

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CECILIA, STATE OF LOUISIANA
"SIVELASS MEDICAL CENTER"
FINANCIAL STATEMENTS

AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED SEPTEMBER 30, 1994, 1995 AND 1996

OFFICIAL
FILE COPY
DO NOT SIGN
IF YOU ARE NOT THE
ISSUING OFFICE
DATE: 11/15/96

TABLE OF CONTENTS

DO NOT SIGN
IF YOU ARE NOT THE
ISSUING OFFICE
DATE: 11/15/96

Independent auditors' Report on the Financial Statements and
Supplementary Information 1

General Purpose Financial Statements

Balance Sheets - Restricted Fund 3
Statements of Operations - Restricted Fund 4
Balance Sheets - Restricted Specific Purpose Fund 5
Statements of Changes in Fund Balances 6
Statements of Cash Flows - Restricted Fund 7
Notes to Financial Statements 9

Supplemental Information

Schedule of Patient Statistics 25
Schedule of Net Patient Service Revenue 26
Schedule of Deductions from Revenue 29
Schedule of Other Revenue 29
Schedule of Expenses - Salaries and Benefits 30
Schedule of Expenses - Medical Supplies and Drugs 31
Schedule of Expenses - Professional Fees 32
Schedule of Expenses - Other Expenses 33
Schedule of Pay (Sick and Other Compensation Paid to
Board Members) 34

Independent auditors' Report on Internal Control Structure Based
on an Audit of General Purpose Financial Statements Conducted
in Accordance with GOVERNMENT AUDITING STANDARDS 35

Independent Auditors' Report on Compliance Based on an Audit of
General Purpose Financial Statements in Accordance with
GOVERNMENT AUDITING STANDARDS 40

This "provisional" audit was the
report is a public document. A
copy of the report has been provid-
ed to the auditor, or requested,
entity and other appropriate public
officials. The report is available for
public inspection at the Audit
Room office of the Legislative Audi-
tor and, where appropriate, at the
office of the parish clerk of court.

RIVERLAND MEDICAL CENTER
 STATEMENTS OF CHANGES IN FUND BALANCES
 YEARS ENDED SEPTEMBER 30, 1994, 1995 AND 1996

	Unrestricted	Restricted
	Enterprise Fund	Specific Purpose Fund
Fund balance, September 30, 1993	\$ 8,349,330	\$ 128,000
Prior period adjustment, September 30, 1993 (Note 2B)	<u>50,160</u>	<u>.00</u>
Restated fund balance, September 30, 1993	8,409,490	128,000
Excess of revenues over expenses	334,835	87,508
AMOUNTS released from restriction	<u>-0-</u>	<u>(198,328)</u>
Fund balance, September 30, 1994	8,744,325	15,180
Excess of expenses over revenues	(886,336)	-0-
AMOUNTS released from restriction	<u>-0-</u>	<u>(25,800)</u>
Fund balance, September 30, 1995	7,857,989	-0-
Excess of expenses over revenues	<u>(115,016)</u>	<u>.00</u>
Fund balance, September 30, 1996	<u>\$ 7,742,973</u>	<u>\$.00</u>

COMPOSITION OF FUND BALANCE AT SEPTEMBER 30, 1996:

Transfer of hospital assets from Coccolia Parish Police Jury (Note 6)	\$ 1,324,848
Transfer of ambulance assets from Coccolia Parish Police Jury	64,628
Gifts and Bequests	104,012
Accumulated excess of revenues over expenses	<u>3,250,585</u>
Total fund balance	<u>\$ 4,743,983</u>

See the accompanying notes to the financial statements.

EVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1996, 1995 AND 1994

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, 1981, and was referred to as Concordia Parish Hospital until January 11, 1986, when the name was changed to Everland 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. 34 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.

Scope of Services

The District provides outpatient, emergency, inpatient acute hospital services, ambulance, clinic and home health services.

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
 STATEMENTS OF CASH FLOWS (Continued)
 UNRESTRICTED FUND
 YEARS ENDED SEPTEMBER 30, 1990, 1989 AND 1988

	1990	1989	1988
Cash flows from capital and related financing activities:			
Purchase of property and equipment	\$ (178,339)	\$ (2,889,377)	\$ (888,416)
Proceeds from sales of capital assets	44,836	-	5,895
Proceeds from long-term debt issuance	-	889,800	-
Payments on long-term debt	(268,485)	(281,865)	(213,882)
Interest paid on long-term debt	(57,689)	(181,113)	(47,786)
Real lease costs	<u>-8-</u>	<u>99,883</u>	<u>-8-</u>
Net cash used by capital and related financing activities	<u>(459,685)</u>	<u>(2,462,672)</u>	<u>(1,144,187)</u>
Net increase (decrease) in cash and cash equivalents	143,885	58,857	(874,366)
Cash and cash equivalents, beginning of year	<u>1,651,826</u>	<u>516,362</u>	<u>1,489,753</u>
Cash and cash equivalents, end of year	<u>\$ 1,817,513</u>	<u>\$ 1,953,324</u>	<u>\$ 615,387</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	<u>\$ 78,689</u>	<u>\$ 78,325</u>	<u>\$ 78,428</u>
Capital lease obligations incurred in conjunction with equipment lease acquisition agreements	<u>\$ 638,712</u>	<u>\$ 718,325</u>	<u>\$ 161,825</u>

See the accompanying notes to the financial statements.

STUYVESANT MEDICAL CENTER
STATEMENTS OF OPERATIONS - UNRESTRICTED FUND
YEARS ENDED SEPTEMBER 30, 1994, 1993 AND 1992

	1994	1993	1992
Revenue:			
Net patient service revenue	\$ 13,333,800	\$ 14,716,100	\$ 14,146,996
Sales tax revenue (Note 18)	371,419	360,419	377,933
Gain (loss) on disposal of equipment	(18,478)	-	3,903
Grant revenue (Note 18)	36,714	142,469	199,175
Other revenue	<u>113,247</u>	<u>142,683</u>	<u>173,933</u>
Total revenue	<u>13,735,696</u>	<u>15,361,571</u>	<u>14,901,047</u>
Expenses:			
Salaries and benefits	7,273,393	7,719,329	7,038,112
Medical supplies and drugs	1,989,384	1,089,865	1,769,431
Professional fees	1,564,321	1,864,367	1,782,888
Other expenses	1,458,332	2,061,889	2,186,267
Lease expense	85,380	186,802	85,626
Insurance	128,263	332,310	322,828
Retirement	341,486	389,644	381,331
Interest	87,809	381,114	62,780
Depreciation and amortization	681,129	831,219	559,282
Provision for bad debts	<u>1,132,317</u>	<u>1,628,863</u>	<u>894,333</u>
Total expenses	<u>14,369,716</u>	<u>16,336,771</u>	<u>14,960,832</u>
Operating income (loss)	<u>(634,020)</u>	<u>(975,199)</u>	<u>(58,785)</u>
Nonoperating income			
Interest income	<u>21,868</u>	<u>38,364</u>	<u>68,247</u>
Excess of revenues over expenses (expenses over revenues)	<u>\$ (612,152)</u>	<u>\$ (936,835)</u>	<u>\$ (50,538)</u>

See the accompanying notes to the financial statements.

