

WEST CALCASIEU-CAMERON HOSPITAL
Calcasieu-Cameron
Hospital Service District
Sulphur, Louisiana

Financial Statements
December 31, 2017 and 2016

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report on the Financial Statements	1 - 2
Management's Discussion and Analysis	3 - 6
Statements of Net Position	7 - 8
Statements of Revenues and Expenses	9
Statements of Changes in Net Position	10
Statements of Cash Flows	11 - 12
Notes to Financial Statements	13 - 35
Supplementary Information	36
Independent Auditor's Report on Supplementary Information	37
Schedules of Nursing Revenues	38
Schedules of Other Professional Service Revenues	39
Schedules of Nursing Expenses	40
Schedules of Other Professional Service Expenses	41
Schedules of General Service Expenses	42
Schedules of Fiscal and Administrative Service Expenses	43
Independent Auditor's 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>	44 - 45
Schedule of Findings and Responses	46
Summary of Prior Year Findings	47
Schedule of Funding Progress (OPEB)	48
Required Supplementary Information for Pension Liability	49-50
Schedule of Compensation, Benefits and Other Payments	51

STEVEN M. DEROUEN & ASSOCIATES

Certified Public Accountants

4827 IHLES ROAD
P. O. BOX 4265
LAKE CHARLES, LA 70606
(337) 513-4915 OFFICE/ (337) 205-6927 FAX
steve@sderouen CPA.com

Member American Institute of
Certified Public Accountants

Member Louisiana Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
West Calcasieu-Cameron Hospital
Calcasieu-Cameron Hospital Service District
Sulphur, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of West Calcasieu-Cameron Hospital as of and for the year ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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. Those standards require that I 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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Board of Directors
West Calcasieu-Cameron Hospital
Calcasieu-Cameron Hospital Service District
Sulphur, Louisiana

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Calcasieu-Cameron Hospital as of December 31, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6, and the information on pages 48 through 50 be presented to supplement the basic financial statements. Such 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.

I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued a report dated June 8, 2018 on my consideration of West Calcasieu-Cameron Hospital's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 West Calcasieu-Cameron Hospital's internal control over financial reporting and compliance.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
June 8, 2018

**WEST CALCASIEU-CAMERON HOSPITAL
CALCASIEU-CAMERON HOSPITAL SERVICE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
AS OF DECEMBER 31, 2017**

The Management’s Discussion and Analysis of the West Calcasieu-Cameron Hospital (the Hospital) financial performance presents a narrative overview and analysis of the Hospital’s financial activities for the year ended December 31, 2017. This document focuses on the current year’s activities, resulting changes, and currently known facts in comparison with the prior year’s information. Please read this document in conjunction with the additional information contained in the financial statements.

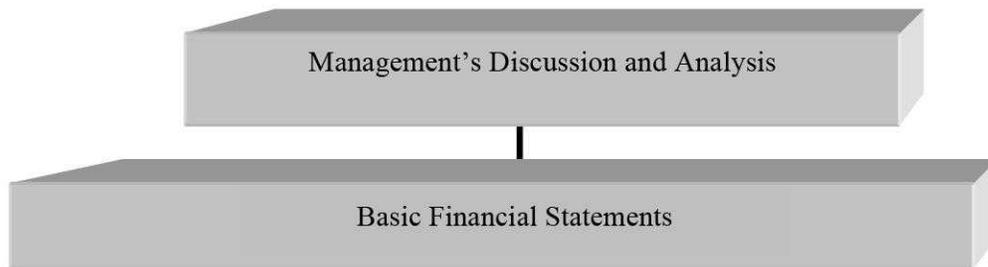
FINANCIAL HIGHLIGHTS

- ★ The Hospital’s assets and deferred outflows exceeded its liabilities and deferred inflows at the close of fiscal year 2017 by \$54,436,464 which represents a 3.5% decrease from last fiscal year. Of this amount, \$23,966,118 (unrestricted net position) may be used to meet the Hospital’s ongoing obligations to its users.

- ★ The Hospital’s net patient service revenue decreased \$5,863,235 (or 9.3%) and the total operating expenses increased by \$530,976 (or .7%).

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments.



These financial statements consist of two sections - Management’s Discussion and Analysis (this section) and the basic financial statements (including the notes to the financial statements).

**WEST CALCASIEU-CAMERON HOSPITAL
CALCASIEU-CAMERON HOSPITAL SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF DECEMBER 31, 2017**

Basic Financial Statements

The basic financial statements present information for the Hospital as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statements of Net Position; the Statements of Revenues and Expenses; the Statements of Changes in Net Position; and the Statements of Cash Flows.

The Statements of Net Position (pages 7 - 8) presents the current and long term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the Hospital is improving or deteriorating.

The Statements of Revenues and Expenses (page 9) presents information showing how the Hospital's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statements of Changes in Net Position (page 10) presents information showing how the Hospital's assets changed as a result of current year operations.

The Statements of Cash Flows (pages 11 - 12) presents information showing how the Hospital's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

	2017	2016	2015
Current and other assets	\$39,824,647	\$34,315,817	\$35,112,796
Capital assets	33,258,980	36,270,916	38,942,936
Total assets	73,083,627	70,586,733	74,055,732
Deferred outflows	13,268,938	18,948,142	6,596,176
Total assets and deferred outflows	86,352,565	89,534,875	80,651,908
Other liabilities	27,031,883	24,448,705	15,286,946
Long-term debt outstanding	3,221,263	6,159,251	8,977,284
Total liabilities	30,253,146	30,607,956	24,264,230
Deferred inflows	1,662,955	2,521,082	588,184
Net position:			
Net investment in capital assets	30,037,717	30,111,665	29,965,652
Amounts restricted for debt service	432,629	720,825	1,028,308
Unrestricted amounts	23,966,118	25,573,347	24,805,534
Total net position	54,436,464	56,405,837	55,799,494
Total liabilities, deferred inflows, and net position	\$86,352,565	\$89,534,875	\$80,651,908

Restricted net position amounts represent those assets that are not available for spending as a result of bond agreements. Conversely, unrestricted net position amounts are those that do not have any limitations for which these amounts may be used.

**WEST CALCASIEU-CAMERON HOSPITAL
CALCASIEU-CAMERON HOSPITAL SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF DECEMBER 31, 2017**

The net position of the Hospital decreased by \$1,969,373, or 3.5%, from December 31, 2016 to December 31, 2017.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating revenues	\$ 62,558,662	\$ 64,699,407	\$ 61,808,238
Operating expenses	<u>75,578,738</u>	<u>75,047,762</u>	<u>72,827,630</u>
Operating income (loss)	<u>(13,020,076)</u>	<u>(10,348,355)</u>	<u>(11,019,392)</u>
Non-operating revenues (expenses)	<u>11,050,703</u>	<u>10,954,698</u>	<u>11,143,231</u>
Increase (decrease) in net position	<u>\$ (1,969,373)</u>	<u>\$ 606,343</u>	<u>\$ 123,839</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2017, the Hospital had \$33,258,980, net of accumulated depreciation, invested in a broad range of capital assets, including land, buildings, equipment, land improvements, and construction in progress. (See Table below). This amount represents a net decrease (including additions and deductions) of \$3,011,936 or 8.3%, from last year.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Buildings and Improvements	\$ 48,982,345	\$ 48,869,213	\$ 48,281,823
Equipment	42,673,784	42,078,410	41,433,209
Construction in Progress	178,960	306,430	287,585
Land and Improvements	3,692,581	3,511,181	3,309,906
Less Accumulated Depreciation	<u>(62,268,690)</u>	<u>(58,494,318)</u>	<u>(54,369,587)</u>
Totals	<u>\$ 33,258,980</u>	<u>\$ 36,270,916</u>	<u>\$ 38,942,936</u>

This year's significant Capital additions included above are:

- 3D Mammogram System \$ 417,350
- Cypress Street Property \$ 180,000

**WEST CALCASIEU-CAMERON HOSPITAL
CALCASIEU-CAMERON HOSPITAL SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF DECEMBER 31, 2017**

Debt

The Hospital had \$2,845,000 in general obligation bonds outstanding at year-end, compared to \$5,575,000 last year, a decrease of 49.0%. A summary of this debt is shown in the table below.

