

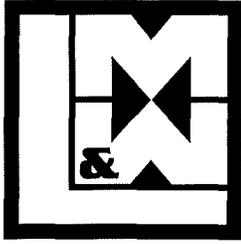
LOWER CAMERON HOSPITAL
SERVICE DISTRICT

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED
DECEMBER 31, 2018 AND 2017

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditors' Report on the Financial Statements and Supplementary Information.....	1-3
Financial Statements	
Statements of Net Position	4
Statements of Revenues, Expenses and Changes in Net Position.....	5
Statements of Cash Flows	6-7
Notes to Financial Statements	8-15
Supplementary Information	
Schedules of Other Operating Revenue	17
Schedules of Board Fees.....	18
Schedules of Compensation, Benefits, and Other Payments to Agency Head.....	19
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>	20-21
Schedule of Current Year Findings and Responses.....	22-23
Schedule of Prior Year Findings and Responses	24



LESTER, MILLER & WELLS

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

3600 Bayou Rapides Road • Alexandria, LA 71303-3653
Mailing Address: Post Office Box 8758 • Alexandria, LA 71306-1758
Telephone: (318) 487-1450 • Facsimile: (318) 445-1184

3639 Ambassador Caffery Parkway, Suite 330 • Lafayette, LA 70503-5107
Telephone: (337) 484-1020 • Facsimile: (337) 484-1029

Members: Association of International Certified Professional Accountants • Society of Louisiana Certified Public Accountants

John S. Wells, CPA
Robert G. Miller, CPA
Paul A. Delaney, CPA
Mary L. Carroll, CPA
Joey L. Breaux, CPA
Jason P. LeBlanc, CPA

Brenda J. Lloyd, CPA
Karlie P. Brister, CPA
Joseph M. Chevalier, CPA

Retired 2015
Bobby G. Lester, CPA

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 year ended December 31, 2018 and 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Lower Cameron Hospital Service 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 opinion.

Opinion

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, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial information of Lower Cameron Hospital Service District and do not purport to, and do not, present fairly the financial position of the Cameron Parish Police Jury as of December 31, 2018 and 2017, and the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 an opinion on the financial statements that collectively comprise the Lower Cameron Hospital Service District's basic financial statements. The accompanying schedules of other operating revenues, schedules of board fees, and schedule of compensation, benefits and other payments to agency head or chief executive officer are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of other operating revenues, schedules of board fees, and schedule of compensation, benefits and other payments to agency head or chief executive officer 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, schedules of board fees and schedule of compensation, benefits and other payments to agency head or chief executive officer are fairly stated in all material respects in relation to the basic financial statements as a whole.

Board of Commissioners
Lower Cameron Hospital Service District
Creole, Louisiana

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2019, on our consideration of the Lower Cameron Hospital Service District's internal control over financial reporting and 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 the Lower Cameron Hospital Service District's internal control over financial reporting and compliance.

Lester, Miller & Wells

Certified Public Accountants
Lafayette, Louisiana

June 28, 2019

LOWER CAMERON HOSPITAL SERVICE DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31,

ASSETS	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents (Note 3)	\$ 4,249,703	\$ 4,831,592
Property tax receivable, net of allowance of \$142,686 and \$206,394 for 2018 and 2017, respectively	259,550	271,190
Due from other governmental agencies (Note 4)	929,258	736,416
Rent receivable	40,000	79,962
Other receivables	<u>85,287</u>	<u>87,410</u>
 Total Current Assets	 <u>5,563,798</u>	 <u>6,006,570</u>
CAPITAL ASSETS		
Nondepreciable assets (Note 6)	35,221	35,221
Property, plant and equipment, net (Note 6)	<u>16,110,543</u>	<u>16,706,948</u>
Total Capital Assets	<u>16,145,764</u>	<u>16,742,169</u>
 TOTAL ASSETS	 <u>\$ 21,709,562</u>	 <u>\$ 22,748,739</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 69,719	\$ 69,923
Due to other governmental agencies	351,117	351,117
Third-party payor settlements (Note 7)	<u>7,833,285</u>	<u>7,833,285</u>
 Total Current Liabilities	 <u>8,254,121</u>	 <u>8,254,325</u>
NET POSITION		
Net investment in capital assets	16,145,764	16,706,948
Unrestricted (deficit)	<u>(2,690,323)</u>	<u>(2,212,534)</u>
 Total Net Position	 <u>13,455,441</u>	 <u>14,494,414</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 21,709,562</u>	 <u>\$ 22,748,739</u>

See accompanying notes to financial statements.

