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

[REDACTED]

Legislative Auditor

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

Release Date 7-14-99

Audits of Financial Statements

December 31, 1998  
and  
December 31, 1997





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, 1998 and 1997, 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, 1998 and 1997, 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, 1999, on our consideration of **WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1, D/B/A RIVERSIDE MEDICAL CENTER**'s internal control and on its compliance with laws and regulations.

A Professional Accounting Corporation

June 1, 1999

A Professional Accounting Corporation

800 Two Lakeway Center 3850 N. Causeway Blvd. Metairie, LA 70002 (504) 835-5522 FAX (504) 835-5535

724 E. Boston Street, Covington, LA 70433 (504) 892-5850 FAX (504) 892-5956

E-Mail Address: [laporte@laporte.com](mailto:laporte@laporte.com) Internet Address: <http://www.laporte.com/>

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

**ASSETS**

	December 31,	
	1998	1997
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 3,335,020	\$ 3,091,196
Accounts Receivable, Less Allowance for Doubtful Accounts of \$394,269 and \$804,677 in 1998 and 1997, Respectively	2,339,949	2,146,837
Inventories	178,412	173,625
Prepaid Expenses and Other Current Assets	100,483	93,653
Assets Whose Use is Limited - Required for Current Liabilities	59,887	61,972
Total Current Assets	6,013,751	5,567,283
<b>ASSETS WHOSE USE IS LIMITED</b>		
For Emergency Room Expenses - Taxes Receivable For Debt Retirement	647,544	618,426
Revenue Bonds, Series 1987 - Money Market Account	106,352	97,158
For Emergency Room Expenses - Money Market Account	339	8,590
Total Assets Whose Use is Limited	754,235	724,174
Less Assets Whose Use is Limited and that are Required for Current Liabilities	59,887	61,972
Noncurrent Assets Whose Use is Limited	694,348	662,202
<b>PROPERTY, PLANT AND EQUIPMENT, NET</b>	3,521,611	2,892,086
Total Assets	\$ 10,229,710	\$ 9,121,571

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

**LIABILITIES AND FUND BALANCE**

	December 31,	
	1998	1997
<b>CURRENT LIABILITIES</b>		
Due to Third-Party Payors	\$ 45,736	\$ 136,403
Accounts Payable	685,950	463,559
Accrued Vacation and Sick Pay	225,753	217,257
Accrued Expenses	147,803	138,472
Payroll and Payroll Taxes Payable	170,056	143,798
Current Maturities of Long-Term Debt	59,887	56,868
Current Maturities of Capital Lease Obligations	-	4,045
	1,335,185	1,160,402
Total Current Liabilities		
<b>LONG-TERM LIABILITIES</b>		
Long-Term Debt, Excluding Current Maturities	738,783	798,407
	738,783	798,407
Total Long-Term Liabilities		
<b>FUND BALANCE</b>	8,155,742	7,162,762
Total Liabilities and Fund Balance	\$ 10,229,710	\$ 9,121,571

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

	For The Years Ended	
	December 31,	
	1998	1997
<b>REVENUE</b>		
Net Patient Service Revenue	\$ 11,714,181	\$ 11,774,135
Other Revenue	41,471	64,677
	11,755,652	11,838,812
<b>EXPENSES</b>		
Nursing Services	3,083,111	3,279,136
Other Professional Services	3,820,031	3,347,706
Administrative Services	2,509,532	2,286,404
General Services	1,070,733	944,435
Provision for Doubtful Accounts	568,724	887,145
Depreciation and Amortization	519,971	443,025
Interest Expense	45,314	52,208
	11,617,416	11,240,059
Operating Income	138,236	598,753
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Ad Valorem Taxes	652,641	619,321
Interest Income	172,881	138,467
Rental Income	23,984	24,013
FMC Radiology	5,238	-
	854,744	781,801
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ 992,980</b>	<b>\$ 1,380,554</b>

