

1607

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

Management's Discussion and Analysis and
Audits of Financial Statements

December 31, 2007 and 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 7/9/08



July 3, 2008

Office of Legislative Auditor
State of Louisiana
c/o Ms. Suzanne Elliott
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-3937

Dear Ms. Elliott:

I am writing to inform you of a revision to the Washington Parish Hospital Service District No. 1 d/b/a Riverside Medical Center audit report for years ended December 31, 2007 and 2006. The audit report was previously submitted to the Legislative Auditor on June 6, 2008. It was brought to my attention by management of the Hospital that certain reimbursed expenses were inadvertently included in the Supplementary Schedule III Governing Board Expenses located on page 25 of the audit report. We have made the appropriate revisions to the schedule and have submitted the revised audit report to the Office of Legislative Auditor.

Should you have any further questions, please do not hesitate to call.

Sincerely,
LAPORTE SEHRT ROMIG HAND

Gregory P. Romig, CPA
Director of Audit Services

GPR/dbp

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WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a
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Management's Discussion and Analysis

Our discussion and analysis of Washington Parish Hospital Service District No.1 d/b/a Riverside Medical Center's (the Hospital) financial performance provides an overview of the Hospital's financial activities for the fiscal years ended December 31, 2007 and 2006. Please read it in conjunction with the Hospital's financial statements in this report. Unless otherwise indicated, amounts are in thousands.

Financial Highlights (numbers in thousands)

- The Hospital's total assets increased by \$657 due to a combination of an increase in cash and a decrease in the reinsurance receivable.
- During the year, the Hospital's total operating revenues increased \$1,772 from prior year. The Hospital had an increase in operating expenses of \$2,607.
- The Hospital increased short term debt by \$693 and decreased long-term debt by \$630.
- The Hospital received gross reimbursement of Uncompensated Care under the State's Medicaid Program in the amount of \$2,216.

Required Financial Statements

The basic financial statements of the Hospital report information about the Hospital using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The Balance Sheets include the Hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). They also provide the basis for computing rate of return, evaluating the capital structure of the Hospital and assessing the liquidity and financial flexibility of the Hospital. All of the current year's revenues and expenses are accounted for in the Statements of Revenue, Expenses and Changes in Net Assets. These statements measure improvements in the Hospital's operations over the past two years and can be used to determine whether the Hospital has been able to recover all of its costs through its patient service revenue and other revenue sources. The final required financial statements are the Statements of Cash Flows. The primary purpose of these statements is to provide information about the Hospital's cash from operations, investing and financing activities, and to provide answers to such questions as where did cash come from, what was cash used for and what was the change in cash balance during the reporting period.

Financial Analysis of the Hospital

The Balance Sheets and the Statements of Revenue, Expenses, and Changes in Net Assets report information about the Hospital's activities. These two statements report the net assets of the Hospital and changes in them. Increases or decreases in the Hospital's net assets are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

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Management's Discussion and Analysis

Net Assets

A Summary of the Hospital's Balance Sheet is presented in Table 1 below:

TABLE 1
Condensed Balance Sheets
(In Thousands)

	<u>December 31,</u>		Dollar	Percentage
	2007	2006		
Total Current Assets	\$ 8,928	\$ 8,272	\$ 656	8%
Capital Assets, Net	7,079	7,183	(104)	-1%
Other Assets, Including Board- Designated Investments	1,109	1,004	105	10%
Total Assets	\$ 17,116	\$ 16,459	\$ 657	4%
Current Liabilities	\$ 3,191	\$ 2,498	\$ 693	28%
Long Term Debt Outstanding and Other Long-Term Liabilities	3,343	3,973	(630)	-16%
Total Liabilities	6,534	6,471	63	1%
Net Assets	10,582	9,988	594	6%
Total Liabilities and Net Assets	\$ 17,116	\$ 16,459	\$ 657	4%

As can be seen in Table 1, total assets increased from \$16,459 to \$17,116 in fiscal year 2007. The increase in total net assets is primarily a result of increased cash.

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Management's Discussion and Analysis

Summary of Revenue, Expenses and Changes in Net Assets

TABLE 2
Condensed Statements of Revenues, Expenses and Changes in Net Assets
(In Thousands)

	Years Ended December 31,	
	2007	2006
Net Patient Service Revenue	\$ 19,178	\$ 17,774
Other Revenue, Net	2,337	1,969
Total Operating Revenue	21,515	19,743
Salaries	8,546	7,197
Employee Benefits	2,925	2,521
Supplies and Other	6,939	6,418
Purchased Services	2,305	2,061
Depreciation and Amortization	949	859
Total Operating Expenses	21,664	19,056
(Loss) Gain from Operations	(149)	687
Non-Operating Income	743	646
Excess of Revenues Over Expenses	594	1,333
Net Assets - Beginning of Year	9,988	8,655
Net Assets - End of Year	<u>\$ 10,582</u>	<u>\$ 9,988</u>

Sources of Revenue

Operating Revenue

During fiscal year 2007, the Hospital derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payors, who receive care in the Hospital's facilities. Reimbursement for the Medicare and Medicaid programs and the third-party payors is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other Operating Revenue is primarily comprised of reimbursement for Uncompensated Care under the State's Medicaid program.

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Management's Discussion and Analysis

Table 3 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended December 31, 2007 and 2006.

