

**WASHINGTON PARISH HOSPITAL
SERVICE DISTRICT NO. 1
d/b/a
RIVERSIDE MEDICAL CENTER
FRANKLINTON, LOUISIANA**

Audits of Financial Statements

December 31, 2002
and
December 31, 2001

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

28 - 29



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, 2002 and 2001, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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** as of December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2003, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

A Professional Accounting Corporation

April 4, 2003

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,	
	2002	2001
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 1,888,602	\$ 3,190,984
Patient Accounts Receivable, Less Allowance for Doubtful Accounts of \$526,368 and \$654,061 in 2002 and 2001, Respectively	2,357,530	2,348,283
Inventory, Supplies at Cost	297,433	273,909
Prepaid Expenses and Other Current Assets	197,645	168,562
Assets Limited as to Use	<u>348,681</u>	<u>330,125</u>
Total Current Assets	<u>5,089,891</u>	<u>6,311,863</u>
ASSETS LIMITED AS TO USE:		
Project Building Fund, Series 1999 Bonds For Debt Retirement:	2,023,978	3,236,273
Revenue Bonds, Series 1987	339,179	239,115
General Obligation Bonds, Series 1999	<u>609,378</u>	<u>605,884</u>
	2,972,535	4,081,272
Less Amount Required to Meet Current Obligations	<u>348,681</u>	<u>330,125</u>
	<u>2,623,854</u>	<u>3,751,147</u>
PROPERTY, PLANT AND EQUIPMENT, Net	<u>7,369,858</u>	<u>6,029,753</u>
Total Assets	<u>\$ 15,083,603</u>	<u>\$ 16,092,763</u>

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

LIABILITIES AND FUND BALANCE

	December 31,	
	2002	2001
CURRENT LIABILITIES		
Accounts Payable	\$ 1,282,924	\$ 918,766
Current Maturities of Long-Term Debt	348,681	330,125
Estimated Third-Party Payor Settlements	529,543	775,000
Accrued Vacation and Sick Pay	335,939	314,570
Other Accrued Expenses	241,890	183,288
Payroll and Payroll Taxes Payable	304,677	288,126
Current Maturities of Capital Lease Obligations	114,482	-
	<u>3,158,136</u>	<u>2,809,875</u>
LONG-TERM LIABILITIES, Net of Current Maturities		
Bonds Payable	4,521,104	4,869,785
Long Term Obligations of Capital Leases	260,245	-
	<u>4,781,349</u>	<u>4,869,785</u>
Total Long-Term Liabilities		
	<u>4,781,349</u>	<u>4,869,785</u>
Total Liabilities	<u>7,939,485</u>	<u>7,679,660</u>
FUND BALANCE	<u>7,144,118</u>	<u>8,413,103</u>
Total Liabilities and Fund Balance	<u>\$ 15,083,603</u>	<u>\$ 16,092,763</u>

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1

d/b/a

**RIVERSIDE MEDICAL CENTER
STATEMENTS OF OPERATIONS**

	For The Years Ended December 31,	
	<u>2002</u>	<u>2001</u>
REVENUE:		
Net Patient Service Revenue	\$ 15,878,963	\$ 13,988,602
Other Revenue	<u>314,288</u>	<u>1,355,838</u>
Total Revenue	<u>16,193,251</u>	<u>15,344,440</u>
EXPENSES:		
Salaries	6,121,606	5,765,980
Employee Benefits	1,785,603	1,467,120
Outside Services	2,156,869	1,629,358
Supplies and Other Expense	5,664,199	5,609,682
Provision for Doubtful Accounts	1,278,301	1,070,616
Depreciation and Amortization	1,053,354	990,158
Interest Expense	<u>52,368</u>	<u>38,938</u>
Total Expenses	<u>18,112,300</u>	<u>16,571,852</u>
Operating Loss	<u>(1,919,049)</u>	<u>(1,227,412)</u>
NON-OPERATING INCOME:		
Ad Valorem Taxes	560,148	552,739
Interest Income	58,878	85,977
Rental Income	44,469	25,929
FMC Radiology	-	14,592
(Loss) Gain on Disposal of Assets	(13,431)	594
Miscellaneous Income	<u>-</u>	<u>4,222</u>
Total Non-Operating Income	<u>650,064</u>	<u>684,053</u>
EXCESS OF EXPENSES OVER REVENUES	<u><u>\$ (1,268,985)</u></u>	<u><u>\$ (543,359)</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
STATEMENTS OF CHANGES IN FUND BALANCE