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,	
	1998	1997
<b>FUND BALANCE - BEGINNING OF YEAR</b>	\$ 7,162,762	\$ 5,778,958
<b>EXCESS OF REVENUES OVER EXPENSES</b>	992,980	1,380,554
<b>DONATED EQUIPMENT</b>	-	3,250
<b>FUND BALANCE - END OF YEAR</b>	\$ 8,155,742	\$ 7,162,762

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,	
	1998	1997
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating Income	\$ 138,236	\$ 598,753
Interest Expense Considered Capital Financing Activity	45,314	52,208
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	519,971	443,025
Donated Capital	-	3,250
Loss on Disposal of Assets	2,510	-
Provision for Doubtful Accounts	568,724	887,145
Changes In:		
(Increase) in Accounts Receivable	(761,836)	(1,472,151)
(Increase) Decrease in Inventories	(4,787)	2,792
(Increase) in Prepaid Expenses and Other Current Assets	(6,830)	(22,555)
(Decrease) in Amounts Due to Third-Party Payors	(90,667)	(363,732)
Increase in Accounts Payable	222,391	83,769
Increase in Payroll and Payroll Taxes Payable	26,258	21,557
Increase in Accrued Vacation	8,497	19,456
Increase in Accrued Expenses	9,331	10,768
	677,112	264,285
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Ad Valorem Taxes	652,641	619,321
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of Property, Plant and Equipment	(1,101,723)	(520,856)
Deposits on Purchases of Property, Plant and Equipment	(52,510)	-
Capitalization of Construction In Progress	2,227	-
Interest Paid on Long-Term Debt	(45,314)	(52,208)
Repayment of Long-Term Debt	(56,606)	(53,387)
Repayment of Capital Lease Obligations	(4,045)	(3,590)
	(1,257,971)	(630,041)

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,	
	1998	1997
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and Rental Income	202,103	162,479
Net (Investment in) Utilization of Assets Whose Use is Limited	(30,061)	28,389
Net Cash Provided by Investing Activities	172,042	190,868
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	 243,824	 444,433
 <b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	 3,091,196	 2,646,763
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	 \$ 3,335,020	 \$ 3,091,196

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 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.
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 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.

**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.

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.

**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, 1998 and 1997, the Hospital had cash and cash equivalents as follows:

	1998	1997
Demand Deposits, Certificates of Deposit and Money Market Accounts	\$ 3,441,711	\$ 3,196,944
Less: Cash Included in Assets Whose Use is Limited	106,691	105,748
	<u>\$ 3,335,020</u>	<u>\$ 3,091,196</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 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, 1998 and 1997 are secured as follows:

	1998	1997
Total Bank Balance	<u>\$ 3,631,013</u>	<u>\$ 3,306,686</u>
Federal Deposit Insurance	\$ 100,000	\$ 200,000
Market Value of Pledged Securities	4,173,157	3,283,136
	<u>\$ 4,273,157</u>	<u>\$ 3,483,136</u>

**NON-DIRECT RESPONSE ADVERTISING**

The Hospital expenses advertising costs as incurred.

**RECLASSIFICATIONS**

Certain reclassifications of previously reported amounts have been made to conform with the 1998 presentation. Such reclassifications had no effect on the excess of revenue over expenses.



**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 \$51,613 and \$90,855 in December 31, 1998 and 1997, 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 61% and 60% in December 31, 1998 and 1997, 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, 1995.

**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, 1998 and 1997, respectively.

	<u>1998</u>	<u>1997</u>
Gross Patient Service Revenue	\$ 22,500,652	\$ 22,539,479
Less: Provision for Contractual Adjustments	<u>10,786,471</u>	<u>10,765,344</u>
	<u>\$ 11,714,181</u>	<u>\$ 11,774,135</u>

**NOTE E**

**PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment, by major category, at December 31, 1998 and 1997, are as follows:

	<u>1998</u>	<u>1997</u>
Land and Improvements	\$ 408,862	\$ 166,357
Building and Improvements	4,154,636	3,938,855
Equipment	<u>5,856,886</u>	<u>5,276,640</u>
	10,420,384	9,381,852
Less: Accumulated Depreciation and Amortization	<u>6,967,933</u>	<u>6,508,643</u>
	3,452,451	2,873,209
Equipment Downpayment\Construction in Progress	<u>69,160</u>	<u>18,877</u>
Property, Plant and Equipment, Net	<u>\$ 3,521,611</u>	<u>\$ 2,892,086</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, 1998 and 1997 consisted of the following:

