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PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
"RIVERLAND MEDICAL CENTER"
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

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TABLE OF CONTENTS

PAGE NO.

Independent Auditors' Report on the Financial Statements and Supplementary Information	1
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General Purpose Financial Statements

Balance Sheets - Unrestricted Fund	3
Statements of Operations - Unrestricted Fund	4
Statements of Changes in Fund Balances	5
Statements of Cash Flows - Unrestricted Fund	6
Notes to Financial Statements	8

Supplemental Information

Schedules of Patient Statistics	21
Schedules of Net Patient Service Revenue	22
Schedules of Deductions from Revenue	26
Schedules of Other Revenue	27
Schedules of Expenses - Salaries and Benefits	28
Schedules of Expenses - Medical Supplies and Drugs	29
Schedules of Expenses - Professional Fees	30
Schedules of Expenses - Other Expenses	31
Schedules of Per Diem and Other Compensation Paid to Board Members	32

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Conducted in Accordance with GOVERNMENT AUDITING STANDARDS	33
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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Parishwide Hospital Service District
of the Parish of Concordia,
State of Louisiana
("Riverland Medical Center")
Ferriday, Louisiana

We have audited the accompanying general purpose financial statements of Parishwide Hospital Service District of the Parish of Concordia, State of Louisiana, Riverland Medical Center (the Hospital), a component unit of the Concordia Parish Police Jury, as of and for the years ended September 30, 1999, 1998 and 1997, listed in the foregoing table of contents. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Parishwide Hospital Service District, Parish of Concordia, as of September 30, 1999, 1998 and 1997, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles applicable to government entities.

In accordance with Government Auditing Standards, we have also issued a report dated January 11, 2000, on our consideration of the Hospital's internal control structure and on its compliance with laws and regulations.

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

Board of Commissioners
Parishwide Hospital Service District
of the Parish of Concordia, State of Louisiana
Page Two

The Hospital has not presented the disclosures required by Governmental Accounting Standards Board Technical Bulletin 98-1, "Disclosures about Year 2000 Issues," as amended by Governmental Accounting Standards Board Technical Bulletin 99-1, that the Governmental Accounting Standards Board has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the Hospital is or will become Year 2000 compliant; whole or in part; or that parties with which the Hospital does business are or will become 2000 compliant.

Lester, Miller & Wells

Certified Public Accountants

January 11, 2000

RIVERLAND MEDICAL CENTER
BALANCE SHEETS - UNRESTRICTED FUND
SEPTEMBER 30, 1999, 1998 AND 1997

ASSETS	1999	1998	1997
Current assets:			
Cash and cash equivalents (Note 3)	\$ 349,746	\$ 458,617	\$ 1,334,194
Accounts receivable, net of estimated uncollectibles (Note 5)	3,303,416	2,732,228	2,128,290
Inventory	351,597	375,026	443,334
Prepaid expenses	87,065	88,415	79,523
Other receivables	<u>15,119</u>	<u>3,247</u>	<u>15,686</u>
Total current assets	<u>4,106,943</u>	<u>3,657,533</u>	<u>4,001,027</u>
Property, plant and equipment, net (Note 6)	3,803,418	4,150,962	4,605,120
Other assets (Note 7)	<u>180,700</u>	<u>182,194</u>	<u>152,214</u>
Total assets	<u>\$ 8,091,061</u>	<u>\$ 7,990,689</u>	<u>\$ 8,758,361</u>
LIABILITIES AND FUND BALANCE			
Current liabilities:			
Accounts payable	\$ 315,078	\$ 243,732	\$ 419,063
Accrued expenses and withholdings payable (Note 8)	655,701	704,544	734,143
Estimated third party payor settlements	269,701	509,309	307,672
Unearned revenue	-0-	-0-	700
Current maturities of long-term debt	<u>265,365</u>	<u>342,203</u>	<u>421,465</u>
Total current liabilities	<u>1,505,845</u>	<u>1,799,788</u>	<u>1,883,043</u>
Long-term debt, net of current maturities (Note 11)	<u>449,731</u>	<u>638,825</u>	<u>821,417</u>
Total liabilities	<u>1,955,576</u>	<u>2,438,613</u>	<u>2,704,460</u>
Fund balance - unrestricted	<u>6,135,485</u>	<u>5,552,076</u>	<u>6,053,901</u>
Total liabilities and fund balance	<u>\$ 8,091,061</u>	<u>\$ 7,990,689</u>	<u>\$ 8,758,361</u>

See accompanying notes to financial statements.

RIVERLAND MEDICAL CENTER
STATEMENTS OF OPERATIONS - UNRESTRICTED FUND
YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Revenue:			
Net patient service revenue	\$ 13,279,175	\$ 11,482,553	\$ 11,259,172
Sales tax revenue (Note 15)	373,649	362,755	375,828
Contributions	-0-	-0-	187
Gain (loss) on disposal of assets	5,170	28,303	(5,864)
Grant revenue (Note 19)	-0-	-0-	25,000
Other revenue	<u>124,879</u>	<u>155,018</u>	<u>154,989</u>
 Total revenue	 <u>13,782,873</u>	 <u>12,028,629</u>	 <u>11,809,312</u>
Expenses:			
Salaries and benefits	5,623,615	5,714,406	5,619,994
Medical supplies and drugs	1,892,978	1,482,401	1,513,019
Professional fees	1,320,615	1,501,232	1,519,265
Other expenses	1,686,921	1,630,371	1,497,949
Lease expense	92,314	92,736	106,600
Insurance	116,085	188,934	208,692
Retirement	302,916	282,915	285,230
Interest	75,288	76,531	95,509
Depreciation and amortization	533,627	586,147	588,490
Provision for bad debts	<u>1,589,391</u>	<u>1,036,738</u>	<u>1,083,673</u>
 Total expenses	 <u>13,233,750</u>	 <u>12,592,411</u>	 <u>12,518,421</u>
 Operating income (loss)	 <u>549,123</u>	 <u>(563,782)</u>	 <u>(709,109)</u>
 Nonoperating income			
Interest income	<u>34,287</u>	<u>61,957</u>	<u>56,841</u>
 Excess of expenses over revenues before discontinued operations	 <u>583,410</u>	 <u>(501,825)</u>	 <u>(652,268)</u>
Discontinued operations:			
Loss from operations of ambulances (Note 17)	-0-	-0-	(153,999)
Gain on disposal of assets (Note 17)	<u>-0-</u>	<u>-0-</u>	<u>(13,817)</u>
 Excess of expenses over revenues	 <u>\$ 583,410</u>	 <u>\$ (501,825)</u>	 <u>\$ (820,084)</u>

See accompanying notes to financial statements.