LOWER CAMERON HOSPITAL SERVICE DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31,

	<u>2018</u>	<u>2017</u>
REVENUES		
Rental income	\$ 112,800	\$ 112,800
Other operating revenue	<u>19,536</u>	<u>136,299</u>
 Total Revenues	 <u>132,336</u>	 <u>249,099</u>
 EXPENSES		
Depreciation and amortization	596,405	621,071
Emergency room, health clinic, operation shortfall, maintenance	1,286,881	1,664,600
Legal and professional fees	52,929	19,815
Contract labor	7,500	6,000
Intergovernmental transfer - supplemental payment program	262,500	-0-
Other operating expenses	<u>10,009</u>	<u>8,204</u>
 Total Expenses	 <u>2,216,224</u>	 <u>2,319,690</u>
 Operating Loss	 <u>(2,083,888)</u>	 <u>(2,070,591)</u>
 NON-OPERATING REVENUES		
Ad valorem taxes, net	1,043,198	898,654
Investment income	<u>1,717</u>	<u>3,425</u>
 Total Nonoperating Revenues	 <u>1,044,915</u>	 <u>902,079</u>
 Changes in net position before capital grants	 <u>(1,038,973)</u>	 <u>(1,168,512)</u>
 DECREASE IN NET POSITION	 <u>(1,038,973)</u>	 <u>(1,168,512)</u>
 NET POSITION BEGINNING OF YEAR	 <u>14,494,414</u>	 <u>15,662,926</u>
 NET POSITION END OF YEAR	 <u>\$ 13,455,441</u>	 <u>\$ 14,494,414</u>

See accompanying notes to financial statements.

LOWER CAMERON HOSPITAL SERVICE DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31,

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from rental activities	\$ 152,762	\$ 132,000
Payments to suppliers and contractors	(1,620,023)	(1,873,808)
Other receipts and payments, net	<u>21,659</u>	<u>139,413</u>
Net cash used by operating activities	<u>(1,445,602)</u>	<u>(1,602,395)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Ad valorem taxes	<u>861,996</u>	<u>998,205</u>
Net cash provided by financing activities	<u>861,996</u>	<u>998,205</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	<u>-0-</u>	<u>(111,868)</u>
Net cash used by capital and related financing activities	<u>-0-</u>	<u>(111,868)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>1,717</u>	<u>3,425</u>
Net cash provided by investing activities	<u>1,717</u>	<u>3,425</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(581,889)	(712,633)
BEGINNING CASH AND CASH EQUIVALENTS	<u>4,831,592</u>	<u>5,544,225</u>
ENDING CASH AND CASH EQUIVALENTS	\$ <u>4,249,703</u>	\$ <u>4,831,592</u>

See accompanying notes to financial statements.

LOWER CAMERON HOSPITAL SERVICE DISTRICT
 STATEMENTS OF CASH FLOWS (Continued)
 YEARS ENDED DECEMBER 31,

	<u>2018</u>	<u>2017</u>
RECONCILIATION OF OPERATING LOSS FROM OPERATIONS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (2,083,888)	\$ (2,070,591)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	596,405	621,071
Changes in current assets (increase) decrease:		
Rent and other receivables	42,085	22,314
Changes in current liabilities increase (decrease):		
Accounts payable and accrued expenses	<u>(204)</u>	<u>(175,189)</u>
 NET CASH USED BY OPERATING ACTIVITIES	 \$ <u>(1,445,602)</u>	 \$ <u>(1,602,395)</u>

See accompanying notes to financial statements.

LOWER CAMERON HOSPITAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 - ORGANIZATION AND OPERATIONS

Organization

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

The lease was intended to be a triple net lease, with the understanding that Frontier was 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 was to provide \$110,000 per month. Frontier may request additional operational assistance from the Service District; however, payment of additional operational assistance was at the discretion of the Service District.

