

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1

D/B/A

RIVERSIDE MEDICAL CENTER

DECEMBER 31, 2011 AND 2010

FRANKLINTON, LOUISIANA

FINANCIAL STATEMENTS
WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
D/B/A
RIVERSIDE MEDICAL CENTER
DECEMBER 31, 2011 AND 2010
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Washington Parish Hospital Service District No. 1
Franklinton, Louisiana

We have audited the financial statements of Washington Parish Hospital Service District No. 1, dba Riverside Medical Center (Hospital), a component unit of the Washington Parish Police Jury, State of Louisiana, as of December 31, 2011 and 2010, and the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit.

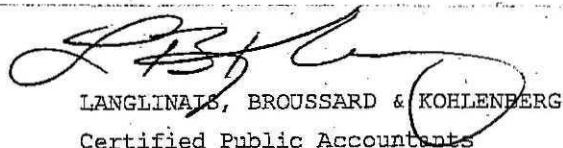
We conducted our audit in accordance with generally accepted auditing standards of the United States and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the component unit financial statements referred to above present fairly, in all material respects, the financial position of Washington Parish Hospital Service District No. 1, a component unit of the Washington Parish Police Jury, State of Louisiana, at December 31, 2011 and 2010, and the changes in financial position and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated May 31, 2012, on our consideration of the Hospital'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 our testing of internal control over financial reporting and compliance and the results 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 considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included 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 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.

Washington Parish Hospital Service District No. 1 has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.


LANGLINAIS, BROUSSARD & KOHLENBERG
Certified Public Accountants

May 31, 2012

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

STATEMENT OF NET ASSETS

DECEMBER 31,

ASSETS	2011	2010
Current Assets		
Cash and Cash Equivalents	\$ 552,437	\$ 1,221,906
Assets whose use is limited and required for Current Liabilities	353,000	418,000
Patient Accounts Receivable, less Allowance for Doubtful Accounts of \$797,631 and \$731,281, respectively	2,912,228	3,621,568
Estimated Third-Party Payor Settlements	259,413	309,534
Inventory	300,947	322,866
Prepaid Expenses	83,375	79,464
Other Receivables	259,003	197,724
Total Current Assets	4,720,403	6,171,062
Assets Limited to Use		
For Debt Retirement:		
Cash and Cash Equivalents:		
General Obligation Bonds, Series 1999	221,541	215,565
Revenue Bonds, Series 2003	-	180,515
Ad Valorem Tax Receivable	477,421	473,697
Total Assets Limited to Use	698,962	869,777
Less: Assets whose use is limited and are required for Current Liabilities	353,000	418,000
Total Non-Current Assets Limited to Use	345,962	451,777
Capital Assets		
Land	42,921	42,921
Construction in Progress	122,137	291,957
Depreciable Capital Assets, Net of Accumulated Depreciation	5,773,524	5,384,619
Total Capital Assets, Net of Accumulated Depreciation	5,938,582	5,719,497
Other Assets		
Deferred Financing Costs, net	11,561	23,221
Total Other Assets	11,561	23,221
Total Assets	\$ 11,016,508	\$ 12,365,557

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

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

STATEMENT OF NET ASSETS

DECEMBER 31,

LIABILITIES AND NET ASSETS

	<u>2011</u>	<u>2010</u>
Current Liabilities		
Accounts Payable	\$ 1,039,099	\$ 968,339
Current Maturities of Long-Term Debt	353,000	418,000
Current Maturities of Capital Lease Obligations	450	1,053
Estimated Third-Party Payor Settlements	671,300	895,099
Patient Accounts - Credit Balances	95,491	116,284
Accrued Salaries	378,376	343,745
Accrued Compensated Absences	795,534	770,512
Accrued Interest Payable	5,393	10,958
Accrued Payroll Liabilities	218,225	244,136
	<hr/>	<hr/>
Total Current Liabilities	3,556,868	3,768,126
Long-Term Debt		
General Obligation Bond, Series 2009	366,000	719,000
General Obligation Bond, Series 2003	-	168,000
	<hr/>	<hr/>
Total Long-Term Debt	366,000	887,000
	<hr/>	<hr/>
Total Liabilities	3,922,868	4,655,126
Net Assets		
Invested in Capital Assets, Net of Related Debt	5,219,132	4,413,444
Restricted for Debt Service (Expendable)	698,962	869,777
Unrestricted	1,175,546	2,427,210
	<hr/>	<hr/>
Total Net Assets	7,093,640	7,710,431
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 11,016,508	\$ 12,365,557

