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LOWER CAMERON HOSPITAL SERVICE DISTRICT
D/B/A SOUTH CAMERON MEMORIAL HOSPITAL
FINANCIAL REPORT
OCTOBER 31, 1999

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

Release Date ~~_____~~
JUN 21 2000

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To the Board of Commissioners
Lower Cameron Hospital Service District
d/b/a South Cameron Memorial Hospital
Creole, Louisiana

We have audited the accompanying balance sheet of Lower Cameron Hospital Service District d/b/a South Cameron Memorial Hospital as of October 31, 1999, and the related statements of revenue and expenses, changes in fund balance, and cash flows for the year then ended. These component unit financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in Note 13 to the component unit financial statements, an uncertainty exists on the settlement of Medicaid disproportionate share payments received by the District. The effect of this settlement on the liability to the District is not resolved. Also as described in Note 13 to the component unit financial statements, the fiscal year 1999 Medicare and Medicaid cost report was not completed in order to determine the settlement liability to the intermediary for fiscal year 1999, nor were we able to satisfy ourselves as to this settlement liability by other auditing procedures.

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To the Board of Commissioners
Lower Cameron Hospital Service District
d/b/a South Cameron Memorial Hospital

In our opinion, except for the effects of the uncertainty on the liability due to the settlement of the Medicaid disproportionate share payments, and the settlement on the October 31, 1999 annual Medicare and Medicaid cost report, the component unit financial statements referred to above present fairly, in all material respects, the financial position of Lower Cameron Hospital Service District d/b/a South Cameron Memorial Hospital as of October 31, 1999, and the results of its operations, and cash flows for the year then ended in conformity with generally accepted accounting principles.

The component unit financial statements of Lower Cameron Hospital Service District d/b/a South Cameron Memorial Hospital have been prepared assuming that the District will continue as a going concern. As discussed in Note 18, the District has incurred losses and has a deficit fund balance. These conditions raise substantial doubt about the District's ability to continue as a going concern. Management's plans as to these matters are also discussed in Note 18. The component unit financial statements do not include any adjustments to reflect the possible future effects on the recoverability of assets or the amounts of liabilities that may result from the possible inability of the District to continue as a going concern.

In accordance with Government Auditing Standards, we have also issued a report dated March 24, 2000, on our consideration of Lower Cameron Hospital Service District d/b/a South Cameron Memorial Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

BROUSSARD, POCHE, LEWIS & BREAU, L.L.P.

Crowley, Louisiana
March 24, 2000

LOWER CAMERON HOSPITAL SERVICE DISTRICT
D/B/A SOUTH CAMERON MEMORIAL HOSPITAL

BALANCE SHEET
October 31, 1999

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 374,100
Assets limited as to use	133,948
Patient accounts receivable, less allowance for uncollectible accounts of \$3,287,296	860,745
Inventories	140,860
Prepaid expenses	170,139
Other receivables	<u>92,353</u>

Total current assets \$ 1,772,145

FIXED ASSETS

Property, plant, and equipment, at cost, less accumulated depreciation of \$3,266,665	\$ 2,509,148
Other assets, less amortization of \$400	<u>1,550</u>

Total fixed assets \$ 2,510,698

\$ 4,282,843

See Notes to Financial Statements.

LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES

Accounts payable	\$ 1,077,953
Other payables	40,176
Other accrued expenses	167,596
Third-party payor settlements	10,293,768
Capital leases	11,281
Notes payable	198,068
Bond payable	<u>116,082</u>

Total current liabilities \$11,904,924

LONG-TERM LIABILITIES

Capital leases	\$ 8,309
Notes payable	223,765
Bond payable	<u>43,951</u>

Total long-term liabilities \$ 276,025

FUND BALANCE

Fund balance (deficit)	<u>\$(7,898,106)</u>
------------------------	----------------------

Total liabilities and fund balance \$ 4,282,843

LOWER CAMERON HOSPITAL SERVICE DISTRICT
D/B/A SOUTH CAMERON MEMORIAL HOSPITAL

STATEMENT OF REVENUE AND EXPENSES
Year Ended October 31, 1999

Operating revenue:		
Net patient service revenue		\$ 6,842,631
Ad valorem taxes		1,054,363
Other operating revenue		<u>88,203</u>
Total operating revenue		\$ 7,985,197
Operating expenses:		
Salaries and FICA	\$ 4,242,884	
Professional fees	897,731	
Contract services	1,117,596	
Other departmental expenses	2,786,807	
Interest	186,322	
Depreciation and amortization	343,611	
Provision for bad debts	<u>786,472</u>	
Total operating expenses		<u>10,361,423</u>
Operating loss		\$(2,376,226)
Nonoperating revenue (expenses):		
Interest income		<u>4,588</u>
Deficiency of revenues over expenses		<u>\$(2,371,638)</u>

See Notes to Financial Statements.

LOWER CAMERON HOSPITAL SERVICE DISTRICT
D/B/A SOUTH CAMERON MEMORIAL HOSPITAL

STATEMENT OF CHANGES IN FUND BALANCE
Year Ended October 31, 1999

Unrestricted fund balance:

Fund balance, beginning as previously stated	\$ 5,496,220
Prior period adjustments	<u>(11,022,688)</u>
Fund balance (deficit), beginning as restated	\$ (5,526,468)
Additions:	
Deficiency of revenues over expenses	<u>(2,371,638)</u>
Fund balance (deficit), ending	<u>\$ (7,898,106)</u>

See Notes to Financial Statements.

