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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

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

Release Date APR 02 2003

FOR THE YEARS ENDED
SEPTEMBER 30, 2002, 2001 AND 2000

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, 2002, 2001 AND 2000

TABLE OF CONTENTS

	<u>PAGE NO.</u>
Independent Auditors' Report on the Financial Statements and Supplementary Information	1
<u>General Purpose Financial Statements</u>	
Balance Sheets - Unrestricted Fund	3
Statements of Operations - Unrestricted Fund	4
Statements of Changes in Fund Balances	5
Statements of Cash Flows - Unrestricted Fund	6
Notes to Financial Statements	8
<u>Supplemental Information</u>	
Schedules of Net Patient Service Revenue	22
Schedules of Other Revenue	25
Schedules of Expenses - Salaries and Benefits	26
Schedules of Expenses - Medical Supplies and Drugs	27
Schedules of Expenses - Professional Fees	28
Schedules of Expenses - Other Expenses	29
Schedules of Per Diem and Other Compensation Paid to Board Members	30
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	31

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general purpose financial statements of Parishwide Hospital Service District of the Parish of Concordia, State of Louisiana, Riverland Medical Center (the Hospital), a component unit of the Concordia Parish Police Jury, as of and for the years ended September 30, 2002, 2001 and 2000, as listed in the foregoing table of contents. These 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Parishwide Hospital Service District, Parish of Concordia, as of September 30, 2002, 2001 and 2000, and the results of its operations and cash flows of its proprietary fund types for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated January 28, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

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.

Lester Miller & Wells

Certified Public Accountants

January 28, 2003

RIVERLAND MEDICAL CENTER
BALANCE SHEETS - UNRESTRICTED FUND
SEPTEMBER 30, 2002, 2001 AND 2000

ASSETS	<u>2002</u>	<u>2001</u>	<u>2000</u>
Current Assets			
Cash and cash equivalents (Note 3)	\$ 448,488	\$ 265,219	\$ 167,269
Accounts receivable, net of estimated uncollectibles (Note 5)	2,515,065	2,616,179	2,890,977
Estimated third-party payor settlements	189,846	294,966	162,253
Inventory	345,123	361,044	359,246
Prepaid expenses	39,367	20,009	34,348
Other receivables	<u>9,014</u>	<u>1,641</u>	<u>3,221</u>
Total Current Assets	<u>3,546,903</u>	<u>3,559,058</u>	<u>3,617,314</u>
Property, plant and equipment, net (Note 6)	3,119,728	3,354,174	3,622,331
Other assets (Note 7)	<u>163,210</u>	<u>169,433</u>	<u>172,486</u>
Total Assets	<u>\$ 6,829,841</u>	<u>\$ 7,082,665</u>	<u>\$ 7,412,131</u>
LIABILITIES AND FUND BALANCE			
Current Liabilities			
Accounts payable	\$ 197,001	\$ 249,334	\$ 237,781
Accrued expenses and withholdings payable (Note 8)	799,883	679,059	548,155
Current maturities of long-term debt	<u>119,940</u>	<u>126,954</u>	<u>191,920</u>
Total Current Liabilities	<u>1,116,824</u>	<u>1,055,347</u>	<u>977,856</u>
Long-term debt, net of current maturities (Note 11)	<u>154,600</u>	<u>184,597</u>	<u>308,709</u>
Total Liabilities	<u>1,271,424</u>	<u>1,239,944</u>	<u>1,286,565</u>
Fund balance - unrestricted	<u>5,558,417</u>	<u>5,842,721</u>	<u>6,125,566</u>
Total Liabilities and Fund Balance	<u>\$ 6,829,841</u>	<u>\$ 7,082,665</u>	<u>\$ 7,412,131</u>

See accompanying notes to financial statements.