On January 1, 2014, the Cooperative Endeavor Lease Agreement by and between the Service District and Frontier was terminated. Stonebridge Health Systems, LLC ("Stonebridge") 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.

On January 1, 2014, the Service District entered into a Cooperative Endeavor Lease with Stonebridge whereby Stonebridge began operating the hospital facilities.

The lease with Stonebridge is for an initial term of five years ending on December 31, 2018 with automatic renewal for one, five-year renewal term. Rent under the lease is \$9,400 per month.

LOWER CAMERON HOSPITAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 - ORGANIZATION AND OPERATIONS (Continued)

The lease is intended to be a triple net lease, with the understanding that Stonebridge 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 Stonebridge under the lease agreement. During the initial term of the lease, the Service District was to provide \$1,320,000 in nine installments, \$330,000 in January 2014 and \$110,000 per month in April through December. However, the District provided \$2,420,000 in seven installments, \$330,000 in January 2014, \$330,000 in January 2014, \$660,000 in February 2014, \$110,000 in March 2014, \$110,000 in April 2014, \$440,000 in April 2014 and \$440,000 in July, 2014. Effective January 2015, the second year of the lease, the Service District is to provide \$110,000 per month. Effective August 2015, with the opening of the physician clinic in the Hospital, the Service District began providing an additional \$15,000 per month in operational assistance to Stonebridge to subsidize clinic operations. Stonebridge may request additional operational assistance from the Service District; however, payment of additional operational assistance is at the discretion of the Service District.

Effective October 15, 2018, the Cooperative Endeavor Lease Agreement was amended to delete section 4.12 Lessor Operational Assistance section whereby the Service District will provide \$-0- in direct operational assistance to Stonebridge. The Service District will provide an intergovernmental transfer to Louisiana Department of Health for a supplemental payment program.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis 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 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.

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

LOWER CAMERON HOSPITAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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 to 50 years
Equipment	3 to 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
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018 and 2017, management is not aware of any liability resulting from environmental matters.

Reclassifications

Certain reclassifications have been made in the financial statements at December 31, 2018 and 2017, in order to be consistent with reporting in the current year. These reclassifications had no effect on previous reported retained earnings or net income.

LOWER CAMERON HOSPITAL SERVICE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 3 - CASH AND CASH EQUIVALENTS

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, 2018 and 2017, 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 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, 2018, \$500,000 of the Service District's deposits were secured from risk by FDIC coverage and \$3,764,307 of deposits were secured by the financial institution's pledged securities. At December 31, 2017, \$500,000 of the Service District's deposits were secured from risk by FDIC coverage and \$4,348,786 of deposits were secured by the financial institution's pledged securities. Accordingly, the Service District had no custodial credit risk related to its deposits at December 31, 2018 and 2017.

NOTE 4 - DUE FROM OTHER GOVERNMENTAL AGENCIES

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

	<u>2018</u>	<u>2017</u>
FEMA grant - Physician's Quarters	\$ 37,517	\$ 37,517
FEMA grant - Direct Admin Costs	56,202	56,202
FEMA grant - Hospital Canopies	50,964	50,964
Cameron Parish Sheriff's Office - Ad Valorem Tax	<u>784,575</u>	<u>591,733</u>
 Total due from other governmental agencies	 \$ <u>929,258</u>	 \$ <u>736,416</u>

NOTE 5 - 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 31st and become a lien in the following March. The Service District levied 16.13 mills in 2018 and 14.0 mills in 2017, on properties with assessed values of \$69,692,353 and \$80,282,655 net of homestead values, for the years ended December 31, 2018 and 2017, respectively.

The Service District received approximately 86% in 2018 and 78% in 2017, of its financial support from ad valorem taxes. These funds were used to support operations.