RIVERSLAND MEDICAL CENTER
BALANCE SHEETS - UNRESTRICTED FUNDS
SEPTEMBER 30, 1978, 1979 AND 1984

ASSETS	1985	1983	1984
Current assets:			
Cash and cash equivalents (Note 3)	\$ 817,519	\$ 1,001,709	\$ 910,347
Investments	-0-	-0-	1,445,358
Accounts receivable net of estimated uncollectibles (Note 5)	5,859,419	5,178,604	5,774,867
Inventory	556,613	573,693	615,891
Prepaid expenses	107,367	123,614	111,049
Other receivables	<u>8,158</u>	<u>8,793</u>	<u>18,750</u>
Total current assets	<u>8,356,116</u>	<u>8,820,354</u>	<u>8,482,312</u>
Property, plant and equipment, net (Note 6)	4,979,713	5,060,198	3,888,389
Other assets (Note 7)	<u>156,216</u>	<u>152,838</u>	<u>189,347</u>
Total assets	<u>\$ 9,492,045</u>	<u>\$ 10,143,190</u>	<u>\$ 10,750,048</u>
LIABILITIES AND FUND BALANCE			
Current liabilities:			
Accounts payable	\$ 603,038	\$ 310,173	\$ 180,930
Accrued expenses and withholdings payable (Note 8)	729,843	850,973	628,991
Current maturities of long-term debt	<u>330,832</u>	<u>715,253</u>	<u>721,380</u>
Total current liabilities	<u>1,663,713</u>	<u>1,876,399</u>	<u>1,531,301</u>
Long-term debt, net of current maturities (Note 11)	<u>1,982,133</u>	<u>1,018,812</u>	<u>626,927</u>
Total liabilities	<u>3,645,846</u>	<u>2,895,211</u>	<u>2,158,228</u>
Contingencies (Note 17)	-0-	-0-	-0-
Fund balance - unrestricted	<u>5,846,200</u>	<u>7,248,268</u>	<u>8,591,820</u>
Total liabilities and fund balance	<u>\$ 9,492,045</u>	<u>\$ 10,143,190</u>	<u>\$ 10,750,048</u>

See the accompanying notes to the financial statements.

Morris E. Easley, CPA
Bobby G. Lester, CPA
John S. Smith, CPA
Robert G. Miller, CPA

Linda L. Wright, CPA
Paul A. Delaney, CPA
Melissa C. Henry, CPA

EASLEY, LESTER AND WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS
1616 BAYOU RATIERE ROAD
ALEXANDRIA, LOUISIANA 71304

Telephone: (504) 871-7000
Telex: 018 241114

Members

American Institute of CPA's
AICPA - Division for CPA Firms --
Private Company Practice Section
Society of Louisiana CPA's

Mailing Address
P.O. Box 8704
Alexandria, LA 71306-7104

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general purpose financial statements of the restricted and unrestricted funds of Riverland Medical Center as of September 30, 1990, 1989 and 1988, listed in the foregoing table of contents. Those financial statements are the responsibility of the District'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 audit 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 statements 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 Riverland Medical Center as of September 30, 1990, 1989 and 1988, and the results of its operations and cash flows for the years then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated January 22, 1993, on our consideration of Riverland Medical Center's internal control structure and a report dated January 22, 1993, on its compliance with laws and regulations.

RIVERLAND MEDICAL CENTER
 SUPPLEMENT TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 1996, 1995 AND 1994

NOTE 12 - CONTINGENCIES (Continued)

Workers's Compensation Risk - The District participates in the Louisiana Hospital Association Self-Insured Workers's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed the 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 "Greater 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 13 - GRANT REVENUE

The District has been awarded various grants and have elected to recognize revenue from these grants as funds are disbursed. The following is a table of Grants received and the revenue recognized therefrom:

	Fiscal Year ended	Total Grant Amount	Revenue Recognized		
			1996	1995	1994
Primary Care Clinic					
Grant	1993	\$ 150,000	\$ -	\$ -	\$ 150,000
Burger Foundation Grant	1993	25,000	-	-	25,000
Burger Foundation Grant	1994	25,000	-	25,000	-
Rural Health Care					
Physician Salary					
Subsidy Grant	1994	50,000	-	-	50,000
Grand Gulf Nuclear					
Station Grant	1994	12,550	-	-	12,550
National Energy					
Conservation Act	1995	64,836	-	61,409	2,428
Rural Emergency Services					
Grant	1995	75,000	-	75,000	-
Emergency Services Grant	1996	50,714	50,714	-	-
Total grant revenue recognized			\$ 50,714	\$ 181,409	\$ 333,178



RIVERSLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1994, 1993 AND 1992

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting for Governmental Fund Types

Some 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 in addition 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 28:1514 and to the guide and faith 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 Revenues

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. 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.

Board of Commissioners
Riverside Medical Center
Page Two

Our audits were conducted for the purpose of forming an opinion on the general purpose financial statements, as stated in the preceding paragraphs, 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 stated in all material respects in relation to the general purpose financial statements taken as a whole.

