 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>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Total current assets	\$ 2,870	\$ 3,107	\$ 3,254	\$ 3,464
Capital assets - net	3,320	3,890	2,526	2,402
Board designated investments	994	650	1,380	2,420
Other assets	<u>-0-</u>	<u>41</u>	<u>43</u>	<u>162</u>
Total assets	\$ <u>7,184</u>	\$ <u>7,688</u>	\$ <u>7,204</u>	\$ <u>8,448</u>
Current liabilities	\$ 2,461	\$ 3,678	\$ 1,973	\$ 1,923
Long-term liabilities	<u>1,386</u>	<u>441</u>	<u>528</u>	<u>439</u>
Total liabilities	3,847	4,119	2,501	2,362
Controlling net assets	3,399	3,569	4,702	6,086
Noncontrolling interest in subsidiary	<u>(62)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total net assets	<u>3,337</u>	<u>3,569</u>	<u>4,702</u>	<u>6,086</u>
Total liabilities and net assets	\$ <u>7,184</u>	\$ <u>7,688</u>	\$ <u>7,203</u>	\$ <u>8,448</u>

As shown in Table 1, the Medical Center's total assets decreased by approximately \$504,000 or 6.6% from fiscal year 2006 to 2007, compared to an increase of approximately \$485,000 or 6.7% from fiscal year 2005 to 2006, and a decrease of approximately \$1,245,000 or 14.7% from fiscal year 2004 to 2005. The Medical Center's capital assets decreased by approximately \$570,000 or 14.7% from fiscal year 2006 to 2007, compared an increase of approximately \$1,364,000 or 54.0% from fiscal year 2005 to 2006, and \$124,000 or 5.2% from fiscal year 2004 to 2005. Board designated investments increased by approximately \$344,000 or 53.0% from fiscal year 2006 to 2007, decreased by \$730,000 or 53.0% from fiscal year 2005 to 2006, and \$1,040,000 or 43.0% from fiscal year 2004 to 2005. The withdrawals from investments were used to purchase capital assets and pay note payments on existing debt. Total liabilities decreased by approximately \$272,000 or 6.6% from fiscal year 2006 to 2007, compared to an increase of \$1,618,000 or 64.7% from fiscal year 2005 to 2006, and \$139,000 or 5.9% from fiscal year 2004 to 2005.

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>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Operating revenue:				
Net patient service revenue	\$ 13,075	\$ 13,028	\$ 12,478	\$ 12,302
Other revenue	<u>555</u>	<u>617</u>	<u>508</u>	<u>425</u>
 Total operating revenue	 <u>13,630</u>	 <u>13,645</u>	 <u>12,986</u>	 <u>12,727</u>
Operating expenses:				
Salaries and employee benefits	6,782	7,287	7,033	7,233
Supplies, fees, and purchased services	3,180	3,283	3,134	3,164
Other expenses	3,271	3,752	3,701	3,522
Depreciation and amortization	<u>608</u>	<u>483</u>	<u>504</u>	<u>431</u>
 Total operating expenses	 <u>13,841</u>	 <u>14,805</u>	 <u>14,372</u>	 <u>14,350</u>
Loss from operations	(211)	(1,160)	(1,386)	(1,624)
Interest income and expense, net	<u>(21)</u>	<u>27</u>	<u>2</u>	<u>8</u>
Excess of revenue over expenses	(232)	(1,133)	(1,384)	(1,616)
Consolidated Net Income - Non Controlling Interest	<u>62</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Comprehensive Income	<u>(170)</u>	<u>(1,133)</u>	<u>(1,384)</u>	<u>(1,616)</u>
Net assets - beginning of year	<u>3,569</u>	<u>4,702</u>	<u>6,085</u>	<u>7,701</u>
Net assets - end of year	\$ <u>3,399</u>	\$ <u>3,569</u>	\$ <u>4,702</u>	\$ <u>6,085</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 2007, the Medical Center derived the majority, or approximately 96%, 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 increased by approximately \$47,000 or 0.4% from fiscal year 2006 to 2007, \$550,000 or 4.4% from fiscal year 2005 to 2006, and \$176,000 or 1.4% in fiscal year 2005.

During fiscal year 2007, Medicare inpatient reimbursement increased due to legislative changes in the calculation of the Medicare DSH and DRG. These increases accounted for approximately \$256,000 of the increase in net patient service revenue.

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>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Medicare	51%	54%	56%	59%
Medicaid	24%	23%	23%	19%
Commercial insurance	18%	16%	15%	17%
Self-pay	<u>7%</u>	<u>7%</u>	<u>6%</u>	<u>5%</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>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Other revenue:				
Property tax	\$ 323	\$ 309	\$ 278	\$ 258
Cafeteria	30	39	34	34
Medical records	2	1	1	2
Vending machines	9	8	9	9
Rentals	44	46	76	40
Pharmacy sales to employees	28	38	39	40
Grants	-0-	23	-0-	25
Joint venture income	98	96	37	14
Miscellaneous	<u>21</u>	<u>69</u>	<u>34</u>	<u>3</u>
 Total other revenue	 \$ <u>555</u>	 \$ <u>629</u>	 \$ <u>508</u>	 \$ <u>425</u>

Rental Income

The rental income for fiscal year 2007 decreased 4.3% or \$2,000 to \$44,000, compared to a decrease of 39% or \$30,000 from fiscal year 2005 to 2006, and an increase from fiscal year 2004 to 2005 of 90% or \$36,000.

Miscellaneous Income

Miscellaneous income decreased approximately 70% or \$48,000 from fiscal year 2006 to 2007, following drastic increases of 103% or \$35,000 from fiscal year 2005 to 2006, and 1003% or \$31,000 during fiscal year 2005. In fiscal years 2006 and 2005, the Hospital received a refund from the Rural Hospital Coalition of \$59,733 and \$32,479, respectively

Investment Income

The Medical Center holds designated and restricted funds in its balance sheets that are invested in certificates of deposit. These investments earned \$82,475 in interest income during fiscal year 2007. This increased 29% or approximately \$19,000 from fiscal year 2006.

