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PARISHWIDE HOSPITAL SERVICE DISTRICT  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
"RIVERLAND MEDICAL CENTER"  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED SEPTEMBER 30, 1998, 1997 AND 1996

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

Release Date APR 28 1999

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

William C. Huddleston II, CPA  
Paul G. Mathews, CPA

**EASLEY, LESTER AND WELLS**  
*A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS*  
3600 BAYOU RAPIDES ROAD  
ALEXANDRIA, LOUISIANA 71303

Telephone (318) 487-1450

Facsimile (318) 445-1184

Members  
American Institute of CPA's  
Society of Louisiana CPA's

Mailing Address:  
P.O. Box 8758  
Alexandria, LA 71306-1758

INDEPENDENT AUDITORS' REPORT.

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

We have audited the accompanying general purpose financial statements of Parishwide Hospital Service District of the Parish of Concordia, State of Louisiana, Riverland Medical Center (the Hospital), a component unit of the Concordia Parish Police Jury, as of and for the years ended September 30, 1998, 1997 and 1996, listed in the foregoing table of contents. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

Governmental Accounting Standards Board Technical Bulletin 98-1, Disclosures about Year 2000 Issues, requires disclosure of certain matters regarding the year 2000 issue in order for financial statements to be prepared in conformity with generally accepted accounting principles. Such required disclosures include:

- any significant amount of resources committed to make computer systems and other electronic equipment year 2000-compliant;
- a general description of the year 2000 issue, including a description of the stages of work in process or completed as of the end of the reporting period to make computer systems and other electronic equipment critical to conducting operations year 2000-compliant; and
- the additional stages of work necessary for making the computer systems and other electronic equipment year 2000-compliant.

The Hospital has omitted such disclosures. We do not provide assurance that the Hospital is or will be year 2000 ready, that the Hospital's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Hospital does business will be year 2000 ready.

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

In our opinion, except for the omission of the information discussed in the preceding paragraph, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Parishwide Hospital Service District, Parish of Concordia, as of September 30, 1998, 1997 and 1996, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles applicable to government entities.

In accordance with Government Auditing Standards, we have also issued a report dated January 15, 1999, on our consideration of the Hospital's internal control structure and on its compliance with laws and regulations.

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



Certified Public Accountants

January 15, 1999

RIVERLAND MEDICAL CENTER  
BALANCE SHEETS - UNRESTRICTED FUND  
SEPTEMBER 30, 1998, 1997 AND 1996

ASSETS	1998	1997	1996
Current assets:			
Cash and cash equivalents (Note 3)	\$ 458,617	\$ 1,334,194	\$ 617,519
Accounts receivable, net of estimated uncollectibles (Note 5)	2,732,228	2,128,290	1,900,056
Estimated third party payor settlements	-0-	-0-	1,159,363
Inventory	375,026	443,334	556,637
Prepaid expenses	88,415	79,523	107,367
Other receivables	<u>3,247</u>	<u>15,686</u>	<u>4,168</u>
Total current assets	<u>3,657,533</u>	<u>4,001,027</u>	<u>4,345,110</u>
Property, plant and equipment, net (Note 6)	4,150,962	4,605,120	4,929,715
Other assets (Note 7)	<u>182,194</u>	<u>152,214</u>	<u>154,210</u>
Total assets	<u>\$ 7,990,689</u>	<u>\$ 8,758,361</u>	<u>\$ 9,429,035</u>
LIABILITIES AND FUND BALANCE			
Current liabilities:			
Accounts payable	\$ 243,732	\$ 419,063	\$ 403,028
Accrued expenses and withholdings payable (Note 8)	704,544	734,143	729,847
Estimated third party payor settlements	509,309	307,672	-0-
Unearned revenue	-0-	700	-0-
Current maturities of long-term debt	<u>342,203</u>	<u>421,465</u>	<u>330,022</u>
Total current liabilities	<u>1,799,788</u>	<u>1,883,043</u>	<u>1,462,897</u>
Long-term debt, net of current maturities (Note 11)	<u>638,825</u>	<u>821,417</u>	<u>1,092,153</u>
Total liabilities	<u>2,438,613</u>	<u>2,704,460</u>	<u>2,555,050</u>
Fund balance - unrestricted	<u>5,552,076</u>	<u>6,053,901</u>	<u>6,873,985</u>
Total liabilities and fund balance	<u>\$ 7,990,689</u>	<u>\$ 8,758,361</u>	<u>\$ 9,429,035</u>

See accompanying notes to financial statements.