	Outstanding Debt at Year-end		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
General Obligation Bonds	2,845,000	5,575,000	8,190,000

The Hospital's 2008 Series General Obligation bonds are Standard and Poor's rated "AAA". The Hospital's 2006 Series General Obligation bonds are Standard & Poor's rated "BBB".

CONTACTING THE HOSPITAL'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Janie D. Fruge, Chief Executive Officer, West Calcasieu-Cameron Hospital.

**WEST CALCASIEU-CAMERON HOSPITAL
HOSPITAL SERVICE DISTRICT
Sulphur, Louisiana
Statements of Net Position
As of December 31,**

ASSETS	2017	2016
Current Assets		
Cash and cash equivalents	\$ 5,109,495	\$ 553,287
Assets whose use is limited-cash equivalents:		
Required for current debt service	723,859	931,508
Assets whose use is limited:		
Required for current debt service - taxes receivable	2,766,832	2,727,304
By board required for operations	6,727,643	3,767,827
By board for capital improvements	1,055,205	1,048,005
Accounts receivable from patients	18,586,663	23,478,118
Less allowance for uncollectible accounts	(6,719,831)	(9,479,518)
Interest receivable	3,436	3,436
Other receivables	7,854,246	7,390,439
Inventories	1,785,107	1,906,519
Prepaid expenses	1,418,495	1,240,350
Other receivables - UPL	-	186,079
Other current assets	843	51,599
Total Current Assets	39,311,993	33,804,953
Property, Plant and Equipment		
Construction-in-progress	178,960	306,430
Buildings and improvements	48,982,345	48,869,213
Equipment	42,673,784	42,078,410
Land and improvements	3,692,581	3,511,181
Less allowance for depreciation	(62,268,690)	(58,494,318)
Net Property, Plant and Equipment	33,258,980	36,270,916
Other Assets		
Assets whose use is limited:		
By board for capital improvements	512,654	510,864
Total Other Assets	512,654	510,864
TOTAL ASSETS	73,083,627	70,586,733
DEFERRED OUTFLOWS		
Deferred outflows of resources related to pensions	13,268,938	18,948,142
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 86,352,565	\$ 89,534,875

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

**WEST CALCASIEU-CAMERON HOSPITAL
HOSPITAL SERVICE DISTRICT
Sulphur, Louisiana
Statements of Net Position (Continued)
As of December 31,**

	2017	2016
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 3,108,540	\$ 2,100,781
Accrued compensation and retirement	3,889,832	3,354,349
Accrued health insurance benefits	794,444	786,740
Accrued interest payable	37,933	83,433
Other accrued expenses	77,717	73,026
Deferred revenue	1,946,325	-
Due to Medicare and Medicaid - cost report settlement	834,325	139,006
Due within one year - capital lease	213,062	207,987
Due within one year - general obligation bonds	2,845,000	2,730,000
Total Current Liabilities	13,747,178	9,475,322
Long-Term Liabilities		
Due in more than one year - capital lease	163,201	376,264
Due in more than one year - general obligation bonds	-	2,845,000
Other post-employment benefits	6,841,318	5,749,185
Net pension liability	9,501,449	12,162,185
Total Long-Term Debt	16,505,968	21,132,634
TOTAL LIABILITIES	30,253,146	30,607,956
DEFERRED INFLOWS		
Deferred inflows of resources related to pensions	1,662,955	2,521,082
NET POSITION		
Net investment in capital assets	30,037,717	30,111,665
Amounts restricted for debt service	432,629	720,825
Unrestricted amounts	23,966,118	25,573,347
TOTAL NET POSITION	54,436,464	56,405,837
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	\$ 86,352,565	\$ 89,534,875

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

**WEST CALCASIEU-CAMERON HOSPITAL
HOSPITAL SERVICE DISTRICT
Sulphur, Louisiana
Statements of Revenues and Expenses
For The Years Ended December 31,**

	2017	2016
PATIENT SERVICE REVENUE		
Gross patient service revenue - nursing	\$ 57,709,792	\$ 58,624,139
Gross patient service revenue - other professional services	137,930,492	131,521,588
Less: contractual allowances and discounts	(126,408,475)	(113,407,283)
	69,231,809	76,738,444
Less: provision for uncollectible accounts	(12,299,007)	(13,942,407)
Net Patient Service Revenue	56,932,802	62,796,037
OTHER REVENUE		
Cafeteria and vending machines	328,997	344,929
Record room and miscellaneous	13,547	12,453
Donations	180,421	15,638
Other revenues	5,102,895	1,530,350
Total Other Revenue	5,625,860	1,903,370
TOTAL REVENUE	62,558,662	64,699,407
OPERATING EXPENSES		
Nursing expenses	15,934,561	16,487,883
Other professional service expenses	29,834,660	29,175,344
General service expenses	4,449,295	4,416,138
Fiscal and administrative services expenses	20,988,234	20,144,497
Depreciation expense	4,223,629	4,538,908
Interest expense on bonds	136,550	268,229
Interest expense on leases	11,809	16,763
Total Operating Expenses	75,578,738	75,047,762
INCOME (LOSS) FROM OPERATIONS	(13,020,076)	(10,348,355)
NON-OPERATING REVENUE AND (EXPENSES)		
Ad valorem taxes	9,855,786	9,583,524
Rent income	742,930	749,431
Investment income	51,086	10,729
Gain (loss) on disposal of assets	(107,533)	(9,399)
Miscellaneous	508,434	620,413
Total Non-Operating Revenue and (Expenses)	11,050,703	10,954,698
INCREASE (DECREASE) IN NET POSITION	\$ (1,969,373)	\$ 606,343

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

**WEST CALCASIEU-CAMERON HOSPITAL
HOSPITAL SERVICE DISTRICT
Sulphur, Louisiana
Statements of Changes in Net Position
For The Years Ended December 31,**

	2017	2016
NET POSITION - BEGINNING OF YEAR	\$ 56,405,837	\$ 55,799,494
INCREASE (DECREASE) IN NET POSITION	(1,969,373)	606,343
NET POSITION - END OF YEAR	\$ 54,436,464	\$ 56,405,837

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

WEST CALCASIEU-CAMERON HOSPITAL
Sulphur, Louisiana
Statements of Cash Flows
For The Years Ended December 31,

	2017	2016
Cash Flows From Operating Activities:		
Receipts from patients and users	\$ 67,450,117	\$ 63,105,662
Payments to suppliers and others	(25,791,196)	(29,842,456)
Payments to employees and benefits	(40,681,752)	(39,997,048)
Interest paid	(193,859)	(320,850)
Net Cash Provided (Used) by Operating Activities	783,310	(7,054,692)
Cash Flows From Capital and Related Financing Activities:		
Payment for capital expenditures	(1,322,617)	(1,883,942)
Proceeds from sale of capital assets	2,146	7,656
Principal payment on bonds and notes	(2,730,000)	(2,615,000)
Principal payments under capital lease obligations	(207,988)	(203,033)
Other	1,245	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(4,257,214)	(4,694,319)
Cash Flows From Investing Activities:		
(Purchase) sale of assets whose use is limited, net	(2,968,806)	1,754,569
Investment income	51,086	10,729
Cash received for ad valorem taxes	9,488,819	8,908,799
Rent income	742,930	749,431
Miscellaneous	508,434	620,413
Net Cash Provided (Used) by Investing Activities	7,822,463	12,043,941
Net Increase (Decrease) in Cash	4,348,559	294,930
Cash and Cash Equivalents - Beginning of Year	1,484,795	1,189,865
Cash and Cash Equivalents - End of Year	\$ 5,833,354	\$ 1,484,795

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

WEST CALCASIEU-CAMERON HOSPITAL
Sulphur, Louisiana
Statements of Cash Flows (Continued)
For The Years Ended December 31,

