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

FRANKLINTON, LOUISIANA

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Release Date JUL 19 2000

Audits of Financial Statements

December 31, 1999
and
December 31, 1998

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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, 1999 and 1998, as listed in the table of contents. These general purpose 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 general purpose financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

*In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of **WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1, D/B/A RIVERSIDE MEDICAL CENTER** for the years ended December 31, 1999 and 1998, 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 May 31, 2000, on our consideration of **WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1, D/B/A RIVERSIDE MEDICAL CENTER**'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

LaPorte, Sehart, Romig & Hand

A Professional Accounting Corporation

May 31, 2000

A Professional Accounting Corporation

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

ASSETS

| | December 31, | |
|---|---------------|---------------|
| | 1999 | 1998 |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 4,652,176 | \$ 3,335,020 |
| Accounts Receivable, Less Allowance for Doubtful Accounts of \$323,512 and \$394,269 in 1999 and 1998, Respectively | 2,165,129 | 2,339,949 |
| Inventories | 191,089 | 178,412 |
| Prepaid Expenses and Other Current Assets | 209,408 | 100,483 |
| Assets Whose Use is Limited - Required for Current Liabilities | 223,231 | 59,887 |
| Total Current Assets | 7,441,033 | 6,013,751 |
| ASSETS WHOSE USE IS LIMITED | | |
| For Emergency Room Expenses - Taxes Receivable | 490,734 | 647,544 |
| For Capital Improvements, Series 1999 Bonds For Debt Retirement | 4,483,454 | - |
| Revenue Bonds, Series 1987 - Money Market Account | 146,003 | 106,352 |
| For Emergency Room Expenses - Money Market Account | 48 | 339 |
| Total Assets Whose Use is Limited | 5,120,239 | 754,235 |
| Less Assets Whose Use is Limited and that are Required for Current Liabilities | 223,231 | 59,887 |
| Noncurrent Assets Whose Use is Limited | 4,897,008 | 694,348 |
| PROPERTY, PLANT AND EQUIPMENT, NET | 4,614,627 | 3,521,611 |
| Total Assets | \$ 16,952,668 | \$ 10,229,710 |

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

LIABILITIES AND FUND BALANCE

| | December 31, | |
|--|---------------|---------------|
| | 1999 | 1998 |
| CURRENT LIABILITIES | | |
| Due to Third-Party Payors | \$ 288,798 | \$ 45,736 |
| Accounts Payable | 943,315 | 685,950 |
| Accrued Vacation and Sick Pay | 233,111 | 225,753 |
| Accrued Expenses | 268,104 | 147,803 |
| Payroll and Payroll Taxes Payable | 182,319 | 170,056 |
| Current Maturities of Long-Term Debt | 223,231 | 59,887 |
| Total Current Liabilities | 2,138,878 | 1,335,185 |
| LONG-TERM LIABILITIES | | |
| Long-Term Debt, Excluding Current Maturities | 5,515,552 | 738,783 |
| Total Long-Term Liabilities | 5,515,552 | 738,783 |
| FUND BALANCE | 9,298,238 | 8,155,742 |
| Total Liabilities and Fund Balance | \$ 16,952,668 | \$ 10,229,710 |

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

| | For The Years Ended December 31, | |
|--|-------------------------------------|-------------------|
| | 1999 | 1998 |
| REVENUE | | |
| Net Patient Service Revenue | \$ 12,821,835 | \$ 11,714,181 |
| Other Revenue | 40,088 | 41,471 |
| Total Revenue | 12,861,923 | 11,755,652 |
| EXPENSES | | |
| Nursing Services | 3,437,484 | 3,083,111 |
| Other Professional Services | 4,078,576 | 3,820,031 |
| Administrative Services | 2,448,167 | 2,509,532 |
| General Services | 1,160,212 | 1,070,733 |
| Provision for Doubtful Accounts | 793,963 | 568,724 |
| Depreciation and Amortization | 590,385 | 519,971 |
| Interest Expense | 43,946 | 45,314 |
| Total Expenses | 12,552,733 | 11,617,416 |
| Operating Income | 309,190 | 138,236 |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Loss on Sale of Asset | (16,467) | - |
| Ad Valorem Taxes | 504,006 | 652,641 |
| Interest Income | 321,015 | 172,881 |
| Rental Income | 23,912 | 23,984 |
| FMC Radiology | 840 | 5,238 |
| Net Non-Operating Revenues | 833,306 | 854,744 |
| EXCESS OF REVENUES OVER EXPENSES | \$ 1,142,496 | \$ 992,980 |