LOWER CAMERON HOSPITAL SERVICE DISTRICT
D/B/A SOUTH CAMERON MEMORIAL HOSPITAL

STATEMENT OF CASH FLOWS
Year Ended October 31, 1999

CASH FLOWS FROM OPERATING ACTIVITIES

Operating loss	\$(2,376,226)
Interest expense considered capital financing activity	28,265
Ad valorem taxes considered financing activity	(1,054,363)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	343,611
Provision for bad debts	786,472
(Increase) decrease in assets:	
Patient accounts receivable	2,177,421
Inventories	(11,426)
Prepaid expenses	43,368
Other receivables	(162,280)
Increase (decrease) in liabilities:	
Accounts payable	(210,729)
Third-party payor settlements	1,043,292
Accrued expenses	(93,215)
Accrued interest payable	(2,043)
Other payables	<u>39,194</u>
Net cash provided in operating activities	<u>\$ 551,341</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Ad valorem taxes	\$ 1,054,363
Interest income	<u>4,588</u>
Net cash provided by noncapital financing activities	<u>\$ 1,058,951</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal payments for capital lease	\$ (3,095)
Principal payments for insurance financing	(218,978)
Net proceeds from insurance financing	219,270
Principal payments for bonds payable	(165,705)
Principal payments for notes payable	(6,034)
Interest paid on financing activities	(28,265)
Net proceeds from accounts receivable refinancing	<u>(1,019,148)</u>
Net cash used by capital and related financing activities	<u>\$(1,221,955)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	<u>\$ (308,620)</u>
Net increase in cash and cash equivalents (total forward)	<u>\$ 79,717</u>

(Continued)

LOWER CAMERON HOSPITAL SERVICE DISTRICT
D/B/A SOUTH CAMERON MEMORIAL HOSPITAL

STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended October 31, 1999

Net increase in cash and cash equivalents (total forwarded)	\$ 79,717
Cash and cash equivalents, beginning of year	<u>428,331</u>
Cash and cash equivalents, end of year	<u>\$ 508,048</u>
Cash and cash equivalents in current assets	\$ 374,100
Cash and cash equivalents in assets limited as to use	<u>133,948</u>
Total cash and cash equivalents	<u>\$ 508,048</u>

See Notes to Financial Statements.

LOWER CAMERON HOSPITAL SERVICE DISTRICT
D/B/A SOUTH CAMERON MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

Note 1. Description of Organization and Summary of Significant Accounting Policies

The following is a summary of the Service District's significant accounting policies:

Organization:

Lower Cameron Hospital Service District d/b/a South Cameron Memorial Hospital, was established by the Cameron Parish Police Jury on July 15, 1959 by virtue of the authority of R.S. 46:1051 et seq. The purpose of the Hospital is to provide health services to lower Cameron Parish. Construction of the Hospital was financed through a bond issue, Hill Burton Funding, and local contributions. The board is appointed by the Cameron Parish Policy Jury.

For reporting purposes, the Hospital is a component unit of the Cameron Parish Police Jury. The accompanying component unit financial statement presents information only on South Cameron Memorial Hospital and its components and does not present information on the Cameron Parish Police Jury and the general government services provided by that body. The component units discussed below are included in the reporting entity because of the significance of their operational or financial relationships with South Cameron Memorial Hospital.

Individual component unit disclosures:

Blended component unit. Although it is legally separate from South Cameron Memorial Hospital, the Lower Cameron Hospital Ambulance Service District is reported as if it were part of South Cameron Memorial Hospital because of the following reason: In 1988, the Hospital Service District entered into an agreement with the Lower Cameron Hospital Ambulance Service District whereby the Hospital would provide monthly accounting services, including the collecting and disbursing of funds as well as the billing for the Ambulance Service District.

Blended component unit. Although legally separate from South Cameron Memorial Hospital, the Cameron Parish Ambulance Service District No. 2 is reported as if it were part of South Cameron Memorial Hospital for the following reasons: on November 1, 1997, the Hospital Service District also entered into an intergovernmental agency agreement with Cameron Parish Ambulance

NOTES TO FINANCIAL STATEMENTS

Service District No. 2. The agreement states that the Hospital shall manage and operate the equipment and facilities of the Ambulance Service District as well as provide ambulance services to the members of the Ambulance Service District. The term of the agreement is effective for a sixty (60) month period ending on November 1, 2002, at which time it shall be automatically renewed for successive one year periods, unless the hospital or the Ambulance District terminates the agreement.

Net patient revenue:

Net patient 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.

Inventories:

Inventories are valued at the latest invoice price which approximates the lower of cost (first-in, first-out method) or market.

Property, plant, and equipment:

Property, plant, and equipment is stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of each class of depreciable assets. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment.

Proprietary fund accounting:

The District 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

Allowance for uncollectible accounts:

The Hospital uses the allowance method of recognizing the cost for bad debts. This method provides an estimate of the loss that is applicable to current year revenue, and any adjustment in previous estimates of prior year losses that may be applicable to accounts still remaining on the books.

