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, 2003
and
December 31, 2002

CONTENTS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of **WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1 d/b/a RIVERSIDE MEDICAL CENTER's** (the Hospital) annual financial report presents background information and management's analysis of the Hospital's financial performance during the fiscal year that ended December 31, 2003. Please read it in conjunction with the financial statements in this report. (Dollar amounts discussed below have been rounded to the nearest thousand except where otherwise indicated.)

Financial Highlights

- The Hospital's total assets decreased by approximately $300,000 due to reduced cash and cash equivalents.
- During the year, the Hospital's total operating revenues increased $739,506 from prior year. The Hospital had a decrease in operating expenses of $566,181.
- The Hospital increased long-term debt by $187,659.
- The Hospital received gross reimbursement of Uncompensated Care under the State's Medicaid Program in the amount of $922,683.

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 Sheet includes 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). It also provides 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 Statement of Revenue, Expenses and Changes in Net Assets. This statement measures 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 statement is the Statement of Cash Flows. The primary purpose of this statement 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 Sheet and the Statement 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.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
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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)

	December 31,		Dollar	Percentage
	2003	2002	Change	Change
Total Current Assets	$ 4,825	$ 5,090	$ (265)	(0.05) %
Capital Assets -- Net	8,779	7,370	1,409	0.19
Other Assets, Including Board-Designated Investments	1,180	2,624	(1,444)	(0.55)
Total Assets	$ 14,784	$ 15,084	$ (300)	(0.20) %
Current Liabilities	$ 2,539	$ 3,158	$ (619)	(0.20) %
Long-Term Debt Outstanding and Other Long-Term Liabilities	4,969	4,782	187	0.04
Total Liabilities	7,508	7,940	(432)	(0.05)
Net Assets	7,276	7,144	132	0.02
Total Liabilities and Net Assets	$ 14,784	$ 15,084	$ (300)	0.70 %

As can be seen in Table 1, total assets decreased from $15,084 to $14,784 in fiscal year 2003. The change in total net assets results primarily from cash reductions.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
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RIVERSIDE MEDICAL CENTER

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, 2003	Years Ended December 31, 2002
Net Patient Service Revenue, (Net of Provision for Bad Debts of $1,576 for 2003 and $1,278 for 2002)	$ 14,332	$ 14,601
Other Revenue, Net	1,025	314
Total Operating Revenue	15,357	14,915
Salaries	6,083	6,122
Employee Benefits	1,775	1,786
Supplies and Other	5,407	5,664
Purchased Services	1,628	2,157
Depreciation and Amortization	1,077	1,053
Total Operating Expenses	15,970	16,782
Loss From Operations	(613)	(1,867)
Non-operating Income	745	598
Excess (Deficit) of Revenues over Expenses	132	(1,269)
Net Assets – Beginning of Year	7,144	8,413
Net Assets – End of Year	$ 7,276	$ 7,144

Sources of Revenue

Operating Revenue

During fiscal year 2003, 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.

Table 3 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended December 31, 2003 and 2002.

TABLE 3
Payor Mix by Percentage

	Year Ended December 31,	
	2003	2002
Managed Care/Commercial Insurance	24%	22%
Medicare	58	60
Medicaid	13	13
Self-Pay and Other	5	5
Total Patient Revenues	100%	100%

Non-operating Income

The Hospital holds designated and restricted funds in its Balance Sheet that are invested primarily in money market funds. These investments earned $35,582 during the year 2003. These earnings were less than earnings in prior years due to changes in interest rates, market conditions of the economy, and reduced cash balances.

Operating and Financial Performance

The following summarizes the Hospital's Statement of Revenue, Expenses and Changes in Net Assets between 2003 and 2002:

Overall activity at the Hospital, as measured by combined acute patient and psychiatric patient discharges, decreased to 1,552 discharges in 2003 from 1,725 discharges in 2002. Combined patient days decreased from 7,305 in 2002 to 6,629 in 2003. As a result, the average length of stay for acute care patients was 4.27 days.

Total net patient service revenue decreased approximately $269,000 in 2003. The change in net patient service revenues is directly related to an increase in outpatient revenues during 2003, offset by an increase in provision for bad debts. Net days in accounts receivable increased from 58.95 days to 61.33 days.

Salaries decreased by $38,414 from the prior year, due to staff turnover. Employee benefits have also decreased primarily due to staff turnover.

The cost of supplies and materials was reduced by $257,363 particularly for patient medical supplies and pharmacy drugs. This reduction occurred due to a change in buying groups and taking advantage of available volume discounts.

Depreciation expense was $1,077,144. Interest expense increased by $37,356 for the year ended December 31, 2003 as a direct result of additional borrowing.

Provision for bad debts increased $297,611 over prior year due to the mix of patient accounts receivable. Non-operating income consists of Ad Valorem taxes received for maintenance and operation of the Hospital and debt services and interest earnings on funds. Non-operating income increased from the prior year due to the sale of the Dialysis Unit and increased rental income.