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

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS	DECEMBER 31,	
	2011	2010
Operating Revenues		
Net Patient Service Revenue, Net of Provision		
For Doubtful Accounts of \$3,853,641 and \$4,577,918 respectively	\$ 20,950,073	\$ 22,229,435
Other Operating Revenue	1,023,668	603,919
 Total Operating Revenues	 21,973,741	 22,833,354
Operating Expenses		
Salaries	9,818,784	9,780,135
Employee Benefits	3,095,742	2,984,297
Outside Services and Professional Fees	3,186,433	3,926,341
Depreciation and Amortization	855,220	874,178
Supplies and Other Expenses	6,071,277	6,318,999
 Total Operating Expenses	 23,027,456	 23,883,950
 Income (Loss) from Operations	 (1,053,715)	 (1,050,596)
Non-Operating Revenues (Expenses)		
Ad Valorem Taxes	373,220	403,558
Rental Income	142,499	139,697
Interest Income	5,743	9,611
Interest Expense	(87,403)	(58,029)
Gain (Loss) on the Sale of Assets	2,868	(4,964)
 Total Non-Operating Revenues (Expenses)	 436,927	 489,873
 Change in Net Assets	 (616,788)	 (560,723)
Beginning Net Assets	7,710,431	8,271,154
Ending Net Assets	\$ 7,093,643	\$ 7,710,431

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

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

STATEMENT OF CASH FLOWS	DECEMBER 31,	
	2011	2010
Cash Flows from Operating Activities		
Receipts from Patients and Third-Party Payors	\$ 22,488,609	\$ 22,703,118
Receipts from Grants and Donations	919,443	471,550
Payments to Suppliers	(10,808,611)	(10,162,304)
Payments to Employees	(12,974,179)	(12,765,270)
Net Cash Flows Provided By (Used In) Operating Activities	374,738	(247,094)
Cash Flows from Non-Capital Financing Activities		
Ad Valorem Taxes	369,496	322,507
Net Cash Flows Provided By Non-Capital Financing Activities	369,496	322,507
Cash Flows from Investing Activities		
Interest and Rental Income	148,242	149,308
Net Cash Flows Provided By Investing Activities	148,242	149,308
Cash Flows from Capital and Related Financing Activities		
Purchases of Capital Assets	(1,060,024)	(617,930)
Interest Paid on Debt Obligations	(92,968)	(56,389)
Principal Payments on Bonds	(586,000)	(521,110)
Payment of Capital Lease Obligations	(603)	(11,307)
Proceeds from the Sale of Assets	3,112	500
Net Cash Flows Used in Capital and Related Financing Activities	(1,736,483)	(1,206,236)
Net Increase (Decrease) in Cash and Cash Equivalents	(844,007)	(981,515)
Cash and Cash Equivalents at Beginning of Year, including \$396,080 and \$ 410,184 Limited as to Use for 2011 and 2010, respectively	1,617,985	2,599,500
Cash and Cash Equivalents at Ending of Year, including \$221,541 and \$ 396,080 Limited as to Use for 2011 and 2010, respectively	\$ 773,978	\$ 1,617,985

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

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

STATEMENT OF CASH FLOWS (continued)

DECEMBER 31,

	2011	2010
Reconciliation of Income (Loss) from Operations to Net Cash Flows		
Provided by Operating Activities		
Net Loss from Operations	\$ (1,053,715)	\$ (1,050,596)
Adjustments to Reconcile Operating Loss to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation and Amortization	855,220	874,178
Provision for Doubtful Accounts	3,853,641	4,577,918
Loss (Gain) on the Sale of Assets	(2,868)	4,964
Decrease (Increase) in Patient Accounts Receivable	(3,165,094)	(4,990,873)
Decrease (Increase) in Inventory	21,919	(8,573)
Decrease (Increase) in Prepaid Expenses	(3,911)	(19,791)
Decrease (Increase) in Other Receivables	(61,279)	(49,569)
Decrease (Increase) in Estimated Third-Party Payor Settlements Rece	50,121	(6,696)
Increase (Decrease) in Estimated Third-Party Payor Settlements Paya	(223,800)	280,669
Increase in Accounts Payable	70,761	216,881
Increase in Accrued Salaries	34,631	20,380
Increase (Decrease) in Accrued Compensated Absences	25,022	(19,542)
Decrease in Accrued Payroll Liabilities	(25,910)	(76,444)
Net Cash Flows Provided By (Used In) Operating Activities	\$ 374,738	\$ (247,094)

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

DECEMBER 31, 2011 AND 2010

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 it's 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 Council.