RIVERLAND MEDICAL CENTER
STATEMENTS OF OPERATIONS - UNRESTRICTED FUND
YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Revenue			
Net patient service revenue	\$ 12,644,503	\$ 13,345,809	\$ 12,623,260
Sales tax revenue (Note 15)	384,029	395,331	394,624
Gain (loss) on disposal of assets	4,265	3,200	1,970
Other revenue	<u>274,287</u>	<u>210,082</u>	<u>102,247</u>
Total Revenue	<u>13,307,084</u>	<u>13,954,422</u>	<u>13,122,101</u>
Expenses			
Salaries and benefits	6,212,902	6,211,697	5,564,957
Medical supplies and drugs	1,512,472	1,968,537	2,056,522
Professional fees	1,216,996	1,218,600	1,263,727
Other expenses	1,258,973	1,344,861	1,310,818
Lease expense	78,827	74,204	76,085
Insurance	276,692	176,555	109,657
Retirement	277,545	299,244	293,539
Interest	19,870	36,532	53,633
Depreciation and amortization	386,839	476,893	507,756
Provision for bad debt	<u>2,371,304</u>	<u>2,456,206</u>	<u>2,056,530</u>
Total Expenses	<u>13,612,420</u>	<u>14,263,329</u>	<u>13,293,224</u>
Operating Income (Loss)	<u>(305,336)</u>	<u>(308,907)</u>	<u>(171,123)</u>
Nonoperating Income			
Interest income	<u>21,032</u>	<u>26,062</u>	<u>38,093</u>
Excess of Revenues over Expenses before Discontinued Operations	<u>(284,304)</u>	<u>(282,845)</u>	<u>(133,030)</u>
Discontinued Operations			
Gain (loss) from operations of home health (Note 17)	-0-	-0-	49,610
Gain on disposal of assets (Note 17)	<u>-0-</u>	<u>-0-</u>	<u>1,000</u>
Excess of Revenues over Expenses	<u>\$ (284,304)</u>	<u>\$ (282,845)</u>	<u>\$ (82,420)</u>

See accompanying notes to financial statements.

RIVERLAND MEDICAL CENTER
 STATEMENTS OF CHANGES IN FUND BALANCES
 YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

	<u>2002</u>	<u>2001</u>	<u>2000</u>
CHANGES IN FUND BALANCE:			
Balance, beginning of year	\$ 5,842,721	\$ 6,125,566	\$ 6,207,986
Excess of revenues over expenses	<u>(284,304)</u>	<u>(282,845)</u>	<u>(82,420)</u>
Fund Balance, September 30	<u>\$ 5,558,417</u>	<u>\$ 5,842,721</u>	<u>\$ 6,125,566</u>
COMPOSITION OF FUND BALANCE:			
Transfer of hospital assets from Concordia Parish Police Jury (Note 6)	\$ 1,324,948	\$ 1,324,948	\$ 1,324,948
Transfer of ambulance assets from Concordia Parish Police Jury	64,459	64,459	64,459
Gifts and bequests	104,032	104,032	104,032
Accumulated excess of revenues over expenses	<u>4,064,978</u>	<u>4,349,282</u>	<u>4,632,127</u>
Total Fund Balance	<u>\$ 5,558,417</u>	<u>\$ 5,842,721</u>	<u>\$ 6,125,566</u>

See accompanying notes to financial statements.

RIVERLAND MEDICAL CENTER
STATEMENTS OF CASH FLOWS - UNRESTRICTED FUND
YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Cash flows from operating activities:			
Operating income (loss)	\$ (305,336)	\$ (308,907)	\$ (171,123)
Profit (loss) on discontinued operations	-0-	-0-	50,610
Interest expense considered capital financing activity	19,870	36,532	53,633
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	385,827	475,965	506,828
Amortization	1,012	928	1,011
Provision for bad debt	2,371,304	2,456,206	2,056,530
(Gain) loss on disposal of assets	(4,265)	(3,200)	(1,970)
(Increase) decrease in:			
Net patient accounts receivable	(2,270,190)	(2,181,408)	(1,644,091)
Estimated third-party payor settlements	105,120	(132,713)	(431,954)
Inventory	15,921	(1,798)	(7,648)
Prepaid expenses	(19,358)	14,339	(31,395)
Other receivables	(7,373)	1,580	11,898
Other assets	(9,535)	(102,278)	(6,576)
Increase (decrease) in:			
Accounts payable	(52,333)	11,553	(77,297)
Accrued expenses and withholdings payable	<u>120,824</u>	<u>130,904</u>	<u>(107,546)</u>
Net cash provided (used) by operating activities	<u>351,488</u>	<u>397,703</u>	<u>200,910</u>
Cash Flows from Investing Activities:			
Purchase of property and equipment	(152,393)	(207,808)	(253,241)
Proceeds from sales of capital assets	4,265	3,200	1,970
Payments received on loans	15,758	104,403	97,891
Investment income	<u>21,032</u>	<u>26,062</u>	<u>38,093</u>
Net cash provided by investing activities	<u>\$ (111,338)</u>	<u>\$ (74,143)</u>	<u>\$ (115,287)</u>

See accompanying notes to financial statements.