TABLE 3
Payor Mix by Percentage

	Year Ended December 31,	
	2007	2006
Managed Care/Commercial Insurance	30%	28%
Medicare	50	52
Medicaid	12	12
Self-Pay and Other	8	8
Total Patient Revenues	<u>100%</u>	<u>100%</u>

Non-Operating Income

The Hospital holds designated and restricted funds in its Balance Sheets that are invested primarily in money market funds. These investments earned \$13 during the year 2007. These earnings were more than prior years due to increased cash balances.

Operating and Financial Performance

The following summarizes the Hospital's Statements of Revenue, Expenses and Changes in Net Assets between 2007 and 2006:

Overall activity at the Hospital, as measured by combined acute patient and swing bed patient discharges, increased to 946 discharges in 2007, from 929 discharges in 2006. Combined patient days decreased from 3,137 in 2006, to 3,120 in 2007. As a result, the average length of stay for acute care and swing bed patients was 3.31 days in 2007.

Total net patient service revenue increased by \$1,404 in 2007. The increase in net patient service revenues is a result of increases in outpatient revenues and increased reimbursement from the Medicare program during 2007. Net days in accounts receivable decreased from 64.28 days in 2006, to 59.57 days in 2007.

Salaries increased by \$1,349 from the prior year, due to salary increases and increases in staff. Employee benefits have increased primarily due to increased employee health insurance costs and increased staff.

The cost of supplies and materials increased by \$521, particularly for patient medical supplies and pharmacy drugs.

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Depreciation expense was \$948. Interest expense decreased by \$34 for the year ended December 31, 2007, as a direct result of debt service.

Provision for bad debts increased \$1,032 over prior year due to increased uninsured and underinsured patients. Non-operating income consists of Ad Valorem taxes received for debt services, interest earnings on funds, and rental income.

Capital Assets

The Hospital's capital assets activities are included in Table 4 below:

TABLE 4
Capital Assets
(In Thousands)

	December 31,		Dollar Change	Percentage Change
	2007	2006		
Land Improvements	\$ 883	\$ 849	\$ 34	4%
Buildings	10,794	10,600	194	2%
Vehicles	18	18	-	0%
Equipment	6,213	6,788	(575)	-8%
Subtotal	17,908	18,255	(347)	-2%
Less: Accumulated Depreciation and Amortization	11,339	11,191	148	1%
Construction in Progress	467	76	391	514%
Land	43	43	(0)	0%
Net Property, Plant and Equipment	\$ 7,079	\$ 7,183	\$ (105)	-1%

Net property, plant and equipment has decreased, for the year ended December 31, 2007, due to the deletion of old equipment and increased accumulated depreciation.

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Management's Discussion and Analysis

Long-Term Debt

At year-end, the Hospital had \$6,534 in short-term and long-term debt. This has increased by \$63 in fiscal year 2007, due to the increases in current liabilities. More detailed information about the Hospital's long-term liabilities is presented in the notes to financial statements.

Contacting the Hospital's Financial Manager

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Hospital Administration at 985-795-4180.



Independent Auditor's Report

To the Board of Commissioners
Washington Parish Hospital Service District No. 1,
d/b/a Riverside Medical Center
Franklinton, Louisiana

We have audited the accompanying financial statements of Washington Parish Hospital Service District No. 1, d/b/a Riverside Medical Center (the Hospital), a component unit of the Washington Parish Police Jury, as of and for the years ended December 31, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of Washington Parish Hospital Service District No. 1, d/b/a Riverside Medical Center's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 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, 2007 and 2006, and the changes in financial position and 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 May 28, 2008, on our consideration of Washington Parish Hospital Service District No. 1, d/b/a Riverside Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

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

Schultz, Felt, Long & Neal

A Professional Accounting Corporation

May 28, 2008

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a
RIVERSIDE MEDICAL CENTER
Balance Sheets
December 31, 2007 and 2006

	2007	2006
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 4,886,103	\$ 3,946,322
Short-Term Investments	460,710	433,724
Patient Accounts Receivable, Less Allowance for Doubtful Accounts of \$1,452,176 and \$1,050,938 , Respectively	3,129,863	3,129,955
Inventory Supplies, at Cost	269,805	265,155
Prepaid Expenses and Other Current Assets	181,606	497,080
Total Current Assets	8,928,087	8,272,236
Non-Current Cash and Investments		
Project Building Fund, Series 1999 Bonds For Debt Retirement	31,819	42,827
Revenue Bonds, Series 1987	693,986	644,311
General Obligation Bonds, Series 1999	317,046	262,955
Revenue Bonds, Series 2003	65,955	53,848
Total Non-Current Cash and Investments	1,108,806	1,003,941
Capital Assets		
Land	42,921	42,921
Depreciable Capital Assets, Net of Accumulated Depreciation	7,036,512	7,140,209
Total Capital Assets, Net of Accumulated Depreciation	7,079,433	7,183,130
Total Assets	\$ 17,116,326	\$ 16,459,307