Cash and cash equivalents:

For purposes of the statement of cash flows, the Hospital Service District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Note 2. Net Patient Service Revenues

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

- **Medicare** - Inpatient acute care services (and related capital costs) rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. Acute care service rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient psychiatric services and certain outpatient services related to Medicare beneficiaries are paid based on a cost reimbursement methodology, while other outpatient services are reimbursed on a fee schedule. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through October 31, 1998.
- **Medicaid** - Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per day. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, subject to certain limits, while other outpatient services are reimbursed on a fee schedule. The Hospital is reimbursed for outpatient services at an interim 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 by the Medicaid fiscal intermediary through October 31, 1998, but cost reports for Disproportionate Share payments are currently being audited.

During the year ended October 31, 1999, approximately 80% of the Hospital's gross patient service revenues were furnished to Medicare and Medicaid beneficiaries.

NOTES TO FINANCIAL STATEMENTS

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

Note 3. Bank Deposits

For reporting purposes, cash and cash equivalents include cash and certificates of deposit. The Service District may invest in United States bonds, treasury notes, or certificates of deposit of state banks having their office in the State of Louisiana, or any other federally insured investment. The Service District may also invest in shares of any homestead and building and loan association in any amount not exceeding the federally insured amount. The deposits at October 31, 1999, were as follows:

	<u>Bank Balance</u>	<u>FDIC Insurance</u>	<u>Balance Uninsured</u>
Demand deposits	<u>\$ 488,849</u>	<u>\$ (143,108)</u>	\$ 345,741
Securities pledged and held by the custodial bank in the Bank's name (Category III)			<u>(476,094)</u>
Excess of FDIC insurance plus pledged securities over deposits in financial institutions			<u>\$ 130,353</u>

Note 4. Assets Limited as to Use

Assets limited as to use are required for payment of bond principal and interest. The composition of assets limited as to use as of October 31, 1999, are as follows:

Under indenture agreement:

U.S. Treasury obligations	<u>\$133,948</u>
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NOTES TO FINANCIAL STATEMENTS

Note 5. Other Receivables

Included in other receivables are payments mailed to the Hospital totaling \$61,819. These receipts are associated with the Hospital's outpatient satellite rehabilitation services. The Federal Bureau of Investigation is currently holding these receipts as evidence for a criminal investigation.

Note 6. Property, Plant, and Equipment

A summary of property, plant, and equipment is as follows:

	<u>Cost</u>
Ambulances	\$ 273,062
Equipment	2,475,932
Building	2,706,485
Land (plant)	20,437
Land improvements	12,990
Construction in progress (telemed equipment)	<u>286,907</u>
Total	\$5,775,813
Less: Accumulated depreciation	<u>(3,266,665)</u>
	<u>\$2,509,148</u>

Depreciation expense for the year ended October 31, 1999, amounted to \$343,611.

Note 7. Ad Valorem Taxes

South Cameron Memorial Hospital's property tax is levied by the parish on the taxable real property in the district in late October of each year. Bills are sent out in November of each year at which time the Hospital records the tax revenue, and become a lien in the following March. The collection period for the Hospital's property taxes is from December (at which time they become delinquent) to the succeeding May.

Note 8. Concentrations of Credit Risk

The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at October 31, 1999, was as follows:

Medicare	72.0%
Medicaid	8.0
Other third-party payors/patients	<u>20.0</u>
	<u>100.0%</u>

NOTES TO FINANCIAL STATEMENTS

Note 9. Long-Term Debt

A summary of long-term debt, including capital lease obligations, at October 31, 1999 follows:

TransAmerican notes payable, 8.32%, paid in nine monthly installments ending 4-15-2000	\$148,923
Notes payable, due January 10, 2004, with an interest rate of 5.25%, paid annually	272,910
Revenue bonds, due February 1, 2001, with an interest rate of 6.50%, paid monthly	<u>160,033</u>
Total long-term debt	\$581,866
Less: Current maturities of long-term debt	<u>314,150</u>
Long-term debt net of current maturities	<u>\$267,716</u>
Capital lease obligations, at interest rates of 8.25% and 21%, collateralized by leased equipment with a cost of \$32,509 at October 31, 1999	\$ 19,590
Less: Current portion of capital lease obligations	<u>11,281</u>
Capital lease obligations, excluding current portion	<u>\$ 8,309</u>

Scheduled principal repayments of long-term debt and payments on capital lease obligations for the next five years are as follows:

<u>Year Ending</u> <u>October 31,</u>	<u>Long-Term</u> <u>Debt</u>	<u>Capital Lease</u> <u>Obligations</u>
2000	\$165,227	\$ 13,503
2001	95,674	9,006
2002	54,438	-
2003	57,297	-
2004	<u>60,308</u>	<u>-</u>
	<u>\$432,944</u>	\$ 22,509
Less amount representing interest on capital lease obligations		<u>2,919</u>
Total		<u>\$ 19,590</u>

NOTES TO FINANCIAL STATEMENTS

Note 10. Operating Leases

The Hospital Service District entered into a five (5) year lease for the Calcasieu Oaks facility on November 1, 1995. The monthly rental was \$26,000 for the first payment, and \$31,000 starting December 31, 1995. The Hospital pays \$5,500 for the partial day psych. Upon completion of the initial five (5) year term, the lease shall automatically renew for an additional five (5) year term unless cancelled by either party. The cancellation may be done by either party at least 90 days prior to the expiration of the current term. Rental expense for the year ended October 31, 1999, for this lease totaled \$487,500.