RIVERLAND MEDICAL CENTER  
STATEMENTS OF OPERATIONS - UNRESTRICTED FUND  
YEARS ENDED SEPTEMBER 30, 1998, 1997 AND 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
<b>Revenue:</b>			
Net patient service revenue	\$ 11,482,553	\$ 11,259,172	\$ 12,239,173
Sales tax revenue (Note 15)	362,755	375,828	373,418
Contributions	-0-	187	-0-
Gain (loss) on disposal of assets	28,303	(5,864)	(19,476)
Grant revenue (Note 19)	-0-	25,000	50,714
Other revenue	<u>155,018</u>	<u>154,989</u>	<u>113,246</u>
 Total revenue	 <u>12,028,629</u>	 <u>11,809,312</u>	 <u>12,757,075</u>
<b>Expenses:</b>			
Salaries and benefits	5,714,406	5,619,994	6,542,066
Medical supplies and drugs	1,482,401	1,513,019	1,567,619
Professional fees	1,501,232	1,519,265	1,527,194
Other expenses	1,630,371	1,497,949	1,645,255
Lease expense	92,736	106,600	85,290
Insurance	188,934	208,692	286,571
Retirement	282,915	285,230	308,064
Interest	76,531	95,509	97,537
Depreciation and amortization	586,147	588,490	599,084
Provision for bad debts	<u>1,036,738</u>	<u>1,083,673</u>	<u>846,998</u>
 Total expenses	 <u>12,592,411</u>	 <u>12,518,421</u>	 <u>13,505,678</u>
 Operating income (loss)	 <u>(563,782)</u>	 <u>(709,109)</u>	 <u>(748,603)</u>
<b>Nonoperating income</b>			
Interest income	<u>61,957</u>	<u>56,841</u>	<u>21,908</u>
 Excess of expenses over revenues before discontinued operations	 <u>(501,825)</u>	 <u>(652,268)</u>	 <u>(726,695)</u>
<b>Discontinued operations:</b>			
Loss from operations of ambulances (Note 17)	-0-	(153,999)	(249,281)
Gain on disposal of assets (Note 17)	<u>-0-</u>	<u>(13,817)</u>	<u>-0-</u>
 Excess of expenses over revenues	 <u>\$ (501,825)</u>	 <u>\$ (820,084)</u>	 <u>\$ (975,976)</u>

See accompanying notes to financial statements.

RIVERLAND MEDICAL CENTER  
 STATEMENTS OF CHANGES IN FUND BALANCES  
 YEARS ENDED SEPTEMBER 30, 1998, 1997 AND 1996

	<u>Unrestricted Enterprise Fund</u>
Fund balance, September 30, 1995	\$ 7,849,961
Excess of expenses over revenues	_(975,976)
Fund balance, September 30, 1996	6,873,985
Excess of expenses over revenues	_(820,084)
Fund balance, September 30, 1997	6,053,901
Excess of expenses over revenues	_(501,825)
Fund balance, September 30, 1998	<u>\$ 5,552,076</u>

COMPOSITION OF FUND BALANCE AT SEPTEMBER 30, 1998:

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>4,058,637</u>
Total fund balance	<u>\$ 5,552,076</u>

See accompanying notes to financial statements.

RIVERLAND MEDICAL CENTER  
STATEMENTS OF CASH FLOWS - UNRESTRICTED FUND  
YEARS ENDED SEPTEMBER 30, 1998, 1997 AND 1996

	1998	1997	1996
Cash flows from operating activities:			
Operating income (loss)	\$ (563,782)	\$ (709,109)	\$ (748,603)
Loss on discontinued operations	-0-	(167,816)	(249,281)
Interest expense considered capital financing activity	76,531	93,785	97,537
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	585,415	623,380	680,117
Amortization	1,012	1,012	1,012
Student loan amortization	-0-	17,250	11,083
Provision for bad debt	1,037,201	1,083,673	846,998
(Gain) loss on disposal of assets	(28,303)	(6,495)	10,676
Donated equipment	-0-	8,288	-0-
(Increase) decrease in:			
Net patient accounts receivable	(1,641,139)	(1,311,907)	160,797
Estimated third party payor settlements	201,637	1,467,035	(877,378)
Inventory	68,308	113,303	16,060
Prepaid expenses	(8,892)	27,844	18,089
Other receivables	12,439	(11,518)	225
Increase (decrease) in:			
Accounts payable	(175,331)	16,035	92,855
Accrued expenses and withholdings payable	(29,599)	4,296	78,876
Unearned revenue	(700)	700	-0-
Net cash provided (used) by operating activities	<u>(465,203)</u>	<u>1,249,756</u>	<u>139,063</u>
Cash flows from investing activities:			
Loans to students	(31,000)	(24,130)	(26,867)
Payments received on loans	-0-	7,864	1,968
Investment income	<u>61,957</u>	<u>56,841</u>	<u>21,908</u>
Net cash provided by investing activities	<u>\$ 30,957</u>	<u>\$ 40,575</u>	<u>\$ (2,991)</u>

See accompanying notes to financial statements.