	For The Years Ended December 31,	
	2002	2001
FUND BALANCE - BEGINNING OF YEAR	\$ 8,413,103	\$ 8,956,462
EXCESS OF EXPENSES OVER REVENUES	<u>(1,268,985)</u>	<u>(543,359)</u>
FUND BALANCE - END OF YEAR	<u>\$ 7,144,118</u>	<u>\$ 8,413,103</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
STATEMENTS OF CASH FLOWS

	For The Years Ended December 31,	
	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	\$ (1,919,049)	\$ (1,227,412)
Interest Expense Considered Capital Financing Activity	52,368	38,938
Adjustments to Reconcile Operating Loss to Net Cash (Used in) Provided by Operating Activities:		
Depreciation and Amortization	1,053,354	990,158
Provision for Doubtful Accounts	1,278,301	1,070,616
Loss on Disposal of Assets	13,431	-
Changes In:		
Increase in Accounts Receivable	(1,287,548)	(660,704)
Increase in Inventory	(23,524)	(81,120)
(Increase) Decrease in Prepaid Expenses and Other Current Assets	(29,083)	88,128
(Decrease) Increase in Amounts Due to Third-Party Payors	(245,457)	732,835
Increase in Accounts Payable	364,158	80,445
Increase in Payroll and Payroll Taxes Payable	16,551	26,151
Increase in Accrued Vacation and Sick Pay	21,369	74,961
Increase (Decrease) in Accrued Expenses	58,602	(63,237)
Net Cash (Used In) Provided by Operating Activities	(646,527)	1,069,759
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Ad Valorem Taxes	556,655	481,357
Other	-	18,814
Net Cash Provided by Noncapital Financing Activities	556,655	500,171
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Property, Plant and Equipment	(817,652)	(990,563)
Increase in Construction in Progress	(1,602,670)	(150,401)
Proceeds from Sale of Equipment	-	1,450
Proceeds from Assets Acquired through Capital Lease	451,435	-
Interest Paid on Long-Term Debt	(52,368)	(38,938)
Capital Lease Obligation Repayment	(76,708)	-
Long-Term Debt Repayment	(330,125)	(315,641)
Net Cash Used in Capital and Related Financing Activities	(2,428,088)	(1,494,093)

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,	
	2002	2001
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Rental Income	103,347	111,906
Net Redemption of Assets Limited as to Use	<u>1,112,231</u>	<u>220,719</u>
Net Cash Provided by Investing Activities	<u>1,215,578</u>	<u>332,625</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,302,382)	408,462
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>3,190,984</u>	<u>2,782,522</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,888,602</u></u>	<u><u>\$ 3,190,984</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

NOTE A

DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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.

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.

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.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a
RIVERSIDE MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE A

DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ACCOUNTING STANDARDS

The financial statements of the Hospital have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989 that do not conflict or contradict GASB pronouncements.

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 limited as to use by Board designation.

ASSETS LIMITED AS TO USE

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.

INVENTORY

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

COSTS OF BORROWING

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Interest earned on these same borrowed funds, before the funds are spent on the construction of the capital assets, is also capitalized.

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.

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.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a
RIVERSIDE MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE A

DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NON-DIRECT RESPONSE ADVERTISING

The Hospital expenses advertising costs as incurred. Advertising expenses incurred during the years ended December 31, 2002 and 2001 totaled \$64,572 and \$72,780, respectively.

NOTE B

BANK DEPOSITS

At December 31, 2002 and 2001, the Hospital had cash and cash equivalents as follows:

	<u>2002</u>	<u>2001</u>
Demand Deposits and Money Market Accounts	\$ 4,251,759	\$ 6,666,371
Less: Cash included in Assets Limited As to Use	<u>2,363,157</u>	<u>3,475,387</u>
	<u>\$ 1,888,602</u>	<u>\$ 3,190,984</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, 2002 and 2001 are secured as follows:

	<u>2002</u>	<u>2001</u>
Total Bank Balances	<u>\$ 4,435,296</u>	<u>\$ 6,897,931</u>
Pledged Collateral:		
Federal Deposit Insurance	\$ 100,000	\$ 100,000
FHLB Letter of Credit	-	1,500,000
Market Value of Pledged Securities	<u>6,658,653</u>	<u>5,354,434</u>
	<u>\$ 6,758,653</u>	<u>\$ 6,954,434</u>

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a
RIVERSIDE MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE C

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost. Donated equipment is recorded at fair value at the date of donation, which is then treated as cost. Equipment under capital lease 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 lease is amortized on the straight-line method over the shorter of the lease term or estimated useful life of the assets.