RIVERLAND MEDICAL CENTER
STATEMENTS OF CASH FLOWS (Continued)
UNRESTRICTED FUND
YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

	<u>2002</u>	<u>2001</u>	<u>2000</u>
<i>Cash flows from capital and related financing activities:</i>			
Proceeds of long-term debt	\$ 107,745	\$ -0-	\$ -0-
Payments on long-term debt	(144,756)	(189,078)	(214,467)
Interest paid on long-term debt	<u>(19,870)</u>	<u>(36,532)</u>	<u>(53,633)</u>
Net cash used by capital and related financing activities	<u>(56,881)</u>	<u>(225,610)</u>	<u>(268,100)</u>
Net increase (decrease) in cash and cash equivalents	183,269	97,950	(182,477)
Cash and cash equivalents, beginning of year	<u>265,219</u>	<u>167,269</u>	<u>349,746</u>
Cash and cash equivalents, end of year	<u>\$ 448,488</u>	<u>\$ 265,219</u>	<u>\$ 167,269</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	<u>\$ 19,870</u>	<u>\$ 36,532</u>	<u>\$ 53,633</u>
Capital lease obligations incurred in conjunction with equipment lease acquisition agreements	<u>\$ 107,745</u>	<u>\$ -0-</u>	<u>\$ 9,072</u>

See accompanying notes to financial statements.

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

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

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

Nature of Business

The District provides outpatient, emergency, inpatient acute hospital services, clinic and home health services (by joint venture effective July 15, 2000).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Enterprise Fund

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

Method of Accounting

The District uses the accrual method of accounting. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under third-party reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related settlements are determined. Expenses are recorded when incurred. Hospital accounting and reporting procedures also conform to the requirements of Louisiana Revised statute 24:514 and to the guide set forth in the Louisiana Governmental Audit Guide, the AICPA, Audit and Accounting Guide - Health Care Organizations, published by the American Institute of Certified Public Accountants, and standards set by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Charity Care

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

Inventory

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

Changes in Reporting Classification

The classification of certain prior year amounts have been changed to reflect consistent reporting when compared to current year balances.

Income Taxes

The entity is a political subdivision and exempt from taxation.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost for purchased assets or at fair market value on the date of any donation. The District uses straight-line depreciation for financial reporting and third-party reimbursement. The following estimated useful lives are generally used.

Buildings	25 to 40 years
Machinery and Equipment	5 to 20 years
Furniture and Fixtures	5 to 15 years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations when incurred.

The cost of assets retired or otherwise disposed of and related accumulated depreciation are eliminated from the accounts in the years of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently.

Uncollectible Accounts

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

RIVERLAND MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit Risk

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

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

Significant Concentration of Economic Dependence

The District has an economic dependence on a small number of staff physicians who admit over 90% of the District's patients. The District also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 5. Accordingly, changes in, federal or state legislation or interpretations of rules have a significant impact on the District.

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist primarily of deposits in checking, money market and certificates of deposits with original maturities of 90 days or less. Cash and cash equivalents as well as short-term investments are stated at cost, which approximates market value. The following is a summary of cash and cash equivalents:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Petty cash	\$ 276	\$ 694	\$ 694
Checking and savings	96,618	158,217	10,800
Certificates of deposit	<u>351,594</u>	<u>106,308</u>	<u>155,775</u>
Total	<u>\$ 448,488</u>	<u>\$ 265,219</u>	<u>\$ 167,269</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, 2002, 2001 AND 2000

NOTE 5 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Net patient accounts receivable	\$ 4,658,065	\$ 4,236,179	\$ 4,564,977
Estimated uncollectibles	<u>(2,143,000)</u>	<u>(1,620,000)</u>	<u>(1,674,000)</u>
Total	<u>\$ 2,515,065</u>	<u>\$ 2,616,179</u>	<u>\$ 2,890,977</u>

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, 2002, 2001 and 2000, follows:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Medicare and Medicaid gross patient charges	\$ 17,621,276	\$ 18,270,897	\$ 17,263,025
Contractual adjustments	<u>(11,222,352)</u>	<u>(10,961,987)</u>	<u>(9,803,755)</u>
Program patient service revenue	<u>\$ 6,398,924</u>	<u>\$ 7,308,910</u>	<u>\$ 7,459,270</u>
Percent of total patient gross charges	<u>70%</u>	<u>73%</u>	<u>72%</u>
Percent of total net patient revenues	<u>51%</u>	<u>55%</u>	<u>59%</u>

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

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

	September 30, <u>2001</u>	<u>ASSET COST</u>		September 30, <u>2002</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
Building & fixed equipment	4,733,626	-0-	-0-	4,733,626
Major moveable equipment	<u>5,672,023</u>	<u>152,368</u>	<u>61,080</u>	<u>5,763,311</u>
Total	<u>\$ 10,700,557</u>	<u>\$ 152,368</u>	<u>\$ 61,080</u>	<u>\$ 10,791,845</u>