RIVERLAND MEDICAL CENTER  
 STATEMENTS OF CASH FLOWS (Continued)  
 UNRESTRICTED FUND  
 YEARS ENDED SEPTEMBER 30, 1998, 1997 AND 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Cash flows from capital and related financing activities:			
Purchase of property and equipment	\$ (148,351)	\$ (262,195)	\$ (170,370)
Proceeds from sales of capital assets	45,405	100,221	64,836
Payments on long-term debt	(261,854)	(317,897)	(366,686)
Interest paid on long-term debt	<u>(76,531)</u>	<u>(93,785)</u>	<u>(97,537)</u>
Net cash used by capital and related financing activities	<u>(441,331)</u>	<u>(573,656)</u>	<u>(569,757)</u>
Net increase (decrease) in cash and cash equivalents	(875,577)	716,675	(433,685)
Cash and cash equivalents, beginning of year	<u>1,334,194</u>	<u>617,519</u>	<u>1,051,204</u>
Cash and cash equivalents, end of year	<u>\$ 458,617</u>	<u>\$ 1,334,194</u>	<u>\$ 617,519</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	<u>\$ 76,531</u>	<u>\$ 97,333</u>	<u>\$ 98,082</u>
Capital lease obligations incurred in conjunction with equipment lease acquisitions agreements	<u>\$ 34,538</u>	<u>\$ 138,604</u>	<u>\$ 454,777</u>

See accompanying notes to financial statements.



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

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, 1998, 1997 AND 1996

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting for Governmental Fund Types

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

Method of Accounting

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

Charity Care

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

Income Taxes

The entity is a political subdivision and exempt from taxation.

Uncollectible Accounts

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

Net Patient Service Revenue

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

RIVERLAND MEDICAL CENTER  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED SEPTEMBER 30, 1998, 1997 AND 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>1998</u>	<u>1997</u>	<u>1996</u>
Petty cash	\$ 864	\$ 864	\$ 864
Checking and savings	38,270	231,630	128,890
Certificates of deposit	<u>419,483</u>	<u>1,101,700</u>	<u>487,765</u>
Total	<u>\$ 458,617</u>	<u>\$ 1,334,194</u>	<u>\$ 617,519</u>

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

NOTE 4 - INVESTMENTS

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

NOTE 5 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Net patient accounts receivable	\$ 3,962,228	\$ 3,247,290	\$ 2,976,056
Estimated uncollectibles	<u>(1,230,000)</u>	<u>(1,119,000)</u>	<u>(1,076,000)</u>
Total	<u>\$ 2,732,228</u>	<u>\$ 2,128,290</u>	<u>\$ 1,900,056</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.

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

NOTE 5 - ACCOUNTS RECEIVABLE (Continued)

The District generates a substantial portion of its charges from the Medicare and Medicaid programs at discounted rates. A summary of gross Medicare and Medicaid charges for the years ended September 30, 1998, 1997 and 1996, follows:

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Medicare patients	\$ 10,847,238	\$ 11,088,631	\$ 11,732,046
Medicaid patients	<u>3,700,425</u>	<u>4,657,563</u>	<u>4,619,735</u>
Total	<u>\$ 14,547,663</u>	<u>\$ 15,746,194</u>	<u>\$ 16,351,781</u>
Percent of all patients	<u>77%</u>	<u>83%</u>	<u>79%</u>

Since the District serves a disproportionate share of low-income patients, it qualified for Medicare and Medicaid Disproportionate Share (DSH) reimbursement during 1998, 1997 and 1996.

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

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Medicare	\$ 137,431	\$ 113,569	\$ 124,479
Medicaid	<u>545,113</u>	<u>524,683</u>	<u>294,262</u>
Total	<u>\$ 682,544</u>	<u>\$ 638,252</u>	<u>\$ 418,741</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, 1998:

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

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

NOTE 6 -PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

	<u>ACCUMULATED DEPRECIATION</u>			September 30, <u>1997</u>
	September 30, <u>1996</u>	Additions	Deletions	
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, 1998, 1997 AND 1996

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>1995</u>	Additions	Deletions	September 30, <u>1996</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>1995</u>	Additions	Deletions	September 30, <u>1996</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>

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 \$2,545,730, \$2,343,887 and \$2,119,471 for 1998, 1997 and 1996, respectively.

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

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>1998</u>	<u>1997</u>	<u>1996</u>
Equipment	\$ 1,254,748	\$ 1,242,205	\$ 906,602
Accumulated depreciation	<u>(744,268)</u>	<u>(529,422)</u>	<u>(319,194)</u>
Total	<u>\$ 510,480</u>	<u>\$ 712,783</u>	<u>\$ 587,408</u>

NOTE 7 - OTHER ASSETS

Other assets consist of the following:

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Notes receivable from medical students and doctors less estimated uncollectibles	\$ 167,063	\$ 136,062	\$ 129,313
Notes receivable from nursing students	9,230	9,239	16,972
Unamortized bond issue cost	<u>5,901</u>	<u>6,913</u>	<u>7,925</u>
Total	<u>\$ 182,194</u>	<u>\$ 152,214</u>	<u>\$ 154,210</u>