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 FUND BALANCE

| | For The Years Ended | |
|---|---------------------|--------------|
| | December 31, | |
| | 1999 | 1998 |
| FUND BALANCE - BEGINNING OF YEAR | \$ 8,155,742 | \$ 7,162,762 |
| EXCESS OF REVENUES OVER EXPENSES | 1,142,496 | 992,980 |
| FUND BALANCE - END OF YEAR | \$ 9,298,238 | \$ 8,155,742 |

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, | |
| | 1999 | 1998 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Operating Income | \$ 309,190 | \$ 138,236 |
| Interest Expense Considered Capital Financing Activity | 43,946 | 45,314 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | | |
| Depreciation and Amortization | 590,385 | 519,971 |
| Proceeds from Sale of Equipment | 12,648 | - |
| Provision for Doubtful Accounts | 793,963 | 568,724 |
| Changes In: | | |
| (Increase) in Accounts Receivable | (619,138) | (761,836) |
| (Increase) in Inventories | (12,677) | (4,787) |
| (Increase) in Prepaid Expenses and Other Current Assets | (108,925) | (6,830) |
| Increase (Decrease) in Amounts Due to Third-Party Payors | 243,062 | (90,667) |
| Increase in Accounts Payable | 257,365 | 222,391 |
| Increase in Payroll and Payroll Taxes Payable | 12,263 | 28,768 |
| Increase in Accrued Vacation and Sick Pay | 7,357 | 8,497 |
| Increase in Accrued Expenses | 120,301 | 9,331 |
| Net Cash Provided by Operating Activities | 1,649,740 | 677,112 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Ad Valorem Taxes | 504,006 | 652,641 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Purchase of Property, Plant and Equipment | (577,208) | (1,101,723) |
| Deposits on Purchases of Property, Plant and Equipment | - | (52,510) |
| Capitalization of Construction in Progress | 26,016 | 2,227 |
| Increase in Construction in Progress | (1,161,329) | - |
| Interest Paid on Long-Term Debt | (43,946) | (45,314) |
| Long-Term Debt Repayment | (59,886) | (56,606) |
| Long-Term Borrowings | 5,000,000 | - |
| Repayment of Capital Lease Obligations | - | (4,045) |
| Net Cash Provided by (Used in) Capital and Related Financing Activities | 3,183,647 | (1,257,971) |

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 (Continued)

| | For The Years Ended | |
|--|----------------------------|----------------------------|
| | December 31, | |
| | <u>1999</u> | <u>1998</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest and Rental Income | 345,767 | 202,103 |
| Net (Investment in) Assets Whose Use is Limited | <u>(4,366,004)</u> | <u>(30,061)</u> |
| Net Cash (Used in) Provided by Investing Activities | <u>(4,020,237)</u> | <u>172,042</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,317,156 | 243,824 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>3,335,020</u> | <u>3,091,196</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u><u>\$ 4,652,176</u></u> | <u><u>\$ 3,335,020</u></u> |

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

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.

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PROPRIETARY FUND ACCOUNTING

The Hospital utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual.

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 the 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 criteria 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.
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.

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

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REPORTING ENTITY (Continued)

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 is a component unit of the Washington Parish Police Jury. The accompanying general purpose 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.

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 OPERATIONS

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.

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. Maintenance, repairs and minor replacements and improvements are expensed as incurred. Major replacements and improvements are capitalized at cost.

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 assets.