The Hospital leases other various equipment under operating leases expiring at various dates. Total rental expense in 1999 for these operating leases was approximately \$24,720.

The following is a schedule by year of future minimum lease payments under operating leases that have initial or remaining lease terms in excess of one year.

<u>Year Ending</u> <u>October 31,</u>	<u>Amount</u>
2000	<u>\$391,818</u>

Note 11. Compensated Absences

Employees accrue ten (10) vacation days per year after completing one year of service. After ten years of service, vacation days are accumulated at a rate of fifteen (15) days per year. Employees may accumulate no more than twenty (20) days of vacation.

Accrued vacation at October 31, 1999, totaled \$7,031.

NOTES TO FINANCIAL STATEMENTS

Note 12. Telemedicine Grant

On February 19, 1998, South Cameron Memorial Hospital entered into an agreement with the United States of America, acting through the administrator of the Rural Utilities Service ("RUS") for a telemedicine grant. The grant shall be used to provide telemedicine services in several parishes in Louisiana, with South Cameron Memorial Hospital being the applicant for the consortium of members of the project. The grant will expire in February 2001.

The total amount of the grant is \$299,200. The Hospital and consortium of members must provide a matching contribution of \$221,204. Under the agreement, no portion of the grant shall be delivered until matching contributions are shown to be satisfactory to RUS. As of October 31, 1999, the Hospital did not receive any portion of the grant due to a lack in matching contributions. The Hospital and consortium of members did however, have possession of the telemedicine equipment as of October 31, 1999. This equipment is reported in the financial statements as construction-in-progress with an offsetting account payable.

Management plans in future periods to provide matching funds by the consortium of members in order to receive the grant funds.

Note 13. Third-party Settlements

The following is a schedule of third-party payor settlement payable/(receivable) as of October 31, 1999:

<u>Cost Report Year</u>	<u>Medicare</u>	<u>Medicaid</u>	<u>Total</u>
1995	\$ -	\$ 2,398,940	\$ 2,398,940
1996	40,967	(1,230)	39,737
1997	2,401,729	(3,427)	2,398,302
1998	4,362,162	94,627	4,456,789
1999	<u>850,000</u>	<u>150,000</u>	<u>1,000,000</u>
	<u>\$ 7,654,858</u>	<u>\$ 2,638,910</u>	<u>\$10,293,768</u>

As discussed in Note 2, the cost reports filed for Medicaid disproportionate share payments for fiscal year 1995 are currently being audited by the intermediary. These payments amounted to approximately \$7,250,000 that the District received in fiscal year 1995. Management has estimated that the overpayment amount approximates \$2,398,940, which is included as a liability on the financial statements. The settlement of this liability is yet to be resolved.

NOTES TO FINANCIAL STATEMENTS

The October 31, 1999 annual Medicare and Medicaid cost report has not been completed in order to determine the settlement for fiscal year 1999 to the intermediary. Management has estimated that the settlement on the October 31, 1999 cost report will approximate an overpayment of \$1,000,000, which is included as a liability on the financial statements. The settlement for fiscal year 1999 will be determinable when the annual Medicare and Medicaid cost report is completed.

Note 14. Contractual Management Agreement

The Hospital entered into a management agreement commencing on November 16, 1996, with Lake Charles Hospital Management, Inc. By contract, Lake Charles Hospital Management, Inc. was given overall responsibility for managing the Hospital operations, subject to the ultimate control and supervision of the governing body of the Hospital. Payments to Lake Charles Hospital Management, Inc. under this contract totaled \$469,320 for the year ended October 31, 1999.

Effective June 1, 1998, the management agreement between Lake Charles Hospital Management, Inc. and the Hospital was amended for outpatient satellite rehab services. These services included physical therapy, occupational therapy, recreational therapy, and speech therapy at rates that both parties believed were equivalent to those that prevail in an arm's length transaction. The expense for this amended service totaled \$325,211 for the year ended October 31, 1999.

Note 15. Related Party Transactions

The Hospital has engaged Dr. Richard Sanders, who was a member of South Cameron Hospital's board, for physician services during the year ended October 1999. According to the Louisiana Code of Ethics, La. R.S. 42:1111 et seq., generally prohibits governmental agencies from contracting with their own board members. However, under La. R.S. 42:423(18), exempts licensed physicians who are members of a board of commissioners of a hospital service district located within a parish with a population of 25,000 or less, contracting with the hospital over which the board exercises jurisdiction. Payments for the year ended October 31, 1999 totaled \$407,255.

NOTES TO FINANCIAL STATEMENTS

Note 16. Prior Period Adjustments

In the financial statements for the year ending October 31, 1999, several prior period adjustments were made to South Cameron Memorial Hospital's fund balance. These adjustments are detailed below:

Beginning fund balance, as previously stated		\$ 5,496,220
Prior period adjustments:		
To adjust for additional accounts payable recorded at 10/31/98	\$ (64,823)	
To record 1998 cost report "as filed"	(2,098,902)	
To record 1998 third-party payor settlement adjustments	(2,271,206)	
To record 1997 third-party payor settlement adjustments	(1,705,568)	
To record 1996 third-party payor settlement adjustments	30,033	
To record 1995 estimated payback on uncompensated costs	(2,398,940)	
To record accrued interest expense on notes payable	(13,982)	
To adjust payroll taxes	62,904	
To adjust allowance for bad debts and contractual adjustments at 10/31/98	(1,897,821)	
To adjust accounts receivable	<u>(664,383)</u>	<u>(11,022,688)</u>
Beginning fund balance (deficit), as restated		<u><u>\$(5,526,468)</u></u>

NOTES TO FINANCIAL STATEMENTS

Note 17. Subsequent Events

Bankruptcy

On November 18, 1999, the District filed for voluntary relief under Chapter 9 bankruptcy proceedings in the United States District Court for the Western District of Louisiana.

