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PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA
STATE OF LOUISIANA
RIVERLAND MEDICAL CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS
AND
BASIC FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
SEPTEMBER 30, 2003, 2002 AND 2001

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4-14-04

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
"RIVERLAND MEDICAL CENTER"
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2003

This section of the District's annual financial report presents background information and management's analysis of the District's financial performance during the fiscal year that ended on September 30, 2003. Please read it in conjunction with the financial statements in this report.

Financial Highlights

- The District's total assets decreased by approximately \$585,000 or approximately 9%.
- During the year, the District's total operating revenues increased approximately \$562,000 or 4% to \$13,869,000 from the prior year while expenses increased approximately \$1,272,000 or 9%. The District had a loss from operations of approximately \$1,000,000 which compares to a loss of \$284,000 the previous year.
- The net patient service revenue increased approximately \$522,000 to approximately \$13,167,000 from the prior year's net patient service revenue of approximately \$12,645,000.
- The District has net assets of approximately \$4,559,000 as of September 30, 2003.

Required Financial Statements

The Basic Financial Statements of the District report information about the District using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The Balance Sheets include all of the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statements of Revenue, Expenses and Changes in Net Assets. This statement measures improvements in the District's operations over the past two years and can be used to determine whether the District has been able to recover all of its costs through its patient service revenue and other revenue sources. The final required financial statement is the Statements of Cash Flows. The primary purpose of this statement is to provide information about the District's cash from operations, investing and financing activities, and to provide answers to such questions as where did cash come from, what was cash used for and what was the change in cash balance during the reporting period.

Financial Analysis of the District

The Balance Sheets and the Statements of Revenue, Expenses, and Changes in Net Assets report information about the District's activities. These two statements report the net assets of the District and changes in them. Increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial 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.

PARISHWIDE HOSPITAL SERVICE DISTRICT
 OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
 "RIVERLAND MEDICAL CENTER"
 MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
 SEPTEMBER 30, 2003

Net Assets

A summary of the District's Balance Sheets are presented in Table 1 below:

TABLE 1
Condensed Balance Sheets

	<u>2003</u>	<u>2002</u>	<u>\$ Change</u>	<u>% Change</u>
Total current assets	\$ 2,882,020	\$ 3,546,903	\$ (664,883)	-18.75%
Capital assets - net	3,157,571	3,119,727	37,844	1.21%
Other assets	<u>205,677</u>	<u>163,211</u>	<u>42,466</u>	<u>26.02%</u>
 Total assets	 \$ <u>6,245,268</u>	 \$ <u>6,829,841</u>	 \$ <u>(584,573)</u>	 <u>-8.56%</u>
Current liabilities	\$ 1,500,052	\$ 1,116,823	\$ 383,229	34.31%
Long-term debt outstanding and other long-term liabilities	<u>186,583</u>	<u>154,600</u>	<u>31,983</u>	<u>20.69%</u>
 Total liabilities	 1,686,635	 1,271,423	 415,212	 32.66%
 Net assets	 <u>4,558,633</u>	 <u>5,558,418</u>	 <u>(999,785)</u>	 <u>-17.99%</u>
 Total liabilities and net assets	 \$ <u>6,245,268</u>	 \$ <u>6,829,841</u>	 \$ <u>(584,573)</u>	 <u>-8.56%</u>

As can be seen in Table 1, total assets decreased by \$584,573 to \$6,245,268 in fiscal year 2003, down from \$6,829,841 in fiscal year 2002. The change in total net assets resulted from a net operating loss for the current year.

Summary of Revenue, Expenses and Changes in Net Assets

The following table presents a summary of the District's historical revenues and expenses for each of the fiscal years ended September 30, 2003 and 2002.

PARISHWIDE HOSPITAL SERVICE DISTRICT
 OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
 "RIVERLAND MEDICAL CENTER"
 MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
 SEPTEMBER 30, 2003

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

	<u>2003</u>	<u>2002</u>	<u>\$ Change</u>	<u>% Change</u>
Revenue:				
Net patient service revenue	\$ 13,166,779	\$ 12,644,503	\$ 522,276	4.13%
Sales tax revenue	408,031	384,029	24,002	6.25%
Other revenue	<u>294,220</u>	<u>278,553</u>	<u>15,667</u>	<u>5.62%</u>
 Total revenue	 13,869,030	 13,307,085	 561,945	 4.22%
Expenses:				
Salaries and benefits	6,340,221	6,212,903	127,318	2.05%
Medical supplies and drugs	1,715,110	1,510,488	204,622	13.55%
Insurance	263,775	276,692	(12,917)	-4.67%
Professional fees	1,709,211	1,216,996	492,215	40.45%
Other expenses	1,798,302	1,617,328	180,974	11.19%
Provision for bad debt	2,672,673	2,371,304	301,369	12.71%
Depreciation and amortization	367,528	386,839	(19,311)	-4.99%
Interest	<u>17,957</u>	<u>19,870</u>	<u>(1,913)</u>	<u>-9.63%</u>
 Total expenses	 <u>14,884,777</u>	 <u>13,612,420</u>	 <u>1,272,357</u>	 <u>9.35%</u>
 Operating income (loss)	 (1,015,747)	 (305,335)	 (710,412)	 232.67%
Nonoperating income:				
Interest income	<u>15,962</u>	<u>21,032</u>	<u>(5,070)</u>	<u>-24.11%</u>
 Excess of revenue (expenses)	 (999,785)	 (284,303)	 (715,482)	 251.66%
 Net assets at beginning of year	 <u>5,558,418</u>	 <u>5,842,721</u>	 <u>(284,303)</u>	 <u>-4.87%</u>
 Net assets at end of year	 \$ <u>4,558,633</u>	 \$ <u>5,558,418</u>	 \$ <u>(999,785)</u>	 <u>-17.99%</u>

PARISHWIDE HOSPITAL SERVICE DISTRICT
 OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
 "RIVERLAND MEDICAL CENTER"
 MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
 SEPTEMBER 30, 2003

Sources of Revenue

Operating Revenue

During fiscal year 2003, the District derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payers, who receive care in the District's facilities. Reimbursement for the Medicare and Medicaid programs and the third-party payers is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes cafeteria sales, sales tax revenue and grant revenue.