Capital Assets

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

TABLE 4
Capital Assets
(In Thousands)

	December 31, 2003	December 31, 2002	Dollar Change	Percentage Change
Land Improvements	$ 370	$ 370	$ -	$ - %
Buildings	10,705	6,733	3,972	59
Vehicles	26	26	-	-
Equipment	7,464	7,769	(305)	4
Subtotal	18,565	14,898	3,667	-
Less Accumulated Depreciation and Amortization	9,829	9,372	457	(5)
Construction in Progress	-	1,801	(1,801)	(100)
Land	43	43	-	-
Net Property, Plant and Equipment	$ 8,779	$ 7,370	$ 1,409	19 %

Net property, plant and equipment have increased, for the year ended December 31, 2003, due to the completion of the Emergency Department and the Boiler construction projects.

Long-Term Debt

At year-end, the Hospital had $5,529,568 in short-term and long-term debt. The net change from 2002 is the result of principal payments of $467,009, as well as additional borrowings in the amount of $752,155 in fiscal year 2003. More detailed information about the Hospital's long-term liabilities is presented in the notes to basic financial statements. Long-term debt incurred in the current year included equipment for the emergency room and ventilators for the facility.

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.

LAPORTE SEHRT
ROMIG HAND
CERTIFIED PUBLIC ACCOUNTANTS

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 basic 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, 2003 and 2002, as listed in the table of contents. These basic 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 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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic 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, 2003 and 2002, 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.

As discussed in Note N to the basic financial statements, effective January 1, 2003, the Hospital adopted Government Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and No. 38, *Certain Financial Statement Note Disclosures*. The financial statements as of and for the year ended December 31, 2002 have been restated to conform to this presentation.

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Management's discussion and analysis on pages i through vi are not a required part of the basic financial statements but are 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2004, 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.

LaPorte, Sehrt, Romig & Hand

A Professional Accounting Corporation

April 8, 2004

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

BALANCE SHEETS

ASSETS

	December 31, 2003	December 31, 2002
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 1,492,661	$ 1,888,602
Patient Accounts Receivable, Less Allowance for Doubtful Accounts of $526,368 and $654,601, respectively	2,408,129	2,357,530
Inventory Supplies, at Cost	254,167	297,433
Prepaid Expenses and Other Current Assets	247,093	197,645
Assets Limited as to Use	423,315	348,681
Total Current Assets	4,825,365	5,089,891
ASSETS LIMITED AS TO USE:		
Project Building Fund, Series 1999 Bonds	478,553	2,023,978
For Debt Retirement:		
Revenue Bonds, Series 1987	417,676	339,179
General Obligation Bonds, Series 1999	633,789	609,378
Revenue Bonds, Series 2003	72,171	-
	1,602,189	2,972,535
Less Amount Required to Meet Current Obligations	423,315	348,681
	1,178,874	2,623,854
PROPERTY, PLANT AND EQUIPMENT, Net	8,779,426	7,369,858
Total Assets	$ 14,783,665	$ 15,083,603

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

LIABILITIES AND FUND BALANCE

	December 31, 2003	December 31, 2002
CURRENT LIABILITIES		
Accounts Payable	$ 1,080,921	$ 1,282,924
Current Maturities of Long-Term Debt	423,315	348,681
Estimated Third-Party Payor Settlements	231,215	529,543
Accrued Vacation and Sick Pay	327,460	335,939
Other Accrued Expenses	210,620	241,890
Payroll and Payroll Taxes Payable	127,957	304,677
Current Maturities of Capital Lease Obligations	137,245	114,482
Total Current Liabilities	2,538,733	3,158,136
LONG-TERM LIABILTIES, Net of Current Maturities		
Bonds Payable	4,797,790	4,521,104
Long-Term Obligations of Capital Leases	171,218	260,245
Total Long-Term Liabilities	4,969,008	4,781,349
Total Liabilities	7,507,741	7,939,485
NET ASSETS		
Unrestricted Net Assets	3,547,514	2,994,794
Invested in Capital Assets, Net of Related Debt	3,728,410	4,149,324
Total Net Assets	7,275,924	7,144,118
Total Liabilities and Fund Balance	$ 14,783,665	$ 15,083,603

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	For The Years Ended December 31, 2003	2002
NET PATIENT SERVICE REVENUE, Net of Provision for Bad Debts of $1,575,912 for 2003 and $1,278,301 for 2002	$ 14,332,213	$ 14,600,662
OTHER OPERATING REVENUE	1,024,632	314,288
Total Revenue	15,356,845	14,914,950
OPERATING EXPENSES:		
Salaries	6,083,192	6,121,606
Supplies and Other Expense	5,406,836	5,664,199
Employee Benefits	1,774,705	1,785,603
Outside Services	1,628,330	2,156,869
Depreciation and Amortization	1,077,144	1,053,354
Total Expenses	15,970,207	16,781,631
Loss from Operations	(613,362)	(1,866,681)
NON-OPERATING INCOME (EXPENSE):		
Ad Valorem Taxes	591,646	560,148
Gain (Loss) on Disposal of Assets	143,426	(13,431)
Rental Income	64,238	44,469
Interest Income	35,582	58,878
Interest Expense	(89,724)	(52,368)
Non-Operating Income	745,168	597,696
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES)	131,806	(1,268,985)
NET ASSETS AT BEGINNING OF YEAR	7,144,118	8,413,103
NET ASSETS AT END OF YEAR	$ 7,275,924	$ 7,144,118