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	<u>ACCUMULATED DEPRECIATION</u>			September 30, <u>2002</u>
	September 30, <u>2001</u>	Additions	Deletions	
Land improvements	\$ 115,131	\$ 7,920	\$ -0-	\$ 123,051
Leasehold improvements	32,317	759	-0-	33,076
Buildings & fixed equipment	2,405,281	128,703	-0-	2,533,984
Major moveable equipment	<u>4,793,654</u>	<u>248,447</u>	<u>60,095</u>	<u>4,982,006</u>
Total	<u>\$ 7,346,383</u>	<u>\$ 385,829</u>	<u>\$ 60,095</u>	<u>\$ 7,672,117</u>

	<u>ASSET COST</u>			September 30, <u>2001</u>
	September 30, <u>2000</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 & fixed equipment	4,635,011	98,615	-0-	4,733,626
Major moveable equipment	5,497,520	176,419	1,916	5,672,023
Construction in progress	<u>65,310</u>	<u>-0-</u>	<u>65,310</u>	<u>-0-</u>
Total	<u>\$10,492,749</u>	<u>\$ 275,034</u>	<u>\$ 67,226</u>	<u>\$10,700,557</u>

	<u>ACCUMULATED DEPRECIATION</u>			September 30, <u>2001</u>
	September 30, <u>2000</u>	Additions	Deletions	
Land improvements	\$ 107,057	\$ 8,074	\$ -0-	\$ 115,131
Leasehold improvements	31,559	758	-0-	32,317
Buildings & fixed equipment	2,277,581	127,700	-0-	2,405,281
Major moveable equipment	<u>4,454,221</u>	<u>342,302</u>	<u>2,869</u>	<u>4,793,654</u>
Total	<u>\$ 6,870,418</u>	<u>\$ 478,834</u>	<u>\$ 2,869</u>	<u>\$ 7,346,383</u>

RIVERLAND MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	<u>ASSET COST</u>			September 30, <u>2000</u>
	September 30, <u>1999</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 & fixed equipment	4,589,167	45,844	-0-	4,635,011
Major moveable equipment	5,355,433	142,087	-0-	5,497,520
Construction in progress	<u>-0-</u>	<u>65,310</u>	<u>-0-</u>	<u>65,310</u>
 Total	 <u>\$10,239,508</u>	 <u>\$ 253,241</u>	 <u>\$ -0-</u>	 <u>\$10,492,749</u>

	<u>ACCUMULATED DEPRECIATION</u>			September 30, <u>2000</u>
	September 30, <u>1999</u>	<u>Additions</u>	<u>Deletions</u>	
Land improvements	\$ 98,263	\$ 8,794	\$ -0-	\$ 107,057
Leasehold improvements	25,134	6,425	-0-	31,559
Buildings and fixed equipment	2,156,433	121,148	-0-	2,277,581
Major moveable equipment	<u>4,083,760</u>	<u>370,461</u>	<u>-0-</u>	<u>4,454,221</u>
 Total	 <u>\$ 6,363,590</u>	 <u>\$ 506,828</u>	 <u>\$ -0-</u>	 <u>\$ 6,870,418</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 \$4,504,112, \$3,953,643 and \$3,451,251 for 2002, 2001 and 2000, respectively.

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

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

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Equipment	\$ 1,307,413	\$ 1,254,748	\$ 1,254,748
Accumulated depreciation	<u>(1,189,231)</u>	<u>(1,197,309)</u>	<u>(1,077,979)</u>
 Total	 <u>\$ 118,182</u>	 <u>\$ 57,439</u>	 <u>\$ 176,769</u>

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

NOTE 7 - OTHER ASSETS

Other assets consist of the following:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Notes receivable from medical students and doctors less estimated uncollectibles	\$ 42,056	\$ 56,628	\$ 71,077
Notes receivable from nursing students	7,489	7,664	7,854
Unamortized bond issue cost	1,854	2,865	3,878
LHA Trust Fund equity	<u>111,811</u>	<u>102,276</u>	<u>89,677</u>
 Total	 \$ <u>163,210</u>	 \$ <u>169,433</u>	 \$ <u>172,486</u>

NOTE 8 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

Accrued expenses and withholdings payable at September 30, 2002, 2001 and 2000, consist of the following:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
State and federal taxes payable	\$ 12,678	\$ 7,008	\$ 5,777
Accrued salaries and fees payable	113,068	92,652	69,882
Accrued compensated absences	301,146	299,596	232,104
Payroll withholdings payable	124,149	71,457	35,872
Louisiana mandated service charge	351	295	242
Vested sick pay payable	<u>248,491</u>	<u>208,051</u>	<u>204,278</u>
 Total	 \$ <u>799,883</u>	 \$ <u>679,059</u>	 \$ <u>548,155</u>

