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RIVERLAND MEDICAL CENTER

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
SEPTEMBER 30, 1997, 1996 AND 1995

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

APR 15 1998

Release Date _____

PARISHWIDE HOSPITAL SERVICE DISTRICT
 OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
 "RIVERLAND MEDICAL CENTER"
 FINANCIAL STATEMENTS
 AND
 INDEPENDENT AUDITORS' REPORT
 YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general purpose financial statements of the restricted and unrestricted funds of Riverland Medical Center, a component unit of the Concordia Parish Police Jury, Ferriday, Louisiana, as of September 30, 1997, 1996 and 1995, as listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose 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 statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Riverland Medical Center as of September 30, 1997, 1996 and 1995, and the results of 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 February 9, 1998, on our consideration of Riverland Medical Center's internal control structure and a report dated February 9, 1998, on its compliance with laws and regulations.

Board of Commissioners
Riverland 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 paragraph, 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.

Easley, Lester & Wells
Certified Public Accountants

February 9, 1998

RIVERLAND MEDICAL CENTER
BALANCE SHEETS - UNRESTRICTED FUND
SEPTEMBER 30, 1997, 1996 AND 1995

ASSETS	<u>1997</u>	<u>1996</u>	<u>1995</u>
Current assets:			
Cash and cash equivalents (Note 3)	\$ 1,334,194	\$ 617,519	\$ 1,051,204
Accounts receivable, net of estimated uncollectibles (Note 5)	2,128,290	1,900,056	2,896,619
Estimated third party payor settlements	-0-	1,159,363	281,985
Inventory	443,334	556,637	572,697
Prepaid expenses	79,523	107,367	125,456
Other receivables	<u>15,685</u>	<u>4,168</u>	<u>4,393</u>
 Total current assets	 <u>4,001,026</u>	 <u>4,345,110</u>	 <u>4,932,354</u>
Property, plant and equipment, net (Note 6)	4,605,120	4,929,715	5,060,198
Other assets (Note 7)	<u>152,214</u>	<u>154,210</u>	<u>152,638</u>
 Total assets	 <u>\$ 8,758,360</u>	 <u>\$ 9,429,035</u>	 <u>\$10,145,190</u>
 LIABILITIES AND FUND BALANCE			
Current liabilities:			
Accounts payable	\$ 419,063	\$ 403,028	\$ 310,173
Accrued expenses and withholdings payable (Note 8)	734,142	729,847	650,971
Estimated third party payor settlements	307,672	-0-	-0-
Unearned revenue	700	-0-	-0-
Current maturities of long-term debt	<u>421,465</u>	<u>330,022</u>	<u>315,253</u>
 Total current liabilities	 <u>1,883,042</u>	 <u>1,462,897</u>	 <u>1,276,397</u>
Long-term debt, net of current maturities (Note 11)	<u>821,417</u>	<u>1,092,153</u>	<u>1,018,832</u>
 Total liabilities	 <u>2,704,459</u>	 <u>2,555,050</u>	 <u>2,295,229</u>
Contingencies (Note 18)	-0-	-0-	-0-
Fund balance - unrestricted	<u>6,053,901</u>	<u>6,873,985</u>	<u>7,849,961</u>
 Total liabilities and fund balance	 <u>\$ 8,758,360</u>	 <u>\$ 9,429,035</u>	 <u>\$10,145,190</u>

See accompanying notes to financial statements.

RIVERLAND MEDICAL CENTER
STATEMENTS OF OPERATIONS - UNRESTRICTED FUND
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Revenue:			
Net patient service revenue	\$11,259,172	\$12,239,173	\$13,570,752
Sales tax revenue (Note 15)	375,828	373,419	360,419
Contributions	187	-0-	-0-
Gain (loss) on disposal of assets	(5,864)	(19,476)	-0-
Grant revenue (Note 19)	25,000	50,714	161,409
Other revenue	<u>154,989</u>	<u>113,247</u>	<u>143,663</u>
 Total revenue	 <u>11,809,312</u>	 <u>12,757,077</u>	 <u>14,236,243</u>
Expenses:			
Salaries and benefits	5,619,995	6,542,066	6,858,986
Medical supplies and drugs	1,513,020	1,567,619	2,065,310
Professional fees	1,357,224	1,364,221	1,864,367
Other expenses	1,659,991	1,808,230	1,964,241
Lease expense	106,600	85,290	105,001
Insurance	208,692	286,571	290,084
Retirement	285,230	308,064	349,280
Interest	95,506	97,537	99,939
Depreciation and amortization	588,490	599,084	567,247
Provision for bad debts	<u>1,083,673</u>	<u>846,998</u>	<u>733,796</u>
 Total expenses	 <u>12,518,421</u>	 <u>13,505,680</u>	 <u>14,898,251</u>
 Operating income (loss)	 <u>(709,109)</u>	 <u>(748,603)</u>	 <u>(662,008)</u>
Nonoperating income			
Interest income	<u>56,841</u>	<u>21,908</u>	<u>58,846</u>
 Excess of expenses over revenues before discontinued operations	 <u>(652,268)</u>	 <u>(726,695)</u>	 <u>(603,162)</u>
Discontinued operations:			
Loss from operations of ambulances (Note 17)	(153,999)	(249,281)	(283,174)
Gain on disposal of assets (Note 17)	<u>(13,817)</u>	<u>-0-</u>	<u>-0-</u>
 Excess of expenses over revenues	 <u>\$ (820,084)</u>	 <u>\$ (975,976)</u>	 <u>\$ (886,336)</u>

See accompanying notes to financial statements.