NOTE 8 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

Accrued expenses and withholdings payable at September 30, 1998, 1997 and 1996, consist of the following:

	<u>1998</u>	<u>1997</u>	<u>1996</u>
State and federal taxes payable	\$ 7,756	\$ 18,252	\$ 10,100
Accrued interest payable - equipment	4,025	4,025	5,852
Accrued salaries and fees payable	205,306	202,487	229,733
Accrued compensated absences	234,307	236,265	267,689
Payroll withholdings payable	76,279	89,407	46,477
Louisiana mandated service charge	153	34	82
Vested sick pay payable	<u>176,718</u>	<u>183,673</u>	<u>169,914</u>
Total	<u>\$ 704,544</u>	<u>\$ 734,143</u>	<u>\$ 729,847</u>

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

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 \$282,915, \$301,864 and \$341,486 in 1998, 1997 and 1996, respectively. Employee contributions for fiscal year 1998 are summarized below:

	<u>Amount</u>	<u>Percentage</u>
Employee Mandatory Contributions	\$263,441	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, 1998, 1997 and 1996:

	<u>1998</u>	<u>1997</u>	<u>1996</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	\$ 530,548	\$ 605,459	\$ 676,017
Capital obligations at varying rates of imputed interest from 7.2 percent to 18.9 percent collateralized by leased equipment	<u>450,480</u>	<u>637,423</u>	<u>746,158</u>
Total long-term debt	981,028	1,242,882	1,422,175
Less current maturities of long-term debt	<u>342,203</u>	<u>421,465</u>	<u>330,022</u>
Long-term maturities	<u>\$ 638,825</u>	<u>\$ 821,417</u>	<u>\$ 1,092,153</u>



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

NOTE 11 - LONG-TERM DEBT (Continued)

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

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

Year ending September 30,	Certificates of Indebtedness	Capital Lease Obligations	Total
1999	\$ 109,200	\$ 233,003	\$ 342,203
2000	109,200	195,512	304,712
2001	109,200	113,503	222,703
2002	109,200	51,616	160,816
2003	109,200	-0-	109,200
Thereafter	<u>82,776</u>	<u>-0-</u>	<u>82,776</u>
	628,776	593,634	1,222,410
Less amounts representing interest	<u>98,228</u>	<u>143,154</u>	<u>241,382</u>
Total	<u>\$ 530,548</u>	<u>\$ 450,480</u>	<u>\$ 981,028</u>

NOTE 12 - OPERATING LEASES

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

NOTE 13 - NET PATIENT SERVICE REVENUE

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

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

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

NOTE 13 - NET PATIENT SERVICE REVENUE (Continued)

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

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

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

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

NOTE 14 - PROFESSIONAL LIABILITY RISK

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

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

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

NOTE 15 - SALES TAX REVENUE

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

NOTE 16 - SELF-FUNDED BENEFIT PLAN

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

NOTE 17 - DISCONTINUED OPERATIONS

The District discontinued ambulance services on March 31, 1997. Two remaining ambulances were sold during 1998 with a gain of \$20,218. Ambulance assets were sold during 1997 resulting in a loss of \$13,817. The following is a summary of ambulance operations for 1998, 1997 and 1996:

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Net ambulance revenue	\$ -0-	\$ 453,525	\$ 994,757
Operating expenses	<u>-0-</u>	<u>607,524</u>	<u>1,244,038</u>
Loss from operations	<u>\$ -0-</u>	<u>\$ (153,999)</u>	<u>\$ (249,281)</u>

NOTE 18 - CONTINGENCIES

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

The principal contingencies are described below:

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

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

NOTE 18 - CONTINGENCIES (Continued)

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, 1998.

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 Awarded	Total Grant Amount	Revenue Recognized		
			1998	1997	1996
Berger Foundation Grant	1994	25,000	\$ -0-	\$ -0-	\$ -0-
National Energy Conservation Act	1995	64,034	-0-	-0-	-0-
Rural Emergency Services Grant	1995	75,000	-0-	-0-	-0-
Emergency Services Grant	1996	50,714	-0-	-0-	50,714
Emergency Services Grant	1997	25,000	<u>-0-</u>	<u>25,000</u>	<u>-0-</u>
Total grant revenue recognized			\$ <u>-0-</u>	\$ <u>25,000</u>	\$ <u>50,714</u>

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

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 \$15,781, \$32,433 and \$20,049 for the respective fiscal years ended in 1998, 1997 and 1996.