RIVERLAND MEDICAL CENTER
 STATEMENTS OF CHANGES IN FUND BALANCES
 YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

	<u>Unrestricted Enterprise Fund</u>
Fund balance, September 30, 1996	\$ 6,873,985
Excess of expenses over revenues	<u>(820,084)</u>
Fund balance, September 30, 1997	6,053,901
Excess of expenses over revenues	<u>(501,825)</u>
Fund balance, September 30, 1998	5,552,076
Excess of expenses over revenues	<u>583,410</u>
Fund balance, September 30, 1999	<u>\$ 6,135,485</u>

COMPOSITION OF FUND BALANCE AT SEPTEMBER 30, 1999:

Transfer of hospital assets from Concordia Parish Police Jury (Note 6)	\$ 1,324,948
Transfer of ambulance assets from Concordia Parish Police Jury	64,459
Gifts and bequests	104,032
Accumulated excess of revenues over expenses	<u>4,642,046</u>
Total fund balance	<u>\$ 6,135,485</u>

See accompanying notes to financial statements.

RIVERLAND MEDICAL CENTER
STATEMENTS OF CASH FLOWS - UNRESTRICTED FUND
YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

	1999	1998	1997
Cash flows from operating activities:			
Operating income (loss)	\$ 549,123	\$ (563,782)	\$ (709,109)
Loss on discontinued operations	-0-	-0-	(167,816)
Interest expense considered capital financing activity	75,288	76,531	93,785
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	532,615	585,415	623,380
Amortization	1,012	1,012	1,012
Student loan amortization	-0-	-0-	17,250
Provision for bad debt	1,589,391	1,037,201	1,083,673
(Gain) loss on disposal of assets	(5,170)	(28,303)	(6,495)
Donated equipment	-0-	-0-	8,288
(Increase) decrease in:			
Net patient accounts receivable	(2,160,579)	(1,641,139)	(1,311,907)
Estimated third party payor settlements	(239,608)	201,637	1,467,035
Inventory	23,429	68,308	113,303
Prepaid expenses	1,350	(8,892)	27,844
Other receivables	(11,872)	12,439	(11,518)
Increase (decrease) in:			
Accounts payable	71,346	(175,331)	16,035
Accrued expenses and withholdings payable	(48,843)	(29,599)	4,296
Unearned revenue	-0-	(700)	700
Net cash provided (used) by operating activities	<u>377,482</u>	<u>(465,203)</u>	<u>1,249,756</u>
Cash flows from investing activities:			
Loans to students	-0-	(31,000)	(24,130)
Payments received on loans	482	-0-	7,864
Investment income	<u>34,287</u>	<u>61,957</u>	<u>56,841</u>
Net cash provided by investing activities	<u>\$ 34,769</u>	<u>\$ 30,957</u>	<u>\$ 40,575</u>

See accompanying notes to financial statements.

RIVERLAND MEDICAL CENTER
STATEMENTS OF CASH FLOWS (Continued)
UNRESTRICTED FUND
YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Cash flows from capital and related financing activities:			
Purchase of property and equipment	\$ (192,347)	\$ (148,351)	\$ (262,195)
Proceeds from sales of capital assets	12,445	45,405	100,221
Payments on long-term debt	(265,932)	(261,854)	(317,897)
Interest paid on long-term debt	<u>(75,288)</u>	<u>(76,531)</u>	<u>(93,785)</u>
Net cash used by capital and related financing activities	<u>(521,122)</u>	<u>(441,331)</u>	<u>(573,656)</u>
Net increase (decrease) in cash and cash equivalents	(108,871)	(875,577)	716,675
Cash and cash equivalents, beginning of year	<u>458,617</u>	<u>1,334,194</u>	<u>617,519</u>
Cash and cash equivalents, end of year	<u>\$ 349,746</u>	<u>\$ 458,617</u>	<u>\$ 1,334,194</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	<u>\$ 75,288</u>	<u>\$ 76,531</u>	<u>\$ 97,333</u>
Capital lease obligations incurred in conjunction with equipment lease acquisition agreements	<u>\$ 12,587</u>	<u>\$ 34,538</u>	<u>\$ 138,604</u>

See accompanying notes to financial statements.

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Parishwide Hospital Service District of the Parish of Concordia, State of Louisiana (referred to as "the District") was created by an ordinance of the Concordia Parish Police Jury on April 26, 1961, and was referred to as Concordia Parish Hospital until January 13, 1986, when the name was changed to Riverland Medical Center.

The District is a political subdivision of the Concordia Parish Police Jury whose jurors are elected officials. Its commissioners are appointed by the Concordia Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Concordia Parish Police Jury is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the Concordia 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 District and do not present information on the police jury, the general governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

Nature of Business

The District provides outpatient, emergency, inpatient acute hospital services, clinic and home health services. The ambulance services were discontinued as of March 31, 1997.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Enterprise Fund

Enterprise funds are used to account for operations (a) 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, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting for Governmental Fund Types

Donor-restricted funds are used to differentiate resources, the use of which is restricted by donors or grantors, from resources of enterprise funds on which donors or grantors place no restriction or that arise as a result of the operations of the hospital for its stated purposes. Restricted gifts and other restricted resources are recorded as additions to the appropriate restricted fund. Resources restricted by donors or grantors for specific operating purposes are reported in the specific purpose fund when received and in the enterprise fund non-operating gains to the extent used within the period.

Method of Accounting

Hospital 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, the Audit and Accounting Guide - Health Care Organizations, published by the American Institute of Certified Public Accountants, and standards set by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Charity Care

The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Income Taxes

The entity is a political subdivision and exempt from taxation.

Uncollectible Accounts

The District's estimate of collectibility is based on an evaluation of historical collections compared to gross revenues to establish an allowance for uncollectible accounts.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

RIVERLAND MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist primarily of deposits in checking, money market and certificates of deposits with original maturities of 90 days or less. The following is a summary of cash and cash equivalents:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Petty cash	\$ 864	\$ 864	\$ 864
Checking and savings	187,722	38,270	231,630
Certificates of deposit	<u>161,160</u>	<u>419,483</u>	<u>1,101,700</u>
Total	<u>\$ 349,746</u>	<u>\$ 458,617</u>	<u>\$ 1,334,194</u>

Deposits with financial institutions are fully covered either by FDIC or by pledged securities.

NOTE 4 - INVESTMENTS

The District considers certificates of deposit with original maturities in excess of 90 days to be temporary cash investments.

NOTE 5 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Net patient accounts receivable	\$ 4,838,493	\$ 4,208,228	\$ 3,398,290
Estimated uncollectibles	<u>(1,535,077)</u>	<u>(1,476,000)</u>	<u>(1,270,000)</u>
Total	<u>\$ 3,303,416</u>	<u>\$ 2,732,228</u>	<u>\$ 2,128,290</u>

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

NOTE 5 - ACCOUNTS RECEIVABLE (Continued)

The District generates a substantial portion of its charges from the Medicare and Medicaid programs at discounted rates. A summary of gross Medicare and Medicaid charges for the years ended September 30, 1999, 1998 and 1997, follows:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Medicare patients	\$ 10,292,424	\$ 10,847,238	\$ 11,088,631
Medicaid patients	<u>4,655,697</u>	<u>3,700,425</u>	<u>4,657,563</u>
Total	<u>\$ 14,948,121</u>	<u>\$ 14,547,663</u>	<u>\$ 15,746,194</u>
Percent of all patients	<u>66%</u>	<u>73%</u>	<u>83%</u>

Since the District serves a disproportionate share of low-income patients, it qualified for Medicare and Medicaid Disproportionate Share (DSH) reimbursement during 1999, 1998 and 1997.