RIVERLAND MEDICAL CENTER
 STATEMENTS OF CHANGES IN FUND BALANCES
 YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	<u>Unrestricted</u>	<u>Restricted</u>
	<u>Enterprise</u>	<u>Specific</u>
	<u>Fund</u>	<u>Purpose</u>
		<u>Fund</u>
Fund balance, September 30, 1994	\$ 8,736,297	\$ 25,000
Excess of expenses over revenues	(886,336)	-0-
Amounts released from restriction	<u>-0-</u>	<u>(25,000)</u>
Fund balance, September 30, 1995	7,849,961	-0-
Excess of expenses over revenues	<u>(975,976)</u>	<u>-0-</u>
Fund balance, September 30, 1996	6,873,985	-0-
Excess of expenses over revenues	<u>(820,084)</u>	<u>-0-</u>
Fund balance, September 30, 1997	<u>\$ 6,053,901</u>	<u>\$ -0-</u>

COMPOSITION OF FUND BALANCE AT SEPTEMBER 30, 1997:

Transfer of hospital assets from Concordia Parish Police Jury (Note 6)	\$ 1,324,948
Transfer of ambulance assets from Concordia Parish Police Jury	64,459
Gifts and bequests	104,032
Accumulated excess of revenues over expenses	<u>4,560,462</u>
Total fund balance	<u>\$ 6,053,901</u>

See accompanying notes to financial statements.

RIVERLAND MEDICAL CENTER
 STATEMENTS OF CASH FLOWS - UNRESTRICTED FUND
 YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Cash flows from operating activities:			
Operating income (loss)	\$ (709,109)	\$ (748,603)	\$ (662,008)
Loss on discontinued operations	(167,816)	(249,281)	(283,174)
Interest expense considered capital financing activity	93,785	97,537	99,939
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	623,380	680,117	650,087
Amortization	1,012	1,012	927
Student loan amortization	17,250	11,083	9,828
Provision for bad debt	1,083,673	846,998	733,796
(Gain) loss on disposal of assets	(6,495)	10,676	-0-
Donated equipment	8,288	-0-	-0-
(Increase) decrease in:			
Net patient accounts receivable	(1,311,907)	160,797	(960,748)
Estimated third party payor settlements	1,467,035	(877,378)	889,315
Inventory	113,303	16,060	43,124
Prepaid expenses	27,844	18,089	(14,387)
Other receivables	(11,517)	225	14,357
Increase (decrease) in:			
Accounts payable	16,035	92,855	(76,757)
Accrued expenses and withholdings payable	4,295	78,876	44,976
Unearned revenue	<u>700</u>	<u>-0-</u>	<u>-0-</u>
Net cash provided (used) by operating activities	<u>1,249,756</u>	<u>139,063</u>	<u>489,275</u>
Cash flows from investing activities:			
Loans to students	(24,130)	(26,867)	(45,086)
Payments received on loans	7,864	1,968	11,305
Purchase of investments	-0-	-0-	-0-
Proceeds from investing activities	-0-	-0-	1,445,358
Investment income	<u>56,841</u>	<u>21,908</u>	<u>58,846</u>
Net cash provided by investing activities	<u>\$ 40,575</u>	<u>\$ (2,991)</u>	<u>\$ 1,470,423</u>

See accompanying notes to financial statements.

RIVERLAND MEDICAL CENTER
STATEMENTS OF CASH FLOWS (Continued)
UNRESTRICTED FUND
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Cash flows from capital and related financing activities:			
Purchase of property and equipment	\$ (262,195)	\$ (170,370)	\$ (1,803,172)
Proceeds from sales of capital assets	100,221	64,836	-0-
Proceeds from long-term debt issuance	-0-	-0-	800,000
Payments on long-term debt	(317,897)	(366,686)	(311,865)
Interest paid on long-term debt	(93,785)	(97,537)	(99,939)
Bond issue costs	<u>-0-</u>	<u>-0-</u>	<u>(9,865)</u>
Net cash used by capital and related financing activities	<u>(573,656)</u>	<u>(569,757)</u>	<u>(1,424,841)</u>
Net increase (decrease) in cash and cash equivalents	716,675	(433,685)	534,857
Cash and cash equivalents, beginning of year	<u>617,519</u>	<u>1,051,204</u>	<u>516,347</u>
Cash and cash equivalents, end of year	<u>\$ 1,334,194</u>	<u>\$ 617,519</u>	<u>\$ 1,051,204</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	<u>\$ 97,333</u>	<u>\$ 98,082</u>	<u>\$ 98,975</u>
Capital lease obligations incurred in conjunction with equipment lease acquisitions agreements	<u>\$ 138,604</u>	<u>\$ 454,777</u>	<u>\$ 218,725</u>

See accompanying notes to financial statements.

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

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

The District is a political subdivision of the Concordia Parish Police Jury whose jurors are elected officials. Its commissioners are appointed by the Concordia Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Concordia Parish Police Jury is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the Concordia Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

Nature of Business

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Enterprise Fund

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting for Governmental Fund Types

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

Method of Accounting

Hospital accounting and reporting procedures conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the Louisiana Governmental Audit Guide, the Audit and Accounting Guide - Health Care Organizations, published by the American Institute of Certified Public Accountants, and standards set by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Charity Care

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

Income Taxes

The entity is a political subdivision and exempt from taxation.

Uncollectible Accounts

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

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Patient Service Revenue

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

Notes Receivable Students

Payments are made to medical and nursing students as incentives 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 negotiated amount. Failure to graduate or locate at the District or termination of employment during the amortization periods will make the participant 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 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 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.