	2017	2016
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (13,020,076)	\$ (10,348,355)
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	4,223,629	4,538,908
Provisions for losses on accounts receivable, net	(2,759,687)	1,376,386
(Increase) decrease in receivables	4,755,087	(1,892,252)
(Increase) decrease in inventory	121,412	(114,422)
(Increase) decrease in prepaid expenses	(178,145)	(18,239)
(Increase) decrease in other receivables - UPL	186,079	444,998
(Increase) decrease in other current assets	50,756	215,594
Increase (decrease) in accounts payable and other accrued expenses	1,491,045	8,289,835
Increase (decrease) in deferred inflows	(858,127)	1,932,898
(Increase) decrease in deferred outflows	5,679,204	(12,351,966)
Increase (decrease) in accrued OPEB payable	1,092,133	871,923
Total Adjustments	13,803,386	3,293,663
Net Cash Provided (Used) by Operating Activities	\$ 783,310	\$ (7,054,692)
 Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	\$ 193,859	\$ 320,850
 Cash and Cash Equivalents:		
Unrestricted	\$ 5,109,495	\$ 553,287
Assets whose use is limited	723,859	931,508
	\$ 5,833,354	\$ 1,484,795

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

WEST CALCASIEU-CAMERON HOSPITAL
Sulphur, Louisiana
Notes to Financial Statements
December 31, 2017 and 2016

Note 1 - Organization and Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") in the United States of America as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The West Calcasieu-Cameron Hospital is owned and operated by the Calcasieu-Cameron Hospital Service District. The Hospital provides in-patient, out-patient, and emergency care services for residents of southwest Louisiana. It is operated as a nonprofit corporation organized by the Calcasieu and Cameron Parish Police Juries under the provision of Chapter 10 of Title 46 of the Louisiana revised statutes of 1950. The governing authority of the Hospital Service District is a Board of Commissioners appointed to office by the Calcasieu and Cameron Parish Police Juries.

Reporting Entity - As more fully described in the paragraph above, the Hospital Service District is a component unit of the Calcasieu and Cameron Parish Police Juries.

Fund Accounting - The accounts of the Hospital are organized on the basis of a proprietary fund, which is considered a separate accounting entity or enterprise fund. Enterprise funds are used to account for operations (a) 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; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting - The Hospital has implemented GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments*.

The Hospital uses the accrual basis of accounting. The revenues are recognized when they are earned, and expenses are recognized when incurred.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Hospital’s enterprise fund are charges to patients for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Hospital’s policy to use restricted resources first, then unrestricted resources as they are needed.

WEST CALCASIEU-CAMERON HOSPITAL
Sulphur, Louisiana
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Estimates - The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Patient Service Revenue - Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

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

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient non-acute services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital.

Medicaid - Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary.

Risk Management - The Hospital is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice claims and judgments. Commercial insurance coverage is purchased for claims arising from such matters. The Hospital is self-insured for employee health benefits as discussed in Note 4.

WEST CALCASIEU-CAMERON HOSPITAL
Sulphur, Louisiana
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Property, Plant, and Equipment - Property, plant, and equipment of the Hospital is recorded at cost. Depreciation is recorded using the straight-line method in amounts sufficient to amortize the cost of its assets over their estimated useful lives.

The estimated useful lives of the various assets follow guidelines established by the American Hospital Association, and are categorized as follows:

	<u>Life</u>
Hospital equipment	3 - 25 years
Buildings and improvements	3 - 50 years
Parking lots	5 - 25 years
Land improvements	5 - 25 years

The costs of maintenance and repairs of property and equipment are charged to expense as incurred. Expenditures for additions, improvements, and replacements are capitalized. The cost and related accumulated depreciation of property and equipment retired are removed from the accounts and any resulting gain or loss is recognized.

Inventories - Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consist primarily of medical products and medicines.

Cash and Cash Equivalents - The Hospital considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Charity Care - The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Advertising Expense - The Hospital expenses the cost of advertising as the expense is incurred. For the years ended December 31, 2017 and 2016, the cost totaled \$12,139 and \$14,752, respectively.

Note 2 - Assets Whose Use is Limited

Assets whose use is limited include investments (reported at fair value) set aside by the Board for capital improvements, self-insurance, required liquidity for operations and other liabilities. Also included are assets held by trustees under bond indenture agreements.

WEST CALCASIEU-CAMERON HOSPITAL
Sulphur, Louisiana
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 2 - Assets Whose Use is Limited (continued)

The Hospital's composition of assets whose use is limited is as follows:

	2017 <u>Fair Value</u>	2016 <u>Fair Value</u>
Cash	\$ 723,859	\$ 931,508
Certificates of Deposit	1,567,859	1,558,869
Money Market	6,727,643	3,767,827
Taxes Receivable	<u>2,766,832</u>	<u>2,727,304</u>
Total Assets Whose Use Is Limited	<u>\$ 11,786,193</u>	<u>\$ 8,985,508</u>

Note 3 - Hospital Bonds Payable

Long-term debt at December 31, 2017 and 2016 consists of the following:

<u>General obligation bonds:</u>	<u>2017</u>	<u>2016</u>
\$15,000,000 Calcasieu-Cameron Hospital Service District General Obligation Bonds, Series 2008, due in annual principal and semi-annual interest installments, annual total debt service payments of \$1,665,975 to \$2,912,050 through March 1, 2018, interest of 4.0% to 5.0%, secured by unlimited ad valorem taxation	<u>\$ 2,845,000</u>	<u>\$ 5,575,000</u>

The annual installments to amortize all debt outstanding as of December 31, 2017 are as follows:

<u>General Obligation Bonds</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,845,000	\$ 56,900	\$ 2,901,900

The following is a summary of bonds payable transactions of the Hospital for the year ended December 31, 2017:

	<u>General Obligation</u>
Outstanding at January 1, 2017	\$ 5,575,000
Bonds Issued	-0-
Bonds Retired	<u>(2,730,000)</u>
Outstanding at December 31, 2017	<u>\$ 2,845,000</u>

WEST CALCASIEU-CAMERON HOSPITAL
Sulphur, Louisiana
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 3 - Hospital Bonds Payable (Continued)

The following is a summary of bonds payable transactions of the Hospital for the year ended December 31, 2016:

	<u>General Obligation</u>
Outstanding at January 1, 2016	\$ 8,190,000
Bonds Issued	-0-
Bonds Retired	<u>(2,615,000)</u>
Outstanding at December 31, 2016	<u>\$ 5,575,000</u>

Note 4 - Contingencies

The Hospital is self-insured for employee medical benefits. Under this arrangement, employees contribute a portion of the cost with the Hospital paying the difference to the employee benefit trust. A portion of the monthly contributions is used to purchase a re-insurance contract that covers individual claims exceeding \$200,000.

Note 5 - Compensation of the Board of Directors

The members of the Board of Commissioners of West Calcasieu-Cameron Hospital are paid a per diem per board meeting attended. Total payments are as follows for December 31,

	<u>2017</u>	<u>2016</u>
Frank LaBarbera	\$ 1,400	\$ 700
Robert Davidson	1,500	1,200
Bobby LeTard	1,400	1,200
Joseph Devall	1,300	1,100
Rickey Watson	<u>1,500</u>	<u>1,200</u>
Total	<u>\$ 7,100</u>	<u>\$ 5,400</u>

Note 6 - Accrued Compensation

Accrued payroll for the years ended December 31, 2017 and 2016, paid in the subsequent year, totaled \$1,316,209 and \$1,160,995, respectively. Accrued compensated absences totaled \$1,026,591 and \$953,525 for the years ended December 31, 2017 and 2016, respectively, and has been accrued at the employees' present salary levels for vacation time earned.

WEST CALCASIEU-CAMERON HOSPITAL
Sulphur, Louisiana
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 7 - Leases

The Hospital has entered into a lease agreement as lessee for financing the acquisition of medical equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the lower of the present value of the future minimum lease payments or the fair value of the asset. The asset is being depreciated over the lesser of the lease term or the estimated productive life. The capitalized cost on this lease was \$1,036,300 at December 31, 2017 and 2016.