Barley, Lenton & Wells

Certified Public Accountants

January 22, 1980

RIVERSLAND MEDICAL CENTER
BALANCE AND BENEFITS
UNRESTRICTED FUND
YEARS ENDED SEPTEMBER 30, 1986, 1985 AND 1984

	1986	1985	1984
Administration	\$ 530,918	\$ 527,056	\$ 496,371
Plant operations and maintenance	359,852	376,785	327,356
Laundry	15,797	13,600	11,656
Housekeeping	138,836	153,603	145,281
Dietary and cafeteria	165,127	189,355	172,988
Medical records	82,706	128,399	108,869
Printing services	1,113,709	1,481,167	1,433,562
Intensive care unit	359,682	388,137	358,366
Nursery	68,862	42,949	48,918
Operating room	346,862	355,637	357,909
Delivery room	332,412	338,817	348,161
Anesthesiology	255,695	327,474	376,830
Radiology	259,588	261,174	276,286
Laboratory	379,370	387,848	352,277
Respiratory therapy	358,755	328,292	285,979
EEG and EKG	-0-	6,281	6,179
Central supply	55,600	70,313	66,357
Pharmacy	-0-	1,396	957
Cardiac rehab	1,534	-0-	-0-
Emergency room	317,211	348,388	338,767
ambulance	448,441	487,384	435,637
Home health	809,012	728,837	718,354
clinic	<u>367,118</u>	<u>462,186</u>	<u>337,282</u>
Total salaries	<u>6,436,603</u>	<u>7,236,113</u>	<u>6,261,106</u>
Social Security	80,219	88,285	70,120
Hospital Insurance	496,298	384,809	453,857
Other	<u>62,676</u>	<u>11,100</u>	<u>31,631</u>
total benefits	<u>639,193</u>	<u>484,194</u>	<u>535,608</u>
Total salaries and benefits	<u>\$ 7,075,796</u>	<u>\$ 7,720,307</u>	<u>\$ 6,796,714</u>

RIVERSIDE MEDICAL CENTER
NONCOMPLIANCE SUMMARY
YEAR ENDED SEPTEMBER 30, 1994

1. Bid Law

Condition: We found no advertisements for bid or bid proposals for two capital leases which were entered into during the year. The equipment value of these two leases is \$88,500. Equipment with values over \$10,000 must be bid competitively.

Recommendation: Follow state statute with respect to bid laws.

Response: These leases were intended to be non-capital leases. These leases were a replacement of leased equipment. The leases include maintenance and some supplies and there is no intention to take ownership of this equipment at the end of the lease. Every effort was made to follow the bid law. This equipment was available on a purchasing contract but the intent was to lease the equipment.

2. Bond Commission Approval

Condition: Four capital leases were entered into during the year that did not contain the municipal lease language nor have documentation of bond commission approval. The total of these leases is \$178,488. The Louisiana Revised Statutes require that any debt over 90 days must be approved by the state bond commission if certain non-appropriation clauses are not met.

Recommendation: We recommend that the Hospital obtain retroactive bond commission approval on these leases. The Hospital may write to Sharon Perez, P. O. Box 44254, Baton Rouge, La. 70804 or call (504) 342-8004 and request an expedited review and approval as soon as possible.

Response: These leases were municipal leases; they were set up to be municipal leases. It appears that the non-appropriation clauses are not worded correctly. Letters will be sent to the leasing companies to add an addendum to the lease to include the non-appropriation clause. Contact with the bonding commission will be made to insure the appropriateness of these leases.

Board of Commissioners
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.

Earby, Lafay & Wells

Certified Public Accountants

January 22, 1987

Morris E. Boller, CPA
Robby G. Lester, CPA
John R. Walls, CPA
Robert G. Miller, CPA

Leslie L. Wright, CPA
Paul A. Delaney, CPA
Melaine S. Huntz, CPA

KASLEY, LESTER AND WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS
1000 BAYOU WARDENS ROAD
MONROE, LOUISIANA 70502

Telephone (504) 488-1400
Telex 5348-448-104

Members
American Institute of CPAs
AICPA Division for CPAs, Florida --
Private Companies Practice Section
Society of Louisiana CPAs

Mailing Address:
P.O. Box 8788
Monroe, LA 70508-8788

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
BASED ON AN ASSESSMENT OF INTERNAL PROCEDURES
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
COMMERCE AUDITING STANDARDS**

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

We have audited the financial statements of Riverland Medical Center (the District) as of and for the years ended September 30, 1996, 1995 and 1994, and have issued our report thereon dated January 23, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Commerce Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

While performing our audit, we read the responses to the questions in the attached Systems Survey and Compliance Questionnaire completed by management and adopted by the Board of Commissioners and found no evidence that would indicate that the Hospital Service District had not answered the questions correctly. However, it should be noted that our audit was not directed primarily towards the answers to the questions in the questionnaire.

Compliance with laws, regulations, contracts and grants applicable to Riverland Medical Center is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grants. However, it should be noted that our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that the District complied in all material respects with the provisions referred to in the preceding paragraph except as noted on the attached schedule. With respect to items not tested, nothing came to our attention that caused us to believe that the District had not complied, in all material respects, with these provisions.

NIVERSITY MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 1996

REPORTABLE CONDITIONS (Continued)

2. Collections Documentation

Condition: When bad debt accounts are written-off, documentation of the collection efforts which are stored in the electronic files are not maintained. There is no record kept of any correspondence with the patient about collections, etc. The Medicare fiscal intermediary requires that a reasonable collection effort be documented in order to be reimbursed for Medicare bad debts.

Recommendation: Collection records should be printed and filed in the patient's folder at the time of write-off.

Response: Written records of all collection activity will be kept on all accounts.

3. Going Concern

Condition: Even though the District significantly reduced operating expenses during FY 1996, a large operating loss was incurred for the second straight year. This operating loss was a result of reduced reimbursements from the Medicare program because of discontinuance of the DRIPED program and per diem reductions. Also, a reduction in operating revenues because of a reduced patient census contributed to the loss for 1996. Due to these large 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 for FY 1997.

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 "furling" of staff based on patient census.

Response: Management is currently reviewing possible discontinuance of unprofitable services as well as other necessary expense reductions to restore profitability.

RIVERLAND MEDICAL CENTER
AUDITOR'S COMMENTS AND RECOMMENDATIONS
TIME PERIOD SEPTEMBER 30, 1996

MATERIAL WEAKNESSES (Continued)

2. Allowances for Medicare/Medicaid Contractual Adjustments & Bad Debt
(Continued)

Response: We will update monthly Medicare/Medicaid contractual and bad debt allowance calculations based on the most current information available.

3. Timesheet Approval

Condition: As in previous years, we noted some timesheets are not being approved by department heads.

Recommendation: Time cards should be reviewed by department heads and initialed.

Response: All department heads will be instructed to check and initial any hand written entry on time cards. Time cards will be checked by the personnel director.

REPORTABLE CONDITIONS

1. System Controls

Condition: Back-up computer files are stored on-site. Should the computer 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: Arrangements will be made to store backup tapes in a separate location.

Condition: There is no contingency plan in the case of computer failure, nor is there any business interruption insurance.

Recommendation: A contingency plan should be developed which should be utilized in case of computer failure. We also recommend that business interruption insurance be purchased.

