

**LOWER CAMERON HOSPITAL SERVICE DISTRICT  
FINANCIAL REPORT  
DECEMBER 31, 2013**

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 SEP 03 2014

## CONTENTS

	Page
<b>INDEPENDENT AUDITORS' REPORT ON THE BASIC FINANCIAL STATEMENTS</b>	<b>1 and 2</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
Statements of net position	3
Statements of revenues, expenses and changes in net position	4
Statements of cash flows	5
Notes to financial statements	6 - 13
<b>SUPPLEMENTARY INFORMATION</b>	
Schedules of other operating revenues	16
Schedules of board fees	17
<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>19 and 20</b>
Schedule of findings and responses	21 - 23
Schedule of prior year findings	24



**BROUSSARD, POCHÉ, LEWIS & BREAU, L.L.P.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

4112 West Congress  
P.O. Box 61400  
Lafayette, Louisiana 70596-1400  
phone: (337) 988-4930  
fax: (337) 984-4574  
www.bplb.com

**Other Offices:**

Crowley, LA  
(337) 783-9693  
Opelousas, LA  
(337) 942-5217  
New Iberia, LA  
(337) 364-4554

**Partners:**

Frank A. Stagno, CPA\*  
Scott J. Broussard, CPA\*  
L. Charles Abshire, CPA\*  
P. John Blanchet, III, CPA\*  
Martha B. Wyatt, CPA\*  
Joey L. Breaux, CPA\*  
Craig J. Viator, CPA\*  
John L. Istre, CPA\*  
Elizabeth J. Moreau, CPA\*  
Lonnie J. Hebert, CPA\*  
Robert M. DeRouen, Jr. CPA\*

**Directors:**

Jason P. LeBlanc, CPA  
Laurel L. Montagnon, CPA  
Valeri A. Grayson, CPA

**Retired Partners:**

Sidney L. Broussard, CPA 1925-2005  
Leon K. Poché, CPA 1984  
James H. Breaux, CPA 1987  
Erma R. Walton, CPA 1988  
George A. Lewis, CPA 1992  
Geraldine J. Wimberley, CPA 1995  
Lawrence A. Cramer, CPA 1999  
Ralph Friend, CPA 2002  
Donald W. Kelley, CPA 2005  
George J. Trappey, III, CPA 2007  
Terrel P. Dressel, CPA 2007  
Herbert Lemoine II, CPA 2008  
Mary T. Miller, CPA 2011  
Mary A. Castille, CPA 2013

*Members of American Institute of  
Certified Public Accountants  
Society of Louisiana Certified  
Public Accountants*

\* A Professional Accounting Corporation

**INDEPENDENT AUDITORS' REPORT**

To the Board of Commissioners  
Lower Cameron Hospital Service District  
Creole, Louisiana

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Lower Cameron Hospital Service District, a component unit of the Cameron Parish Police Jury, as of and for the years ended December 31, 2013 and 2012, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents:

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Lower Cameron Hospital Service District as of December 31, 2013 and 2012, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### ***Other Information***

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lower Cameron Hospital Service District's basic financial statements. The accompanying schedules of other operating revenues and schedules of board fees are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of other operating revenues and schedules of board fees are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of other operating revenues and schedules of board fees are fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2014, on our consideration of the Lower Cameron Hospital Service District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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* in considering Lower Cameron Hospital Service District's internal control over financial reporting and compliance.