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

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 1999 and 1998, the Hospital had cash and cash equivalents as follows:

| | 1999 | 1998 |
|---|---------------------|---------------------|
| Demand Deposits, Certificates of Deposit and Money Market Accounts | \$ 4,798,227 | \$ 3,441,711 |
| Less: Cash Included in Assets Whose Use is Limited | 146,051 | 106,691 |
| | <u>\$ 4,652,176</u> | <u>\$ 3,335,020</u> |

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 agents 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, 1999 and 1998 are secured as follows:

| | 1999 | 1998 |
|------------------------------------|----------------------|---------------------|
| Total Bank Balance | <u>\$ 9,515,482</u> | <u>\$ 3,631,013</u> |
| Federal Deposit Insurance | \$ 100,000 | \$ 100,000 |
| FHLB Letter of Credit | 1,500,000 | - |
| Market Value of Pledged Securities | <u>8,478,435</u> | <u>4,173,157</u> |
| | <u>\$ 10,078,435</u> | <u>\$ 4,273,157</u> |

NON-DIRECT RESPONSE ADVERTISING

The Hospital expenses advertising costs as incurred.

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

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. 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 \$102,948 and \$51,613 in December 31, 1999 and 1998, 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 52% and 61% in December 31, 1999 and 1998, respectively.

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, 1997.

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

NOTE D

NET PATIENT SERVICE REVENUE (Continued)

- 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 reviewed by the Medicaid fiscal intermediary through December 31, 1996.

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.

Presented below is a summary of net patient service revenue for the years ended December 31, 1999 and 1998, respectively.

| | <u>1999</u> | <u>1998</u> |
|---|----------------------|----------------------|
| Gross Patient Service Revenue | \$ 25,469,934 | \$ 22,555,660 |
| Less: Provision for Contractual Adjustments | <u>12,648,099</u> | <u>10,841,479</u> |
| | <u>\$ 12,821,835</u> | <u>\$ 11,714,181</u> |

NOTE E

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, by major category, at December 31, 1999 and 1998, are as follows:

| | <u>1999</u> | <u>1998</u> |
|---|---------------------|---------------------|
| Land and Improvements | \$ 409,382 | \$ 408,862 |
| Building and Improvements | 4,181,707 | 4,154,636 |
| Equipment | <u>6,316,816</u> | <u>5,856,886</u> |
| | 10,907,905 | 10,420,384 |
| Less: Accumulated Depreciation and Amortization | <u>7,497,790</u> | <u>6,967,933</u> |
| | 3,410,115 | 3,452,451 |
| Equipment Downpayment\Construction in Progress | <u>1,204,512</u> | <u>69,160</u> |
| Property, Plant and Equipment, Net | <u>\$ 4,614,627</u> | <u>\$ 3,521,611</u> |

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

NOTE F

LONG-TERM DEBT

Long-term debt at December 31, 1999 and 1998 consisted of the following:

| | 1999 | 1998 |
|---|---------------------|-------------------|
| General Obligation Bonds, Series 1999, Floating Interest Rate, 5.75% at December 31, 1999, Annual Principal Installments Due April 1 of Each Year, Semi-Annual Installments of Interest Due April 1 and October 1 of Each Year Through 2014 | \$ 5,000,000 | \$ - |
| Revenue Bonds, Series 1987, 5%, Payable in Equal, Annual Installments of \$53,220, Including Interest Through 2012 | 499,783 | 526,670 |
| 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 | <u>239,000</u> | <u>272,000</u> |
| | 5,738,783 | 798,670 |
| Less: Current Installments | <u>223,231</u> | <u>59,887</u> |
| | <u>\$ 5,515,552</u> | <u>\$ 738,783</u> |

Scheduled principal repayments on long-term debt, at December 31, 1999, are as follows:

| | |
|---------------------|---------------------|
| 2000 | \$ 223,231 |
| 2001 | 315,642 |
| 2002 | 330,125 |
| 2003 and Thereafter | <u>4,869,785</u> |
| | <u>\$ 5,738,783</u> |

Interest expense incurred on long-term debt was \$43,946 and \$45,314 in 1999 and 1998, respectively. During the year ended December 31, 1999, the Hospital capitalized interest of \$136,071, which was related to the General Obligation Bonds, Series 1999.

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

NOTE F

LONG-TERM DEBT (Continued)

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 estate 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 accumulated funds equal the highest annual debt service payable in any year.

The proceeds from the 1995 issuance of Public Improvement Bonds are 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.

