

Financial Statements

AMERICAN SAMOA MEDICAL CENTER AUTHORITY
LYNDON B. JOHNSON TROPICAL MEDICAL CENTER

SEPTEMBER 30, 2009 AND 2008

AMERICAN SAMOA MEDICAL CENTER AUTHORITY
LYNDON B. JOHNSON TROPICAL MEDICAL CENTER
(A Component Unit of the American Samoa Government)
SEPTEMBER 30, 2009 AND 2008

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
American Samoa Medical Center Authority
Lyndon B. Johnson Tropical Medical Center
Pago Pago, American Samoa

We have audited the accompanying financial statements of the American Samoa Medical Center Authority - Lyndon B. Johnson Tropical Medical Center (LBJ), a component unit of the American Samoa Government as of and for the years ended September 30, 2009 and 2008. These financial statements are the responsibility of LBJ's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of LBJ, as of September 30, 2009 and 2008, the respective changes in the financial position and, where applicable, cash flows thereof 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 our report dated January 31, 2010, on our consideration of LBJ's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

| The management's discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

RC HOLSINGER ASSOCIATES, P.C.

RC Holsinger Associates, P.C.

Wexford, Pennsylvania
January 31, 2010

AMERICAN SAMOA MEDICAL CENTER AUTHORITY
LYNDON B. JOHNSON TROPICAL MEDICAL CENTER
(A Component Unit of the American Samoa Government)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009 AND 2008

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction of the LBJ Tropical Medical Center's (LBJ) basic financial statements. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the entire audit report. The Hospital provides acute, outpatient, and emergency services as the only hospital in American Samoa. Patients can be treated when the need arises as the Hospital is open twenty-four hours, three hundred and sixty five days a year. The Hospital is a full service 109 bed licensed facility. Laboratory, Imaging, Respiratory, and Hemo-Dialysis are just a few of the medical services available.

In accordance to Statement No. 34 of the Governmental Accounting Standards Board, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34), a government entity's basic financial statements are required to contain three components: (1) Government-wide financial statements, (2) Fund financial statements, and (3) Notes to the financial statements.

Government-wide financial statements are designed to provide readers with a broad overview of the government entity's finances in a manner similar to that of a private sector business. The Statement of Net Assets presents information on all of the government entity's assets and liabilities, with the difference between the two reported as net assets. The Statement of Revenues, Expenses and Changes in Net Assets presents information showing how the government entity's net assets changed during the most recent fiscal year. The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets are prepared using the economic resources measurement focus and the full accrual basis of accounting.

Fund financial statements are presented to demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All funds of a government entity can be divided into three categories: Governmental funds, Proprietary funds, and Fiduciary funds. LBJ's funds are categorized as Proprietary funds. Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flow. Proprietary fund financial statements are similar to that of the government-wide financial statements in that they are also prepared using the economic resources measurement focus and the full accrual basis of accounting.

Under the provisions of GASB No. 34, the LBJ Tropical Medical Center Authority is considered to be a Special Purpose government entity, and as such is a component unit of the Government of American Samoa. As a Special Purpose government entity engaged only in business-type activities, the financial statements required are those for proprietary funds. Accordingly, LBJ's basic financial statements consist of a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Net Assets, a Statement of Cash Flows, and Notes to the Financial Statements.

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 MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
 SEPTEMBER 30, 2009 AND 2008

Statements of Net Assets

Summarized financial information of LBJ's Statements of Net Assets follows:

	<u>September 30,</u>		<u>Change</u>
	<u>2009</u>	<u>2008</u>	
ASSETS			
Current assets	\$ 8,545,148	\$ 7,948,842	\$ 596,306
Capital assets - net	<u>15,330,509</u>	<u>10,087,687</u>	<u>5,242,822</u>
Total Assets	<u>23,875,657</u>	<u>18,036,529</u>	<u>5,839,128</u>
LIABILITIES			
Accounts payable and accrued liabilities	3,339,003	2,725,429	613,574
Due to Medicare	6,437,611	8,725,959	(2,288,348)
Compensated absences	2,228,247	2,433,896	(205,649)
Due to American Samoa Government	<u>5,000,000</u>	<u>5,000,000</u>	<u>-</u>
Total Liabilities	<u>17,004,861</u>	<u>18,885,284</u>	<u>(1,880,423)</u>
NET ASSETS (DEFICIT)	<u>6,870,796</u>	<u>(848,755)</u>	<u>7,719,551</u>
Invested in capital assets	15,330,509	10,087,687	5,242,822
Unrestricted	<u>(8,459,713)</u>	<u>(10,936,442)</u>	<u>2,476,729</u>
Total Net Assets (Deficit)	<u>\$ 6,870,796</u>	<u>\$ (848,755)</u>	<u>\$ 7,719,551</u>

Total assets increased during the fiscal year 2009 by \$5.8 million. The majority of the increase is for Capital assets of \$5.2 million. These are mostly capital projects funded with U.S. Department of Interior grants. Cash also increased and accounts receivable decreased.

LBJ has continued making the payments required in the repayment conditions of the Center for Medicare and Medicaid Services (CMS) Extended Repayment Arrangement (ERA) for the \$9 million Medicare debt resulting from the final settlements of the fiscal years 2003, 2004, and 2005 cost reports. LBJ is making payments to CMS of \$211,458 per month to extinguish the debt. The debt will be paid off in September 2012. The debt repayment schedule can be found in Note 4 to the Financial Statements.

LBJ continues with its construction projects. The remodeling of the Medical Ward was started during the fiscal year. The Life Safety upgrade continues, and additional projects are scheduled for future years.

In FY 2003, ASG advanced LBJ \$5,000,000 to be used for operations. Formal repayment terms were not established and LBJ does not anticipate repaying the loan/advance in the next fiscal year.