Property, plant and equipment, by major category, at December 31, 2002 and 2001, are as follows:

	<u>2002</u>	<u>2001</u>
Land and Improvements	\$ 412,589	\$ 413,852
Building and Improvements	6,733,004	6,733,520
Equipment	<u>7,795,672</u>	<u>7,769,696</u>
	14,941,265	14,917,068
Less: Accumulated Depreciation and Amortization	<u>9,372,507</u>	<u>9,052,263</u>
	5,568,758	5,864,805
Construction In Progress	<u>1,801,100</u>	<u>164,948</u>
Property, Plant and Equipment, Net	<u>\$ 7,369,858</u>	<u>\$ 6,029,753</u>

NOTE D

LONG-TERM DEBT

Long-term debt at December 31, 2002 and 2001 consisted of the following:

	<u>2002</u>	<u>2001</u>
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	\$ 4,330,000	\$ 4,590,000
Revenue Bonds, Series 1987, 5%, payable in equal, annual installments of \$53,220, including interest through 2012	410,785	441,910

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a
RIVERSIDE MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE D
LONG-TERM DEBT (Continued)

	<u>2002</u>	<u>2001</u>
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>129,000</u>	<u>168,000</u>
	4,869,785	5,199,910
Less: Current Installments	<u>348,681</u>	<u>330,125</u>
	<u>\$ 4,521,104</u>	<u>\$ 4,869,785</u>

Scheduled principal repayments on long-term debt, at December 31, 2002, are as follows:

2003	\$ 348,681
2004	367,315
2005	381,031
2006	352,832
2007	369,724
Thereafter	<u>3,050,202</u>
	<u>\$ 4,869,785</u>

Interest expense incurred on long-term debt was \$52,368 and \$38,938 in 2002 and 2001, respectively. Included within Property, Plant and Equipment is \$263,644 of net capitalized interest related to the General Obligation Bonds, Series 1999. This is comprised of interest expense from bond inception through December 31, 2002, of \$889,449, less interest earned on the bond proceeds of \$625,805, from bond inception through December 31, 2002.

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 D

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.

The proceeds from the 1999 Bond issuance are restricted to the payment of costs associated with the Hospital's capital project. The Bond proceeds that remain are restricted in that the earnings, on the remaining proceeds, cannot generate a yield in excess of that yield on the Bonds.

NOTE E

LEASES

The Hospital is the lessee of certain medical equipment expiring in various years through September 2007. The assets and liabilities under capital lease are recorded at the lower of the present value of the minimum lease payments, or fair value of the asset. The assets are depreciated over the lower of their related lease terms or their estimated useful lives. Depreciation of assets under leases is included in depreciation expense for the year ended December 31, 2002.

The future minimum lease payments due under capital leases as of December 31, 2002 are as follows:

2003	\$ 114,482
2004	122,199
2005	47,930
2006	50,488
2007	<u>39,628</u>
	<u>\$ 374,727</u>

The Hospital is obligated under certain non-cancelable operating leases for various equipment. Amounts paid under these leases totaled \$429,942 and \$303,045 for the years ended December 31, 2002 and 2001, respectively.

The Hospital leases office space to certain doctors. Rental income received under these arrangements totaled \$44,469 and \$25,929 for the years ended December 31, 2002 and 2001, respectively.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a
RIVERSIDE MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE F

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 is as follows:

- Medicare - Inpatient and outpatient 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 non-acute 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, 1998.
- Medicaid - Effective July 1, 1994, inpatient services, including capital costs, are reimbursed at a prospectively determined rate-per-diem. Certain outpatient services are paid based upon cost reimbursement methodologies. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of an annual cost report 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, 1999.

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, 2002 and 2001, respectively.