The following Disproportionate Share reimbursement was included in income for each of these years.

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Medicare	\$ 132,598	\$ 137,431	\$ 113,569
Medicaid	<u>934,772</u>	<u>545,113</u>	<u>524,683</u>
Total	<u>\$ 1,067,370</u>	<u>\$ 682,544</u>	<u>\$ 638,252</u>

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended September 30, 1999:

	<u>ASSET COST</u>			
	<u>September 30, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 1999</u>
Land	\$ 117,400	\$ -0-	\$ -0-	\$ 117,400
Land Improvements	138,931	-0-	-0-	138,931
Leasehold improvements	38,577	-0-	-0-	38,577
Buildings and fixed equipment	4,593,856	-0-	4,689	4,589,167
Major moveable equipment	5,090,587	192,346	-0-	5,282,933
Construction in progress	<u>5,426</u>	<u>-0-</u>	<u>5,426</u>	<u>-0-</u>
Total	<u>\$ 9,984,777</u>	<u>\$ 192,346</u>	<u>\$ 10,115</u>	<u>\$10,167,008</u>

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	<u>ACCUMULATED DEPRECIATION</u>			
	<u>September 30, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 1999</u>
Land improvements	\$ 87,568	\$ 10,695	\$ -0-	\$ 98,263
Leasehold improvements	17,576	7,558	-0-	25,134
Buildings and fixed equipment	2,039,422	119,852	2,839	2,156,433
Major moveable equipment	<u>3,689,249</u>	<u>394,511</u>	<u>-0-</u>	<u>4,083,760</u>
Total	<u>\$ 5,833,815</u>	<u>\$ 532,616</u>	<u>\$ 2,839</u>	<u>\$ 6,363,590</u>

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended September 30, 1998:

	<u>ASSET COST</u>			
	<u>September 30, 1997</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 1998</u>
Land	\$ 117,400	\$ -0-	\$ -0-	\$ 117,400
Land improvements	138,931	-0-	-0-	138,931
Leasehold improvements	38,577	-0-	-0-	38,577
Buildings and fixed equipment	4,590,071	3,785	-0-	4,593,856
Major moveable equipment	5,096,045	144,380	149,838	5,090,587
Construction in progress	<u>5,426</u>	<u>-0-</u>	<u>-0-</u>	<u>5,426</u>
Total	<u>\$ 9,986,450</u>	<u>\$ 148,165</u>	<u>\$ 149,838</u>	<u>\$ 9,984,777</u>

	<u>ACCUMULATED DEPRECIATION</u>			
	<u>September 30, 1997</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 1998</u>
Land improvements	\$ 74,419	\$ 13,149	\$ -0-	\$ 87,568
Leasehold improvements	10,019	7,557	-0-	17,576
Buildings and fixed equipment	1,915,192	124,230	-0-	2,039,422
Major moveable equipment	<u>3,381,700</u>	<u>440,200</u>	<u>132,651</u>	<u>3,689,249</u>
Total	<u>\$ 5,381,330</u>	<u>\$ 585,136</u>	<u>\$ 132,651</u>	<u>\$ 5,833,815</u>

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended September 30, 1997:

	<u>ASSET COST</u>			
	September 30, <u>1996</u>	<u>Additions</u>	<u>Deletions</u>	September 30, <u>1997</u>
Land	\$ 117,400	\$ -0-	\$ -0-	\$ 117,400
Land improvements	138,931	-0-	-0-	138,931
Leasehold improvements	38,577	-0-	-0-	38,577
Buildings and fixed equipment	4,547,368	51,148	8,445	4,590,071
Major moveable equipment	5,059,164	357,081	320,200	5,096,045
Construction in progress	<u>-0-</u>	<u>5,426</u>	<u>-0-</u>	<u>5,426</u>
Total	<u>\$ 9,901,440</u>	<u>\$ 413,655</u>	<u>\$ 328,645</u>	<u>\$ 9,986,450</u>

	<u>ACCUMULATED DEPRECIATION</u>			
	September 30, <u>1996</u>	<u>Additions</u>	<u>Deletions</u>	September 30, <u>1997</u>
Land improvements	\$ 61,169	\$ 13,250	\$ -0-	\$ 74,419
Leasehold improvements	2,461	7,558	-0-	10,019
Buildings and fixed equipment	1,794,095	123,277	2,180	1,915,192
Major moveable equipment	<u>3,114,000</u>	<u>479,295</u>	<u>211,595</u>	<u>3,381,700</u>
Total	<u>\$ 4,971,725</u>	<u>\$ 623,380</u>	<u>\$ 213,775</u>	<u>\$ 5,381,330</u>

The hospital facility was originally built by the Concordia Parish Police Jury which issued ad valorem tax bonds to finance its construction. The facility assets were transferred to the District's financial statements with corresponding increases in fund balance.

Property, plant and equipment includes fully depreciated assets which are still in service in the amount of \$2,963,701, \$2,343,887 and \$2,119,471 for 1999, 1998 and 1997, respectively.

RIVERLAND MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT (Continued)

These assets were obtained in part with funds from a Hill-Burton program grant of \$675,843. The Hill-Burton program has the ability to recapture a portion of that grant should the facility be taken out of service or if used by an unqualified recipient.

A summary of assets held under capital leases, which are included in property, plant and equipment, at September 30 follows:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Equipment	\$ 1,254,748	\$ 1,254,748	\$ 1,242,205
Accumulated depreciation	<u>(921,208)</u>	<u>(744,268)</u>	<u>(529,422)</u>
Total	<u>\$ 333,540</u>	<u>\$ 510,480</u>	<u>\$ 712,783</u>

NOTE 7 - OTHER ASSETS

Other assets consist of the following:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Notes receivable from medical students and doctors less estimated uncollectibles	\$ 167,062	\$ 167,063	\$ 136,062
Notes receivable from nursing students	8,748	9,230	9,239
Unamortized bond issue cost	<u>4,890</u>	<u>5,901</u>	<u>6,913</u>
Total	<u>\$ 180,700</u>	<u>\$ 182,194</u>	<u>\$ 152,214</u>

NOTE 8 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

Accrued expenses and withholdings payable at September 30, 1999, 1998 and 1997, consist of the following:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
State and federal taxes payable	\$ 4,869	\$ 7,756	\$ 18,252
Accrued interest payable - equipment	4,025	4,025	4,025
Accrued salaries and fees payable	74,802	205,306	202,487
Accrued compensated absences	265,984	234,307	236,265
Payroll withholdings payable	120,276	76,279	89,407
Louisiana mandated service charge	174	153	34
Vested sick pay payable	<u>185,571</u>	<u>176,718</u>	<u>183,673</u>
Total	<u>\$ 655,701</u>	<u>\$ 704,544</u>	<u>\$ 734,143</u>

RIVERLAND MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

NOTE 9 - COMPENSATED ABSENCES

Employees of the District are entitled to paid vacation and sick days depending on job classification, length of service and other factors. It is impracticable to estimate the amount of accrued compensation for future unvested sick days and, accordingly, no liability has been recorded in the accompanying financial statements. However, vested vacation and vested sick pay for employees with over ten years of service and paid days off have been recorded as liabilities in the accompanying financial statements at employee earning rates in effect at the balance sheet date.