NOTE 9 - COMPENSATED ABSENCES

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

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

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 options upon retirement. Plan provisions may be amended by the plan trustee. The District contributes 6% of salaries to the plan. Employee mandatory contributions are 6% and employee voluntary contributions are up to 14%. Pension expense charged to operations was \$286,137, \$299,444 and \$293,539 in 2002, 2001 and 2000, respectively. Employee contributions for fiscal year 2002 are summarized below:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Employee Mandatory Contributions	\$ 333,728	\$ 333,959	\$ 327,163
Employee Voluntary Contributions	<u>39,624</u>	<u>43,422</u>	<u>48,137</u>
Total	<u>\$ 373,352</u>	<u>\$ 377,381</u>	<u>\$ 375,300</u>

NOTE 11 - LONG-TERM DEBT

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

	<u>2002</u>	<u>2001</u>	<u>2000</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	\$ 181,766	\$ 276,938	\$ 366,582
Capital obligations at varying rates of imputed interest from 3.1 percent to 18.9 percent collateralized by leased equipment	<u>92,774</u>	<u>34,613</u>	<u>134,047</u>
Total long-term debt	274,540	311,551	500,629
Less current maturities of long-term debt	<u>119,940</u>	<u>126,954</u>	<u>191,920</u>
Long-term debt	<u>\$ 154,600</u>	<u>\$ 184,597</u>	<u>\$ 308,709</u>

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

RIVERLAND MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

NOTE 11 - LONG-TERM DEBT (Continued)

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>
2003	\$ 109,200	\$ 29,258	\$ 138,458
2004	82,776	26,725	109,501
2005	-0-	22,519	22,519
2006	-0-	21,724	21,724
2007	<u>-0-</u>	<u>3,621</u>	<u>3,621</u>
	191,976	103,847	295,823
Less amounts representing interest	<u>10,210</u>	<u>11,073</u>	<u>21,283</u>
Total	<u>\$ 181,766</u>	<u>\$ 92,774</u>	<u>\$ 274,540</u>

NOTE 12 - OPERATING LEASES

The District leases various equipment and offices under operating leases expiring in various years through 2004. These leases are all cancelable with notice. Certain operating leases provide for renewal options for an indefinite period at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases.

Minimum future lease payments under operating leases as of September 30, 2002, and for each subsequent year in aggregate are provided below:

<u>Year Ended September 30</u>	<u>Amount</u>
2003	\$ 4,934
2004	2,762
2005	-0-
2006	<u>-0-</u>
Total minimum lease payments	7,696
Less: Amounts representing interest	<u>2,133</u>
Net minimum lease payments	<u>\$ 5,563</u>

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

NOTE 13 - NET PATIENT SERVICE REVENUE

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

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

The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the District. The District's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 1999.

Medicaid - Medicaid inpatient services are reimbursed based on a prospectively determined per diem rate. Most Medicaid outpatient services are reimbursed under a cost reimbursement methodology. The District is reimbursed at a tentative rate for cost based services with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 1999.

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 healthcare provider settlement for professional liability to \$100,000 per occurrence and limited the PCF's exposure to \$400,000 per occurrence.

The District's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are 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, 2002, 2001 AND 2000

NOTE 15 - SALES TAX REVENUE

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

NOTE 16 - SELF-FUNDED BENEFIT PLAN

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

NOTE 17 - DISCONTINUED OPERATIONS

The District discontinued home health services on July 15, 2000. The home health assets were sold resulting in a gain of \$1,000. A "cooperative endeavor" agreement was entered into with Louisiana Health Care Group, Inc. to operate the home health agency. The following is a summary of home health operations for 2002, 2001, and 2000.

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Net home health revenue	\$ -0-	\$ -0-	\$ 391,813
Operating expenses	<u>-0-</u>	<u>-0-</u>	<u>342,203</u>
Income from operations	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 49,610</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, 2002, 2001 AND 2000

NOTE 18 - CONTINGENCIES (Continued)

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, privacy, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Medicaid Uncompensated Cost - The District received interim amounts of \$1,008,120, \$994,393 and \$838,157 for Medicaid and self-pay uncompensated care services for the years ended September 30, 2002, 2001 and 2000, respectively. The interim amounts received are based upon uncompensated cost incurred in previous years. Current regulations require retroactive audit of the claimed uncompensated cost and comparison to the interim amounts paid by Medicaid in each fiscal year. Any overpayments will be recouped by Medicaid and the District has not made any provisions for such recoupments. Management contends interim amounts paid reasonably estimate final settlement. To the extent management's estimates differ from actual results, the differences will be used to adjust income for the period when differences arise.