RIVERLAND MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit Risk

The Hospital grants credit to patients, substantially all of whom are local residents. As discussed in Note 5, substantial portions are insured by third-party payor 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 AICPA Audit and Accounting Guide - Health Care Organizations, issued June 1, 1996.

NOTE 3 - CASH AND CASH EQUIVALENTS

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

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Petty cash	\$ 864	\$ 864	\$ 815
Checking and savings	231,630	128,890	344,738
Certificates of deposit	<u>1,101,700</u>	<u>487,765</u>	<u>705,651</u>
Total	<u>\$ 1,334,194</u>	<u>\$ 617,519</u>	<u>\$ 1,051,204</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.

RIVERLAND MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 5 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Net patient accounts receivable	\$ 3,247,290	\$ 2,976,056	\$ 4,132,619
Estimated uncollectibles	<u>(1,119,000)</u>	<u>(1,076,000)</u>	<u>(1,236,000)</u>
 Total	 <u>\$ 2,128,290</u>	 <u>\$ 1,900,056</u>	 <u>\$ 2,896,619</u>

Included in estimated third party payor settlements for fiscal year 1996 are receivables of \$1,083,473 from the Medicaid program for the excess cost over the TEFRA target rate for the years ended September 30, 1992 through 1994. Medicaid revenue related to this target rate excess was not recognized in previous years due to non approval of a proposed "Under 60 bed" rule which exempted rural hospitals with less than 60 beds from the Medicaid TEFRA target rate. The Health Care Financing Administration (HCFA) retroactively approved this rule during 1996. Accordingly, the District recognized the entire \$1,083,473 in net patient revenue in fiscal year 1996.

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, 1997, 1996 and 1995, follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Medicare patients	\$ 11,088,631	\$ 11,732,046	\$ 12,865,189
Medicaid patients	<u>4,657,563</u>	<u>4,619,735</u>	<u>5,050,052</u>
 Total	 <u>\$ 15,746,194</u>	 <u>\$ 16,351,781</u>	 <u>\$ 17,915,241</u>
 Percent of all patients	 <u>83%</u>	 <u>79%</u>	 <u>80%</u>

Since the District serves a disproportionate share of low-income patients, it qualified for Medicare and Medicaid Disproportionate Share (DSH) reimbursement during 1997, 1996 and 1995.

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 5 - ACCOUNTS RECEIVABLE (Continued)

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

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Medicare	\$ 113,569	\$ 124,479	\$ 141,859
Medicaid	<u>524,683</u>	<u>294,262</u>	<u>1,534,558</u>
Total	<u>\$ 638,252</u>	<u>\$ 418,741</u>	<u>\$ 1,676,417</u>

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

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

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

ACCUMULATED DEPRECIATION

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

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	<u>ASSET COST</u>			September 30, <u>1996</u>
	September 30, <u>1995</u>	<u>Additions</u>	<u>Deletions</u>	
Land	\$ 117,400	\$ -0-	\$ -0-	\$ 117,400
Land improvements	138,931	-0-	-0-	138,931
Leasehold improvements	35,029	27,196	23,648	38,577
Buildings and fixed equipment	4,538,596	19,748	10,976	4,547,368
Major moveable equipment	<u>5,086,678</u>	<u>578,203</u>	<u>605,717</u>	<u>5,059,164</u>
Total	<u>\$ 9,916,634</u>	<u>\$ 625,147</u>	<u>\$ 640,341</u>	<u>\$ 9,901,440</u>

	<u>ACCUMULATED DEPRECIATION</u>			September 30, <u>1996</u>
	September 30, <u>1995</u>	<u>Additions</u>	<u>Deletions</u>	
Land improvements	\$ 47,918	\$ 13,251	\$ -0-	\$ 61,169
Leasehold improvements	7,861	3,074	8,474	2,461
Buildings and fixed equipment	1,680,012	122,041	7,958	1,794,095
Major moveable equipment	<u>3,120,645</u>	<u>541,752</u>	<u>548,397</u>	<u>3,114,000</u>
Total	<u>\$ 4,856,436</u>	<u>\$ 680,118</u>	<u>\$ 564,829</u>	<u>\$ 4,971,725</u>

RIVERLAND MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	<u>ASSET COST</u>			
	September 30, <u>1994</u>	<u>Additions</u>	<u>Deletions</u>	September 30, <u>1995</u>
Land	\$ 117,400	\$ -0-	\$ -0-	\$ 117,400
Land improvements	103,683	35,248	-0-	138,931
Leasehold improvements	23,648	11,381	-0-	35,029
Buildings and fixed equipment	2,858,933	1,679,663	-0-	4,538,596
Major moveable equipment	4,411,111	675,567	-0-	5,086,678
Construction in progress	<u>379,962</u>	<u>-0-</u>	<u>379,962</u>	<u>-0-</u>
Total	<u>\$ 7,894,737</u>	<u>\$ 2,401,859</u>	<u>\$ 379,962</u>	<u>\$ 9,916,634</u>

	<u>ACCUMULATED DEPRECIATION</u>			
	September 30, <u>1994</u>	<u>Additions</u>	<u>Deletions</u>	September 30, <u>1995</u>
Land improvements	\$ 37,664	\$ 10,254	\$ -0-	\$ 47,918
Leasehold improvements	4,927	2,934	-0-	7,861
Buildings and fixed equipment	1,577,129	102,883	-0-	1,680,012
Major moveable equipment	<u>2,586,628</u>	<u>534,017</u>	<u>-0-</u>	<u>3,120,645</u>
Total	<u>\$ 4,206,348</u>	<u>\$ 650,088</u>	<u>\$ -0-</u>	<u>\$ 4,856,436</u>

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

Property, plant and equipment includes fully depreciated assets which are still in service in the amount of \$2,343,887, \$2,119,471 and \$2,227,771 for 1997, 1996 and 1995, respectively.