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 MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
 SEPTEMBER 30, 2009 AND 2008

Capital Assets

As of September 30, 2009, LBJ's capital assets, net of accumulated depreciation, comprised 64% of its total assets. The net value of capital assets increased by \$5,242,822 during fiscal year 2009. There were capital asset additions of \$6,264,195, depreciation expense of \$1,021,373, and capital asset disposals of \$1,632,520. A summary of LBJ's capital assets as of September 30, 2009 and 2008 and the changes in capital assets are as follows, and additional information can be found in Note 3 to the Financial Statements:

	<u>September 30,</u>		<u>Change</u>
	<u>2009</u>	<u>2008</u>	
Building and improvements	\$ 17,100,219	\$ 15,785,785	\$ (1,314,434)
Equipment	6,142,509	6,907,470	(764,961)
Construction in progress	<u>6,664,343</u>	<u>2,582,141</u>	<u>4,082,202</u>
Total Capital Assets	<u>29,907,071</u>	<u>25,275,396</u>	<u>4,631,675</u>
Less: Accumulated Depreciation	<u>(14,576,562)</u>	<u>(15,187,709)</u>	<u>611,147</u>
Net Capital Assets	<u>\$ 15,330,509</u>	<u>\$ 10,087,687</u>	<u>\$ 5,242,822</u>

Current Assets

As of September 30, 2009, LBJ's current assets approximated 36% of its total assets. Current assets increased by \$596,306 from September 30, 2008. Cash increased \$0.8 million and patient's accounts receivable decreased \$0.9 million. Other receivables increased \$0.4 million. Changes in current assets are as follows:

	<u>September 30,</u>		<u>Change</u>
	<u>2009</u>	<u>2008</u>	
Cash and cash equivalents	\$ 2,964,429	\$ 2,161,727	\$ 802,702
Patient accounts receivable, net	3,637,058	4,601,311	(964,253)
Other receivables	412,784	15,229	397,555
Prepaid expenses	348,357	196,646	151,711
Inventories	<u>1,182,520</u>	<u>973,929</u>	<u>208,591</u>
Total Current Assets	<u>\$ 8,545,148</u>	<u>\$ 7,948,842</u>	<u>\$ 596,306</u>

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Current Liabilities

Changes in current liabilities are as follows:

	<u>September 30,</u>		<u>Change</u>
	<u>2009</u>	<u>2008</u>	
Accounts payable and accrued interest	\$ 2,715,342	\$ 2,243,640	\$ 471,702
Accrued salaries and related taxes	623,661	481,789	141,872
Due to Medicare, current portion	2,004,227	2,440,708	(436,481)
Compensated absences, current portion	<u>1,217,292</u>	<u>1,301,350</u>	<u>(84,058)</u>
Total Current Liabilities	<u>\$ 6,560,522</u>	<u>\$ 6,467,487</u>	<u>\$ 93,035</u>

Statement of Revenues, Expenses, and Changes in Net Assets

As of September 30, 2009, Total Net Assets were \$6,870,796, an increase of \$7,719,551 from September 30, 2008. Changes in Revenues, Expenses and Net Assets are as follows:

	<u>September 30,</u>		<u>Change</u>
	<u>2009</u>	<u>2008</u>	
Revenues:			
Operating revenues	\$ 18,831,498	\$ 17,406,097	\$ 1,425,401
Government appropriations	7,652,000	13,039,906	(5,387,906)
State and federal grants	843,123	870,203	(27,080)
Other non-operating revenues	<u>5,442,924</u>	<u>510,508</u>	<u>4,932,416</u>
Total Revenues	<u>32,769,545</u>	<u>31,826,714</u>	<u>942,831</u>
Expenses:			
Salaries and benefits	16,501,349	17,033,123	(531,774)
Services, professional fees, general administration	1,692,789	3,029,766	(1,336,977)
Supplies and pharmaceuticals	8,472,912	7,121,072	1,351,840
Utilities	1,402,238	1,765,367	(363,129)
Repairs and maintenance	406,913	758,890	(351,977)
Depreciation and amortization	1,021,372	1,120,857	(99,485)
Other	<u>1,858,650</u>	<u>2,963,484</u>	<u>(1,104,834)</u>
Total Expenses	<u>31,356,223</u>	<u>33,792,559</u>	<u>(2,436,336)</u>
Income before capital contributions	1,413,322	(1,965,845)	3,379,167
Capital assets contributed by federal grants	<u>6,306,229</u>	<u>701,404</u>	<u>5,604,825</u>
Increase (Decrease) in net assets	<u>\$ 7,719,551</u>	<u>\$ (1,264,441)</u>	<u>\$ 8,983,992</u>

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Revenues

LBJ Tropical Medical Center is a heavily subsidized medical facility that received approximately \$23 million in fiscal year 2008 and \$21 million in fiscal year 2009 of funding through direct operating grants from the U.S. Department of Interior, Medicaid, and CHIP programs. The Territory of American Samoa provided LBJ a subsidy and additional funding from fuel import excise tax, which totaled approximately \$5.4 million and \$511,000 for fiscal years 2009 and 2008, respectively.

Operating revenues consist primarily of patient charges and Medicaid and CHIP formula reimbursements. Patient charges total approximately \$30,286,000 for fiscal year 2009; this is an increase of approximately \$340,000 from fiscal year 2008. Medicaid and CHIP reimbursements, which are based on a presumed eligible percentage of medical care expenses, total approximately \$13 million for fiscal year 2009; this is an increase of approximately \$3,424,000 from fiscal year 2008.

Operating Expenses

Operating expenses for fiscal year 2009 decreased by \$2,436,336 or 7%. Expenses for the cost of medical referrals to off-island healthcare providers were \$967,573 for fiscal year 2009; this is a decrease of \$1,179,110 from fiscal year 2008. Other expenses decreased by \$1,257,226. Part of the decrease was due to the reduced interest on the Medicare debt, as the principal has been reduced, as has the interest expense.