	<u>2002</u>	<u>2001</u>
Gross Patient Service Revenue	\$ 34,954,751	\$ 31,011,535
Less: Provision for Contractual Adjustments	<u>19,075,788</u>	<u>17,022,933</u>
	<u>\$ 15,878,963</u>	<u>\$ 13,988,602</u>

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a
RIVERSIDE MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE G

BUSINESS AND CREDIT CONCENTRATIONS

The Hospital grants credit to patients, substantially all of who 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, of \$1,293,106 and \$766,741 due from the Federal Government (Medicare) at December 31, 2002 and 2001, respectively, and \$489,849 and \$133,737 due from the State of Louisiana (Medicaid) at December 31, 2002 and 2001, respectively.

NOTE H

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 \$132,218 and \$69,518 in December 31, 2002 and 2001, respectively.

NOTE I

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, 1999, 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. Employer contributions were \$155,613 and \$156,394 during 2002 and 2001, respectively.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a
RIVERSIDE MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE I

DEFINED CONTRIBUTION PLAN (Continued)

All amounts of compensation deferred under the plan, 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) held in trust for the exclusive benefit of the participants and their beneficiaries, and the benefits may not be diverted to any other use.

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 J

ACCRUED VACATION AND SICK PAY

Full-time employees are granted vacation in varying amounts as established by Hospital policy. Unused vacation days earned, up to a maximum of 224 hours per year (28 days per year), may be carried forward and accumulated with a maximum limit of 448 hours. In the event of termination, an employee is reimbursed for accumulated vacation days.

In addition, full and part-time employees are also granted sick pay at a rate of 0.02313 per paid hour as established by Hospital policy. Unused sick pay, up to a maximum of 480 hours, may be accumulated. Unused sick pay is not payable upon termination. At December 31, 2000, the Hospital changed its sick pay policy, where all hours in the sick leave bank were transferred into a reserve. The time accumulated in the reserve is not payable upon termination unless the employee has 20 years of service or more to the Hospital. These employees are paid at the rate of one-half their current hourly rate, for each accrued hour of sick time, not to exceed 480 hours.

NOTE K

COMMITMENTS

As of December 31, 2002, the Hospital is contractually committed under professional service contracts, including physician services and the management of its Pharmacy. Minimum fees payable under these contracts is as follows:

2003

\$ 9,000

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a
RIVERSIDE MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE L
CONTINGENCIES

Risk Management

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As mentioned below, the Hospital participates in two separate trust funds. The Hospital also continues to carry commercial insurance for all other risks of loss.

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 Sheets.

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, which currently exists under Louisiana law.

NOTE M
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.

NOTE N
SUBSEQUENT EVENT

Subsequent to December 31, 2002, the Hospital authorized the issuance of Revenue Bonds in the amount of \$700,000. These bonds require that interest, at a rate of 5.75%, be paid in March and September, with the first payment on September 1, 2003 and the final payment on the expected maturity of March 1, 2013. Principal payments will be made on March 1st of each year that the bonds are outstanding through the maturity of March 1, 2013.



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, 2002 and 2001, 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 19 - 28 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