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 2007 through 2004:

Overall activity at the Medical Center, as measured by patient discharges, decreased by 161 from fiscal year 2006 to 2007, 157 from fiscal year 2005 to 2006, and increased by 152 from fiscal year 2004 to 2005. Patient days decreased 14.5% and 9.3% in fiscal years 2007 and 2006, respectively.

TABLE 5
Patient and Hospital Statistical Data

	Year Ended September 30,			
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Discharges:				
Acute care	1,222	1,366	1,525	1,393
Swing bed	104	85	85	79
Psychiatric care	76	112	110	96
Patient days:				
Acute - Medicare	3,291	4,294	4,733	4,568
Acute - Medicaid	820	674	818	493
Acute - Commercial	467	716	731	664
Acute - Self pay	135	124	426	222
Swing bed	1,147	896	851	844
Psychiatric care	702	970	901	1,054
Operating room patients	763	830	826	842
Emergency room visits	7,000	7,057	7,070	7,100
Average daily census:				
Adult and pediatric	12.9	15.9	18.4	16.3
Swing bed	3.1	2.5	2.3	2.3
Psychiatric care	1.9	2.7	2.5	2.9
Average length of stay:				
Acute care	3.9	4.3	4.4	4.7
Swing bed	11.0	10.5	10.0	10.7
Psychiatric care	9.2	8.7	8.2	11.0
Percentage of total acute patient days:				
Medicare	70%	74%	71%	77%
Medicaid	17%	12%	12%	8%
Rural health clinic visits	21,313	24,182	19,123	17,609
Full-time equivalents (FTEs)	170.2	184.4	187.7	185.4

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

Management's Discussion and Analysis

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

TABLE 6
Allowance Summary
(in thousands)

	<u>2007</u>	September 30, <u>2006</u>	<u>2005</u>
Allowances:			
Other adjustments	\$ 1,669	\$ 1,156	\$ 886
Medicaid contractual allowances	2,664	2,675	2,055
Medicare contractual allowances	3,854	4,013	5,590
Uncompensated care reimbursement	(1,550)	(1,287)	(797)
Discounts	39	34	38
Provision for bad debts	<u>2,124</u>	<u>2,245</u>	<u>1,983</u>
 Total adjustments and allowances	 \$ <u>8,800</u>	 \$ <u>8,836</u>	 \$ <u>9,755</u>

Medicare contractual allowances decreased from fiscal year 2006 to 2007 by 4.0% or approximately \$159,000. This decrease is attributable to several factors. The Medicare gross charges decreased by approximately \$721,000 or 6.1%. The Medicare acute inpatient payments decreased approximately \$331,000 from the previous year. Uncompensated care reimbursement continues to grow and is paid at rates approximately two years old

Salaries decreased \$384,167 or 6.3% in fiscal year 2007 as compared to an increased \$256,885 or 4.4% in fiscal year 2006. As a percentage of net patient service revenue, salary expense was approximately 43.7%, 46.8%, and 46.8% for the fiscal years ended September 30, 2007, 2006 and 2005, respectively. In 2007, the Medical Center switched from a 40 hour work week to a 38 hour work week. This along with other reductions in 2007 attributed to the reduction in salaries.

Employee benefits expense decreased \$120,370 or 10.1% in 2007 from the prior year. Employee benefit expenses represented 18.8%, 19.6%, and 20.5% of salary expenses in the current and prior two fiscal years, respectively. The decrease in employee benefits in 2007 was a result of the overall decrease in salaries, as noted earlier.

Supplies expense decreased \$38,754 or 5.5% from fiscal year 2006 to 2007, and \$80,262 or 10.2% from fiscal year 2005 to 2006.

Professional fees decreased by approximately \$65,000 or 2.5% during the fiscal year from 2006 to 2007 compared to an increase of approximately \$230,000 or 9.8% during the fiscal year from 2005 to 2006.

Other operating expenses decreased \$453,119 or 13.8% in fiscal year 2007 compared to a decrease of \$7,808 or .2% in fiscal year 2006.

Total overall operating expenses for 2007 decreased by approximately \$964,000 or 6.5% during the fiscal year compared to an increase \$433,000 or 3% during fiscal year 2006. The decrease was

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

Management's Discussion and Analysis

attributable to reducing management fees by renegotiating contracts or eliminating. Additionally, other expenses, such as telephone, were reduced after management reviewed the expense and eliminated some services

Capital Assets

During the 2007 fiscal year, the Medical Center invested \$38,696 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>2007</u>	<u>2006</u>		
Land and improvements	\$ 45	\$ 45	\$ -0-	0.0%
Building and equipment	<u>12,909</u>	<u>12,870</u>	<u>39</u>	<u>0.3%</u>
Subtotal	12,954	12,915	39	0.3%
Less accumulated depreciation	<u>9,634</u>	<u>9,026</u>	<u>608</u>	<u>6.7%</u>
Net	\$ <u>3,320</u>	\$ <u>3,889</u>	\$ <u>(569)</u>	<u>-14.6%</u>

Long-Term Debt (Excluding Capital Leases)

At 2007 fiscal year end, the Medical Center had \$1,648,590 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

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

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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, 2007, 2006, and 2005, 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, 2007, 2006, and 2005, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 21, 2008, 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.

Board of Commissioners
Hospital Service District No. 1B
Parish of Richland, State of Louisiana
Rayville, Louisiana
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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
February 21, 2008