NOTE 10 - PENSION PLAN

The District administers and is trustee of a qualified defined contribution plan, Riverland Medical Center Money Purchase Pension Plan. An employee is 100% vested upon entry to the plan with retirement age being age 59 1/2. Plan benefits include death and disability provisions and choice of four payment choices upon retirement. Plan provisions may be amended by the plan trustee. The District contributes 6% of salaries to the plan. Pension expense charged to operations was \$302,916, \$282,915 and \$301,864 in 1999, 1998 and 1997, respectively. Employee contributions for fiscal year 1999 are summarized below:

	<u>Amount</u>	<u>Percentage</u>
Employee Mandatory Contributions	\$267,872	6%
Employee Voluntary Contributions	44,244	14% limit

NOTE 11 - LONG-TERM DEBT

The following is a summary of long-term debt, including capital lease obligations, at September 30, 1999, 1998 and 1997:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
6.0 percent Series 1994 Certificates of Indebtedness, due November 1, 2004, collateralized by a pledge and dedication of the District's excess annual revenues over expenses	\$ 451,017	\$ 530,548	\$ 605,459
Capital obligations at varying rates of imputed interest from 7.2 percent to 18.9 percent collateralized by leased equipment	<u>264,079</u>	<u>450,480</u>	<u>637,423</u>
Total long-term debt	715,096	981,028	1,242,882
Less current maturities of long-term debt	<u>265,365</u>	<u>342,203</u>	<u>421,465</u>
Long-term maturities	<u>\$ 449,731</u>	<u>\$ 638,825</u>	<u>\$ 821,417</u>

RIVERLAND MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

NOTE 11 - LONG-TERM DEBT (Continued)

Certificates of Indebtedness were issued to construct a new ICU wing. The District made an agreement with the certificate holders to pay the certificates off early by making monthly payments of \$9,100 for 117 months, with final payment due August, 2004.

Scheduled principal repayments on long-term debt and payments on capital lease obligations over the next five years are as follows:

Year ending September 30,	Certificates of Indebtedness	Capital Lease Obligations	Total
2000	\$ 109,200	\$ 157,177	\$ 266,377
2001	109,200	114,233	223,433
2002	109,200	28,231	137,431
2003	109,200	-0-	109,200
2004	<u>82,776</u>	<u>-0-</u>	<u>82,776</u>
	519,576	299,641	819,217
Less amounts representing interest	<u>68,559</u>	<u>35,562</u>	<u>104,121</u>
Total	\$ <u>451,017</u>	\$ <u>264,079</u>	\$ <u>715,096</u>

NOTE 12 - OPERATING LEASES

The District leases various equipment and offices under operating leases expiring in various years through 2002. These leases are all cancelable with notice. Certain operating leases provide for renewal options for an indefinite period at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases.

NOTE 13 - NET PATIENT SERVICE REVENUE

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

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain outpatient services related to Medicare beneficiaries are paid based on a cost reimbursement methodology.

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

NOTE 13 - NET PATIENT SERVICE REVENUE (Continued)

The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the District. Home health is reimbursed based upon a cost reimbursement methodology which is subject to limits on a cost per visit basis. The District's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 1996.

Medicaid - Medicaid inpatient services are reimbursed based on a prospectively determined per diem rate. Medicaid outpatient services are reimbursed under a cost reimbursement methodology. Effective July 1995, Medicaid home health is reimbursed based upon prospectively determined rates. The District is reimbursed at a tentative rate for cost based services with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 1995.

Blue Cross - Inpatient services rendered to Blue Cross subscribers are reimbursed at prospectively determined rates per day of hospitalization. The prospectively determined per-diem rates are not subject to retroactive adjustment.

The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

NOTE 14 - PROFESSIONAL LIABILITY RISK

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

The District's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are redetermined utilizing actual losses of the District. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The District has included these allocations of income and equity in the trust in its financial statements.

RIVERLAND MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

NOTE 15 - SALES TAX REVENUE

During the year ended September 30, 1985, the voters of the District passed a one-fourth cent sales tax, which was renewed for an additional ten years in 1995. The sales tax is collected by the Concordia Parish School Board for a five percent collection fee.

NOTE 16 - SELF-FUNDED BENEFIT PLAN

The District maintains a self-funded medical/drug benefit plan. The District entered into an agreement on November 1, 1997, with Insurance Management Administrators of Louisiana, Inc. for supervision of the plan. The District purchases "excess" insurance coverage that provides for payment of claims over the \$27,500 specific deductible and \$972,500 maximum specific excess loss.

NOTE 17 - DISCONTINUED OPERATIONS

The District discontinued ambulance services on March 31, 1997. Two remaining ambulances were sold during 1998 with a gain of \$20,218. Ambulance assets were sold during 1997 resulting in a loss of \$13,817. The following is a summary of ambulance operations for 1999, 1998 and 1997:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Net ambulance revenue	\$ -0-	\$ -0-	\$ 453,525
Operating expenses	<u>-0-</u>	<u>-0-</u>	<u>607,524</u>
Loss from operations	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (153,999)</u>

NOTE 18 - CONTINGENCIES

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

The principal contingencies are described below:

Governmental Third Party Reimbursement Programs - The District 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 District entered into an agreement with a government agent allowing the agent access to the District'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 District. The amount of such adjustments cannot reasonably be determined.

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

NOTE 18 - CONTINGENCIES (Continued)

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

Workmen's Compensation Risk - The District participates in the Louisiana Hospital Association Self-Insurance Workmen's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. Accordingly, the District is contingently liable for assessments by the Louisiana Hospital Association Trust Fund. The trust fund is also a "Grantor Trust" and income and expenses are pro rated to member hospitals. The District included these allocations of income and equity in the trust in its financial statements.

Litigation and Other Matters - Various claims in the ordinary course of business are pending against the District. In the opinion of management and counsel, insurance is sufficient to cover adverse legal determinations in those cases where a liability can be measured.

Year 2000 Computer Risk - District management began to assess the impact of the year 2000 on various computers and equipment with computerized system dates, but is currently unable to estimate a liability. No provisions were included in these financial statements at September 30, 1999.

NOTE 19 - GRANT REVENUE

The District has been awarded various grants and have elected to recognize revenue from these grants as funds are disbursed. The District received an Emergency Services Grant of \$25,000 during fiscal year 1997.

NOTE 20 - CHARITY CARE

The District has a policy of providing charity care to indigent patients in emergency situations. The cost of free care provided is \$62,177, \$15,781 and \$32,433 for the respective fiscal years ended in 1999, 1998 and 1997.