SUPPLEMENTAL INFORMATION

RIVERLAND MEDICAL CENTER  
SCHEDULES OF PATIENT STATISTICS  
YEARS ENDED SEPTEMBER 30, 1998, 1997 AND 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Number of hospital patient days of care			
Medicare	4,600	4,254	4,514
Medicaid	1,811	2,136	1,853
Other	<u>791</u>	<u>573</u>	<u>649</u>
Total	<u>7,202</u>	<u>6,963</u>	<u>7,016</u>
Number of hospital patient discharges			
Medicare	1,038	846	969
Medicaid	638	642	617
Other	<u>230</u>	<u>226</u>	<u>246</u>
Total	<u>1,906</u>	<u>1,714</u>	<u>1,832</u>
Average length of patient stay			
Medicare	4.43	5.03	4.66
Medicaid	2.84	3.28	3.00
Other	3.39	2.54	2.64
Total all patients	3.78	4.06	3.83
Number of surgical cases	<u>469</u>	<u>587</u>	<u>673</u>
Number of emergency room visits	<u>10,738</u>	<u>10,980</u>	<u>12,115</u>
Home health visits	<u>15,030</u>	<u>21,861</u>	<u>29,182</u>

RIVERLAND MEDICAL CENTER  
SCHEDULES OF NET PATIENT SERVICE REVENUE  
YEARS ENDED SEPTEMBER 30, 1998, 1997 AND 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Daily Patient Services:			
Adult and pediatric	\$ 780,470	\$ 815,485	\$ 967,785
Intensive care	508,450	382,450	295,400
Nursery	<u>68,040</u>	<u>62,760</u>	<u>71,520</u>
Total daily patient services	<u>1,356,960</u>	<u>1,260,695</u>	<u>1,334,705</u>
Other Professional Services:			
Operating room			
Inpatient	167,731	145,210	183,495
Outpatient	<u>253,215</u>	<u>272,460</u>	<u>274,740</u>
Total operating room	<u>420,946</u>	<u>417,670</u>	<u>458,235</u>
Recovery room			
Inpatient	72,000	74,095	66,880
Outpatient	<u>66,600</u>	<u>70,140</u>	<u>65,480</u>
Total recovery room	<u>138,600</u>	<u>144,235</u>	<u>132,360</u>
Labor/delivery room			
Inpatient	<u>106,800</u>	<u>115,100</u>	<u>101,400</u>
Anesthesia			
Inpatient	148,436	113,782	304,684
Outpatient	<u>121,115</u>	<u>123,284</u>	<u>313,607</u>
Total anesthesia	<u>269,551</u>	<u>237,066</u>	<u>618,291</u>
Radiology			
Inpatient	859,174	668,298	626,946
Outpatient	<u>1,533,422</u>	<u>1,278,936</u>	<u>1,331,165</u>
Total radiology	<u>\$ 2,392,596</u>	<u>\$ 1,947,234</u>	<u>\$ 1,958,111</u>



RIVERLAND MEDICAL CENTER  
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)  
YEARS ENDED SEPTEMBER 30, 1998, 1997 AND 1996

	1998	1997	1996
Laboratory			
Inpatient	\$ 1,543,205	\$ 1,330,335	\$ 1,317,534
Outpatient	<u>1,599,867</u>	<u>1,770,550</u>	<u>1,676,683</u>
Total laboratory	<u>3,143,072</u>	<u>3,100,885</u>	<u>2,994,217</u>
Blood			
Inpatient	37,030	35,937	39,396
Outpatient	<u>13,502</u>	<u>10,300</u>	<u>3,720</u>
Total blood	<u>50,532</u>	<u>46,237</u>	<u>43,116</u>
Respiratory care			
Inpatient	1,378,248	1,388,810	1,174,367
Outpatient	<u>157,097</u>	<u>160,513</u>	<u>166,519</u>
Total respiratory care	<u>1,535,345</u>	<u>1,549,323</u>	<u>1,340,886</u>
IV therapy			
Inpatient	1,522,689	1,535,599	1,433,710
Outpatient	<u>242,387</u>	<u>269,766</u>	<u>216,575</u>
Total IV therapy	<u>1,765,076</u>	<u>1,805,365</u>	<u>1,650,285</u>
Physical therapy			
Inpatient	45,683	44,629	41,237
Outpatient	<u>287,450</u>	<u>226,732</u>	<u>267,880</u>
Total physical therapy	<u>333,133</u>	<u>271,361</u>	<u>309,117</u>
EKG and EEG			
Inpatient	145,460	130,889	126,437
Outpatient	<u>121,827</u>	<u>126,705</u>	<u>130,947</u>
Total EKG and EEG	<u>\$ 267,287</u>	<u>\$ 257,594</u>	<u>\$ 257,384</u>

RIVERLAND MEDICAL CENTER  
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)  
YEARS ENDED SEPTEMBER 30, 1998, 1997 AND 1996