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. The criteria include:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the council 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 council.
2. Organizations for which the council does not appoint a voting majority but are fiscally dependent on the council.
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 Council 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 Washington Parish. The basic financial statements present information only on the funds maintained by the Hospital and do not present information on the Council, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

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.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

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.

Description of property, plant and equipment is calculated on the straight-line method using the following estimated asset lives:

Land Improvements	15-20 years
Buildings and Building Improvements	20-40 years
Computers and Furniture	3- 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.

Inventory

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

Cost 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:

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Net assets invested in capital assets, net of related debt consist 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 consist 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 consist of remaining 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.

Non-Direct Response Advertising

The Hospital expenses advertising costs as incurred. Advertising expenses incurred during the years ended December 31, 2011 and 2010, totaled \$20,934 and \$36,108, 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 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

DECEMBER 31, 2011 AND 2010

NOTE 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Trade Receivables and Allowance for Doubtful Accounts

Trade receivables are carried at the original billed amount less an estimate made for uncollectible accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for uncollectible accounts by identifying troubled accounts and by using historical experiences 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.

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.

Cost reimbursed services are paid at tentative rates, with final settlement determined after submission of annual cost reports and the completion of audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited or reviewed by the Medicare fiscal intermediary through December 31, 2008.

Medicaid - Inpatient care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per day. Most outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology subject to an outpatient adjustment determined by the Department of Health and Hospitals.

The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and the completion of 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, 2007.

Revenue from the Medicare and Medicaid programs accounted for approximately 62% and 62% of the Hospital's net patient revenue for the years ended December 31, 2011 and 2010, respectively.

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. These adjustments will be recorded in the year they are realized.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Net Patient Service Revenue (cont) 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 service are rendered and adjusted in future periods as final settlements are determined.

Rural hospitals can be reimbursed up to 100% for uncompensated cost rendered to Medicaid and uninsured patients, commonly referred to as Uncompensated Care (UCC) payments. The hospital received \$1,004,143 and \$999,996 in Uncompensated Care payments for the years ended December 31, 2011 and 2010, respectively. These payments are based upon estimated uncompensated care cost and is subject to audit by the Louisiana Department of Health and Hospitals. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. These adjustments will be recorded in the year they are realized. Management has not established an estimated liability for such retroactive adjustments as of December 31, 2011. Coverage for uncompensated care is based on the State's fiscal year.

Advalorem Taxes

Property taxes were levied on January 1, on property values assessed on that date. Notices of tax liability are mailed on or about November 1, of the same year and are due and payable at that time. All unpaid taxes levied become delinquent January 1, of the following year. Property tax revenues are recognized in the same fiscal year within which they are billed because they are considered available in that period. Available includes those property tax receivables expected to be collected within sixty days after year end. However, the receivable for property taxes is recorded at January 1, the lien date. The hospital's ad valorem tax is 6 mills. Ad valorem taxes make up approximately 1.7% of the hospital's financial support for each of the years ended December 31, 2011 and 2010, respectively. These funds are used for debt service.

Income Taxes

The Hospital is a political subdivision and exempt from taxes.

Environmental Matters

Due to the nature of the Hospital's operations, materials handled could lead to environmental concerns. However, at the time, management is not aware of any environmental matters which need to be considered.

Reclassifications

To be consistent with current year classifications, some cash flow items from the previous year have been reclassified with no effect on net assets.