Retirement of Bonds Payable

On November 15, 1999, the District retired the revenue bonds payable of \$160,033.

Ambulance District No. 2

On February 3, 2000, the District board adopted a resolution to terminate the intergovernmental agency agreement with Cameron Parish Ambulance District No. 2 effective no later than December 1, 2000.

Ad valorem Tax Renewal

A motion was made by the Board of Directors to adopt a resolution to renew the ad valorem tax of 3.66 mills on all property subject to taxation in the District expiring in the year 2009. The ad valorem tax is for the continued operation of the Hospital emergency room services and facilities, and other hospital services and facilities of the District. A special election will be held on April 15, 2000.

Lease of Hospital

A resolution was made by the Board of Directors ordering and calling for a special election to be held on April 15, 2000. The voters of the District would vote on a proposition authorizing the District board to lease South Cameron Memorial Hospital buildings, land, equipment, and accessories, for amounts and for a term approved by the Hospital Governing Board of Commissioners, the Cameron Parish Police Jury, and any other authority exercising jurisdiction.

NOTES TO FINANCIAL STATEMENTS

Note 18. Going Concern

The District has incurred substantial losses from operations and third-party payor settlements, which have resulted in its liabilities being substantially in excess of its assets causing a deficit fund balance. On November 18, 1999, the District filed for voluntary relief under Chapter 9 bankruptcy proceedings in the United States District Court for the Western District of Louisiana. Listed as creditors are the United States Department of Health and Human Services, Health Care Financing Administration, and the Louisiana Department of Health and Hospitals, as well as other unsecured creditors. Management believes that relief from Chapter 9 bankruptcy and the leasing of hospital operations to an outside company will be sufficient to continue operations. The component unit financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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BROUSSARD, POCHE', LEWIS & BREAUX, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

Other Offices:

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(337) 457-0071

To the Board of Commissioners
Lower Cameron Hospital Service District
d/b/a South Cameron Memorial Hospital
Creole, Louisiana

Our audit was made for the purpose of forming an opinion on the basic component unit financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis of the component unit financial statements rather than to present the financial position, results of operations, and cash flows of the District. The supplementary information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, except for the effects of the uncertainty on the liability due to the settlement of the Medicaid disproportionate share payments, and the settlement on the October 31, 1999 annual Medicare and Medicaid cost report, is fairly stated in all material respects, in relation to the component unit financial statements taken as a whole.

BROUSSARD, POCHE', LEWIS & BREAUX, L.L.P.

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Martha B. Wyatt, CPA*
Troy J. Breaux, CPA*
Fayette T. Dupre', CPA*

Crowley, Louisiana
March 24, 2000

Retired:

Sidney L. Broussard, CPA 1980
Leon K. Poche', CPA 1984
James H. Breaux, CPA 1987
Erna R. Walton, CPA 1988
George A. Lewis, CPA* 1992
Geraldine J. Wimberly, CPA* 1995
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Larry G. Broussard, CPA* 1996
Lawrence A. Cramer, CPA* 1999
Michael P. Crochet, CPA* 1999

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LOWER CAMERON HOSPITAL SERVICE DISTRICT
D/B/A SOUTH CAMERON MEMORIAL HOSPITAL

SCHEDULE OF PATIENT SERVICE REVENUE
Year Ended October 31, 1999

Gross patient direct services		\$10,263,266
Less:		
Contractual allowances	\$(2,848,101)	
Administrative adjustments	<u>(572,534)</u>	<u>(3,420,635)</u>
Net patient services		<u>\$ 6,842,631</u>

LOWER CAMERON HOSPITAL SERVICE DISTRICT
D/B/A SOUTH CAMERON MEMORIAL HOSPITAL

SCHEDULE OF OTHER OPERATING REVENUE
Year Ended October 31, 1999

Employee sales	\$ 573
Medical records	3,002
Cafeteria	8,908
Oil lease revenue	2,446
Vending machine commissions	2,918
Recovery of bad debts	3,721
Other	<u>66,635</u>
	<u>\$ 88,203</u>

LOWER CAMERON HOSPITAL SERVICE DISTRICT
D/B/A SOUTH CAMERON MEMORIAL HOSPITAL

SCHEDULE OF OPERATING REVENUE AND EXPENSES
Year Ended October 31, 1999

Direct operating revenue	\$10,263,266
Direct operating expenses	<u>6,533,211</u>
	\$ 3,730,055
Contractual allowances and administrative adjustments	<u>(3,420,635)</u>
	\$ <u>309,420</u>
General operating expenses:	
General services	\$ (834,945)
Fiscal and administration	<u>(1,676,862)</u>
	\$ <u>(2,511,807)</u>
Other operating revenue:	
Ad valorem tax revenue	\$ 1,054,363
Other operating revenue	<u>88,203</u>
	\$ <u>1,142,566</u>
Other operating expenses:	
Interest	\$ (186,322)
Depreciation	(343,611)
Provision for uncollectible accounts	<u>(786,472)</u>
	\$ <u>(1,316,405)</u>
Deficiency of operating revenue over operating expenses	\$ <u>(2,376,226)</u>