The proceeds from the 1999 Bond issuance are restricted to the payment of costs associated with the Hospital's capital project. It is expected that the Bond proceeds, together with their investment earnings, are expected to be used in full no later than June 30, 2002. However, if, after June 30, 2002, any portion of the original proceeds remain unspent, they cannot be invested whereby the yield would be greater than the yield of the Bonds.

NOTE G

LEASES

The Hospital was obligated under a capital lease for certain medical equipment. During the year ended December 31, 1998, the Hospital satisfied its obligation with payment in full.

The Hospital is also obligated under certain noncancelable operating leases for various equipment. Amounts paid under these leases totaled \$83,026 and \$77,075 for the years ended December 31, 1999 and 1998, respectively.

The Hospital leases office space to certain doctors. Rental income received under these arrangements totaled \$23,912 and \$23,984 for the years ended December 31, 1999 and 1998, respectively.

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

NOTE II

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. During the year ended December 31, 1998, the Hospital changed its plan. Under the new plan, the maximum deferral offered to the employee is \$8,000 or 33.3% of includible compensation, as defined in the plan agreement. With the new plan, the Hospital is required to match 100% of the employee's deferral, not to exceed 5% of the employee's salary. Participants become fully vested after five years, with no graduated vesting occurring between years one through four. Under the previous plan, the employees were required to contribute a maximum of 5% of their earnings, but were allowed to make voluntary contributions up to 10% of earnings. The Hospital matched the employees 5% contribution, and the employees vested over a ten-year period. Under these plans, the employees contributed \$28,494 and \$255,236, during 1999 and 1998, respectively. Employer contributions were \$139,389 and \$158,615 during 1999 and 1998, respectively.

Employer contributions that are not vested to employees, together with all property and rights purchased with those amounts, and all income attributable to those amounts, are 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.

The Hospital has no liability for losses under the plan. An independent administrator serves as trustee of the employee's deferrals and the Hospital's matching contributions. Each employee chooses from an array of investment options offered by the administrator.

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 3.70 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
NOTES TO FINANCIAL STATEMENTS

NOTE J

CONTINGENCIES

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 \$1,004,411 and \$1,441,610 due from the Federal Government (Medicare) at December 31, 1999 and 1998, respectively, and \$167,713 and \$221,839 due from the State of Louisiana (Medicaid) at December 31, 1999 and 1998, respectively.

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 audits 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 years ended December 31, 1999 and 1998, appears on page 1. Those audits were 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 17 - 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 audits 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.



A Professional Accounting Corporation

May 31, 2000

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 | | | |
|--------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 1999 | | 1998 | |
| | Inpatient | Outpatient | Inpatient | Outpatient |
| | | | | Total |
| DAILY PATIENT SERVICES | | | | |
| Medical and Surgical | \$ 1,904,452 | \$ - | \$ 1,939,592 | \$ - |
| Intensive Care | 488,632 | - | 414,574 | - |
| | <u>2,393,084</u> | <u>-</u> | <u>2,354,166</u> | <u>2,354,166</u> |
| OTHER NURSING SERVICES | | | | |
| Operating and Recovery Rooms | 193,347 | 630,172 | 143,611 | 545,335 |
| Central Services and Supply | 1,227,630 | 533,603 | 1,237,665 | 547,487 |
| Emergency Services | 430,319 | 1,410,556 | 383,864 | 1,198,300 |
| Home Health | - | 354,571 | - | 339,497 |
| | <u>1,851,296</u> | <u>2,928,902</u> | <u>1,765,140</u> | <u>2,630,619</u> |
| OTHER PROFESSIONAL SERVICES | | | | |
| MRI | 38,616 | 391,326 | 18,529 | 176,361 |
| Chemo Therapy | 2,034 | 54,741 | 1,701 | 51,324 |
| HME | - | 101,636 | - | 83,057 |
| Respiratory Therapy | 1,839,166 | 102,604 | 1,582,165 | 93,490 |
| Laboratory | 2,586,650 | 1,581,421 | 2,182,413 | 1,355,867 |
| Electrocardiology | 508,434 | 399,258 | 402,298 | 313,069 |
| Electroencephalography | 15,894 | 96,480 | 15,824 | 34,780 |
| Radiology | 1,639,877 | 3,000,631 | 1,361,663 | 2,569,101 |
| Pharmacy | 2,299,782 | 758,215 | 2,207,706 | 737,730 |
| Anesthesiology | 90,050 | 293,016 | 67,874 | 275,571 |
| Speech/Occupational/Physical Therapy | 212,517 | 630,485 | 264,703 | 492,965 |
| Dialysis | 40,548 | 605,543 | 28,457 | 1,489,087 |
| RHPA - Dispro | 1,007,728 | - | - | - |
| | <u>10,281,296</u> | <u>8,015,356</u> | <u>8,133,333</u> | <u>7,672,402</u> |
| Totals | <u>\$ 14,525,676</u> | <u>\$ 10,944,258</u> | <u>\$ 12,252,639</u> | <u>\$ 10,303,021</u> |
| | | | | <u>\$ 22,555,660</u> |