The accumulated depreciation on such equipment under capital lease obligation was \$621,780 and \$414,520 at December 31, 2017 and 2016, respectively. The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at December 31, 2017:

Year Ending December 31,	
2018	\$ 219,796
2019	<u>164,847</u>
Total Minimum Lease Payments	384,643
Less: Amount Representing Interest	<u>8,380</u>
Present Value of Future Minimum Lease Payments	<u>\$ 376,263</u>

The Hospital leases part of the Hospital facilities under an operating lease to a provider of long-term acute care services. The lease term was renewed October, 2014 for 60 months. The cost of the property under this lease is \$186,636 and \$174,213 for the years ending December 31, 2017 and 2016, respectively. The accumulated depreciation is \$155,986 for the year ended December 31, 2017 and \$149,438 for the year ending December 31, 2016. The following is a schedule of future minimum rentals due to the Hospital.

Year ending December 31:

2018	\$364,205
2019	\$273,154

The Hospital currently leases medical office space under a non-cancelable operating lease agreement. This lease agreement began January 1, 2014 and is for a term of ten years. It will be automatically extended for one additional ten year period unless notice of termination is given. The monthly fee for this lease is \$13,026.

WEST CALCASIEU-CAMERON HOSPITAL
Sulphur, Louisiana
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 7 - Leases (Continued)

The Hospital currently leases additional medical office space under a non-cancelable operating lease agreement. This lease agreement began December 30, 2010 and is for a term of ten years. The monthly fee for this lease is \$3,525.

The Hospital currently leases facilities used for health and fitness under a non-cancelable operating lease agreement. This lease agreement began May 20, 2014 and is for a term of ten years. It will be automatically extended for one additional ten year period unless notice of termination is given. The monthly fee for this lease is \$17,031.

The Hospital currently leases additional medical office space under a non-cancelable operating lease agreement. This lease agreement began October 7, 2015 and is for a term of five years. It will be automatically extended for five additional five year periods unless notice of termination is given. The monthly fee for this lease is \$2,218.

Total rent expense for the years ended December 31, 2017 and 2016 was \$489,599 and \$512,774, respectively. The following is a schedule of future minimum rental payments due to others under these lease agreements.

Year ending December 31:	
2018	\$ 429,595
2019	\$ 429,595
2020	\$ 422,942
2021	\$ 360,684
2022	\$ 360,684
2023-2024	\$ 428,808

WEST CALCASIEU-CAMERON HOSPITAL
Sulphur, Louisiana
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 8 - Capital Assets

The Hospital's capital asset activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,173,780	\$ 180,000	\$ -0-	\$ 2,353,780
Construction in progress	306,430	6,391	(133,861)	178,960
Total capital assets not being depreciated	<u>2,480,210</u>	<u>186,391</u>	<u>(133,861)</u>	<u>2,532,740</u>
Capital assets being depreciated:				
Buildings	37,222,256	-0-	(96,528)	37,125,728
Building improvements	11,646,957	209,660	-0-	11,856,617
Land improvements	1,337,401	1,400	-0-	1,338,801
Equipment	42,078,410	1,050,514	(455,140)	42,673,784
Total capital assets being depreciated	92,285,024	1,261,574	(551,668)	92,994,930
Less accumulated depreciated	(58,494,318)	(4,216,359)	441,987	(62,268,690)
Total capital assets being depreciated, net	<u>33,790,706</u>	<u>(2,954,785)</u>	<u>(109,681)</u>	<u>30,726,240</u>
Total capital assets, net	<u>\$ 36,270,916</u>	<u>\$(2,768,394)</u>	<u>\$ (243,542)</u>	<u>\$ 33,258,980</u>

WEST CALCASIEU-CAMERON HOSPITAL
Sulphur, Louisiana
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 8- Capital Assets (Continued)

The Hospital's capital asset activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,079,780	\$ 94,000	\$ -0-	\$ 2,173,780
Construction in progress	287,585	54,697	(35,852)	306,430
Total capital assets not being depreciated	<u>2,367,365</u>	<u>148,697</u>	<u>(35,852)</u>	<u>2,480,210</u>
Capital assets being depreciated:				
Buildings	36,879,203	343,053	-0-	37,222,256
Building improvements	11,402,620	254,417	(10,080)	11,646,957
Land improvements	1,230,126	107,275	-0-	1,337,401
Equipment	41,433,209	1,066,354	(421,153)	42,078,410
Total capital assets being depreciated	90,945,158	1,771,099	(431,233)	92,285,024
Less accumulated depreciated	(54,369,587)	(4,538,909)	414,178	(58,494,318)
Total capital assets being depreciated, net	<u>36,575,571</u>	<u>(2,767,810)</u>	<u>(17,055)</u>	<u>33,790,706</u>
Total capital assets, net	<u>\$ 38,942,936</u>	<u>\$(2,619,113)</u>	<u>\$ (52,907)</u>	<u>\$ 36,270,916</u>

Note 9- Parochial Employees' Retirement System

Plan Description

The Parochial Employees' Retirement System of Louisiana (System) is the administrator of a cost-sharing multiple-employer defined benefit pension plan. The System was originally established by Act 205 of the 1952 regular session of the Legislature of the State of Louisiana.

The System provides retirement benefits to employees of any parish within the State of Louisiana or any governing body or a parish which employs and pays persons serving the parish. Act 765 of the year 1979, established by the Legislature of the State of Louisiana, revised the System to create Plan A and Plan B to replace the "regular plan" and the "supplemental plan". Plan A was designated for employers out of Social Security. Plan B was designated for those employers that remained in Social Security on the revision date. The Hospital is a participating member of Plan A.

The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

WEST CALCASIEU-CAMERON HOSPITAL
Sulphur, Louisiana
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 9- Parochial Employees Retirement System (Continued)

Eligibility Requirements

All permanent parish government employees (except those employed by Orleans, Lafourche and East Baton Rouge Parishes) who work at least 28 hours a week shall become members on the date of employment. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate.

As of January 1997, elected officials, except coroners, justices of the peace, and parish presidents may no longer join the System.

Retirement Benefits

Any member of Plan A can retire providing he/she meets one of the following criteria:

For employees hired prior to January 1, 2007:

1. Any age with thirty (30) or more years of creditable service.
2. Age 55 with twenty-five (25) years of creditable service.
3. Age 60 with a minimum of ten (10) years of creditable service.
4. Age 65 with a minimum of seven (7) years of creditable service.

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service.
2. Age 62 with 10 years of service.
3. Age 67 with 7 years of service.

Any member of Plan B can retire providing he/she meets one of the following criteria:

For employees hired prior to January 1, 2007:

1. Age 55 with thirty (30) years of creditable service.
2. Age 60 with a minimum of ten (10) years of creditable service.
3. Age 65 with a minimum of seven (7) years of creditable service.

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service.
2. Age 62 with 10 years of service.
3. Age 67 with 7 years of service.

WEST CALCASIEU-CAMERON HOSPITAL
Sulphur, Louisiana
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 9- Parochial Employees Retirement System (Continued)

Generally, the monthly amount of the retirement allowance of any member of Plan A shall consist of an amount equal to three percent of the member's final average compensation multiplied by his/her years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

Survivor Benefits

Upon the death of any member of Plan A with five (5) or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children, as outlined in the statutes.

Any member of Plan A, who is eligible for normal retirement at time of death, the surviving spouse shall receive an automatic Option 2 benefit, as outlined in the statutes. Plan B members need ten (10) years of service credit to be eligible for survivor benefits. Upon the death of any member of Plan B with twenty (20) or more years of creditable service who is not eligible for normal retirement, the plan provides for an automatic Option 2 benefit for the surviving spouse when he/she reaches age 50 and until remarriage, if the remarriage occurs before age 55.

A surviving spouse who is not eligible for Social Security survivorship or retirement benefits, and married not less than twelve (12) months immediately preceding death of the member, shall be paid an Option 2 benefit beginning at age 50.

