WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A
RIVERSIDE MEDICAL CENTER

SCHEDULE V
SCHEDULE OF ADDITIONS, REPLACEMENTS AND IMPROVEMENTS
TO PROPERTY, PLANT AND EQUIPMENT (Continued)
For The Year Ended December 31, 1996

Major Movable Equipment		
Computer System	166,663	
40 RCA TVs	14,900	
Hewlett Packard Defirillator	4,833	
John Deere Lawnmower	3,549	
100 Meg H Computer	1,500	
16 MG Computer	1,750	
HP Lazer Jet 5P	1,100	
HP Lazer Jet 4 Plus	1,500	
Microbiology System	28,137	
Additional Dictating Equipment	2,652	
Computer	1,800	
Computer	1,900	
XRAY Machine	53,752	
8 MG Computer	1,620	
16 MG Computer	1,710	
Treadmill	4,495	
5 MM Forceps	612	
Urolab	7,538	
100 Meg Pentium Computer	1,400	
Advantage Embosser	8,579	
Simplex Time System	7,359	
Other Various	7,780	
Nuc Med	34,891	
Total Major Movable Equipment		360,020
Automobiles		
Cargo Van	17,888	
Total Automobiles		17,888
Total Fixed Asset Additions		$ 717,901

See independent auditor's report on supplementary information.

NOTE D

NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for reimbursement to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's billings at established rates for services and amounts realizable from major third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

- Medicare - Inpatient acute care services and defined capital costs related 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. Inpatient nonacute services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based upon a cost reimbursement methodology. The Hospital is paid for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital'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 Hospital. The Hospital's Medicare cost reports have been audited or reviewed by the Medicare fiscal intermediary through December 31, 1994.

- Medicaid - Effective July 1, 1994, inpatient services, including capital costs, are reimbursed at a prospectively determined rate-per-diem.

  Through June 30, 1994, inpatient and outpatient services rendered to Medicaid program beneficiaries were reimbursed based upon a cost reimbursement methodology. The Hospital was paid at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited or review by the Medicaid fiscal intermediary through December 31, 1992.

The Hospital has also entered into payment agreements with certain commercial insurance carriers, preferred provider organizations and community employers. Payment methodology under these agreements includes prospectively determined rates-per-discharge and discounts from established charges.

Certified Public Accountants & Consultants
LaPorte
Sehrt
Romig
&
Hand

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners
Washington Parish Hospital Service District No. 1
D/B/A Riverside Medical Center
Franklinton, Louisiana

We have audited the general purpose financial statements of **WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1, D/B/A RIVERSIDE MEDICAL CENTER,** a component unit of the Washington Parish Police Jury, as of and for the year ended December 31, 1996, and have issued our report thereon dated June 1, 1997.

We conducted our audit in accordance with generally accepted auditing standards, *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 general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to **WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1, D/B/A RIVERSIDE MEDICAL CENTER** is the responsibility of the Hospital's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Hospital's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the board of commissioners, management and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

LaPorte, Sehrt, Romig & Hand

A Professional Accounting Corporation

June 1, 1997

A Professional Accounting Corporation
800 Two Lakeway Center 3850 N. Causeway Blvd. Metairie, LA 70002 (504) 835-5522 FAX (504) 835-5535
P.O. Box 27 Riverside Drive Covington, LA 70434 (504) 892-5850 FAX (504) 892-5956
Member of AICPA Division for CPA Firms-Private Companies Practice Section and SEC Practice Section
International Affiliation with Accounting Firms Associated, Inc.

In planning and performing our audit of the general purpose financial statements of **WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1, D/B/A RIVERSIDE MEDICAL CENTER** for the year ended December 31, 1996, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities 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 structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the board of commissioners, management and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

LaBorde, Lehot, Bourg & Heard

A Professional Accounting Corporation

June 1, 1997

Certified Public Accountants & Consultants
LaPorte
Sehrt
Romig
&
Hand

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF THE GENERAL PURPOSE FINANCIAL STATEMENTS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners
Washington Parish Hospital Service District No. 1,
D/B/A Riverside Medical Center
Franklinton, Louisiana

We have audited the general purpose financial statements of **WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1, D/B/A RIVERSIDE MEDICAL CENTER,** a component unit of the Washington Parish Police Jury, as of and for the year ended December 31, 1996, and have issued our report thereon dated June 1, 1997.

