

**LOWER CAMERON  
HOSPITAL SERVICE DISTRICT NO. 2  
Cameron, Louisiana**

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**Financial Statements  
December 31, 2018**

## TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 5
Statements of Net Position	6
Statements of Revenues, Expenses, and Changes in Fund Net Position	7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 12
Supplemental Information	13
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements	14-15
Schedule of Findings	16-17
Schedule of Compensation, Benefits and Other Payments to the President of the Board of Commissioners	18

# STEVEN M. DEROUEN & ASSOCIATES

*Certified Public Accountants*

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Lower Cameron Hospital Service District No. 2  
Cameron, Louisiana

### *Report on the Financial Statements*

I have audited the accompanying financial statements of Lower Cameron Hospital Service District No. 2, a component unit of the Cameron Parish Police Jury, which comprise the statements of net position, as of and for the year ended December 31, 2018, and the related statements of revenues and expenses, changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

### *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 audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that 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 opinions.

## ***Opinions***

In my opinion, the financial statements referred to above present fairly, in all material respects, the net position of Lower Cameron Hospital Service District No. 2 as of December 31, 2018, and the results of its operations and its cash flows for the years then ended in conformity 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 5 be presented to supplement basic financial statements. Such information, although not a basic 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 other 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 my report dated June 25, 2019 on my consideration of Lower Cameron Hospital Service District No. 2's internal control over financial reporting and on 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audits.

## **Other Information**

My audit was conducted for the purpose of forming an opinion on the financial statements of Lower Cameron Hospital Service District No. 2 of Cameron Parish, Louisiana. The Schedule of Compensation, Benefits and Other Payments is presented for purposes of additional analysis and is not a required part of the financial statements.

The Schedule of Compensation, Benefits and Other Payments is the responsibility of management and is derived from the underlying accounting and other records to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit 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 generally 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 25, 2019

**LOWER CAMERON HOSPITAL SERVICE DISTRICT NO. 2  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
AS OF DECEMBER 31, 2018**

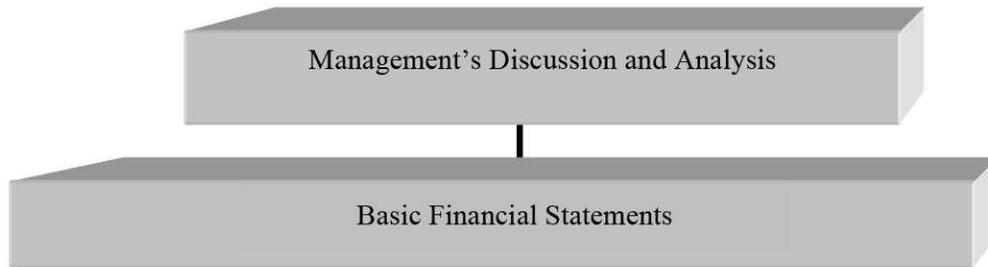
The Management’s Discussion and Analysis of the Lower Cameron Hospital Service District No. 2 (the District) financial performance presents a narrative overview and analysis of the District’s financial activities for the year ended December 31, 2018. This document focuses on the current year’s activities, 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 District’s assets exceeded its liabilities at the close of fiscal year 2018 by \$1,944,272. Of this amount, \$1,518,298 (unrestricted net position) may be used to meet the District’s ongoing obligations to its users.
  
- ★ The District’s revenue and support was less than its expenses by \$219,529.
- ★

**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).

**LOWER CAMERON HOSPITAL SERVICE DISTRICT NO. 2  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
AS OF DECEMBER 31, 2018**

**Basic Financial Statements**

The basic financial statements present information for the District 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 Activities; and the Statements of Cash Flows.

The Statements of Net Position (page 6) presents the current and long term portions of assets and liabilities separately. The difference between total assets and deferred outflows and total liabilities is net position and may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statements of Activities (page 7) presents information showing how the District’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 Cash Flows (page 8) presents information showing how the District’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**

	2018	2017	2016
Current and other assets	\$1,656,191	\$1,369,008	\$1,280,255
Capital assets	425,974	443,697	462,455
Total assets	<u>2,082,165</u>	<u>1,812,705</u>	<u>1,742,710</u>
Current and Long-term debt outstanding	137,893	87,962	102
Total liabilities	<u>137,893</u>	<u>87,962</u>	<u>102</u>
Net position:			
Net investment in capital assets	425,974	443,697	462,455
Unrestricted	1,518,298	1,281,046	1,280,153
Total net position	<u>1,944,272</u>	<u>1,724,743</u>	<u>1,742,608</u>
Total liabilities and net position	<u>\$2,082,165</u>	<u>\$1,812,705</u>	<u>\$1,742,710</u>

**LOWER CAMERON HOSPITAL SERVICE DISTRICT NO. 2  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
AS OF DECEMBER 31, 2018**

	2018	2017	2016
Revenue and support	\$758,402	\$445,725	\$436,784
Expenses	538,873	463,590	360,365
Increase(decrease) in net position	\$219,529	(\$17,865)	\$76,419

The revenues of the District increased \$139,066 (32%) due to ad valorem taxes.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of December 31, 2018, the District had \$425,974 net of accumulated depreciation, invested in capital assets, including buildings and improvements.