*Broussard, Poche, Lewis & Broussard LLP*

Lafayette, Louisiana  
June 18, 2014

**LOWER CAMERON HOSPITAL SERVICE DISTRICT**

**STATEMENTS OF NET POSITION**

December 31, 2013 and 2012

ASSETS	2013	2012
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 5,727,552	\$ 5,466,805
Property tax receivable, net of allowance of \$16,948 and \$30,716 for 2013 and 2012, respectively	223,481	145,450
Due from other governmental agencies	1,453,795	1,892,035
Rent receivable	80,362	47,000
Other receivables, net of allowance of \$130,000 and \$0 for 2013 and 2012, respectively	60,430	230,282
<b>Total current assets</b>	<b>\$ 7,545,620</b>	<b>\$ 7,781,572</b>
<b>CAPITAL ASSETS</b>		
Property, plant and equipment, at cost, less accumulated depreciation of \$6,436,460 and \$5,982,899 for 2013 and 2012, respectively	18,873,495	19,670,173
<b>Total assets</b>	<b>\$ 26,419,115</b>	<b>\$ 27,451,745</b>
 <b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 265,323	\$ 182,067
Due to other governmental agencies	1,735,700	1,735,700
Third-party payor settlements	7,833,285	7,833,285
<b>Total current liabilities</b>	<b>\$ 9,834,308</b>	<b>\$ 9,751,052</b>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 18,873,495	\$ 19,670,173
Unrestricted (deficit)	(2,288,688)	(1,969,480)
<b>Total net position</b>	<b>\$ 16,584,807</b>	<b>\$ 17,700,693</b>
<b>Total liabilities and net position</b>	<b>\$ 26,419,115</b>	<b>\$ 27,451,745</b>

See Notes to Financial Statements.

**LOWER CAMERON HOSPITAL SERVICE DISTRICT**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**Years Ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Operating revenues:</b>		
Rental income	\$ 131,122	\$ 112,800
Other operating revenues	<u>1,202</u>	<u>45,320</u>
<b>Total operating revenues</b>	<u>\$ 132,324</u>	<u>\$ 158,120</u>
<b>Operating expenses:</b>		
Depreciation and amortization	\$ 680,019	\$ 968,181
Emergency room, rural health clinic, operation shortfall, maintenance	<u>1,322,387</u>	<u>903,855</u>
Legal and professional fees	<u>287,537</u>	<u>75,685</u>
Contract labor	<u>9,600</u>	<u>10,100</u>
Bad debt expense	<u>130,000</u>	<u>-</u>
Other operating expenses	<u>9,116</u>	<u>35,731</u>
<b>Total operating expenses</b>	<u>\$ 2,438,659</u>	<u>\$ 1,993,552</u>
<b>Operating loss</b>	<u>\$ (2,306,335)</u>	<u>\$ (1,835,432)</u>
<b>Non-operating revenues (expenses):</b>		
Ad valorem taxes, net	\$ 1,431,825	\$ 1,624,306
Investment income	<u>2,122</u>	<u>5,392</u>
Loss on disposal of assets	<u>(247,524)</u>	<u>-</u>
<b>Total non-operating revenues</b>	<u>\$ 1,186,423</u>	<u>\$ 1,629,698</u>
<b>Deficiency of revenues over expenses before capital grants</b>	<u>\$ (1,119,912)</u>	<u>\$ (205,734)</u>
<b>Capital grants</b>	<u>4,026</u>	<u>-</u>
<b>Decrease in net position</b>	<u>\$ (1,115,886)</u>	<u>\$ (205,734)</u>
<b>Net position beginning of the year</b>	<u>17,700,693</u>	<u>17,906,427</u>
<b>Net position end of year</b>	<u><u>\$ 16,584,807</u></u>	<u><u>\$ 17,700,693</u></u>

See Notes to Financial Statements.

**LOWER CAMERON HOSPITAL SERVICE DISTRICT**

**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from rental activities	\$ 97,760	\$ 65,800
Payments to suppliers and contractors	(1,505,532)	(1,051,913)
Other receipts and payments, net	<u>1,202</u>	<u>45,320</u>
Net cash used in operating activities	\$ <u>(1,406,570)</u>	\$ <u>(940,793)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Ad valorem taxes	\$ <u>1,792,034</u>	\$ <u>2,540,575</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	\$ (130,865)	\$ (80,673)
Capital grants	<u>4,026</u>	<u>56,642</u>
Net cash used in capital and related financing activities	\$ <u>(126,839)</u>	\$ <u>(24,031)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	\$ <u>2,122</u>	\$ <u>5,392</u>
Net increase in cash and cash equivalents	\$ 260,747	\$ 1,581,143
Cash and cash equivalents at beginning of year	<u>5,466,805</u>	<u>3,885,662</u>
Cash and cash equivalents at end of year	\$ <u><u>5,727,552</u></u>	\$ <u><u>5,466,805</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating loss	\$ (2,306,335)	\$ (1,835,432)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	680,019	968,181
Provision for bad debts	130,000	-
(Increase) decrease in assets -		
Rent and other receivables	6,490	(45,027)
Increase (decrease) in liabilities -		
Accounts payable	<u>83,256</u>	<u>(28,515)</u>
Net cash used in operating activities	\$ <u>(1,406,570)</u>	\$ <u>(940,793)</u>

See Notes to Financial Statements.