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, | |
|----------------------|-------------------------------------|------------------|
| | 1999 | 1998 |
| OTHER REVENUE | | |
| Cafeteria | \$ 38,683 | \$ 38,204 |
| Medical Records | (397) | 316 |
| Concessions | 1,657 | 2,160 |
| Other | 145 | 791 |
| | <hr/> | <hr/> |
| Total Other Revenue | <u>\$ 40,088</u> | <u>\$ 41,471</u> |

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, | | 1998 | | | |
| | 1999 | Supplies and Other Expenses | | | | |
| | Salaries | Supplies and Other Expenses | Total | Salaries | Supplies and Other Expenses | Total |
| NURSING SERVICES | | | | | | |
| Administrative Office | \$ 354,367 | \$ 2,170 | \$ 356,537 | \$ 299,646 | \$ 2,130 | \$ 301,776 |
| Medical and Surgical Intensive Care | 712,454 | 43,902 | 756,356 | 678,020 | 49,077 | 727,097 |
| Operating Rooms | 352,763 | 12,760 | 365,523 | 333,315 | 15,300 | 348,615 |
| Emergency Services | 155,028 | 51,646 | 206,674 | 138,728 | 38,853 | 177,581 |
| Home Health | 261,889 | 680,128 | 942,017 | 238,370 | 547,298 | 785,668 |
| Central Service and Supplies | 250,011 | 44,285 | 294,296 | 234,174 | 45,074 | 279,248 |
| Quality Assurance | 49,152 | 278,818 | 327,970 | 32,558 | 257,114 | 289,672 |
| | 148,331 | 39,780 | 188,111 | 145,166 | 28,288 | 173,454 |
| Total Nursing Services | <u>2,283,995</u> | <u>1,153,489</u> | <u>3,437,484</u> | <u>2,099,977</u> | <u>983,134</u> | <u>3,083,111</u> |
| OTHER PROFESSIONAL SERVICES | | | | | | |
| Respiratory Therapy | 228,697 | 58,536 | 287,233 | 205,225 | 46,907 | 252,132 |
| Laboratory | 285,643 | 349,754 | 635,397 | 268,639 | 330,281 | 598,920 |
| Electrocardiology | 30,348 | 146,559 | 176,907 | 31,055 | 108,936 | 139,991 |
| Electroencephalography | 2,605 | 34,829 | 37,434 | 3,132 | 14,796 | 17,928 |
| Radiology | 426,234 | 719,704 | 1,145,938 | 357,756 | 493,057 | 850,823 |
| Pharmacy | - | 708,576 | 708,576 | - | 745,955 | 745,955 |
| MRU | - | 171,955 | 171,955 | - | 91,985 | 91,985 |
| Swing Bed | - | 862 | 862 | 746 | 645 | 1,391 |
| Anesthesiology | 175,758 | 7,375 | 183,133 | 172,721 | 3,363 | 176,084 |
| Speech/Occupational/Physical Therapy | 176,890 | 71,815 | 248,705 | 170,198 | 59,538 | 229,736 |
| Dialysis | 37,788 | 305,719 | 343,507 | 227,536 | 376,860 | 604,396 |
| D.M.E. | 66,730 | 34,004 | 100,734 | 53,971 | 24,874 | 78,845 |
| Chemotherapy | 36,895 | 1,337 | 38,232 | 30,266 | 1,098 | 31,364 |
| Wound Care Center | (37) | - | (37) | 481 | - | 481 |
| Total Other Professional Services | <u>1,467,551</u> | <u>2,611,025</u> | <u>4,078,576</u> | <u>1,521,726</u> | <u>2,298,305</u> | <u>3,820,031</u> |