Deferred Retirement Option Plan

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the Retirement System. DROP is an option for that member who is eligible for normal retirement.

In lieu of terminating employment and accepting a service retirement, any member of Plan A or B who is eligible to retire may elect to participate in the Deferred Retirement Option Plan (DROP) in which they are enrolled for three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account.

Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date.

WEST CALCASIEU-CAMERON HOSPITAL
Sulphur, Louisiana
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 9- Parochial Employees Retirement System (Continued)

For individuals who become eligible to participate in the Deferred Retirement Option Plan on or after January 1, 2004, all amounts which remain credited to the individual's subaccount after termination in the Plan will be placed in liquid asset money market investments at the discretion of the board of trustees. These subaccounts may be credited with interest based on money market rates of return or, at the option of the System, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of this Plan must agree that the benefits payable to the participant are not the obligations of the state or the System, and that any returns and other rights of the Plan are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

Disability Benefits

For Plan A, a member shall be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007, and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to three percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or three percent multiplied by years of service assuming continued service to age sixty.

For Plan B, a member shall be eligible to retire and receive a disability benefit if he/she was hired prior to January 1, 2007, and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid a disability benefit equal to the lesser of an amount equal to two percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or an amount equal to what the member's normal benefit would be based on the member's current final compensation but assuming the member remained in continuous service until his earliest normal retirement age.

WEST CALCASIEU-CAMERON HOSPITAL
Sulphur, Louisiana
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 9- Parochial Employees Retirement System (Continued)

Cost of Living Increases

The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age sixty-five equal to 2% of the member's benefit paid on October 1, 1977, (or the member's retirement date, if later). Also, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older. (RS 11:1937). Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55.

Employer Contributions

According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2016, the actuarially determined contribution rate was 10.52% of member's compensation for Plan A and 7.20% of member's compensation for Plan B. However, the actual rate for the fiscal year ending December 31, 2017 was 12.50% for Plan A and 7.50% for Plan B.

According to state statute, the System also receives $\frac{1}{4}$ of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. The System also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, the Hospital reported a liability of \$9,501,449 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. The allocation percentages were used in calculating each employer's proportionate share of the pension amounts.

The allocation method used in determining each employer's proportion was based on the employer's projected contribution effort to the plan. The employers' contribution effort was actuarially determined by the System's actuary.

WEST CALCASIEU-CAMERON HOSPITAL
Sulphur, Louisiana
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 9- Parochial Employees Retirement System (Continued)

For the year ended December 31, 2017, the Hospital recognized pension expense of \$5,655,666. At December 31, 2017, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience and changes in assumptions	\$ -	\$ 1,662,955
Net difference between projected and actual earnings on pension plan investments	7,373,477	-
Differences between Hospital contributions and proportionate share of contributions and changes in assumptions	2,400,136	-
Hospital contributions made subsequent to the measurement date	3,495,325	-
Total	\$ 13,268,938	\$ 1,662,955

The Hospital's contributions during the year ended December 31, 2017, reported as deferred outflows, of \$3,495,325 subsequent to the measurement date will be recognized as reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2018	\$ 2,804,613
2019	2,988,960
2020	1,941,537
2021	(199,211)
Thereafter	574,759

Actuarial Methods and Assumptions

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position.

WEST CALCASIEU-CAMERON HOSPITAL
 Sulphur, Louisiana
 Notes to Financial Statements (Continued)
 December 31, 2017 and 2016

Note 9- Parochial Employees Retirement System (Continued)

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2016 are as follows:

Valuation Date	December 31, 2016
Actuarial Cost Method	Entry
Age Normal Actuarial Assumptions:	
Investment Rate of Return	7.00%, net of investment expense
Projected Salary Increases	5.25% (2.5% Inflation, 2.75% Merit)
Mortality Rates	RP-2000 Employee Table for active members RP-2000 Healthy Annuitant Table for healthy annuitants RP-2000 Disabled Lives Mortality Tables for disabled annuitants
Expected Remaining Service Lives	4 years
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increase not yet authorized by the Board of Trustees.

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

WEST CALCASIEU-CAMERON HOSPITAL
Sulphur, Louisiana
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 9- Parochial Employees Retirement System (Continued)

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.66% for the year ended December 31, 2016.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Fixed income	35%	1.24%
Equity	52%	3.63%
Alternatives	11%	0.67%
Real assets	2%	0.12%
Totals	<u>100%</u>	<u>5.66%</u>
Inflation		<u>2.00%</u>
Expected Arithmetic Normal Return		<u>7.66%</u>

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2010 through December 31, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. The RP-2000 Healthy Annuitant Mortality Sex Distinct Tables (set forward two years for males and set forward one year for females) projected to 2031 using Scale AA was selected for annuitants and beneficiaries. For disabled annuitants, the RP-2000 Disabled Lives Mortality Table set back 5 years for males and 3 years for females was selected. For active employees, the RP-2000 Employee Sex Distinct Tables set back 4 years for males and 3 years for females was used.

WEST CALCASIEU-CAMERON HOSPITAL
Sulphur, Louisiana
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 9- Parochial Employees Retirement System (Continued)

Sensitivity to Changes in Discount Rate

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.00%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.00% or one percentage point higher 8.00% than the current rate.

		Changes in Discount	
		Rate	
	1%	Current Discount	1%
	Decrease	Rate	Increase
	6.00%	7.00%	8.00%
Net Pension Liability (Asset)	\$28,422,648	\$9,501,449	\$(6,497,000)

Retirement System Audit Report

The Parochial Employees' Retirement System of Louisiana has issued a stand-alone audit report on their financial statements for the year ended December 31, 2016. Access to the report can be found on the Louisiana Legislative Auditor's website, www.la.la.gov.

Note 10- Cash, Cash Equivalents, Certificates of Deposit and Other Investments

Under Louisiana Revised Statutes 33:2955, the District may deposit funds in demand deposit accounts, interest bearing demand deposit accounts, money market accounts, and time certificates of deposit with state banks, organized under Louisiana Law and National Banks having principal offices in Louisiana. Additionally, Louisiana statutes allow the District to invest in United States Treasury obligations, obligations issued or guaranteed by the United States government or federal agencies, highly rated investment grade commercial paper, and mutual or trust funds registered with the Securities and Exchange Commission which have underlying investments consisting solely of and limited to the United States government or its agencies.

In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.

At December 31, 2017, the Hospital had cash, cash equivalents and certificates of deposit (book balances) totaling \$7,401,213. Of that balance, \$2,291,718 is included in Assets Whose Use is Limited (Note 2).

WEST CALCASIEU-CAMERON HOSPITAL
Sulphur, Louisiana
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 10- Cash, Cash Equivalents, Certificates of Deposit and Other Investments (Continued)

At December 31, 2016, the Hospital had cash, cash equivalents and certificates of deposit (book balances) totaling \$3,043,664. Of that balance, \$2,490,377 is included in Assets Whose Use is Limited (Note 2).

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held by the pledging financial institution's trust department or agent, in the Hospital's name.

Custodial Credit Risk is the risk that in the event of bank failure, the Hospital's deposits may not be returned. The Hospital deposits its cash with high quality financial institutions, and management believes the Hospital is not exposed to significant credit risk.

At December 31, 2017, the Hospital has \$7,741,837 in deposits (collected bank balances). These deposits are secured from risk by \$750,000 of federal deposit insurance and \$8,906,611 of pledged securities held in a custodial bank in the Hospital's name.

At December 31, 2016, the Hospital has \$3,365,362 in deposits (collected bank balances). These deposits are secured from risk by \$750,000 of federal deposit insurance and \$4,735,818 of pledged securities held in a custodial bank in the Hospital's name.

Interest Rate Risk is the risk that changes in the interest rate will adversely affect the fair value of the investment. At December 31, 2017 and 2016, the Hospital did not have investments in any debt instruments.

Note 11- Prior Year Balances

Certain prior year amounts may have been reclassified to conform with current year presentation.