## LOWER CAMERON HOSPITAL SERVICE DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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

The Lower Cameron Hospital Service District (the "Service District") was established by the Cameron Parish Police Jury on July 15, 1959, by virtue of the authority of La. R.S. 46:1051 et seq. The purpose of the Service District is to provide health services to lower Cameron Parish. Construction of the hospital building was financed through a bond issue, Hill Burton Funding, and local contributions. The Service District's Board of Commissioners is appointed by the Cameron Parish Policy Jury. The Service District is a component unit of the Cameron Parish Police Jury. The accompanying financial statements present only the Hospital District.

#### Operation and management:

On February 1, 2007, the Service District entered into Amended and Restated Cooperative Endeavor Lease with Pacer Health Management Corporation ("Pacer"). During 2011, the Service District consented to an asset purchase agreement dated May 6, 2011 by which Frontier Hospitals, Inc. ("Frontier") acquired certain assets of Pacer and the Louisiana Department of Health and Hospitals license for the operation of the hospital facilities of the Service District. Pacer and Frontier, with the consent of the Service District, entered into a management agreement dated May 6, 2011 by which Frontier agreed to manage the operations of the hospital facilities for the Service District on behalf of Pacer for the period of time between May 6, 2011 and the closing date of the sale, June 15, 2011, at which time the lease with Pacer was terminated. Also on May 6, 2011, the Service District entered into a Cooperative Endeavor Lease with Frontier whereby Frontier began operating the hospital facilities on the closing date of the sale, June 15, 2011.

The lease with Frontier is for a one year period ending June 14, 2012 with automatic renewals for three consecutive successive five year renewal terms. Rent under the lease is \$9,400 per month.

The lease is intended to be a triple net lease, with the understanding that Frontier is fully responsible for all rent, all applicable insurance premiums, and all repairs and maintenance of the premises and equipment.

The Service District, subject to the ability to fund from its resources, provides operational assistance to Frontier under the lease agreement. During the initial term of the lease, the Service District provided \$1,380,000 in four installments, \$115,000 in May 2011, \$115,000 in June 2011, \$575,000 on July 1, 2011 and \$575,000 on August 1, 2011. Effective May 2012, the second year of the lease, the Service District is to provide \$110,000 per month. Frontier may request additional operational assistance from the Service District; however, payment of additional operational assistance is at the discretion of the Service District.

The financial statements of the Service District have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Service District are described below.

#### Method of accounting:

The Service District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows. Property taxes are recognized as revenues in the year they are levied. Grants are recognized as revenue as soon as eligibility requirements imposed by the provider



## LOWER CAMERON HOSPITAL SERVICE DISTRICT

### NOTES TO FINANCIAL STATEMENTS

have been met. The Hospital District's accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the *Louisiana Governmental Audit Guide*, and the *Audit and Accounting Guide – Health Care Organizations*, published by the American Institute of Certified Public Accountants, and standards established by the GASB.

#### 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.

#### Cash and cash equivalents:

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Service District may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

#### Allowance for uncollectible accounts:

The Service District uses the allowance method of recognizing the cost for uncollectible amounts. 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.

#### Capital assets:

Capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of each class of depreciable assets. The following useful lives are generally used:

Building	20 – 50 years
Equipment	3 – 15 years
Land improvements	10 years

#### Deferred outflows/inflows of resources:

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure) until then. The Service District does not currently have any items that qualify for reporting in this category.

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Service District does not currently have any items that qualify for reporting in this category.