NOTE 2 - CASH AND CASH EQUIVALENTS

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.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE 2 - CASH AND CASH EQUIVALENTS (continued)

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

	2011	2010
Insured by the FDIC	\$ 250,000	\$ 250,000
Collateralized by securities held by the pledging financial institution's trust department in the Hospital's name	2,879,337	12,288,534
Total collateral held for bank balances	\$ 3,129,337	\$12,538,534
Total carrying value per bank	\$ 1,107,684	\$ 1,986,684

For the purposes of cash flows, cash and cash equivalents for the years ended December 31, are as follows:

	2011	2010
Cash and Cash Equivalents	\$ 552,437	\$ 1,221,906
Assets Limited To Use:		
Cash and Cash Equivalents		
General Obligation Bonds, Series 1999	221,541	215,565
Revenue Bonds, Series 2003	-	180,515
Total Cash and Cash Equivalents	\$ 773,978	\$ 1,617,986

NOTE 3 - ASSETS LIMITED AS TO USE

Pursuant to a resolution by the Board of Commissioners of the hospital made in January of 2003, in relation to the Series 2003 Revenue Bonds, the hospital entered an agreement to reserve cash as follows:

To deposit into the Hospital Revenue Bond and Interest Sinking fund, "a sum equal to the total amount of principal and interest accruing on the Outstanding Revenue Bond and the Bonds for such month, together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively become due."

To deposit into a Hospital Revenue Bond Reserve Fund, "a sum at least equal to ten percent of the amount to be paid to the into the Sinking Fund...until such time that there has been accumulated in the Reserve Fund a sum equal to the highest combined principal and interest falling due in any fiscal year on the outstanding revenue bond".

To deposit into the Hospital Depreciation and Contingencies Fund, "a sum equal to five percent of the monthly payment being paid into the Sinking Fund".

Pursuant to a resolution by the Board of Commissioners of the hospital made in February of 2009, in relation to the Series 2009 Revenue Bonds, the hospital entered an agreement to reserve cash as follows:

The hospital is "bound under the terms and provisions of law and this resolution to impose and collect annually, in excess of all other taxes, a tax on all the property subject to taxation within the territorial limits of the issuer, sufficient to pay the principal of and interest on the bonds falling due each year."

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE 3 - ASSETS LIMITED AS TO USE (continued)

The hospital is to "maintain a special fund...the "Sinking Fund" into which the issuer will deposit the proceeds of the aforesaid tax."

The composition of assets limited to use at December 31, 2011, are set forth in the following table:

	2011	2010
Cash and Cash Equivalents		
General Obligation Bonds, Series 1999	\$ 221,541	\$ 215,565
Revenue Bonds, Series 2003	-	180,515
Ad Valorem Tax Receivable	477,421	473,697
Total Cash and Cash Equivalents	\$ 698,962	\$ 869,777

NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Hospital in estimating the fair value of its financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Investments: Fair values, which are the amounts reported in the balance sheet, are based on quoted market prices for similar securities.

Assets limited as to use: These assets consist primarily of cash, short-term investments, and interest receivable. The carrying amount reported in the balance sheet is fair value.

Accounts payable and accrued expenses: The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates its fair value.

Estimated third-party payor settlements: The carrying amount reported in the balance sheet for estimated third-party payor settlements approximates its fair value.

Long-term debt: Fair values of the Hospital's revenue notes are based on current traded value. The fair value of the Hospital's remaining long-term debt is estimated using discounted cash flow analyses, based on the Hospital's current incremental borrowing rates for similar types of borrowing arrangements.

The carrying amounts and fair values of the Hospital's financial instruments for the year ended December 31, 2011 and 2010, are as follows:

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 552,437	\$ 552,437	\$1,221,906	\$1,221,906
Assets limited as to use	\$ 698,962	\$ 698,962	\$ 869,777	\$ 869,777
Estimated receivable third party payors	\$ 259,413	\$ 259,413	\$ 309,534	\$ 309,534
Estimated payable third party payors	\$ 671,300	\$ 671,300	\$ 895,099	\$ 895,099
Accounts payable and accrued expenses	\$2,436,627	\$2,436,627	\$2,337,690	\$2,337,690
Long-term debt	\$ 366,000	\$ 366,000	\$ 887,000	\$ 887,000

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE 5 - NET PATIENT SERVICE REVENUE

The following schedule represents Net Patient Service Revenue for the years ended December 31:

	2011	2010
Gross patient service revenue	\$51,406,532	\$57,693,228
Less: Contractual adjustments	(27,583,003)	(31,885,871)
Less: Provision for doubtful accounts	(3,853,641)	(4,577,918)
Net Patient Service Revenue before	19,969,888	21,229,439
Uncompensated care income	1,004,143	999,996
New patient service revenue	\$20,974,031	\$22,229,435

NOTE 6 - 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 \$23,963 and \$99,032 as of December 31, 2011 and 2010, respectively.