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

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
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STATEMENTS OF CASH FLOWS

	For The Years Ended December 31, 2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Patients and Third-Party Payors	$15,007,918	$14,660,246
Payments to Suppliers	(7,274,621)	(7,450,915)
Payments to Employees	(8,043,096)	(7,869,289)
Net Cash Used in Operating Activities	(309,799)	(659,958)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Ad Valorem Taxes	567,234	556,655
Net Cash Provided by Non-Capital Financing Activities	567,234	556,655
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	99,820	103,347
Net Redemption of Assets Limited as to Use	1,370,346	1,112,231
Net Cash Provided by Investing Activities	1,470,166	1,215,578
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	(2,467,619)	(817,652)
Interest Paid on Debt Obligations	(89,724)	(52,368)
Proceeds from Disposal of Asset	200,900	-
Proceeds from Long-Term Debt	700,000	-
Repayment of Bonds	(348,681)	(330,125)
Payment of Capital Lease Obligations	(118,418)	(76,708)
Proceeds from Assets Acquired through Capital Lease	-	451,435
Increase in Construction in Progress	-	(1,602,670)
Net Cash Used in Capital and Related Financing Activities	(2,123,542)	(2,428,088)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(395,941)	(1,315,813)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,888,602	3,190,984
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,492,661	$ 1,888,602

The accompanying notes are an integral part of these fnancial statments.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
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STATEMENTS OF CASH FLOWS (Continued)

	For The Years Ended December 31, 2003	2002
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating Loss	$ (613,362)	$ (1,866,681)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation and Amortization	1,077,144	1,053,354
Provision for Doubtful Accounts	1,575,912	1,278,301
Changes In:		
Increase in Accounts Receivable	(1,626,511)	(1,287,548)
Decrease (Increase) in Inventory	43,266	(23,524)
Increase in Prepaid Expenses and Other Expenses	(49,448)	(29,083)
Decrease in Amounts Due to Third-Party Payors	(298,328)	(245,457)
(Decrease) Increase in Accounts Payable	(202,003)	364,158
(Decrease) Increase in Payroll and Payroll Taxes Payable	(176,720)	16,551
(Decrease) Increase in Accrued Vacation and Sick Pay	(8,479)	21,369
(Decrease) Increase in Accrued Expenses	(31,270)	58,602
Net Cash Used In Operating Activities	$ (309,799)	$ (659,958)
SUPPLEMENTAL DISCLOSURES OF NON-CASH FINANCING AND INVESTING ACTIVITIES		
Construction in Progress Capitalized During the Year	$1,801,100	$ -

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 are 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 basic 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.

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, other arrangements under trust agreements, or with third-party payors.

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

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.

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.

NOTE A

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

NET ASSETS (Continued)

Restricted Net Assets Net assets are reported as restricted when there are limitations imposed on their use, either through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

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.

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

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 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.

NET PATIENT SERVICE REVENUE AND RELATED RECEIVABLES

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. The Hospital provides care to patients even though they may lack adequate insurance or may be covered under contractual arrangements that do not pay full charges. As a result, the Hospital is exposed to certain credit risks. The Hospital manages such risk by regularly reviewing its accounts and contracts, and by providing appropriate allowances.

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.

NOTE A

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

NON-DIRECT RESPONSE ADVERTISING

The Hospital expenses advertising costs as incurred. Advertising expenses incurred during the year ended December 31, 2003 and 2002 totaled $31,364 and $64,572, respectively.

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS

For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as non-operating income and expense.

NOTE B

BANK DEPOSITS

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

	2003	2002
Demand Deposits and Money Market Accounts	$ 2,461,061	$ 4,251,759
Less: Cash included in Assets Limited as to Use	968,400	2,363,157
	$ 1,492,661	$ 1,888,602

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. In addition, there are three categories of credit risk that apply to the government's cash and investments:

1. Insured or registered or for which the securities are held by the government or the government's agent in the government's name;

2. Uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the Hospital's name; or

3. Uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the Hospital's name.

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.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a
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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 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 life of the assets.