## LOWER CAMERON HOSPITAL SERVICE DISTRICT

### NOTES TO FINANCIAL STATEMENTS

#### Net position flow assumption:

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Service District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

#### Operating revenues and expenses:

The Service District's statements of revenues, expenses and changes in net position distinguish between operating and non-operating revenues and expenses. Operating revenues result from rental activities, the Service District's principal activity. Non-exchange revenues, including taxes and investment income, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide for the operations of the rental activities.

#### Grants and donations:

Revenues from grants and donations (including capital contributions of assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and donations may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expense.

#### Income taxes:

The Service District is a political subdivision and exempt from taxes.

#### Environmental matters:

The Service District is subject to laws and regulations relating to the protection of the environment. The Service District's policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. At December 31, 2013, management is not aware of any liability resulting from environmental matters.

#### Recent pronouncements:

In March of 2012, GASB issued Statement No. 65 *"Items Previously Reported as Assets and Liabilities."* This Statement is effective for financial statements for years beginning after December 15, 2012. This Statement established accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows or resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

The adoption of GASB Statement No. 65 in the current year had no impact on the classifications of certain items within the financial statements and only resulted in additional related disclosures.

# LOWER CAMERON HOSPITAL SERVICE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Bank Deposits and Investments

The Service District's investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in time deposits, money market investment accounts, or certificates of deposit with financial institutions insured by FDIC; direct obligations of the United States Government and its agencies; commercial paper issued by United States Corporations with a rating of A-1 (Moody's) and P-1 (Standard and Poor's) or higher; and government backed mutual trust funds. At December 31, 2013 and 2012, the Service District's funds consisted solely of demand deposits and certificates of deposits. These deposits are stated at cost, which approximates market.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Service District's deposits may not be returned to it. State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. The Service District's policy requires that all bank balances be insured or collateralized by the financial institution's pledge of their own securities to cover any amount in excess of Federal Depository Insurance Coverage (FDIC). These securities must be pledged in the Service District's name. At December 31, 2013, \$500,000 of the Service District's deposits was secured from risk by FDIC coverage and \$5,242,186 was secured by the financial institution's pledged securities. At December 31, 2012, \$4,965,528 of the Service District's deposits were secured from risk by FDIC coverage and \$515,911 was secured by the financial institution's pledged securities. Accordingly, the Service District had no custodial credit risk related to its deposits at December 31, 2013 and 2012.

### Note 3. Due From Other Governmental Agencies

A summary of due from other governmental agencies is as follows:

	2013	2012
Louisiana Community Development Block Grant	\$ 454,383	\$ 454,383
Cameron Parish Sheriff's Office - Ad Valorem Tax	999,412	1,437,652
Total due from other governmental agencies	<u>\$ 1,453,795</u>	<u>\$ 1,892,035</u>

### Note 4. Ad Valorem Taxes

The Service District's property tax is levied by the parish on the taxable real property in the Service District in late October of each year. Bills are sent out in November of each year at which time the Service District records the tax revenue, taxes become delinquent on December 31<sup>st</sup>, and become a lien in the following March. The Service District levied 14.0 and 15.0 mills on properties with assessed values of \$105,314,910 and \$114,290,421 net of homestead values, for the years ended December 31, 2013 and 2012, respectively.

**LOWER CAMERON HOSPITAL SERVICE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**Note 5. Capital Assets**

Capital assets additions, retirements, and balances for the years ended December 31, 2013 and 2012 were as follows:

	<u>December 31, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2013</u>
Land	\$ 31,321	\$ -	\$ -	\$ 31,321
Buildings and improvements	22,117,073	130,865	(473,982)	21,773,956
Equipment	3,504,678	-	-	3,504,678
Total historical cost	<u>\$ 25,653,072</u>	<u>\$ 130,865</u>	<u>\$ (473,982)</u>	<u>\$ 25,309,955</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ (3,015,590)	\$ (562,062)	\$ 226,458	\$ (3,351,194)
Equipment	(2,967,309)	(117,957)	-	(3,085,266)
Total accumulated depreciation	<u>\$ (5,982,899)</u>	<u>\$ (680,019)</u>	<u>\$ 226,458</u>	<u>\$ (6,436,460)</u>
Capital assets, net	<u>\$ 19,670,173</u>	<u>\$ (549,154)</u>	<u>\$ (247,524)</u>	<u>\$ 18,873,495</u>