Capital Assets

During fiscal year 2003, the District invested approximately \$430,000 in capital assets included in Table 3 below, while disposing of approximately \$180,000 in capital assets.

TABLE 3
Capital Assets

	September 30, <u>2003</u>	September 30, <u>2002</u>	<u>\$ Change</u>	<u>% Change</u>
Land and land improvements	\$ 256,331	\$ 256,331	\$ -0-	0.00%
Buildings and fixed equipment	4,733,625	4,733,626	(1)	0.00%
Leasehold improvements	38,577	38,577	-0-	0.00%
Equipment	<u>6,013,557</u>	<u>5,763,311</u>	<u>250,246</u>	<u>4.34%</u>
 Total	 11,042,090	 10,791,845	 250,245	 2.32%
Less: accumulated depreciation	<u>7,884,519</u>	<u>7,672,118</u>	<u>212,401</u>	<u>2.77%</u>
Net property, plant, and equipment	 \$ <u>3,157,571</u>	 \$ <u>3,119,727</u>	 \$ <u>37,844</u>	 <u>1.21%</u>

Net property, plant and equipment have increased only slightly because of a lack of funding. The District purchased new Lab and OB equipment resulting in the increase in equipment for 2003.

Long-term Debt

At year-end, the District had \$186,583 in long-term debt. More detailed information about the District's long-term liabilities is presented in the notes to basic financial statements. Total long-term debt outstanding represents 3% of the District's total assets at September 30, 2003.

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
"RIVERLAND MEDICAL CENTER"
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
SEPTEMBER 30, 2003

Contacting the District's Financial Manager

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

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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 basic financial statements of Parishwide Hospital Service District of the Parish of Concordia, State of Louisiana, Riverland Medical Center (the "District"), a component unit of the Concordia Parish Police Jury, as of and for the years ended September 30, 2003, 2002 and 2001, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Riverland Medical Center, as of September 30, 2003, 2002 and 2001, and the results of its operations, changes in net assets, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying basic financial statements have been prepared assuming that Riverland Medical Center will continue as a going concern. As discussed in Note 20 to the financial statements, under existing circumstances, there is substantial doubt about the ability of Riverland Medical Center to continue as a going concern at September 30, 2003. Management's plans in regard to that matter also are described in Note 20. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Board of Commissioners
Parishwide Hospital Service District
of the Parish of Concordia, State of Louisiana
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In accordance with Government Auditing Standards, we have also issued our report dated March 1, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

As discussed in Note 2 to the financial statements, effective October 1, 2002, the District changed its accounting policy related to financial statement presentation to comply with the provisions of Statement No. 34 of the Governmental Accounting Standards Board.

Management's discussion and analysis on pages "i" through "v" is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Lester, Miller & Wells

Certified Public Accountants

March 1, 2004

RIVERLAND MEDICAL CENTER
BALANCE SHEETS
SEPTEMBER 30, 2003, 2002 AND 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
ASSETS			
Current Assets			
Cash and cash equivalents (Note 3)	\$ -0-	\$ 448,488	\$ 265,219
Accounts receivable, net of estimated uncollectibles (Note 5)	2,482,897	2,515,065	2,616,179
Estimated third-party payor settlements	-0-	189,846	294,966
Inventory	363,616	345,123	361,044
Prepaid expenses	33,478	39,367	20,009
Other receivables	2,029	9,014	1,641
Total Current Assets	<u>2,882,020</u>	<u>3,546,903</u>	<u>3,559,058</u>
Non-Current Assets			
Property, plant and equipment, net (Note 6)	3,157,571	3,119,727	3,354,174
Other assets (Note 7)	205,677	163,211	169,433
Total Assets	<u>\$ 6,245,268</u>	<u>\$ 6,829,841</u>	<u>\$ 7,082,665</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Overdraft	\$ 26,390	\$ -0-	\$ -0-
Accounts payable	457,042	197,001	249,334
Accrued expenses and withholdings payable (Note 8)	840,077	799,882	679,059
Estimated third-party payor settlements	41,636	-0-	-0-
Current maturities of long-term debt	134,907	119,940	126,954
Total Current Liabilities	<u>1,500,052</u>	<u>1,116,823</u>	<u>1,055,347</u>
Long-term debt, net of current maturities (Note 11)	186,583	154,600	184,597
Total Liabilities	<u>1,686,635</u>	<u>1,271,423</u>	<u>1,239,944</u>
Net Assets			
Invested in capital assets, net of related debt	2,836,081	2,845,187	3,042,623
Unrestricted net assets	1,722,552	2,713,231	2,800,098
Total Net Assets	<u>4,558,633</u>	<u>5,558,418</u>	<u>5,842,721</u>
Total Liabilities and Net Assets	<u>\$ 6,245,268</u>	<u>\$ 6,829,841</u>	<u>\$ 7,082,665</u>

See accompanying notes to financial statements.