	1998	1997
Revenue Bonds, Series 1987, 5%, Payable in Equal, Annual Installments of \$53,220, Including Interest Through 2012	\$ 526,669	\$ 552,275
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	272,000	303,000
	798,669	855,275
Less: Current Installments	59,886	56,868
	\$ 738,783	\$ 798,407

Scheduled principal repayments on long-term debt, at December 31, 1998, are as follows:

1999	\$ 59,886
2000	63,231
2001	65,642
2002	70,125
2003 and Thereafter	539,785
	\$ 798,669

Interest expense incurred on long-term debt was \$45,314 and \$52,208 in 1998 and 1997, 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 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.

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

**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.

**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 \$77,075 and \$87,007 for the years ended December 31, 1998 and 1997, respectively.

The Hospital leases office space to certain doctors. Rental income received under these arrangements totaled \$24,013 and \$23,984 for the years ended December 31, 1998 and 1997, respectively.

**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. 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 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 \$255,236 and \$128,169, during 1998 and 1997, respectively. Employer contributions were \$158,615 and \$102,759 during 1998 and 1997, respectively.

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

**NOTE H**

**DEFINED CONTRIBUTION PLAN (Continued)**

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 choose 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.

**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.

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

**NOTE J**

**CONTINGENCIES (Continued)**

**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 \$1,441,610 and \$1,178,870 due from the Federal Government (Medicare) at December 31, 1998 and 1997, respectively, and \$221,839 and \$191,157 due from the State of Louisiana (Medicaid) at December 31, 1998 and 1997, respectively.

**NOTE L**

**SUBSEQUENT EVENT**

Subsequent to December 31, 1998, the Hospital received a majority vote, in a special election, on its proposition to levy a tax on all property subject to taxation for the purpose of construction and acquiring buildings, machinery and equipment, including both real and personal, to be used in providing hospital facilities to this Hospital District. With this majority vote, the Hospital will issue General Obligation Bonds in the amount of \$5,000,000.



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

**NOTE M**

**YEAR 2000 COMPLIANCE (UNAUDITED)**

Time and space saving decisions made in prior years resulted in two-digit computer codes that may not correctly recognize "00" as the year 2000. Serious processing error or system failure could result. To prevent this error, computer systems and equipment must be reprogrammed or replaced to make them year 2000 compliant.

The Hospital is significantly dependent on computerized operations for essential operations and to provide services to its patients. The Hospital is actively engaged in monitoring changes necessary to achieve year 2000 compliance. Interfacing business partners are being surveyed to assess their compliance status and possible impact on Hospital services. Those systems that are critical to the operation of the Hospital included Financial, Personnel-Payroll, and Medical Records. The Hospital has received validation from its major hardware and software vendor that test data has been developed, processed, and reviewed for results to certify that the converted systems operate properly.



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, 1998 and 1997, 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 - 25 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.