  

	<u>December 31, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2012</u>
Land	\$ 31,321	\$ -	\$ -	\$ 31,321
Buildings and improvements	22,117,073	-	-	22,117,073
Equipment	3,504,678	-	-	3,504,678
Total historical cost	<u>\$ 25,653,072</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,653,072</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ (2,420,077)	\$ (595,513)	\$ -	\$ (3,015,590)
Equipment	(2,594,641)	(372,668)	-	(2,967,309)
Total accumulated depreciation	<u>\$ (5,014,718)</u>	<u>\$ (968,181)</u>	<u>\$ -</u>	<u>\$ (5,982,899)</u>
Capital assets, net	<u>\$ 20,638,354</u>	<u>\$ (968,181)</u>	<u>\$ -</u>	<u>\$ 19,670,173</u>

Depreciation expense for the years ended December 31, 2013 and 2012 amount to \$680,019 and \$968,181, respectively.

# LOWER CAMERON HOSPITAL SERVICE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Third-Party Payor Settlements

The Service District has intermediary receivable/payable balances on cost reports from when the Service District operated the Hospital. Medicare and Medicaid would reimburse the Hospital for cost reimbursable items at an interim tentative rate with final settlement determined after submission of the annual cost reports by the Hospital and audits thereof by the Medicare and Medicaid fiscal intermediary. 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 may change by a material amount in the near term. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to audit.

The following is a schedule of third-party payor settlement payable (receivable) as of December 31, 2013 and 2012:

Cost Report Year	Medicare	Medicaid	Total
1995	\$ -	\$ 2,684,417	\$ 2,684,417
1997	2,262,779	1,168	2,263,947
1998	4,334,615	93,802	4,428,417
1999	238,164	(2,671)	235,493
2000	166,811	(6,996)	159,815
Amounts discharged per bankruptcy plan	-	(1,938,804)	(1,938,804)
Total	<u>\$ 7,002,369</u>	<u>\$ 830,916</u>	<u>\$ 7,833,285</u>

### Note 7. Emergency Room, Rural Health Clinic, and Operation Shortfall Maintenance

For the periods ended December 31, 2013 and 2012, the Service District paid \$1,322,387 and \$903,855, respectively, from its ad valorem tax collections and grant proceeds for the maintenance of the emergency room and rural health clinic, and operational shortfalls in connection with the Hospital's operations, in accordance with the lease agreements and board resolutions.

### Note 8. Bankruptcy Plan

On November 18, 1999, the Service District filed for bankruptcy under Chapter 9 of the Bankruptcy Code. On September 28, 2000, the Chapter 9 Bankruptcy Plan was accepted by the creditors and was approved by Bankruptcy Court, the Governor, Attorney General, and State Bond Commission, as required by Louisiana Law. The provisions of this confirmed plan bind the Service District and its creditors in accordance with Section 944 of the Code. The Plan also binds all creditors of the Service District to cease any existing offset or recoupment and to refrain from exercising any rights they may have to offset or recoup funds of the Service District or of any lessee of the Service District arising out of amounts owed to creditors based upon periods of time prior to September 28, 2000.

## LOWER CAMERON HOSPITAL SERVICE DISTRICT

### NOTES TO FINANCIAL STATEMENTS

According to the Bankruptcy Plan, creditors with claims under \$500 and those who voluntarily reduce their claims to \$500 are to be paid first. The remaining claims are split into two groups, governmental claimants and all unsecured creditors. Net cash flows of the Service District are to be split in two and divided pro-rata among each of the two groups. Net cash flows are defined in the Bankruptcy Plan as all funds remaining after payment of all usual, necessary and ordinary expenses of operations of the Service District from the monthly rent and from accounts receivable owed to the Service District, but shall not include funds from tax receipts reserved for emergency room operations.