Response: We will work with Data Management Systems to develop a contingency plan in case of failure. There is a current plan to transfer data to another system if the failure lasts longer than twenty four hours. The administrator will obtain quotes for business interruption insurance.

RIVERSLAND MEDICAL CENTER
BALANCE SHEETS
SPECIFIC PURPOSE FUND - RESTRICTED
YEARS ENDED SEPTEMBER 30, 1996, 1995 AND 1994

ASSETS	1996	1995	1994
Cash and cash equivalents	\$ _____	\$ _____	\$ <u>23,000</u>
LIABILITY AND FUND BALANCE			
Fund Balance	\$ _____	\$ _____	\$ <u>23,000</u>

See the accompanying notes to the financial statements.

RIVERLAND MEDICAL CENTER
ANNUAL COMMENTS AND RECOMMENDATIONS
YEAR ENDING SEPTEMBER 30, 1986

GENERAL

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

Current year conditions, recommendations and management responses are as follows:

FINANCIAL MANAGEMENT

1. ACCOUNTS RECEIVABLE

Condition: Again in 1986, accounts receivable subsidiary listings for the Home Health and the Clinics are not being reconciled to the general ledger. Therefore, significant year end adjustments are needed to adjust the general ledger to subsidiary listings.

Recommendation: Charges, payments and adjustments posted to both the accounts receivable detail listings and the general ledger should be reconciled on a regular basis. These totals must agree at all times.

Response: A process will be established to reconcile these accounts on a monthly basis.

Condition: The Hospital and Home Health 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.

Recommendation: Accounts receivable should be reviewed periodically and uncollectible accounts written off.

Response: The collection manager will review all Hospital and Home Health accounts and establish a system for collection and charge off of accounts.

2. ALLOWANCES FOR MEDICARE/MEDICAID CONTRACTUAL ADJUSTMENTS & BAD DEBT

Condition: Significant year-end audit adjustments were required for Medicare/Medicaid contractual allowances and bad debt allowances. During FY 1986, an interim allowance percentage of 88 was utilized whereas the actual allowance percentage was 45.

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 costs. We also recommend that bad debt allowances be reviewed periodically and updated to reflect the most current estimate of collectibility based on an evaluation of historical collections.

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1990, 1989 AND 1988

NOTE 15 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	1990	
	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 617,518	\$ 617,518
Accounts payable and accrued expenses	1,102,873	1,102,873
Estimated third-party paper settlements	268,130	268,130
Long-term debt	1,472,179	1,464,114

NOTE 16 - SALES TAX REVENUE

During the year ended September 30, 1989, the voters of the District passed a non-DEATH deal sales tax, which was removed for an additional two years in 1990. The sales tax is collected by the Concordia Parish School Board for a five percent collection fee.

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 - 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 these 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.

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

Marvin H. Beasley, CPA
Bobby G. Lester, CPA
John B. Wells, CPA
Richard G. Miller, CPA

Linda L. Wright, CPA
Paul A. Delaney, CPA
William L. Hance, CPA

EASLEY, LESTER AND WELLS
A CORPORATION OF LICENSED-PUBLIC ACCOUNTANTS
2000 RAYON BAYVIEW BOULE
BIRMINGHAM, ALABAMA 35202-1100

Telephone (205) 877-1400
Teletype (205) 877-1200

Members

American Institute of CPAs
AICPA Division for CPA Firms --
Private Company Practice Section
Society of Louisiana CPAs

Writing Address
P.O. Box 8708
Alexandria, LA 71302-7088

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE 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 Caddo, State of Louisiana
("Riverland Medical Center")
Terrebonne, Louisiana

We have audited the general purpose financial statements of Riverland Medical Center (the District) for the years ended September 30, 1996, 1995 and 1994, and have issued our report thereon dated January 12, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audits of the financial statements of the District for the years ended September 30, 1996, 1995 and 1994 we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

The management of the District is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are recorded in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure in future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

RIVERLAND MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 PER DIEM AND DUES
 CONTRIBUTION PAID TO BOARD MEMBERS
 YEARS ENDED SEPTEMBER 30, 1994, 1993 AND 1992

	1994	1993	1992
Board Members:			
Dr. Johnny Robertson	\$ -0-	\$ -0-	\$ 100
Dr. William Lathan	100	100	100
Dr. Larry McNamee	100	100	100
Dr. Theodore McCoy	100	100	100
Dr. Lynn White	100	100	100
Dr. Fred Butcher	100	100	100
Dr. James Maddill	100	225	-0-
Dr. Betsy Meek	-0-	75	100
Dr. Gary Smith	100	-0-	-0-
Dr. Ray King	<u>100</u>	<u>100</u>	<u>-0-</u>
Totals	\$ <u>2,100</u>	\$ <u>1,100</u>	\$ <u>1,100</u>

We raised certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The schedule that accompanies this letter summarizes our comments and suggestions regarding these matters.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described on the accompanying schedule is a material weakness.

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.

Lesley, Lester & Wells
Certified Public Accountants

January 22, 1997

RIVERLAND MEDICAL CENTER
 MEDICAL SUPPLIES AND DRUGS
 RESTRICTED FUND
 YEARS ENDED SEPTEMBER 30, 1994, 1993 AND 1992

	1992	1993	1994
Nursing services	\$ 38,000	\$ 300,050	\$ 501,385
Intensive care unit	64,813	14,000	9,150
Nursery	9,322	3,300	1,957
Operating room	119,965	263,000	227,251
Delivery room	20,348	13,643	15,601
Anesthesiology	3,597	13,388	12,065
Radiology	76,978	89,732	78,688
Laboratory and blood	290,000	288,451	313,910
IV therapy	93,323	125,473	188,438
Respiratory therapy	48,627	80,671	68,310
Physical therapy	380	414	188
EEG	324	2,328	2,400
Central supply	115,700	434,397	241,175
Pharmacy	433,471	332,144	341,519
Cardiac rehab	1,819	-	-
Emergency room	35,713	22,717	23,315
Ambulance	21,445	24,500	20,517
Home health	21,942	17,980	17,708
Clinton	<u>31,712</u>	<u>85,528</u>	<u>27,699</u>
Total medical supplies and drugs	<u>\$ 3,302,386</u>	<u>\$ 3,083,842</u>	<u>\$ 3,718,611</u>

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1998, 1997 AND 1996

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Notes Receivable - Students

Payments are made to medical and nursing students as allowances to locate at the District upon graduation. Notes receivable are established as payments are made. Note balances are being amortized for each year of full-time work at the District by a specified amount. Failure to graduate or locate at the District or termination of employment during the amortization periods will make the participants liable for the unamortized balance.