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

The management of **WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1, D/B/A RIVERSIDE MEDICAL CENTER** is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

A Professional Accounting Corporation
800 Two Lakeway Center 3850 N. Causeway Blvd. Metairie, LA 70002 (504) 835-5522 FAX (504) 835-5535
P.O. Box 27 Riverside Drive Covington, LA 70434 (504) 892-5850 FAX (504) 892-5956
Member of AICPA Division for CPA Firms-Private Companies Practice Section and SEC Practice Section
International Affiliation with Accounting Firms Associated, Inc.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A
RIVERSIDE MEDICAL CENTER

SCHEDULE VI
SCHEDULE OF INSURANCE POLICIES
For The Year Ended December 31, 1996

RISK COVERED	INSURER	COVERAGE	PERIOD
Workers' Compensation	Lou siana Hospital Association Workers' Compensations Self-Insurance Trust Fund	$ 1,000,000	1/1/96 to 1/1/97
Professional Liability	St. Paul Insurance Company	$ 900,000	2/2/96 to 2/2/97
Fire	Commercial Union Insurance Company	$ 9,831,864	2/1/96 to 2/2/97
General	St. Paul Insurance Company	$ 1,000,000	2/2/96 to 2/2/97
Property, Including Earthquake, Flood and Business Income	Commercial Union Insurance Company	$ 14,977,041	2/2/96 to 2/2/97
Automobile	St. Paul Insurance Company	$ 1,000,000	2/2/96 to 2/2/97
Director and Officers'	St. Paul Insurance Company	$ 1,000,000	2/2/96 to 2/2/97
Employee Health	DBL Services, Inc.	$ 1,000,000	5/1/96 to 4/30/97
Employee Dishonesty	St. Paul Insurance Company	$ 500,000	2/2/96 to 2/2/97

See independent auditor's report on supplementary information.

NOTE H

DEFINED CONTRIBUTION PLAN

The Hospital offers to its employees a single employer defined contribution plan in accordance with Internal Revenue Code Section 457. Substantially all employees who have completed one year of service are eligible to participate. Those employees who choose to participate are required to contribute a minimum of 5% of their current earnings (as defined in the plan agreement) but are allowed to make voluntary contributions of up to 10% of earnings. The Hospital is required to match the employees' mandatory 5% contribution. Participants become vested in the employer contributions to the plan over a ten-year period. Employees contributed $129,324 and $110,321, respectively, during 1996 and 1995. Employer contributions were $109,664 and $81,480 during 1996 and 1995, respectively.

Compensation deferred under the plan, together with all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Hospital (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Hospital's general creditors. Participants' rights under the plan are equal to those of general creditors of the Hospital in an amount equal to the fair market value of the deferred account for each participant.

The Hospital has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. Funds are invested in fixed interest-bearing assets. The Hospital believes that it is unlikely that it will be required to use the assets to satisfy the claims of general creditors in the future.

NOTE I

ACCRUED VACATION AND SICK PAY

Full-time employees are granted vacation in varying amounts (maximum 20 days per year) as established by Hospital policy. Unused vacation days earned, up to a maximum of 160 hours per year (20 days per year), may be carried forward indefinitely and accumulated with a maximum limit of 320 hours (40 days per year). In the event of termination, an employee is reimbursed for accumulated vacation days.

In addition, full-time employees are also granted sick pay at a rate of 3.08 hours per pay period (maximum 80 hours per year) as established by Hospital policy. Unused sick pay, up to a maximum of 480 hours, may be accumulated and carried forward indefinitely. The Hospital will pay each employee one-half of their current hourly rate for all sick pay hours earned in excess of 480. In the event of termination, those employees with 20 years or more of service, will be reimbursed for each earned hour of sick time, not to exceed 480 hours, at one-half their current hourly rate.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A
RIVERSIDE MEDICAL CENTER

SCHEDULE V
SCHEDULE OF ADDITIONS, REPLACEMENTS AND IMPROVEMENTS
TO PROPERTY, PLANT AND EQUIPMENT
For The Year Ended December 31, 1996

Land Improvements		
Heliport 40x40	$ 5,946	
Total Land Improvements		$ 5,946
Buildings		
Roof for Waste Fence	1,240	
Floor Tile XRAY	545	
Floor Tile N/M	846	
Total Buildings		2,631
Fixed Equipment		
Johnson Control A/R System	322,586	
PT Room Blinds	7,030	
Heat Exchanger	1,800	
Total Fixed Equipment		331,416

See independent auditor's report on supplementary information.