LOWER CAMERON HOSPITAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 6 - CAPITAL ASSETS

Capital asset additions, retirements, and balances for the years ended December 31, 2018 and 2017 were as follows:

	<u>2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>2018</u>
Nondepreciable capital assets				
Land	\$ <u>35,221</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>35,221</u>
Depreciable capital assets				
Buildings and improvements	\$ 22,162,839	\$ -0-	\$ -0-	\$ 22,162,839
Equipment	<u>3,521,035</u>	<u>-0-</u>	<u>-0-</u>	<u>3,521,035</u>
Total	25,683,874	-0-	-0-	25,683,874
Accumulated depreciation	<u>(8,976,926)</u>	<u>(596,405)</u>	<u>-0-</u>	<u>(9,573,331)</u>
Total depreciable				
Capital assets, net	\$ <u>16,706,948</u>	\$ <u>(596,405)</u>	\$ <u>-0-</u>	\$ <u>16,110,543</u>

	<u>2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>2017</u>
Nondepreciable capital assets				
Land	\$ 35,221	\$ -0-	\$ -0-	\$ 35,221
Construction in progress	<u>191,055</u>	<u>111,868</u>	<u>302,923</u>	<u>-0-</u>
Total nondepreciable				
capital assets	\$ <u>226,276</u>	\$ <u>111,868</u>	\$ <u>302,923</u>	\$ <u>35,221</u>
Depreciable capital assets				
Buildings and improvements	\$ 21,859,916	\$ 302,923	\$ -0-	\$ 22,162,839
Equipment	<u>3,521,035</u>	<u>-0-</u>	<u>-0-</u>	<u>3,521,035</u>
Total	25,380,951	302,923	-0-	25,683,874
Accumulated depreciation	<u>(8,355,855)</u>	<u>(621,071)</u>	<u>-0-</u>	<u>(8,976,926)</u>
Total depreciable				
Capital assets, net	\$ <u>17,025,096</u>	\$ <u>(318,148)</u>	\$ <u>-0-</u>	\$ <u>16,706,948</u>

Depreciation expense for the years ended December 31, 2018 and 2017 amount to \$596,405 and \$621,071, respectively.

LOWER CAMERON HOSPITAL SERVICE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 7 - 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, 2018 and 2017:

<u>Cost Report Year</u>	<u>Medicare</u>	<u>Medicaid</u>	<u>Total</u>
1995	\$ -0-	\$ 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	<u>-0-</u>	<u>(1,938,804)</u>	<u>(1,938,804)</u>
Total	\$ <u>7,002,369</u>	\$ <u>830,916</u>	\$ <u>7,833,285</u>

NOTE 8 - EMERGENCY ROOM, HEALTH CLINIC, AND OPERATION SHORTFALL MAINTENANCE

For the periods ended December 31, 2018 and 2017, the Service District paid \$1,286,881 and \$1,664,600, respectively, from its ad valorem tax collections and grant proceeds for the maintenance of the emergency room and health clinic, and operational shortfalls in connection with the Hospital's operations, in accordance with the lease agreements and board resolutions.

NOTE 9 - 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
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 9 - BANKRUPTCY PLAN (Continued)

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, 2018 and 2017.

Included in total current liabilities at December 31, 2018 and 2017 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, 2018 or 2017.

NOTE 10 - CONTINGENCIES

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 \$351,117 at December 31, 2018 and 2017, respectively, 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 11 - SUBSEQUENT EVENTS

The Hospital District evaluated subsequent events through June 28, 2019, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

LOWER CAMERON HOSPITAL SERVICE DISTRICT
SCHEDULES OF OTHER OPERATING REVENUES
YEARS ENDED DECEMBER 31,

	<u>2018</u>	<u>2017</u>
State revenue sharing	\$ 1,124	\$ 1,474
Oil and gas revenue	274	575
Recovery of bad debts	-0-	130,000
Property lease	4,000	4,250
Other miscellaneous income	<u>14,138</u>	<u>-0-</u>
 Total other operating revenues	 \$ <u><u>19,536</u></u>	 \$ <u><u>136,299</u></u>

LOWER CAMERON HOSPITAL SERVICE DISTRICT
SCHEDULES OF BOARD FEES
YEARS ENDED DECEMBER 31, 2018 AND 2017

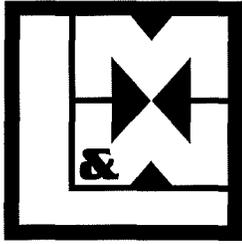
Board Members

The Service District's board members did not receive any compensation for the years ended December 31, 2018 and 2017.

LOWER CAMERON HOSPITAL SERVICE DISTRICT
SCHEDULES OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO AGENCY HEAD
YEAR ENDED DECEMBER 31, 2018

Agency Head Name: Tim Dupont, Chairman

There were no compensation, benefits and other payments to the agency head in the current year.