RIVERLAND MEDICAL CENTER
 STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
 YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Revenue			
Net patient service revenue	\$ 13,166,779	\$ 12,644,503	\$ 13,345,809
Sales tax revenue (Note 15)	408,031	384,029	395,331
Grant revenue	66,510	6,959	-0-
Gain (loss) on disposal of assets	(20,373)	4,265	3,200
Other revenue	<u>248,083</u>	<u>267,329</u>	<u>210,083</u>
 Total Revenue	 <u>13,869,030</u>	 <u>13,307,085</u>	 <u>13,954,423</u>
 Expenses			
Salaries and benefits	6,340,221	6,212,903	6,211,701
Medical supplies and drugs	1,715,110	1,510,488	1,965,289
Professional fees	1,709,211	1,216,996	1,218,600
Other expenses	1,441,552	1,260,956	1,348,110
Lease expense	61,711	78,827	74,201
Insurance	263,775	276,692	176,555
Retirement	295,039	277,545	299,244
Interest	17,957	19,870	36,532
Depreciation and amortization	367,528	386,839	476,893
Provision for bad debt	<u>2,672,673</u>	<u>2,371,304</u>	<u>2,456,206</u>
 Total Expenses	 <u>14,884,777</u>	 <u>13,612,420</u>	 <u>14,263,331</u>
 Operating Income (Loss)	 <u>(1,015,747)</u>	 <u>(305,335)</u>	 <u>(308,908)</u>
 Non-Operating Income			
Interest income	<u>15,962</u>	<u>21,032</u>	<u>26,062</u>
 Excess of (expenses) over revenue	 (999,785)	 (284,303)	 (282,846)
 Net assets at beginning of year	 <u>5,558,418</u>	 <u>5,842,721</u>	 <u>6,125,567</u>
 Net assets at end of year	 \$ <u>4,558,633</u>	 \$ <u>5,558,418</u>	 \$ <u>5,842,721</u>

See accompanying notes to financial statements.

RIVERLAND MEDICAL CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 10,757,756	\$ 10,479,433	\$ 11,031,687
Other receipts from operations	745,571	671,976	633,056
Investment income received - nonrestricted			
Cash payments to employees and for employee-related cost	(6,595,063)	(6,369,627)	(6,380,038)
Cash payments for other operating expenses	<u>(4,943,922)</u>	<u>(4,399,729)</u>	<u>(4,758,661)</u>
Net cash provided (used) by operating activities	<u>(35,658)</u>	<u>382,053</u>	<u>526,044</u>
Cash flows from investing activities:			
Collections on physician and nurse loans	51,395	14,747	104,402
Loans to physicians and nursing students	(74,200)	-0-	-0-
Net change in other assets	<u>(20,674)</u>	<u>(9,535)</u>	<u>(102,276)</u>
Net cash provided (used) by investing activities	<u>(43,479)</u>	<u>5,212</u>	<u>2,126</u>
Cash flows from capital and related financing activities:			
Interest expense	(17,957)	(19,870)	(36,532)
Proceeds from long-term debt	176,748	107,745	-0-
Principal payments on long-term debt	(129,798)	(144,756)	(189,078)
Proceeds from disposal of assets	5,507	4,266	3,198
Acquisition of property, plant and equipment	<u>(430,241)</u>	<u>(151,381)</u>	<u>(207,808)</u>
Net cash provided (used) by capital and related financing activities:	<u>(395,741)</u>	<u>(203,996)</u>	<u>(430,220)</u>
Net increase (decrease) in cash and cash equivalents	(474,878)	183,269	97,950
Beginning cash and cash equivalents	<u>448,488</u>	<u>265,219</u>	<u>167,269</u>
Ending cash and cash equivalents (overdraft)	\$ <u>(26,390)</u>	\$ <u>448,488</u>	\$ <u>265,219</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	\$ <u>17,957</u>	\$ <u>19,870</u>	\$ <u>36,532</u>

See accompanying notes to financial statements.

RIVERLAND MEDICAL CENTER
 STATEMENTS OF CASH FLOWS (Continued)
 YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ (1,015,747)	\$ (305,335)	\$ (308,908)
Interest expense considered capital financing activity	17,957	19,870	36,532
Adjustments to reconcile revenue in excess of expenses to net cash provided by operating activities:			
Depreciation and amortization	367,528	386,839	476,893
Provision for bad debt	2,672,673	2,371,304	2,456,206
(Gain) loss on disposal of assets	20,373	(4,267)	(3,198)
Interest income	15,962	21,032	26,062
(Increase) decrease in:			
Net patient accounts receivable	(2,640,505)	(2,270,190)	(2,181,408)
Estimated third-party payor settlements	231,482	105,120	(132,713)
Inventory	(18,493)	15,921	(1,798)
Prepaid expenses	5,889	(19,358)	14,339
Other receivables	6,987	(7,373)	1,580
Increase (decrease) in:			
Accounts payable	260,041	(52,333)	11,553
Accrued expenses and withholdings payable	<u>40,195</u>	<u>120,823</u>	<u>130,904</u>
Net cash provided (used) by operating activities	\$ <u>(35,658)</u>	\$ <u>382,053</u>	\$ <u>526,044</u>

See accompanying notes to financial statements.

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

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 (by joint venture effective July 15, 2000).

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 that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Method of Accounting

The District uses the accrual method of accounting. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under third-party reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related settlements are determined. Expenses are recorded when incurred. Hospital accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

On October 1, 2002, the District adopted the provisions of Statement No. 34 (Statement 34) of GASB, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Statement 34 established standards for external financial reporting for all state and local governmental entities, which include a balance sheet, a statement of revenue, expenses and changes in net assets; and a direct method statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

The adoption of Statement 34 resulted in the previously reported unrestricted fund balance amount being classified to conform to the above net asset classifications. Additionally, the District restated the 2002 and 2001 statements of cash flows to conform to the direct method of reporting cash receipts and disbursements.