A Professional Accounting Corporation

June 1, 1999



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			
	1998		1997	
	Inpatient	Outpatient	Inpatient	Outpatient
		Total		Total
<b>DAILY PATIENT SERVICES</b>				
Medical and Surgical	\$ 1,884,584	\$ -	\$ 2,011,950	\$ 2,546
Intensive Care	414,574	-	501,990	-
	<u>2,299,158</u>	<u>2,299,158</u>	<u>2,513,940</u>	<u>2,546</u>
				\$ 2,014,496
				<u>501,990</u>
				<u>2,516,486</u>
<b>OTHER NURSING SERVICES</b>				
Operating and Recovery Rooms	143,611	545,335	172,929	450,530
Central Services and Supply	1,237,665	547,487	1,152,430	763,601
Emergency Services	383,864	1,198,300	399,828	1,226,220
Home Health	-	339,497	-	991,022
	<u>1,765,140</u>	<u>2,630,619</u>	<u>1,725,187</u>	<u>3,431,373</u>
				<u>5,156,560</u>
<b>OTHER PROFESSIONAL SERVICES</b>				
MRI	18,529	176,361	1,900	41,264
Chemo Therapy	1,701	51,324	72	24,836
HME	-	83,057	-	70,092
Respiratory Therapy	1,582,165	93,490	1,930,115	105,264
Laboratory	2,182,413	1,355,867	1,954,819	1,372,624
Electrocardiology	402,298	313,069	376,986	243,377
Electroencephalography	15,824	34,780	12,925	32,844
Radiology	1,361,663	2,569,101	1,135,573	1,756,007
Pharmacy	2,207,706	737,730	2,709,492	767,148
Anesthesiology	67,874	275,571	91,596	262,360
Speech/Occupational/Physical Therapy	264,703	492,965	268,442	439,503
Dialysis	28,457	1,489,087	17,767	1,251,426
	<u>8,133,333</u>	<u>7,672,402</u>	<u>8,499,687</u>	<u>6,366,745</u>
				<u>14,866,433</u>
<b>Totals</b>	<u>\$ 12,197,631</u>	<u>\$ 10,303,021</u>	<u>\$ 12,738,814</u>	<u>\$ 9,800,664</u>
				<u>\$ 22,539,479</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,	
	1998	1997
<b>OTHER REVENUE</b>		
Cafeteria	\$ 38,204	\$ 36,296
Medical Records	316	487
Concessions	2,160	2,566
Other	791	25,328
	<u>          </u>	<u>          </u>
Total Other Revenue	<u>\$ 41,471</u>	<u>\$ 64,677</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					
	1998			1997		
	Salaries	Supplies and Other Expenses	Total	Salaries	Supplies and Other Expenses	Total
<b>NURSING SERVICES</b>						
Administrative Office	\$ 299,646	\$ 2,130	\$ 301,776	\$ 287,391	\$ 1,728	\$ 289,119
Medical and Surgical	678,020	49,077	727,097	651,024	70,725	721,749
Intensive Care	333,315	15,300	348,615	344,677	15,299	359,976
Operating Rooms	138,728	38,853	177,581	133,970	44,482	178,452
Emergency Services	238,370	547,298	785,668	256,964	521,733	778,697
Home Health	234,174	45,074	279,248	378,037	119,648	497,685
Central Service and Supplies	32,558	257,114	289,672	48,131	262,579	310,710
Quality Assurance	145,166	28,288	173,454	138,761	3,987	142,748
<b>Total Nursing Services</b>	<b>2,099,977</b>	<b>983,134</b>	<b>3,083,111</b>	<b>2,238,955</b>	<b>1,040,181</b>	<b>3,279,136</b>
<b>OTHER PROFESSIONAL SERVICES</b>						
Respiratory Therapy	205,225	46,907	252,132	209,482	59,651	269,133
Laboratory	268,639	330,281	598,920	255,475	328,936	584,411
Electrocardiology	31,055	108,936	139,991	26,495	83,067	109,562
Electroencephalography	3,132	14,796	17,928	2,684	12,481	15,165
Radiology	357,756	493,067	850,823	330,872	288,246	619,118
Pharmacy	-	745,955	745,955	-	726,404	726,404
MRU	-	91,985	91,985	-	23,681	23,681
Swing Bed	746	645	1,391	-	-	-
Anesthesiology	172,721	3,363	176,084	169,053	11,379	180,432
Speech/Occupational/Physical Therapy	170,198	59,538	229,736	166,247	59,328	225,575
Dialysis	227,536	376,860	604,396	182,338	335,775	518,113
D.M.E.	53,971	24,874	78,845	27,447	19,502	46,949
Chemotherapy	30,266	1,098	31,364	25,269	2,542	27,811
Wound Care Center	481	-	481	1,352	-	1,352
<b>Total Other Professional Services</b>	<b>1,521,726</b>	<b>2,298,305</b>	<b>3,820,031</b>	<b>1,396,714</b>	<b>1,950,992</b>	<b>3,347,706</b>