April 4, 2003

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,					
	2002		2001			
	Inpatient	Outpatient	Total	Inpatient	Outpatient	Total
DAILY PATIENT SERVICES						
Medical and Surgical	\$ 1,927,793	\$ -	\$ 1,927,793	\$ 1,819,973	\$ -	\$ 1,819,973
Intensive Care	473,631	-	473,631	401,515	-	401,515
	<u>2,401,424</u>	<u>-</u>	<u>2,401,424</u>	<u>2,221,488</u>	<u>-</u>	<u>2,221,488</u>
OTHER NURSING SERVICES						
Emergency Services	552,099	2,118,641	2,670,740	412,827	1,771,386	2,184,213
Central Services and Supply	1,492,091	873,164	2,365,255	1,423,916	752,954	2,176,870
Operating and Recovery Rooms	255,385	1,246,894	1,502,279	227,949	939,714	1,167,663
	<u>2,299,575</u>	<u>4,238,699</u>	<u>6,538,274</u>	<u>2,064,692</u>	<u>3,464,054</u>	<u>5,528,746</u>
OTHER PROFESSIONAL SERVICES						
Laboratory	3,093,885	2,933,123	6,027,008	2,671,287	2,328,595	4,999,882
Radiology	1,745,687	3,985,892	5,731,579	1,718,242	3,980,128	5,699,137
Pharmacy	2,590,794	1,369,398	3,960,192	2,147,088	1,443,371	3,590,459
Cardiopulmonary	2,032,189	173,040	2,205,229	1,785,635	159,543	1,945,178
Speech/Occupational/Physical Therapy	254,597	1,290,219	1,544,816	239,411	1,167,012	1,406,423
Dialysis	45,059	1,318,755	1,363,814	41,053	1,241,119	1,282,172
MRI	148,155	997,380	1,145,535	83,319	846,061	929,380
Electrocardiology	569,071	518,734	1,087,805	511,268	463,259	974,527
Behavioral Health	1,059,601	-	1,059,601	624,196	-	624,196
Anesthesiology	107,131	376,047	483,178	117,628	359,370	476,998
Thomas Clinic	75	446,438	446,513	295	516,298	516,593
Franklinton Clinic	-	363,480	363,480	-	291,059	291,059
Mammography	447	218,649	219,096	1,104	232,218	233,322
Electroencephalography	15,040	191,202	206,242	28,161	130,948	159,109
Chemotherapy	335	169,113	169,448	408	132,458	132,866
Diabetic Education	-	1,176	1,176	-	-	-
Dietary	-	340	340	-	-	-
	<u>11,662,066</u>	<u>14,352,986</u>	<u>26,015,052</u>	<u>9,969,095</u>	<u>13,291,439</u>	<u>23,261,301</u>
Totals	\$ 16,363,065	\$ 18,591,685	\$ 34,954,750	\$ 14,255,275	\$ 16,755,493	\$ 31,011,535

See independent auditor's report on supplementary information.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a
RIVERSIDE MEDICAL CENTER

SCHEDULE II
SCHEDULE OF OTHER REVENUE

	For The Years Ended	
	December 31,	
	2002	2001
OTHER REVENUE		
RHPA - Dispro	\$ 247,016	\$ 1,302,792
Cafeteria	36,916	37,668
Other	23,669	12,742
Concessions	5,534	2,040
Medical Records	1,153	596
Total Other Revenue	<u>\$ 314,288</u>	<u>\$ 1,355,838</u>

See independent auditor's report on supplementary information.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a
RIVERSIDE MEDICAL CENTER

SCHEDULE III
SCHEDULE OF SALARIES BY DEPARTMENT

Department	For The Years Ended December 31,	
	2002	2001
Medical and Surgical	\$ 624,408	\$ 598,262
Behavioral Health	400,946	284,274
Nursing Administration	390,164	384,644
Intensive Care	369,333	365,357
Laboratory	338,181	301,628
Business Office	327,615	294,553
Emergency Services	305,082	282,322
Thomas Clinic	297,320	318,965
Radiology	265,206	253,444
Anesthesiology	242,345	220,382
Operating Rooms	240,863	198,213
Cardiopulmonary	236,226	233,924
Physical Therapy	234,530	230,472
Franklinton Clinic	185,463	283,684
Health Information	145,312	137,894
Dietary	144,119	140,681
Plant Operations	132,684	111,749
Accounting	130,733	118,428
Administration	129,642	144,265
Environmental Services	122,953	113,558
Social Services	77,426	41,788
Dialysis	76,101	-
Human Resources	73,332	61,893
Nuclear Medicine	69,965	62,555
Materials Management	54,502	55,735
Ultrasound	52,516	57,465
Communications	49,183	46,870
Cat Scan	47,527	43,718
Quality Assurance	47,314	78,197
Occupational Therapy	45,614	22,904

See independent auditor's report on supplementary information.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a
RIVERSIDE MEDICAL CENTER

SCHEDULE III
SCHEDULE OF SALARIES BY DEPARTMENT (Continued)

Department	For The Years Ended December 31,	
	2002	2001
Chemotherapy	44,199	41,749
Speech Therapy	43,905	42,247
Marketing	38,866	37,902
Computer Services	35,416	32,411
Security	34,469	32,204
Electrocardiology	32,264	29,655
Mammography	16,569	24,892
Risk Management	9,244	28,019
Electroencephalography	5,262	4,487
Echo/Dopp	3,342	3,215
Physician Specialty	813	699
Swing Bed	652	676
	<u>\$ 6,121,606</u>	<u>\$ 5,765,980</u>