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

	2007	2006
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 853,051	\$ 699,897
Current Maturities of Long-Term Debt	592,377	537,973
Accrued Salaries	889,327	714,431
Other Accrued Expenses	408,451	217,071
Accrued Interest Payable	39,758	46,058
Estimated Third-Party Payor Settlements	380,936	217,907
Refunds Due Patients	-	335
Current Maturities of Capital Lease Obligations	27,318	64,305
Total Current Liabilities	3,191,218	2,497,977
Long-Term Debt	3,308,636	3,922,359
Long-Term Obligations of Capital Leases	34,528	50,917
Total Liabilities	6,534,382	6,471,253
Net Assets		
Invested in Capital Assets, Net of Related Debt	3,116,574	2,650,404
Restricted		
For Debt Service	1,537,697	1,394,838
Expendable for Capital Acquisitions	31,819	42,827
Unrestricted	5,895,854	5,899,985
Total Net Assets	10,581,944	9,988,054
Total Liabilities and Net Assets	\$ 17,116,326	\$ 16,459,307

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a
RIVERSIDE MEDICAL CENTER
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended December 31, 2007 and 2006

	2007	2006
Operating Revenues		
Net Patient Service Revenue, Net of Provision for Bad Debts of \$3,449,930 in 2007, and \$2,418,117 in 2006	\$ 19,177,680	\$ 17,774,126
Other	2,337,381	1,968,739
Total Operating Revenues	21,515,061	19,742,865
Operating Expenses		
Salaries	8,546,129	7,197,054
Supplies and Other Expense	6,939,407	6,418,577
Employee Benefits	2,924,568	2,520,696
Outside Services	2,304,790	2,060,972
Depreciation and Amortization	948,730	858,836
Total Operating Expenses	21,663,624	19,056,135
Operating (Loss) Income	(148,563)	686,730
Non-Operating Revenues (Expenses)		
Ad Valorem Taxes	581,974	532,500
Rental Income	130,479	130,307
Interest Income	224,249	211,609
Interest Expense	(194,249)	(227,850)
Total Non-Operating Revenues	742,453	646,566
Increase in Net Assets	593,890	1,333,296
Net Assets, Beginning of Year	9,988,054	8,654,758
Net Assets, End of Year	\$ 10,581,944	\$ 9,988,054

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

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a
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Statements of Cash Flows
Years Ended December 31, 2007 and 2006

	2007	2006
Cash Flows from Operating Activities		
Receipts from Patients and Third-Party Payors	\$ 21,677,846	\$ 19,516,033
Payments to Suppliers	(8,587,692)	(8,308,649)
Payments to Employees	(11,295,801)	(9,615,803)
Net Cash Provided by Operating Activities	1,794,353	1,591,581
Cash Flows from Non-Capital Financing Activities		
Ad Valorem Taxes	581,974	532,500
Net Cash Provided by Non-Capital Financing Activities	581,974	532,500
Cash Flows from Investing Activities		
Investment Income	354,727	341,917
Cash Invested in Assets Whose Use is Restricted	(131,851)	(88,834)
Net Cash Provided by Investing Activities	222,876	253,083
Cash Flows from Capital and Related Financing Activities		
Purchases of Capital Assets	(258,447)	(158,096)
Purchases of Construction in Progress	(574,470)	(111,159)
Interest Paid on Debt Obligations	(200,549)	(234,690)
Repayment on Long-Term Debt	(125,595)	(119,804)
Repayment of Bonds	(433,724)	(413,831)
Payment of Capital Lease Obligations	(66,637)	(89,256)
Net Cash Used in Capital and Related Financing Activities	(1,659,422)	(1,126,836)
Net Increase in Cash and Cash Equivalents	939,781	1,250,328
Cash and Cash Equivalents - Beginning of Year	3,946,322	2,695,994
Cash and Cash Equivalents - End of Year	\$ 4,886,103	\$ 3,946,322

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)
Years Ended December 31, 2007 and 2006

	2007	2006
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating (Loss) Income	\$ (148,563)	\$ 686,730
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities		
Depreciation and Amortization	948,730	858,836
Provision for Doubtful Accounts	3,449,930	2,418,117
Changes in:		
Patients Accounts Receivable	(3,449,838)	(3,183,574)
Inventory	(4,650)	(20,199)
Loss on Disposal of Equipment	1,145	-
Prepaid Expenses and Other Expenses	315,475	(27,731)
Estimated Third-Party Payor Settlements	163,029	842,898
Accounts Payable	153,154	66,694
Accrued Salaries	174,896	101,947
Refunds Due Patients	(335)	-
Other Accrued Expenses	191,380	(152,137)
Net Cash Provided by Operating Activities	\$ 1,794,353	\$ 1,591,581
Supplemental Disclosures of Non-Cash Financing and Investing Activities		
Assets Acquired Through Capital Lease	\$ 13,261	\$ -

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

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a
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Notes to Financial Statements

Note 1. 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 Councilman.

As the governing authority of the Parish, for reporting purposes, the Washington Parish Councilman is the financial reporting entity for Washington Parish. The financial reporting entity consists of (a) the primary government (councilman), (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 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. These criteria include:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the councilman 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 councilman.
2. Organizations for which the councilman does not appoint a voting majority but are fiscally dependent on the councilman.
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 councilman 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 Councilman. The basic financial statements present information only on the funds maintained by the Hospital and do not present information on the councilman, 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
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Notes to Financial Statements

Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies
(Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Enterprise Fund Accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. 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 restricted as to use by Board designation, other arrangements under trust agreements, or with third-party payors.