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>2007</u>	<u>2006</u>	<u>2005</u>
Current			
Cash and cash equivalents (Note 2 & 3)	\$ 436,439	\$ 110,653	\$ 137,310
Short-term investments	131,157	-0-	-0-
Limited use assets (Note 6)	-0-	544,784	-0-
Accounts receivable, net (Note 4)	1,662,219	1,764,106	2,266,416
Estimated third-party payor settlements	222,268	175,565	415,781
Due from joint venture	23,486	28,037	19,550
Accrued interest	17,436	7,720	-0-
Inventory	324,266	339,274	338,445
Prepaid expenses	<u>52,852</u>	<u>136,799</u>	<u>75,938</u>
Total Current Assets	2,870,123	3,106,938	3,253,440
Property, plant, and equipment, net (Note 5)	3,320,023	3,889,527	2,525,489
Limited use assets (Note 6)	993,902	649,959	1,380,293
Other assets (Note 7)	<u>-0-</u>	<u>41,346</u>	<u>43,439</u>
Total Assets	\$ <u>7,184,048</u>	\$ <u>7,687,770</u>	\$ <u>7,202,661</u>
 <u>LIABILITIES AND NET ASSETS</u> 			
Current			
Accounts payable	\$ 1,776,930	\$ 1,920,382	\$ 1,370,341
Accrued expenses	421,312	521,119	489,433
Current portion of long-term debt (Note 8)	<u>262,579</u>	<u>1,236,375</u>	<u>113,253</u>
Total Current Liabilities	2,460,821	3,677,876	1,973,027
Long-term			
Capital lease obligations and notes payable (Note 8)	<u>1,386,011</u>	<u>440,868</u>	<u>527,647</u>
Total Liabilities	3,846,832	4,118,744	2,500,674
Net Assets			
Restricted	-0-	544,784	-0-
Invested in capital assets, net of related debt	1,671,433	2,212,284	1,884,589
Unrestricted	<u>1,728,100</u>	<u>811,958</u>	<u>2,817,398</u>
Total controlling net assets	3,399,533	3,569,026	4,701,987
Noncontrolling interest in subsidiary	<u>(62,317)</u>	<u>-0-</u>	<u>-0-</u>
Total Net Assets	3,337,216	3,569,026	4,701,987
Total Liabilities and Net Assets	\$ <u>7,184,048</u>	\$ <u>7,687,770</u>	\$ <u>7,202,661</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>2007</u>	<u>2006</u>	<u>2005</u>
Revenues			
Net patient service revenues	\$ 13,074,822	\$ 13,027,691	\$ 12,477,931
Property taxes	323,322	308,700	277,757
Grants	-0-	23,086	-0-
Donations	-0-	-0-	100
Gain (loss) on disposal of assets	500	(11,000)	-0-
Other operating revenues	<u>231,379</u>	<u>297,070</u>	<u>230,649</u>
Total Revenues	<u>13,630,023</u>	<u>13,645,547</u>	<u>12,986,437</u>
Expenses			
Salaries	5,709,595	6,093,762	5,836,877
Benefits and payroll taxes	1,072,654	1,193,024	1,196,038
Supplies and drugs	668,165	706,919	787,181
Professional fees	2,511,917	2,576,484	2,346,682
Other expenses	2,820,972	3,274,091	3,281,899
Insurance	449,600	477,810	419,536
Depreciation and amortization	<u>608,199</u>	<u>483,416</u>	<u>504,539</u>
Total Expenses	<u>13,841,102</u>	<u>14,805,506</u>	<u>14,372,752</u>
Operating Income (Loss)	<u>(211,079)</u>	<u>(1,159,959)</u>	<u>(1,386,315)</u>
Nonoperating Revenues (Expenses)			
Interest income on investments limited as to use	82,475	63,725	31,858
Interest income other	5,282	3,942	5,723
Interest expense	<u>(108,488)</u>	<u>(40,669)</u>	<u>(35,283)</u>
Excess of Revenues (Expenses)	(231,810)	(1,132,961)	(1,384,017)
Less: consolidated net (income) loss attributable to noncontrolling interest	<u>62,317</u>	<u>-0-</u>	<u>-0-</u>
Excess of Revenues (Expenses)	(169,493)	(1,132,961)	(1,384,017)
Beginning Net Assets	<u>3,569,026</u>	<u>4,701,987</u>	<u>6,086,004</u>
Ending Net Assets	\$ <u>3,399,533</u>	\$ <u>3,569,026</u>	\$ <u>4,701,987</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>2007</u>	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 13,134,557	\$ 13,761,730	\$ 12,689,229
Other receipts from operations	544,985	621,136	508,506
Cash payments to employees and for employee-related cost	(6,882,056)	(7,255,100)	(6,958,221)
Cash payments for other operating expenses	<u>(6,453,805)</u>	<u>(6,544,860)</u>	<u>(6,783,223)</u>
Net cash provided (used) by operating activities	<u>343,681</u>	<u>582,906</u>	<u>(543,709)</u>
Cash flows from investing activities:			
Cash invested certificates of deposit	(131,157)	-0-	-0-
Cash proceeds limited use assets	200,841	185,550	1,190,968
Interest income	<u>87,757</u>	<u>67,667</u>	<u>37,581</u>
Net cash provided (used) by investing activities	<u>157,441</u>	<u>253,217</u>	<u>1,228,549</u>
Cash flows from capital and related financing activities:			
Proceeds from notes payable	62,950	1,149,596	173,000
Proceeds from sales of property, plant, and equipment	500	5,000	-0-
Acquisition of property, plant, and equipment	(38,695)	(1,863,454)	(562,897)
Cash spent on new projects	-0-	-0-	45,960
Principal payments on long-term debt	(91,603)	(113,253)	(143,467)
Interest expense	<u>(108,488)</u>	<u>(40,669)</u>	<u>(35,283)</u>
Net cash provided (used) by capital and related financing activities	<u>(175,336)</u>	<u>(862,780)</u>	<u>(522,687)</u>
Net increase (decrease) in cash and cash equivalents	325,786	(26,657)	162,153
Beginning cash and cash equivalents	<u>110,653</u>	<u>137,310</u>	<u>(24,843)</u>
Ending cash and cash equivalents	\$ <u>436,439</u>	\$ <u>110,653</u>	\$ <u>137,310</u>

See accompanying notes to financial statements

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 CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
 YEARS ENDED SEPTEMBER 30,