For additional information, please contact Rickie Lee Nader, CPA, Chief Financial Officer, at (684) 633-5226.

AMERICAN SAMOA MEDICAL CENTER AUTHORITY
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 STATEMENTS OF NET ASSETS (DEFICIT)

	<u>ASSETS</u>	
	September 30,	
	<u>2009</u>	<u>2008</u>
Current Assets:		
Cash and cash equivalents	\$ 2,964,429	\$ 2,161,727
Patient accounts receivable, net	3,637,058	4,601,311
Other receivables	412,784	15,229
Prepaid expenses	348,357	196,646
Inventories	<u>1,182,520</u>	<u>973,929</u>
Total Current Assets	<u>8,545,148</u>	<u>7,948,842</u>
Capital Assets, Net	<u>15,330,509</u>	<u>10,087,687</u>
Total Assets	<u>23,875,657</u>	<u>18,036,529</u>

<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable and accrued interest	2,715,342	2,243,640
Accrued salaries, wages, and related taxes	623,661	481,789
Due to Medicare, current portion	2,004,227	2,440,708
Compensated absences, current portion	<u>1,217,292</u>	<u>1,301,350</u>
Total Current Liabilities	<u>6,560,522</u>	<u>6,467,487</u>
Due to Medicare, net of current portion	4,433,384	6,285,251
Compensated absences, net of current portion	1,010,955	1,132,546
Long-term debt	<u>5,000,000</u>	<u>5,000,000</u>
Total Liabilities	<u>17,004,861</u>	<u>18,885,284</u>

<u>NET ASSETS (DEFICIT)</u>		
Net Assets (Deficit):		
Invested in capital assets	15,330,509	10,087,687
Unrestricted net deficit	<u>(8,459,713)</u>	<u>(10,936,442)</u>
Total Net Assets (Deficit)	<u>\$ 6,870,796</u>	<u>\$ (848,755)</u>

The accompanying notes are an integral part of these financial statements.

AMERICAN SAMOA MEDICAL CENTER AUTHORITY
 LYNDON B. JOHNSON TROPICAL MEDICAL CENTER
 (A Component Unit of the American Samoa Government)
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (DEFICIT)

	Year Ended September 30,	
	2009	2008
Operating Revenues:		
Patient service revenue, net	\$ 4,814,128	\$ 7,275,875
Medicaid reimbursements	13,025,085	9,600,943
Cafeteria	396,185	292,399
Other	596,100	236,880
Total Operating Revenues	18,831,498	17,406,097
Operating Expenses:		
Clinical and other services	14,249,449	14,883,942
Nursing services	7,401,788	7,249,750
Environmental, nutrition, and plant operations	3,174,543	3,888,571
General administration and other	5,562,870	5,623,613
Off-island medical care	967,573	2,146,683
Total Operating Expenses	31,356,223	33,792,559
Net Operating Loss	(12,524,725)	(16,386,462)
Non-operating Revenues (Expenses):		
Government appropriations	7,652,000	13,039,906
Federal and local grants	843,123	870,203
Other non-operating revenues	5,442,924	510,508
Net Non-operating Revenues	13,938,047	14,420,617
Gain (Loss) before capital contributions	1,413,322	(1,965,845)
Capital contributed by grants for purchase of fixed assets	6,306,229	701,404
Change in Net Assets	7,719,551	(1,264,441)
Net Assets - Beginning of Year	(848,755)	415,686
Net Assets (Deficit) - End of Year	\$ 6,870,796	\$ (848,755)

The accompanying notes are an integral part of these financial statements.

AMERICAN SAMOA MEDICAL CENTER AUTHORITY
 LYNDON B. JOHNSON TROPICAL MEDICAL CENTER
 (A Component Unit of the American Samoa Government)
 STATEMENTS OF CASH FLOWS

	September 30,	
	2009	2008
Cash Flows from Operating Activities:		
Cash receipts from patients and third parties	\$ 5,224,883	\$ 7,601,851
Cash receipts from Medicaid reimbursements	13,025,085	9,600,943
Cash receipts from cafeteria	396,185	292,399
Other cash receipts	596,100	236,880
Payments to suppliers	(13,566,159)	(14,641,024)
Payments to employees	<u>(16,565,126)</u>	<u>(17,066,352)</u>
Net Cash Used in Operating Activities	<u>(10,889,032)</u>	<u>(13,975,303)</u>
Cash Flows from Non-capital Financial Activities:		
Government appropriations	7,652,000	13,039,906
Federal and local grants	843,123	870,203
Other non-operating cash flows, net	<u>5,437,323</u>	<u>437,249</u>
Net Cash Provided by Non-capital Financial Activities	<u>13,932,446</u>	<u>14,347,358</u>
Cash Flows from Capital and Related Financing Activities:		
Capital contributed by state and federal grants	6,306,229	701,404
Acquisition of capital assets	<u>(6,264,195)</u>	<u>(1,670,954)</u>
Net Cash Used in Capital and Related Financing Activities	<u>42,034</u>	<u>(969,550)</u>
Cash Flows from Investing Activities:		
Increase in Medicare liability	-	561,625
Increase (Decrease) in Medicare liability - ERA	(2,288,348)	(1,420,996)
Investment income	<u>5,602</u>	<u>73,260</u>
Net Cash Used in Investing Activities	<u>(2,282,746)</u>	<u>(786,111)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>802,702</u>	<u>(1,383,606)</u>
Cash and Cash Equivalents - Beginning of Year	<u>2,161,727</u>	<u>3,545,333</u>
Cash and Cash Equivalents - End of Year	<u>\$ 2,964,429</u>	<u>\$ 2,161,727</u>

The accompanying notes are an integral part of these financial statements.