	1998	1997	1996
Medical supply			
Inpatient	\$ 1,280,057	\$ 1,222,077	\$ 1,366,943
Outpatient	<u>933,697</u>	<u>944,202</u>	<u>909,238</u>
Total medical supply	<u>2,213,754</u>	<u>2,166,279</u>	<u>2,276,181</u>
Pharmacy			
Inpatient	1,418,151	1,250,626	1,233,838
Outpatient	<u>476,090</u>	<u>491,037</u>	<u>442,869</u>
Total pharmacy	<u>1,894,241</u>	<u>1,741,663</u>	<u>1,676,707</u>
Emergency room			
Inpatient	38,565	35,816	34,382
Outpatient	<u>262,830</u>	<u>274,220</u>	<u>286,907</u>
Total emergency room	<u>301,395</u>	<u>310,036</u>	<u>321,289</u>
Emergency room physician fees			
Inpatient	144,234	54,472	64,050
Outpatient	<u>870,892</u>	<u>544,588</u>	<u>465,343</u>
Total emergency room physician fees	<u>1,015,126</u>	<u>599,060</u>	<u>529,393</u>
Monitor			
Inpatient	391,510	325,556	307,720
Outpatient	<u>13,524</u>	<u>14,014</u>	<u>10,878</u>
Total monitor	<u>405,034</u>	<u>339,570</u>	<u>318,598</u>
Home health			
Skilled	461,500	666,900	872,300
Aide	763,072	1,438,571	1,509,832
Physical therapy	7,700	33,900	19,300
Occupational therapy	-0-	8,500	-0-
Speech therapy	-0-	5,400	-0-
Medical supplies	111,629	190,024	205,974
Pharmacy	106	3,280	11,111
DME	<u>-0-</u>	<u>14,345</u>	<u>13,733</u>
Total home health	<u>\$ 1,344,007</u>	<u>\$ 2,360,920</u>	<u>\$ 2,632,250</u>

RIVERLAND MEDICAL CENTER  
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)  
YEARS ENDED SEPTEMBER 30, 1998, 1997 AND 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Cardiac rehab Outpatient	\$ <u>56,981</u>	\$ <u>16,840</u>	\$ <u>8,285</u>
Clinics			
Riverland	476,502	-0-	42,662
Newellton	-0-	-0-	164,851
Ferriday #1	459,228	235,531	115,890
Jonesville	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total clinics	<u>935,730</u>	<u>235,531</u>	<u>323,403</u>
Total other professional services	<u>18,589,206</u>	<u>17,661,969</u>	<u>17,949,508</u>
Gross patient service revenue	19,946,166	18,922,664	19,284,213
Deductions from revenue	<u>8,463,613</u>	<u>7,663,492</u>	<u>7,045,040</u>
Net patient service revenue	<u>\$11,482,553</u>	<u>\$11,259,172</u>	<u>\$12,239,173</u>

RIVERLAND MEDICAL CENTER  
 SCHEDULES OF DEDUCTIONS FROM REVENUE  
 YEARS ENDED SEPTEMBER 30, 1998, 1997 AND 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Medicare and Medicaid contractual adjustments	\$ 7,888,127	\$ 7,332,202	\$ 6,552,132
Employee discounts	-0-	-0-	2,044
Uncompensated services	18,865	15,780	53,353
Other	<u>556,621</u>	<u>315,510</u>	<u>437,511</u>
 Total deductions from revenue	 <u>\$ 8,463,613</u>	 <u>\$ 7,663,492</u>	 <u>\$ 7,045,040</u>

RIVERLAND MEDICAL CENTER  
 SCHEDULES OF OTHER REVENUE  
 YEARS ENDED SEPTEMBER 30, 1998, 1997 AND 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Meals sold to employees	\$ 60,024	\$ 57,217	\$ 53,510
Pay phone commissions	72	316	740
Vending machine commissions	2,811	2,840	3,362
Rental income	8,200	5,800	8,250
Miscellaneous revenue	<u>83,911</u>	<u>88,816</u>	<u>47,384</u>
 Total other operating revenue	 <u>\$ 155,018</u>	 <u>\$ 154,989</u>	 <u>\$ 113,246</u>

RIVERLAND MEDICAL CENTER  
SCHEDULES OF EXPENSES - SALARIES AND BENEFITS  
YEARS ENDED SEPTEMBER 30, 1998, 1997 AND 1996

	1998	1997	1996
Administration	\$ 479,429	\$ 517,101	\$ 570,918
Plant operations and maintenance	186,128	170,822	269,652
Laundry	14,110	13,625	13,797
Housekeeping	125,263	141,399	152,836
Dietary and cafeteria	153,520	147,689	165,128
Medical records	93,899	97,306	82,704
Nursing services	864,358	1,110,453	1,111,505
Intensive care unit	461,752	325,422	329,681
Nursery	44,870	30,262	44,662
Operating room	148,853	145,402	166,962
Delivery room	176,460	223,029	232,412
Anesthesiology	-0-	-0-	255,695
Radiology	237,368	236,917	255,568
Laboratory	353,587	383,612	379,770
Respiratory therapy	256,491	299,291	318,755
EKG and EEG	-0-	-0-	-0-
Central supply	65,620	39,247	55,020
Pharmacy	57,665	-0-	-0-
Cardiac rehab	38,749	1,341	1,534
Emergency room	339,997	269,090	327,211
Home health Clinic	625,635	766,507	803,012
	<u>436,068</u>	<u>194,397</u>	<u>449,139</u>
 Total salaries	 <u>5,159,822</u>	 <u>5,112,912</u>	 <u>5,985,961</u>
 Social Security	 61,611	 58,240	 71,455
Hospital insurance	465,398	405,742	446,445
Other	<u>27,575</u>	<u>43,100</u>	<u>38,205</u>
 Total benefits	 <u>554,584</u>	 <u>507,082</u>	 <u>556,105</u>
 Total salaries and benefits	 <u>\$ 5,714,406</u>	 <u>\$ 5,619,994</u>	 <u>\$ 6,542,066</u>