Restricted Assets

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

Capital Assets

The Hospital's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of contribution, which is then treated at 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 using these asset lives: land improvements, 15 to 20 years; buildings and building improvements, 20 to 40 years; and equipment, computers and furniture, 3 to 7 years. Equipment held under capital lease is amortized on the straight-line method over the shorter of the lease term or estimated useful lives of the assets.

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Notes to Financial Statements

**Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies
(Continued)**

Inventory

Inventory is valued at the lower of cost or market, using the first-in, first-out method.

Costs of Borrowing

Except for capital assets acquired through gifts, contributions, or capital grants, 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.

Restricted Resources

The Hospital first applies restricted resources when expenditures are incurred for purposes for which both restricted and unrestricted net assets are available.

Net Assets

Net assets represent the difference between assets and liabilities. Net asset classifications are defined as follows:

Net Assets Invested in Capital Assets, Net of Related Debt - Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt is reduced by unspent debt proceeds.

Restricted Expendable Net Assets - Consists of non-capital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital, including amounts deposited with trustees as required by revenue bond indentures.

Unrestricted Net Assets - This component of net assets consists of constraints placed on net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt," as described above.

Operating Revenue and Expenses

The Hospital's Statements of Revenues, Expenses and Changes in Net Assets distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services - the Hospital's principal activity. Non-exchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1

d/b/a

RIVERSIDE MEDICAL CENTER

Notes to Financial Statements

**Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies
(Continued)**

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. 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 year ended December 31, 2007 and 2006, totaled \$48,951 and \$40,599, respectively.

Compensated Absences

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 hours 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, 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.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accidental benefits. Commercial insurance coverage is purchased for claims arising from such matters.

Investment in Debt and Equity Securities

Investments in debt and equity securities are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized costs. Interest, dividends, gains and losses, both realized and unrealized, on investments in debt and equity securities are included in non-operating revenue when earned.

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

Notes to Financial Statements

Note 2. Bank Deposits

State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. The Hospital's bylaws require that all bank balances be insured or collateralized by U.S. government securities held by the pledging financial institution's trust department in the name of the Hospital.

The carrying amounts of deposits and investments are included in the Hospital's Balance Sheets as follows:

	2007	2006
Carrying Amount		
Deposits	<u>\$ 6,455,529</u>	<u>\$ 5,383,987</u>
Included in the Following Balance Sheet Captions		
Cash and Cash Equivalents	\$ 4,886,103	\$ 3,946,322
Short-Term Investments	460,710	433,724
Noncurrent Cash and Investments		
Project Building Fund, Series 1999 Bonds	31,819	42,827
Revenue Bond, Series 1987	693,896	644,311
General Obligation Bonds, Series 1999	317,046	262,955
Revenue Bonds, Series 2003	<u>65,955</u>	<u>53,848</u>
Total	<u>\$ 6,455,529</u>	<u>\$ 5,383,987</u>

The Hospital's balances were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the Hospital's name.

Note 3. 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. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. 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 \$93,093 and \$144,067 as of December 31, 2007 and 2006, respectively.

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

Notes to Financial Statements

Note 4. Accounts Receivable and Payable

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a timely basis. Management estimates the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Hospital at December 31, 2007 and 2006, consisted of these amounts:

<u>Patient Accounts Receivable</u>	<u>2007</u>	<u>2006</u>
Receivable from Patients and their Insurance Carriers	\$ 3,346,937	\$ 2,807,948
Receivable from Medicare	875,415	1,176,826
Receivable from Medicaid	<u>359,687</u>	<u>196,119</u>
Total Patient Accounts Receivable	4,582,039	4,180,893
Less: Allowance for Uncollectible Amounts	<u>1,452,176</u>	<u>1,050,938</u>
Patient Accounts Receivable, Net	<u>\$ 3,129,863</u>	<u>\$ 3,129,955</u>

<u>Accounts Payable and Accrued Expenses</u>	<u>2007</u>	<u>2006</u>
Payable to Employees (Including Payroll Taxes)	\$ 889,327	\$ 714,431
Payable to Suppliers	853,051	699,897
Other	<u>408,451</u>	<u>217,071</u>
Total Accounts Payable and Accrued Expenses	<u>\$ 2,150,829</u>	<u>\$ 1,631,399</u>

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

Notes to Financial Statements

Note 5. Capital Assets

Capital assets by major category are as follows:

	January 1, 2007	Additions	Transfers and Disposals	December 31, 2007
Land	\$ 42,921	\$ -	\$ -	\$ 42,921
Construction in Progress	75,872	574,470	(183,743)	466,599
Land Improvements	849,254	23,635	10,350	883,239
Buildings	10,599,691	56,547	137,359	10,793,597
Equipment	6,806,811	191,526	(766,067)	6,232,270
Totals at Historical Cost	18,374,549	846,178	(802,101)	18,418,626
Less: Accumulated Depreciation for:				
Land Improvements	336,274	43,626	-	379,900
Buildings	5,470,087	524,817	(7,056)	5,987,848
Equipment	5,385,058	380,287	(793,900)	4,971,445
Total Accumulated Depreciation	11,191,419	948,730	(800,956)	11,339,193
Capital Assets, Net	\$ 7,183,130	\$ (102,552)	\$ (1,145)	\$ 7,079,433