AMERICAN SAMOA MEDICAL CENTER AUTHORITY
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 STATEMENTS OF CASH FLOWS - CONTINUED

	September 30,	
	2009	2008
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (12,524,725)	\$ (16,386,462)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,021,373	1,120,857
Increase (Decrease) in:		
Patient accounts receivable	964,253	(2,495,373)
Other receivables	(397,555)	2,821,348
Inventories	(208,591)	381,165
Prepaid expenses	(151,711)	303,394
Accrued salaries, wages, and related taxes	141,872	153,959
Accounts payable	471,702	312,997
Compensated absences	(205,650)	(187,188)
Net Cash Used in Operating Activities	\$ (10,889,032)	\$ (13,975,303)

The accompanying notes are an integral part of these financial statements.

AMERICAN SAMOA MEDICAL CENTER AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The American Samoa Medical Center Authority - Lyndon B. Johnson Tropical Medical Center (LBJ) is a component unit of the American Samoa Government (ASG), and the results of LBJ's operations are included in ASG's Basic Financial Statements. The criteria used to determine inclusion in the financial reporting entity includes financial interdependency, selection of governing authority, designation of management, and accountability for fiscal matters.

LBJ was opened in 1968 to provide patient focused, comprehensive, high quality, and cost effective health care and related services that address the health needs of the people of American Samoa. The facility is primarily funded through federal appropriations, but also receives patient service revenues, Medicaid reimbursements, and donations. LBJ was formally granted semiautonomous status as an independent agency of the Executive Branch of the American Samoan Government through an Executive Order on September 22, 1997, and then by Legislative Act on February 26, 1998, in order to satisfy federal requirements for continued eligibility of the facility for Medicare and Medicaid funding.

LBJ is governed by a five-member Board of Directors (Board). The Board members are appointed by the Governor of American Samoa and must receive approval of the Legislature to serve the two-year terms.

Basis of Presentation - The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Cash and Cash Equivalents - For purpose of the Statements of Cash Flows, LBJ considers all highly liquid investment instruments with original maturities of three months or less to be cash equivalents. The carrying amount of LBJ's deposits as of September 30, 2009 was \$2,964,429 and the corresponding bank balance was \$3,396,167, of which \$3,146,167 was collateralized.

Patient Accounts Receivable - Patient accounts receivable is presented net of allowance for contractual allowances of \$11,626,135 and \$11,334,776 for 2009 and 2008, respectively. LBJ does not perform periodic credit evaluations of its customers' financial condition and does not require collateral. Credit losses have been consistently within management's expectations.

Prepaid Expenses - Prepaid expenses consists of advanced payments made by LBJ for patient care and medical supplies.

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 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2009 AND 2008

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
 Continued

Inventories - Inventories are stated at the lower of cost or market (net realizable value). Cost is determined using the first-in, first-out method.

Capital Assets - Capital assets are stated at cost or estimated historical cost, if purchased, or if donated, at estimated fair value at date of donation. All items with a minimum unit cost of \$5,000 and a useful life of at least 3 years are considered capital assets. Capital assets, with the exception of construction work in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 20 years as follows:

<u>Assets</u>	<u>Years</u>
Buildings	20
Machinery and Equipment	3-10
Vehicles	4

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

Compensated Absences - It is the policy of LBJ to permit employees to accumulate earned but unused vacation benefits and unpaid overtime which will be paid to the employees upon separation from service. Vacation leave and compensatory overtime is fully vested when earned, but accumulated leave cannot exceed 60 days at the beginning of any calendar year.

Sick leave is vested when earned and the accumulation is not limited. Employees separated from service are compensated for unused accrued sick leave at the rate of 50% of sick leave in excess of 239 hours. Retiring employees with less than 30 years of service may apply accumulated sick leave for additional service credits.

Net Assets - LBJ's net assets are classified in the following net asset categories:

- (1) Invested in capital assets - Capital assets, net of accumulated depreciation.
- (2) Unrestricted - All other categories of assets. Unrestricted assets are designated for use by LBJ management. They may also be designated to support future areas of operation.

Operating Revenues and Expenses - LBJ has defined its operating revenues and expenses as those relating to the provision of health care services. Certain other transactions are reported as non-operating revenues and expenses in accordance with GASB Statement No. 38. These non-operating activities generally include government appropriations, federal and local grants, interest expense, and investment income.

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 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2009 AND 2008

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
 Continued

Net Patient Service Revenue - LBJ has agreements with third-party payers that provide for payments to LBJ at amounts different from established rates. Net patient service revenue is reported at the estimated realizable amounts from patients, external payers, and others for services rendered including estimated settlements under reimbursement agreements. Settlements are accrued on an estimated basis in the period the related services are rendered and differences are recorded in future periods as final settlements are determined.

Impairment of Long-Lived Assets and Disposal of Long-Lived Assets - LBJ's accounting policy for long-lived assets, which is applicable to LBJ's capital assets, prescribes the recognition and measurement criteria for the impairment of such assets. In determining whether an asset has been impaired, LBJ estimates the future net cash flows that are expected to result from the use and expected disposition of the asset. LBJ classifies an asset as impaired if the sum of the estimated net cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset. LBJ recognizes losses on assets meeting the recognition criteria for impairment based on the fair value of such assets less the cost of the sale.

Charity Care - Pursuant to the American Samoa Administrative Code, LBJ provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because LBJ does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenues in the Statements of Revenues, Expenses, and Changes in Net Assets.