	For The Years Ended December 31,					
	1996			1995		
	Salaries	Supplies and Other Expenses	Total	Salaries	Supplies and Other Expenses	Total
ADMINISTRATIVE SERVICES						
Administrative	20,791	359,582	380,373	20,878	359,743	380,621
Admit/Business Office	161,242	83,676	244,918	159,274	70,194	229,468
Accounting Office	41,253	22,094	63,347	39,288	36,447	75,735
Communications	34,749	75,262	110,011	32,451	65,255	97,706
Marketing	15,057	34,970	50,027	4,363	27,095	31,458
Insurance	-	340,201	340,201	-	333,096	333,096
Employee Benefits	-	894,239	894,239	-	746,588	746,588
Employee Activities	-	7,517	7,517	-	6,176	6,176
Staff Development	32,475	-	32,475	35,336	4,536	39,872
Data Processing	24,794	25,902	50,696	18,757	22,993	41,750
Personnel	22,446	3,071	25,517	33,336	2,294	35,630
Totals	352,807	1,846,514	2,199,321	343,683	1,674,417	2,018,100
GENERAL SERVICES						
Dietary	97,856	115,264	213,120	98,549	117,019	215,568
Maintenance	96,949	118,246	215,195	98,603	119,891	218,494
Housekeeping	110,387	21,293	131,680	86,132	15,587	101,719
Laundry and Linen	12,062	29,254	41,316	24,886	13,070	37,956
Medical Records	118,228	25,387	143,615	115,240	24,687	139,927
Utilities	-	156,076	156,076	-	162,297	162,297
	435,482	465,520	901,002	423,410	452,551	875,961
PROVISION FOR DOUBTFUL ACCOUNTS	-	510,839	510,839	-	490,008	490,008
DEPRECIATION AND AMORTIZATION	-	385,369	385,369	-	431,191	431,191
INTEREST EXPENSE	-	45,975	45,975	-	50,583	50,583
	$ 4,025,095	$ 6,006,679	$ 10,031,774	$ 3,922,872	$ 5,778,623	$ 9,701,495

See independent auditor's report on supplementary information.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A
RIVERSIDE MEDICAL CENTER

SCHEDULE III
SCHEDULES OF OPERATING EXPENSES

	For The Years Ended December 31,					
	1996			1995		
	Salaries	Supplies and Other Expenses	Total	Salaries	Supplies and Other Expenses	Total
NURSING SERVICES						
Administrative Office	$ 273,676	$ 1,840	$ 275,516	$ 296,163	$ 3,060	$ 299,223
Medical and Surgical	617,124	62,919	680,043	655,426	33,761	689,187
Intensive Care	317,660	10,494	328,154	319,362	14,116	333,478
Operating Rooms	135,567	19,433	155,000	127,108	28,518	155,626
Emergency Services	263,565	560,835	824,400	266,590	527,104	793,694
Home Health	357,400	117,552	474,952	315,861	120,106	435,967
Central Service and Supplies	39,463	283,362	322,825	38,288	285,333	323,621
Quality Assurance	91,826	6,018	97,844	61,490	2,474	63,964
	2,096,281	1,062,453	3,158,734	2,080,288	1,014,472	3,094,760
OTHER PROFESSIONAL SERVICES						
Respiratory Therapy	204,550	61,262	265,812	174,442	57,187	231,629
Laboratory	256,998	274,324	531,322	237,615	247,800	485,415
Electrocardiology	16,258	145,820	162,078	22,232	149,364	171,596
Electroencephalography	1,177	6,102	7,279	1,506	3,843	5,349
Radiology	265,842	199,680	465,522	255,275	187,018	442,293
Pharmacy	-	629,833	629,833	-	670,270	670,270
Anesthesiology	96,565	62,188	158,753	112,916	59,746	172,662
Speech/Occupational/Physical Therapy	155,671	39,391	195,062	151,410	58,464	209,874
Dialysis	133,400	265,788	399,188	120,095	229,303	349,398
D.M.E.	4,791	5,301	10,092	-	-	-
Chemotherapy	2,444	200	2,644	-	-	-
Wound Care Center	2,829	120	2,949	-	2,406	2,406
	1,140,525	1,690,009	2,830,534	1,075,491	1,665,401	2,740,892

See independent auditor's report on supplementary information.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A
RIVERSIDE MEDICAL CENTER

SCHEDULE II
SCHEDULES OF OTHER REVENUE

	For The Years Ended December 31,	
	1996	1995
OTHER REVENUE		
Cafeteria	$ 26,518	$ 30,894
Medical Records	628	349
Concessions	2,602	3,043
Other	700	323
Total Other Operating Revenue	$ 30,448	$ 34,609

See independent auditor's report on supplementary information.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A
RIVERSIDE MEDICAL CENTER