NOTE 7 - CAPITAL ASSETS

Capital assets by major category are as follows:

	12/31/2010	ADDITIONS	DEDUCTIONS	12/31/2011
Land Improvements	\$ 889,758	\$ -	\$ -	\$ 889,758
Buildings	11,504,891	1,028,800	9,783	12,523,908
Equipment	5,649,527	203,909	75,765	5,777,671
Gross Capital Assets	18,044,176	1,232,709	85,548	19,191,337
Accumulated Depreciation	(12,659,557)	(843,560)	(85,304)	(13,417,813)
Depreciable Capital Assets, Net	5,384,619	389,149	(244)	5,773,524
Land	42,921	-	-	42,921
Construction in Progress	291,957	122,137	291,957	122,137
Less: Transfers from Construction				
In Progress	-	(291,957)	(291,957)	-
Total Capital Assets	\$ 5,719,497	\$ 219,329	\$ (244)	\$ 5,938,582

Depreciation expense for the years ended December 31, 2011 and 2010, amounted to \$855,220 and \$864,078, respectively.

NOTE 8 - LONG-TERM DEBT AND OTHER NON-CURRENT LIABILITIES

Long-term debt at December 31, 2011 consisted of the following:

	2011	2010
General Obligation Bond, Series 2009, 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 2013	\$ 719,000	\$ 1,059,000
General Obligation Bond, Series 2003, 5.75% interest rate, annual principal installments due March 1 of each year,		

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE 8 - LONG-TERM DEBT AND OTHER NON-CURRENT LIABILITIES

semi-annual installments of interest due March and 1 and September 1 of each year through 2013		-
Capital Lease Obligation for the acquisition of equipment, repayable in monthly installments totaling \$81, including interest at 0%, maturing in 2011	450	1,053
Gross Long-Term Debt	719,450	1,306,053
Less: Current Portion	353,450	419,053
Long-Term Portion	<u>\$ 366,000</u>	<u>\$ 887,000</u>

A summary of long-term debt activity for the year ended is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital Lease Obligations	\$ 1,053	\$ -	\$ 603	\$ 450
General Obligation Bond, Series 2009	1,059,000	-	340,000	719,000
General Obligation Bond, Series 2003	246,000	-	246,000	-
Total Long-Term Debt	<u>\$ 1,306,053</u>	<u>\$ -</u>	<u>\$586,603</u>	<u>\$ 719,450</u>

Balance due within one year:

	2011	2010
Capital Lease Obligations	\$ 450	\$ 1,053
General Obligation Bond, Series 2009	353,000	340,000
General Obligation Bond, Series 2003	-	78,000
Total Current Portion of Long-Term Debt	<u>\$ 353,450</u>	<u>\$ 419,053</u>

Scheduled repayments on long-term debt are as follows:

	Principal	Interest	Total
2012	\$ 435,000	\$ 23,577	\$ 458,577
2013	452,000	7,963	459,963
Total	<u>\$ 887,000</u>	<u>\$ 31,540</u>	<u>\$ 918,540</u>

Interest expense incurred on long-term debt was \$87,403 and \$58,029 for the years ended December 31, 2011 and 2010, respectively.

During the year ended December 31, 2009, The Hospital refinanced the remaining portion of the 1999 Series Bonds, resulting in the issuance of the 2009 Series General Obligation Refunding Bonds. These Bonds are secured by Ad Valorem tax revenue. The proceeds from the 2009 Bond issuance are restricted to the payment of costs associated with the Hospital's capital projects. 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 were restricted for the purpose of paying a portion of the costs of constructing and acquiring improvements and renovations to the Hospital. These bonds were retired during the year.

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 was payable in 60 monthly installments totaling \$12,273 per month, including interest at 4.73%. The obligation is secured by equipment. This obligation matured and has a zero balance as of December 31, 2010.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE 9 - LEASES

The Hospital is obligated under certain non-cancelable operating leases for various equipment. Amounts paid under these leases totaled \$693,316 and \$739,869 for the years ended December 31, 2011 and 2010, respectively. Future minimum operating lease payments are as follows:

2013	<u>7,531</u>
Total	<u>\$ 7,531</u>

The Hospital leases office space to certain doctors. Rental income received under these arrangements totaled \$142,499 and \$139,697 for the years ended December 31, 2011 and 2010, respectively.