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.

Inventory

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

Income Taxes

The entity is a political subdivision and exempt from taxation.

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 District uses straight-line depreciation for financial reporting and third-party reimbursement. The following estimated useful lives are generally used.

Buildings	25 to 40 years
Machinery and Equipment	5 to 20 years
Furniture and Fixtures	5 to 15 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 years of disposal. Gains or losses resulting from property disposal are credited or charged to operations currently.

Uncollectible Accounts

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

Credit Risk

The District provides medical care to Concordia Parish residents and grants credit to patients, substantially all of whom are local residents. 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.

Significant Concentration of Economic Dependence

The District has an economic dependence on a small number of staff physicians who admit over 90% of the District's patients. The District also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 13. Accordingly, changes in federal or state legislation or interpretations of rules have a significant impact on the District.

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. Cash and cash equivalents as well as short-term investments are stated at cost, which approximates market value. The following is a summary of cash and cash equivalents:

RIVERLAND MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS (Continued)
 YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Petty cash	\$ 276	\$ 276	\$ 694
Checking and savings	(26,666)	96,618	158,217
Certificates of deposit	<u>-0-</u>	<u>351,594</u>	<u>106,308</u>
 Total cash and cash equivalents (overdraft)	 \$ <u>(26,390)</u>	 \$ <u>448,488</u>	 \$ <u>265,219</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>2003</u>	<u>2002</u>	<u>2001</u>
Net patient accounts receivable	\$ 4,487,897	\$ 4,658,065	\$ 4,236,179
Estimated uncollectibles	<u>(2,005,000)</u>	<u>(2,143,000)</u>	<u>(1,620,000)</u>
 Total	 \$ <u>2,482,897</u>	 \$ <u>2,515,065</u>	 \$ <u>2,616,179</u>

RIVERLAND MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS (Continued)
 YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

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

	September 30, <u>2002</u>	<u>Additions</u>	<u>Dispositions</u>	September 30, <u>2003</u>
Land	\$ 117,400	\$ -0-	\$ -0-	\$ 117,400
Land improvements	138,931	-0-	-0-	138,931
Leasehold improvements	38,577	-0-	-0-	38,577
Building & fixed equipment	4,733,626	-0-	1	4,733,625
Major moveable equipment	<u>5,763,311</u>	<u>430,242</u>	<u>179,996</u>	<u>6,013,557</u>
Total	10,791,845	430,242	179,997	11,042,090
Accumulated depreciation	<u>7,672,118</u>	<u>366,517</u>	<u>154,116</u>	<u>7,884,519</u>
Net property, plant and equipment	\$ <u>3,119,727</u>	\$ <u>63,725</u>	\$ <u>25,881</u>	\$ <u>3,157,571</u>

	September 30, <u>2001</u>	<u>Additions</u>	<u>Dispositions</u>	September 30, <u>2002</u>
Land	\$ 117,400	\$ -0-	\$ -0-	\$ 117,400
Land improvements	138,931	-0-	-0-	138,931
Leasehold improvements	38,577	-0-	-0-	38,577
Building & fixed equipment	4,733,626	-0-	-0-	4,733,626
Major moveable equipment	<u>5,672,023</u>	<u>152,368</u>	<u>61,080</u>	<u>5,763,311</u>
Total	10,700,557	152,368	61,080	10,791,845
Accumulated depreciation	<u>7,346,383</u>	<u>385,827</u>	<u>60,092</u>	<u>7,672,118</u>
Net property, plant and equipment	\$ <u>3,354,174</u>	\$ <u>(233,459)</u>	\$ <u>988</u>	\$ <u>3,119,727</u>

	September 30, <u>2000</u>	<u>Additions</u>	<u>Dispositions</u>	September 30, <u>2001</u>
Land	\$ 117,400	\$ -0-	\$ -0-	\$ 117,400
Land improvements	138,931	-0-	-0-	138,931
Leasehold improvements	38,577	-0-	-0-	38,577
Building & fixed equipment	4,635,011	98,615	-0-	4,733,626
Major moveable equipment	5,497,520	176,419	1,916	5,672,023
Construction in progress	<u>65,310</u>	<u>-0-</u>	<u>65,310</u>	<u>-0-</u>
Total	10,492,749	275,034	67,226	10,700,557
Accumulated depreciation	<u>6,870,418</u>	<u>478,834</u>	<u>2,869</u>	<u>7,346,383</u>
Net property, plant and equipment	\$ <u>3,622,331</u>	\$ <u>(203,800)</u>	\$ <u>64,357</u>	\$ <u>3,354,174</u>

RIVERLAND MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS (Continued)
 YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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 \$4,811,321, \$4,504,112 and \$3,953,643 for 2003, 2002 and 2001, respectively.

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 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>2003</u>	<u>2002</u>	<u>2001</u>
Equipment	\$ 1,484,161	\$ 1,307,413	\$ 1,254,748
Accumulated depreciation	<u>(1,228,046)</u>	<u>(1,189,231)</u>	<u>(1,197,309)</u>
Total	\$ <u>256,115</u>	\$ <u>118,182</u>	\$ <u>57,439</u>

NOTE 7 - OTHER ASSETS

Other assets consist of the following:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Notes receivable from medical students and doctors less estimated uncollectibles	\$ 65,267	\$ 42,056	\$ 56,627
Notes receivable from nursing students	7,083	7,489	7,664
Unamortized bond issue cost	842	1,854	2,865
LHA Trust Fund equity	<u>132,485</u>	<u>111,812</u>	<u>102,277</u>
Total	\$ <u>205,677</u>	\$ <u>163,211</u>	\$ <u>169,433</u>