	January 1, 2006	Additions	Transfers and Disposals	Reclass	December 31, 2006
Land	\$ 42,921	\$ -	\$ -	\$ -	\$ 42,921
Construction in Progress	945,200	111,159	(980,487)	-	75,872
Land Improvements	365,238	12,595	47,516	423,905	849,254
Buildings	10,723,085	17,973	293,530	(434,897)	10,599,691
Equipment	7,391,700	127,528	(723,409)	10,992	6,806,811
Totals at Historical Cost	19,468,144	269,255	(1,362,850)	-	18,374,549
Less: Accumulated Depreciation for:					
Land Improvements	245,250	41,482	-	49,542	336,274
Buildings	4,757,414	496,345	-	216,328	5,470,087
Equipment	6,692,766	321,009	(1,362,847)	(265,870)	5,385,058
Total Accumulated Depreciation	11,695,430	858,836	(1,362,847)	-	11,191,419
Capital Assets, Net	\$ 7,772,714	\$ (589,581)	\$ (3)	\$ -	\$ 7,183,130

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
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Notes to Financial Statements

Note 6. Long-Term Debt and Other Noncurrent Liabilities

A schedule of changes in the Hospital's non-current liabilities for 2007 follows:

	January 1, 2007	Borrowings	Payments	December 31, 2007	Due Within One Year
General Obligation Bond, Series 1999, floating interest rate, 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.	\$ 3,150,000	\$ -	\$ (330,000)	\$ 2,820,000	\$ 350,000
Revenue Bonds, Series 1987, 5%, payable in equal, annual installments of \$53,220, including interest through 2012.	269,928	-	(39,724)	230,204	41,710
Revenue Bonds, Series 2003, 5.75%, annual principal installments due March 1 of each year, semi-annual installments of interest due March 1 and September 1 of each year through 2013.	525,000	-	(64,000)	461,000	69,000
Note Payable for the acquisition of equipment, repayable in monthly installments totaling \$12,273, including interest at 4.73%.	515,405	-	(125,596)	389,809	131,667
Capital Lease Obligation for the acquisition of equipment, repayable in monthly installments totaling \$1,554, including interest at 5.195%.	13,684	-	(13,684)	-	-
Capital Lease Obligation for the acquisition of equipment, repayable in monthly installments totaling \$2,946, including interest at 5.22%.	25,943	-	(25,943)	-	-
Capital Lease Obligation for the acquisition of equipment, repayable in monthly installments totaling \$1,640.	65,600	-	(19,680)	45,920	19,680
Capital Lease Obligation for the acquisition of equipment, repayable in monthly installments totaling \$416, including interest at 0.0%.	9,994	-	(4,997)	4,997	4,997
Capital Lease Obligation for the acquisition of equipment, repayable in monthly installments totaling \$288, including interest at 15.6%.	-	8,239	(1,696)	6,543	2,641
Capital Lease Obligation for the acquisition of equipment, repayable in monthly installments totaling \$105, including interest at 0.0%.	-	5,022	(636)	4,386	-
	<u>\$ 4,575,554</u>	<u>\$ 13,261</u>	<u>\$ (625,956)</u>	<u>\$ 3,962,859</u>	<u>\$ 619,695</u>

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

Notes to Financial Statements

Note 6. Long-Term Debt and Other Noncurrent Liabilities (Continued)

A schedule of changes in the Hospital's non-current liabilities for 2006 follows:

	January 1, 2006	Borrowings	Payments	December 31, 2006	Due Within One Year
General Obligation Bond, Series 1999, floating interest rate, 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.	\$ 3,465,000	\$ -	\$ (315,000)	\$ 3,150,000	\$ 330,000
Revenue Bonds, Series 1987, 5%, payable in equal, annual installments of \$53,220, including interest through 2012.	307,759	-	(37,831)	269,928	39,723
Revenue Bonds, Series 2003, 5.75%, annual principal installments due March 1 of each year, semi-annual installments of interest due March 1 and September 1 of each year through 2013.	586,000	-	(61,000)	525,000	64,000
Note Payable for the acquisition of equipment, repayable in monthly installments totaling \$12,273, including interest at 4.73%.	635,210	-	(119,805)	515,405	104,250
Capital Lease Obligation for the acquisition of equipment, repayable in monthly installments totaling \$1,554, including interest at 5.195%.	31,121	-	(17,437)	13,684	13,684
Capital Lease Obligation for the acquisition of equipment, repayable in monthly installments totaling \$2,946, including interest at 5.22%.	58,995	-	(33,052)	25,943	25,944
Capital Lease Obligation for the acquisition of equipment, repayable in monthly installments totaling \$1,612, including interest at 7.072%.	14,091	-	(14,091)	-	-
Capital Lease Obligation for the acquisition of equipment, repayable in monthly installments totaling \$1,640.	85,280	-	(19,680)	65,600	19,680
Capital Lease Obligation for the acquisition of equipment, repayable in monthly installments totaling \$416, including interest at 0.0%.	14,991	-	(4,997)	9,994	4,997
	<u>\$ 5,198,447</u>	<u>\$ -</u>	<u>\$ (622,893)</u>	<u>\$ 4,575,554</u>	<u>\$ 602,278</u>

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

Notes to Financial Statements

Note 6. Long-Term Debt and Other Noncurrent Liabilities (Continued)

Scheduled principal and interest repayments on long-term debt and payments on capital lease obligations are as follows:

Year Ending December 31:	Long-Term Debt		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2008	\$ 592,377	\$ 165,087	\$ 27,318	\$ 836
2009	617,827	137,468	24,479	396
2010	621,095	108,628	8,587	22
2011	526,284	81,652	1,462	-
2012	552,430	57,211	-	-
2013-2017	991,000	41,465	-	-
Total	\$ 3,901,013	\$ 591,511	\$ 61,846	\$ 1,254

Interest expense incurred on long-term debt in 2007 and 2006, was \$194,249 and \$227,850, 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 1, the Hospital is required to set aside funds monthly. These deposits are to continue until the accumulated funds equal the highest annual debt service payable in any year.