SUPPLEMENTAL INFORMATION

RIVERLAND MEDICAL CENTER
SCHEDULES OF PATIENT STATISTICS
YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Number of hospital patient days of care			
Medicare	4,156	4,600	4,254
Medicaid	1,927	1,811	2,136
Other	<u>1,278</u>	<u>791</u>	<u>573</u>
Total	<u>7,361</u>	<u>7,202</u>	<u>6,963</u>
Number of hospital patient discharges			
Medicare	1,030	1,038	846
Medicaid	670	638	642
Other	<u>353</u>	<u>230</u>	<u>226</u>
Total	<u>2,053</u>	<u>1,906</u>	<u>1,714</u>
Average length of patient stay			
Medicare	4.0	4.4	5.0
Medicaid	2.9	2.8	3.3
Other	3.6	3.4	2.5
Total all patients	3.6	3.8	4.1
Number of surgical cases	<u>590</u>	<u>469</u>	<u>587</u>
Number of emergency room visits	<u>11,728</u>	<u>10,738</u>	<u>10,980</u>
Home health visits	<u>8,833</u>	<u>15,030</u>	<u>21,861</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

	1999	1998	1997
Daily Patient Services:			
Adult and pediatric	\$ 1,455,315	\$ 780,470	\$ 815,485
Intensive care	837,200	508,450	382,450
Nursery	<u>80,520</u>	<u>68,040</u>	<u>62,760</u>
Total daily patient services	<u>2,373,035</u>	<u>1,356,960</u>	<u>1,260,695</u>
Other Professional Services:			
Operating room			
Inpatient	220,425	167,731	145,210
Outpatient	<u>333,155</u>	<u>253,215</u>	<u>272,460</u>
Total operating room	<u>553,580</u>	<u>420,946</u>	<u>417,670</u>
Recovery room			
Inpatient	90,675	72,000	74,095
Outpatient	<u>73,550</u>	<u>66,600</u>	<u>70,140</u>
Total recovery room	<u>164,225</u>	<u>138,600</u>	<u>144,235</u>
Labor/delivery room			
Inpatient	<u>136,200</u>	<u>106,800</u>	<u>115,100</u>
Anesthesia			
Inpatient	287,392	148,436	113,782
Outpatient	<u>158,359</u>	<u>121,115</u>	<u>123,284</u>
Total anesthesia	<u>445,751</u>	<u>269,551</u>	<u>237,066</u>
Radiology			
Inpatient	812,676	859,174	668,298
Outpatient	<u>1,742,865</u>	<u>1,533,422</u>	<u>1,278,936</u>
Total radiology	<u>\$ 2,555,541</u>	<u>\$ 2,392,596</u>	<u>\$ 1,947,234</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

	1999	1998	1997
Laboratory			
Inpatient	\$ 1,744,007	\$ 1,543,205	\$ 1,330,335
Outpatient	<u>1,916,273</u>	<u>1,599,867</u>	<u>1,770,550</u>
Total laboratory	<u>3,660,280</u>	<u>3,143,072</u>	<u>3,100,885</u>
Blood			
Inpatient	33,526	37,030	35,937
Outpatient	<u>12,580</u>	<u>13,502</u>	<u>10,300</u>
Total blood	<u>46,106</u>	<u>50,532</u>	<u>46,237</u>
Respiratory care			
Inpatient	1,635,776	1,378,248	1,388,810
Outpatient	<u>250,394</u>	<u>157,097</u>	<u>160,513</u>
Total respiratory care	<u>1,886,170</u>	<u>1,535,345</u>	<u>1,549,323</u>
IV therapy			
Inpatient	1,541,024	1,522,689	1,535,599
Outpatient	<u>360,614</u>	<u>242,387</u>	<u>269,766</u>
Total IV therapy	<u>1,901,638</u>	<u>1,765,076</u>	<u>1,805,365</u>
Physical therapy			
Inpatient	39,522	45,683	44,629
Outpatient	<u>347,144</u>	<u>287,450</u>	<u>226,732</u>
Total physical therapy	<u>386,666</u>	<u>333,133</u>	<u>271,361</u>
EKG and EEG			
Inpatient	148,957	145,460	130,889
Outpatient	<u>144,924</u>	<u>121,827</u>	<u>126,705</u>
Total EKG and EEG	<u>\$ 293,881</u>	<u>\$ 267,287</u>	<u>\$ 257,594</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

	1999	1998	1997
Medical supply			
Inpatient	\$ 1,668,320	\$ 1,280,057	\$ 1,222,077
Outpatient	<u>1,157,967</u>	<u>933,697</u>	<u>944,202</u>
Total medical supply	<u>2,826,287</u>	<u>2,213,754</u>	<u>2,166,279</u>
Pharmacy			
Inpatient	1,723,700	1,418,151	1,250,626
Outpatient	<u>719,558</u>	<u>476,090</u>	<u>491,037</u>
Total pharmacy	<u>2,443,258</u>	<u>1,894,241</u>	<u>1,741,663</u>
Emergency room			
Inpatient	38,595	38,565	35,816
Outpatient	<u>282,570</u>	<u>262,830</u>	<u>274,220</u>
Total emergency room	<u>321,165</u>	<u>301,395</u>	<u>310,036</u>
Emergency room physician fees			
Inpatient	104,866	144,234	54,472
Outpatient	<u>697,598</u>	<u>870,892</u>	<u>544,588</u>
Total emergency room physician fees	<u>802,464</u>	<u>1,015,126</u>	<u>599,060</u>
Monitor			
Inpatient	448,938	391,510	325,556
Outpatient	<u>39,984</u>	<u>13,524</u>	<u>14,014</u>
Total monitor	<u>488,922</u>	<u>405,034</u>	<u>339,570</u>
Home health			
Skilled	405,600	461,500	666,900
Aide	359,701	763,072	1,438,571
Physical therapy	-0-	7,700	33,900
Occupational therapy	-0-	-0-	8,500
Speech therapy	-0-	-0-	5,400
Medical supplies	64,182	111,629	190,024
Pharmacy	11	106	3,280
DME	<u>-0-</u>	<u>-0-</u>	<u>14,345</u>
Total home health	<u>\$ 829,494</u>	<u>\$ 1,344,007</u>	<u>\$ 2,360,920</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

	1999	1998	1997
Cardiac rehab Outpatient	\$ <u>43,635</u>	\$ <u>56,981</u>	\$ <u>16,840</u>
Clinics			
Riverland	8,303	476,502	-0-
Ferriday #1	<u>453,934</u>	<u>459,228</u>	<u>235,531</u>
Total clinics	<u>462,237</u>	<u>935,730</u>	<u>235,531</u>
Total other professional services	20,247,500	18,589,206	17,661,969
Gross patient service revenue	22,620,535	19,946,166	18,922,664
Deductions from revenue	<u>9,341,360</u>	<u>8,463,613</u>	<u>7,663,492</u>
Net patient service revenue	<u>\$13,279,175</u>	<u>\$11,482,553</u>	<u>\$11,259,172</u>