**CONTACTING THE HOSPITAL’S MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lynn Griffith, Secretary, Lower Cameron Hospital Service District No. 2.

**LOWER CAMERON HOSPITAL SERVICE DISTRICT NO. 2**  
**Cameron, Louisiana**  
**Statements of Net Position**  
**As of December 31,**

	<b>2018</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 913,131
Certificate of Deposit	124,352
Prepaid expenses	7,267
Other Receivable	-
Ad valorem taxes receivable	611,441
Total Current Assets	1,656,191
<b>Property, Plant and Equipment</b>	
Furniture and equipment	5,555
Building and improvements	592,230
	597,785
Less accumulated depreciation	(171,811)
Net Property, Plant and Equipment	425,974
Total Assets	2,082,165
<b>Liabilities and Net Position</b>	
<b>Current Liabilities</b>	
Accounts payable	137,893
Total Current liabilities	137,893
<b>Long Term Liabilities</b>	
Total Liabilities	137,893
<b>Net Position</b>	
Net investment in capital assets	425,974
Net position - unrestricted	1,518,298
Total net position	\$ 1,944,272

See accompanying notes to financial statements.

**LOWER CAMERON HOSPITAL SERVICE DISTRICT NO. 2**  
**Cameron, Louisiana**  
**Statements of Revenues, Expenses, and Changes in Fund Net Position**  
**For the Years Ended December 31,**

	<b>2018</b>
<b>Revenue and Support</b>	
Revenue:	
Ad valorem taxes	\$ <u>757,814</u>
Support:	
Interest income	<u>588</u>
Total Support	<u>588</u>
Total Revenue and Support	<u>758,402</u>
<b>Expenses</b>	
General and administrative:	
Management fees	459,965
Office expense	94
Insurance expense	17,483
Legal and professional	6,900
Repairs and maintenance expense	28,650
Board commissioners expense	475
Depreciation expense	17,723
Utilities expense	7,498
Miscellaneous expense	<u>85</u>
Total Expenses	<u>538,873</u>
Change in Net Position	219,529
Net Position - Beginning of Year	<u>1,724,743</u>
Net Position - End of Year	<u>\$ 1,944,272</u>

See accompanying notes to financial statements.

**LOWER CAMERON HOSPITAL SERVICE DISTRICT NO. 2**  
**Cameron, Louisiana**  
**Statements of Cash Flows**  
**For the Years Ended December 31,**

	<b>2018</b>
<b>Cash Flows From Operating Activities</b>	
Receipts from taxes, donors, interest income, and other	\$ 584,791
Payments to suppliers and other	(471,296)
Net cash provided (used) by operating activities	113,495
 <b>Cash Flows From Capital and Related Financing Activities</b>	
Net cash provided (used) by capital and related financing activities	-
 <b>Cash Flows From Investing Activities</b>	
Purchase of certificate of deposit	(63)
Net cash provided (used) by investing activities	(63)
 Net increase (decrease) in Cash and Cash Equivalents	113,432
 Cash and Cash Equivalents - Beginning of Year	799,699
 Cash and Cash Equivalents - End of Year	\$ 913,131
 <b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>	
Change in net assets	\$ 219,529
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	17,723
(Increase) decrease in taxes receivable	(173,611)
(Increase) decrease in prepaid expenses	(77)
Increase (decrease) in accounts payable	49,931
 Net Cash Provided (Used) by Operating Activities	\$ 113,495

See accompanying notes to financial statements.

LOWER CAMERON HOSPITAL SERVICE DISTRICT NO. 2  
Cameron, Louisiana  
Notes to Financial Statements  
December 31, 2018

*Note 1 - Organization and Summary of Significant Accounting Policies*

The Lower Cameron Hospital Service District No. 2 is a component unit of the Cameron Parish Police Jury. The District owns a building which houses a rural health clinic located in the Johnson Bayou community of Cameron Parish, Louisiana.

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

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

The District 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. 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.

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.

Risk Management - The District 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.