SCHEDULE I
SCHEDULE OF GROSS PATIENT SERVICE REVENUE

	For The Years Ended December 31,					
	1996			1995		
	Inpatient	Outpatient	Total	Inpatient	Outpatient	Total
DAILY PATIENT SERVICES						
Medical and Surgical	$ 1,788,035	$ -	$ 1,788,035	$ 2,022,861	$ -	$ 2,022,861
Intensive Care	504,070	-	504,070	486,505	-	486,505
	2,292,105	-	2,292,105	2,509,366	-	2,509,366
OTHER NURSING SERVICES						
Operating and Recovery Rooms	154,944	422,359	577,303	153,398	426,252	579,650
Central Services and Supply	1,115,221	683,680	1,798,901	1,019,101	771,034	1,790,135
Emergency Services	412,189	1,084,702	1,496,891	286,416	863,964	1,150,380
Home Health	-	1,110,030	1,110,030	-	1,114,789	1,114,789
	1,682,354	3,300,771	4,983,125	1,458,915	3,176,039	4,634,954
OTHER PROFESSIONAL SERVICES						
Respiratory Therapy	1,627,015	68,248	1,695,263	1,484,642	71,365	1,556,007
Laboratory	1,831,225	1,097,501	2,928,726	1,769,310	960,325	2,729,635
Electrocardiology	399,608	197,106	596,714	432,559	144,395	576,954
Electroenecephalography	12,600	9,200	21,800	8,493	6,408	14,901
Radiology	1,026,200	1,468,970	2,495,170	946,847	1,194,461	2,141,308
Pharmacy	2,346,431	492,335	2,838,766	2,198,361	532,412	2,730,773
Anesthesiology	84,230	257,416	341,646	88,525	282,712	371,237
Speech/Occupational/Physical Therapy	202,005	418,725	620,730	234,819	581,722	816,541
Dialysis	34,336	823,795	858,131	32,978	729,706	762,684
	7,563,650	4,833,296	12,396,946	7,196,534	4,503,506	11,700,040
Totals	$ 11,538,109	$ 8,134,067	$ 19,672,176	$ 11,164,815	$ 7,679,545	$ 18,844,360

See independent auditor's report on supplementary information.

NOTE J
CONTINGENCIES

Hill-Burton Act

Grants totaling $582,000 were received under the Federal Hill-Burton Act for equipment and construction of the Hospital, subject to an agreement that if, during a period of 20 years, there is an unapproved change in ownership, or the Hospital ceases to be a nonprofit entity, the grant will be repaid. The acceptance of this grant requires the Hospital to provide a reasonable amount of free or below-cost care to indigent patients. Per correspondence from the Department of Health and Human Services dated May 29, 1992, it was determined that the Hospital had met its uncompensated services obligation under the Hill-Burton program.

Employee Insurance

The Hospital provides workers compensation benefits to its employees through the Louisiana Hospital Association Employee Benefit Trust and Worker's Compensation Group Self-Insurance Trust. These arrangements provide for the Hospital to make premium payments to the Trusts during the year based on prior year's experience. Claims are paid directly by the Trusts. Retrospective settlements are made at the end of the Trusts' year end and have been recorded within Accrued Expenses on the Balance Sheet.

Malpractice Insurance

The Hospital maintains a malpractice insurance policy with a commercial insurance company. There is no deductible on the policy. The policy has a $100,000 liability limit per incident and a $900,000 aggregate liability limit per year. For malpractice claims in excess of $100,000, the Hospital participates in the State of Louisiana Patient Compensation Fund. This fund provides malpractice insurance coverage up to the $500,000 statutory maximum exposure which currently exists under Louisiana law.

NOTE K
BUSINESS AND CREDIT CONCENTRATIONS

The Hospital grants credit to patients, substantially all of whom are local residents. The Hospital generally does not require collateral or other security extending credit to patients; however, it routinely obtains assignments of (or is otherwise entitled to receive) patients' benefits payable under health insurance programs, plans or policies (e.g., Medicare, Medicaid, Blue Cross and commercial insurance policies).

The Hospital had receivables, net of contractual provisions and allowances, of $957,418 and $464,862 due from the Federal Government (Medicare) at December 31, 1996 and 1995, respectively, and $132,891 and $160,933 due from the State of Louisiana (Medicaid) at December 31, 1996 and 1995, respectively.

NOTE F

LONG-TERM DEBT (Continued)

The proceeds from the 1995 issuance of Public Improvement Bonds were restricted for the purpose of paying the cost of acquiring and constructing improvements, renovations and replacements to the heating and cooling system of the Hospital. The Public Improvement Bonds are secured by a pledge and dedication of the excess of annual revenues of the Hospital above statutory, necessary and usual charges in each of the fiscal years during which the Certificates are outstanding. The Hospital has also agreed to budget annually a sufficient sum of money to pay the principal of and the interest on the Public Improvement Bonds.