Use of Estimates - The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - INVENTORY

Inventory supplies consist of the following:

	September 30,	
	2009	2008
Medical	\$ 886,730	\$ 690,747
Pharmacy	197,950	172,351
Nursing	78,544	83,613
Dietary	19,296	27,218
Total Inventories	\$ 1,182,520	\$ 973,929

AMERICAN SAMOA MEDICAL CENTER AUTHORITY
 LYNDON B. JOHNSON TROPICAL MEDICAL CENTER
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 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2009 AND 2008

NOTE 3 - CAPITAL ASSETS

A summary of the Capital Assets of LBJ as of September 30, 2009 follows:

	<u>Balance October 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers</u>	<u>Balance September 30, 2009</u>
Non-depreciable Capital Assets:					
Work in progress:					
Construction	\$ 2,118,636	\$ 4,956,717	\$ -	\$ (1,314,434)	\$ 5,760,919
Equipment	463,505	558,084	-	(118,165)	903,424
Depreciable Capital Assets:					
Building structures	15,785,785	-	-	1,314,434	17,100,219
Fixtures and fixed equipment	349,853	-	-	-	349,853
Machinery and equipment	5,936,525	749,394	(1,361,839)	118,165	5,442,245
Vehicles	<u>621,092</u>	<u>-</u>	<u>(270,681)</u>	<u>-</u>	<u>350,411</u>
Total Capital Assets	<u>25,275,396</u>	<u>6,264,195</u>	<u>(1,632,520)</u>	<u>-</u>	<u>29,907,071</u>
Less Accumulated Depreciation:					
Building structures	(10,301,871)	(420,283)	-	-	(10,722,154)
Fixtures and fixed equipment	(20,704)	(23,613)	-	-	(44,317)
Machinery and equipment	(4,386,089)	(537,425)	1,361,839	-	(3,561,675)
Vehicles	<u>(479,045)</u>	<u>(40,052)</u>	<u>270,681</u>	<u>-</u>	<u>(248,416)</u>
Total Accumulated Depreciation	<u>(15,187,709)</u>	<u>(1,021,373)</u>	<u>1,632,520</u>	<u>-</u>	<u>(14,576,562)</u>
Net Capital Assets	<u>\$ 10,087,687</u>	<u>\$ 5,242,822</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,330,509</u>

AMERICAN SAMOA MEDICAL CENTER AUTHORITY
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 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2009 AND 2008

NOTE 3 - CAPITAL ASSETS - Continued

A summary of the Capital Assets of LBJ as of September 30, 2008 follows:

	Balance October 1, 2007	Additions	Reductions	Balance September 30, 2008
Non-depreciable Capital assets:				
Work in progress:				
Construction	\$ 2,108,379	\$ 10,257	\$ -	\$ 2,118,636
Equipment	299,570	163,935	-	463,505
Depreciable Capital Assets:				
Building structures	15,535,274	250,511	-	15,785,785
Fixtures and fixed equipment	-	349,853	-	349,853
Machinery and equipment	5,135,537	858,489	(57,501)	5,936,525
Vehicles	599,032	37,910	(15,850)	621,092
Total Capital Assets	23,677,792	1,670,955	(73,351)	25,275,396
Less Accumulated Depreciation:				
Building structures	(9,907,281)	(394,590)	-	(10,301,871)
Fixtures and fixed equipment	-	(20,704)	-	(20,704)
Machinery and equipment	(3,815,722)	(627,868)	57,501	(4,386,089)
Vehicles	(417,200)	(77,695)	15,850	(479,045)
Total Accumulated Depreciation	(14,140,203)	(1,120,857)	73,351	(15,187,709)
Net Capital Assets	\$ 9,537,589	\$ 550,098	\$ -	\$ 10,087,687

NOTE 4 - DUE TO MEDICARE

LBJ's Cost Reports submitted to Medicare are periodically audited. LBJ was notified in September 2007 that due to over-billings for five fiscal years, it owes Medicare a settlement total of \$9,385,178. The following is a summary of the settlement as of September 30, 2008:

Settlement Type	Fiscal Year Ended September 30,	Settlement Amount
Final	2003	\$ 4,457,726
Interest Assessment	2003	44,577
Final	2004	1,847,398
Final	2005	677,483
Tentative	2006	1,915,195
Retroactive adjustment	2007	442,799
Total Settlement	2008	\$ 9,385,178

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 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2009 AND 2008

NOTE 4 - DUE TO MEDICARE - Continued

LBJ requested and received approval for a 60-month Extended Repayment Arrangement (ERA) from the agent for Medicare. Monthly payments of \$211,482 (principal plus interest at a rate of 12.625%) were scheduled from October 2007 through September 2012. Additional settlements were assessed in fiscal year 2008 and paid by LBJ in fiscal year 2009. The net Medicare liability due at September 30, 2009 and 2008 follows:

	September 30,	
	2009	2008
Medicare Settlement for Fiscal Years 2003-2007	\$ 7,919,605	\$ 9,385,178
Less: Principal Payments	<u>(1,481,994)</u>	<u>(1,465,573)</u>
Amount Due on ERA	<u>6,437,611</u>	<u>7,919,605</u>
Additional Settlements:		
Final FY 2006 Settlement	269,008	401,149
Tentative FY 2007 Settlement	537,346	629,966
Retro Adjustment for FY 2008	-	171,334
Less: Principal Payments	<u>(806,354)</u>	<u>(396,095)</u>
Additional Settlements Due Medicare	<u>-</u>	<u>806,354</u>
Total Due to Medicare	<u>6,437,611</u>	<u>8,725,959</u>
Less: Current Portion		
ERA	2,004,227	(1,634,354)
Additional Settlements	<u>-</u>	<u>(806,354)</u>
Total Current Portion Medicare Liability	<u>2,004,227</u>	<u>(2,440,708)</u>
Total Non-current Portion Medicare Liability	<u>\$ 4,433,384</u>	<u>\$ 6,285,251</u>