RIVERLAND MEDICAL CENTER
 SCHEDULES OF DEDUCTIONS FROM REVENUE
 YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Medicare and Medicaid contractual adjustments	\$ 8,921,204	\$ 7,888,127	\$ 7,332,202
Uncompensated services	156,343	18,865	15,780
Other	<u>263,813</u>	<u>556,621</u>	<u>315,510</u>
 Total deductions from revenue	 <u>\$ 9,341,360</u>	 <u>\$ 8,463,613</u>	 <u>\$ 7,663,492</u>

RIVERLAND MEDICAL CENTER
 SCHEDULES OF OTHER REVENUE
 YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Meals sold to employees	\$ 40,478	\$ 60,024	\$ 57,217
Pay phone commissions	-0-	72	316
Vending machine commissions	2,441	2,811	2,840
Rental income	8,400	8,200	5,800
Miscellaneous revenue	<u>73,560</u>	<u>83,911</u>	<u>88,816</u>
 Total other operating revenue	 <u>\$ 124,879</u>	 <u>\$ 155,018</u>	 <u>\$ 154,989</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF EXPENSES - SALARIES AND BENEFITS
YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Administration	\$ 495,690	\$ 479,429	\$ 517,101
Plant operations and maintenance	189,741	186,128	170,822
Laundry	13,123	14,110	13,625
Housekeeping	126,953	125,263	141,399
Dietary and cafeteria	147,284	153,520	147,689
Medical records	105,184	93,899	97,306
Nursing services	804,444	864,358	1,110,453
Intensive care unit	565,585	461,752	325,422
Nursery	42,789	44,870	30,262
Operating room	136,598	148,853	145,402
Delivery room	247,172	176,460	223,029
Radiology	226,454	237,368	236,917
Laboratory	356,449	353,587	383,612
Respiratory therapy	265,575	256,491	299,291
Central supply	59,927	65,620	39,247
Pharmacy	139,504	57,665	-0-
Cardiac rehab	53,542	38,749	1,341
Emergency room	363,410	339,997	269,090
Home health Clinic	444,120	625,635	766,507
	<u>375,781</u>	<u>436,068</u>	<u>194,397</u>
 Total salaries	 <u>5,159,325</u>	 <u>5,159,822</u>	 <u>5,112,912</u>
 Social Security	 64,736	 61,611	 58,240
Hospital insurance	368,548	465,398	405,742
Other	<u>31,006</u>	<u>27,575</u>	<u>43,100</u>
 Total benefits	 <u>464,290</u>	 <u>554,584</u>	 <u>507,082</u>
 Total salaries and benefits	 <u>\$ 5,623,615</u>	 <u>\$ 5,714,406</u>	 <u>\$ 5,619,994</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF EXPENSES - MEDICAL SUPPLIES AND DRUGS
YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Nursing services	\$ 16,411	\$ 21,084	\$ 23,497
Intensive care unit	28,310	27,432	26,881
Nursery	12,374	8,562	6,838
Operating room	165,452	132,089	130,689
Delivery room	30,335	26,458	22,332
Anesthesiology	2,816	137	551
Radiology	81,329	80,455	86,450
Laboratory and blood	259,177	236,728	275,839
IV therapy	79,104	80,141	88,731
Respiratory therapy	43,994	38,992	37,342
Physical therapy	1,657	1,976	793
EEG	-0-	25	386
Central supply	425,001	269,617	305,506
Pharmacy	669,958	503,073	441,457
Cardiac rehab	1,145	517	(46)
Emergency room	53,427	36,536	35,601
Home health	3,969	7,644	17,227
Clinics	<u>18,519</u>	<u>10,935</u>	<u>12,945</u>
 Total medical supplies and drugs	 <u>\$ 1,892,978</u>	 <u>\$ 1,482,401</u>	 <u>\$ 1,513,019</u>

RIVERLAND MEDICAL CENTER
 SCHEDULES OF EXPENSES - PROFESSIONAL FEES
 YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Nursing services	\$ -0-	\$ 401	\$ 5,157
Operating room	65,000	65,000	45,000
Delivery room	-0-	4,000	-0-
Anesthesiology	58,420	58,636	56,200
Ultrasound	152,343	193,274	162,041
Laboratory	12,000	11,300	11,250
Physical therapy	195,197	187,063	190,814
Pharmacy	-0-	135,373	226,822
Emergency room	837,655	846,185	769,647
Home health	<u>-0-</u>	<u>-0-</u>	<u>52,334</u>
 Total professional fees	 <u>\$ 1,320,615</u>	 <u>\$ 1,501,232</u>	 <u>\$ 1,519,265</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF EXPENSES - OTHER EXPENSES
YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Contract services	\$ 245,670	\$ 212,676	\$ 108,482
Legal and accounting	65,864	51,725	53,413
Supplies	297,650	277,479	322,091
Repairs and maintenance	320,149	298,096	249,114
Utilities	213,544	199,854	174,799
Telephone	67,452	94,504	100,272
Travel	47,728	86,011	127,035
Rentals	130,850	107,015	110,385
Education	8,968	9,488	8,992
Advertising	46,925	56,207	63,626
Dues and subscriptions	43,202	34,139	36,410
Miscellaneous	<u>198,919</u>	<u>203,177</u>	<u>143,330</u>
 Total other expenses	 <u>\$ 1,686,921</u>	 <u>\$ 1,630,371</u>	 <u>\$ 1,497,949</u>

RIVERLAND MEDICAL CENTER
 SCHEDULES OF PER DIEM AND OTHER
 COMPENSATION PAID TO BOARD MEMBERS
 YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Board Members:			
Mr. William Latham	\$ -0-	\$ 125	\$ 300
Mr. Larry McManus	300	275	300
Mr. Theodore McCoy	300	275	300
Mr. Lynn White	300	250	300
Mr. Fred Butcher	300	275	300
Mrs. Rena Pitts	300	150	-0-
Mr. Ray King	200	275	300
Dr. Herman Gibson, Jr.	300	275	300
Ms. Carolyn Magoun	<u>100</u>	<u>-0-</u>	<u>-0-</u>
 Totals	 <u>\$ 2,100</u>	 <u>\$ 1,900</u>	 <u>\$ 2,100</u>

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

Paul G. Mathews, CPA
Melanie I. Sarver, CPA

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE
FINANCIAL STATEMENTS CONDUCTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Parishwide Hospital Service District of the
Parish of Concordia, State of Louisiana
("Riverland Medical Center")
Ferriday, Louisiana

We have audited the financial statements of the Parishwide Hospital Service District of the Parish of Concordia, Riverland Medical Center (the District or the Hospital) for the years ended September 30, 1999, 1998 and 1997, and have issued our report thereon dated January 11, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the district's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Board of Commissioners
Parishwide Hospital Service District
Parish of Concordia, State of Louisiana
Riverland Medical Center
Page Two

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



Certified Public Accountants

January 11, 2000

RIVERLAND MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 1999

GENERAL

We found that significant progress has been made in implementing the Auditors' Comments and Recommendations from the prior year. These comments and recommendations are made to help the Hospital improve its system of controls, remain in compliance with laws and regulations and to maximize reimbursements from governmental programs. We strongly recommend that action be taken on the remaining comments to achieve these goals.