The proceeds from the 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.

The 2003 Revenue Bonds are secured by bonds in the amount of \$700,000, and a pledge of revenues from the operation of the Hospital. The proceeds are restricted for the purpose of paying a portion of the costs of constructing and acquiring improvements and renovations to the Hospital.

During the year ended December 31, 2005, the Hospital acquired equipment under the terms of an equipment installment purchase agreement. The amount of equipment acquired totaled \$654,548 and the obligation is payable in 60 monthly installments totaling \$12,273 per month, including interest at 4.73%. The obligation is secured by equipment.

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

Notes to Financial Statements

Note 7. Leases

The Hospital is obligated under certain non-cancelable operating leases for various equipment. Amounts paid under these leases totaled \$477,726 and \$364,090 for the years ended December 31, 2007 and 2006, respectively. Future minimum operating lease payments are as follows:

Year Ending December 31:	Amount
2008	\$ 515,599
2009	496,742
2010	399,310
2011	242,059
2012	158,590
Total	<u>\$ 1,812,300</u>

The Hospital leases office space to certain doctors. Rental income received under these arrangements totaled \$130,479 and \$130,307 for the years ended December 31, 2007 and 2006, respectively.

Note 8. Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from established rates. A summary of the payment arrangements with major third-party payors follows:

- Medicare - Effective July 1, 2004, the Hospital was approved for "critical access" status under the Medicare Rural Hospital Flexibility Program. The program allows States to designate rural facilities as "critical access hospitals" if they are located a sufficient distance from other hospitals, make available 24-hour emergency care, maintain no more than 25 inpatient beds, and keep inpatients no longer than 96 hours (except where weather or emergency conditions dictate, or a Peer Review Organization waives the limit). Payments for inpatient/outpatient services under critical access are on the basis of reasonable costs.

Prior to July 1, 2004, the Hospital was paid for inpatient acute care services rendered to Medicare program beneficiaries under prospectively determined rates-per-discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The prospectively determined classification of patients and the appropriateness of the patients' admissions are subject to a validation review by a Medicare peer review organization, which is under contract with the Hospital to perform such reviews.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1

d/b/a

RIVERSIDE MEDICAL CENTER

Notes to Financial Statements

Note 8. Net Patient Service Revenue (Continued)

The Hospital was paid for inpatient psychiatric care services rendered to Medicare program beneficiaries under cost reimbursement methodologies and are subject to cost report settlement. These services were provided through May 31, 2004.

Outpatient services were paid via cost reimbursement methodologies, fee schedule limitations, or cost/fee blending methodologies before August 1, 2000. After August 1, 2000, cost based and cost/fee blending reimbursed services are paid at predetermined outpatient rates, subject to certain stop-loss provisions referred to by Medicare as the transitional corridor. The transitional corridor limits potential reductions in reimbursement caused by the implementation of the outpatient prospective payment system through July 1, 2004. Cost reimbursed outpatient services are paid at a tentative rate, with final settlement determined after submission of annual cost reports by the Hospital and audits performed thereof by the Medicare fiscal intermediary. Outpatient services subject to the outpatient prospective payment system are not subject to cost report settlement with several exceptions, and without regard to the transitional corridor.

The Hospital's Medicare cost reports have been audited or reviewed by the Medicare fiscal intermediary through December 31, 2005.

- Medicaid - Inpatient care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per day. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed 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, 2003.

Revenue from the Medicare and Medicaid programs accounted for approximately 45 percent and 9 percent, respectively, of the Hospital's net patient revenue for the year ended 2007, and 45 percent and 8 percent, respectively, of the Hospital's net patient revenue, for the year ended 2006. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates-per-discharge, discounts from established charges, and prospectively determined daily rates.

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

Notes to Financial Statements

Note 8. Net Patient Service Revenue (Continued)

Since the Hospital serves a disproportionate share of low-income patients, it qualifies for Medicaid Disproportionate Share reimbursements. Gross Medicaid Disproportionate Share reimbursements of \$2,216,367 and \$1,769,102 were received in the Hospital's years ended December 31, 2007 and 2006, respectively.

These amounts are subject to audit by the State of Louisiana. It is possible that settlement amounts may arise as a result of such audits. Management has not established an estimated liability for such retroactive adjustments as of December 31, 2007.

Presented below is a summary of net patient service revenue for the years ended December 31, 2007 and 2006.

	2007	2006
Gross Patient Service Revenue	\$ 45,856,788	\$ 41,496,194
Less: Provision for Contractual Adjustments	(23,229,178)	(21,303,951)
Less: Provision for Bad Debts	(3,449,930)	(2,418,117)
Total	\$ 19,177,680	\$ 17,774,126

Note 9. 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, of \$875,415 and \$1,176,826 due from the Federal Government (Medicare) at December 31, 2007 and 2006, respectively, and \$359,687 and \$196,119 due from the State of Louisiana (Medicaid) at December 31, 2007 and 2006, respectively.