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ (211,079)	\$ (1,159,959)	\$ (1,386,315)
Adjustments to reconcile revenue in excess of expenses to net cash provided by operating activities:			
Depreciation	608,199	483,416	439,160
Amortization	-0-	-0-	65,379
(Gain) loss on disposal of assets	(500)	11,000	-0-
Provision for bad debts	2,124,268	2,245,345	1,983,292
Change in current assets (increase) decrease			
Patient accounts receivable, net	(2,022,381)	(1,743,035)	(1,527,661)
Estimated third-party payor settlements	(46,703)	240,216	(239,134)
Due from joint venture	4,551	(8,487)	(5,199)
Accrued interest receivable	(9,716)	(7,720)	-0-
Inventory	15,008	(829)	(43,599)
Prepaid expenses	83,947	(60,861)	4,220
Change in current liabilities (increase) decrease			
Accounts payable	(143,452)	550,041	89,282
Accrued expenses	(99,807)	31,686	74,694
Change in other assets (increase) decrease	<u>41,346</u>	<u>2,093</u>	<u>2,172</u>
Net cash provided (used) by operating activities	\$ <u>343,681</u>	\$ <u>582,906</u>	\$ <u>(543,709)</u>
Supplemental disclosure of cash flow information:			
Cash paid during the period for interest	\$ <u>112,880</u>	\$ <u>34,722</u>	\$ <u>35,283</u>

See accompanying notes to financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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 September 1995, the District opened a unit to provide geriatric psychiatric services and was recognized as a Medicare "distinct part" unit effective October 1, 1995. Also in 1995, the District began operation of a rural health clinic.

Richland Open MRI, LLC provides MRI 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 12. 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, 2007, 2006 and 2005

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>2007</u>	<u>2006</u>	<u>2005</u>
Patient accounts receivable	\$ 3,662,416	\$ 3,108,208	\$ 4,057,928
Other accounts receivable	<u>7,803</u>	<u>1,568</u>	<u>1,504</u>
	3,670,219	3,109,776	4,059,432
Estimated uncollectibles	<u>(2,008,000)</u>	<u>(1,345,670)</u>	<u>(1,793,016)</u>
Net patient accounts receivable	\$ <u>1,662,219</u>	\$ <u>1,764,106</u>	\$ <u>2,266,416</u>

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Medicare	26%	34%	33%
Medicaid	20%	7%	6%
Commercial and other third-party payors	19%	32%	29%
Patients	<u>35%</u>	<u>27%</u>	<u>32%</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>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>
	September 30, <u>2005</u>	<u>Additions</u>	<u>Deductions</u>	September 30, <u>2006</u>
Land	\$ 16,000	\$ -0-	\$ -0-	\$ 16,000
Land improvements	28,867	-0-	-0-	28,867
Buildings and improvements	4,269,803	356,592	-0-	4,626,395
Major movable equipment	6,718,758	1,553,071	28,000	8,243,829
Construction in progress	<u>46,208</u>	<u>-0-</u>	<u>46,208</u>	<u>-0-</u>
Total	11,079,636	1,909,663	74,208	12,915,091
Accumulated depreciation	<u>8,554,147</u>	<u>483,417</u>	<u>12,000</u>	<u>9,025,564</u>
Net	\$ <u>2,525,489</u>	\$ <u>1,426,246</u>	\$ <u>62,208</u>	\$ <u>3,889,527</u>

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

	September 30, <u>2004</u>	<u>Additions</u>	<u>Deductions</u>	September 30, <u>2005</u>
Land	\$ 16,000	\$ -0-	\$ -0-	\$ 16,000
Land improvements	28,867	-0-	-0-	28,867
Buildings and improvements	3,731,202	538,601	-0-	4,269,803
Major movable equipment	6,541,016	177,742	-0-	6,718,758
Construction in progress	<u>199,653</u>	<u>335,375</u>	<u>488,820</u>	<u>46,208</u>
Total	10,516,738	1,051,718	488,820	11,079,636
Accumulated depreciation	<u>8,114,986</u>	<u>439,161</u>	<u>-0-</u>	<u>8,554,147</u>
Net	\$ <u>2,401,752</u>	\$ <u>612,557</u>	\$ <u>488,820</u>	\$ <u>2,525,489</u>

NOTE 6 - ASSETS WHOSE USE IS LIMITED

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Restricted by Third Parties			
Used as collateral for a bank loan	\$ -0-	\$ 544,784	\$ -0-
Restricted by Hospital Board			
To be used for asset additions and replacements - Certificates of deposits	993,902	649,959	1,380,293
Less limited use assets required for current liabilities	<u>-0-</u>	<u>(544,784)</u>	<u>-0-</u>
Non-current limited use assets	\$ <u>993,902</u>	\$ <u>649,959</u>	\$ <u>1,380,293</u>

NOTE 7 - OTHER ASSETS

Other assets consist of the following:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Medical scholarships receivable, net of allowances for uncollectibles	\$ -0-	\$ 41,346	\$ 43,439

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NOTE 8 - 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, <u>2006</u>	<u>Additions</u>	<u>Payments</u>	September 30, <u>2007</u>	Due Within <u>One Year</u>
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>
	September 30, <u>2005</u>	<u>Additions</u>	<u>Payments</u>	September 30, <u>2006</u>	Due Within <u>One Year</u>
USDA note payable	\$ 412,484	\$ -0-	\$ 44,837	\$ 367,647	\$ 46,779
Series 2004A bond payable	200,000	-0-	40,000	160,000	40,000
Note payable - MRI buildout	-0-	262,464	-0-	262,464	262,464
Note payable - MRI equipment	-0-	861,805	-0-	861,805	861,805
Note payable - MRI operating	-0-	25,327	-0-	25,327	25,327
Capital lease obligation	<u>28,416</u>	<u>-0-</u>	<u>28,416</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>640,900</u>	\$ <u>1,149,596</u>	\$ <u>113,253</u>	\$ <u>1,677,243</u>	\$ <u>1,236,375</u>
	September 30, <u>2004</u>	<u>Additions</u>	<u>Payments</u>	September 30, <u>2005</u>	Due Within <u>One Year</u>
USDA note payable	\$ 455,457	\$ -0-	\$ 42,973	\$ 412,484	\$ 44,837
Series 2004A bond payable	27,000	173,000	-0-	200,000	40,000
Capital lease obligation	<u>128,910</u>	<u>-0-</u>	<u>100,494</u>	<u>28,416</u>	<u>28,416</u>
Total	\$ <u>611,367</u>	\$ <u>173,000</u>	\$ <u>143,467</u>	\$ <u>640,900</u>	\$ <u>113,253</u>

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NOTE 8 - 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 7.75%, interest due in monthly installments with principal payment due August 23, 2008, of which \$161,723 was unused as of September 30, 2007.