In accordance with the Bankruptcy Plan, claims were classified as Class 1, Class 2, Class 3, Class 4 and Class 5. As stated in the "Immaterial Modifications to Plan of Adjustment," all unpaid Class 3 claims, which were claims consisting of all allowed unsecured, non-priority claims in excess of \$500, were to be discharged after five years from the date of confirmation. In addition, Class 4 claims consisting of claims owed to the Department of Health and Hospitals (the "DHH") were to be discharged down to 30% of the original confirmed amount after the five year lapse from date of confirmation. The original amount of Class 5 claims (CMS), however, remain payable as of December 31, 2013.

Included in total current liabilities at December 31, 2013 and 2012 is \$7,833,285, which falls under the Bankruptcy Plan. In accordance with the Bankruptcy Plan, there were no amounts paid to creditors during the years ended December 31, 2013 or 2012.

#### Note 9. Contingencies

The Service District is the defendant in a malpractice lawsuit filed by a former patient of the geriatric psychiatric facility when the Service District operated the facility. The claim was presented to the medical review panel, which denied the plaintiff's claim. The plaintiff filed suit in District Court for the claim. The Service District's insurer that was defending the case is now bankrupt. The suit was tried in District Court and favorable verdict of no liability was awarded to the Service District; however, the plaintiff had the right to appeal. In 2012, the Service District and the plaintiff reached a settlement whereby the Service District paid the plaintiff \$20,000.

In previous years, the Service District received grant funds for rebuilding of the hospital after Hurricanes Rita, Gustav and Ike. Based on management's records of grant funds received and expenditures, the Service District has recorded a liability of \$1,735,700 due to other governmental agencies. The project worksheets associated with these grants are in the process of being closed by the Governor's Office of Homeland Security & Emergency Preparedness (GOHSEP). As of the date of this report, the final amount due to GOHSEP cannot be determined and the amount recorded may be subject to change as the project close outs are finalized.

#### Note 10. Settlement Agreement with Camelot and Purchase Agreement for Stock

On July 15, 2004, the Service District entered into a settlement agreement with Camelot, whereby the Service District accepted the transfer of 50,000,000 shares of stock in Pacer Health Corporation (subject to restrictions imposed by Rule 144 of the Federal Securities Act of 1933) in lieu of the \$411,191 debt owed to the Service District by Camelot under the management and lease agreement.

During 2011, the Service District obtained physical possession of the stock and entered into a purchase agreement with a buyer. The Service District collected \$-0- and \$43,329, respectively, under the purchase agreement during the years ended December 31, 2013 and 2012. The amount is considered bad debt recoveries and is included in other operating revenues in the statements of revenues, expenses and changes in net position.

LOWER CAMERON HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11: Capital Grants

The following is a recap of the capital grants recognized by the Service District for the years ending December 31, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Capital grants:		
U.S. Department of Homeland Security (FEMA Public Assistance) -		
Hospital and staff housing construction	<u>\$ 4,026</u>	<u>\$ -</u>
Total capital grants	<u>\$ 4,026</u>	<u>\$ -</u>

Note 12: Subsequent Event

On January 1, 2014, the Cooperative Endeavor Lease Agreement by and between the Service District and Frontier was terminated. Stonebridge Health Systems, LLC has been designated by the Service District as the replacement for Frontier as the operator of South Cameron Memorial Hospital and Calcasieu Oaks Behavioral Center.

Note 13: Reclassifications

Certain amounts in the prior year have been reclassified to conform to the current year presentation.

**This page intentionally left blank.**



## **SUPPLEMENTARY INFORMATION**

**LOWER CAMERON HOSPITAL SERVICE DISTRICT**

**SCHEDULES OF OTHER OPERATING REVENUES**

**Years Ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
State revenue sharing	\$ 941	\$ 1,393
Oil and gas revenue	238	437
Income from stock sale	-	43,329
Miscellaneous	<u>23</u>	<u>161</u>
Total other operating revenues	<u>\$ 1,202</u>	<u>\$ 45,320</u>

**LOWER CAMERON HOSPITAL SERVICE DISTRICT**

**SCHEDULES OF BOARD FEES  
Years Ended December 31, 2013 and 2012**

**Board Members**

The Service District's board members did not receive any compensation for the years ended December 31, 2013 and 2012.