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

Notes to Financial Statements

Note 10. 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. Under the plan, the maximum deferral offered to the employees is \$15,000, as defined in the plan agreement. The Hospital is required to match 100% of the employees' deferral, not to exceed 5% of the employees' salary of \$15,000. Participants become fully vested after five years, with no graduated vesting occurring between years one through four. Employer contributions were \$205,395 and \$186,463 during 2007 and 2006, respectively.

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 11. Commitments

As of December 31, 2007, the Hospital is contractually committed under a professional service contract for the management of its pharmacy. Minimum fees payable under this contract are as follows:

2008	\$ 53,368
2009	<u>13,533</u>
Total	<u>\$ 66,901</u>

Note 12. Contingencies

The Hospital evaluates contingencies based upon the best available evidence. The Hospital believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts, which vary, from the Hospital's estimates, future earnings will be charged or credited.

The principal contingencies are described below.

Third Party Cost-Based Charges

The Hospital is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as a result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

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

Notes to Financial Statements

Note 12. Contingencies (Continued)

Professional Liability Risk

The Hospital is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund.

Workmen's Compensation Risk

The Hospital participated in the Louisiana Hospital Association Self-Insurance Workmen's Compensation Trust Fund in 2007 and 2006. Should the fund's assets not be adequate to cover claims made against it, the Hospital may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. Accordingly, the Hospital is contingently liable for assessments by the Louisiana Hospital Association Trust Fund. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The Hospital has included these allocations of equity in the trust in its financial statements.

Laws and Regulations

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in exclusion from government healthcare program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Hospital is subject to similar regulatory reviews, management believes the outcome of any such regulatory review will not have a material adverse effect on the Hospital's financial position.

Note 13. 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 14. Ad Valorem Taxes

The Hospital has a levy of 9.50 mill Ad Valorem tax. Ad Valorem taxes make up approximately 2.6% in 2007 and 2.5% in 2006 of the District's financial support. These funds are used for debt service.



Independent Auditor's Report on Supplementary Information

To the Board of Commissioners
Washington Parish Hospital Service District No. 1
d/b/a Riverside Medical Center
Franklinton, Louisiana

Our report on our audits of the basic financial statements of Washington Parish Hospital Service District No. 1, d/b/a Riverside Medical Center, a component unit of the Washington Parish Councilman, for the years ended December 31, 2007 and 2006, appears on page 1. These audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information that follows on pages 23 - 26 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A Professional Accounting Corporation

May 28, 2008

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WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a
RIVERSIDE MEDICAL CENTER
Net Patient Service Revenue
Years Ended December 31, 2007 and 2006

	2007			2006
	Inpatient	Outpatient	Total	Total
Daily Patient Services				
Medical and Surgical	\$ 1,258,424	\$ 210,204	\$ 1,468,628	\$ 1,474,419
Intensive Care	229,625	-	229,625	155,310
	<u>1,488,049</u>	<u>210,204</u>	<u>1,698,253</u>	<u>1,629,729</u>
Other Nursing Services				
Emergency Services	868,752	5,089,295	5,958,047	5,105,435
Operating and Recovery Rooms	270,806	2,765,451	3,036,257	3,062,816
Central Services and Supply	786,558	1,531,315	2,317,873	2,082,233
	<u>1,926,116</u>	<u>9,386,061</u>	<u>11,312,177</u>	<u>10,250,484</u>
Other Professional Services				
Laboratory	1,417,007	8,251,309	9,668,316	9,020,612
Pharmacy	1,731,802	3,769,777	5,501,579	5,707,483
Cat Scan	423,906	4,108,174	4,532,080	3,753,073
Cardiopulmonary	1,223,480	640,300	1,863,780	1,536,778
Radiology	191,657	1,657,314	1,848,971	1,736,210
MRI	71,913	1,330,563	1,402,476	1,404,736
Speech/Occupational/Physical Therapy	54,490	1,224,147	1,278,637	1,422,174
Nuclear Medicine	116,121	948,357	1,064,478	938,060
Ultrasound	99,898	832,105	932,003	862,576
Ped/intern Clinic	-	831,303	831,303	-
Echo & Doppler	195,783	453,848	649,631	478,658
Woundcare	1,490	552,680	554,170	246,800
Electrocardiology	126,228	424,538	550,766	517,660
Anesthesiology	103,488	446,812	550,300	548,620
Franklinton Clinic	123,105	404,424	527,529	453,839
Chemotherapy	486	378,298	378,784	262,195
Electroencephalography	4,653	364,962	369,615	358,791
Mammography	771	290,685	291,456	318,962
Dietary	20,196	3,400	23,596	23,291
Dialysis	12,684	4,228	16,912	13,288
Diabetic Education	-	9,976	9,976	12,175
	<u>5,919,158</u>	<u>26,927,200</u>	<u>32,846,358</u>	<u>29,615,981</u>
Totals	<u>\$ 9,333,323</u>	<u>\$ 36,523,465</u>	<u>45,856,788</u>	<u>41,496,194</u>
Less: Contractual Adjustments			23,229,178	21,303,951
Less: Provision for Bad Debts			3,449,930	2,418,117
Net Patient Service Revenue			<u>\$ 19,177,680</u>	<u>\$ 17,774,126</u>