The ERA debt repayment schedule is as follows:

	Annual
September 30,	Principal Payment
2010	\$ 2,004,227
2011	2,098,486
2012	<u>2,334,898</u>
Total Repayment	<u>\$ 6,437,611</u>

AMERICAN SAMOA MEDICAL CENTER AUTHORITY
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 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2009 AND 2008

NOTE 5 - COMPENSATED ABSENCES

Compensated absences of vacation, compensatory overtime, and sick leave benefits are as follows:

	<u>Balance</u> <u>October 1,</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>September 30,</u>	<u>Current</u> <u>Portion</u>	<u>Non-</u> <u>Current</u> <u>Portion</u>
FY 2009	\$ 2,433,896	\$ 1,550,190	\$ (1,755,839)	\$ 2,228,247	\$ 1,217,292	\$ 1,010,955
FY 2008	\$ 2,621,083	\$ 1,403,742	\$ (1,590,929)	\$ 2,433,896	\$ 1,301,350	\$ 1,132,546

NOTE 6 - LONG TERM DEBT

During fiscal year 2003, ASG advanced LBJ \$5,000,000 to be used for operations. Formal repayment terms were not established and LBJ does not anticipate repaying the loan/advance in the next fiscal year.

NOTE 7 - RETIREMENT FUND

LBJ is a member of ASG Employees' Retirement Fund (Fund). The Fund is a cost-sharing multiple employer contributory defined benefit retirement fund which was established in 1971 under Section 7 of the American Samoa Annotated Code to provide retirement annuities to the employees of the Government. All full-time career service LBJ employees are covered by the Fund. The Fund issues a comprehensive annual financial report that is available to the public. That report may be obtained by writing directly to the Fund Administrator at the ASG Retirement Office.

Normal retirement begins for members attaining the age of 65 who have completed five years of service, or at age 55 with 30 years or more of service. Early retirement can begin at age 55 if the member has 10 years or more of service; however, retirement benefits are at a reduced rate. Mandatory retirement is at age 70 with 5 years of service. The annual retirement benefit, payable monthly for life, equals 2% of the average annual salary multiplied by the number of years of service, up to a maximum of 30 years (from 10% to 60% based upon years of service). The average annual salary is the average of the three highest annual salaries during the last 10 years. The minimum annual benefit is \$600.

The value of the member's individual account is payable at the member's option, either as a single-life annuity or as a qualified joint and survivor annuity. A surviving spouse of an active member, who dies before retirement, but after attaining eligibility for retirement, may receive either a refund of employee contributions with interest or a life annuity equal to one-half the retirement annuity that would have been paid to the deceased member. An additional death benefit of \$2,500 to \$10,000, based on years of service, is available to survivors of active members of the Fund.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2009 AND 2008

NOTE 7 - RETIREMENT FUND - Continued

Each member of the Fund contributes 3% of earnings and earns interest at 5% compounded annually. Employee contributions are made through payroll deductions. Employee contributions and the related interest earned are refunded in full to members whose employment is terminated for any reason other than retirement, or as a death benefit to the survivors of deceased employees not yet eligible for retirement. Employees are fully vested in the employer portion, payable as a retirement annuity, after ten years of participation in the Fund.

An employer contribution of 8% of employees' earnings is funded by LBJ and is included as an expense in the Statements of Revenues, Expenses, and Changes in Net Assets. The contributions are remitted to the Retirement Office which administers the retirement fund. Contributions made in the fiscal years ended September 30, 2009 and 2008 were \$668,075 and \$710,902, respectively, and were equal to the annual required contribution amounts.

NOTE 8 - NET PATIENT SERVICE REVENUE

LBJ has agreements with governmental agencies and other third-party payers to remit payments for facility services in amounts different from established rates. Medicare reimbursement for these services, depending on the type of program, is based on a cost methodology as defined in the regulations and principles prescribed by the U.S. Department of Health and Human Services. LBJ is reimbursed on the basis of interim rates during the year with final settlements determined after submission of annual cost reports by the facility and audits by the Medicare fiscal intermediary. Such cost reports have been audited and final settlements have been issued by the fiscal intermediary from September 30, 2003, through September 30, 2006. LBJ has requested the re-opening of reports FY's 2003, 2004, and 2005 to contest Medicare's audit findings. (See Note 4).

NOTE 9 - BUSINESS AND CREDIT CONCENTRATION

LBJ provides health care services through its inpatient and outpatient care facility. LBJ grants credit to its patients, substantially all of whom are local residents of American Samoa. LBJ generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or are otherwise entitled to receive) patients' benefits payable under private health insurance programs, plans, or policies.

AMERICAN SAMOA MEDICAL CENTER AUTHORITY
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 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2009 AND 2008

NOTE 10 - OPERATING EXPENSES

LBJ provides general health care services to the Territory of American Samoa. Expenses related to providing these services are as follows:

	<u>September 30,</u>	
	<u>2009</u>	<u>2008</u>
Salaries, wages, and employee benefits	\$ 16,501,349	\$ 17,033,123
Services, professional fees, general administration	1,692,789	3,029,766
Supplies and pharmaceuticals	8,472,912	7,121,072
Utilities	1,402,238	1,765,367
Repairs and maintenance	406,913	758,890
Depreciation and amortization	1,021,372	1,120,857
Other	<u>1,858,650</u>	<u>2,963,484</u>
Total Operating Expenses	<u>\$ 31,356,223</u>	<u>\$ 33,792,559</u>

NOTE 11 - LEGAL PROCEEDINGS

LBJ is involved in various claims and legal actions arising from the ordinary course of business. Per statute, LBJ cannot be sued. All claims and legal actions are brought solely against ASG. Therefore, it is the opinion of management that the ultimate disposition of these matters will not have a material adverse effect on LBJ's financial position, results of operations, or liquidity.