During the year ended December 31, 1995, the 1976 Public Improvement Bonds matured, with payment made from the collection of a special Ad Valorem tax levied on properties within the territorial boundaries of the Hospital service district.

NOTE G

LEASES

The Hospital is obligated under a capital lease for certain medical equipment. The following is a summary of future minimum lease payments under the capital lease obligation at December 31, 1996:

Year Ending December 31,	
1997	$ 4,045
1998	3,590
Total Minimum Lease Payments	7,635
Less Current Maturities of Capital Lease Obligations	4,045
Capital Lease Obligations, Excluding Current Maturities	$ 3,590

Interest is charged at 11.991% on the capitalized lease, and totaled $2,349 for the year ended December 31, 1996.

The Hospital is also obligated under certain noncancelable operating leases for various equipment. Amounts paid under these leases totaled $95,261 and $128,478 for the years ended December 31, 1996 and December 31, 1995, respectively.

The Hospital leases office space to certain doctors. Rental income received under these arrangements totaled $24,256 and $16,779 for the years ended December 31, 1996 and December 31, 1995, respectively.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A
RIVERSIDE MEDICAL CENTER

SCHEDULE IV
GOVERNING BOARD EXPENSES

	For The Years Ended December 31,	
	1996	1995
GOVERNING BOARD EXPENSES		
Clifford Bahm	$ 900	$ 825
Glyn Breland	825	675
Willie Mae G. Johnson	750	900
Lawrence McGuire	900	825
Dorothy M. Schilling	900	900
James T. Thomas	825	300
Lavegn Jenkins	825	-
Ellis Byrd	-	750
Harold Thomas	-	600
	$ 5,925	$ 5,775

See independent auditor's report on supplementary information.

NOTE D

NET PATIENT SERVICE REVENUE (Continued)

Presented below is a summary of net patient service revenue for the years ended December 31, 1996 and December 31, 1995.

	1996	1995
Gross Patient Service Revenue	$ 19,672,176	$ 18,844,360
Less:		
Provision for Contractual Adjustments	8,912,736	8,955,967
	$ 10,759,440	$ 9,888,393

NOTE E

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, by major category, at December 31, 1996 and December 31, 1995, are as follows:

	1996	1995
Land	$ 166,357	$ 160,411
Building and Improvements	3,563,306	3,560,675
Equipment	4,186,964	3,452,836
Equipment Under Capital Leases	796,582	796,582
	8,713,209	7,970,504
Less Accumulated Depreciation and Amortization	6,065,617	5,716,652
	2,647,592	2,253,852
Computer Downpayment\Construction in Progress	166,663	229,609
Property, Plant and Equipment, Net	$ 2,814,255	$ 2,483,461

As of December 31, 1995, the Hospital was commited to contracts approximating $123,000 for the completion of the renovation and replacement of its heating and cooling system. During the year ended December 31, 1996, the Hospital satisifed its contractual obligations related to the heating and cooling system.

1607

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1

D/B/A

RIVERSIDE MEDICAL CENTER

FRANKLINTON, LOUISIANA

Audit of Financial Statements

December 31, 1996
and
December 31, 1995

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CASH AND CASH EQUIVALENTS (Continued)

Under state law, the resulting bank balances of these deposits must be secured by Federal deposit insurance or the pledge of securities owned by the fiscal agent banks. The market value of the pledged securities plus the Federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. Total deposits at December 31, 1996 and December 31, 1995 are secured as follows:

	1996	1995
Total Bank Balance	$ 3,286,542	$ 1,744,500
Federal Deposit Insurance	$ 200,000	$ 300,000
Market Value of Pledged Securities	4,628,030	1,528,661
	$ 4,828,030	$ 1,828,661

NON-DIRECT RESPONSE ADVERTISING

The Hospital expenses advertising costs as incurred.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B

CHARITY CARE

The Hospital maintains records to identify and monitor the level of charity care it provides. The records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges foregone and supplies furnished, based on established rates, were $103,556 and $61,742 in December 31, 1996 and December 31, 1995, respectively.

NOTE C

MAJOR SOURCES OF REVENUE

The Hospital participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. Gross patient revenue derived from patients covered by the Medicare and Medicaid programs was approximately 65% and 64% in December 31, 1996 and December 31, 1995, respectively.