RIVERLAND MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS (Continued)
 YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

NOTE 8 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

Accrued expenses and withholdings payable at September 30 consist of the following:

	<u>2003</u>		<u>2002</u>		<u>2001</u>
State and federal taxes payable	\$ 7,811	\$	12,678	\$	7,008
Accrued salaries and fees payable	132,053		113,068		92,652
Accrued compensated absences	329,040		301,146		299,596
Payroll withholdings payable	112,664		124,148		71,457
Louisiana mandated service charge	390		351		295
Vested sick pay payable	<u>258,119</u>		<u>248,491</u>		<u>208,051</u>
 Total	 \$ <u>840,077</u>	\$	 <u>799,882</u>	\$	 <u>679,059</u>

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 ½. Plan benefits include death and disability provisions and choice of four payment options upon retirement. Plan provisions may be amended by the plan trustee. The District contributes 6% of salaries to the plan. Employee mandatory contributions are 6% and employee voluntary contributions are up to 14%. Pension expense charged to operations was \$ 295,039, \$ 277,545 and \$ 299,244 in 2003, 2002 and 2001, respectively. Employee contributions for each fiscal year are summarized below:

	<u>2003</u>		<u>2002</u>		<u>2001</u>
Employee mandatory contributions	\$ 357,898	\$	333,728	\$	333,959
Employee voluntary contributions	<u>35,785</u>		<u>39,624</u>		<u>43,422</u>
 Total	 \$ <u>393,683</u>	\$	 <u>373,352</u>	\$	 <u>377,381</u>

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

NOTE 11 - LONG-TERM DEBT

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

	<u>2003</u>	<u>2002</u>	<u>2001</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	\$ 80,723	\$ 181,766	\$ 276,938
Capital obligations at varying rates of imputed interest from 3.1 percent to 18.9 percent collateralized by leased equipment	<u>240,767</u>	<u>92,774</u>	<u>34,613</u>
Total long-term debt	321,490	274,540	311,551
Less current maturities of long-term debt	<u>134,907</u>	<u>119,940</u>	<u>126,954</u>
Long-term debt	\$ <u>186,583</u>	\$ <u>154,600</u>	\$ <u>184,597</u>

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:

<u>Year ending September 30,</u>	<u>Certificates of Indebtedness</u>	<u>Capital Lease Obligations</u>	<u>Total</u>
2004	\$ 80,723	\$ 69,395	\$ 150,118
2005	-0-	64,988	64,988
2006	-0-	64,194	64,194
2007	-0-	46,092	46,092
2008	<u>-0-</u>	<u>36,399</u>	<u>36,399</u>
	80,723	281,068	361,791
Less amounts representing interest	<u>-0-</u>	<u>40,301</u>	<u>40,301</u>
Total	\$ <u>80,723</u>	\$ <u>240,767</u>	\$ <u>321,490</u>

RIVERLAND MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS (Continued)
 YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

NOTE 12 - OPERATING LEASES

The District leases various equipment and offices under operating leases expiring in various years through 2008. 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.

Minimum future lease payments under operating leases as of September 30, 2003, and for each subsequent year in aggregate are provided below:

<u>Year Ended September 30</u>	<u>Amount</u>
2004	\$ 30,161
2005	27,400
2006	27,400
2007	27,400
2008	<u>22,833</u>
Total minimum lease payments	\$ <u>135,194</u>

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.

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. The District's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2000.

Medicaid - Medicaid inpatient services are reimbursed based on a prospectively determined per diem rate. Most Medicaid outpatient services are reimbursed under a cost reimbursement methodology. 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

RIVERLAND MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS (Continued)
 YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

NOTE 13 - NET PATIENT SERVICE REVENUE (Continued)

the Medicaid fiscal intermediary. The District's Medicaid cost reports have been examined by the Medicaid fiscal intermediary through September 30, 1999.

Commercial - 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.

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, 2003, 2002 and 2001, follows:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Medicare and Medicaid gross patient charges	\$ 20,785,734	\$ 17,621,276	\$ 18,270,897
Contractual adjustments	<u>(13,227,942)</u>	<u>(11,222,352)</u>	<u>(10,961,987)</u>
Program patient service revenue	\$ <u>7,557,792</u>	\$ <u>6,398,924</u>	\$ <u>7,308,910</u>
Percent of total patient gross charges	<u>76%</u>	<u>70%</u>	<u>73%</u>
Percent of total net patient revenues	<u>57%</u>	<u>51%</u>	<u>55%</u>

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 healthcare 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 healthcare provider 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 re-determined 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 (Continued)
YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

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 administration 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 - 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 (Note 13) - 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 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, privacy, 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 District 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.

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

NOTE 17 - CONTINGENCIES (Continued)

Medicaid Uncompensated Cost - The District received interim amounts of \$1,286,595, \$1,008,120 and \$994,393 for Medicaid and self-pay uncompensated care services for the years ended September 30, 2003, 2002 and 2001, respectively. The interim amounts received are based upon uncompensated cost incurred in previous years. Current regulations require retroactive audit of the claimed uncompensated cost and comparison to the interim amounts paid by Medicaid in each fiscal year. Any overpayments will be recouped by Medicaid and the District has not made any provisions for such recoupments. Management contends interim amounts paid reasonably estimate final settlement. To the extent management's estimates differ from actual results, the differences will be used to adjust income for the period when differences arise.

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.

NOTE 18 - CHARITY CARE

The District has a policy of providing charity care to indigent patients in emergency situations. The cost of free care provided is \$ -0-, \$ 13,299 and \$ 69,630 for the respective fiscal years ended in 2003, 2002 and 2001.