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

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

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

RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

NOTE 19 - CHARITY CARE

The District has a policy of providing charity care to indigent patients in emergency situations. The cost of free care provided is \$13,299, \$69,630 and \$18,106 for the respective fiscal years ended in 2002, 2001 and 2000.

NOTE 20 - JOINT VENTURE

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

NOTE 21 - SUBSEQUENT EVENTS

The District signed a resolution on November 25, 2002, to terminate inpatient care and to surrender the hospital license upon completion of the new hospital to be built in Concordia Parish. The District may cease once the new hospital is constructed.

SUPPLEMENTAL INFORMATION

RIVERLAND MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Daily Patient Services:			
Adult and pediatric	\$ 1,540,900	\$ 1,476,210	\$ 1,488,900
Swing bed	10,700	30,400	22,300
Intensive care	788,800	880,000	926,850
Nursery	<u>96,000</u>	<u>96,000</u>	<u>87,240</u>
Total daily patient services	<u>2,436,400</u>	<u>2,482,610</u>	<u>2,525,290</u>
Other Professional Services:			
Operating room			
Inpatient	241,630	193,513	174,399
Outpatient	<u>455,587</u>	<u>273,609</u>	<u>327,795</u>
Total operating room	<u>697,217</u>	<u>467,122</u>	<u>502,194</u>
Recovery room			
Inpatient	125,450	90,450	89,100
Outpatient	<u>108,575</u>	<u>79,075</u>	<u>88,675</u>
Total recovery room	<u>234,025</u>	<u>169,525</u>	<u>177,775</u>
Labor/delivery room			
Inpatient	<u>279,850</u>	<u>184,800</u>	<u>167,750</u>
Anesthesia			
Inpatient	-0-	114,512	276,391
Outpatient	<u>475,426</u>	<u>311,719</u>	<u>168,457</u>
Total anesthesia	<u>475,426</u>	<u>426,231</u>	<u>444,848</u>
Radiology			
Inpatient	1,168,097	1,276,294	761,108
Outpatient	<u>3,196,692</u>	<u>3,130,807</u>	<u>2,169,629</u>
Total radiology	<u>4,364,789</u>	<u>4,407,101</u>	<u>2,930,737</u>
Laboratory			
Inpatient	1,733,601	1,670,920	1,514,980
Outpatient	<u>2,582,672</u>	<u>2,401,522</u>	<u>2,420,438</u>
Total laboratory	<u>\$ 4,316,273</u>	<u>\$ 4,072,442</u>	<u>\$ 3,935,418</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

	2002	2001	2000
Blood			
Inpatient	\$ 73,612	\$ 58,492	\$ 41,464
Outpatient	<u>10,001</u>	<u>17,760</u>	<u>18,721</u>
Total blood	<u>83,613</u>	<u>76,252</u>	<u>60,185</u>
Respiratory care			
Inpatient	2,335,758	1,822,462	1,846,518
Outpatient	<u>238,571</u>	<u>179,627</u>	<u>239,242</u>
Total respiratory care	<u>2,574,329</u>	<u>2,002,089</u>	<u>2,085,760</u>
IV therapy			
Inpatient	1,232,130	1,504,716	1,508,482
Outpatient	<u>428,446</u>	<u>470,601</u>	<u>501,732</u>
Total IV therapy	<u>1,660,576</u>	<u>1,975,317</u>	<u>2,010,214</u>
Physical therapy			
Inpatient	10,990	30,191	36,196
Outpatient	<u>328,182</u>	<u>384,834</u>	<u>372,414</u>
Total physical therapy	<u>339,172</u>	<u>415,025</u>	<u>408,610</u>
EKG and EEG			
Inpatient	111,898	115,462	110,211
Outpatient	<u>150,472</u>	<u>155,143</u>	<u>173,660</u>
Total EKG and EEG	<u>262,370</u>	<u>270,605</u>	<u>283,871</u>
Medical supply			
Inpatient	1,504,426	1,811,863	1,549,911
Outpatient	<u>1,321,917</u>	<u>1,179,081</u>	<u>1,510,602</u>
Total medical supply	<u>2,826,343</u>	<u>2,990,944</u>	<u>3,060,513</u>
Pharmacy			
Inpatient	1,485,716	2,135,109	2,063,118
Outpatient	<u>500,822</u>	<u>608,811</u>	<u>732,128</u>
Total pharmacy	<u>\$ 1,986,538</u>	<u>\$ 2,743,920</u>	<u>\$ 2,795,246</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