Inventory

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

Property, Plant and Equipment

Property, plant and equipment is recorded at cost for purchased assets or, if a donation, at fair market value on the date of 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 60 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 when incurred.

The cost of assets retired or otherwise disposed of and related accumulated depreciation are eliminated from the accounts in the year of disposal.

Bad Debt

The Hospital grants credit to patients, substantially all of whom are local residents. As discussed in Note 3, substantial portions are insured by third-party payer agreements. Riverland's estimate of collectibility is based on an analysis of aged accounts receivable to establish an allowance for uncollectible accounts.

Changes in Reporting Classification

The classification of certain prior year amounts have been changed to reflect consistent reporting when compared to current year balances. The financial statement format has been changed to reflect changes in the GAAP Audit and Accounting Guide - Health Care Organizations, issued June 1, 1996.

RIVERLAND MEDICAL CENTER
 DEDUCTIONS FROM REVENUE - UNRESTRICTED
 YEARS ENDED SEPTEMBER 30, 1994, 1993 AND 1992

	1992	1993	1994
Medicare and Medicaid [corrected] adjustments	\$ 2,007,387	\$ 2,113,588	\$ 2,603,368
Employee discounts	2,064	16,757	13,938
Uncompensated services	53,353	32,321	37,985
Other	<u>437,311</u>	<u>293,283</u>	<u>333,033</u>
Total Deductions From Revenue	\$ <u>2,500,115</u>	\$ <u>2,455,949</u>	\$ <u>3,008,324</u>

OTHER REVENUE - UNRESTRICTED
 YEARS ENDED SEPTEMBER 30, 1994, 1993 AND 1992

	1992	1993	1994
Reals sold to employees	\$ 53,511	\$ 61,679	\$ 55,378
Fax phone commissions	748	1,048	1,331
Vending machine commissions	3,082	3,581	4,884
Bertha Income	8,738	9,872	9,800
Miscellaneous revenue	<u>47,386</u>	<u>57,913</u>	<u>56,823</u>
Total Other Operating Revenue	\$ <u>113,465</u>	\$ <u>134,103</u>	\$ <u>138,816</u>

RIVERLAND MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED SEPTEMBER 30, 1996, 1995 AND 1994

Home health			
Skilled	\$ 872,300	\$ 824,000	\$ 774,658
Aide	1,509,833	1,474,157	1,543,744
Physical therapy	19,300	44,100	-0-
Medical supplies	225,874	337,488	128,883
Pharmacy	11,113	15,425	-0-
DSB	<u>13,733</u>	<u>-0-</u>	<u>-0-</u>
Total home health	<u>2,652,153</u>	<u>2,684,760</u>	<u>2,457,285</u>
Garden rehab			
Outpatient	<u>8,283</u>	<u>-0-</u>	<u>-0-</u>
Substance service	<u>1,188,617</u>	<u>1,363,667</u>	<u>1,188,379</u>
Clinics			
Riverland	42,442	83,894	85,782
Hewellton	146,881	373,507	381,250
Ferriday dl	125,890	109,440	14,881
Jonesville	<u>-0-</u>	<u>75,318</u>	<u>-0-</u>
Total clinics	<u>315,213</u>	<u>642,159</u>	<u>582,913</u>
Total other professional services	<u>12,668,523</u>	<u>12,583,761</u>	<u>12,573,713</u>
Gross patient service revenue	20,784,290	22,472,163	22,344,618
Deductions from revenue	<u>1,550,500</u>	<u>1,754,843</u>	<u>1,828,332</u>
Net patient service revenue	<u>\$ 19,233,790</u>	<u>\$ 20,717,320</u>	<u>\$ 20,516,286</u>

RIVERLAND MEDICAL CENTER
NET PATIENT SERVICE REVENUE - UNRESTRICTED (Continued)
YEARS ENDED SEPTEMBER 30, 1994, 1993 AND 1992

	1994	1993	1992
Respiratory care			
Inpatient	\$ 1,374,367	\$ 1,379,489	\$ 1,413,789
Outpatient	<u> 566,313</u>	<u> 368,261</u>	<u> 178,833</u>
Total respiratory care	<u> 1,940,680</u>	<u> 1,747,750</u>	<u> 1,592,622</u>
IV therapy			
Inpatient	1,433,739	1,383,800	1,367,508
Outpatient	<u> 218,325</u>	<u> 238,626</u>	<u> 286,886</u>
Total IV therapy	<u> 1,652,064</u>	<u> 1,622,426</u>	<u> 1,654,394</u>
Physical therapy			
Inpatient	41,257	64,877	38,098
Outpatient	<u> 267,869</u>	<u> 288,326</u>	<u> 187,327</u>
Total physical therapy	<u> 309,126</u>	<u> 353,203</u>	<u> 225,425</u>
B00 and B80			
Inpatient	138,437	133,437	359,688
Outpatient	<u> 132,967</u>	<u> 128,323</u>	<u> 317,893</u>
Total B00 and B80	<u> 271,404</u>	<u> 261,760</u>	<u> 677,581</u>
Medical supply			
Inpatient	1,354,943	1,360,910	1,408,169
Outpatient	<u> 808,318</u>	<u> 880,821</u>	<u> 783,332</u>
Total medical supply	<u> 2,163,261</u>	<u> 2,241,731</u>	<u> 2,191,501</u>
Pharmacy			
Inpatient	1,323,838	1,446,090	1,886,913
Outpatient	<u> 657,889</u>	<u> 453,862</u>	<u> 279,838</u>
Total pharmacy	<u> 1,981,727</u>	<u> 1,899,952</u>	<u> 2,166,751</u>
Emergency room			
Inpatient	98,438	98,681	118,684
Outpatient	<u> 733,328</u>	<u> 590,911</u>	<u> 731,367</u>
Total emergency room	<u> 831,766</u>	<u> 689,592</u>	<u> 850,051</u>
Monitor			
Inpatient	397,760	393,688	312,830
Outpatient	<u> 10,878</u>	<u> 2,382</u>	<u> 1,658</u>
Total monitor	<u> 408,638</u>	<u> 396,070</u>	<u> 314,488</u>

KYVENLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1996, 1995 AND 1994

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	ACCUMULATED DEPRECIATION			
	September 30, 1996	ADDITIONS	DEDUCTIONS	September 30, 1995
Land improvements	\$ 37,666	\$ 16,794	\$ -0-	\$ 41,918
Leasehold improvements	6,937	2,934	-0-	7,863
Buildings and fixed equipment	1,577,129	160,883	-0-	1,680,019
Major movable equipment	2,566,628	536,017	-0-	2,128,645
Total	\$ 4,508,360	\$ 656,628	\$ -0-	\$ 4,828,632

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended September 30, 1996:

	ASSET COST			
	September 30, 1996	ADDITIONS	DEDUCTIONS	September 30, 1995
Land	\$ 117,600	\$ -0-	\$ -0-	\$ 117,600
Land Improvements	86,873	19,810	-0-	100,683
Leasehold Improvements	23,644	-0-	-0-	23,644
Buildings and fixed equipment	2,898,933	161,898	-0-	2,898,833
Major movable equipment	2,836,873	480,262	6,203	4,421,311
Construction in progress	18,708	603,967	128,714	329,861
Total	\$ 6,810,526	\$ 1,165,927	\$ 128,714	\$ 7,896,721

	ACCUMULATED DEPRECIATION			
	September 30, 1996	ADDITIONS	DEDUCTIONS	September 30, 1995
Land Improvements	\$ 30,308	\$ 7,366	\$ -0-	\$ 37,666
Leasehold Improvements	2,542	2,365	-0-	6,937
Buildings and fixed equipment	1,687,083	89,078	-0-	1,577,129
Major movable equipment	2,132,135	466,473	8,062	2,566,628
Total	\$ 4,622,068	\$ 565,282	\$ 8,062	\$ 4,508,360

HIVERLAND MEDICAL CENTER
NET PATIENT SERVICE REVENUE - UNRESTRICTED
YEARS ENDED SEPTEMBER 30, 1984, 1985 AND 1986

	1984	1985	1986
Daily Patient Services:			
adult and pediatric	\$ 967,785	\$ 1,178,804	\$ 1,315,913
intensive care	299,480	329,639	328,280
Nursery	11,382	88,883	178,288
Total Daily Patient Services	<u>1,278,647</u>	<u>1,607,326</u>	<u>1,822,481</u>
Other Professional Services:			
Operating room			
Inpatient	183,495	264,851	296,563
Outpatient	274,360	397,625	328,323
Total operating room	<u>457,855</u>	<u>662,476</u>	<u>624,886</u>
Recovery room			
Inpatient	66,888	74,810	74,380
Outpatient	63,488	83,938	57,530
Total recovery room	<u>130,376</u>	<u>158,748</u>	<u>131,910</u>
Labor/Delivery room			
Inpatient	181,480	111,180	128,000
Outpatient	-	-	-
Total labor/delivery room	<u>181,480</u>	<u>111,180</u>	<u>128,000</u>
Anesthesia			
Inpatient	306,688	449,839	488,128
Outpatient	113,803	404,224	469,383
Total anesthesia	<u>420,491</u>	<u>854,063</u>	<u>957,511</u>
Radiology			
Inpatient	478,748	670,933	313,887
Outpatient	1,332,163	1,888,385	1,237,582
Total radiology	<u>1,810,911</u>	<u>2,559,318</u>	<u>1,551,469</u>
Laboratory			
Inpatient	1,317,934	1,347,130	1,588,506
Outpatient	1,476,683	1,448,527	1,368,718
Total laboratory	<u>2,794,617</u>	<u>2,795,657</u>	<u>2,957,224</u>
Blood			
Inpatient	38,586	38,917	38,887
Outpatient	1,738	8,236	8,283
Total blood	<u>40,324</u>	<u>47,153</u>	<u>47,170</u>

RIVERLAND MEDICAL CENTER
 PATIENT STATISTICS
 YEARS ENDED SEPTEMBER 30, 1993, 1994 AND 1995

	1993	1994	1995
Number of Hospital Patient Days of Care			
Medicare	4,514	4,877	4,344
Medicaid	2,893	2,938	2,828
Other	<u>543</u>	<u>582</u>	<u>1,851</u>
Total	<u>7,950</u>	<u>8,397</u>	<u>9,023</u>
Number of Hospital Patient Discharges			
Medicare	989	1,023	1,019
Medicaid	617	658	685
Other	<u>358</u>	<u>317</u>	<u>328</u>
Total	<u>1,964</u>	<u>2,008</u>	<u>2,032</u>
Average Length of Patient Stay			
Medicare	4.48	4.76	4.23
Medicaid	3.89	4.23	3.68
Other	2.64	2.44	3.78
Total all patients	3.83	4.01	4.00
Number of Surgical Cases	<u>873</u>	<u>927</u>	<u>811</u>
Number of Emergency Room Visits	<u>12,815</u>	<u>12,232</u>	<u>12,358</u>
Home Health Visits	<u>29,143</u>	<u>29,287</u>	<u>28,384</u>

**EVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1986, 1985 AND 1984**

The District has a policy of providing charity care to indigent patients in emergency situations. The cost of free care provided is \$22,633, \$20,649 and \$21,857 for the respective fiscal years ended in 1986, 1985 and 1984.

NOTE 20 - PRIOR PERIOD ADJUSTMENTS

A prior period adjustment has been made to correct net income and fund balance for errors in recording pharmacy inventory in previous years:

Year ended September 30,	Increase (Decrease) Net Income	Increase (Decrease) Fund Balance
1982	\$ 63,500	\$ 63,500
1983	(13,408)	(13,408)
1984	27,463	27,463
1985	<u>18,328</u>	<u>18,328</u>
	<u>\$ 88,923</u>	<u>\$ 88,923</u>

NOTE 21 - FUNDING ISSUES

The District has recorded monthly operating losses for several months subsequent to the balance sheet date. As a result of these losses, the District has been forced to use most of its cash reserves. Management is formulating a plan to address the issue of profitability but no formal plan has been released as of February 22, 1987.