RIVERLAND MEDICAL CENTER  
SCHEDULES OF EXPENSES - MEDICAL SUPPLIES AND DRUGS  
YEARS ENDED SEPTEMBER 30, 1998, 1997 AND 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Nursing services	\$ 21,084	\$ 23,497	\$ 38,103
Intensive care unit	27,432	26,881	(4,611)
Nursery	8,562	6,838	5,322
Operating room	132,089	130,689	119,965
Delivery room	26,458	22,332	26,348
Anesthesiology	137	551	3,597
Radiology	80,455	86,450	76,978
Laboratory and blood	236,728	275,839	290,008
IV therapy	80,141	88,731	91,229
Respiratory therapy	38,992	37,342	46,627
Physical therapy	1,976	793	500
EEG	25	386	724
Central supply	269,617	305,506	315,709
Pharmacy	503,073	441,457	453,471
Cardiac rehab	517	(46)	1,619
Emergency room	36,536	35,601	36,717
Home health	7,644	17,227	31,542
Clinics	<u>10,935</u>	<u>12,945</u>	<u>33,771</u>
 Total medical supplies and drugs	 \$ <u>1,482,401</u>	 \$ <u>1,513,019</u>	 \$ <u>1,567,619</u>

RIVERLAND MEDICAL CENTER  
 SCHEDULES OF EXPENSES - PROFESSIONAL FEES  
 YEARS ENDED SEPTEMBER 30, 1998, 1997 AND 1996

	1998	1997	1996
Nursing services	\$ 401	\$ 5,157	\$ 4,129
Intensive care unit	-0-	-0-	2,022
Operating room	65,000	45,000	16,000
Delivery room	4,000	-0-	6,000
Anesthesiology	58,636	56,200	2,080
Ultrasound	193,274	162,041	162,974
Laboratory	11,300	11,250	12,000
Physical therapy	187,063	190,814	216,406
EKG	-0-	-0-	36,012
Pharmacy	135,373	226,822	223,077
Emergency room	846,185	769,647	767,623
Home health	-0-	52,334	43,346
Clinics	-0-	-0-	35,525
	<u>          </u>	<u>          </u>	<u>          </u>
Total professional fees	\$ <u>1,501,232</u>	\$ <u>1,519,265</u>	\$ <u>1,527,194</u>



RIVERLAND MEDICAL CENTER  
 SCHEDULES OF EXPENSES - OTHER EXPENSES  
 YEARS ENDED SEPTEMBER 30, 1998, 1997 AND 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Contract services	\$ 212,676	\$ 108,482	\$ 78,171
Legal and accounting	51,725	53,413	46,210
Supplies	277,479	322,091	360,747
Repairs and maintenance	298,096	249,114	290,687
Utilities	199,854	174,799	235,794
Telephone	94,504	100,272	98,936
Travel	86,011	127,035	134,848
Rentals	107,015	110,385	134,955
Education	9,488	8,992	9,092
Advertising	56,207	63,626	68,906
Dues and subscriptions	34,139	36,410	35,007
Miscellaneous	<u>203,177</u>	<u>143,330</u>	<u>151,902</u>
 Total other expenses	 <u>\$ 1,630,371</u>	 <u>\$ 1,497,949</u>	 <u>\$ 1,645,255</u>

RIVERLAND MEDICAL CENTER  
 SCHEDULES OF PER DIEM AND OTHER  
 COMPENSATION PAID TO BOARD MEMBERS  
 YEARS ENDED SEPTEMBER 30, 1998, 1997 AND 1996

	1998	1997	1996
Board Members:			
Mr. William Latham	\$ 125	\$ 300	\$ 300
Mr. Larry McManus	275	300	300
Mr. Theodore McCoy	275	300	300
Mr. Lynn White	250	300	300
Dr. Fred Butcher	275	300	300
Dr. James Waddill	-0-	-0-	200
Mrs. Rena Pitts	150	-0-	-0-
Dr. Gary Smith	-0-	-0-	100
Dr. Ray King	275	300	300
Dr. Herman Gibson, Jr.	<u>275</u>	<u>300</u>	<u>-0-</u>
Totals	\$ <u>1,900</u>	\$ <u>2,100</u>	\$ <u>2,100</u>