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>
2008	\$ 262,579	\$ 97,197
2009	214,629	81,006
2010	225,931	67,304
2011	198,012	54,823
2012	210,928	41,907
2013 thru 2018	536,511	28,160
Totals	\$ 1,648,590	\$ 370,397

NOTE 9 - AFFILIATED ORGANIZATION

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

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NOTE 9 - 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>2007</u>	<u>2006</u>	<u>2005</u>
Beginning amount due from (to) Richland Parish Hospital - Delhi	\$ -0-	\$ -0-	\$ (3,299)
Revenue earned by the Hospital	11,991	5,034	16,411
Received from Richland Parish Hospital - Delhi	<u>(11,991)</u>	<u>(5,034)</u>	<u>(13,112)</u>
Ending amount due from (to) Richland Parish Hospital - Delhi	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

NOTE 10 - PENSION PLAN

The Hospital elected to withdraw from the Social Security System effective January 1, 1994. In place of Social Security, the Hospital established a 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 \$341,309, \$330,545, and \$349,492 for the years ended September 30, 2007, 2006, and 2005, respectively.

NOTE 11 - COMPENSATED ABSENCES

Employees of the District are entitled to paid days off and sick days depending on length of service. The District accrued \$202,544, \$226,008, and \$261,807 of vacation pay at September 30, 2007, 2006, and 2005, 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 12 - 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, 2008, if not extended by Congress. The hold harmless payments were \$138,266, \$156,182, and \$132,342, for the years ended September 30, 2007, 2006, and 2005, respectively. Swing bed routine services are reimbursed based on a prospectively determined rate per patient day. Geriatric inpatient psychiatry is reimbursed based upon a cost reimbursement methodology subject to a limit amount per discharge. Effective October 1, 2005, this method of reimbursement begins a four (4) year transition to a prospective method based upon length of stay, diagnosis, and other factors. In year one (1) the District is paid seventy-five percent (75%) based on the old cost based system and twenty-five percent (25%) based on the new prospective system. In year two (2) the blend is fifty/fifty. In year three (3), twenty-five percent (25%) cost and seventy-five percent (75%) prospective. In year four (4) payments are scheduled to be fully prospective.

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

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>2007</u>	<u>2006</u>	<u>2005</u>
Gross patient service revenues	\$ 21,875,014	\$ 21,864,861	\$ 22,233,303
Contractual adjustments	(8,186,670)	(7,844,166)	(8,531,549)
Provision for bad debts	(2,124,268)	(2,245,345)	(1,983,292)
Discounts	(39,248)	(34,112)	(37,714)
Uncompensated care reimbursement	<u>1,549,994</u>	<u>1,286,453</u>	<u>797,183</u>
Net patient service revenues	<u>\$ 13,074,822</u>	<u>\$ 13,027,691</u>	<u>\$ 12,477,931</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, 2007, 2006, AND 2005

NOTE 12 - 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>2007</u>	<u>2006</u>	<u>2005</u>
Medicare and Medicaid charges	\$ 16,471,327	\$ 15,806,965	\$ 16,003,494
Contractual adjustments	<u>(6,518,109)</u>	<u>(6,687,874)</u>	<u>(6,644,973)</u>
Program patient service revenue	\$ <u>9,953,218</u>	\$ <u>9,119,091</u>	\$ <u>9,358,521</u>
Percent of total gross patient charges	<u>75%</u>	<u>72%</u>	<u>72%</u>
Percent of total net patient revenues	<u>76%</u>	<u>70%</u>	<u>75%</u>

The Hospital received interim amounts of \$1,549,994, \$1,286,453 and \$797,183 for Medicaid and self-pay uncompensated care services (UCC) for the years ended September 30, 2007, 2006, and 2005, respectively, which represents 10%, 6%, and 7% 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.

NOTE 13 - PROFESSIONAL LIABILITY RISK

The Hospital participates in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to healthcare providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the Hospital is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the PCF, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limited the PCF's exposure to \$400,000 per occurrence.

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HOSPITAL ENTERPRISE FUND
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YEARS ENDED SEPTEMBER 30, 2007, 2006, AND 2005

NOTE 14 - CONTINGENCIES

The Hospital evaluates contingencies based upon the best available evidence. The Hospital believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the Hospital's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 12) - The Hospital is contingently liable for 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 13) - 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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OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
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HOSPITAL ENTERPRISE FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2007, 2006, AND 2005

NOTE 15 - 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 16 - 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.

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, 2007

	Richland Hospital Service District No. 1B	Richland Open MRI, LLC	Eliminating Entries	<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				
Capital lease obligations and notes payable	<u>600,658</u>	<u>785,353</u>	<u>-0-</u>	<u>1,386,011</u>
Total Liabilities	<u>2,884,093</u>	<u>1,087,770</u>	<u>(125,031)</u>	<u>3,846,832</u>
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	-0-	(62,317)	-0-	(62,317)
Total Net Assets	<u>3,444,978</u>	<u>(107,762)</u>	<u>-0-</u>	<u>3,337,216</u>
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
CONSOLIDATING BALANCE SHEET
SEPTEMBER 30, 2006