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Equipment	\$ 1,242,205	\$ 906,602	\$ 1,088,955
Accumulated depreciation	<u>(529,422)</u>	<u>(319,194)</u>	<u>(500,676)</u>
Total	<u>\$ 712,783</u>	<u>\$ 587,408</u>	<u>\$ 588,279</u>

NOTE 7 - OTHER ASSETS

Other assets consist of the following:

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Notes receivable from medical students and doctors less estimated uncollectibles	\$ 136,062	\$ 129,313	\$ 123,732
Notes receivable from nursing students	9,239	16,972	19,969
Unamortized bond issue cost	<u>6,913</u>	<u>7,925</u>	<u>8,937</u>
Total	<u>\$ 152,214</u>	<u>\$ 154,210</u>	<u>\$ 152,638</u>

NOTE 8 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

Accrued expenses and withholdings payable at September 30, 1997, 1996 and 1995, consist of the following:

	<u>1997</u>	<u>1996</u>	<u>1995</u>
State and federal taxes payable	\$ 18,252	\$ 10,100	\$ 6,440
Accrued interest payable - equipment	4,025	5,852	6,326
Accrued salaries and fees payable	202,487	229,733	238,716
Accrued compensated absences	236,264	267,689	248,103
Payroll withholdings payable	89,407	46,477	11,858
Louisiana mandated service charge	34	82	38
Vested sick pay payable	<u>183,673</u>	<u>169,914</u>	<u>139,490</u>
Total	<u>\$ 734,142</u>	<u>\$ 729,847</u>	<u>\$ 650,971</u>

RIVERLAND MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 9 - COMPENSATED ABSENCES

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

NOTE 10 - PENSION PLAN

The District administers and is trustee of a qualified defined contribution plan, Riverland Medical Center Money Purchase Pension Plan. An employee is 100% vested upon entry to the plan with retirement age being age 59 1/2. Plan benefits include death and disability provisions and choice of four payment choices upon retirement. Plan provisions may be amended by the plan trustee. The District contributes 5% of salaries to the plan. Pension expense charged to operations was \$301,864, \$341,486 and \$389,644 in 1997, 1996 and 1995, respectively. Employee contributions for fiscal year 1997 are summarized below:

	<u>Amount</u>	<u>Percentage</u>
Employee Mandatory Contributions	\$326,424	6%
Employee Voluntary Contributions	66,445	14% limit

NOTE 11 - LONG-TERM DEBT

The following is a summary of long-term debt, including capital lease obligations, at September 30, 1997, 1996 and 1995:

	<u>1997</u>	<u>1996</u>	<u>1995</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	\$ 605,459	\$ 676,017	\$ 742,476
Capital obligations at varying rates of imputed interest from 7.2 percent to 18.9 percent collateralized by leased equipment	<u>637,423</u>	<u>746,158</u>	<u>591,609</u>
Total long-term debt	1,242,882	1,422,175	1,334,085
Less current maturities of long-term debt	<u>421,465</u>	<u>330,022</u>	<u>315,253</u>
Long-term maturities	<u>\$ 821,417</u>	<u>\$ 1,092,153</u>	<u>\$ 1,018,832</u>

RIVERLAND MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 11 - LONG-TERM DEBT (Continued)

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

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

<u>Year ending September 30.</u>	<u>Certificates of Indebtedness</u>	<u>Capital Lease Obligations</u>	<u>Total</u>
1998	\$ 109,200	\$ 312,265	\$ 421,465
1999	109,200	217,855	327,055
2000	109,200	180,364	289,564
2001	109,200	104,238	213,438
2002	109,200	51,363	109,200
Thereafter	<u>191,976</u>	<u>-0-</u>	<u>243,339</u>
	737,976	866,085	1,604,061
Less amounts representing interest	<u>132,517</u>	<u>228,662</u>	<u>361,179</u>
Total	<u>\$ 605,459</u>	<u>\$ 637,423</u>	<u>\$ 1,242,882</u>

NOTE 12 - OPERATING LEASES

The District leases various equipment and offices under operating leases expiring in various years through 1998. These leases are all cancelable with notice. Certain operating leases provide for renewal options for an indefinite period at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases.

NOTE 13 - NET PATIENT SERVICE REVENUE

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

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

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 13 - NET PATIENT SERVICE REVENUE (Continued)

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. 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, 1995.

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

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

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

NOTE 14 - PROFESSIONAL LIABILITY RISK

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

RIVERLAND MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 14 - PROFESSIONAL LIABILITY RISK (Continued)

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

NOTE 15 - SALES TAX REVENUE

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

NOTE 16 - SELF-FUNDED BENEFIT PLAN

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

NOTE 17 - DISCONTINUED OPERATIONS

The District discontinued ambulance services on March 31, 1997. Ambulance assets were sold during the year resulting in a loss of \$13,817. Two remaining ambulances were sold after year end for a gain of \$20,218 that will be recorded in fiscal year 1998. The following is a summary of ambulance operations for 1997, 1996 and 1995:

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Net ambulance revenue	\$ 453,525	\$ 994,757	\$ 1,145,350
Operating expenses	<u>607,524</u>	<u>1,244,038</u>	<u>1,428,524</u>
Loss from operations	<u>\$ (153,999)</u>	<u>\$ (249,281)</u>	<u>\$ (283,174)</u>

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 18 - CONTINGENCIES

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

The principal contingencies are described below:

Governmental Third Party Reimbursement Programs - The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

Further, in order to continue receiving reimbursement from the Medicare program, the District entered into an agreement with a government agent allowing the agent access to the District's Medicare patient medical records for purposes of making medical necessity and appropriate level of care determinations. The agent has the ability to deny reimbursement for Medicare patient claims which have already been paid to the District. The amount of such adjustments cannot reasonably be determined.