	2002	2001	2000
Emergency room			
Inpatient	\$ (310)	\$ 45	\$ 2,880
Outpatient	<u>791,610</u>	<u>325,395</u>	<u>318,990</u>
Total emergency room	<u>791,300</u>	<u>325,440</u>	<u>321,870</u>
Emergency room physician fees			
Inpatient	9,401	(14,678)	-0-
Outpatient	<u>1,021,507</u>	<u>867,096</u>	<u>815,097</u>
Total emergency room physician fees	<u>1,030,908</u>	<u>852,418</u>	<u>815,097</u>
Monitor			
Inpatient	396,704	501,172	490,196
Outpatient	<u>5,096</u>	<u>6,370</u>	<u>21,854</u>
Total monitor	<u>401,800</u>	<u>507,542</u>	<u>512,050</u>
Cardiac rehab			
Outpatient	<u>10,130</u>	<u>29,330</u>	<u>28,785</u>
Clinics			
St. Joseph	252,638	114,909	-0-
Ferriday #1	<u>112,294</u>	<u>548,174</u>	<u>500,478</u>
Total clinics	<u>364,932</u>	<u>663,083</u>	<u>500,478</u>
Total other professional services	<u>22,699,591</u>	<u>22,579,186</u>	<u>21,041,401</u>
Gross patient service revenue	<u>25,135,991</u>	<u>25,061,796</u>	<u>23,566,691</u>
Deductions from revenue			
Medicare and Medicaid contractual adjustments	12,230,472	11,956,380	10,641,912
Uncompensated care reimbursement	(1,008,120)	(994,393)	(838,157)
Uncompensated services	-0-	-0-	18,106
Other	<u>1,269,136</u>	<u>754,000</u>	<u>1,121,570</u>
Total deductions from revenue	<u>12,491,488</u>	<u>11,715,987</u>	<u>10,943,431</u>
Net patient service revenue	<u>\$12,644,503</u>	<u>\$13,345,809</u>	<u>\$12,623,260</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF OTHER REVENUE
YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Meals sold to employees	\$ 48,381	\$ 51,223	\$ 41,250
Medical records revenue	13,713	11,393	5,182
Vending machine commissions	2,478	2,117	2,723
Rental income	29,225	30,900	8,400
Home health joint venture payments	124,850	57,339	-0-
State disaster grant	6,959	-0-	-0-
Miscellaneous revenue	<u>48,681</u>	<u>57,110</u>	<u>44,692</u>
Total other operating revenue	<u>\$ 274,287</u>	<u>\$ 210,082</u>	<u>\$ 102,247</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF EXPENSES - SALARIES AND BENEFITS
YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Administration	\$ 623,230	\$ 567,826	\$ 533,419
Plant operations and maintenance	155,619	184,527	191,947
Laundry	14,261	13,702	9,308
Housekeeping	92,660	125,369	129,642
Dietary and cafeteria	131,907	144,871	151,352
Medical records	151,254	138,520	139,828
Nursing services	886,848	921,379	849,219
Intensive care unit	655,073	638,408	663,104
Nursery	63,470	59,630	52,275
Operating room	248,725	247,571	212,583
Delivery room	352,657	345,525	283,395
Anesthesiology	275,773	165,405	-0-
Radiology	304,767	274,518	254,555
Laboratory	392,710	358,212	356,822
Respiratory therapy	276,483	283,853	283,892
Central supply	51,133	59,306	57,831
Pharmacy	154,858	159,878	153,347
Cardiac rehab	9,241	35,638	55,941
Emergency room	436,732	414,628	405,734
Clinic	<u>268,094</u>	<u>560,515</u>	<u>411,380</u>
 Total salaries	 <u>5,545,495</u>	 <u>5,699,281</u>	 <u>5,195,574</u>
 Payroll taxes	 68,743	 69,777	 67,844
Hospital insurance	572,795	424,870	278,706
Other	<u>25,869</u>	<u>17,769</u>	<u>22,833</u>
 Total benefits	 <u>667,407</u>	 <u>512,416</u>	 <u>369,383</u>
 Total salaries and benefits	 <u>\$ 6,212,902</u>	 <u>\$ 6,211,697</u>	 <u>\$ 5,564,957</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF EXPENSES - MEDICAL SUPPLIES AND DRUGS
YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Nursing services	\$ 8,107	\$ 11,206	\$ 9,822
Intensive care unit	14,432	15,142	35,134
Nursery	6,661	12,238	10,127
Operating room	101,643	139,787	134,207
Delivery room	45,602	35,146	43,038
Anesthesiology	4,874	6,462	8,705
Radiology	72,882	77,704	94,889
Laboratory and blood	442,436	429,583	388,368
IV therapy	79,911	98,123	71,722
Respiratory therapy	32,261	36,019	47,773
Physical therapy	540	2,205	2,112
Central supply	188,713	338,022	436,640
Pharmacy	470,180	710,298	728,944
Cardiac rehab	6,739	7,240	3,283
Emergency room	26,108	22,514	25,235
Clinics	<u>11,383</u>	<u>26,848</u>	<u>16,523</u>
 Total medical supplies and drugs	 \$ <u>1,512,472</u>	 \$ <u>1,968,537</u>	 \$ <u>2,056,522</u>