NOTE 12 - RISK MANAGEMENT

LBJ records a liability for risk financing and insurance related to property losses if it is determined that a loss has been incurred and the amount can be reasonably estimated and is less than \$25,000. For fiscal years 2009 and 2008, there are no liabilities for risk financing or insurance related to property losses. All losses in excess of \$25,000 are the responsibility of ASG.

NOTE 13 - CONTINGENT LIABILITIES

Grants - As a recipient of various federal grants, LBJ is subject to the audit of these grants that could result in disallowance of grant expenditures. LBJ is unaware of any disallowances and expects such amounts, if any, to be immaterial.

AMERICAN SAMOA MEDICAL CENTER AUTHORITY
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NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2009 AND 2008

NOTE 14 - NEW PRONOUNCEMENT FOR FINANCIAL REPORTING

The Governmental Accounting Standards Board has issued the following Statement: Statement No. 45 "Accounting and Financial Reporting by Employers for Post Retirement Benefits Other Than Pensions". Post retirement benefits other than pensions typically include benefits such as health, dental, and vision care, and life insurance. LBJ does not provide these benefits to its retirees. ASG provides all of its citizens with health, dental, and vision care. Therefore, the provisions of GASB 45 do not apply to LBJ.

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

The Board of Directors
American Samoa Medical Center Authority
Lyndon B. Johnson Tropical Medical Center
Pago Pago, American Samoa

We have audited the financial statements of the American Samoa Medical Center Authority - Lyndon B. Johnson Tropical Medical Center (LBJ) as of and for the year ended September 30, 2009 and have issued our report thereon dated January 31, 2010. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered LBJ's internal control over financial reporting as a basis of designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LBJ's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of LBJ's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects LBJ's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of LBJ's financial statements that is more than inconsequential will not be prevented or detected by LBJ's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by LBJ's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LBJ's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 09-1.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

RC HOLSINGER ASSOCIATES, P.C.

A handwritten signature in black ink that reads "RC Holsinger Associates, P.C." in a cursive, slightly slanted font.

Wexford, Pennsylvania
January 31, 2010

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Directors
American Samoa Medical Center Authority
Lyndon B. Johnson Tropical Medical Center
Pago Pago, American Samoa

Compliance

We have audited the compliance of the American Samoa Medical Center Authority - Lyndon B. Johnson Tropical Medical Center (LBJ) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. LBJ's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of LBJ's management. Our responsibility is to express an opinion on LBJ's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about LBJ's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of LBJ's compliance with those requirements.

In our opinion, LBJ complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding 09-1.

Internal Control Over Compliance

The management of LBJ is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered LBJ's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LBJ's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the American Samoa Medical Center Authority - Lyndon B. Johnson Tropical Medical Center (LBJ), as of and for the year ended September 30, 2009 and have issued our report thereon dated January 31, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements of LBJ. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part for the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

LBJ's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit LBJ's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

RC HOLSINGER ASSOCIATES, P.C.

RC Holsinger Associates, P.C.

Wexford, Pennsylvania

January 31, 2010

AMERICAN SAMOA MEDICAL CENTER AUTHORITY
 LYNDON B. JOHNSON TROPICAL MEDICAL CENTER
 (A Component Unit of the American Samoa Government)
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED SEPTEMBER 30, 2009

<u>Federal Grantor / Program Title</u>	<u>Dates</u>	<u>CFDA No.</u>	<u>Grant Awards</u>	<u>Federal Expenditures</u>
DOI/OIA:				
Basic Operating Grant	10/01/08 - 09/30/09	15.875*	\$ 7,652,000	\$ 7,652,000
Capital Improvement Projects	10/01/03 - 09/30/04	15.875	1,900,000	113,736
	10/01/04 - 09/30/05	15.875	2,167,750	1,584,605
	10/01/05 - 09/30/06	15.875	2,110,000	513,738
	10/01/06 - 09/30/07	15.875	1,650,000	1,409,811
	10/01/07 - 09/30/08	15.875	1,807,550	1,192,184
	10/01/08 - 09/30/09	15.875	1,400,000	749,984
Capital Improvement Projects Operations and Maintenance		15.875	-	31,093
Technical Assistance – Fundware Consultant for LBJ Finance	06/01/09 - 05/31/10	15.875	<u>41,395</u>	<u>20,912</u>
Total Department of Interior			<u>\$ 18,728,695</u>	<u>\$ 13,268,063</u>
Department of Health and Human Services:				
Pass-through from American Samoa Government				
Family Planning	07/01/08 - 06/30/09	93.217	\$ 293,595	\$ 248,470
	07/01/09 - 06/30/10	93.217	<u>268,795</u>	<u>67,260</u>
Total Department of Health and Human Services			<u>\$ 562,390</u>	<u>\$ 315,730</u>
Pass-through grants from American Samoa				
Government - HRSA:				
EMS for Children G07B14SCOSR	03/01/08 - 02/29/09	93.127	\$ 115,000	\$ 42,575
	03/01/09 - 02/28/10	93.127	130,000	119,847
Medical Equipment C76HF10911	09/01/08 - 04/30/10	93.887	<u>606,968</u>	<u>575,900</u>
Total HRSA			<u>\$ 851,968</u>	<u>\$ 738,322</u>
National Institute of Health:				
American Samoa Community				
Cancer Network	05/01/08 - 04/30/09	93.399	\$ 343,165	\$ 184,285
	05/01/09 - 04/30/10	93.399	352,458	81,349
	05/01/08 - 04/30/09	93.399	36,610	19,662
	09/18/08 - 04/30/10	93.399	9,249	6,154
ARRA	09/30/09 - 09/29/11	93.701	111,068	-
Assessing Cancer KAB of American Samoa Women to Improve Screening	05/01/08 - 04/30/10	93.399	<u>50,000</u>	<u>37,249</u>
Total National Institute Health			<u>\$ 902,550</u>	<u>\$ 328,699</u>
Total Federal Expenditures			<u>\$ 21,045,603</u>	<u>\$ 14,650,814</u>

* Denotes a major federal financial assistance program. See Note 2 in the Notes to the Schedule of Expenditures and Federal Awards.