For The Years Ended
December 31,

| | 1999 | | 1998 | | | |
|--|---------------------|-----------------------------------|---------------------|---------------------|-----------------------------------|---------------------|
| | Salaries | Supplies and Other Expenses | Total | Salaries | Supplies and Other Expenses | Total |
| ADMINISTRATIVE SERVICES | | | | | | |
| Administrative | 25,134 | 291,324 | 316,458 | 23,711 | 368,663 | 392,374 |
| Admit/Business Office | 291,094 | 158,169 | 449,263 | 280,435 | 148,175 | 428,610 |
| Accounting Office | 89,744 | 69,749 | 159,493 | 81,646 | 69,572 | 151,218 |
| Marketing | 24,216 | 41,861 | 66,077 | - | 2,261 | 2,261 |
| Insurance | - | 208,062 | 208,062 | - | 234,921 | 234,921 |
| Employee Benefits | - | 1,178,058 | 1,178,058 | - | 1,210,749 | 1,210,749 |
| Employee Activities | - | 119 | 119 | - | - | - |
| Personnel | 32,488 | 38,149 | 70,637 | 38,453 | 50,946 | 89,399 |
| Total Administrative Services | 462,676 | 1,985,491 | 2,448,167 | 424,245 | 2,085,287 | 2,509,532 |
| GENERAL SERVICES | | | | | | |
| Personnel - Security | 8,337 | 86 | 8,423 | - | - | - |
| Dietary | 113,472 | 134,027 | 247,499 | 109,425 | 131,995 | 241,420 |
| Maintenance | 106,107 | 278,512 | 384,619 | 98,589 | 229,243 | 327,832 |
| Housekeeping | 105,721 | 72,427 | 178,148 | 107,128 | 73,740 | 180,868 |
| Laundry and Linen | - | 20,723 | 20,723 | - | 22,153 | 22,153 |
| Medical Records | 151,682 | 23,610 | 175,292 | 136,377 | 28,685 | 165,062 |
| Utilities | - | 145,508 | 145,508 | - | 133,398 | 133,398 |
| Total General Services | 485,319 | 674,893 | 1,160,212 | 451,519 | 619,214 | 1,070,733 |
| PROVISION FOR DOUBTFUL ACCOUNTS | - | 793,963 | 793,963 | - | 568,724 | 568,724 |
| DEPRECIATION AND AMORTIZATION | - | 590,385 | 590,385 | - | 519,971 | 519,971 |
| INTEREST EXPENSE | - | 43,946 | 43,946 | - | 45,314 | 45,314 |
| | \$ 4,699,541 | \$ 7,853,192 | \$12,552,733 | \$ 4,497,467 | \$ 7,119,949 | \$11,617,416 |

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

SCHEDULE IV
GOVERNING BOARD EXPENSES

| GOVERNING BOARD EXPENSES | For The Years Ended | |
|---------------------------------|---------------------|----------|
| | December 31, | |
| | 1999 | 1998 |
| Glyn Breland | \$ 825 | \$ 750 |
| Willie Mae G. Johnson | 900 | 675 |
| Lawrence McGuire | 900 | 900 |
| Dorothy Schilling | 900 | 900 |
| J.T. Thomas | 750 | 825 |
| Lavern Jenkins | 825 | 750 |
| Mike Cassidy | 900 | 900 |
| | \$ 6,000 | \$ 5,700 |

See independent auditor's report on supplementary information.