LOWER CAMERON HOSPITAL SERVICE DISTRICT NO. 2  
Cameron, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2018

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

Property, Plant, and Equipment - Property, plant, and equipment of the District 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:

	Life
Buildings and improvements	10 - 40 years
Furniture and equipment	5 - 10 years

The District entered into a cooperative endeavor agreement with Cheniere LNG Terminals, Inc. (Cheniere), whereby, Cheniere donated a building and improvements valued at \$530,000 to be used as a health clinic to the District. The agreement also included the donation of land by the Stream Family Limited Partnership, where the clinic is situated. No value has been assigned to the land.

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.

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

*Note 2 - Management Services Agreement*

The District entered into a management services agreement with West Cal Cam Hospital, effective November 1, 2007, for the purpose of managing the rural health clinic. The compensation for said services will be cost based, with a minimum fee \$25,000 per month. The agreement is effective through October 31, 2022.

*Note 3 - Compensation of the Board of Commissioners*

The members of the Board of Commissioners of Lower Cameron Hospital District No. 2 received the following compensation for the fiscal year ended December 31, 2018.

Barry Hunt	\$ 100
Lynn Griffith	2,525
Christine Storm	75
Connie Trahan	25
Blair Jinks	<u>175</u>
	<u>\$ 2,875</u>

LOWER CAMERON HOSPITAL SERVICE DISTRICT NO. 2  
Cameron, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2018

*Note 4 - Subsequent Event*

The District evaluated its December 31, 2018 financial statements for subsequent events through the date the financial statements are available to be issued. The District is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

*Note 5 - Cash, Cash Equivalents, Certificates of Deposit and Other Investments*

Under Louisiana Revised Statutes 39:2955, 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 a principal office in Louisiana. Additionally, Louisiana statutes allow the Hospital to invest in United States Treasury obligations, obligations issued or guaranteed by the United States government or federal agencies, and mutual or trust funds register with the Securities and Exchange Commission which have underlying investments consisting solely of and limited to the United States government or its agencies. The District has no formal investment policy.

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.

The District had cash, cash equivalents and certificates of deposit (book balances) totaling \$1,037,483 at December 31, 2018. The deposits were insured by federal deposit insurance and the pledge of securities owned by the fiscal agent bank.

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 owned by the fiscal agent bank. 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 in the name of the pledging agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Custodial Credit Risk is the risk that in the event of bank failure, the District's deposits may not be returned. At December 31, 2018, the District has \$1,062,428 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$812,428 of pledged securities held by the custodial bank in the District's name.

The District deposits its cash with high quality financial institutions, and management believes the District is not exposed to significant credit risk on those amounts.

**LOWER CAMERON HOSPITAL SERVICE DISTRICT NO. 2**  
**Cameron, Louisiana**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018**

*Note 6 - Ad Valorem Taxes*

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Parish 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 year ended December 31, 2017, taxes of 6 mills were levied on property with net assessed valuations of approximately \$90,177,011. Total taxes earned, net of pension funds, was \$757,814. The 6 mills were dedicated for maintenance.

**SUPPLEMENTARY INFORMATION**

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## **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  
Lower Cameron Hospital Service District No. 2  
Cameron, 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 Lower Cameron Hospital District No. 2, as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued my report thereon dated June 25, 2019.

### **Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Lower Cameron Hospital District No. 2'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lower Cameron Hospital District No. 2's internal control. Accordingly, I do not express an opinion on the effectiveness of Lower Cameron Hospital District No. 2's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. I consider the deficiency described in the accompanying Schedule of Findings, Item 2018-02, to be a material weakness.

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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. I consider the deficiency described in the accompanying Schedule of Findings, Item 2018-01 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether financial statements of Lower Cameron Hospital Service District No. 2 are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, I do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Lower Cameron Hospital Service District No. 2's Reponse to Findings**

Lower Cameron Hospital Service District No. 2's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. Lower Cameron Hospital Service District No. 2's responses was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Steven M. DeRouen & Associates

Lake Charles, Louisiana  
June 25, 2019

**LOWER CAMERON HOSPITAL SERVICE DISTRICT NO. 2**  
**Cameron, Louisiana**  
**Schedule of Findings**  
**December 31, 2018**

**A. Summary of Independent Auditor's Results:**

1. Unqualified opinion on financial statements.
2. Significant deficiencies in internal control – refer to B. 2018-01; material weakness in internal control – refer to B. 2018-02.
3. No instance of non-compliance noted.

**B. GAGAS Findings:**

**2018-01 Segregation of Duties**

Condition: A proper segregation of duties is not possible due to the small number of people involved in the District's day-to-day operations.