NOTE 10 - CONCENTRATIONS OF CREDIT RISK

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 mix of gross receivables from patients and third-party payors at December 31, 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Medicare	36.3%	38.6%
Medicaid	5.4%	8.7%
Commercial and other third-party payors	<u>58.3%</u>	<u>52.7%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

NOTE 11 - 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 \$15,500, as defined in the plan agreement. The Hospital is required to match 100% of the employees' deferral, not to exceed 3% of the employees' salary of \$15,500. Participants become fully vested after five years, with no graduated vesting occurring between years one through four. Employer contributions were \$156,603 and \$146,938 for the years ended December 31, 2011 and 2010, 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 employees' deferrals and the Hospital's matching contributions. Each employee chooses from an array of investment options offered by the administrator.

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.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE 12 - CONTINGENCIES (continued)

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.

To ensure accurate payments to providers, the Tax Relief and Healthcare Act of 2006 mandated the Centers for Medicare & Medicaid Service (CMS) to implement a Recovery Audit Contractor (RAC) program on a permanent and nationwide basis no later than 2010. The program uses RACs to search for potentially improper Medicare payments that may have been made to health care providers that were not detected through existing CMS program integrity efforts, on payments that have occurred at least one year ago. Once a RAC identifies a claim it believes to be improper, it makes a deduction from the provider's Medicare reimbursement in an amount estimated to equal the overpayment.

The Hospital will deduct from revenue, amounts assessed under the RAC audits at the time a notice is received until such time that estimates of net amount due can be reasonably estimated. RAC assessments are anticipated; however, the outcome of such assessments are unknown and cannot be reasonably estimated.

Professional Liability Risk

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

Workman's Compensation Risk

The Hospital participated in the Louisiana Hospital Association Self-Insurance Workmen's Compensation Trust Fund in 2011 and 2010. 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 for 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 fund 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.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE 13 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, May 31, 2012, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

NOTE 14 - RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In July 2011, the FASB issued ASU 2011-07, Health Care Entities (Topic 954) Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities. The amendments to the codification will require certain health care entities to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally those health care entities will be required to provide enhanced disclosure about their policies for recognizing service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The Hospital will be subject to these amendments for fiscal years ending after December 15, 2012, with early adoption permitted. The amendments will be applied retrospectively for all prior periods presented.

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

SCHEDULE OF REVENUES

DECEMBER 31,

	2011			2010
	INPATIENT	OUTPATIENT	TOTAL	TOTAL
Daily Patient Services				
Medical and Surgical	\$ 1,575,999	\$ 166,021	\$ 1,742,020	\$ 2,020,040
Intensive Care	68,206	-	68,206	102,818
Total Daily Patient Services	1,644,205	166,021	1,810,226	2,122,858
Other Nursing Services				
Emergency Services	86,675	6,663,124	6,749,799	8,828,792
Operating and Recovery Rooms	75,100	2,475,380	2,550,480	2,633,410
Central Services and Supply	552,286	1,698,311	2,250,597	2,491,925
Total Other Nursing Services	714,061	10,836,815	11,550,876	13,954,127
Other Professional Services				
Laboratory	1,461,196	8,982,771	10,443,967	13,548,854
Pharmacy	1,720,825	2,854,486	4,575,311	6,343,316
Cat Scan	240,011	3,863,172	4,103,183	5,489,202
Cardiopulmonary	2,323,645	536,465	2,860,110	3,323,629
Radiology	219,451	2,044,628	2,264,079	2,235,629
Speech/Occupational/Physical Therapy	114,169	1,373,478	1,487,647	1,628,281
MRI	108,961	1,286,060	1,395,021	1,324,653
Ultrasound	157,145	867,970	1,025,115	1,091,710
Nuclear Medicine	29,396	254,517	283,913	479,270
Woundcare	-	1,828,901	1,828,901	1,167,402
Echo and Doppler	306,686	511,138	817,824	953,349
Pediatric Internal Medicine Clinic	-	2,817,753	2,817,753	741,105
Chemotherapy	58,812	864,234	923,046	751,572
Electrocardiology	147,589	413,967	561,556	625,468
Anesthesiology	27,833	859,011	886,844	437,567
Franklinton Clinic	-	407,369	407,369	419,302
Electroencephalography	10,942	518,148	529,090	370,648
Mammography	261	469,045	469,306	343,065
Hospitalist	81,516	22,174	103,690	80,480
Swing Bed	223,215	-	223,215	204,585
Dietary	29,367	1,386	30,753	32,098
Dialysis	7,037	700	7,737	25,058
Total Other Professional Services	7,268,057	30,777,373	38,045,430	41,616,243
Gross Patient Service Revenue	\$ 9,626,323	\$ 41,780,209	51,406,532	57,693,228
Less: Contractual Adjustments			27,606,961	31,885,871
Less: Provision for Doubtful Accounts			3,853,641	4,577,918
Net Patient Service Revenue Before Uncompensated Care Income			19,945,930	21,229,439
Uncompensated Care Income			1,004,143	999,996
Net Patient Service Revenue			\$ 20,950,073	\$ 22,229,435