NOTE 19 - JOINT VENTURE

The District entered into a cooperative endeavor (ie: joint venture) with a home health company on July 15, 2000. The District shares one-third of the profits and leases space to this organization. The District's share of profits were \$75,291, \$124,850 and \$57,339 for fiscal years ended in 2003, 2002 and 2001, respectively. Rental income was \$18,000, \$18,000 and \$22,500 for fiscal years ended in 2003, 2002 and 2001, respectively.

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

NOTE 20 - GOING CONCERN

As shown in the accompanying financial statements, the District incurred a net loss of \$999,785 during the year ended September 30, 2003, and as of that date, the District's cash and cash equivalents were in an overdraft position. Those factors combined with the three previous years of negative earnings create an uncertainty about the District's ability to continue as a going concern. Management of the District has developed the following plan to reduce its receivables and expenses and return the District to a profitable position. The ability of the District to continue as a going concern is dependent on the plan's success. The financial statements do not include any adjustments that might be necessary if the District is unable to continue as a going concern.

- A hiring freeze has been instituted except for critical needs in patient care.
- A reduction in hours worked has been implemented to reduce payroll costs.
- Nursing service is concentrating on daily census as a staffing measure and plans to reduce staffing during low census periods.
- Administration has implemented a new utilization review plan and regularly scheduled case management meetings to reduce patient care costs.
- Case management meetings are held on Tuesday and Thursday to review all patients near the end of their assigned length of stay to develop discharge plans or transfer to alternate care settings.
- Representatives of administration, nursing service, medical records and all ancillary departments review patient care with the goal of reducing the costs of patient care.

SUPPLEMENTARY INFORMATION

RIVERLAND MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Daily Patient Services:			
Adult and pediatric	\$ 1,642,259	\$ 1,540,900	\$ 1,476,210
Swing bed	15,600	10,700	30,400
Intensive care	864,000	788,800	880,000
Nursery	<u>94,440</u>	<u>96,000</u>	<u>96,000</u>
Total daily patient services	<u>2,616,299</u>	<u>2,436,400</u>	<u>2,482,610</u>
Other Professional Services:			
Operating room			
Inpatient	349,900	241,630	193,513
Outpatient	<u>580,706</u>	<u>455,587</u>	<u>273,609</u>
Total operating room	<u>930,606</u>	<u>697,217</u>	<u>467,122</u>
Recovery room			
Inpatient	150,150	125,450	90,450
Outpatient	<u>129,600</u>	<u>108,575</u>	<u>79,075</u>
Total recovery room	<u>279,750</u>	<u>234,025</u>	<u>169,525</u>
Labor/delivery room			
Inpatient	<u>317,100</u>	<u>279,850</u>	<u>184,800</u>
Anesthesia			
Inpatient	1,200	-0-	114,512
Outpatient	<u>521,923</u>	<u>475,426</u>	<u>311,719</u>
Total anesthesia	<u>523,123</u>	<u>475,426</u>	<u>426,231</u>
Radiology			
Inpatient	1,443,093	1,168,097	1,276,294
Outpatient	<u>3,344,931</u>	<u>3,196,691</u>	<u>3,130,807</u>
Total radiology	<u>4,788,024</u>	<u>4,364,788</u>	<u>4,407,101</u>
Laboratory			
Inpatient	2,000,234	1,733,601	1,670,920
Outpatient	<u>2,770,823</u>	<u>2,582,672</u>	<u>2,401,522</u>
Total laboratory	<u>\$ 4,771,057</u>	<u>\$ 4,316,273</u>	<u>\$ 4,072,442</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Blood			
Inpatient	\$ 172,728	\$ 73,612	\$ 58,492
Outpatient	<u>33,939</u>	<u>10,001</u>	<u>17,760</u>
Total blood	<u>206,667</u>	<u>83,613</u>	<u>76,252</u>
Respiratory care			
Inpatient	2,736,383	2,335,758	1,822,462
Outpatient	<u>226,393</u>	<u>238,571</u>	<u>179,627</u>
Total respiratory care	<u>2,962,776</u>	<u>2,574,329</u>	<u>2,002,089</u>
IV therapy			
Inpatient	1,348,208	1,232,130	1,504,716
Outpatient	<u>407,256</u>	<u>428,446</u>	<u>470,601</u>
Total IV therapy	<u>1,755,464</u>	<u>1,660,576</u>	<u>1,975,317</u>
Physical therapy			
Inpatient	15,946	10,990	30,191
Outpatient	<u>89,937</u>	<u>328,182</u>	<u>384,834</u>
Total physical therapy	<u>105,883</u>	<u>339,172</u>	<u>415,025</u>
EKG and EEG			
Inpatient	118,116	111,898	115,462
Outpatient	<u>143,640</u>	<u>150,472</u>	<u>155,143</u>
Total EKG and EEG	<u>261,756</u>	<u>262,370</u>	<u>270,605</u>
Medical supply			
Inpatient	1,560,603	1,504,426	1,811,863
Outpatient	<u>1,347,615</u>	<u>1,321,917</u>	<u>1,179,081</u>
Total medical supply	\$ <u>2,908,218</u>	\$ <u>2,826,343</u>	\$ <u>2,990,944</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Pharmacy			
Inpatient	\$ 1,740,667	\$ 1,485,716	\$ 2,135,109
Outpatient	<u>583,836</u>	<u>500,822</u>	<u>608,811</u>
Total pharmacy	<u>2,324,503</u>	<u>1,986,538</u>	<u>2,743,920</u>
Emergency room			
Inpatient	160	(310)	45
Outpatient	<u>806,875</u>	<u>791,610</u>	<u>325,395</u>
Total emergency room	<u>807,035</u>	<u>791,300</u>	<u>325,440</u>
Emergency room physician fees			
Inpatient	(3,000)	(2,564)	(14,678)
Outpatient	<u>1,008,790</u>	<u>1,021,227</u>	<u>867,096</u>
Total emergency room physician fees	<u>1,005,790</u>	<u>1,018,663</u>	<u>852,418</u>
Hospitalist physician fees			
Inpatient	206,750	11,965	-0-
Outpatient	<u>3,115</u>	<u>280</u>	<u>-0-</u>
Total hospitalist physician fees	<u>209,865</u>	<u>12,245</u>	<u>-0-</u>
Monitor			
Inpatient	392,882	396,704	501,172
Outpatient	<u>3,724</u>	<u>5,096</u>	<u>6,370</u>
Total monitor	<u>396,606</u>	<u>401,800</u>	<u>507,542</u>
Cardiac rehab			
Outpatient	\$ <u>-0-</u>	\$ <u>10,130</u>	\$ <u>29,330</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Clinics			
St. Joseph	\$ 161,494	\$ 252,639	\$ 114,909
Ferriday #1	148,169	112,294	548,174
Pediatric Clinic	<u>14,890</u>	<u>-0-</u>	<u>-0-</u>
 Total clinics	 <u>324,553</u>	 <u>364,933</u>	 <u>663,083</u>
 Total other professional services	 <u>24,878,776</u>	 <u>22,699,591</u>	 <u>22,579,186</u>
 Gross patient service revenue	 <u>27,495,075</u>	 <u>25,135,991</u>	 <u>25,061,796</u>
Deductions from revenue			
Medicare and Medicaid contractual adjustments	14,514,537	12,230,472	11,956,380
Uncompensated care reimbursement	(1,286,595)	(1,008,120)	(994,393)
Uncompensated services	-0-	-0-	-0-
Other	<u>1,100,354</u>	<u>1,269,136</u>	<u>754,000</u>
Total deductions from revenue	<u>14,328,296</u>	<u>12,491,488</u>	<u>11,715,987</u>
 Net patient service revenue	 <u>\$ 13,166,779</u>	 <u>\$ 12,644,503</u>	 <u>\$ 13,345,809</u>