See independent auditor's report on supplementary information.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a
RIVERSIDE MEDICAL CENTER
Other Revenue
Years Ended December 31, 2007 and 2006

	2007	2006
Other Revenue		
RHPA - Dispro	\$ 2,216,367	\$ 1,769,102
Other	66,389	149,261
Cafeteria	45,525	41,484
Concessions	9,100	8,892
Total Other Revenue	\$ 2,337,381	\$ 1,968,739

See independent auditor's report on supplementary information.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1

d/b/a

RIVERSIDE MEDICAL CENTER

Governing Board Expenses

Years Ended December 31, 2007 and 2006

	2007	2006
Governing Board Expenses		
Wayne Knight	\$ 900	\$ 900
Lavern Jenkins	900	825
Glyn Breland	825	750
Charles Mike Cassidy	825	825
Dorothy M. Schilling	675	750
James T. Thomas	525	600
Lawrence A. McGuire	900	900
James H. Cody, M.D.	75	675
Chris Foret	75	-
Willie Mae Johnson	-	225
	<u>5,700</u>	<u>6,450</u>
Total Governing Board Expenses	\$ 5,700	\$ 6,450

See independent auditor's report on supplementary information.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a
RIVERSIDE MEDICAL CENTER
Schedule of Insurance Policies
For the Year Ended December 31, 2007

RISK COVERED	COVERAGE	PERIOD
Workers' Compensation	\$ 1,000,000	1/1/07 to 1/1/08
Medical Professional Liability - total limit	\$ 3,000,000	2/2/07 to 2/1/08
Any one person limit	\$ 1,000,000	2/2/07 to 2/1/08
[with the Louisiana Patients' Compensation Fund (LPCF) affording an additional \$500,000 in protection]		
Commercial General Liability - Total Limit	\$ 3,000,000	2/2/07 to 2/1/08
Any one person limit	\$ 1,000,000	2/2/07 to 2/1/08
Commercial Automobile	\$ 1,000,000	2/2/07 to 2/1/08
Commercial Umbrella - excess liability (The Umbrella is excess of Commercial, General, Automobile, Employer's and Professional Liability Insurance)	\$ 5,000,000	2/2/07 to 2/1/08
Commercial Property		
Hospital Complex - Total Blanket	\$ 35,962,061	2/2/07 to 2/1/08
Earthquake	\$ 5,000,000	2/2/07 to 2/1/08
Blanket Earnings/Expenses	\$ 6,978,975	2/2/07 to 2/1/08
Scheduled Position Bond	\$ 53,220	2/2/07 to 2/1/08
Director and Officers' Liability	\$ 3,000,000	2/2/07 to 2/1/08
Computer and Data		
Hospital Complex	\$ 936,586	2/2/07 to 2/1/08
2004 Marvin Magee Drive	\$ 20,000	2/2/07 to 2/1/08
809 Riverside Drive	\$ 271,918	2/2/07 to 2/1/08
806 B Riverside Drive	\$ 20,000	2/2/07 to 2/1/08
Data/Media Insured Locations	Included	2/2/07 to 2/1/08
Archiving System	Included	2/2/07 to 2/1/08
45 Drawer Base Unit	Included	2/2/07 to 2/1/08
Employee Dishonesty Blanket	\$ 250,000	2/2/07 to 2/1/08
Boiler/Machinery/Mechanical		
Hospital Complex	\$ 42,156,976	2/2/07 to 2/1/08
Service Interruption	\$ 100,000	2/2/07 to 2/1/08
Business Income	\$ 7,878,975	2/2/07 to 2/1/08
Expediting Expenses	\$ 100,000	2/2/07 to 2/1/08
Hazardous Substance	\$ 100,000	2/2/07 to 2/1/08
Spoilage	\$ 100,000	2/2/07 to 2/1/08
Office Buildings		
803-805 Riverside	\$ 248,518	2/2/07 to 2/1/08
806 Riverside	\$ 139,256	2/2/07 to 2/1/08
807-809 Riverside - Building	\$ 248,518	2/2/07 to 2/1/08
807-809 Riverside - Furnishings	\$ 13,000	2/2/07 to 2/1/08
2004 Marvin Magee Drive - Building	\$ 134,970	2/2/07 to 2/1/08
2004 Marvin Magee Drive - Furnishings	\$ 12,000	2/2/07 to 2/1/08
809 Boat Ramp Road - Building	\$ 134,970	2/2/07 to 2/1/08
809 Boat Ramp Road - Furnishings	\$ 12,000	2/2/07 to 2/1/08

See independent auditor's report on supplementary information.



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

To the Board of Commissioners
Washington Parish Hospital Service District No. 1,
d/b/a Riverside Medical Center
Franklinton, Louisiana

We have audited the financial statements of Washington Parish Hospital Service District No. 1, d/b/a Riverside Medical Center, a component unit of the Washington Parish Councilman, as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated May 28, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Washington Parish Hospital Service District No. 1, d/b/a Riverside Medical Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Washington Parish Hospital Service District No. 1, d/b/a Riverside Medical Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Washington Parish Hospital Service District No. 1, d/b/a Riverside Medical Center's internal control over financial reporting.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washington Parish Hospital Service District No. 1, d/b/a Riverside Medical Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

May 28, 2008