For The Years Ended  
December 31,

	1998		1997	
	Salaries	Supplies and Other Expenses	Total	Salaries
<b>ADMINISTRATIVE SERVICES</b>				
Administrative	23,711	368,663	392,374	21,879
Admit/Business Office	280,435	148,175	428,610	184,877
Accounting Office	81,646	69,572	151,218	55,327
Communications	-	-	-	44,294
Marketing	-	2,261	2,261	18,612
Insurance	-	234,921	234,921	-
Employee Benefits	-	1,210,749	1,210,749	-
Employee Activities	-	-	-	-
Staff Development	-	-	-	231
Data Processing	-	-	-	16,765
Personnel	38,453	50,946	89,399	20,030
Total Administrative Services	424,245	2,085,287	2,509,532	362,015
<b>GENERAL SERVICES</b>				
Dietary	109,425	131,995	241,420	102,056
Maintenance	98,589	229,243	327,832	87,691
Housekeeping	107,128	73,740	180,868	106,466
Laundry and Linen	-	22,153	22,153	-
Medical Records	136,377	28,685	165,062	132,021
Utilities	-	133,398	133,398	-
Total General Services	451,519	619,214	1,070,733	428,234
<b>PROVISION FOR DOUBTFUL ACCOUNTS</b>				
	-	568,724	568,724	-
<b>DEPRECIATION AND AMORTIZATION</b>				
	-	519,971	519,971	-
<b>INTEREST EXPENSE</b>				
	-	45,314	45,314	-
	<u>\$ 4,497,467</u>	<u>\$ 7,119,949</u>	<u>\$11,617,416</u>	<u>\$ 4,425,918</u>
				<u>\$ 6,814,141</u>
				<u>\$11,240,059</u>

See independent auditor's report on supplementary information.

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

**SCHEDULE IV  
GOVERNING BOARD EXPENSES**

<b>GOVERNING BOARD EXPENSES</b>	For The Years Ended December 31,	
	1998	1997
	Glyn Breland	\$ 750
Willie Mae G. Johnson	675	900
Lawrence McGuire	900	825
Dorothy Schilling	900	825
J.T. Thomas	825	750
Lavern Jenkins	750	825
Mike Cassidy	900	750
	\$ 5,700	\$ 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 ADDITIONS, REPLACEMENTS AND IMPROVEMENTS  
TO PROPERTY, PLANT AND EQUIPMENT  
For The Year Ended December 31, 1998

<b>Land</b>		
Boat Ramp Road	\$ 11,000	
Total		11,000
<b>Land Improvements</b>		
Security Lights for Parking Lot	1,940	
Cement For Parking Lot	228,374	
Security Lights for Parking Lot	<u>1,191</u>	
Total		231,505
<b>Buildings</b>		
Emergency Room Security Camera System	1,762	
Paint Lobby and Various Hospital Rooms	5,269	
Installation of Three Code Blue Buttons	1,752	
Flooring	53,940	
Alarm Panel Upgrade	550	
Roof Replacement	<u>43,169</u>	
Total		106,442
<b>Medical Arts Building</b>		
Roof Replacement	8,540	
Boat Ramp Road	99,000	
Gas Furnace	<u>1,800</u>	
Total		109,340
<b>Major Movable Equipment</b>		
Lens Injector	540	
Canon Inkjet Fax	647	
Canon Inkjet Fax	647	
Pentium Computer	1,500	
9 Inch Color TV	412	
9 Inch Color TV	412	
9 Inch Color TV	879	
9 Inch Color TV	879	
9 Draw Cabinet	1,356	

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 ADDITIONS, REPLACEMENTS AND IMPROVEMENTS  
TO PROPERTY, PLANT AND EQUIPMENT (Continued)  
For The Year Ended December 31, 1998