LOWER CAMERON HOSPITAL SERVICE DISTRICT
D/B/A SOUTH CAMERON MEMORIAL HOSPITAL

SCHEDULE OF DEPARTMENTAL DIRECT
AND GENERAL OPERATING EXPENSES
Year Ended October 31, 1999

	<u>Salaries and FICA</u>	<u>Contract Services</u>
Direct services:		
Daily patient services	\$ 789,114	\$ 4,791
Daily patient services - Calcasieu Oaks	495,894	319,841
Ambulance District No. 1	479,341	2,590
Ambulance District No. 2	545,297	600
Central supply	-	-
Electrocardiology	-	170
Emergency Room	175,643	-
Fitness Center	5,495	1,156
Home Health	124,898	-
Laboratory - Calcasieu Oaks	-	19,898
Laboratory	164,588	46,070
Meals on Wheels	-	-
Mental Health Tech - Calcasieu Oaks	235,972	-
Occupational Therapy - Calcasieu	-	12,000
Partial Day - Calcasieu Oaks	-	33,000
Pharmacy	-	-
Physical Therapy	25,164	71,448
Physical Therapy - Calcasieu Oaks	359	6,000
Recreational Therapy	-	5,934
Respiratory Therapy	-	52,868
Respiratory Therapy - LPT	-	325,211
Cameron Rural Health Clinic	12,359	3,977
Grand Lake Rural Health Clinic	282,854	49,777
Social Services	69,789	6,000
Telemedicine	26,460	-
Wellness Program	9,757	-
Radiology	<u>119,095</u>	<u>35,400</u>
	<u>\$3,562,079</u>	<u>\$ 996,731</u>
General services:		
Dietary	\$ 140,647	\$ 1,091
Maintenance	153,784	16,090
Housekeeping	146,493	6,219
Material Management	<u>18,595</u>	<u>-</u>
	<u>\$ 459,519</u>	<u>\$ 23,400</u>
Subtotals forward	<u>\$4,021,598</u>	<u>\$1,020,131</u>

<u>Professional Fees</u>	<u>Other Expenses</u>	<u>Total</u>
\$ -	\$ 29,214	\$ 823,119
342,792	458,795	1,617,322
-	36,246	518,177
-	20,246	566,143
-	30,822	30,822
-	-	170
431,093	24,563	631,299
-	950	7,601
-	17,904	142,802
-	-	19,898
18,685	111,755	341,098
-	1,850	1,850
-	-	235,972
-	677	12,677
-	50,287	83,287
16,000	172,636	188,636
-	8,941	105,553
-	-	6,359
-	-	5,934
1,225	36,551	90,644
-	-	325,211
-	22,160	38,496
7,000	21,202	360,833
-	-	75,789
-	6,139	32,599
-	5	9,762
<u>80,936</u>	<u>25,727</u>	<u>261,158</u>
<u>\$ 897,731</u>	<u>\$1,076,670</u>	<u>\$6,533,211</u>
\$ -	\$ 288,126	\$ 429,864
-	14,587	184,461
-	47,451	200,163
-	<u>1,862</u>	<u>20,457</u>
<u>\$ -</u>	<u>\$ 352,026</u>	<u>\$ 834,945</u>
<u>\$ 897,731</u>	<u>\$1,428,696</u>	<u>\$7,368,156</u>

LOWER CAMERON HOSPITAL SERVICE DISTRICT
D/B/A SOUTH CAMERON MEMORIAL HOSPITAL

SCHEDULE OF DEPARTMENTAL DIRECT
AND GENERAL OPERATING EXPENSES
Year Ended October 31, 1999

	<u>Salaries and FICA</u>	<u>Contract Services</u>
Subtotals forwarded	<u>\$4,021,598</u>	<u>\$1,020,131</u>
Fiscal and administrative services:		
Administration	\$ 31,829	\$ 84,828
Business Office	110,039	12,637
Clerical - Calcasieu Oaks	20,006	-
Medical Records	59,412	-
Legal and auditing	-	-
Utilities	-	-
Telephone	-	-
Professional and general insurance	-	-
Other general and administrative expenses	-	-
Employee benefits	-	-
	<u>\$ 221,286</u>	<u>\$ 97,465</u>
	<u>\$4,242,884</u>	<u>\$1,117,596</u>

<u>Professional Fees</u>	<u>Other Expenses</u>	<u>Total</u>
<u>\$ 897,731</u>	<u>\$1,428,696</u>	<u>\$7,368,156</u>
\$ -	\$ 17,688	\$ 134,345
-	50,261	172,937
-	-	20,006
-	6,606	66,018
-	243,975	243,975
-	76,390	76,390
-	151,978	151,978
-	314,006	314,006
-	136,593	136,593
-	<u>360,614</u>	<u>360,614</u>
<u>\$ -</u>	<u>\$1,358,111</u>	<u>\$1,676,862</u>
<u>\$ 897,731</u>	<u>\$2,786,807</u>	<u>\$9,045,018</u>

LOWER CAMERON HOSPITAL SERVICE DISTRICT
D/B/A SOUTH CAMERON MEMORIAL HOSPITAL

SCHEDULE OF BOARD FEES
Year Ended October 31, 1999

Board Members

The Hospital's board members did not receive any compensation during the year ending October 31, 1999.