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

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

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

Year 2000 Computer Risk - District management began to assess the impact of the year 2000 on various computers and equipment with computerized system dates, but is currently unable to estimate a liability. No provisions were included in these financial statements at September 30, 1997.

RIVERLAND MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 19 - GRANT REVENUE

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

	Fiscal Year <u>Awarded</u>	Total Grant <u>Amount</u>	<u>Revenue Recognized</u>		
			<u>1997</u>	<u>1996</u>	<u>1995</u>
Berger Foundation Grant	1994	25,000	\$ -0-	\$ -0-	\$ 25,000
National Energy Conservation Act	1995	64,034	-0-	-0-	61,409
Rural Emergency Services Grant	1995	75,000	-0-	-0-	75,000
Emergency Services Grant	1996	50,714	-0-	50,714	-0-
Emergency Services Grant	1997	25,000	<u>25,000</u>	<u>-0-</u>	<u>-0-</u>
Total grant revenue recognized			\$ <u>25,000</u>	\$ <u>50,714</u>	\$ <u>161,409</u>

NOTE 20 - CHARITY CARE

The District has a policy of providing charity care to indigent patients in emergency situations. The cost of free care provided is \$32,433, \$20,049 and \$33,857 for the respective fiscal years ended in 1997, 1996 and 1995.

NOTE 21 - PRIOR PERIOD ADJUSTMENTS

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

<u>Year ended</u> <u>September 30,</u>	<u>Increase</u> <u>(Decrease)</u> <u>Net Income</u>	<u>Increase</u> <u>(Decrease)</u> <u>Fund Balance</u>
1992	\$ 65,507	\$ 65,507
1993	(13,400)	(13,400)
1994	27,465	27,465
1995	<u>10,339</u>	<u>10,339</u>
	\$ <u>89,911</u>	\$ <u>89,911</u>

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

NOTE 22 - SUBSEQUENT EVENTS

The following occurred subsequent to year end:

- Medicaid Disproportionate Share (DISPRO) funds of \$545,113 were received in November, 1997.
- Contracts with three physicians were entered into. Combined annual payments to these physicians will be approximately \$250,000.
- Two ambulances were sold for \$45,000.