	Richland Hospital Service District No. 1B	Richland Open MRI, LLC	Eliminating Entries	<u>Consolidated</u>
<u>ASSETS</u>				
Current				
Cash and cash equivalents	\$ 105,720	\$ 4,933	\$ -0-	\$ 110,653
Limited use assets	544,784	-0-	-0-	544,784
Accounts receivable, net	1,669,506	94,600	-0-	1,764,106
Estimated third-party payor settlements	175,565	-0-	-0-	175,565
Due from joint venture	28,037	-0-	-0-	28,037
Accrued interest	7,720	-0-	-0-	7,720
Inventory	339,274	-0-	-0-	339,274
Prepaid expenses	136,799	-0-	-0-	136,799
Total Current Assets	3,007,405	99,533	-0-	3,106,938
Property, plant, and equipment, net	3,066,104	823,423	-0-	3,889,527
Limited use assets	649,959	-0-	-0-	649,959
Other assets	41,346	-0-	-0-	41,346
Total Assets	\$ 6,764,814	\$ 922,956	\$ -0-	\$ 7,687,770
<u>LIABILITIES AND NET ASSETS</u>				
Current				
Accounts payable	\$ 1,911,504	\$ 8,878	\$ -0-	\$ 1,920,382
Accrued expenses	513,900	7,219	-0-	521,119
Current portion of long-term debt	349,243	887,132	-0-	1,236,375
Total Current Liabilities	2,774,647	903,229	-0-	3,677,876
Long-term				
Capital lease obligations and notes payable	440,868	-0-	-0-	440,868
Total Liabilities	3,215,515	903,229	-0-	4,118,744
Net Assets				
Restricted	544,784	-0-	-0-	544,784
Invested in capital assets, net of related debt	2,275,993	(63,709)	-0-	2,212,284
Unrestricted	728,522	83,436	-0-	811,958
Total Net Assets	3,549,299	19,727	-0-	3,569,026
Total Liabilities and Net Assets	\$ 6,764,814	\$ 922,956	\$ -0-	\$ 7,687,770

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, AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2006