MATERIAL WEAKNESSES

SUMMARY OF PRIOR YEAR FINDINGS

1. Accounts Receivable

Condition: Accounts receivable subsidiary listings for the home health, clinic, and student loans are not being reconciled to the general ledger. Significant year-end adjustments are needed to adjust the general ledger.

Recommendation: Implement procedures to reconcile subsidiary ledgers to the general ledger on a monthly basis.

Response: Hospital personnel are currently in the process of reconciling home health account balances to the general ledger. All accounts should be verified and balances reconciled to the general ledger within 60 days. Clinic accounts are reconciled monthly and the Financial Officer will reconcile all student loans.

Resolution: This matter is resolved.

2. Allowances for Medicare/Medicaid Contractual Adjustments & Bad Debts

Condition: Significant year-end audit adjustments were required for Medicare/Medicaid contractual allowances. The allowance for Medicare/Medicaid is a complex calculation with many different factors changing throughout the year.

Recommendation: We suggest that interim contractual allowance percentages be reviewed and updated periodically based on updated payment information from the fiscal intermediaries, as well as changes in reimbursable cost.

Response: The accounting firm of Lester, Miller & Wells will prepare a periodic update of contractual allowances.

Resolution: This matter is resolved.

RIVERLAND MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 1999

MATERIAL WEAKNESSES (Continued)

3. System Controls

Condition: Back-up computer files are stored on-site. Should the facility be damaged or destroyed, these files could also be damaged or destroyed.

Recommendation: Implement a procedure whereby back-up files are stored off-site. The procedure should address how often off-site files are updated.

Response: Backup files will be stored off site, master backup files will be updated every quarter.

Resolution: This matter is resolved.

4. Purchasing

Condition: We noted that several conditions exist in the materials management purchasing system.

- Purchase orders are being prepared and signed after the merchandise and the invoice are received at the hospital.
- Payments are made without the accounting department inspecting either the shipping documents or receipt dates. Month and year end accruals are difficult to make without the receipt dates.
- Travel reimbursement requests do not include the business purpose of the trip, destinations, and attendants.

Recommendation: Implement and adhere to procedures that require the following:

- All purchases made on purchase order prepared and approved prior to placing the order
- Copy of the purchase order and shipment receipt document sent to accounting prior to payment of the invoice
- System of accountability by department director for items charged to the department
- Board member signature on travel reimbursement to district administrator
- No payment without proper documentation

Response: The Financial Officer will draft a policy for purchases. The policy will specify which personnel may order supplies and the amounts of purchases which require administrative approval by signed purchase order.

All administrative travel reports will be signed by a board member. Proper documentation will be attached to all payments.

Resolution: This matter is resolved.

RIVERLAND MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 1999

MATERIAL WEAKNESSES (Continued)

5. Ageing of Accounts Receivable

Condition: The home health and hospital accounts receivable subsidiaries contain accounts which are several years old. There is no periodic review of these receivables to write-off accounts which are uncollectible. In addition, the average age of an account for write-off is in excess of 8 months. We believe for any reasonable collection effort to be accomplished, accounts should be written off more timely.

Recommendation: All accounts receivable should be reviewed periodically and uncollectible accounts written-off in a timely fashion.

Response: A thorough review will be made of all accounts. All uncollectible accounts will be written off to Bad Debt and sent to a collection agency.

Resolution: This matter is unresolved.

6. Budgeting Process

Condition: There is no formal budgeting process. An annual forecast is prepared but does not include input from the staff. It is not input into the general ledger system nor is it presented monthly as a comparison to actual data.

Recommendation: A formal budgeting process should be adopted whereby responsibility accounting is utilized. Input should be gathered from staff and used to evaluate the performance of that staff. The budget should be used as a monitoring tool to dictate management decision making. The budget should be entered into the general ledger system for purposes of comparison and presentation to the Board.

Response: The budgetary process will be reviewed and revised to include more staff input. Departmental performance will be reviewed and compared to budgeted objectives.

Resolution: This matter is unresolved.

7. Presentation of Financial Statements

Condition: There is currently no balance sheet or cash flow prepared or presented to the board. There is a cash status report presented but it does not show vital information that is used to manage the hospital. The income statement presented has no comparative figures such as prior year or budget information.

Recommendation: A balance sheet comparing to prior year, a statement of cash flows, and a comparative income statement with prior year and budget information should be prepared and presented to the Board each month. This will assist them in making decisions that are critical to the financial well-being of the Hospital.

RIVERLAND MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 1999

MATERIAL WEAKNESSES (Continued)

7. Presentation of Financial Statements (Continued)

Response: The hospital accountants will prepare a balance sheet and other reports as recommended to be reviewed by the Board of Directors.

Resolution: This matter is unresolved.

8. Time Card Process

Condition: Employees or supervisors are not required to sign time cards before submission to the payroll clerk. Penciled time due to non-punch is not administratively approved.

Recommendation: All time cards should be checked for accuracy by the employee and the supervisor and signed to attest to that accuracy before submission to the payroll department. Any time cards submitted without appropriate signatures should be corrected before the payroll is processed.

Response: All time cards are now being signed by the employee and supervisor after being reviewed for accuracy.

Resolution: This matter is resolved.

9. Wage and Hour Law

Condition: Due to the fact that certain non-exempt salaried employees are not "punching" the time clock, there could be some potential violations of the Fair Labor Standards Act regarding overtime pay. From a management standpoint, there is also a possibility of employees working less than full time for full time pay.

Recommendation: Review all employees who are on a salary basis to determine whether they are exempt or non-exempt. While salaried non-exempt employees are allowable, any overtime worked should be compensated at time and a half. Recommend that all "salaried non-exempt" employees punch the time clock.

Response: All non-exempt salaried employees will keep time records either by time cards or weekly time logs.

Resolution: This matter is resolved.

RIVERLAND MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 1999

MATERIAL WEAKNESSES (Continued)

SUMMARY OF CURRENT YEAR FINDINGS

1. Unpaid Home Health Accounts

Condition: Approximately 44% of home health accounts were unpaid at year end.

Recommendation: All information and/or documentation necessary should be obtained in order to bring all billing up to date. This large amount remaining in unbilled has a negative effect on cash flow and the timeliness of billing can be subject to scrutiny by the third party payors.

Response: Nurses have been directed to complete all delinquent nurses notes before 2/28/2000 in order to process bills.

2. Emergency Room Physicians Availability

Condition: There are no routine time studies for purposes of monitoring emergency room physicians' availability. The accuracy of the availability rate can have a material impact on the computation of reimbursement.

Recommendation: Two-week time studies should be performed at a minimum of six times per year.

Response: Time studies will be done for a two-week period every other month beginning immediately.

REPORTABLE CONDITIONS

SUMMARY OF PRIOR YEAR FINDINGS

1. Documentation of Collection Effort

Condition: Documentation of the collection efforts which are stored in the electronic files are lost when bad debt accounts are written off. The Medicare fiscal intermediary requires that a reasonable collection effort be documented in order to be reimbursed for Medicare bad debts. This lack of documentation resulted in lost reimbursement from Medicare during FY 1998.