SUPPLEMENTAL INFORMATION

RIVERLAND MEDICAL CENTER
SCHEDULES OF PATIENT STATISTICS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Number of hospital patient days of care			
Medicare	4,254	4,514	6,077
Medicaid	2,136	1,853	2,938
Other	<u>573</u>	<u>649</u>	<u>780</u>
Total	<u><u>6,963</u></u>	<u><u>7,016</u></u>	<u><u>9,795</u></u>
Number of hospital patient discharges			
Medicare	846	969	1,023
Medicaid	642	617	698
Other	<u>226</u>	<u>246</u>	<u>317</u>
Total	<u><u>1,714</u></u>	<u><u>1,832</u></u>	<u><u>2,038</u></u>
Average length of patient stay			
Medicare	5.03	4.66	5.94
Medicaid	3.28	3.00	4.21
Other	2.54	2.64	2.46
Total all patients	4.06	3.83	4.81
Number of surgical cases	<u><u>587</u></u>	<u><u>673</u></u>	<u><u>657</u></u>
Number of emergency room visits	<u><u>10,980</u></u>	<u><u>12,115</u></u>	<u><u>12,239</u></u>
Home health visits	<u><u>21,861</u></u>	<u><u>29,182</u></u>	<u><u>30,187</u></u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Daily Patient Services:			
Adult and pediatric	\$ 815,485	\$ 967,785	\$ 1,178,374
Intensive care	382,450	295,400	229,650
Nursery	<u>62,760</u>	<u>71,520</u>	<u>80,400</u>
Total daily patient services	<u>1,260,695</u>	<u>1,334,705</u>	<u>1,488,424</u>
Other Professional Services:			
Operating room			
Inpatient	145,210	183,495	244,851
Outpatient	<u>272,460</u>	<u>274,740</u>	<u>292,625</u>
Total operating room	<u>417,670</u>	<u>458,235</u>	<u>537,476</u>
Recovery room			
Inpatient	74,095	66,880	76,950
Outpatient	<u>70,140</u>	<u>65,480</u>	<u>65,970</u>
Total recovery room	<u>144,235</u>	<u>132,360</u>	<u>142,920</u>
Labor/delivery room			
Inpatient	<u>115,100</u>	<u>101,400</u>	<u>111,100</u>
Anesthesia			
Inpatient	113,782	304,684	469,839
Outpatient	<u>123,284</u>	<u>313,607</u>	<u>414,273</u>
Total anesthesia	<u>237,066</u>	<u>618,291</u>	<u>884,112</u>
Radiology			
Inpatient	668,298	626,946	670,931
Outpatient	<u>1,278,936</u>	<u>1,331,165</u>	<u>1,280,585</u>
Total radiology	<u>\$ 1,947,234</u>	<u>\$ 1,958,111</u>	<u>\$ 1,951,516</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Laboratory			
Inpatient	\$ 1,330,335	\$ 1,317,534	\$ 1,367,330
Outpatient	<u>1,770,550</u>	<u>1,676,683</u>	<u>1,668,527</u>
Total laboratory	<u>3,100,885</u>	<u>2,994,217</u>	<u>3,035,857</u>
Blood			
Inpatient	35,937	39,396	38,017
Outpatient	<u>10,300</u>	<u>3,720</u>	<u>8,754</u>
Total blood	<u>46,237</u>	<u>43,116</u>	<u>46,771</u>
Respiratory care			
Inpatient	1,388,810	1,174,367	1,379,489
Outpatient	<u>160,513</u>	<u>166,519</u>	<u>168,267</u>
Total respiratory care	<u>1,549,323</u>	<u>1,340,886</u>	<u>1,547,756</u>
IV therapy			
Inpatient	1,535,599	1,433,710	1,583,801
Outpatient	<u>269,766</u>	<u>216,575</u>	<u>228,624</u>
Total IV therapy	<u>1,805,365</u>	<u>1,650,285</u>	<u>1,812,425</u>
Physical therapy			
Inpatient	44,629	41,237	44,522
Outpatient	<u>226,732</u>	<u>267,880</u>	<u>205,356</u>
Total physical therapy	<u>271,361</u>	<u>309,117</u>	<u>249,878</u>
EKG and EEG			
Inpatient	130,889	126,437	153,427
Outpatient	<u>126,705</u>	<u>130,947</u>	<u>129,575</u>
Total EKG and EEG	<u>\$ 257,594</u>	<u>\$ 257,384</u>	<u>\$ 283,002</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Medical supply			
Inpatient	\$ 1,222,077	\$ 1,366,943	\$ 1,740,910
Outpatient	<u>944,202</u>	<u>909,238</u>	<u>900,821</u>
Total medical supply	<u>2,166,279</u>	<u>2,276,181</u>	<u>2,641,731</u>
Pharmacy			
Inpatient	1,250,626	1,233,838	1,446,091
Outpatient	<u>491,037</u>	<u>442,869</u>	<u>452,607</u>
Total pharmacy	<u>1,741,663</u>	<u>1,676,707</u>	<u>1,898,698</u>
Emergency room			
Inpatient	90,288	98,432	98,683
Outpatient	<u>818,808</u>	<u>752,250</u>	<u>740,311</u>
Total emergency room	<u>909,096</u>	<u>850,682</u>	<u>838,994</u>
Monitor			
Inpatient	325,556	307,720	293,608
Outpatient	<u>14,014</u>	<u>10,878</u>	<u>9,310</u>
Total monitor	<u>339,570</u>	<u>318,598</u>	<u>302,918</u>
Home health			
Skilled	666,900	872,300	816,000
Aide	1,438,571	1,509,832	1,474,557
Physical therapy	33,900	19,300	44,100
Occupational therapy	8,500	-0-	-0-
Speech therapy	5,400	-0-	-0-
Medical supplies	190,024	205,974	337,888
Pharmacy	3,280	11,111	15,635
DME	<u>14,345</u>	<u>13,733</u>	<u>-0-</u>
Total home health	<u>\$ 2,360,920</u>	<u>\$ 2,632,250</u>	<u>\$ 2,688,180</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Cardiac rehab Outpatient	\$ <u>16,840</u>	\$ <u>8,285</u>	\$ <u>-0-</u>
Clinics			
Riverland	-0-	42,662	83,996
Newellton	-0-	164,851	373,507
Ferriday #1	235,531	115,890	109,887
Jonesville	<u>-0-</u>	<u>-0-</u>	<u>75,330</u>
Total clinics	<u>235,531</u>	<u>323,403</u>	<u>642,720</u>
Total other professional services	<u>17,661,969</u>	<u>17,949,508</u>	<u>19,616,054</u>
Gross patient service revenue	18,922,664	19,284,213	21,104,478
Deductions from revenue	<u>7,663,492</u>	<u>7,045,040</u>	<u>7,533,726</u>
Net patient service revenue	<u>\$11,259,172</u>	<u>\$12,239,173</u>	<u>\$13,570,752</u>