BROUSSARD, POCHE', LEWIS & BREAUX, L.L.P.

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

To the Board of Commissioners
Lower Cameron Hospital Service District
d/b/a South Cameron Memorial Hospital
Creole, Louisiana

We have audited the component unit financial statements of the Lower Cameron Hospital Service District d/b/a South Cameron Memorial Hospital as of and for the year ended October 31, 1999, and have issued our report thereon dated March 24, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Lower Cameron Hospital Service District d/b/a South Cameron Memorial Hospital's component unit 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 an instance of noncompliance that is required to be reported under Government Auditing Standards, which is described in the accompanying schedule of findings and questioned costs as item 1999-6.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lower Cameron Hospital Service District d/b/a South Cameron Memorial Hospital's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide assurance on the internal control over financial reporting.

To the Board of Commissioners
Lower Cameron Hospital Service District
d/b/a South Cameron Memorial Hospital

However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Lower Cameron Hospital Service District d/b/a South Cameron Memorial Hospital's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 1999-1 through 1999-5.

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 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe items 1999-1 through 1999-5 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

This report is intended for the information of management and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

BROUSSARD, POCHÉ, LEWIS & BREUX, L.L.P.

Crowley, Louisiana
March 24, 2000

LOWER CAMERON HOSPITAL SERVICE DISTRICT
D/B/A SOUTH CAMERON MEMORIAL HOSPITAL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended October 31, 1999

We have audited the component unit financial statements of Lower Cameron Hospital Service District d/b/a South Cameron Memorial Hospital as of and for the year ended October 31, 1999, and have issued our report thereon dated March 24, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the component unit financial statements as of October 31, 1999, resulted in a qualified 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 No Reportable Conditions Yes No

Compliance

Compliance Material to Financial Statements Yes No

b. Federal Awards

The District does not have any federal awards.

Section II Financial Statement Findings

1999-1 Account Payable

Finding: During the course of our audit, we discovered that there were inadequate internal controls over accounts payable to include but not limited to:

1. Some vendor accounts were not handled through Hospital accounts payable computer system.
2. Invoices were not entered into Hospital accounts payable computer system in a timely manner and/or expense was not coded in the correct accounting period.
3. There is no control accounts payable aging listing for the Hospital.

Recommendation: Development and implementation of internal controls over accounts payable to include, but not limited to, the above items.

Response: Internal controls over accounts payable will be implemented to include the above items as well as others as deemed appropriate.

(Continued)

LOWER CAMERON HOSPITAL SERVICE DISTRICT
D/B/A SOUTH CAMERON MEMORIAL HOSPITAL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended October 31, 1999

Section II Financial Statement Findings (continued)

1999-2 Therapy Receivables

Finding: During the course of our audit, it was noted that there were inadequate safeguard and internal control over the accounts receivable associated with the outpatient therapy services contract. The Hospital did not have a control ledger showing the patients' individual amounts billed, collected, and receivable balances on the outpatient therapy service patients.

Recommendation: To maintain a control ledger of the outpatient therapy service patients in order to safeguard and control the accounts receivable associated with this service.

Response: This service was discontinued in May 1999.

1999-3 Account Receivable Sale and Servicing Agreement

Finding: During the course of our audit, we noted that there were inadequate internal controls over the account receivable sale and servicing agreement with Medcap Credit Co. There was no reconciliation process being done on the clearing account with Medcap Credit Co. to ensure the reports and general ledger were accurate.

Recommendation: We recommend that a reconciliation of the clearing account be done on an interim basis to verify the accuracy of the general ledger.

Response: A reconciliation of the clearing account will be done on an interim basis to verify the accuracy of the general ledger. These account receivable sale and servicing transactions were discontinued in fiscal year 1999.

1999-4 Account Receivable Discounts

Finding: During the course of our audit, we noted that certain patient type discounts to the accounts receivable were not being approved by management.

Recommendation: We recommend that discounts and write-offs of accounts receivable balances be approved by management to ensure adequate internal control over accounts receivable.

Response: Procedures will be implemented in order for discounts and write-offs of accounts receivable to be approved by management.

(Continued)

LOWER CAMERON HOSPITAL SERVICE DISTRICT
D/B/A SOUTH CAMERON MEMORIAL HOSPITAL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended October 31, 1999

Section II Financial Statement Findings (continued)

1999-5 Healthcare Compliance Program

Finding: An effective compliance program as recommended by the Office of Inspector General, that has internal controls to promote adherence to applicable federal and state law, and the program requirements of federal, state and private health plans is not in place.

Recommendation: Development of an effective compliance program as recommended by the Office of Inspector General, that has internal controls to promote adherence to applicable federal and state law, and the program requirements of federal, state, and private health plans.

Response: South Cameron Memorial Hospital is in the process of developing an effective compliance program in order to adhere to applicable federal and state law, and the program requirements of federal, state and private health plans. The Hospital has appointed a compliance officer, and has developed a policy and procedure manual. The Hospital is in the process of implementing policies and procedures.

1999-6 Report Filing

Finding: The financial report for the year ended October 31, 1999, was not filed with the Legislative Auditor's office within six months after the close of the fiscal year as required by law.