	<u>Richland Hospital Service District No. 1B</u>	<u>Richland Open MRI, LLC</u>	<u>Eliminating Entries</u>	<u>Consolidated</u>
Revenues				
Net patient service revenues	\$ 12,933,091	\$ 94,600	\$ -0-	\$ 13,027,691
Property taxes	308,700	-0-	-0-	308,700
Grants	23,086	-0-	-0-	23,086
Gain (loss) on disposal of assets	(11,000)	-0-	-0-	(11,000)
Other operating revenues	<u>297,070</u>	<u>-0-</u>	<u>-0-</u>	<u>297,070</u>
Total Revenues	<u>13,550,947</u>	<u>94,600</u>	<u>-0-</u>	<u>13,645,547</u>
Expenses				
Salaries	6,093,762	-0-	-0-	6,093,762
Benefits and payroll taxes	1,193,024	-0-	-0-	1,193,024
Supplies and drugs	706,919	-0-	-0-	706,919
Professional fees	2,575,965	519	-0-	2,576,484
Other expenses	3,251,906	22,185	-0-	3,274,091
Insurance	477,810	-0-	-0-	477,810
Depreciation and amortization	<u>440,102</u>	<u>43,314</u>	<u>-0-</u>	<u>483,416</u>
Total Expenses	<u>14,739,488</u>	<u>66,018</u>	<u>-0-</u>	<u>14,805,506</u>
Operating Income (Loss)	<u>(1,188,541)</u>	<u>28,582</u>	<u>-0-</u>	<u>(1,159,959)</u>
Nonoperating Revenues (Expenses)				
Interest income on investments limited as to use	63,725	-0-	-0-	63,725
Interest income other	3,942	-0-	-0-	3,942
Interest expense	<u>(31,814)</u>	<u>(8,855)</u>	<u>-0-</u>	<u>(40,669)</u>
Excess of Revenues (Expenses)	<u>(1,152,688)</u>	<u>19,727</u>	<u>-0-</u>	<u>(1,132,961)</u>
Beginning Net Assets	<u>4,701,987</u>	<u>-0-</u>	<u>-0-</u>	<u>4,701,987</u>
Ending Net Assets	<u>\$ 3,549,299</u>	<u>\$ 19,727</u>	<u>\$ -0-</u>	<u>\$ 3,569,026</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>2007</u>	<u>2006</u>	<u>2005</u>
Routine Services:			
Adult and pediatric	\$ 1,099,496	\$ 1,371,665	\$ 1,585,374
Intensive care unit	191,580	210,800	218,860
Swing bed	345,710	263,100	254,100
Senior care	<u>596,700</u>	<u>816,850</u>	<u>763,300</u>
Total Routine Services	<u>2,233,486</u>	<u>2,662,415</u>	<u>2,821,634</u>
Other Professional Services:			
Operating and recovery room			
Inpatient	206,310	392,094	483,064
Outpatient	1,027,159	1,111,067	1,123,492
Swing bed	<u>10,953</u>	<u>19,453</u>	<u>30,031</u>
Total	<u>1,244,422</u>	<u>1,522,614</u>	<u>1,636,587</u>
Anesthesia			
Inpatient	71,319	112,015	79,778
Outpatient	<u>323,583</u>	<u>322,379</u>	<u>213,188</u>
Total	<u>394,902</u>	<u>434,394</u>	<u>292,966</u>
Radiology			
Inpatient	785,423	957,442	1,111,150
Outpatient	3,466,297	1,761,795	1,515,143
Swing bed	33,302	17,511	20,876
Senior care	<u>19,379</u>	<u>33,587</u>	<u>32,895</u>
Total	<u>4,304,401</u>	<u>2,770,335</u>	<u>2,680,064</u>
Laboratory			
Inpatient	857,347	1,058,951	1,147,979
Outpatient	1,053,062	1,058,991	904,747
Swing bed	68,884	52,846	58,757
Senior care	<u>43,822</u>	<u>61,197</u>	<u>37,990</u>
Total	<u>\$ 2,023,115</u>	<u>\$ 2,231,985</u>	<u>\$ 2,149,473</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>2007</u>	<u>2006</u>	<u>2005</u>
Blood			
Inpatient	\$ 120,755	\$ 195,456	\$ 170,107
Outpatient	25,151	20,299	18,954
Swing bed	5,445	8,287	4,151
Senior care	<u>356</u>	<u>356</u>	<u>21</u>
Total	<u>151,707</u>	<u>224,398</u>	<u>193,233</u>
Respiratory therapy			
Inpatient	1,082,672	1,201,166	1,552,285
Outpatient	63,965	49,585	60,116
Swing bed	283,561	197,639	208,624
Senior care	<u>34,328</u>	<u>22,103</u>	<u>18,830</u>
Total	<u>1,464,526</u>	<u>1,470,493</u>	<u>1,839,855</u>
Occupational therapy			
Inpatient	33,614	55,387	55,114
Outpatient	947	40	57
Swing bed	39,248	36,240	29,207
Senior care	<u>9,284</u>	<u>19,845</u>	<u>8,650</u>
Total	<u>83,093</u>	<u>111,512</u>	<u>93,028</u>
Electrocardiology			
Inpatient	66,690	90,623	165,309
Outpatient	69,478	92,616	131,813
Swing bed	1,054	232	1,551
Senior care	<u>3,998</u>	<u>6,602</u>	<u>10,370</u>
Total	<u>141,220</u>	<u>190,073</u>	<u>309,043</u>
Central supply			
Inpatient	126,829	169,648	203,324
Outpatient	275,807	293,156	278,316
Swing bed	8,853	8,585	12,323
Senior care	<u>1,043</u>	<u>1,263</u>	<u>732</u>
Total	\$ <u>412,532</u>	\$ <u>472,652</u>	\$ <u>494,695</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>2007</u>	<u>2006</u>	<u>2005</u>
Pharmacy			
Inpatient	\$ 1,679,784	\$ 1,991,973	\$ 2,233,060
Outpatient	447,296	395,162	388,182
Swing bed	320,515	241,992	229,772
Senior care	<u>86,864</u>	<u>118,492</u>	<u>109,572</u>
 Total	 <u>2,534,459</u>	 <u>2,747,619</u>	 <u>2,960,586</u>
 Cardiac rehab			
Outpatient	<u>-0-</u>	<u>(30)</u>	<u>10,605</u>
 Psychiatric therapy			
Outpatient	<u>350</u>	<u>-0-</u>	<u>68,000</u>
 Emergency room			
Inpatient	366,239	514,065	460,759
Outpatient	2,688,025	2,564,176	2,234,066
Swing bed	1,025	1,075	300
Senior care	<u>3,010</u>	<u>1,119</u>	<u>665</u>
 Total	 <u>3,058,299</u>	 <u>3,080,435</u>	 <u>2,695,790</u>
 Observation			
Outpatient	<u>176,686</u>	<u>57,196</u>	<u>26,111</u>
 Rural health clinic			
Outpatient	<u>3,273,661</u>	<u>3,353,205</u>	<u>3,110,227</u>
 Hospital physician			
Clinic	\$ <u>378,155</u>	\$ <u>535,565</u>	\$ <u>851,406</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>2007</u>	<u>2006</u>	<u>2005</u>
Other professional services			
Inpatient	\$ 5,396,982	\$ 6,738,820	\$ 7,661,929
Outpatient	9,617,806	7,726,432	6,972,790
Clinics	3,651,816	3,888,770	3,961,633
Swing bed	772,840	583,860	595,592
Senior care	<u>202,084</u>	<u>264,564</u>	<u>219,725</u>
Total Other Professional Services	<u>19,641,528</u>	<u>19,202,446</u>	<u>19,411,669</u>
Gross Patient Service Charges	<u>21,875,014</u>	<u>21,864,861</u>	<u>22,233,303</u>
Allowances and Uncollectibles:			
Contractual adjustments	8,186,670	7,844,166	8,531,549
Provision for bad debts	2,124,268	2,245,345	1,983,292
Discounts	39,248	34,112	37,714
Uncompensated care reimbursement	<u>(1,549,994)</u>	<u>(1,286,453)</u>	<u>(797,183)</u>
Total Allowances and Uncollectibles	<u>8,800,192</u>	<u>8,837,170</u>	<u>9,755,372</u>
Net Patient Service Revenue	\$ <u>13,074,822</u>	\$ <u>13,027,691</u>	\$ <u>12,477,931</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>2007</u>	<u>2006</u>	<u>2005</u>
Cafeteria	\$ 29,804	\$ 38,597	\$ 34,123
Medical records	1,558	1,198	1,450
Vending machines	9,353	7,999	8,964
Rentals	43,622	45,940	75,806
Pharmacy sales to employees	28,461	38,491	39,383
Joint venture income	97,952	96,192	36,577
Miscellaneous	<u>20,629</u>	<u>68,653</u>	<u>34,346</u>
 Total Other Operating Revenue	 \$ <u>231,379</u>	 \$ <u>297,070</u>	 \$ <u>230,649</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>2007</u>	<u>2006</u>	<u>2005</u>
Administrative and general	\$ 743,615	\$ 730,992	\$ 729,421
Plant operations and maintenance	105,879	124,705	117,084
Housekeeping	189,440	213,850	145,367
Dietary and cafeteria	144,477	161,916	150,313
Nursing administration	63,944	64,543	69,609
Central supply	43,446	58,726	65,816
Pharmacy	207,478	245,029	239,132
Medical records	74,071	77,415	78,214
Nursing services	1,206,870	1,326,457	1,265,517
Intensive care unit	320,527	283,331	327,234
Senior care unit	277,236	354,832	283,167
Operating room	222,470	247,741	225,202
Anesthesia	9,750	-0-	-0-
Radiology	391,355	363,065	342,845
Respiratory therapy	324,836	330,005	262,442
Occupational therapy	14,901	-0-	-0-
EKG and EEG	20,525	24,339	22,673
Cardiac rehab	-0-	-0-	20,671
Psychiatric therapy	-0-	-0-	16,033
Emergency room	537,455	560,419	482,708
Rural health clinic	647,895	679,933	541,605
Physician clinic	163,425	246,464	451,824
	<u>5,709,595</u>	<u>6,093,762</u>	<u>5,836,877</u>
Total Salaries			
Payroll taxes	95,131	123,232	95,579
Hospitalization insurance	632,084	733,438	749,767
Retirement	341,309	330,545	349,492
Other	4,130	5,809	1,200
	<u>1,072,654</u>	<u>1,193,024</u>	<u>1,196,038</u>
Total Benefits			
Total Salaries and Benefits	\$ <u>6,782,249</u>	\$ <u>7,286,786</u>	\$ <u>7,032,915</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>2007</u>	<u>2006</u>	<u>2005</u>
Medical records	\$ 9,924	\$ 11,301	\$ 2,190
Senior care unit	-0-	-0-	200
Operating room	64,615	967	4,078
Anesthesiology	169,583	190,360	185,000
Radiology	18,242	519	-0-
Laboratory	741,756	721,014	741,885
Respiratory therapy	-0-	-0-	2,475
Occupational therapy	21,126	30,538	40,094
EKG	21,720	17,715	12,500
Cardiac rehab	-0-	-0-	2,000
Psychiatric services	-0-	-0-	5,200
Emergency room	662,407	701,372	603,309
Rural health clinic	<u>802,544</u>	<u>902,698</u>	<u>747,751</u>
Total Professional Fees	\$ <u>2,511,917</u>	\$ <u>2,576,484</u>	\$ <u>2,346,682</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>2007</u>	<u>2006</u>	<u>2005</u>
Management fees	\$ 406,928	\$ 549,838	\$ 672,369
Contract services	362,171	518,232	576,523
Legal and accounting	170,152	218,724	45,127
Supplies	911,776	1,096,773	1,123,190
Repairs and maintenance	259,149	246,325	270,670
Utilities	257,279	211,565	201,505
Telephone	66,093	127,278	124,226
Travel, other	46,328	30,530	30,772
Rentals	149,318	140,239	170,855
Education	49,150	25,955	15,182
Recruitment and advertising	18,863	26,429	26,841
Dues and subscriptions	85,364	81,016	24,058
Miscellaneous	<u>38,401</u>	<u>1,187</u>	<u>581</u>
 Total Other Expenses	 \$ <u>2,820,972</u>	 \$ <u>3,274,091</u>	 \$ <u>3,281,899</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>BEGAN</u>	<u>ENDING</u>			
Mr. Moses Wilkins	12/21/93	12/05/07	NONE	NONE	NONE
Mr. Oliver Holland	04/18/89	08/01/09	NONE	NONE	NONE
Mr. Lee McDonald	12/05/01	12/05/07	NONE	NONE	NONE
Mr. Grover Burgess	08/02/04	05/07/07	NONE	NONE	N/A
Mrs. Janet Cheek	02/07/05	02/05/07	N/A	NONE	N/A
Dr. Ronald Hubbard	05/02/05	08/07/06	N/A	NONE	N/A
Dr. Lester Johnson	08/07/06	05/02/08	NONE	N/A	N/A
Mr. Eric Silk	02/05/07	02/05/13	NONE	N/A	N/A
Mr. Ernest Greer	05/07/07	05/07/13	NONE	N/A	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, 2007, 2006, and 2005, and have issued our report thereon dated February 21, 2008. 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: 2007-01 and 2007-02.