Property, plant and equipment, by major category, is as follows:

	January 1, 2003	Additions	Transfers And Disposals	December 31, 2003
Capital Assets, Not Being Depreciated				
Land	$ 42,921	$ -	$ -	$ 42,921
Construction in Progress	1,801,100	1,645,284	(3,446,384)	-
Total Capital Assets Not Being Depreciated	1,844,021	1,645,284	(3,446,384)	42,921
Capital Assets, Being Depreciated:				
Land Improvements	369,668	-	-	369,668
Buildings	6,733,004	4,011,974	(39,866)	10,705,112
Equipment	7,795,672	301,986	(607,305)	7,490,353
Total Capital Assets Being Depreciated	14,898,344	4,313,960	(647,171)	18,565,133
Less Accumulated Depreciation for:				
Land Improvements	197,745	16,619	-	214,364
Buildings	3,514,864	366,968	(39,081)	3,842,751
Equipment	5,659,903	693,554	(581,944)	5,771,513
Total Accumulated Depreciation	9,372,512	1,077,141	(621,025)	9,828,628
Total Capital Assets, Being Depreciated, Net	5,525,832	3,236,819	(26,146)	8,736,505
Organization Capital Assets, Net	$ 7,369,853	$ 4,882,103	$ (3,472,530)	$ 8,779,426

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

NOTE C
PROPERTY, PLANT AND EQUIPMENT

	January 1, 2002	Additions	Transfers And Disposals	December 31, 2002
Capital Assets, Not Being Depreciated				
Land	$ 42,921	$ -	$ -	$ 42,921
Construction in Progress	164,947	1,636,153	-	1,801,100
Total Capital Assets Not Being Depreciated	207,868	1,636,153	-	1,844,021
Capital Assets, Being Depreciated:				
Land Improvements	370,931	-	(1,263)	369,668
Buildings	6,733,520	60,769	(61,285)	6,733,004
Equipment	7,769,696	756,882	(730,906)	7,795,672
Total Capital Assets Being Depreciated	14,874,147	817,651	(793,454)	14,898,344
Less Accumulated Depreciation for:				
Land Improvements	182,683	16,326	(1,264)	197,745
Buildings	3,224,497	351,651	(61,284)	3,514,864
Equipment	5,645,379	685,377	(670,853)	5,659,903
Total Accumulated Depreciation	9,052,559	1,053,354	(733,401)	9,372,512
Total Capital Assets, Being Depreciated, Net	5,821,588	(235,703)	(60,053)	5,525,832
Organization Capital Assets, Net	$ 6,029,456	$ 1,400,450	$ (60,053)	$ 7,369,853

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

NOTE D

DEBT

Debt at December 31, 2003 consisted of the following:

	January 1, 2003	Borrowings	Payments	December 31, 2003	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	$ 4,330,000	$ -	$ (275,000)	$ 4,055,000	$ 290,000
Revenue Bonds, Series 1987, 5%, payable in equal, annual installments of $53,220, including interest through 2012	410,785	-	(32,681)	378,104	34,315
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	129,000	-	(41,000)	88,000	43,000
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	-	700,000	-	700,000	56,000
Capital Lease Obligation for the acquisition of software, repayable in monthly installments totaling $6,648, including interest at 7.34%	147,984	-	(71,286)	76,698	76,698
Capital Lease Obligation for the acquisition of equipment, repayable in monthly installments totaling $1,554, including interest at 5.195%	78,323	-	(14,926)	63,397	15,720
Capital Lease Obligation for the acquisition of equipment, repayable in monthly installments totaling $2,946, including interest at 5.22%	148,420	-	(28,270)	120,150	29,781
Capital Lease Obligation for the acquisition of equipment, repayable in monthly installments totaling $1,612, including interest at 7.072%	-	52,155	(3,936)	48,219	15,046
	$ 5,244,512	$ 752,155	$(467,099)	$ 5,529,568	$ 560,560

NOTE D
DEBT (Continued)

Debt at December 31, 2002 consisted of the following:

	January 1, 2002	Borrowings	Payments	December 31, 2002	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	$ 4,590,000	$ -	$ (260,000)	$ 4,330,000	$ 275,000
Revenue Bonds, Series 1987, 5%, payable in equal, annual installments of $53,220, including interest through 2012	441,910	-	(31,125)	410,785	32,681
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	168,000	-	(39,000)	129,000	41,000
Capital Lease Obligation for the acquisition of software, repayable in monthly installments totaling $6,648, including interest at 7.34%	-	214,240	(66,256)	147,984	71,286
Capital Lease Obligation for the acquisition of equipment, repayable in monthly installments totaling $1,554, including interest at 5.195%	-	81,935	(3,612)	78,323	14,926
Capital Lease Obligation for the acquisition of equipment, repayable in monthly installments totaling $2,946, including interest at 5.22%	-	155,260	(6,840)	148,420	28,270
	$ 5,199,910	$ 451,435	$ (406,833)	$ 5,244,512	$ 463,163

NOTE D
DEBT (Continued)

Scheduled maturities on debt are as follows:

	Principal	Interest
2004	$ 560,560	$ 258,124
2005	504,522	231,150
2006	479,931	201,851
2007	473,352	171,375
2008	460,710	148,447
2009 - 2013	2,585,493	402,510
2014 – 2018	465,000	9,881
	$ 5,529,568	$ 1,423,338

Interest expense incurred on long-term debt in 2003 and 2002 was $89,724 and $52,368, respectively.

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

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.

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.