RIVERLAND MEDICAL CENTER
 SCHEDULES OF DEDUCTIONS FROM REVENUE
 YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Medicare and Medicaid contractual adjustments	\$ 7,332,202	\$ 6,552,132	\$ 6,891,243
Employee discounts	-0-	2,044	16,757
Uncompensated services	15,780	53,353	32,521
Other	<u>315,510</u>	<u>437,511</u>	<u>593,205</u>
 Total deductions from revenue	 <u>\$ 7,663,492</u>	 <u>\$ 7,045,040</u>	 <u>\$ 7,533,726</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF OTHER REVENUE
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Meals sold to employees	\$ 57,217	\$ 53,511	\$ 61,679
Pay phone commissions	316	740	1,516
Vending machine commissions	2,840	3,362	3,581
Rental income	5,800	8,250	9,872
Miscellaneous revenue	<u>88,816</u>	<u>47,384</u>	<u>67,015</u>
 Total other operating revenue	 <u>\$ 154,989</u>	 <u>\$ 113,247</u>	 <u>\$ 143,663</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF EXPENSES - SALARIES AND BENEFITS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Administration	\$ 517,101	\$ 570,918	\$ 527,056
Plant operations and maintenance	170,822	269,652	376,785
Laundry	13,625	13,797	12,400
Housekeeping	141,399	152,836	153,403
Dietary and cafeteria	147,689	165,128	199,555
Medical records	97,306	82,704	128,299
Nursing services	1,110,453	1,111,505	1,401,367
Intensive care unit	325,422	329,681	288,117
Nursery	30,262	44,662	42,940
Operating room	145,402	166,962	155,677
Delivery room	223,029	232,412	238,337
Anesthesiology	-0-	255,695	327,474
Radiology	236,917	255,568	241,174
Laboratory	383,612	379,770	387,840
Respiratory therapy	299,291	318,755	329,292
EKG and EEG	-0-	-0-	6,281
Central supply	39,247	55,020	70,311
Pharmacy	-0-	-0-	1,296
Cardiac rehab	1,341	1,534	-0-
Emergency room	269,090	327,211	345,298
Home health	766,507	803,012	728,837
Clinic	<u>194,397</u>	<u>449,139</u>	<u>467,104</u>
 Total salaries	 <u>5,112,912</u>	 <u>5,985,961</u>	 <u>6,428,843</u>
 Social Security	 58,241	 71,455	 78,470
Hospital insurance	405,742	446,445	341,967
Other	<u>43,100</u>	<u>38,205</u>	<u>9,706</u>
 Total benefits	 <u>507,083</u>	 <u>556,105</u>	 <u>430,143</u>
 Total salaries and benefits	 <u>\$ 5,619,995</u>	 <u>\$ 6,542,066</u>	 <u>\$ 6,858,986</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF EXPENSES - MEDICAL SUPPLIES AND DRUGS
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Nursing services	\$ 23,497	\$ 38,103	\$ 100,051
Intensive care unit	26,881	(4,611)	14,084
Nursery	6,838	5,322	3,306
Operating room	130,689	119,965	245,061
Delivery room	22,332	26,348	17,645
Anesthesiology	551	3,597	13,396
Radiology	86,450	76,978	89,732
Laboratory and blood	275,839	290,008	280,451
IV therapy	88,731	91,229	125,672
Respiratory therapy	37,342	46,627	80,471
Physical therapy	793	500	414
EEG	386	724	2,528
Central supply	305,506	315,709	434,397
Pharmacy	441,458	453,471	532,146
Cardiac rehab	(46)	1,619	-0-
Emergency room	35,601	36,717	22,717
Home health	17,227	31,542	17,981
Clinics	<u>12,945</u>	<u>33,771</u>	<u>85,258</u>
 Total medical supplies and drugs	 <u>\$ 1,513,020</u>	 <u>\$ 1,567,619</u>	 <u>\$ 2,065,310</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF EXPENSES - PROFESSIONAL FEES
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Nursing services	\$ 5,157	\$ 4,129	\$ 4,785
Intensive care unit	-0-	2,022	3,869
Operating room	45,000	16,000	50,000
Delivery room	-0-	6,000	3,800
Anesthesiology	56,200	2,080	45,505
Laboratory	11,250	12,000	12,000
Physical therapy	190,814	216,406	174,915
EKG	-0-	36,012	106,035
Pharmacy	226,822	223,077	220,650
Emergency room	769,647	767,624	804,185
Home health	52,334	43,346	32,566
Clinics	<u>-0-</u>	<u>35,525</u>	<u>406,057</u>
 Total professional fees	 <u>\$ 1,357,224</u>	 <u>\$ 1,364,221</u>	 <u>\$ 1,864,367</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF EXPENSES - OTHER EXPENSES
YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Contract services	\$ 108,482	\$ 78,171	\$ 114,713
Legal and accounting	53,413	46,210	34,740
Supplies	322,092	360,748	414,358
Repairs and maintenance	411,155	453,661	490,928
Utilities	174,799	235,794	215,120
Telephone	100,272	98,936	96,339
Travel	127,035	134,848	128,195
Rentals	110,385	134,955	158,167
Education	8,992	9,092	16,006
Advertising	63,626	68,906	124,539
Dues and subscriptions	36,410	35,007	30,717
Miscellaneous	<u>143,330</u>	<u>151,902</u>	<u>140,419</u>
Total other expenses	<u>\$ 1,659,991</u>	<u>\$ 1,808,230</u>	<u>\$ 1,964,241</u>

RIVERLAND MEDICAL CENTER
 SCHEDULES OF PER DIEM AND OTHER
 COMPENSATION PAID TO BOARD MEMBERS
 YEARS ENDED SEPTEMBER 30, 1997, 1996 AND 1995

	<u>1997</u>	<u>1996</u>	<u>1995</u>
Board Members:			
Mr. William Latham	\$ 300	\$ 300	\$ 300
Mr. Larry McManus	300	300	300
Mr. Theodore McCoy	300	300	300
Mr. Lynn White	300	300	300
Dr. Fred Butcher	300	300	300
Dr. James Waddill	-0-	200	225
Dr. Huey Moak	-0-	-0-	75
Dr. Gary Smith	-0-	100	-0-
Dr. Ray King	300	300	300
Dr. Herman Gibson, Jr.	<u>300</u>	<u>-0-</u>	<u>-0-</u>
 Totals	 <u>\$ 2,100</u>	 <u>\$ 2,100</u>	 <u>\$ 2,100</u>

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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 Concordia, State of Louisiana
("Riverland Medical Center")
Ferriday, Louisiana

We have audited the general purpose financial statements of Riverland Medical Center (the District) for the years ended September 30, 1997, 1996 and 1995, and have issued our report thereon dated February 9, 1998.

We conducted our audit 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.

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 executed 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 to 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.

In planning and performing our audits of the financial statements of the District for the years ended September 30, 1997, 1996 and 1995 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.