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS WHOSE USE IS LIMITED

Assets whose use is limited include funds set aside by the Board of Commissioners for the payment of emergency room expenses and to satisfy deposit requirements of the Hospital's debt agreements.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost. Donated equipment is recorded at fair value at date of donation, which is then treated as cost. Equipment under capital leases is stated at the lower of the present value of minimum lease payments at the beginning of the lease term or fair value at the inception of the lease.

Depreciation of property, plant and equipment is calculated on the straight-line method over the estimated useful life of the assets. Equipment held under capital leases is amortized on the straight-line method over the shorter of the lease term or estimated useful life of the asset.

INVENTORIES

Inventories of drugs and supplies are stated at the lower of cost (first-in, first-out) or market.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, demand deposits, money market accounts and certificates of deposit with an original maturity of three months or less, excluding amounts whose use is limited by Board designation.

At December 31, 1996 and December 31, 1995, the Hospital had cash and cash equivalents as follows:

	1996	1995
Demand Deposits and		
Certificates of Deposits	$ 2,646,763	$ 1,391,140
Money Market Accounts	154,100	188,004
Total Deposits	2,800,863	10579,144
Less Cash Included in Assets Whose Use is Limited	154,100	163,004
	$ 2,646,763	$ 1,416,140

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REPORTING ENTITY (Continued)

2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.

3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury appoints all of the members of the Hospital's governing board and has the ability to impose its will on the Hospital, the Hospital was determined to be a component unit of the Washington Parish Police Jury. The accompanying financial statements present information only on the funds maintained by the Hospital and do not present information on the police jury, the general government services provided by that government unit, or the other governmental units that comprise the financial reporting entity.

CHARITY CARE

The Hospital 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 Hospital does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue.

INCOME TAXES

The Hospital is a governmental unit which has registered itself as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal income taxes on related income pursuant to Section 501(a) of the Code.

NET PATIENT SERVICE REVENUE

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

STATEMENT OF REVENUES AND EXPENSES

For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as revenues and expenses. Incidental transactions are reported as gains and losses.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A
RIVERSIDE MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

INTRODUCTION

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1, D/B/A RIVERSIDE MEDICAL CENTER (the "Hospital") is an acute care facility created pursuant to Louisiana Revised Statutes of 1950, Title 46, Chapter 10. It is the Hospital's mission to provide its community with high quality care and education in a friendly, caring and professional manner.

The administration of the Hospital is governed by a Board of Commissioners consisting of members appointed by the Washington Parish Police Jury. The operations of the Hospital are recorded as proprietary fund type - enterprise fund. Enterprise funds are used to account for operations that are (a) financed primarily by user charges, or (b) when the governing body has decided that determination of net income is appropriate. The accrual basis of accounting is used by the Hospital. The significant accounting policies used by the Hospital in preparing and presenting its financial statements are summarized as follows:

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements of the Hospital have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

REPORTING ENTITY

As the governing authority of the parish, for reporting purposes, the Washington Parish Police Jury is the financial reporting entity for Washington Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

GASB Statement No. 14 established criteria for determining which component units should be considered part of the reporting entity for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and

   a. The ability of the police jury to impose its will on that organization and/or

   b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A
RIVERSIDE MEDICAL CENTER
STATEMENTS OF CASH FLOWS (Continued)

	For The Years Ended December 31,	
	1996	1995
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (Investment in) Utilization of Assets Whose Use is Limited	(82,405)	72,903
Net Cash Provided by (Used in) Investing Activities	(82,405)	72,903
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,230,623	1,039,601
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,416,140	376,539
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,646,763	$ 1,416,140
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	$ 45,687	$ 47,894
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Equipment Acquired Through Capital Leases		
Value of Equipment Acquired	$ -	$ 34,010
Less: Amount Financed Through Capital Lease	$ -	33,109
Cash Down Payment for Equipment	$ -	$ 901
Construction in Progress		
Total Construction in Progress Incurred	$ 166,663	$ 229,609
Less:		
Amount Included in Contracts Payable	-	37,731
Amount Included in Retainage Payable	-	23,701
Equipment Donated but not Placed in Service as of December 31	-	17,600
Cash Paid for Construction in Progress	$ 166,663	$ 150,577