NOTE E

LEASES

The Hospital is obligated under certain non-cancelable operating leases for various equipment. Amounts paid under these leases totaled $432,986 and $429,942 for the years ended December 31, 2003 and 2002, respectively.

The Hospital leases office space to certain doctors. Rental income received under these arrangements totaled $64,238 and $44,469 for the years ended December 31, 2003 and 2002, respectively.

NOTE F

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 – The Hospital is 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.

  The Hospital is paid for inpatient psychiatric care services rendered to Medicare program beneficiaries under cost reimbursement methodologies and are subject to cost report settlement.

  Outpatient services are 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 will limit potential reductions in reimbursement caused by the implementation of the outpatient prospective payment system through 2003. 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, 2000.

NOTE F

NET PATIENT SERVICE REVENUE (Continued)

- 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, 1998.

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.

Since the Hospital serves a disproportionate share of low-income patients, it qualifies for Medicaid Disproportionate Share reimbursements. Gross Medicaid Disproportionate Share reimbursements of $922,683 were received in the State of Louisiana's year ended June 30, 2003. 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, 2003.

Presented below is a summary of net patient service revenue for the years ended December 31, 2003 and 2002.

	2003	2002
Gross Patient Service Revenue	$ 36,845,433	$ 34,954,751
Less: Provision for Contractual Adjustments	(20,937,308)	(19,075,788)
Less: Provision for Bad Debts	(1,575,912)	(1,278,301)
	$ 14,332,213	$ 14,600,662

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 $1,094,371 and $1,293,106 due from the Federal Government (Medicare) at December 31, 2003 and 2002, respectively, and $107,033 and $489,849 due from the State of Louisiana (Medicaid) at December 31, 2003 and 2002, respectively.

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

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. 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 $81,727 and $132,218 in December 31, 2003 and 2002, 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. Under the plan, the maximum deferral offered to the employee is $8,000 or 33.3% of includible compensation, as defined in the plan agreement. 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. Employer contributions were $141,116 and $155,613 during 2003 and 2002, 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 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 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.

NOTE K

COMMITMENTS

As of December 31, 2003, 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:

2004	$ 42,272
2005	44,809
2006	11,363
	$ 98,444

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 Sheet.

Malpractice Insurance

The Hospital maintains a malpractice insurance policy with a commercial insurance company. There is a $25,000 deductible on the policy. The policy has a $100,000 liability limit per incident and a $1,000,000 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

ACCOUNTING PRONOUNCEMENTS

The Hospital has adopted GASB No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*. GASB Statement No. 34 established standards for external financial reporting for all state and local entities. It requires the classification of net assets into three components, as described in Note A. The adoption of GASB Statement No. 34 had no effect on the basic financial statements except for the classification of net assets in accordance with the statement, the reclassification of net interest income to non-operating revenue, the reclassification of interest expense to non-operating expenses, the change from the indirect to the direct method of reporting cash flows from operating activities, and the inclusion of bad debts as a reduction of net patient service revenue instead of a component of operating expenses.

NOTE O

SUBSEQUENT EVENT

Subsequent to December 31, 2003, the Hospital's Board of Commissioners passed a resolution designating the Hospital as a Critical Access Hospital (CAH). A critical access hospital is an alternative for small, rural hospitals that creates the potential for enhanced reimbursement from Medicare, the opportunity to better match the local community's needs to the Hospital's capabilities, and the foundation of a rural health network. The CAH designation only affects Part A (hospital services) Medicare reimbursement and does not affect government or private reimbursement. The CAH designation is made possible by the Medicare Rural Hospital Flexibility Program created by the federal government in the Balanced Budget Act of 1997. The program is available to any state that chooses to meet the requirements and establish such a program. The Board of Commissioners has set a tentative date of implementation of June 1, 2004.

LAPORTE SEHRT
ROMIG HAND
CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report
<u>on Supplementary Information</u>

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 Police Jury, for the years ended December 31, 2003 AND 2002, appears on page 1. This audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information that follows on pages 22 - 30 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 audit 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.