Board of Commissioners
Riverland Medical Center
Page Two

We noted 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 noted several matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above. The conditions are summarized in the accompanying schedule. These conditions were considered in determining the nature, timing, and extent of procedures to be performed in our audit of the financial statements of Riverland Medical Center for the year ended September 30, 1997.

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


Certified Public Accountants

February 9, 1998

RIVERLAND MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 1997

GENERAL

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

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

MATERIAL WEAKNESSES

1. Accounts Receivable

Condition: Again in 1997, accounts receivable subsidiary listings for the home health, clinic, and student loans are not being reconciled to the general ledger. Significant year end adjustments are needed to adjust the general ledger.

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

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

Condition: Again in 1997, the 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: All accounts receivable should be reviewed periodically and uncollectible accounts written-off.

Response: The collection manager will review all home health accounts and establish a system for collection and charge off of accounts.

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

Condition: Again this year, significant year-end audit adjustments were required for Medicare/Medicaid contractual allowances. During FY 1997, an average interim allowance percentage of 35% was utilized for Medicare and Medicaid contractals whereas the actual percentage was 43%.

RIVERLAND MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 1997

MATERIAL WEAKNESSES (Continued)

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

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

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

3. System Controls

Condition: Again in 1997, back-up computer files are stored on-site. Should the facility be damaged or destroyed, these files could also be damaged or destroyed.

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

Response: Arrangements will be made to store backup tapes in our safety deposit box.

Condition: Again in 1997, 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.

4. Purchasing

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

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

RIVERLAND MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 1997

MATERIAL WEAKNESSES (Continued)

4. Purchasing (Continued)

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

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

Response: Management agrees that changes are needed to strengthen purchasing controls. These recommendations will be discussed and implemented.

REPORTABLE CONDITIONS

1. Collections Documentation

Condition: Again in 1997, documentation of the collection efforts which are stored in the electronic files are lost when bad debt accounts are written off. The Medicare fiscal intermediary requires that a reasonable collection effort be documented in order to be reimbursed for Medicare bad debts.

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 printed and kept in file at the time of the write-off.

2. Going Concern

Condition: Even though the District reduced operating expenses during FY 1997, a large operating loss was incurred for the third straight year. A reduction in operating revenues because of a reduced patient census contributed to the loss for 1997. 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.

RIVERLAND MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 1997

REPORTABLE CONDITIONS (Continued)

2. Going Concern (Continued)

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

Response: Management discontinued the ambulance service and reduced employees during 1997. However, patient days once again dropped. Management will continue to reduce costs and increase patient days.

3. Inventory

Condition: There was confusion deciding which department was to count items in the inventory. Management lost control over prenumbered count sheets. Merchandise pricing was not completed until four months after year end.

Recommendation: Written inventory guidelines should be distributed to each person participating in the count. Management should monitor the count to insure that all questions are answered and all inventory is counted. Start pricing early enough that all prices are on the sheets prior to the inventory count. Require that all extended count sheets be submitted in time to record the change at year end close.

Response: There will be written guidelines in 1998. There will be a meeting four to six weeks prior to the count and pricing will begin at that time. Management will monitor the progress.

4. Cash

Condition: There was no reconciliations of the Employee Benefit Plan checking account during the year.

Recommendation: All checking accounts should be reconciled and the general ledger adjusted as needed to agree.

Response: This account is reconciled by the trustee monthly. We have already requested a copy of the reconciliation and will make the necessary entries on a monthly basis.

RIVERLAND MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 1997

REPORTABLE CONDITIONS (Continued)

4. Cash (Continued)

Condition: Bank signature cards include signatures of former employees.

Recommendation: Update signature cards to exclude former employees.

Response: New signature cards have already been sent to the bank.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
BASED ON AN AUDIT OF GENERAL PURPOSE
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 financial statements of Riverland Medical Center (the District) as of and for the years ended September 30, 1997, 1996 and 1995, and have issued our report thereon dated February 9, 1998.

We conducted our audit 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.

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 the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed several instances of noncompliance, as discussed in the accompanying schedule, that are required to be reported therein under Government Auditing Standards for which ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in Riverland Medical Center's financial statements.

Board of Commissioners
Riverland Medical Center
Page Two

We considered these instances of noncompliance in forming our opinion on whether Riverland Medical Center's 1997 general purpose financial statements are presented fairly in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated February 9, 1998, on those general purpose financial statements.

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. However, this report is a matter of public record and its distribution is not limited.

Easley, Lester & Wells

Certified Public Accountants

February 9, 1998

RIVERLAND MEDICAL CENTER
NONCOMPLIANCE SUMMARY
YEAR ENDED SEPTEMBER 30, 1997

1. Bid Law

Condition: We found no advertisements for bid or bid proposals for one capital lease and one major repair made during the year. The capitalizable value of these items is \$79,513. Equipment with values over \$10,000 must be bid competitively.

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

Response: The lease was intended to be a non-capital lease. The roof replacement started out as necessary repairs and ended up as a major expenditure.

2. Bond Commission Approval

Condition: Two 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 \$72,928. The Louisiana Revised Statutes require that any debt over 90 days must be approved by the state bond commission if certain nonappropriation clauses are not met. Leases identified without nonappropriation clauses in 1996 have not been corrected.

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

Response: 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.

3. Corporate Compliance Program

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

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

RIVERLAND MEDICAL CENTER
NONCOMPLIANCE SUMMARY (Continued)
YEAR ENDED SEPTEMBER 30, 1997

3. Corporate Compliance Plan (Continued)

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

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

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

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