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

SCHEDULE OF OTHER REVENUE

DECEMBER 31,

	<u>2011</u>	<u>2010</u>
Other Operating Revenue		
Donations and Grants	\$ 919,443	\$ 471,550
Cafeteria	56,493	60,441
Concessions	8,443	9,954
Other	39,289	61,974
	<u>\$ 1,023,668</u>	<u>\$ 603,919</u>

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

SCHEDULE OF EXPENSES

DECEMBER 31,

	<u>2011</u>	<u>2010</u>
Salaries		
Administrative	\$ 1,647,247	\$ 1,678,264
Nursing Administration	573,768	595,000
Medical and Surgical	1,033,704	926,344
Intensive Care	99,726	143,773
Emergency Services	1,435,045	1,381,374
Operating and Recovery Rooms	269,774	277,812
Central Services and Supply	75,859	75,673
Laboratory	782,851	755,725
Cat Scan	56,894	56,940
Cardiopulmonary	529,494	532,465
Radiology	508,917	513,301
Speech/Occupational/Physical Therapy	362,602	360,053
Ultrasound	141,340	142,846
Nuclear Medicine	81,415	82,179
Echo and Doppler	79,875	78,191
Pediatric Internal Medicine Clinic	491,019	410,455
Chemotherapy	144,759	136,623
Electrocardiology	27,080	27,153
Anesthesiology	332,945	339,573
Franklinton Clinic	443,028	511,497
Mammography	43,255	41,145
Swing Bed	477	652
Dietary	137,372	142,657
Housekeeping	187,178	203,113
Plant Operations	210,421	241,661
Social Services	116,493	117,940
Physician Office	<u>6,246</u>	<u>7,726</u>
 Total Salaries	 <u>\$ 9,818,784</u>	 <u>\$ 9,780,135</u>

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

SCHEDULE OF EXPENSES

DECEMBER 31,

	2011	2010
Outside Services and Professional Fees		
Administrative	\$ 237,635	\$ 217,457
Nursing Administration	39,287	1,996
Intensive Care	683	2,103
Emergency Services	980,404	1,765,120
Operating and Recovery Rooms	118,750	118,750
Laboratory	281,739	245,217
Pharmacy	372,119	368,474
Cat Scan	400	400
Cardiopulmonary	1,710	165
Radiology	12,551	31,012
Speech/Occupational/Physical Therapy	20,817	34,787
MRI	339,230	384,066
Nuclear Medicine	3,476	2,527
Woundcare	370,375	375,251
Echo and Doppler	192	165
Pediatric Internal Medicine Clinic	7,128	8,771
Chemotherapy	3,246	2,204
Electrocardiology	4,806	8,018
Franklinton Clinic	6,121	5,947
Electroencephalography	97,014	65,600
Mammography	5,254	3,360
Hospitalist	150,000	150,000
Dietary	38,610	38,453
Dialysis	3,025	9,350
Housekeeping	65,691	62,795
Plant Operations	20,867	19,208
Social Services	4,158	4,030
Physician Office	1,145	1,115
	<u>\$ 3,186,433</u>	<u>\$ 3,926,341</u>
Total Outside Services and Professional Fees	\$ 3,186,433	\$ 3,926,341