LESTER, MILLER & WELLS

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

3600 Bayou Rapides Road • Alexandria, LA 71303-3653
Mailing Address: Post Office Box 8758 • Alexandria, LA 71306-1758
Telephone: (318) 487-1450 • Facsimile: (318) 445-1184

3639 Ambassador Caffery Parkway, Suite 330 • Lafayette, LA 70503-5107
Telephone: (337) 484-1020 • Facsimile: (337) 484-1029

Members: Association of International Certified Professional Accountants • Society of Louisiana Certified Public Accountants

John S. Wells, CPA
Robert G. Miller, CPA
Paul A. Delaney, CPA
Mary L. Carroll, CPA
Joey L. Breaux, CPA
Jason P. LeBlanc, CPA

Brenda J. Lloyd, CPA
Karlie P. Brister, CPA
Joseph M. Chevalier, CPA

Retired 2015
Bobby G. Lester, CPA

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

Board of Commissioners
Lower Cameron Hospital Service District
Creole, Louisiana

We have audited, in accordance with the 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 basic financial statements of the Lower Cameron Hospital Service District as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Lower Cameron Hospital District's basic financial statements and have issued our report thereon dated June 28, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lower Cameron Hospital Service District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lower Cameron Hospital Service District's internal control.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Service District's basic 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.

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 were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness, item 2018-1.

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Lower Cameron Hospital Service District Responses to Findings

Lower Cameron Hospital Service District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 Service District'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 Service District's internal control and compliance. This report is intended for the information and use of management, the Board of Commissioners, others within the entity and federal awarding agencies and pass-through entities and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Accordingly, this communication is not suitable for any other purpose, however, this report is a matter of public record and its distribution is not limited.



Certified Public Accountants
Lafayette, Louisiana

June 28, 2019

LOWER CAMERON HOSPITAL SERVICE DISTRICT
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2018

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' opinion issued: unmodified

Internal control over financial reporting:

- Material weaknesses identified – Yes
- Significant deficiencies – No

Compliance

- Noncompliance issues noted – No

Management letter issued – No

Federal Awards – Not applicable

Section II. Financial Statement Findings

FINDING 2018-01 – Segregation of Duties

2018-1 - Segregation of Duties

Condition: The Hospital 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 the Hospital District may not be large enough to permit such procedures, it is important that you be aware of this condition. This condition was also included in the 2017 audit as item 2017-1.

Criteria: An effective system of internal control requires a proper segregation of duties so that no one individual handles a transaction from its inception to its completion.

Cause: The Hospital District has a limited number of employees within the accounting department.

Effect: Ineffective system of internal controls within the accounting function.

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

Response: The Hospital District is aware of and 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 Hospital District will continue to monitor this issue and the board will review financial information on a timely basis.

LOWER CAMERON HOSPITAL SERVICE DISTRICT
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2018

Section III. Federal Award Findings

Not Applicable

Section IV. Management Letter

Not Applicable

LOWER CAMERON HOSPITAL SERVICE DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2018

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

2017-1 - Segregation of Duties

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

Current Status: This finding is repeated at 2018-1.

Section II. Federal Award Findings and Questioned Costs

Not Applicable

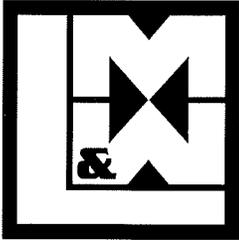
Section III. Management Letter

Not Applicable

**LOWER CAMERON HOSPITAL
SERVICE DISTRICT**

**INDEPENDENT AUDITORS' REPORT
ON APPLYING AGREED PROCEDURES**

**FOR THE YEAR ENDED
DECEMBER 31, 2018**



LESTER, MILLER & WELLS

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

3600 Bayou Rapides Road • Alexandria, LA 71303-3653
Mailing Address: Post Office Box 8758 • Alexandria, LA 71306-1758
Telephone: (318) 487-1450 • Facsimile: (318) 445-1184

3639 Ambassador Caffery Parkway, Suite 330 • Lafayette, LA 70503-5107
Telephone: (337) 484-1020 • Facsimile: (337) 484-1029

John S. Wells, CPA
Robert G. Miller, CPA
Paul A. Delaney, CPA
Mary L. Carroll, CPA
Joey L. Breaux, CPA
Jason P. LeBlanc, CPA

Brenda J. Lloyd, CPA
Karlie P. Brister, CPA
Joseph M. Chevalier, CPA

Retired 2015
Bobby G. Lester, CPA

Members: Association of International Certified Professional Accountants • Society of Louisiana Certified Public Accountants

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Commissioners
Lower Cameron Hospital Service District
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Lower Cameron Hospital Service District (the "District") and the Louisiana Legislative Auditor (LLA), on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The District's management is responsible for those C/C areas identified in the SAUPs.

The agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose of which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget

Findings: *The District is not subject to the Local Governmental Budget Act since it operates under an enterprise fund.*

b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

Findings: *Written policies and procedures were obtained and address the functions noted above.*

c) **Disbursements**, including processing, reviewing, and approving

Findings: *Written policies and procedures were obtained and address the functions noted above.*

Board of Commissioners
of Lower Cameron Hospital Service District
and the Louisiana Legislative Auditor

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

Findings: Written policies and procedures were obtained and address the functions noted above.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Findings: Written policies and procedures were obtained and did not address the functions noted above.

Management's response: The District does not have any employees on staff and does not perform any payroll processing.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

Findings: Written policies and procedures were obtained and address the functions noted above.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

Findings: Written policies and procedures were obtained and did not address the functions noted above.

Management's response: The District does not currently use credit cards. The Board will amend the policy to reflect that the District shall not use credit cards.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

Findings: Written policies and procedures were obtained and address the functions noted above.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Findings: Written policies and procedures were obtained and address the functions noted above.

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Findings: Written policies and procedures were obtained and address the functions noted above.

Board (or Finance Committee, if applicable)

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced *or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.*

Findings: *All board minutes for the fiscal period were obtained. Monthly financials were referenced on all monthly board minutes. Financial information was presented to the board for review and discussion. The District does not have a general fund.*

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Findings: *A list of all bank accounts was obtained. Management provided representation that the list was complete. We noted several reconciling items that have been outstanding for more than 12 months from the statement closing date. Management provided documentation reflecting that they have researched the reconciling items.*

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Findings: *A list of all deposit sites were obtained. Management provided representation that the list was complete.*

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

Findings: *The District does not have any cash collections.*

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Findings: *The contract accountant receives collections, prepares/makes bank deposits, post deposits, and reconciles cash collections to the ledgers.*

Management's response: *Management is aware of the segregation of duties deficiency and has compensating controls in place. Collections received by the District are limited to a small number of sources for known amounts. The Board reviews collections on a monthly basis.*

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Findings: *Employees with access to cash were not covered by a bond or theft policy*

Management's response: *Management is aware of the issue and working to correct the deficiency.*

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:

Board of Commissioners
of Lower Cameron Hospital Service District
and the Louisiana Legislative Auditor

- a) Observe that receipts are sequentially pre-numbered.
- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
- e) Trace the actual deposit per the bank statement to the general ledger.

Findings: *No exceptions noted in applying the above procedures.*

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Findings: *A list of all locations that process payments were obtained. Management provided representation that the list was complete.*

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Findings: *No exceptions noted in applying the above procedures.*

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #6, as applicable.

Findings: General ledger details representing all entity disbursements were obtained. Management provided representation that the listing was complete. No exceptions noted in applying the above procedures.

Contracts

11. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Alternately, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Findings: A list of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period was obtained. Management provided representation that the list was complete. No exceptions noted in applying the above procedures.

Ethics

12. Obtain a listing of employees/officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain ethics documentation from management, and:
- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - e) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Findings: A list of board members was obtained. Management provided representation that the list was complete. 5 members were randomly selected. 1 of the 5 board members selected did not complete the one hour of ethics training. All other board members completed the training and attested that they have read the entity's ethics policy during the fiscal year.

Management's response: Management is aware of the issue and working to correct the deficiency.

Board of Commissioners
of Lower Cameron Hospital Service District
and the Louisiana Legislative Auditor

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the user of management of Lower Cameron Hospital Service District and the Louisiana Legislative Auditor, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Lester, Miller & Wells

Certified Public Accountants
Lafayette, Louisiana

June 28, 2019