REVEREND HENRIK CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 1996, 1995 AND 1994

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, 1996:

	September 30, <u>1996</u>	Additions	Deletions	September 30, <u>1995</u>
Land	\$ 117,400	\$ -0-	\$ -0-	\$ 117,400
Land improvements	138,931	-0-	-0-	138,931
Leasehold improvements	35,028	27,194	23,668	38,554
Buildings and fixed equipment	4,538,595	29,348	39,928	4,547,985
Major movable equipment	<u>3,086,678</u>	<u>578,283</u>	<u>683,712</u>	<u>3,081,189</u>
Total	<u>\$ 4,916,632</u>	<u>\$ 625,725</u>	<u>\$ 747,308</u>	<u>\$ 4,901,452</u>

ACCUMULATED DEPRECIATION

	September 30, <u>1996</u>	Additions	Deletions	September 30, <u>1995</u>
Land improvements	\$ 47,938	\$ 13,261	\$ -0-	\$ 61,199
Leasehold improvements	7,881	3,024	8,424	2,481
Buildings and fixed equipment	1,488,002	122,061	7,958	1,794,095
Major movable equipment	<u>3,138,662</u>	<u>368,728</u>	<u>368,382</u>	<u>3,138,000</u>
Total	<u>\$ 4,822,483</u>	<u>\$ 508,114</u>	<u>\$ 376,822</u>	<u>\$ 4,913,724</u>

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended September 30, 1995:

	September 30, <u>1995</u>	Additions	Deletions	September 30, <u>1994</u>
Land	\$ 117,400	\$ -0-	\$ -0-	\$ 117,400
Land improvements	182,883	79,268	-0-	158,931
Leasehold improvements	35,648	11,381	-0-	35,028
Buildings and fixed equipment	2,858,893	1,879,663	-0-	4,538,595
Major movable equipment	4,911,211	679,987	-0-	3,086,678
Construction in progress	<u>329,862</u>	<u>-0-</u>	<u>329,862</u>	<u>-0-</u>
Total	<u>\$ 7,835,797</u>	<u>\$ 2,669,851</u>	<u>\$ 329,862</u>	<u>\$ 8,316,632</u>

STERILAND MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 1996, 1995 AND 1994

NOTE 3 - 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, 1996, 1995 and 1994, follows:

	1996	1995	1994
Medicare patients	\$ 11,732,046	\$ 12,845,389	\$ 11,808,159
Medicaid patients	<u>5,438,335</u>	<u>5,028,857</u>	<u>5,518,518</u>
Total	\$ 17,170,381	\$ 17,874,246	\$ 17,326,677
Percent of all patients	75%	80%	88%

Since the District serves a disproportionate share of low-income patients, it qualified for Medicare and Medicaid Disproportionate Share (DSH) reimbursement during 1996, 1995 and 1994.

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

	1996	1995	1994
Medicare	\$ 124,479	\$ 142,898	\$ 218,450
Medicaid	<u>774,262</u>	<u>1,524,358</u>	<u>1,527,385</u>
Total	\$ 898,741	\$ 1,667,256	\$ 1,745,835

The DSH included above for Medicaid has been calculated based on reimbursement methodologies which have not been approved by the Health Care Financing Administration (HCFA). The final approval of these methodologies by HCFA could change, possibly significantly, the amount of Medicaid reimbursement which the District has received or will receive in future years.

Additionally, legislation has been passed which reduces Medicaid DSH payments effective July 1, 1994, and eliminates Medicaid DSH payments to hospitals effective July 1, 1996.

RIVERLAND MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 1994, 1993 AND 1994

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:

	1994	1993	1994
Petty Cash	\$ 864	\$ 825	\$ 825
Checking and Savings	228,898	244,728	461,883
Certificates of Deposit	<u>681,785</u>	<u>788,451</u>	<u>81,829</u>
Total	<u>\$ 917,547</u>	<u>\$ 1,034,004</u>	<u>\$ 524,537</u>

Deposits with financial institutions are covered by FDIC and pledged securities.

NOTE 4 - INVESTMENTS

The District considers certificates of deposit with original maturities in excess of 90 days to be temporary cash investments. These certificates of deposit were covered by collateral held by the pledging financial institution's bank departments in the District's name.

NOTE 5 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	1994	1993	1994
Net patient accounts receivable	\$ 2,904,856	\$ 4,102,618	\$ 3,310,667
Estimated third party payer settlements	<u>1,128,361</u>	<u>281,783</u>	<u>1,271,899</u>
	4,033,217	4,384,401	4,582,566
Estimated allowances	<u>(1,808,800)</u>	<u>(1,238,080)</u>	<u>(1,801,000)</u>
Total	<u>\$ 2,224,417</u>	<u>\$ 3,146,321</u>	<u>\$ 2,781,566</u>

Included in estimated third party payer settlements for FY 1994 are receivables of \$1,885,473 from the Medicaid program for the excess cost over the TEFSA target rate for the years ended September 30, 1993 through 1994. Medicaid revenue related to this target rate excess was not recognized in previous years due to non approval of a proposed "Under 80 hat" rule which exempted rural hospital's with less than 80 beds from the Medicaid TEFSA target rate. The Health Care Financing Administration (HCFA) retroactively approved this rule during FY 1994. Accordingly, the District has recognized the entire \$1,885,473 in net patient revenue for FY 1994.

RIVERLAND MEDICAL CENTER
PROFESSIONAL FEES
UNRESTRICTED FUND
YEARS ENDED SEPTEMBER 30, 1994, 1993 AND 1992

	1994	1993	1992
Nursing services	\$ 4,129	\$ 4,783	\$ 4,380
Intensive care unit	2,822	3,869	-
Operating room	16,890	50,800	4,000
Delivery room	4,800	3,800	1,800
Anesthesiology	2,880	48,500	87,930
Laboratory	12,800	12,900	12,800
Physical therapy	216,406	174,913	341,856
ER	35,813	396,835	85,800
Pharmacy	325,877	320,650	385,679
Emergency room	587,626	806,180	859,356
Home health	43,366	32,366	-
Clinics	<u>35,323</u>	<u>606,323</u>	<u>78,287</u>
Total professional fees	<u>\$ 1,286,221</u>	<u>\$ 1,856,361</u>	<u>\$ 1,282,938</u>

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1986, 1985 AND 1984

NOTE 12 - OPERATING LEASES

The District leases various equipment and offices under operating leases expiring in various years through 1998. These leases are all cancellable 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 - COST REIMBURSEMENT SERVICES RECEIVED

The District has agreements with third-party payors that provide for payments to the District at amounts different from the 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 ambulatory 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 settlements 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, 1984.

Medicaid - Inpatient services prior to July 1, 1984 and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology (subject to a maximum per patient for inpatient services). Effective July 1, 1984, Medicaid inpatient services are reimbursed based on a prospectively determined per diem rate. Effective July 1985, Medicaid home health is reimbursed based upon prospectively determined rates. The District is reimbursed at a tentative rate for cost based services with final settlements 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, 1985.

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 retrospective adjustment.