RIVERLAND MEDICAL CENTER
SCHEDULE OF OTHER REVENUE
YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Meals sold to employees	\$ 55,019	\$ 48,381	\$ 51,223
Medical records revenue	13,116	13,713	11,393
Vending machine commissions	2,528	2,478	2,117
Rental income	31,250	29,225	30,900
Home health joint venture payments	75,291	124,850	57,339
Miscellaneous revenue	<u>70,879</u>	<u>48,682</u>	<u>57,111</u>
Total other revenue	\$ <u>248,083</u>	\$ <u>267,329</u>	\$ <u>210,083</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF EXPENSES – SALARIES AND BENEFITS
YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Administration	\$ 575,099	\$ 623,230	\$ 567,826
Plant operations and maintenance	123,628	155,619	184,527
Laundry	15,109	14,261	13,702
Housekeeping	102,997	92,661	125,368
Dietary and cafeteria	151,464	131,907	144,871
Medical records	159,160	151,254	138,521
Nursing services	1,008,946	886,848	921,380
Intensive care unit	651,439	655,073	638,409
Nursery	74,270	63,470	59,630
Operating room	264,631	248,725	247,570
Delivery room	377,745	352,657	345,525
Anesthesiology	275,773	275,773	165,405
Radiology	304,278	304,767	274,518
Laboratory	444,620	392,710	358,212
Respiratory therapy	308,298	276,484	283,854
Central supply	56,039	51,133	59,305
Pharmacy	169,575	154,858	159,878
Cardiac rehab	-0-	9,241	35,638
Emergency room	454,650	436,732	414,629
Clinic	<u>281,621</u>	<u>268,093</u>	<u>560,517</u>
 Total salaries	 <u>5,799,342</u>	 <u>5,545,496</u>	 <u>5,699,285</u>
 Payroll taxes	 73,949	 68,743	 69,777
Hospital insurance	430,151	572,795	424,870
Other	<u>36,779</u>	<u>25,869</u>	<u>17,769</u>
 Total benefits	 <u>540,879</u>	 <u>667,407</u>	 <u>512,416</u>
 Total salaries and benefits	 <u>\$ 6,340,221</u>	 <u>\$ 6,212,903</u>	 <u>\$ 6,211,701</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF EXPENSES – MEDICAL SUPPLIES AND DRUGS
YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Nursing services	\$ 7,120	\$ 8,107	\$ 11,207
Intensive care unit	9,079	14,433	15,142
Nursery	5,051	6,661	12,238
Operating room	119,495	101,642	139,786
Delivery room	37,261	45,603	35,147
Anesthesiology	7,421	4,874	6,462
Radiology	77,416	72,882	77,705
Laboratory and blood	488,430	442,435	429,584
IV therapy	82,121	79,910	98,123
Respiratory therapy	33,703	32,261	36,019
Physical therapy	97	540	2,205
Central supply	232,079	188,713	338,022
Pharmacy	574,531	470,180	710,298
Cardiac rehab	-0-	4,756	3,988
Emergency room	24,138	26,108	22,514
Clinics	<u>17,168</u>	<u>11,383</u>	<u>26,849</u>
 Total medical supplies and drugs	 \$ <u>1,715,110</u>	 \$ <u>1,510,488</u>	 \$ <u>1,965,289</u>