***This page intentionally left blank.***



**BROUSSARD, POCHÉ, LEWIS & BREAU, L.L.P.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

4112 West Congress  
P.O. Box 61400  
Lafayette, Louisiana 70596-1400  
phone: (337) 988-4930  
fax: (337) 984-4574  
www.bplb.com

**Other Offices:**

Crowley, LA  
(337) 783-5693  
Opelousas, LA  
(337) 942-5217  
New Iberia, LA  
(337) 364-4854

**Partners:**

Frank A. Stagno, CPA\*  
Scott J. Broussard, CPA\*  
L. Charles Abshire, CPA\*  
P. John Blanchet, III, CPA\*  
Martha B. Wyatt, CPA\*  
Joey L. Breau, CPA\*  
Craig J. Viator, CPA\*  
John L. Istre, CPA\*  
Elizabeth J. Moreau, CPA\*  
Lonnie J. Hebert, CPA\*  
Robert M. DeRouen, Jr. CPA\*

**Directors:**

Jason P. LeBlanc, CPA  
Laurel L. Montagne, CPA  
Valeri A. Grayson, CPA

**Retired Partners:**

Sidney L. Broussard, CPA 1925-2005  
Leon K. Poché, CPA 1984  
James H. Breau, CPA 1987  
Erma R. Walton, CPA 1988  
George A. Lewis, CPA 1992  
Geraldine J. Wimberley, CPA 1995  
Lawrence A. Crumier, CPA 1999  
Ralph Friend, CPA 2002  
Donald W. Kelley, CPA 2005  
George J. Trappey, III, CPA 2007  
Terrel P. Dressel, CPA 2007  
Herbert Lemoine II, CPA 2008  
Mary T. Miller, CPA 2011  
Mary A. Castille, CPA 2013

Members of American Institute of  
Certified Public Accountants  
Society of Louisiana Certified  
Public Accountants

\* A Professional Accounting Corporation

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

To the Board of Commissioners  
Lower Cameron Hospital Service District  
Creole, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of Lower Cameron Hospital Service District, as of and for the year ended December 31, 2013, and the related notes to financial statements, which collectively comprise Lower Cameron Hospital Service District's basic financial statements, and have issued our report thereon dated June 18, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lower Cameron Hospital Service District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lower Cameron Hospital Service District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lower Cameron Hospital Service District'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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 Lower Cameron Hospital Service District's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 the deficiencies described in the accompanying schedule of findings and responses at 2013-1 and 2013-2 to be a material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lower Cameron Hospital Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2013-3.

### Lower Cameron Hospital Service District's Response to Findings

Lower Cameron Hospital Service District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Lower Cameron Hospital Service District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Broussard, Poche, Lewis & Broussard, LLP*

Lafayette, Louisiana  
June 18, 2014

## LOWER CAMERON HOSPITAL SERVICE DISTRICT

### SCHEDULE OF FINDINGS AND RESPONSES

Year Ended December 31, 2013

We have audited the basic financial statements of the Lower Cameron Hospital Service District, as of and for the year ended December 31, 2013, and have issued our report thereon dated June 18, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2013 resulted in an unqualified opinion.

#### Section I. Summary of Auditors' Results

##### Report on Internal Control and Compliance Material to the Financial Statements

##### Internal Control over financial reporting:

- Material weakness identified? ☒ Yes ☐ No
- Control deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

#### Section II - Financial Statement Findings

##### 2013-1 - Segregation of Duties

**Finding:** The Service District does not have adequate segregation of duties. A system of internal control procedures contemplates a segregation of duties so that no one individual handles a transaction from its inception to its completion. While we recognize that the Service District may not be large enough to permit such procedures, it is important that the Service District be aware of this condition.

**Recommendation:** Keeping in mind the limited number of personnel to which duties can be assigned, the Service District should continue to monitor assignment of duties to ensure as much segregation of duties and responsibility as possible, and the board should review financial information on a timely basis.

**Response:** The Service District is aware of and has evaluated this problem and concluded that it would not be cost beneficial or possible with the limited resources available to create a segregated accounting environment. However, the Service District will continue to monitor this situation and the board will review financial information on a timely basis.