LaPorte, Sehrt, Romig & Hand

A Professional Accounting Corporation

April 8, 2004

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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, 2003			2002
	Inpatient	Outpatient	Total	Total
DAILY PATIENT SERVICES				
Medical and Surgical	$ 1,844,124	$ -	$ 1,844,124	$ 1,927,793
Intensive Care	437,647	-	437,647	473,631
	2,281,771	-	2,281,771	2,401,424
OTHER NURSING SERVICES				
Emergency Services	544,419	2,285,509	2,829,928	2,670,740
Operating and Recovery Rooms	370,400	2,453,033	2,823,433	1,502,279
Central Services and Supply	1,425,415	653,888	2,079,303	2,365,255
	2,340,234	5,392,430	7,732,664	6,538,274
OTHER PROFESSIONAL SERVICES				
Laboratory	2,889,840	4,067,522	6,957,362	6,027,008
Radiology	1,693,909	4,329,433	6,023,342	5,731,579
Pharmacy	2,869,166	1,553,774	4,422,940	3,960,192
Cardiopulmonary	1,883,820	150,236	2,034,056	2,205,229
Speech/Occupational/Physical Therapy	202,724	1,430,712	1,633,436	1,544,816
Dialysis	16,308	1,089,221	1,105,529	1,363,814
MRI	104,600	1,058,487	1,163,087	1,145,535
Electrocardiology	485,450	537,419	1,022,869	1,087,805
Behavioral Health	810,551	-	810,551	1,059,601
Anesthesiology	85,466	350,116	435,582	483,178
Franklinton Clinic	80,026	397,100	477,126	363,480
Mammography	1,609	214,131	215,740	219,096
Electroencephalography	13,630	284,400	298,030	206,242
Chemotherapy	4,759	211,898	216,657	169,448
Diabetic Education	-	14,556	14,556	1,176
Dietary	-	135	135	340
Thomas Clinic	-	-	-	446,514
	11,141,858	15,689,140	26,830,998	26,015,053
Totals	$15,763,863	$21,081,570	$36,845,433	$34,954,751

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, 2003	2002
OTHER REVENUE		
RHPA - Dispro	$ 900,027	$ 247,016
Other	79,351	23,669
Cafeteria	38,362	36,916
Concessions	6,819	5,534
Medical Records	73	1,153
Total Other Revenue	$ 1,024,632	$ 314,288

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, 2003	2002
Medical and Surgical	$ 675,550	$ 624,408
Behavioral Health	410,401	400,946
Emergency Services	404,046	305,082
Nursing Administration	388,593	390,164
Laboratory	352,079	338,181
Intensive Care	331,350	369,333
Business Office	315,036	327,615
Franklinton Clinic	292,837	185,463
Anesthesiology	283,122	242,345
Radiology	271,090	265,206
Physical Therapy	232,652	234,530
Cardiopulmonary	226,800	236,226
Operating Rooms	217,146	240,863
Health Information	163,907	145,312
Plant Operations	153,454	132,684
Dietary	136,605	144,119
Accounting	130,187	130,733
Dialysis	129,073	76,101
Administration	123,475	129,642
Environmental Services	101,704	122,953
Social Services	75,650	77,426
Nuclear Medicine	68,048	69,965
Ultrasound	55,198	52,516
Cat Scan	53,882	47,527
Materials Management	49,694	54,502
Quality Assurance	49,300	47,314
Chemotherapy	46,104	44,199
Human Resources	45,073	73,332
Communications	43,301	49,183
Occupational Therapy	43,228	45,614

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

	For The Years Ended December 31,	
Department	2003	2002
Marketing	$ 40,765	$ 38,866
Computer Services	36,871	35,416
Speech Therapy	35,170	43,905
Security	33,650	34,469
Electrocardiology	30,409	32,264
Mammography	24,708	16,569
Electroencephalography	7,993	5,262
Echo/Dopp	3,805	3,342
Swing Bed	652	652
Physician Specialty	584	813
Thomas Clinic	-	297,320
Risk Management	-	9,244
	$6,083,192	$6,121,606

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, 2003	2002
MRI	$ 390,204	$ 393,673
Pharmacy	297,996	244,366
Administration	256,104	382,628
Laboratory	213,203	190,505
Echo/Dopp	119,882	131,975
Electroencephalography	92,932	52,511
Environmental Services	60,775	59,207
Accounting	28,938	27,631
Emergency Services	24,138	53,271
Franklinton Clinic	18,746	149,295
Behavioral Health	16,993	113,206
Business Office	16,382	15,318
Plant Operations	13,862	16,194
Intensive Care	12,952	41,091
Computer Services	10,256	16,261
Quality Assurance	8,250	8,737
Diabetic Education	6,000	1,500
Dialysis	5,669	79,080
Medical and Surgical	5,142	77,967
Operating Rooms	5,070	2,860
Nuclear Medicine	4,722	4,752
Mammography	3,550	14,058
Ultrasound	3,060	15,490
Marketing	2,879	8,667
Social Services	2,442	2,500
Occupational Therapy	1,963	2,327
Materials Management	1,350	1,283
Cardiopulmonary	1,004	342
Dietary	920	7,430
Radiology	900	20,571
Physician Annex	569	674
Physical Therapy	475	(877)
Speech Therapy	403	435
Cat Scan	400	10,103
Human Resources	199	199
Thomas Clinic	-	11,639
	$1,628,330	$ 2,156,869

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, 2003	2002
Pharmacy	$ 897,816	$ 832,040
Emergency Services	873,450	900,398
Administration	556,500	633,581
Laboratory	462,185	425,236
Plant Operations	378,779	339,700
Cat Scan	298,629	293,898
Central Service and Supplies	241,852	336,519
Operating Rooms	155,886	92,350
Dialysis	137,668	326,451
Business Office	127,453	123,614
Franklinton Clinic	127,130	43,216
Radiology	127,124	140,282
Communications	123,737	111,347
Behavioral Health	117,206	152,493
Nuclear Medicine	113,362	103,290
Dietary	105,457	110,607
Cardiopulmonary	95,595	89,965
Ultrasound	79,254	75,466
Environmental Services	65,646	70,080
Accounting	49,529	56,905
Medical and Surgical	38,636	38,246
Marketing	35,779	92,524
MRI	31,934	25,938
Physical Therapy	29,043	32,379
Health Information	26,955	25,161
Mammography	18,533	13,055
Human Resources	15,395	23,000
Anesthesiology	14,133	17,045
Electrocardiology	11,538	15,450