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Effect: Without proper segregation of duties, errors within the financial records could go undetected.

Recommendation: To the extent cost effective, commissioners should attempt to mitigate this weakness by supervision and review procedures.

Response: Management has considered this deficiency and determined that it would not be cost effective at this time to employ or contract the appropriate personnel to adequately segregate duties. Commissioners have implemented supervision and review procedures to the extent possible. This a repeat finding.

**2018-02 Financial Statement Reporting**

Condition: The District maintains its books and records on the modified cash basis of accounting. The District relies on the auditing firm to assist in adjusting the modified cash basis books to accrual basis and to assist in the preparation of external financial statements and related disclosures.

Criteria: Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the District's internal control structure and because of the limitations of the accounting staff, the design of the District's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Effect: Misstatements in financial statements could go undetected.

Recommendation: Management should have heightened awareness of all transactions being reported.

Response: Management has considered this weakness and determined that it would not be cost effective at this time to employ or contract the appropriate personnel to remove this deficiency. To the extent possible, management has implemented review procedures.

**C. Prior Year Findings:**

**2017-01 Segregation of Duties** - A proper segregation of duties is not feasible due to the small number of people involved in the District's day-to-day operations.

**2017-02 Financial Statement Reporting** – The District maintains its books and records on the cash basis of accounting. The District relies on the auditing firm to assist in adjusting the cash basis books to accrual basis and to assist in the preparation of external financial statements and related disclosures. Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the District's internal control structure and because of the limitations of the accounting staff, the design of the District's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

I. LOWER CAMERON PARISH HOSPITAL SERVICE DISTRICT #2

*Schedule of Compensation, Benefits and Other Payments to the President of the Board of Commissioners*

Year Ended December 31, 2018

Agency Head: Barry Hunt, Board President

Purpose	Amount
Commissioner Fees	\$ 100.00
Benefits-insurance	0.00
Benefits-retirement	0.00
Benefits-Other	0.00
Car allowance	0.00
Vehicle provided by government	0.00
Per diem	0.00
Reimbursements	0.00
Travel	0.00
Registration fees	0.00
Conference travel	0.00
Continuing professional education fees	0.00
Housing	0.00
Unvouchered expenses	0.00
Special meals	0.00

Note: This schedule is included as supplementary information.

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## **AGREED-UPON PROCEDURES REPORT**

**LOWER CAMERON HOSPITAL DISTRICT NO. 2**

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD OF JANUARY 1, 2018 THROUGH DECEMBER 31, 2018**

To the Board of Commissioners and the Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by the Lower Cameron District No. 2 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, 2018 through December 31, 2018. 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 and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
  - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
  - 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/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
  - 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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
  - 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.
  - j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

**Observation:** *No written policies and procedures have been prepared as of December 31, 2018.*

**Management's Response:** *Written policies and procedures will be prepared and implemented as applicable.*

## Board or Finance Committee

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

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

## Bank Reconciliations

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

*Observation: Bank reconciliations are not reviewed by a member of management that does not have involvement with bank transactions.*

*Management's Response: A board member not involved with the bank reconciliation process will review the reconciliations and document their review.*

## Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
  - a) Employees that are responsible for cash collections do not share cash drawers/registers.
  - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
  - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
  - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
  - a) Observe that receipts are sequentially pre-numbered.
  - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
  - c) Trace the deposit slip total to the actual deposit per the bank statement.
  - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
  - e) Trace the actual deposit per the bank statement to the general ledger.

Collections (Continued)

*Not applicable.*

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
  - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
  - b) At least two employees are involved in processing and approving payments to vendors.
  - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
  - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
  - a) Observe that the disbursement matched the related original invoice/billing statement.
  - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

***Observation:*** *The employee responsible for processing payments is allowed to add or modify vendor files.*

***Management's Response:*** *Due to the limited amount of office staff, management feels it is necessary for the individual who processes payments to be able to add or modify vendor files. As a compensating control, the Board of Commissioners review all cash disbursements.*

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, 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.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
  - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) 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) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

*Not applicable.*

## Travel and Travel-Related Expense Reimbursements

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
  - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
  - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
  - d) Observe that each reimbursement 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

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

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

## Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
  - a) Observe that 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) Observe that supervisors approved the attendance and leave of the selected employees/officials.
  - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

*Not applicable*

## Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above obtain ethics documentation from management, and:
  - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
  - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity’s ethics policy during the fiscal period.

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

## Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management’s representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management’s representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

*Not Applicable – The District had no outstanding debt in 2018.*

## Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management’s representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

*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*

June 25, 2019  
Lake Charles, Louisiana