LOWER CAMERON HOSPITAL SERVICE DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

Year Ended December 31, 2013

2013-2 -- Internal Control -- Accounting for Voided Checks

**Finding:** During the course of our audit work, it was noted that voided checks were not properly defaced (signature block removed and check noted as "VOID"). These voided checks were also not properly recorded in the District's accounting system. In August 2013, the District issued a \$130,000 check to the contractor operating the District's hospital; however the contractor's bank did not honor the deposit due to the fact that the check written had an error on the description of the amount of the check. The Service District issued a replacement check to the contractor, but physical possession of the \$130,000 check was never obtained from the contractor in order to properly void the check. The District did not notify their bank to issue a stop payment on this check. In December 2013, the contractor manipulated the aforementioned \$130,000 check in their possession, and deposited this check at a bank in Florida. When the \$130,000 check cleared the District's December 2013 bank statement, the monthly bank statement reconciliation process did not identify this check as a voided check that cleared the bank, and thus this check was not properly investigated and identified as a theft of assets.

**Recommendation:** Voided checks should be defaced properly (signature block removed and check noted as "VOID") and should be held for safekeeping. If physical possession of a voided check is not obtained, the bank should be notified immediately in order to issue a stop payment on the voided check. All voided checks should be properly recorded in the accounting system. An accounting for all checks issued or voided during the month should be performed during the bank reconciliation and/or monthly closing processes. If bank reconciliations are to serve as an effective control over the cash accounts, they must be prepared on a timely basis and all reconciling items should be investigated and disposed of properly. Internal control is most effective when the bank reconciliation is prepared by someone not responsible for entries in the receipts and disbursements records. Because this is difficult to implement with a limited number of personnel, all of whom are involved in day-to-day record keeping, the Service District's board should review all bank reconciliations and bank statements on a monthly basis. The District should report to the Sheriff and District Attorney the theft of assets by the contractor.

**Response:** Upon discovery of the theft of assets, the District filed a report with the Cameron Parish Sheriff's office and the Cameron Parish District Attorney's office for investigation and prosecution. The District will reevaluate and review its internal control procedures regarding cash, bank reconciliations, and voided checks. Going forward, the District will insure that voided checks will be defaced properly (signature block removed and check noted as "VOID") and these checks will be held in safekeeping. If physical possession of a voided check is not obtained, procedures will be implemented to obtain a stop payment on the check with the bank immediately. All voided checks will be properly recorded in the accounting system. An accounting for all checks issued or voided during the month will be performed during the bank reconciliation process and all reconciling items will be investigated for propriety. The Service District's board will review all bank reconciliations and bank statements done by the contract bookkeeper on a monthly basis. The Service District will also obtain the services of a new contract bookkeeper.



**LOWER CAMERON HOSPITAL SERVICE DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)**  
**Year Ended December 31, 2013**

**2013-3 – Board Meeting Minutes**

**Finding:** As per LSA-RS 42:20, the Service District board's meeting minutes are not being written in a detailed and informative manner. The Service District's board meeting minutes are not always being approved in a timely manner by the board and signed by the President and Secretary of the Board.

**Recommendation:** In order to comply with LSA-RS 42:20, the Service District should maintain adequate minutes that are in a detailed and informative manner of all matters decided. The minutes of the previous board meeting should be reviewed and approved by the Board at the next Service District board meeting. These approved minutes should be signed by the President and Secretary of the District.

**Response:** The District will change procedures in order to comply with LSA-RS 42:20 by having the minutes written in a more detailed and informative manner, reviewed and approved by the Board at the next Service District Board meeting, and the approved minutes will be signed by the President and Secretary of the Board.

**Section III. Federal Award Findings and Questioned Costs**

**No matters are reported.**

**LOWER CAMERON HOSPITAL SERVICE DISTRICT**

**SCHEDULE OF PRIOR YEAR FINDINGS**

**Year Ended December 31, 2013**

**Section I. Internal Control and Compliance Material to the Financial Statements**

None reported.

**Section II. Internal Control and Compliance Material to Federal Awards**

None reported.

**Section III. Management Letter**

The prior year's report did not include a management letter.