WEST CALCASIEU-CAMERON HOSPITAL
Sulphur, Louisiana
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 12- Concentrations of Credit Risk

The Hospital is located in Sulphur, Louisiana. The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows:

	<u>2017</u>		<u>2016</u>
Medicare	14 %		3 %
Medicaid	3		1
Other	83		96
	<u>100 %</u>		<u>100 %</u>

The mix of net patient revenues was as follows:

	<u>2017</u>		<u>2016</u>
Medicare	43 %		36 %
Medicaid	8		1
Other	49		63
	<u>100 %</u>		<u>100 %</u>

Note 13- Postemployment Healthcare Plan

Plan Description: The Hospital's provides medical benefits to eligible retired Hospital employees and their beneficiaries. The plan is a single-employer plan administered by Benefit Management Services and has been implemented prospectively.

Funding Policy: The contribution requirements of plan members and the Hospital are established by the board. Hospital eligible retirees receiving benefits contribute \$341 per month for retiree only coverage, \$716 for retiree and spouse coverage, and \$1,320 for retiree and family coverage. Eligible retirees who participate in Medicare contribute \$206 for retiree only coverage and \$332 for retiree and spouse coverage.

The Hospital is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess). The amortization method for the plan is level dollar with a 30 year amortization period.

WEST CALCASIEU-CAMERON HOSPITAL
Sulphur, Louisiana
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 13- Postemployment Healthcare Plan (Continued)

Actuarial Methods and Assumptions:

Mortality	RP-2014
Turnover	PERS plan
Retirement Age	PERS plan
Annual Discount Rate	3.5%
Medical Trend	7% in 2016, reducing .5% per annum, leveling at 5% per annum
Medical Cost Aging Factor	L & E Medical Manual

Attribution Period: The attribution period begins with the date of hire and ends with full benefits eligibility date.

Actuarial Valuation Method: The Projected Unit Credit Funding Method was used for the January 1, 2016 actuarial valuation. Age neutral claim costs were derived from the actual claim experience, trended to the valuation date and adjusted for the risk characteristics of the group. 75% of future eligible retirees were assumed to choose to participate in the medical plan at retirement.

Annual OPEB Cost and Net OPEB Obligation: For 2017, the Hospital's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Hospital's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Hospital's net OPEB obligation to the Retiree Health Plan:

Annual Required Contribution (ARC)	\$ 1,832,041
Interest on Net OPEB Obligation	116,805
Adjustment to Annual Required Contribution	<u>(64,781)</u>
Annual OPEB Cost (Expense)	1,884,065
Contributions Made	<u>(791,932)</u>
Increase in Net OPEB Obligation	1,092,133
Net OPEB Obligation – beginning of year	<u>5,749,185</u>
Net OPEB Obligation – end of year	<u>\$ 6,841,318</u>

WEST CALCASIEU-CAMERON HOSPITAL
Sulphur, Louisiana
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 13- Postemployment Healthcare Plan (Continued)

The Hospital's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/15	\$1,860,879	50.1%	\$4,781,946
12/31/16	\$1,748,201	44.7%	\$5,749,185
12/31/17	\$1,884,041	42.0%	\$6,841,318

Funding Status and Funding Progress: The plan has not been funded. The most recent actuarial report as of December 31, 2015, reflects the actuarial accrued liability of \$21,379,134. The covered payroll (annual payroll of active employees covered by the plan) was \$10,291,004, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 207.7%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the healthcare most trend. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

Note 14- Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by both Calcasieu and Cameron Parishes in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year.

For the years ended December 31, 2017 and 2016, taxes of 9.53 and 9.61 mills were levied on property with net assessed valuations totaling \$1,064,662,304 and \$1,014,583,601 for Calcasieu Parish and \$53,283,163 and \$40,310,436 for Cameron Parish, respectively. Total taxes levied were \$10,321,010 and \$9,834,715 for the years ended December 31, 2017 and 2016. Taxes receivable at December 31, 2017 and 2016 were \$10,220,121 and \$9,853,154, all of which were considered collectible. The 9.53 and 9.61 mills were dedicated as follows:

	<u>2017</u>	<u>2016</u>
Maintenance Fund	6.95 mills	6.95 mills
Sinking Fund	2.58 mills	2.66 mills

WEST CALCASIEU-CAMERON HOSPITAL
Sulphur, Louisiana
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 15- Allowance for Doubtful Accounts

Accounts receivable are stated at cost less an allowance for doubtful accounts. The allowance account consists of an estimate of uncollectible specifically identified accounts and a general reserve. Management's evaluation of the adequacy of the allowance is based on a continuing review of all accounts and includes a consideration of past user history, any adverse situation that might affect the user's ability to repay, and current economic conditions. Amounts charged-off that are subsequently recovered are recorded as income.

Note 16- Subsequent Events

The Hospital evaluated its December 31, 2017 financial statements for subsequent events through the date the financial statements were available to be issued. The Hospital is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

Note 17- Malpractice

Malpractice claims have been asserted against West Calcasieu-Cameron Hospital by various claimants. The claims are in various stages of processing, and some may ultimately be brought to trial. In the opinion of counsel, the outcome of these actions will not have a significant effect on the financial position or the results of operations of West Calcasieu-Cameron Hospital. The Hospital is a member of the Louisiana Patients' Compensation Fund and therefore, under current Louisiana law, its liability is limited to the statutory maximum of \$500,000 which is covered by a primary \$100,000 with the Louisiana Hospital Association Malpractice and General Liability Trust, and an additional \$400,000 through the State of Louisiana, Patients' Compensation Fund.

Incidents occurring through December 31, 2017 may result in the assertion of additional claims. Other claims may be asserted arising from past services provided. Management is unable to estimate the ultimate cost, if any, of the resolution of such potential claims and, accordingly, no accrual has been made for them. Management believes the resolution of such potential claims would be settled within the limits of insurance coverage as discussed in the above paragraph.

WEST CALCASIEU-CAMERON HOSPITAL
Sulphur, Louisiana
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

Note 18- Charity Care

The Hospital provides care to patients who qualify under federal guidelines and other policies of the Hospital at fees less than established rates. The amount of charity care is reduced from the amount of fees for services presented in the statement of revenues and expenses. The amount of charity care for disclosure purposes should be measured by costs, including direct and indirect costs. Management has calculated the costs associated with providing charity care utilizing the cost to charge ratio obtained from the Medicare cost report data. The amount of costs associated with charity care for the year ending December 31, 2017 and 2016 was \$160,026 and \$261,847, respectively.

Note 19- Deferred Revenue

Deferred revenue of \$1,946,325 as of December 31, 2017 represents six months of funds received through a Community Benefit Agreement with Lafayette General Medical Center, Inc. for indigent care and grant funds received from Louisiana Hospital Association Research and Education Foundation for an Administrative Designated Regional Coordinator. \$3,750,000 was received during 2017 through the Community Benefit Agreement. The agreement is for the period from July 2017 to June 2018 which leaves a balance in deferred revenue of \$1,875,000 at December 31, 2017. \$95,100 of grant funds from the Louisiana Hospital Association Research and Education Foundation was received during 2017. The agreement is for the period from October 2017 to September 2018 which leaves a balance in deferred revenue of \$71,325.