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

William C. Huddleston II, CPA  
Paul G. Mathews, CPA

**EASLEY, LESTER AND WELLS**  
*A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS*  
3600 BAYOU RAPIDES ROAD  
ALEXANDRIA, LOUISIANA 71303

Telephone (318) 487-1450  
Facsimile (318) 445-1184

Members  
American Institute of CPA's  
Society of Louisiana CPA's  
Mailing Address:  
P.O. Box 8758  
Alexandria, LA 71306-1758

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

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

We have audited the financial statements of the Parishwide Hospital Service District of the Parish of Concordia, Riverland Medical Center (the District or the Hospital) for the years ended September 30, 1998, 1997 and 1996, and have issued our report thereon dated January 15, 1999, which was qualified due to the omission of the year 2000 disclosures that are required by Governmental Accounting Standards Board Technical Bulletin 98-1, Disclosures about Year 2000 Issues. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

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

*Easley, Lester & Wells*  
Certified Public Accountants

January 15, 1999

RIVERLAND MEDICAL CENTER  
AUDITORS' COMMENTS AND RECOMMENDATIONS  
YEAR ENDED SEPTEMBER 30, 1998

MATERIAL WEAKNESSES (Continued)

SUMMARY OF CURRENT YEAR FINDINGS

1. Ageing of Accounts Receivable

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

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

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

2. Budgeting Process

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

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

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

3. Presentation of Financial Statements

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

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

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

RIVERLAND MEDICAL CENTER  
AUDITORS' COMMENTS AND RECOMMENDATIONS  
YEAR ENDED SEPTEMBER 30, 1998

MATERIAL WEAKNESSES (Continued)

4. Time Card Process

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

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

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

5. Wage and Hour Law

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

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

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

REPORTABLE CONDITIONS

SUMMARY OF PRIOR YEAR FINDINGS

1. Documentation of Collection Effort

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

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

RIVERLAND MEDICAL CENTER  
AUDITORS' COMMENTS AND RECOMMENDATIONS  
YEAR ENDED SEPTEMBER 30, 1998

REPORTABLE CONDITIONS (Continued)

1. Documentation of Collection Effort (Continued)

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

Resolution: This matter is unresolved.

2. Going Concern

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

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

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

Resolution: This matter is unresolved.

3. Corporate Compliance Program

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

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

RIVERLAND MEDICAL CENTER  
AUDITORS' COMMENTS AND RECOMMENDATIONS  
YEAR ENDED SEPTEMBER 30, 1998

REPORTABLE CONDITIONS (Continued)

3. Corporate Compliance Plan (Continued)

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

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

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

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

Resolution: This matter has been partially resolved. Compliance plan in development.

4. 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.

Resolution: This matter is resolved.



RIVERLAND MEDICAL CENTER  
AUDITORS' COMMENTS AND RECOMMENDATIONS  
YEAR ENDED SEPTEMBER 30, 1998

REPORTABLE CONDITIONS (Continued)

5. 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.

Resolution: This matter is resolved.

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.

Resolution: This matter is resolved.

SUMMARY OF CURRENT YEAR FINDINGS

1. Fixed Asset Inventory

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

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

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

Resolution: This matter is unresolved.

RIVERLAND MEDICAL CENTER  
NONCOMPLIANCE SUMMARY  
YEAR ENDED SEPTEMBER 30, 1998

SUMMARY OF PRIOR YEAR FINDINGS

1. Bid Law

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

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

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

Resolution: This matter is unresolved.

2. Bond Commission Approval

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

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

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

Resolution: This matter is unresolved.

SUMMARY OF CURRENT YEAR FINDINGS

1. Physician Equipment

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

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

RIVERLAND MEDICAL CENTER  
NONCOMPLIANCE SUMMARY (Continued)  
YEAR ENDED SEPTEMBER 30, 1998

1. Physician Equipment (Continued)

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

2. Employee Discounts

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

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

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

RIVERLAND MEDICAL CENTER  
AUDITORS' COMMENTS AND RECOMMENDATIONS  
YEAR ENDED SEPTEMBER 30, 1998

GENERAL

We found that minor 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.

SUMMARY OF PRIOR YEAR FINDINGS

MATERIAL WEAKNESSES

1. Accounts Receivable

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

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

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

Resolution: This matter is unresolved.

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

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

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

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

Resolution: This matter is unresolved.

RIVERLAND MEDICAL CENTER  
AUDITORS' COMMENTS AND RECOMMENDATIONS  
YEAR ENDED SEPTEMBER 30, 1998

MATERIAL WEAKNESSES (Continued)

3. System Controls

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

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

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

Resolution: This matter is unresolved.

4. Purchasing

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

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

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

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

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

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

Resolution: This matter is unresolved.