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

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A
RIVERSIDE MEDICAL CENTER
STATEMENTS OF CASH FLOWS

	For The Years Ended December 31,	
	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES AND GAINS AND LOSSES		
Net Income	$ 1,498,362	$ 782,801
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	385,369	431,190
(Gain) on Sale of Assets	(4,182)	-
Loss on Disposal of Assets	-	19,566
Provision for Doubtful Accounts	510,839	490,008
(Increase) in Accounts Receivable	(824,329)	(686,738)
Decrease (Increase) in Due from Third-Party Payors	160,462	(160,462)
Decrease in Inventories	8,243	17,746
Decrease in Prepaid Expenses and Other Current Assets	10,781	8,998
Increase (Decrease) in Amounts Due to Third-Party Payors	500,135	(94,922)
(Decrease) Increase in Accounts Payable	(68,087)	225,086
(Decrease) in Contracts Payable	(37,731)	-
(Decrease) in Retainage Payable	(23,700)	-
(Decrease) Increase in Payroll and Payroll Taxes Payable	(15,041)	9,868
(Decrease) Increase in Accrued Vacation	3,336	15,597
(Decrease) in Accrued Expenses	34,772	(6,962)
Net Cash Provided by Operating Activities and Gains and Losses	2,139,229	1,051,776
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Property, Plant and Equipment	(717,900)	(52,085)
Proceeds from the Sale of Property, Plant and Equipment	5,919	-
Cash Paid for Construction in Progress	-	(150,577)
Proceeds from Borrowings	-	360,000
Repayment of Long-Term Debt	(51,228)	(92,123)
Repayment of Capital Lease Obligations	(62,992)	(150,293)
Net Cash (Used in) Capital and Related Financing Activities	(826,201)	(85,078)

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

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A
RIVERSIDE MEDICAL CENTER
STATEMENTS OF CHANGES IN RETAINED EARNINGS

	For The Years Ended December 31,	
	1996	1995
RETAINED EARNINGS - BEGINNING OF YEAR	$ 4,280,596	$ 3,480,195
NET INCOME	1,498,362	782,801
DONATED EQUIPMENT	-	17,600
RETAINED EARNINGS - END OF YEAR	$ 5,778,958	$ 4,280,596

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

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A
RIVERSIDE MEDICAL CENTER
STATEMENTS OF REVENUE AND EXPENSES

	For The Years Ended December 31,	
	1996	1995
REVENUE		
Net Patient Service Revenue	$ 10,759,440	$ 9,888,393
Other Revenue	30,448	34,609
Total Revenue	10,789,888	9,923,002
EXPENSES		
Nursing Services	3,158,734	3,094,760
Other Professional Services	2,830,534	2,740,892
Administrative Services	2,199,321	2,018,100
General Services	901,002	875,961
Provision for Doubtful Accounts	510,839	490,008
Depreciation and Amortization	385,369	431,191
Interest Expense	45,975	50,583
Total Expenses	10,031,774	9,701,495
Operating Income	758,114	221,507
NON-OPERATING REVENUES (EXPENSES)		
Ad Valorem Taxes	620,134	534,731
Interest Income	91,676	27,817
Rental Income	24,256	16,779
Gain on Sale of Asset	4,182	-
Loss on Disposal of Assets	-	(19,566)
Other	-	1,533
Net Non-Operating Revenues	740,248	561,294
NET INCOME	$ 1,498,362	$ 782,801

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

LIABILITIES AND EQUITY

	December 31, 1996	December 31, 1995
CURRENT LIABILITIES		
Due to Third-Party Payors	$ 500,135	$ -
Accounts Payable	379,790	447,877
Accrued Vacation and Sick Pay	197,802	194,466
Accrued Expenses	127,704	92,932
Payroll and Payroll Taxes Payable	122,241	137,282
Current Maturities of Long-Term Debt	53,387	51,226
Current Maturities of Capital Lease Obligations	4,045	64,905
Contracts Payable	-	37,731
Retainage Payable	-	23,700
Total Current Liabilities	1,385,104	1,050,119
LONG-TERM LIABILITIES		
Long-Term Debt, Excluding Current Maturities	855,275	908,664
Capital Lease Obligations, Excluding Current Maturities	3,590	5,722
Total Long-Term Liabilities	858,865	914,386
EQUITY		
Retained Earnings	5,778,958	4,280,596
Total Liabilities and Equity	$ 8,022,927	$ 6,245,101