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 instances 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

February 21, 2008



RICHARDSON MEDICAL CENTER
MANAGEMENT RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2007

Current Year Findings:

Internal Control

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.

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.



RICHARDSON MEDICAL CENTER
MANAGEMENT RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2007

Prior Year Findings:

Internal Controls

2006-01

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: Signature cards for all Hospital accounts have been updated.

Resolution: This matter has been resolved

2006-02

Finding: While testing expense accounts, we noted that some vendor expenses were inconsistently coded to different expense accounts.

Recommendation: We suggest training the staff on proper coding of invoices. Additionally, management should review the financials for consistency in order to provide accurate financial statements to the Board for decision making.

Management's Response: The accounting staff has been instructed as to the importance of coding vendor expenses consistently to the correct general ledger accounts. A listing of recurring expenses is now used to assist with this task. In addition, the controller reviews all invoices for expense coding.

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 2007 balance is \$272,324.



RICHARDSON MEDICAL CENTER
MANAGEMENT RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2007

Prior Year Findings (Continued):

Internal Controls (Continued)

2004-02

Finding: We noted that various accounts were not reconciled in a timely manner during the fiscal year.

Recommendation: We recommend reconciling accounts on a monthly basis in order to provide accurate reporting of financial information.

Management's Response: Reconciliations will be provided on a monthly basis in a timely manner.

Resolution: This matter has been resolved.

2004-03

Finding: The Hospital did not maintain Medicare and Medicaid logs to support charges, payments, or statistical information needed in order to file a complete and accurate Medicare and Medicaid cost report.

Recommendation: The Hospital should maintain Medicare and Medicaid cost report logs on a monthly basis

Management's Response: Medicare and Medicaid cost report logs will be maintained on a monthly basis.

Resolution: This matter has been resolved.

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, 2007

Prior Year Findings (Continued):

Compliance

2006-01

Finding: The Hospital's Medicare bad debt list contained write-offs of approximately \$37,000 that did not meet the 120 day criteria. The Medicare reimbursement would have been approximately \$27,000 if the Hospital were able to claim these bad debts.

Recommendation: We recommend that the staff review the criteria for a Medicare write-off and follow the guidelines.

Management's Response: The staff will be reminded of the Medicare requirements to qualify for reimbursement. The controller will periodically review the bad debt log to ensure the criteria are followed.

Resolution: This matter has not been resolved. The Hospital's Medicare bad debt list for FY 2007 contained write-offs of approximately \$16,000 that did not meet the 120 day criteria.

Management Comments

2006-01

Finding: Management did not acquire billing numbers for Richland Open MRI, LLC. Without the billing numbers, the Company has been unable to collect from third party payors.

Recommendation: We recommend obtaining all billing numbers as soon as possible.

Management's Response: This matter has been resolved.

2006-02

Finding: During the year ended September 30, 2006, the Hospital acquired note obligations from a local bank for renovation, equipment and operating purposes. The new debts of \$1,149,596 are all due within one year.

Recommendation: We recommend obtaining long-term financing, since the Hospital is unable to pay the debt within one year.

Management's Response: The notes were set up on a one year maturing until the total amount was determined; thereafter the lending bank is to refinance the debt with a seven to ten year payout.

Resolution: This matter has been resolved.



RICHARDSON MEDICAL CENTER
MANAGEMENT RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2007

Prior Year Findings (Continued):

Management Comments (Continued)

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: This matter has not been resolved.

2004-01

Finding: The Hospital reported a substantial loss during the fiscal year ended September 30, 2004. The loss was mostly attributable to an increase in spending.

Recommendation: We recommend reviewing expenses and related revenues to determine where efficiencies can be attained and profitability is maximized

Management's Response: The Hospital has made reductions in expenses and is continuing to make additional reductions.

Resolution: This matter has been resolved.