SUPPLEMENTARY INFORMATION

STEVEN M. DEROUEN & ASSOCIATES

Certified Public Accountants

4827 IHLES ROAD
P. O. BOX 4265
LAKE CHARLES, LA 70606
(337) 513-4915 OFFICE/ (337) 205-6927 FAX
steve@jderouencpa.com

Member American Institute of
Certified Public Accountants

Member Louisiana Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Commissioners
West Calcasieu-Cameron Hospital
Calcasieu-Cameron Hospital Service District
Sulphur, Louisiana

I have audited the financial statements of West Calcasieu-Cameron Hospital as of and for the years ended December 31, 2017 and 2016, and my report thereon dated June 8, 2018, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. My audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included on pages 38 through 43 and 51 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards general accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
June 8, 2018

WEST CALCASIEU-CAMERON HOSPITAL
Sulphur, Louisiana
Schedules of Nursing Revenues
For The Years Ended December 31,

	2017	2016
NURSING REVENUES - GROSS		
Revenue from daily patient services		
Medical and surgical	\$ 4,986,495	\$ 5,037,549
Intensive care	2,747,074	2,161,644
Nursery	262,814	284,000
Total Revenue from Daily Patient Services	7,996,383	7,483,193
Operating room	13,055,147	15,494,296
Endoscopy	3,513,524	3,543,688
Delivery room	1,521,969	1,544,333
Recover room	2,823,792	3,305,022
Central supply	4,098,906	4,235,074
Emergency room	24,700,071	23,018,533
TOTAL NURSING REVENUES - GROSS	\$ 57,709,792	\$ 58,624,139

WEST CALCASIEU-CAMERON HOSPITAL
Sulphur, Louisiana
Schedules of Other Professional Services Revenue
For The Years Ended December 31,

	2017	2016
OTHER PROFESSIONAL SERVICE REVENUES - GROSS		
Anesthesiology	\$ 1,862,156	\$ 1,950,672
Radiology	25,128,531	23,923,102
Laboratory	24,360,131	22,053,693
Cardiology, EKG and EEG	9,233,215	8,053,943
Physical therapy	2,192,181	1,862,484
Orthopedic	115,798	98,190
Nuclear medicine	1,628,386	1,684,334
Pharmacy	43,316,826	41,177,865
Respiratory therapy	6,209,891	6,145,871
Dietary - long term care	47,155	45,452
Ambulance service	93,558	85,352
Occupational therapy	605,062	485,558
Speech therapy	374,719	403,572
Home health care	1,579,850	1,657,172
Therapeutic riding	373,448	451,550
Wellness center	1,441,618	1,486,573
Off site clinics	2,866,827	2,826,249
Outpatient testing	1,793,253	1,850,435
Wound healing	1,311,915	1,415,178
Diagnostic center	7,946,857	8,619,559
Sleep lab	253,700	200,600
Ear, nose, throat & aesthetic	664,071	583,234
Obstetrics and gynecology	3,095,426	3,187,078
Family practice	1,435,918	1,273,872
TOTAL OTHER PROFESSIONAL SERVICE REVENUES - GROSS	\$ 137,930,492	\$ 131,521,588

WEST CALCASIEU-CAMERON HOSPITAL
Sulphur, Louisiana
Schedules of Nursing Expenses
For The Years Ended December 31,

	<u>2017</u>	<u>2016</u>
NURSING EXPENSES		
Nursing services - salaries	\$ 2,951,776	\$ 3,191,079
Nursing services - administrative salaries	855,917	839,836
Nursing services - expenses	345,535	363,280
Central supply - salaries	286,779	216,142
Central supply - expense	280,172	271,274
Operating room - salaries	1,461,041	1,573,746
Operating room - expenses	3,929,261	4,291,589
Endoscopy - salaries	194,794	205,056
Endoscopy - expenses	150,399	134,187
Delivery room - salaries	986,883	956,872
Delivery room - expenses	179,347	169,135
Nursery - salaries	203,922	226,870
Nursery - expenses	27,689	30,312
Recovery room - salaries	299,800	315,846
Recovery room - expenses	16,871	21,948
Intensive care - salaries	1,291,510	1,243,674
Intensive care - expenses	153,367	141,429
Emergency room - salaries	1,914,189	1,939,236
Emergency room - expenses	405,309	356,372
TOTAL NURSING EXPENSES	<u>\$ 15,934,561</u>	<u>\$ 16,487,883</u>

WEST CALCASIEU-CAMERON HOSPITAL
Sulphur, Louisiana
Schedules of Other Professional Service Expenses
For The Years Ended December 31,

OTHER PROFESSIONAL SERVICE EXPENSES	2017	2016
Anesthesiology - expenses	\$ 126,564	\$ 152,530
Radiology - salaries	1,247,106	1,221,658
Radiology - expenses	654,335	762,586
Laboratory - salaries	1,535,093	1,534,128
Laboratory - expenses	2,097,674	1,988,407
Cardiology, EKG and EEG - salaries	587,593	547,351
Cardiology, EKG and EEG - expenses	868,905	750,470
Physical therapy - salaries	878,861	829,927
Physical therapy - expenses	81,631	54,612
Orthopedic room - expenses	28,631	26,186
Pharmacy - salaries	1,042,736	1,022,282
Pharmacy - expenses	6,159,119	6,374,699
Respiratory therapy - salaries	928,117	764,023
Respiratory therapy - expenses	216,783	216,021
Ambulance service - salaries	80,995	75,853
Ambulance service - expenses	100,102	109,455
Medical records - salaries	564,023	660,918
Medical records - expenses	208,349	202,273
Nuclear Medicine - salaries	137,757	141,027
Nuclear Medicine - expenses	208,710	211,371
Outpatient testing - salaries	268,811	276,540
Outpatient testing - expenses	48,634	50,629
Home health care - salaries	1,032,286	1,050,046
Home health care - expenses	309,754	308,087
Occupational therapy - salaries	127,397	109,988
Occupational therapy - expenses	36,679	43,229
Speech therapy - salaries	205,038	198,009
Speech therapy - expenses	2,338	965
Off site clinic - salaries	1,302,077	1,268,066
Off site clinic - expenses	822,390	896,727
Wellness center - salaries	708,811	691,061
Wellness center - expenses	383,563	621,470
Therapeutic riding - salaries	206,359	230,579
Therapeutic riding - expenses	42,626	30,634
Wound healing - salaries	307,480	344,516
Wound healing - expenses	101,838	129,333
Intergovernmental transfer distribution	2,415,050	1,656,077
Diagnostic center - salaries	278,829	279,957
Diagnostic center - expenses	404,101	434,818
Westlake diagnostic center - salaries	173,208	191,958
Westlake diagnostic center - expenses	156,314	159,290
Sleep lab - expenses	28,876	32,266
Ear, nose, throat and aesthetic - salaries	144,359	121,797
Ear, nose, throat and aesthetic - expenses	93,842	114,455
Urology clinic - expenses	5,365	6,075
Obstetrics and gynecology - salaries	1,201,625	1,197,823
Obstetrics and gynecology - expenses	433,544	410,950
Family practice - salaries	660,434	551,080
Family practice - expenses	179,948	123,142
TOTAL OTHER PROFESSIONAL SERVICE EXPENSES	\$ 29,834,660	\$ 29,175,344

WEST CALCASIEU-CAMERON HOSPITAL
Sulphur, Louisiana
Schedules of General Service Expenses
For The Years Ended December 31,

	2017	2016
GENERAL SERVICE EXPENSES		
Dietary - salaries	\$ 734,138	\$ 717,505
Dietary - food	348,563	323,251
Dietary - expenses	103,919	108,277
Housekeeping - salaries	578,660	567,728
Housekeeping - expenses	105,601	106,489
Laundry - salaries	175,255	135,642
Laundry - expenses	78,436	122,782
Operating and maintenance of plant - salaries	967,327	974,058
Operating and maintenance of plant - expenses	1,211,225	1,218,280
Medical staff services - salaries	112,390	107,657
Medical staff services - expenses	33,781	33,772
Other general services expenses	-	697
	\$ 4,449,295	\$ 4,416,138
TOTAL GENERAL SERVICE EXPENSES	\$ 4,449,295	\$ 4,416,138

WEST CALCASIEU-CAMERON HOSPITAL
Sulphur, Louisiana
Schedules of Fiscal and Administrative Service Expenses
For The Years Ended December 31,

	2017	2016
FISCAL AND ADMINISTRATIVE SERVICE EXPENSES		
Administrative - salaries	\$ 4,250,495	\$ 4,138,495
Administrative - general expenses	5,228,521	5,455,345
Payroll taxes and benefits	10,724,564	9,779,094
Insurance and liability claims	784,654	771,563
TOTAL FISCAL AND ADMINISTRATIVE SERVICE EXPENSES	\$ 20,988,234	\$ 20,144,497