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)

	For The Years Ended December 31,	
Department	2003	2002
Intensive Care	$ 11,273	$ 13,676
Physician Annex	9,242	7,207
Thomas Clinic	7,809	58,953
Materials Management	5,210	9,233
Diabetic Education	3,580	28
Chemotherapy	3,574	6,295
Physician Specialty	2,379	2,097
Social Services	2,192	3,408
Electroencephalography	1,837	1,627
Nursing Administration	995	3,411
Computer Services	873	6,005
Occupational Therapy	718	4,359
Speech Therapy	512	2,150
Quality Assurance	375	4,877
Security	63	61
Risk Management	-	507
Swing Bed	-	69
	$5,406,836	$ 5,664,199

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 Years Ended December 31,	
	2003	2002
GOVERNING BOARD EXPENSES		
Dorothy M. Schilling	$ 900	$ 825
Charles Mike Cassidy	825	900
Wayne Knight	825	900
Glyn Breland	825	825
James T. Thomas	750	525
James Cody, M.D.	750	300
Lavern Jenkins	675	825
Willie Mae Johnson	675	750
Lawrence A. McGuire	225	900
	$ 6,450	$ 6,750

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, 2003

RISK COVERED		COVERAGE	PERIOD
Workers' Compensation	$	1,000,000	1/1/03 to 1/1/04
Medical Professional Liability - Total Limit	$	3,000,000	2/2/03 to 2/1/04
Any One Person Limit	$	100,000	2/2/03 to 2/1/04
[with the Louisiana Patients' Compensation Fund (LPCF) affording an additional $500,000 in protection]			
Commercial General Liability - Total Limit	$	3,000,000	2/2/03 to 2/1/04
Any One Person Limit	$	1,000,000	2/2/03 to 2/1/04
Commercial Automobile	$	1,000,000	2/2/03 to 2/1/04
Commercial Umbrella - Excess Liability	$	5,000,000	2/2/03 to 2/1/04
(The Umbrella is excess of Commercial, General, Automobile, Employer's and Professional Liability Insurance)			
Commercial Property			
Hospital Complex - Total Blanket	$	21,576,287	2/2/03 to 2/1/04
Earthquake	$	5,000,000	2/2/03 to 2/1/04
Flood	$	2,500,000	2/2/03 to 2/1/04
Blanket Earnings/Expenses	$	4,321,060	2/2/03 to 2/1/04
Scheduled Position Bond	$	53,220	2/2/03 to 2/1/04
Director and Officers' Liability	$	1,000,000	2/2/03 to 2/1/04
Computer and Data			
Hospital Complex	$	150,010	2/2/03 to 2/1/04
2004 Marvin Magee Drive	$	20,000	2/2/03 to 2/1/04
809 Riverside Drive	$	271,918	2/2/03 to 2/1/04
806 B Riverside Drive	$	20,000	2/2/03 to 2/1/04
Data/Media Insured Locations	$	30,000	2/2/03 to 2/1/04
Employee Dishonesty			
Blanket	$	250,000	2/2/03 to 2/1/04
Boiler/Machinery/Mechanical			
Hospital Complex	$	22,336,030	2/2/03 to 2/1/04
Business Income	$	4,321,060	2/2/03 to 2/1/04
Expediting Expenses	$	50,000	2/2/03 to 2/1/04
Hazardous Substance	$	50,000	2/2/03 to 2/1/04
Water Damage	$	50,000	2/2/03 to 2/1/04
Office Buildings			
803-805 Riverside	$	232,000	2/2/03 to 2/1/04
806 Riverside	$	130,000	2/2/03 to 2/1/04
807-809 Riverside - Building	$	232,000	2/2/03 to 2/1/04
807-809 Riverside - Furnishings	$	12,000	2/2/03 to 2/1/04
2004 Marvin Magee Drive - Building	$	126,000	2/2/03 to 2/1/04
2004 Marvin Magee Drive - Furnishings	$	11,000	2/2/03 to 2/1/04
809 Boat Ramp Road - Building	$	124,400	2/2/03 to 2/1/04
809 Boat Ramp Road - Furnishings	$	10,200	2/2/03 to 2/1/04

LAPORTE SEHRT
ROMIG HAND
CERTIFIED PUBLIC ACCOUNTANTS

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 basic 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, 2003, and have issued our report thereon dated April 8, 2004. 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** basic 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 basic 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 basic 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. We noted other matters involving the internal control over financial reporting that we have reported to management of the Hospital, in a separate letter dated April 8, 2004.