RIVERLAND MEDICAL CENTER
 SCHEDULES OF EXPENSES – PROFESSIONAL FEES
 YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Nursery	\$ 3,840	\$ 960	\$ -0-
Operating room	64,032	65,000	65,000
Ultrasound	229,130	137,592	139,114
Laboratory	12,000	13,000	12,000
Physical therapy	53,161	169,372	207,538
Emergency room	836,025	831,072	794,948
Hospitalist	<u>511,023</u>	<u>-0-</u>	<u>-0-</u>
 Total professional fees	 \$ <u>1,709,211</u>	 \$ <u>1,216,996</u>	 \$ <u>1,218,600</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF EXPENSES – OTHER EXPENSES
YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Contract services	\$ 69,595	\$ 48,197	\$ 39,204
Collection fees	80,379	26,182	28,179
Director fees	2,100	2,100	2,100
Legal and accounting	57,772	54,513	80,214
Supplies	372,317	359,838	338,562
Repairs and maintenance	275,569	255,862	312,668
Utilities	256,397	211,083	258,130
Telephone	51,464	55,361	60,552
Travel	16,992	29,370	22,295
Rentals	72,630	70,704	64,234
Education	4,242	6,584	12,636
Advertising	30,365	10,026	9,997
Dues and subscriptions	78,426	62,083	55,703
Miscellaneous	<u>73,304</u>	<u>69,053</u>	<u>63,636</u>
 Total other expenses	 \$ <u>1,441,552</u>	 \$ <u>1,260,956</u>	 \$ <u>1,348,110</u>

RIVERLAND MEDICAL CENTER
 SCHEDULES OF PER DIEM AND OTHER
 COMPENSATION PAID TO BOARD MEMBERS
 YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

	<u>2003</u>		<u>2002</u>		<u>2001</u>
Board Members:					
Mr. Larry McManus	\$ 300	\$	300	\$	300
Mr. Theodore McCoy	300		300		300
Mr. Lynn White	-0-		-0-		175
Mr. Fred Butcher	300		300		300
Mrs. Rena Pitts	300		300		300
Ms. Carolyn Magoun	75		-0-		-0-
Dr. Sarah Lee	300		300		300
Ms. Juanita Alwell	225		300		300
Mr. Jim Graves	<u>300</u>		<u>300</u>		<u>125</u>
Totals	\$ <u>2,100</u>	\$	<u>2,100</u>	\$	<u>2,100</u>

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

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

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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

We have audited the basic financial statements of the Parishwide Hospital Service District of the Parish of Concordia, Riverland Medical Center (the District or the Hospital) as of and for the years ended September 30, 2003, 2002 and 2001, and have issued our report thereon dated March 1, 2004. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Riverland Medical Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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 a material weakness.

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

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

Lester, Miller & Wells
Certified Public Accountants

March 1, 2004

RIVERLAND MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2003

September 30, 2002:

Finding: The District has incurred losses in each of the last three (3) reporting periods.

Recommendation: We recommend management expand existing and identify new revenue sources which exceed expenses needed to generate the revenues. We also recommend management monitor all services and where possible, eliminate services which produce losses. All expenses, including staffing and benefits, should be examined in search of efficiencies or excesses.

Management's Response: Administration will follow the recommendations to increase revenue and control costs. In addition the management team will review all aspects of the billing and collection process to increase amounts collected and reduce bad debt. Discharge planning will occur on all patients to try to reduce Medicare length of stay and to reduce patient costs. Administration, nursing services and medical records will work with staff physicians to achieve the most effective use of hospital assets. Collection personnel must work to reduce the number and amount of accounts aging past 360 days. When available, health insurance will be filed instead of liability insurance to reduce collection time. Efforts will be increased to collect from cash patients at the time of service. Payment will be required prior to non-emergency treatments or testing.

Resolution: This matter has not been resolved.

September 30, 2003:

Professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. We proposed adjustments to accounts receivable, contractual adjustments, allowances, accounts payable, and capital leases that could, in our judgment, either individually or in the aggregate, have a significant effect on the District's financial reporting process.

Finding: A significant number of adjusting journal entries was necessary during the audit in order to present the District's financial statements according to generally accepted accounting principles. Prior year audit adjusting entries were not entered into the District's accounting system until August, 2003. The preliminary net income for the twelve months ended September 30, 2003 was reduced by over \$2.5 million dollars to produce a net loss as reported according to generally accepted accounting principles.

RIVERLAND MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2003

September 30, 2003: (Continued)

Recommendation: We recommend management place more emphasis on accurately reporting the District's financial status on an interim basis. Accurate interim information is necessary to make informed decisions throughout the year. We also recommend management monitor Medicare, Medicaid and insurance contractual adjustments as well as bad debt percentages during the year in order to provide more meaningful interim information.

Management's Response: Administration will place more emphasis on timely and accurate interim financial statements. Administration will monitor Medicare and Medicaid payments and adjustments each month to accurately track financial adjustments.

Finding: We noted a new equipment lease that met operating lease criteria that was being treated as a capital lease.

Recommendation: Leases should be reviewed upon inception to determine if they meet the criteria for capitalization. If such criteria are met, they should be capitalized and the asset and liability should be recorded. If the leases are determined to be operating leases, then the periodic lease payments should be expensed.

Management's Response: The Administrator and CFO will consult with the CPA on all leases to determine if the lease is a capital or operating lease.

Finding: Medicare swing bed claims for the twelve month audit period were not processed for payment before the cost report submission deadline.

Recommendation: Accounts receivable for the District should be more proactively monitored in order to expedite payments due. Management should review collection status on a monthly basis. Responsibilities should be communicated to each member of the collections staff and aging reports for their area of accountability should be reviewed with them.

Management's Response: The Medicare swing bed claims have been properly filed and payment is in process.