**Major Movable Equipment Contd.**

Pentium CD Rom Computer	1,300
Pentium CD Rom Computer	1,300
Pentium CD Rom Computer	1,500
Pentium CD Rom Computer	1,285
Pentium CD Rom Computer	1,375
Pentium CD Rom Computer	1,375
Cannon Inkjet Fax	647
Hemodialysis System	14,333
Synchron CX7 Machine	131,034
Access Immunoassay System	126,464
Pressure Washer	1,110
Plate Warmer	1,500
Windows 98/Office Pro 97	674
Windows 98/Office Pro 97	674
Acid Tank	1,017
Vimax 22 Pulmonary Machine	30,260
Spacesaver Filing System	5,738
Fresenius Dialysis Machine	13,611
Fresenius Dialysis Machine	13,611
Fresenius Dialysis Machine	13,611
Fresenius Dialysis Machine	13,611
Fresenius Dialysis Machine	13,611
Fresenius Dialysis Machine	13,611
Fresenius Dialysis Machine	13,611
Fresenius Dialysis Machine	13,611
Blood Temperature Machine	4,507
Mailing Machine	3,575
Electronic Scale	1,019
Dry Storage Rack	910
Domes, Bases, Trays	1,374
Portal Pro 3 Massage Chair	544
Adjustable Standing Frame	1,020
Stryker Renaissance	3,476
In Bed Scale	2,902
Scanned 3 in 1 Tourniquet	2,681
Telemetry Equipment	54,055
Computer, Printer	8,421
Transport Equipment	7,652
Guest Chairs (16) for Board Room	1,472

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 ADDITIONS, REPLACEMENTS AND IMPROVEMENTS  
TO PROPERTY, PLANT AND EQUIPMENT (Continued)  
For The Year Ended December 31, 1998**

**Major Movable Equipment Contd.**

Blood Gas Analyzer	36,900
Computer System	1,450
Iontophoresis Unit	507
Rich Mar Theratouch	3,920
Cellwasher	5,635
Doppler	608
Bactec 9050 Instrument	10,500
Archival Data Storage	15,796
CPSI Autofax	3,350
CPSI Time and Attendance	17,061
CPSI 16 Port Digibo	1,415
Rebuilt Kodak M6B Auto Processor	8,500
Canon Inkjet Fax	<u>646</u>

Total		637,642
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**HME Equipment**

Electric Bed	599
Electric Bed	599
Electric Bed	599
Electric Bed	599
Electric Bed	569
Electric Bed	569
Electric Bed	569
Electric Bed	569
Electric Bed	561
Electric Bed	<u>561</u>

Total		<u>5,794</u>
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Total Fixed Asset Additions		<u><u>\$ 1,101,723</u></u>
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See independent auditor's report on supplementary information.

**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, 1998**

<u>RISK COVERED</u>	<u>COVERAGE</u>	<u>PERIOD</u>
Workers' Compensation	\$ 1,000,000	1/1/98 to 1/1/99
Medical Professional Liability	\$ 900,000	2/2/98 to 2/1/99
Commercial General Liability	\$ 3,000,000	2/2/98 to 2/1/99
Commercial Automobile	\$ 1,000,000	2/2/98 to 2/1/99
Commercial Property Earthquake, Flood and Business Income	\$ 13,363,545	2/2/98 to 2/1/99
Scheduled Position Bond	\$ 53,220	2/2/98 to 2/1/99
Director and Officers'	\$ 1,000,000	2/2/98 to 2/2/99
Computer and Data	\$ 176,010	2/2/98 to 2/1/99
Employee Dishonesty	\$ 500,000	2/2/98 to 2/1/99
Boiler & Machinery	\$ 10,000,000	2/2/98 to 2/1/99
Office Buildings		
803-805 Riverside	\$ 197,100	2/2/98 to 2/1/99
806 Riverside	\$ 109,440	2/2/98 to 2/1/99
807 Riverside	\$ 95,800	2/2/98 to 2/1/99
2004 Marvin Magee Drive	\$ 125,900	2/2/98 to 2/1/99
809 Riverside	\$ 95,800	2/2/98 to 2/1/99

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, 1998, and have issued our report thereon dated June 1, 1999. 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 of the audit committee and management. However, this report is a matter of public record and its distribution is not limited.

*Sabate, Schut, Long & Neal*

A Professional Accounting Corporation

June 1, 1999