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

SCHEDULE OF EXPENSES

DECEMBER 31,

	<u>2011</u>	<u>2010</u>
Supplies and Other Expenses		
Administrative	\$ 1,140,217	\$ 1,194,381
Nursing Administration	9,351	6,609
Medical and Surgical	81,146	61,667
Intensive Care	9,536	6,253
Emergency Services	116,009	91,930
Operating and Recovery Rooms	227,675	253,420
Central Services and Supply	235,342	246,097
Laboratory	794,241	735,360
Pharmacy	1,473,603	1,575,040
Cat Scan	250,384	294,136
Cardiopulmonary	89,048	86,511
Radiology	285,850	295,946
Speech/Occupational/Physical Therapy	14,001	16,195
MRI	5,373	6,091
Ultrasound	37,470	47,664
Nuclear Medicine	63,398	90,187
Woundcare	892	950
Echo and Doppler	43,118	42,971
Pediatric Internal Medicine Clinic	68,847	83,482
Chemotherapy	2,946	1,915
Electrocardiology	7,092	8,433
Anesthesiology	8,643	5,505
Franklinton Clinic	19,977	17,679
Mammography	157,215	157,712
Dietary	105,164	107,956
Housekeeping	68,447	68,148
Plant Operations	753,073	815,382
Social Services	275	339
Physician Office	2,944	1,040
	<u>6,071,277</u>	<u>6,318,999</u>
Total Supplies and Other Expenses	\$ 6,071,277	\$ 6,318,999

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

SCHEDULE OF GOVERNING BOARD EXPENSES

DECEMBER 31,

	<u>2011</u>	<u>2010</u>
Wayne Knight	900	900
Lionel K. Jones	825	825
Violet D. Tate	600	600
Rachel Gill	825	-
Joseph Cobb	<u>825</u>	<u>900</u>
 Total Governing Board Expenses	 <u>\$ 3,975</u>	 <u>\$ 3,225</u>



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

Board of Commissioners
Washington Parish Hospital Service District No. 1
Franklinton, Louisiana

We have audited the financial statements of Washington Parish Hospital Service District No. 1 (The Hospital), a component unit of the Washington Parish Government, State of Louisiana, as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated May 31, 2012.

We conducted our audit in accordance with generally accepted auditing standards of the United States 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 audit of the financial statements of the Hospital as of and for the years ended December 31, 2011 and 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider all deficiencies described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan" to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider all deficiencies described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan" to be significant deficiencies.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Hospital's 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 did not identify instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The Hospital's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and Management's Corrective Action Plan". We did not audit the Hospital's responses and, accordingly, we express no opinion on it.

This report is intended for the information of Washington Parish Hospital Service District No. 1, a component unit of the Washington Parish Government, State of Louisiana, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

We acknowledge with appreciation the courtesies extended our representatives during the audit.

Sincerely,



LANGLINAIS BROUSSARD & KOHLENBERG
(A Corporation of Certified Public Accountants)

May 31, 2012

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED DECEMBER 31, 2011

We have audited the 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 Government, State of Louisiana, as of and for the years ended December 31, 2011 and 2010 and have issued our report thereon dated May 31, 2012.

We conducted our audit in accordance with generally accepted auditing standards of the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-133. Our audit of the financial statements as of December 31, 2011 and 2010, resulted in an unqualified opinion.

Section I: Summary of Auditor's Reports

A. Report on Internal Control and Compliance Material to the Financial Statements:

Internal Control:

Material Weaknesses: Yes
Significant Deficiencies: Yes

Compliance:

Compliance Material to Financial Statements No

Section II: Financial Statement Findings

A - Issues of Noncompliance

None Identified.

B- Significant Deficiencies and Material Weaknesses

Finding 2011-1 Financial Statement Preparation

Condition and Criteria: The Hospital relies on its outside auditors to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, outside auditors cannot be considered part of the Hospital's internal control structure, and, because of limitations of the Hospital's accounting staff, the design of the Hospital's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Effect: This represents a material weakness in the Hospital's internal control system.

Recommendation: The Hospital should continue outsourcing the preparation of its financials to its independent auditors and carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION PLAN

Finding 2011-1 Financial Statement Preparation, Cont'd

Management Response: Riverside Medical Center is a rural critical access hospital and has a limited qualified accounting staff that can prepare the financial statements and related disclosures. Therefore we will have to continue outsourcing the preparation of our financials to our independent auditors and carefully review the draft financial statements and notes prior to accepting responsibility for their contents and presentation.

Section III: Management Letter Items

There are no management letter items at December 31, 2011.

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

SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2011

Finding 2010-1 Financial Statement Preparation: The Hospital relies on its outside auditors to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, outside auditors cannot be considered part of the Hospital's internal control structure, and, because of limitations of the Hospital's accounting staff, the design of the Hospital's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Status: Unresolved. See Finding 2011-1.