See independent auditor's report on supplementary information.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a
RIVERSIDE MEDICAL CENTER

SCHEDULE IV
SCHEDULE OF OUTSIDE SERVICES BY DEPARTMENT

Department	For The Years Ended December 31,	
	2002	2001
MRI	\$ 393,673	\$ 364,966
Administration	382,628	302,562
Pharmacy	244,366	218,105
Laboratory	190,505	136,451
Franklinton Clinic	149,295	1,393
Echo/Dopp	131,975	133,437
Behavioral Health	113,206	30,959
Dialysis	79,080	170,884
Medical and Surgical	77,967	357
Environmental Services	59,207	62,601
Emergency Services	53,271	13,801
Electroencephalography	52,511	47,822
Intensive Care	41,091	8,970
Accounting	27,631	25,885
Radiology	20,571	1,537
Computer Services	16,261	16,462
Plant Operations	16,194	15,904
Ultrasound	15,490	1,688
Business Office	15,318	7,836
Mammography	14,058	11,593
Thomas Clinic	11,639	14,741
Cat Scan	10,103	548
Quality Assurance	8,737	5,682
Marketing	8,667	2,650
Dietary	7,430	10,640
Nuclear Medicine	4,752	1,160
Operating Rooms	2,860	1,920
Social Services	2,500	2,500
Occupational Therapy	2,327	12,322
Diabetic Education	1,500	-

See independent auditor's report on supplementary information.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1

d/b/a

RIVERSIDE MEDICAL CENTER

SCHEDULE IV

SCHEDULE OF OUTSIDE SERVICES BY DEPARTMENT (Continued)

Department	For The Years Ended December 31,	
	2002	2001
Materials Management	1,283	1,283
Physician Annex	674	100
Speech Therapy	435	2,193
Cardiopulmonary	342	-
Human Resources	199	350
Anesthesiology	-	500
Home Health	-	400
Physical Therapy	(877)	(843)
	<u>\$ 2,156,869</u>	<u>\$ 1,629,358</u>

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 SUPPLIES AND OTHER EXPENSES BY DEPARTMENT

Department	For The Years Ended December 31,	
	2002	2001
Emergency Services	\$ 900,398	\$ 816,639
Pharmacy	832,040	832,899
Administration	633,581	482,921
Laboratory	425,236	333,414
Plant Operations	339,700	366,098
Central Service and Supplies	336,519	401,440
Dialysis	326,451	183,619
Cat Scan	293,898	283,917
Behavioral Health	152,493	394,990
Radiology	140,282	161,159
Business Office	123,614	112,118
Communications	111,347	111,421
Dietary	110,607	241,386
Nuclear Medicine	103,290	120,266
Marketing	92,524	77,998
Operating Rooms	92,350	43,908
Cardiopulmonary	89,965	81,914
Ultrasound	75,466	77,201
Environmental Services	70,080	61,607
Thomas Clinic	58,953	59,396
Accounting	56,905	54,370
Franklinton Clinic	43,216	50,794
Medical and Surgical	38,246	43,677
Physical Therapy	32,379	35,689
MRI	25,938	38,008
Health Information	25,161	23,695
Human Resources	23,000	11,841
Anesthesiology	17,045	15,956
Electrocardiology	15,450	14,845

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 SUPPLIES AND OTHER EXPENSES BY DEPARTMENT (Continued)

Department	For The Years Ended December 31,	
	2002	2001
Intensive Care	13,676	12,081
Mammography	13,055	14,546
Materials Management	9,233	7,374
Computer Services	6,005	5,022
Physician Annex	7,207	9,398
Chemotherapy	6,295	2,485
Quality Assurance	4,877	6,885
Occupational Therapy	4,359	4,952
Nursing Administration	3,411	3,544
Social Services	3,408	362
Speech Therapy	2,150	1,904
Physician Specialty	2,097	2,953
Electroencephalography	1,627	1,882
Risk Management	507	3,272
Swing Bed	69	97
Security	61	80
Diabetic Education	28	-
Home Health	-	(342)
	<u>\$ 5,664,199</u>	<u>\$ 5,609,682</u>