RIVERLAND MEDICAL CENTER
 SCHEDULES OF EXPENSES - PROFESSIONAL FEES
 YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Operating room	\$ 65,000	\$ 65,000	\$ 65,000
Anesthesiology	-0-	-0-	64,010
Ultrasound	138,552	139,114	137,699
Laboratory	13,000	12,000	12,000
Physical therapy	169,372	207,538	220,491
Emergency room	<u>831,072</u>	<u>794,948</u>	<u>764,527</u>
 Total professional fees	 <u>\$ 1,216,996</u>	 <u>\$ 1,218,600</u>	 <u>\$ 1,263,727</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF EXPENSES - OTHER EXPENSES
YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Contract services	\$ 76,480	\$ 69,483	\$ 67,299
Legal and accounting	54,513	80,214	88,561
Supplies	359,839	338,560	354,543
Repairs and maintenance	253,879	309,418	310,716
Utilities	211,784	260,105	168,141
Telephone	55,360	60,552	59,513
Travel	28,668	21,643	19,231
Rentals	70,704	64,234	90,597
Education	6,584	11,312	17,854
Advertising	10,026	9,996	13,904
Dues and subscriptions	62,083	55,703	40,180
Miscellaneous	<u>69,053</u>	<u>63,641</u>	<u>80,279</u>
 Total other expenses	 <u>\$ 1,258,973</u>	 <u>\$ 1,344,861</u>	 <u>\$ 1,310,818</u>

RIVERLAND MEDICAL CENTER
SCHEDULES OF PER DIEM AND OTHER
COMPENSATION PAID TO BOARD MEMBERS
YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Board Members:			
Mr. Larry McManus	\$ 300	\$ 300	\$ 300
Mr. Theodore McCoy	300	300	300
Mr. Lynn White	-0-	175	300
Mr. Fred Butcher	300	300	300
Mrs. Rena Pitts	300	300	300
Dr. Herman Gibson, Jr.	-0-	-0-	75
Ms. Carolyn Magoun	-0-	-0-	100
Dr. Sarah Lee	300	300	225
Ms. Juanita Alwell	300	300	150
Mr. Jim Graves	<u>300</u>	<u>125</u>	<u>-0-</u>
Totals	<u>\$ 2,100</u>	<u>\$ 2,100</u>	<u>\$ 2,050</u>

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

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

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

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

We have audited the general purpose 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, 2002, 2001 and 2000, and have issued our report thereon dated January 28, 2003. 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
of the Parish of Concordia, State of Louisiana
Page Two

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

Lester, Miller & Wells

Certified Public Accountants

January 28, 2003

RIVERLAND MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2002

September 30, 2001:

Finding: There have been advanced payments for unearned vacation pay for one contract employee physician. The advanced payments have caused a negative balance in the physician's vacation accrual balance.

Recommendation: The District should discontinue paying vacation pay until all unearned paid vacation is earned. Vacation accruals should be maintained and updated each payroll. Vacation balances should be made available to employees and confirmation of their accuracy requested on an annual basis. Personnel policy regarding taking vacation and vacation pay should be followed and no discrimination should be made between physician employees and other staff employees except as noted in their respective employment contracts.

Management's Response: This issue was previously discussed with the hospital attorney prior to the most recent vacation period. It was the attorney's opinion that there was a contradiction in the contract between clause 3.4 setting the fixed annual compensation and clause 5.1 referring to the personnel manual for vacation accrual. The attorney felt that in the case of a salaried professional, the annual compensation was fixed by contract and could not be reduced by an over accrual of vacation time. The contracts will be amended to eliminate the accrual of vacation coverage.

Resolution: This matter has been resolved.

September 30, 2002:

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

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

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