Recommendation: We recommend that every effort be made to assure that the information needed for the timely completion of the audit is available.

Response: Management of South Cameron Memorial Hospital will provide information within a timely period in order to complete future audits within six months after year-end as required by law.

LOWER CAMERON HOSPITAL SERVICE DISTRICT
D/B/A SOUTH CAMERON MEMORIAL HOSPITAL

SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended October 31, 1999

I Internal Control and Compliance Material to the Financial Statements

1998-1 Accounts Payable

Management should maintain control over all accounts payable by handling all vendor accounts payable through the Hospital's computerized accounts payable system.

See 1999-1 finding.

1998-2 Invoices Marked Paid

Management should maintain controls for processing invoices and mark paid on all invoices.

See 1999-1 finding.

1998-3 Safeguard and Control over Assets

The Hospital should safeguard and control all assets. The Hospital should request detailed records from the management company and compare these records to amounts billed through status reports and amounts collected through records from the bank statements.

See 1999-2 finding.

II Internal Control and Compliance Material to Federal Awards

The prior year's report did not include any federal awards.

III Management Letter

1998-4 Opinion from Ethics Board

The Hospital should request an opinion from the ethics board on the therapy services furnished by the management company which is wholly owned by Joe Soileau, who has substantial responsibility by contract to manage the Hospital.

An opinion from the ethics board was not requested. These services were discontinued in May 1999.

**SOUTH CAMERON
MEMORIAL HOSPITAL**

**Alan McMillin
Administrator**

5360 West Creole Hwy □ Cameron, Louisiana 70631 □ Telephone (318) 542-4111 □ Fax (318) 542-4692

MANAGEMENT'S CORRECTIVE ACTION PLAN

Year Ended October 31, 1999

Section I: Internal Control and Compliance Material to the Financial Statements

1999-1 Account Payable

Finding: During the course of our audit, we discovered that there were inadequate internal controls over accounts payable to include but not limited to:

1. Some vendor accounts were not handled through the Hospital accounts payable computer system.
2. Invoices were not entered into Hospital the accounts payable computer system in a timely manner and/or expense was not coded in the correct accounting period.
3. There is no control accounts payable aging listing for the Hospital.

Recommendation: Development and implementation of internal controls over accounts payable to include, but not limited to, the above items.

Response: Internal controls over accounts payable will be implemented to include the above items as well as others as deemed appropriate.

Responsible party: Brenda Boudreaux

1999-2 Therapy Receivables

Finding: During the course of our audit, it was noted that there were inadequate safeguard and internal control over the accounts receivable associated with the outpatient therapy services contract. The Hospital did not have a control ledger showing the patients' individual amounts billed, collected, and receivable balances on the outpatient therapy service patients.

Recommendation: To maintain a control ledger of the outpatient therapy service patients in order to safeguard and control the accounts receivable associated with this service.

Response: This service was discontinued in May 1999.

Responsible party: Brenda Boudreaux

MANAGEMENT'S CORRECTIVE ACTION PLAN
(Continued)

Year Ended October 31, 1999

1999-3 Account Receivable Sale and Servicing Agreement

Finding: During the course of our audit, we noted that there were inadequate internal controls over the account receivable sale and servicing agreement with Medcap Credit Co. There was no reconciliation process being done on the clearing account with Medcap Credit Co. to ensure the reports and general ledger were accurate.

Recommendation: We recommend that a reconciliation of the clearing account be done on an interim basis to verify the accuracy of the general ledger.

Response: A reconciliation of the clearing account will be done on an interim basis to verify the accuracy of the general ledger. These account receivable sale and servicing transactions were discontinued in fiscal year 1999.

Responsible party: Brenda Boudreaux

1999-4 Account Receivable Discounts

Finding: During the course of our audit, we noted that certain patient type discounts to the accounts receivable were not being approved by management.

Recommendation: We recommend that discounts and write-offs of accounts receivable balances be approved by management to ensure adequate internal control over accounts receivable.

Response: Procedures will be implemented in order for discounts and write-offs of accounts receivable to be approved by management.

Responsible party: Brenda Boudreaux

1999-5 Healthcare Compliance Program

Finding: An effective compliance program as recommended by the Office of Inspector General, that has internal controls to promote adherence to applicable federal and state law, and the program requirements of federal, state and private health plans is not in place.

Recommendation: Development of an effective compliance program as recommended by the Office of Inspector General, that has internal controls to promote adherence to applicable federal and state law, and the program requirements of federal, state, and private health plans.

MANAGEMENT'S CORRECTIVE ACTION PLAN
(Continued)

Year Ended October 31, 1999

1999-5 Healthcare Compliance Program (continued)

Response: South Cameron Memorial Hospital is in the process of developing an effective compliance program in order to adhere to applicable federal and state law, and the program requirements of federal, state and private health plans. The Hospital has appointed a compliance officer, and has developed a policy and procedure manual. The Hospital is in the process of implementing policies and procedures.

Responsible party: Carolyn Bargeman

1999-6 Report Filing

Finding: The financial report for the year ended October 31, 1999, was not filed with the Legislative Auditor's office within six months after the close of the fiscal year as required by law.

Recommendation: Management will make every effort be made to assure that the information needed for the timely completion of the audit is available.

Response: Management of South Cameron Memorial Hospital will provide information within a timely period in order to complete future audits within six months after year-end as required by law.

Responsible party: Brenda Boudreaux