AMERICAN SAMOA MEDICAL CENTER AUTHORITY
 LYNDON B. JOHNSON TROPICAL MEDICAL CENTER
 (A Component Unit of the American Samoa Government)
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED SEPTEMBER 30, 2009

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards is prepared using the accrual basis of accounting.

NOTE 2 - MAJOR PROGRAMS

The major programs included in the accompanying Schedule of Expenditures of Federal Awards are as follows:

<u>CFDA No.</u>	<u>Program</u>	<u>Grant Expenditures</u>
15.875	Basic Operations, CIP, and Operations and Maintenance	\$ <u>13,268,063</u>
	Total Major Programs Tested	\$ <u>13,268,063</u>
	Total Expenditures	\$ <u>14,650,814</u>
	Percentage of Expenditures Tested	<u>91 %</u>

AMERICAN SAMOA MEDICAL CENTER AUTHORITY
 LYNDON B. JOHNSON TROPICAL MEDICAL CENTER
 (A Component Unit of the American Samoa Government)
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED SEPTEMBER 30, 2009

PART I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified __yes √_no
- Significant deficiency(ies) identified that are not considered to be material weakness(es) __yes √_none reported
- Noncompliance material to financial statements noted __yes √_no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified __yes √_no
- Significant deficiency(ies) identified that are not considered to be material weakness(es) __yes √_none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? √_yes __no

Identification of major programs:

<u>CFDA Number</u>	<u>Federal Program</u>
15.875	<i>U.S. Department of Interior</i> Basic Operations, CIP, and Operations and Maintenance

Dollar threshold used to distinguish between Type A and Type B programs? \$3,000,000

Auditee qualified as low-risk auditee? __yes √_no

AMERICAN SAMOA MEDICAL CENTER AUTHORITY
 LYNDON B. JOHNSON TROPICAL MEDICAL CENTER
 (A Component Unit of the American Samoa Government)
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
 YEAR ENDED SEPTEMBER 30, 2009

PART II - FINANCIAL STATEMENT FINDINGS	<u>Questioned Costs</u>
None	\$ -

PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS	<u>Questioned Costs</u>
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**Department of Interior
 Basic Operations, CIP, and Operations and Maintenance
 CFDA #15.875**

Finding 09-1 Requirement: OMB Common Rule 42 requires that financial records, supporting documents, and other records pertinent to an award shall be retained for a period of three years from the date of the submission of the last expenditure report.

Condition: We selected 135 transactions from the Basic Operations expenditure activity. Six of those disbursements lacked sufficient documentation, such as check copies, purchase orders, invoices, receiving documents, and/or were missing the appropriate authorization for the expenditure and two transactions' documentation were missing in their entirety (32606, 32641, 32908, 33232, 33439, 33595, 33851, 35655). \$ -

Cause: Inadequate documentation is due to a lack of adherence to the accounting procedures required by the Common Rule.

Effect: The lack of supporting documentation and/or documents missing in their entirety prohibits the determination that the sample items were properly authorized, received, and paid for.

Recommendation: LBJ should develop, implement, and enforce policies and procedures based upon the Common Rule for the proper and efficient maintenance of records to support every transaction. A method of monitoring should also be established to ensure the procedures are effective and complied with.

AMERICAN SAMOA MEDICAL CENTER AUTHORITY
LYNDON B. JOHNSON TROPICAL MEDICAL CENTER
(A Component Unit of the American Samoa Government)
MANAGEMENT'S CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER 30, 2009

09-1

LBJ acknowledges this issue of authorizing, receiving, verifying, and maintaining supporting documents regarding expenditures. We have policies and procedures already implemented. We have a designated staff member that verifies and maintains supporting documents, with the assistance of other fellow staff members. As long as we are persistent with enforcing protocols, and communication amongst our staff, we will continue to decrease the lack of incomplete documentation. We expect to be in full compliance regarding this finding by September 30, 2010.

Contact: Rickie Lee Nader
Phone: 684.633.5226

AMERICAN SAMOA MEDICAL CENTER AUTHORITY
LYNDON B. JOHNSON TROPICAL MEDICAL CENTER
(A Component Unit of the American Samoa Government)
STATUS OF PRIOR YEAR RESPONSE TO AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2008

08-1

A staff accountant has been assigned to focus solely on Capital Improvement Projects and other sub-grants. She has maintained and verified that proper documentation is in compliance with the Davis Bacon Act. This audit finding is resolved.

Contact: Rickie Lee Nader
Phone: 684.633.5226

08-2

We have assigned the daily task of maintaining and verifying supporting documents for expenditures to a staff member. This staff member also maintains our separate filing room. With the assistance of everyone in the finance department, LBJ continues to improve the maintenance and verification of all supporting documents.

Contact: Rickie Lee Nader
Phone: 684.633.5226

08-3

LBJ has complied with the bidding process standard practice for all Capital Improvement Projects started this year. The staff accountant responsible has been persistent with ensuring regulation conformity pertaining to these projects. This audit finding is resolved.

Contact: Rickie Lee Nader
Phone: 684.633.5226

08-4

All federal purchases over \$10,000 require a contract. LBJ has been in compliance with this regulation. Our staff accountant handling our grants verifies that all projects exceeding \$10,000 must have a contract. This audit finding is resolved.

Contact: Rickie Lee Nader
Phone: 684.633.5226