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

Lathity, Ichik, Loungi & Hesl

A Professional Accounting Corporation

April 8, 2004

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

AUDIT OBSERVATIONS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2003

LAPORTE SEHRT
ROMIG HAND
CERTIFIED PUBLIC ACCOUNTANTS

April 8, 2004

Board of Directors
Washington Parish Hospital Service District No. 1
d/b/a Riverside Medical Center

In planning and performing our audit of the financial statements of **WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1, D/B/A RIVERSIDE MEDICAL CENTER** for the year ended December 31, 2003, we considered its internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control. However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The paragraphs that follow summarize our comments and suggestions.

The current audit environment necessitates that on each audit engagement we perform, that we assess an organization's internal controls (including but not limited to risk of fraud and misappropriation). Indeed, a cornerstone in the financial reporting process of any entity is the presence of adequate and effective and functioning internal controls. One of the most important controls is segregation of duties. In general, the basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. While this is not a problem in many large companies, small businesses, local government entities, and non- profit organizations typically find it much more challenging to provide an adequate segregation of important duties or functions because of smaller financial staffs. The increasing prevalence and efficiency of computer-based applications have allowed many organizations to further concentrate multiple tasks in the hands of fewer employees than before and have further increased general concerns over segregation of duties. With this in mind, we continually encourage management to establish, monitor, and frequently revisit policies and procedures designed to compensate for many of the segregation of duties deficiencies that inevitably exist in small organizations. Below we have presented several relatively straightforward, but important, controls that we encourage the Hospital's management employ on an on-going basis:

> **Cross Training Job Duties and Vacations** – Employers are usually happy when an employee stays in the same position for a long period and has few absences. Unfortunately, this situation can also provide opportunities for employees to design and commit fraud schemes. Therefore, it is a prudent practice that all employees take an annual vacation (generally, a minimum of one week in length), during which others perform their job functions. This makes it more difficult for an employee who may choose to commit fraud to perpetuate the fraud scheme unnoticed.

110 Veterans Memorial Boulevard, Suite 200, Metairie, LA 70005-4958 • 504.835.5522 • Fax 504.835.5535
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WWW.LAPORTE.COM

- Another way to address fraud risk is to cross train employees to learn different job functions. Cross training provides the company the added benefit of having workers who are skilled in different functions and who can cover for other employees when they are on vacation.

Finally, each year we try to acknowledge the efforts and assistance the Hospital's staff afforded us during our audit. As everyone is aware the Hospital has gone through substantial changes in the past year. Despite this, the accounting staff of the Hospital again this year contributed greatly to the audit process while continuing to maintain their normal day to day responsibilities. We continue to be very grateful for their contributions.

We appreciate the confidence you have placed in us by allowing us to serve **WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1, D/B/A RIVERSIDE MEDICAL CENTER.** If we can assist you in any way with the above, please do not hesitate to contact us.

Very truly yours,

LaPorte, Sehrt, Romig & Hand

LaPORTE SEHRT ROMIG HAND

Riverside Medical Center

RECEIVED
LEGISLATIVE AUDITOR

04 AUG 13 AM 11: 17

May 27, 2004

LaPorte Sehrt Romig Hand
Gregory P. Romig, CPA
110 Veterans Memorial Blvd.
Suite 200
Metairie, LA 70005-4958

Re: Washington Parish Hospital Services District No. 1
d/b/a Riverside Medical Center
Management Letter

Dear Mr. Romig:

Riverside Medical Center was presented with the recommendation from LaPorte Sehrt Romig Hand, a Certified Public Accounting firm, regarding the facility's internal controls. The recommendation and the facility's response is as follows:

Recommendation:

Cross Training Job Duties and Vacations: Employees are usually happy when an employee stays in the same position for a long period and has few absences. Unfortunately, this situation can also provide opportunities for employees to design and commit fraud schemes. Therefore, it is a prudent practice that all employees take an annual vacation (generally, a minimum of one week in length), during which others perform their job functions. This makes it more difficult for an employee who may choose to commit fraud to perpetuate the fraud scheme unnoticed. Another way to address fraud risk is to cross train employees to learn different job functions. Cross training provides the company the added benefit of having workers who are skilled in different functions and who can cover for other employees when they are on vacation.

Response:

Riverside Medical Center agrees with the recommendation that cross training and annual vacation is a prudent practice and the facility intends to make every effort to implement the recommendation. The facility has several departments that have cross trained the staff and we intend on expanding the training to other departments in the coming year. The facility will continue to encourage its employees to take annual vacations to assist with employee morale and assist with management supervision of the duties and functions of the employee so that fraud schemes may be detected and eliminated.

1900 South Main Street Franklinton, Louisiana 70438 Phone: 985-839-4431 Fax 985-839-0319

We appreciate the expertise that your firm has afforded Riverside Medical Center and look forward to continuing with our relationship in the future. If you have any questions or concerns, please feel free to contact me.

Sincerely,

Patricia A. Mizell

Patricia A. Mizell
Chief Financial Officer