BETHLEHEM MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 1996, 1995 AND 1994

NOTE 11 - LONG-TERM DEBT

The following is a summary of long-term debt, including capital lease obligations, as September 30, 1996, 1995 and 1994:

	1996	1995	1994
6.8 percent Series 1994 Certificates of Indebtedness, due November 1, 2004, collateralized by a pledge and dedication of the District's future annual revenues over expenses	\$ 478,017	\$ 347,476	\$ -
Capital obligations at varying rates of imputed interest from 3.2 percent to 18.0 percent, collateralized by leased equipment	<u>348,158</u>	<u>381,609</u>	<u>637,328</u>
Total long-term debt	1,422,175	1,334,885	637,328
Less current maturities of long- term debt	<u>339,892</u>	<u>305,333</u>	<u>324,188</u>
Long-term maturities	<u>\$ 1,082,283</u>	<u>\$ 1,029,552</u>	<u>\$ 313,140</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:

Year ending September 30,	Certificates of Indebtedness	Capital Lease Obligations	Total
1997	\$ 309,200	\$ 312,256	\$ 621,456
1998	309,200	218,843	528,043
1999	309,200	175,809	485,009
2000	309,200	87,976	397,176
2001	309,200	55,713	364,913
Thereafter	<u>301,175</u>	<u>3,886</u>	<u>305,061</u>
	\$478,175	\$58,500	1,789,375
Less amounts representing interest	<u>171,158</u>	<u>311,862</u>	<u>483,020</u>
Total	<u>\$ 307,017</u>	<u>\$ 246,638</u>	<u>\$ 553,655</u>

KIRKLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1996, 1995 AND 1994

NOTE 8 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

accrued expenses and withholdings payable at September 30, 1996, 1995 and 1994, consist of the following:

	1996	1995	1994
State and Federal taxes payable	\$ 39,380	\$ 6,440	\$ 4,968
Accrued interest payable - equipment	5,852	6,326	4,186
Accrued salaries and fees payable	229,318	138,714	213,670
Accrued compensated absences	267,689	268,383	223,627
Fayroll withholdings payable	48,437	21,858	12,638
Leadsman mandated service charge	82	38	34
Unsettled sick pay payable	<u>168,204</u>	<u>139,480</u>	<u>168,013</u>
Total	\$ <u>769,952</u>	\$ <u>600,921</u>	\$ <u>663,996</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 ascertain the amount of accrued compensation for future unvested sick days and, accordingly, no liability has been recorded in the accompanying financial statements. However, vested unutilized and unused 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, Kirkland 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 5% of salaries to the plan. Pension expense changed to operations was \$241,486, \$389,644 and \$381,250 in 1996, 1995 and 1994, respectively. Employee contributions are summarized below:

	Amount	Percentage
Employee Mandatory Contributions	\$ 209,072	81
Employee Voluntary Contributions	78,871	14% (1994)

RIVERSLAND MEDICAL CENTER
 STATEMENTS OF CASH FLOWS - UNRESTRICTED FUNDS
 YEARS ENDED SEPTEMBER 30, 1994, 1993 AND 1992

	1994	1993	1992
Cash flows from operating activities:			
Operating income (loss)	\$ (987,884)	\$ (343,182)	\$ 366,586
Interest expense considered capital financing activity			
Adjustments to reconcile operating income to net cash provided by operating activities:	97,608	301,115	67,786
Depreciation	680,117	650,083	530,383
Amortization	1,012	959	0-
Student loan service pay-back	11,083	9,838	11,083
Provision for bad debt	1,138,352	1,028,445	924,333
Gain/loss on disposal of assets	18,624	0-	0-
(Increase) decrease in:			
Net patient accounts receivable	(122,337)	(1,255,587)	(1,200,382)
Estimated third party payer settlements	(837,324)	688,366	88,191
Inventory	16,860	43,124	(144,181)
Prepaid expenses	18,889	(34,387)	31,325
Other receivables	225	14,357	(12,468)
Increase (decrease) in:			
Accounts payable	92,855	(24,157)	48,871
Accrued expenses and withholdings payable	28,826	60,320	(12,320)
Net cash provided (used) by operating activities	<u>129,135</u>	<u>680,651</u>	<u>386,536</u>
Cash flows from investing activities:			
Loans to students	(26,867)	(43,088)	(34,146)
Payments received on loans	1,988	11,308	1,326
Purchase of investments	0-	0-	(1,663,008)
Proceeds from investing activities	0-	1,645,358	800,000
Investment income	<u>31,888</u>	<u>38,886</u>	<u>68,182</u>
Net cash provided by investing activities	<u>\$ (22,881)</u>	<u>\$ 1,478,434</u>	<u>\$ (668,131)</u>

See the accompanying notes to the financial statements.

KIRKLAND HOSPITAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1976, 1975 AND 1974

NOTE 17 - NET PATIENT SERVICE REVENUE (Continued)

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 18 - 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 settlements 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 program is to be a "Grantor Trust" and, accordingly, income and expenses are generated to member hospitals. The District has included these allocations of income and equity to the trust in its financial statements.

NOTE 19 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the District in estimating the fair value of its financial instruments.

Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Accounts payable and accrued expenses: The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates its fair value.

Estimated third-party paper settlements: The carrying amount reported in the balance sheet for estimated third-party paper settlements approximates its fair value.

Long-term debt: The fair value of long-term debt is estimated using discounted cash flow analysis, based on the District's current governmental borrowing rates for similar types of borrowing arrangements.

RIVERLAND MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 1978, 1979 AND 1980

NOTE 5 - 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 the 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 \$2,129,471, \$2,202,731 and \$1,888,081 for 1980, 1979 and 1978, respectively.

These assets were obtained in part with funds from a Hill-Burton program grant of \$478,848. 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 operating leases, which are included in property, plant and equipment, at September 30 follows:

	1980	1979	1978
Equipment	\$ 908,500	\$ 1,088,955	\$ 1,179,304
Accumulated depreciation	<u>(318,128)</u>	<u>(389,628)</u>	<u>(450,963)</u>
Total	\$ <u>590,372</u>	\$ <u>699,327</u>	\$ <u>728,341</u>

NOTE 7 - OTHER ASSETS

Other assets consist of the following:

	1980	1979	1978
Notes receivable from Medical Students and Doctors less estimated uncollectibles	\$ 179,313	\$ 133,732	\$ 137,446
Notes receivable from Nursing Students	18,972	19,969	28,301
Unamortized Bond Issue Cost	<u>3,813</u>	<u>8,932</u>	<u>0</u>
Total	\$ <u>192,098</u>	\$ <u>162,633</u>	\$ <u>165,747</u>