STEVEN M. DEROUEN & ASSOCIATES

Certified Public Accountants

4827 IHLES ROAD
P. O. BOX 4265
LAKE CHARLES, LA 70606
(337) 513-4915 OFFICE/ (337) 205-6927 FAX
steve@sderouencpa.com

Member American Institute of
Certified Public Accountants

Member Louisiana Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S 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
West Calcasieu-Cameron Hospital
Calcasieu-Cameron Hospital Service District
Sulphur, Louisiana

I 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 West Calcasieu-Cameron Hospital as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise West Calcasieu-Cameron Hospital's financial statements as listed in the table of contents, and have issued my report thereon dated June 8, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered West Calcasieu-Cameron Hospital's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Calcasieu-Cameron Hospital's internal control. Accordingly, I do not express an opinion on the effectiveness of West Calcasieu-Cameron Hospital'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 entity'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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Commissioners
West Calcasieu-Cameron Hospital
Calcasieu-Cameron Hospital Service District
Sulphur, Louisiana
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Calcasieu-Cameron Hospital's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
June 8, 2018

WEST CALCASIEU-CAMERON HOSPITAL
Sulphur, Louisiana
Schedule of Findings and Responses
December 31, 2017

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued				Unmodified
Internal control over financial reporting:				
Material weaknesses identified?	___	Yes	_X_	No
Significant deficiency identified not considered to be material weaknesses?	___	Yes	_X_	None reported
Noncompliance material to financial statements noted?	___	Yes	_X_	No

SECTION II – FINDINGS AND RESPONSES

None

NO SEPARATE MANAGEMENT LETTER ISSUED

WEST CALCASIEU-CAMERON HOSPITAL
Sulphur, Louisiana
Schedule of Prior Year Findings
December 31, 2017

SECTION III – PRIOR YEAR FINDINGS

None

WEST CALCASIEU-CAMERON HOSPITAL
Sulphur, Louisiana
Other Postemployment Benefits (OPEB)
Schedule of Funding Progress
For The Year Ended December 31, 2017

Actuarial Valuation Date	Actuarial valuation of assets	Actuarial Accrued Liability Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2012	-	\$ 21,180,712	\$ 21,180,712	0.00%	\$ 16,110,110	131%
1/1/2014	-	\$ 20,187,654	\$ 20,187,654	0.00%	\$ 10,467,669	193%
1/1/2016	-	\$ 21,379,134	\$ 21,379,134	0.00%	\$ 10,291,004	208%

WEST CALCASIEU CAMERON HOSPITAL
Sulphur, Louisiana
Parochial Employees' Retirement System of Louisiana
Schedule of the Hospital's Proportionate Share of the Net Pension Liability
For The Year Ended December 31, 2017

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Hospital's proportion of the net pension liability	4.696%	4.839%	4.620%	4.613%
Hospital's proportionate share of the net pension liability	\$ 335,884	\$ 1,323,131	\$ 12,162,185	\$ 9,501,449
Hospital's covered-employee payroll	\$ 25,772,718	\$ 26,491,469	\$ 27,157,674	\$ 27,962,600
Hospital's proportionate share of the net pension liability as a percentage of its covered-employee payroll	1.30%	5.0%	44.78%	33.98%
Plan fiduciary net position as a percentage of the total pension liability	99.50%	99.14%	92.23%	94.15%

The schedule is intended to report information for 10 years. Additional years will be displayed as they become available. The amounts presented have a measurement date of the previous fiscal year.

The notes to financial statements are an integral part of this statement.

WEST CALCASIEU CAMERON HOSPITAL
Sulphur, Louisiana
Parochial Employees' Retirement System of Louisiana
Schedule of the Hospital's Contributions
For The Year Ended December 31, 2017

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 4,123,635	\$ 3,841,263	\$ 3,528,277	\$ 3,495,325
Contributions in relation to the contractually required contribution	\$ 4,123,635	\$ 3,841,263	\$ 3,528,277	\$ 3,495,325
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Hospital's covered-employee payroll	\$ 25,772,718	\$ 26,491,469	\$ 27,157,674	\$ 27,962,600
Contributions as a percentage of covered-employee payroll	16.0%	14.5%	13.0%	12.5%

The schedule is intended to report information for 10 years. Additional years will be displayed as they become available. The amounts presented have a measurement date of the previous fiscal year.

The notes to financial statements are an integral part of this statement.

WEST CALCASIEU-CAMERON HOSPITAL

Schedule of Compensation, Benefits and Other Payments to the Chief Executive Officer

Year Ended December 31, 2017

Agency Head: Janie Fruge, CEO

Purpose	Amount
Salary	\$254,170
Benefits-insurance	\$1,767
Benefits-retirement	\$32,187
Dues	\$-0-
Reimbursements - mileage	\$1,771
Registration fees	\$733
Conference travel	\$1,045
Conference lodging	\$2,806
Conference meals	\$334
Cell phone reimbursement	\$600

Note: This schedule is included as supplementary information.

**WEST CALCASIEU-CAMERON HOSPITAL
Calcasieu-Cameron
Hospital Service District
Sulphur, Louisiana**

**Independent Accountant's Report on Applying
Agreed-Upon Procedures**

January 1, 2017 – December 31, 2017

STEVEN M. DEROUEN & ASSOCIATES

Certified Public Accountants

4827 IHLES ROAD
P. O. BOX 4265
LAKE CHARLES, LA 70606
(337) 513-4915 OFFICE/ (337) 205-6927 FAX
steve@sderouencpa.com

Member American Institute of
Certified Public Accountants

Member Louisiana Society of
Certified Public Accountants

AGREED-UPON PROCEDURES REPORT

CALCASIEU-CAMERON HOSPITAL SERVICE DISTRICT

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD OF JANUARY 1, 2017 THROUGH DECEMBER 31, 2017

To the Board of Commissioners and the Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by the Calcasieu-Cameron Hospital Service 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 period January 1, 2017 through December 31, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted 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, I make no representation regarding the sufficiency of the procedures described below either for the purpose for 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 the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
 - 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.
 - c) **Disbursements**, including processing, reviewing, and approving
 - d) **Receipts**, including receiving, recording, and preparing deposits
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - 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
 - 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, and (5) monitoring card usage
 - h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
 - 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. Note: Ethics requirements are not applicable to nonprofits.
 - j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

There were no observations noted resulting from the application of these procedures.

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
 - c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

There were no observations noted resulting from the application of these procedures.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.
4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
 - a) Bank reconciliations have been prepared;
 - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
 - c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

There were no observations noted resulting from the application of these procedures.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**
 - a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
 - b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
 - c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
 - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.
7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

There were no observations noted resulting from the application of these procedures.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.
9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
 - a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.
10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.
11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.
12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.
13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

There were no observations noted resulting from the application of these procedures.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]
 - b) Report whether finance charges and/or late fees were assessed on the selected statements.
16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).
 - a) For each transaction, report whether the transaction is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
 - b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
 - c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

There were no observations noted resulting from the application of these procedures.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.
18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.
19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
 - a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.
 - b) Report whether each expense is supported by:
 - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
 - c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
 - d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

There were no observations noted resulting from the application of these procedures.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.
21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:
 - a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
 - b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
 - c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
 - d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
 - e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

There were no observations noted resulting from the application of these procedures.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
 - a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
 - b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.
23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
 - a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
 - c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.
24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.
25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

There were no observations noted resulting from the application of these procedures.

Ethics

26. Using the five randomly selected employees/officials from procedure #22 under “Payroll and Personnel” above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.
27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management’s actions complied with the entity’s ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

There were no observations noted resulting from the application of these procedures.

Debt Service

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.
29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.
30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

There were no observations noted resulting from the application of these procedures.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.
31. If the practitioner observes or otherwise identifies any exceptions regarding management’s representations in the procedures above, report the nature of each exception.

There were no observations noted resulting from the application of these procedures.

I was not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Steven M. DeRouen & Associates

May 11, 2018
Lake Charles, Louisiana