See independent auditor's report on supplementary information.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1

d/b/a

RIVERSIDE MEDICAL CENTER

SCHEDULE VI

GOVERNING BOARD EXPENSES

For The Year Ended December 31, 2002

	For The Years Ended December 31,	
	2002	2001
GOVERNING BOARD EXPENSES		
Lawrence A. McGuire	\$ 900	\$ 900
Charles Mike Cassidy	900	900
Wayne Knight	900	450
Dorothy M. Schilling	825	900
Lavern Jenkins	825	900
Glyn Breland	825	750
Willie Mae Johnson	750	750
James T. Thomas	525	750
James Cody, M.D.	300	-
Walter Sylvest	-	-
	<u>\$ 6,750</u>	<u>\$ 6,300</u>

See independent auditor's report on supplementary information.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a
RIVERSIDE MEDICAL CENTER

SCHEDULE VII
SCHEDULE OF INSURANCE POLICIES
For The Year Ended December 31, 2002

RISK COVERED	COVERAGE	PERIOD
Workers' Compensation	\$ 1,000,000	1/1/02 to 1/1/03
Medical Professional Liability - Total Limit	\$ 900,000	2/2/02 to 2/1/03
Any One Person Limit	\$ 100,000	2/2/02 to 2/1/03
[with the Louisiana Patients' Compensation Fund (LPCF) affording an additional \$400,000 in protection]		
Commercial General Liability - Total Limit	\$ 3,000,000	2/2/02 to 2/1/03
Any One Person Limit	\$ 1,000,000	2/2/02 to 2/1/03
Commercial Automobile	\$ 1,000,000	2/2/02 to 2/1/03
Commercial Property		
Hospital Complex - Total Blanket	\$ 18,915,000	2/2/02 to 2/1/03
Earthquake	\$ 5,000,000	2/2/02 to 2/1/03
Flood	\$ 2,500,000	2/2/02 to 2/1/03
Blanket Earnings/Expenses	\$ 4,321,060	2/2/02 to 2/1/03
Scheduled Position Bond	\$ 53,220	2/2/02 to 2/1/03
Director and Officers'	\$ 1,000,000	2/2/02 to 2/1/03
Computer and Data		
Hospital Complex	\$ 150,010	2/2/02 to 2/1/03
2004 Marvin Magee Drive	\$ 20,000	2/2/02 to 2/1/03
809 Riverside Drive	\$ 271,918	2/2/02 to 2/1/03
809 B Riverside Drive	\$ 20,000	2/2/02 to 2/1/03
Thomas Clinic Hwy 438	\$ 21,715	2/2/02 to 2/1/03
Data/Media Insured Locations	\$ 30,000	2/2/02 to 2/1/03
Employee Dishonesty		
Blanket	\$ 500,000	2/2/02 to 2/1/03
Money and Securities	\$ 5,000	2/2/02 to 2/1/03
Forgery or Alteration	\$ 50,000	2/2/02 to 2/1/03
Boiler and Machinery	\$ 10,000,000	2/2/02 to 2/1/03
Office Buildings		
803-805 Riverside	\$ 219,400	2/2/02 to 2/1/03
806 Riverside	\$ 121,700	2/2/02 to 2/1/03
806 B Riverside Drive - Building	\$ 988,000	2/2/02 to 2/1/03
806 B Riverside Drive- Furnishings	\$ 306,000	2/2/02 to 2/1/03
807-809 Riverside - Building	\$ 219,400	2/2/02 to 2/1/03
807-809 Riverside - Furnishings	\$ 11,100	2/2/02 to 2/1/03
2004 Marvin Magee Drive - Building	\$ 140,100	2/2/02 to 2/1/03
2004 Marvin Magee Drive - Furnishings	\$ 23,500	2/2/02 to 2/1/03
51704 Hwy 438 - Building	\$ 364,000	2/2/02 to 2/1/03
51704 Hwy 438 - Furnishings	\$ 51,000	2/2/02 to 2/1/03
809 Boat Ramp Road	\$ 119,600	2/2/02 to 2/1/03
Commercial Umbrella - Excess Liability (The Umbrella is not excess of Medical, Professional, or Directors and Officers Liability Insurance)	\$ 5,000,000	2/2/02 to 2/1/03

**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, 2002, and have issued our report thereon dated April 4, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 solely for the information and use of the Legislative Auditor of the State of Louisiana, the audit committee, management and others within the Hospital, and is not intended to be and should not be used by anyone other than these specified parties.



A Professional Accounting Corporation

April 4, 2003