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A
RIVERSIDE MEDICAL CENTER
BALANCE SHEETS

ASSETS

	December 31, 1996	December 31, 1995
CURRENT ASSETS		
Cash and Cash Equivalents	$ 2,646,763	$ 1,416,140
Accounts Receivable, Less Allowance for Doubtful Accounts of $570,636 and $611,439 in 1996 and 1995, respectively	1,561,831	1,248,341
Inventories	176,417	184,660
Prepaid Expenses and Other Current Assets	71,098	81,879
Assets Whose Use is Limited - Required for Current Liabilities	58,490	56,509
Due from Third-Party Payors	-	160,462
Total Current Assets	4,514,599	3,147,991
ASSETS WHOSE USE IS LIMITED		
For Emergency Room Expenses - Taxes Receivable	598,463	507,154
For Debt Retirement		
Public Improvement Bonds, Series 1976 - Money Market Account	-	75,798
Revenue Bonds, Series 1987 - Money Market Account	87,954	78,752
For Emergency Room Expenses - Money Market Account	66,146	8,454
Total Assets Whose Use is Limited	752,563	670,158
Less Assets Whose Use is Limited and that are Required for Current Liabilities	58,490	56,509
Noncurrent Assets Whose Use is Limited	694,073	613,649
PROPERTY, PLANT AND EQUIPMENT, NET	2,814,255	2,483,461
Total Assets	$ 8,022,927	$ 6,245,101

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

LaPorte
Sehrt
Romig
&
Hand
Certified Public Accountants & Consultants

To the Board of Commissioners
Washington Parish Hospital Service District No. 1
D/B/A Riverside Medical Center
Franklinton, Louisiana

Independent Auditor's Report

We have audited the accompanying general purpose financial statements of **WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1, D/B/A RIVERSIDE MEDICAL CENTER**, a component unit of the Washington Parish Police Jury, as of and for the years ended December 31, 1996 and 1995, as listed in the table of contents. These financial statements are the responsibility of the management of **WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1, D/B/A RIVERSIDE MEDICAL CENTER**. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the 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 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 **WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1, D/B/A RIVERSIDE MEDICAL CENTER** for the years ended December 31, 1996 and 1995, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 1, 1996 on our consideration of **WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1, D/B/A RIVERSIDE MEDICAL CENTER**'s internal control structure and a report dated June 1, 1997 on its compliance with laws and regulations.

LaPorte, Sehrt, Romig & Hand

A Professional Accounting Corporation

June 1, 1997

A Professional Accounting Corporation
800 Two Lakeway Center 3850 N. Causeway Blvd. Metairie, LA 70002 (504) 835-5522 FAX (504) 835-5535
P.O. Box 27 Riverside Drive Covington, LA 70434 (504) 892-5850 FAX (504) 892-5956
Member of AICPA Division for CPA Firms-Private Companies Practice Section and SEC Practice Section
International Affiliation with Accounting Firms Associated, Inc.

CONTENTS

NOTE F

LONG-TERM DEBT

Long-term debt at December 31, 1996 and December 31, 1995 consisted of the following:

	1996	1995
Revenue Bonds, Series 1987, 5%, Payable in Equal, Annual Installments of $53,220, Including Interest Through 2012	$ 576,662	$ 599,890
Public Improvement Bonds, Series 1995, 5.4%, Annual Principal Installments Due November 1 of Each Year, Semi-Annual Installments of Interest Due May 1 and November 1 of Each Year Through 2005	332,000	360,000
	908,662	959,890
Less Current Installments	53,387	51,226
	$ 855,275	$ 908,664

Scheduled principal repayments on long-term debt are as follows:

1997	$ 53,387
1998	56,606
1999	59,887
2000	63,231
2001 and Thereafter	675,551
	$ 908,662

Interest expense incurred on long-term debt was $45,975 and $33,797 in 1996 and 1995, respectively.

The 1987 Revenue Bonds are secured by bonds in the amount of $750,000, a pledge of revenues from the operation of the Hospital, and a real esate mortgage as first lien on the Hospital's facilities. As mentioned in Note A, the Hospital is required to set aside funds monthly. These deposits are to continue until the acumulated funds equal the highest annual debt service payable in any year.

Certified Public Accountants & Consultants
LaPorte
Sehrt
Romig
&
Hand

To the Board of Commissioners
Washington Parish Hospital Service District No. 1
D/B/A Riverside Medical Center
Franklinton, Louisiana

Independent Auditor's Report
on Supplementary Information

Our report on our audit of the general purpose financial statements of **WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1, D/B/A RIVERSIDE MEDICAL CENTER,** a component unit of the Washington Parish Police Jury, for the year ended December 31, 1996 and December 31, 1995, appears on page 1. That audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information that follows on pages 18 - 24 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

LaPorte, Sehrt, Romig & Hand

A Professional Accounting Corporation

June 1, 1997

A Professional Accounting Corporation
800 Two Lakeway Center 3850 N. Causeway Blvd. Metairie, LA 70002 (504) 835-5522 FAX (504) 835-5535
P.O. Box 27 Riverside Drive Covington, LA 70434 (504) 892-5850 FAX (504) 892-5956
Member of AICPA Division for CPA Firms Private Companies Practice Section and SEC Practice Section
International Affiliation with Accounting Firms Associated, Inc.