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

SCHEDULE V
SCHEDULE OF INSURANCE POLICIES
For The Year Ended December 31, 1999

| <u>RISK COVERED</u> | <u>COVERAGE</u> | <u>PERIOD</u> |
|---|-----------------|------------------|
| Workers' Compensation | \$ 1,000,000 | 1/1/99 to 1/1/00 |
| Medical Professional Liability - Total Limit | \$ 900,000 | 2/2/99 to 2/1/00 |
| Each Claim Limit | \$ 100,000 | 2/2/99 to 2/1/00 |
| [with the Louisiana Patients' Compensation Fund (LPCF) affording an additional \$400,000 in protection] | | |
| Commercial General Liability - Total Limit | \$ 3,000,000 | 2/2/99 to 2/1/00 |
| Each Claim Limit | \$ 1,000,000 | 2/2/99 to 2/1/00 |
| Commercial Automobile | \$ 1,000,000 | 2/2/99 to 2/1/00 |
| Commercial Property | \$ 13,487,080 | 2/2/99 to 2/1/00 |
| Earthquake, Flood and Business Income | | |
| Scheduled Position Bond | \$ 53,220 | 2/2/99 to 2/1/00 |
| Director and Officers' | \$ 1,000,000 | 2/2/99 to 2/2/00 |
| Computer and Data | | |
| Hospital Complex | \$ 29,279 | 2/2/99 to 2/1/00 |
| 2004 Marvin Magee Drive | \$ 6,473 | 2/2/99 to 2/1/00 |
| 809 Riverside Drive | \$ 176,010 | 2/2/99 to 2/1/00 |
| Data/Media Insured Locations | \$ 30,000 | 2/2/99 to 2/1/00 |
| Employee Dishonesty | \$ 500,000 | 2/2/99 to 2/1/00 |
| Boiler and Machinery | \$ 10,000,000 | 2/2/99 to 2/1/00 |
| Office Buildings | | |
| 803-805 Riverside | \$ 205,000 | 2/2/99 to 2/1/00 |
| 806 Riverside | \$ 113,800 | 2/2/99 to 2/1/00 |
| 807 Riverside | \$ 99,600 | 2/2/99 to 2/1/00 |
| 2004 Marvin Magee Drive - Building | \$ 130,900 | 2/2/99 to 2/1/00 |
| 2004 Marvin Magee Drive - Furnishings | \$ 22,400 | 2/2/99 to 2/1/00 |
| 809 Riverside - Building | \$ 99,600 | 2/2/99 to 2/1/00 |
| 809 Riverside - Furnishings | \$ 10,600 | 2/2/99 to 2/1/00 |
| 809 Boat Ramp Road | \$ 112,200 | 2/2/99 to 2/1/00 |
| Employment Practices Liability | \$ 1,000,000 | 2/2/99 to 2/1/00 |

See independent auditor's report on supplementary information.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
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, 1999, and have issued our report thereon dated May 31, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

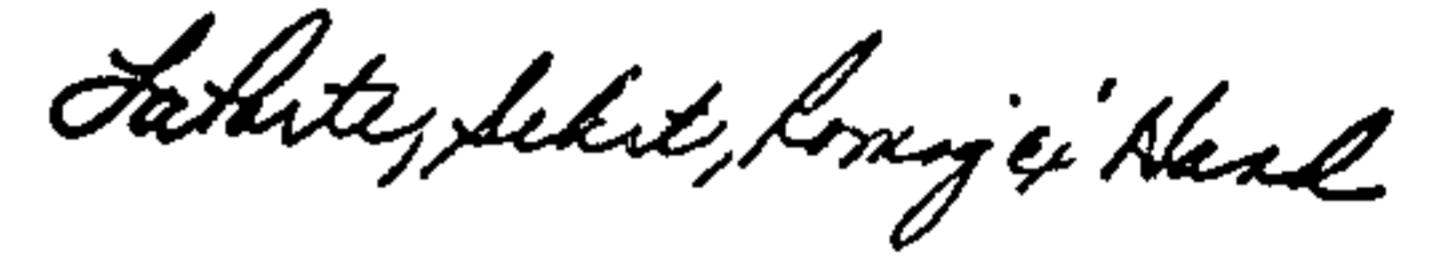
As part of obtaining reasonable assurance about whether **WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1, D/B/A RIVERSIDE MEDICAL CENTER**'s general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances on noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1, D/B/A RIVERSIDE MEDICAL CENTER**'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



A Professional Accounting Corporation

May 31, 2000