Recommendation: Collection records should be printed and filed in the patient's folder at the time of write-off. Policy of turning over accounts to an outside collection agency should be timely and uniform regardless of the payor.

RIVERLAND MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 1999

REPORTABLE CONDITIONS (Continued)

1. Documentation of Collection Effort (Continued)

Response: Prior to write off as bad debt, a summary of all collection efforts will be placed in each account folder.

Resolution: This matter is resolved.

2. Going Concern

Condition: Even though the District reduced operating expenses during FY 1998 and showed marked improvement, an operating loss was incurred for the fourth consecutive year. A reduction in operating revenues because of changes in reimbursement mainly due to the home health agency contributed to the loss for 1998. Due to these losses, consideration must be given to the District's ability to continue as a "going concern". While a "going concern" opinion will not be issued in the current year, the long-term survival of the District is contingent upon the ability to return Hospital operations to a profitable position.

Recommendation: The District should immediately assess services being provided and determine which areas require either cost reductions to restore profitability or possibly discontinuance. Also, we suggest that the District continue to improve upon the adjusting or "flexing" of staff based on patient census.

Response: The Board of Directors will assess current services for cost saving measures and review the possible discontinuation of unprofitable services.

Resolution: This matter is resolved.

3. Corporate Compliance Program

Condition: In an open letter to Medicare and Medicaid providers and in numerous public statements, the U. S. Health and Human Services Inspector General and others in her office have made it clear that such providers should (but are not required) establish corporate compliance programs.

The Office of Inspector General ("OIG") generally has taken the position that indifference (a failure to pro-actively maintain a system to avoid errors) that results in violations is similar to intentional violations and that lack of knowledge is not a defense. The OIG has stated that, when it finds a violation it will make every effort to enforce the maximum penalty when corporate compliance plan is not in place. When such a plan is in place (and actually working in the daily operations as opposed to being a document "on a shelf"), it has stated that it will give consideration to the provider's effort to avoid violations.

RIVERLAND MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 1999

REPORTABLE CONDITIONS (Continued)

3. Corporate Compliance Plan (Continued)

The OIG recommends that such a plan include specifics in the following general areas.

1. Assignment of oversight responsibility to an individual high in the corporate structure.
2. Establishment of due care in the delegation of authority.
3. Conducting effective training and educational programs.
4. Utilization of monitoring and auditing to detect non-compliance.
5. Development of effective lines of communication for reporting of violations (including a hot line for anonymous reporting) and clarification of policy.
6. Enforcement of standards through well-publicized discipline guidelines and procedures.
7. Immediate and appropriate response to detected offenses and prevention of further offenses through systematic changes and corrective action initiatives.

Recommendation: Since a financial statement audit is not designed to examine many of these areas (i.e. fair market value of transactions with physicians, proper billing), we recommend that the District insure that its program includes a compliance audit of its operations to determine possible violations and that they be corrected. Further, the program should include procedures to insure that the program becomes a part of daily operations.

Response: The District has engaged a group to assist in the establishment and implementation of a corporate compliance program.

Resolution: This matter has been partially resolved. Compliance plan has been developed. Plan has yet to be implemented.

4. Fixed Asset Inventory

Condition: There has been no fixed asset inventory count and reconciliation to asset records. There should be an inventory count at least annually and a reconciliation to fixed asset records in order to maintain accurate records.

Recommendation: The District should obtain an updated list of assets and conduct an inventory count in order to reconcile to the records. This process should be done on an annual basis.

Response: The hospital auditors will provide a listing of all current assets; this list will be reviewed for completeness and deletions of unserviceable property. An annual inventory of all equipment will be conducted as part of the audit process.

Resolution: This matter is resolved.

RIVERLAND MEDICAL CENTER
NONCOMPLIANCE SUMMARY
YEAR ENDED SEPTEMBER 30, 1999

SUMMARY OF PRIOR YEAR FINDINGS

1. Bid Law

Condition: We found no advertisements for bid or bid proposals for one capital lease and two acquisitions made during the year. The capitalizable value of these items is \$87,638. Equipment purchases with values over \$7,500 must be bid competitively according to R.S. 38:2212.

Recommendation: Follow state statute with respect to bid laws. Consult with CPAs about whether a lease is a capital lease prior to ratification.

Response: This purchase was made from a group purchasing contract as allowed by RS38:2212(A)(i)(f)(I). All future purchases will be in accordance with RS38:2212.

Resolution: This matter is resolved.

2. Bond Commission Approval

Condition: One capital lease was entered into during the year that did not contain the municipal lease language nor have documentation of bond commission approval. The total of this lease is \$34,538. The Louisiana Revised Statutes require that any debt over 90 days must be approved by the state bond commission if certain nonappropriation clauses are not met. Leases identified without nonappropriation clauses in 1996 and 1997 have not been corrected.

Recommendation: We recommend that the Hospital obtain retroactive bond commission approval on these leases or have a nonappropriation clause added.

Response: This lease was thought to be an operating lease, not a capital lease. The maintenance costs are built into the lease payment. The Hospital does not take ownership and can cancel the lease. The Hospital will obtain retroactive bond commission approval.

Resolution: Letters have been sent in June, 1999 to the State Bond Commissioner's. To date there has been no response.

3. Physician Equipment

Condition: The Hospital has paid for certain equipment for the private use of non-employed physicians including electronic card approval equipment and cellular phones and beepers. This activity not only violates the Louisiana law but could also be a possible violation of Stark "anti-kickback" laws.

Recommendation: The District should immediately cease disbursing public funds for non-employed physicians' property.

RIVERLAND MEDICAL CENTER
NONCOMPLIANCE SUMMARY (Continued)
YEAR ENDED SEPTEMBER 30, 1999

SUMMARY OF PRIOR YEAR FINDINGS (Continued)

3. Physician Equipment (Continued)

Response: The Hospital furnishes beepers to all personnel who are required by hospital rules to be "on call" and available to return for emergencies. Telephones are provided to surgical and OB/GYN physicians to insure that the Hospital can contact these personnel for emergency procedures. Electronic card approval machines for the Louisiana Medicaid program are provided to assist the Hospital in verifying coverage to prevent financial losses to the Hospital on non-covered patients. If any of these uses are proved to be prohibited the Hospital will cease this practice.

Resolution: This matter is resolved.

4. Employee Discounts

Condition: The District granted physician discounts of \$547 and employee discounts of \$14,722. Granting of discounts is considered donations of public funds and is a prohibited transaction.

Recommendation: The District should immediately discontinue the policy of granting discounts.

Response: Employee discounts are PPO insurance adjustments as specified under the hospital employee insurance plan. AG opinion 94-72 allows this to be done without being considered a donation. AG opinion 94-72 states that RS46:1071 allows physician discounts as a measure to allow service district hospitals to compete effectively with other hospitals who use the same practice. This practice has been recognized as a universal custom and failure to do so would damage the Hospital.

Resolution: This matter is resolved.