

LOWER CAMERON HOSPITAL SERVICE DISTRICT

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED
DECEMBER 31, 2017 AND 2016

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Lower Cameron Hospital Service District, a component unit of the Cameron Parish Police Jury, as of and for the year ended December 31, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Lower Cameron Hospital Service District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Lower Cameron Hospital Service District, as of December 31, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial information of Lower Cameron Hospital Service District and do not purport to, and do not, present fairly the financial position of the Cameron Parish Police Jury as of December 31, 2017 and 2016, and the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

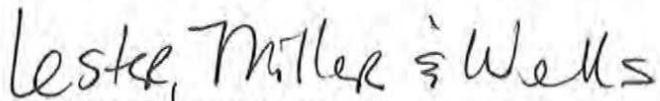
The schedules of other operating revenues, schedules of board fees, and schedule of compensation, benefits and other payments to agency head or chief executive officer are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of other operating revenues, schedules of board fees and schedule of compensation, benefits and other payments to

agency head or chief executive officer are fairly stated in all material respects in relation to the basic financial statements as a whole.

Board of Commissioners
Lower Cameron Hospital Service District
Creole, Louisiana

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 27, 2018, on our consideration of the Lower Cameron Hospital Service District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Lower Cameron Hospital Service District's internal control over financial reporting and compliance.



Certified Public Accountants
Lafayette, Louisiana

June 27, 2018

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

ASSETS	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents (Note 3)	\$ 4,831,592	\$ 5,544,225
Property tax receivable, net of allowance of \$206,394 and \$142,844 for 2017 and 2016, respectively	271,190	114,566
Due from other governmental agencies (Note 4)	736,416	995,705
Rent receivable	79,962	99,162
Other receivables, net of allowance of \$0 and \$130,000 for 2017 and 2016, respectively	<u>87,410</u>	<u>87,410</u>
 Total Current Assets	 <u>6,006,570</u>	 <u>6,841,068</u>
CAPITAL ASSETS		
Property, plant and equipment, net (Note 6)	<u>16,742,169</u>	<u>17,251,372</u>
 TOTAL ASSETS	 <u>\$ 22,748,739</u>	 <u>\$ 24,092,440</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 69,923	\$ 228,471
Accrued expenses	-0-	16,641
Due to other governmental agencies	351,117	351,117
Third-party payor settlements (Note 7)	<u>7,833,285</u>	<u>7,833,285</u>
 Total Current Liabilities	 <u>8,254,325</u>	 <u>8,429,514</u>
NET POSITION		
Net investment in capital assets	16,742,169	17,251,372
Unrestricted (deficit)	<u>(2,247,755)</u>	<u>(1,588,446)</u>
 Total Net Position	 <u>14,494,414</u>	 <u>15,662,926</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 22,748,739</u>	 <u>\$ 24,092,440</u>

See accompanying notes to financial statements.

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

	<u>2017</u>	<u>2016</u>
REVENUES		
Rental income	\$ 112,800	\$ 112,800
Other operating revenue	<u>136,299</u>	<u>5,931</u>
Total Revenues	<u>249,099</u>	<u>118,731</u>
EXPENSES		
Depreciation and amortization	621,071	642,249
Emergency room, health clinic, operation shortfall, maintenance	1,664,600	1,586,990
Legal and professional fees	19,815	48,223
Contract labor	6,000	6,000
Other operating expenses	<u>8,204</u>	<u>15,741</u>
Total Expenses	<u>2,319,690</u>	<u>2,299,203</u>
Operating Loss	<u>(2,070,591)</u>	<u>(2,180,472)</u>
NON-OPERATING REVENUES		
Ad valorem taxes, net	898,654	930,812
Investment income	<u>3,425</u>	<u>9,585</u>
Total Nonoperating Revenues	<u>902,079</u>	<u>940,397</u>
DECREASE IN NET POSITION	<u>(1,168,512)</u>	<u>(1,240,075)</u>
NET POSITION BEGINNING OF YEAR	<u>15,662,926</u>	<u>16,903,001</u>
NET POSITION END OF YEAR	\$ <u>14,494,414</u>	\$ <u>15,662,926</u>

See accompanying notes to financial statements.

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

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from rental activities	\$ 132,000	\$ 188,000
Payments to suppliers and contractors	(1,873,808)	(1,533,064)
Other receipts and payments, net	<u>139,413</u>	<u>80,399</u>
Net cash used by operating activities	<u>(1,602,395)</u>	<u>(1,264,665)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Ad valorem taxes	<u>998,205</u>	<u>1,394,010</u>
Net cash provided by financing activities	<u>998,205</u>	<u>1,394,010</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	<u>(111,868)</u>	<u>(200,997)</u>
Net cash used by capital and related financing activities	<u>(111,868)</u>	<u>(200,997)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>3,425</u>	<u>9,585</u>
Net cash provided by investing activities	<u>3,425</u>	<u>9,585</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(712,633)	(62,067)
BEGINNING CASH AND CASH EQUIVALENTS	<u>5,544,225</u>	<u>5,606,292</u>
ENDING CASH AND CASH EQUIVALENTS	\$ <u>4,831,592</u>	\$ <u>5,544,225</u>

See accompanying notes to financial statements.

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

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF OPERATING LOSS FROM OPERATIONS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (2,070,591)	\$ (2,180,472)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	621,071	642,249
Changes in current assets (increase) decrease:		
Rent and other receivables	22,314	149,668
Changes in current liabilities increase (decrease):		
Accounts payable and accrued expenses	<u>(175,189)</u>	<u>123,890</u>
 NET CASH USED BY OPERATING ACTIVITIES	 \$ <u>(1,602,395)</u>	 \$ <u>(1,264,665)</u>

See accompanying notes to financial statements.

LOWER CAMERON HOSPITAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1 - ORGANIZATION AND OPERATIONS

Organization

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

Operation and Management

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

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

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

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

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

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

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

LOWER CAMERON HOSPITAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1 - ORGANIZATION AND OPERATIONS (Continued)

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Service District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows. Property taxes are recognized as revenues in the year they are levied. Grants are recognized as revenue as soon as eligibility requirements imposed by the provider have been met. The Hospital District's accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the *Louisiana Governmental Audit Guide*, and the *Audit and Accounting Guide- Health Care Organizations*, published by the American Institute of Certified Public Accountants, and standards established by the GASB.

Enterprise Fund

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

LOWER CAMERON HOSPITAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allowance for Uncollectible Accounts

The Service District uses the allowance method of recognizing the cost for uncollectible amounts. This method provides an estimate of the loss that is applicable to current year revenue, and any adjustment in previous estimates of prior year losses.

Capital Assets

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

Building	20 to 50 years
Equipment	3 to 15 years
Land Improvements	10 years

Deferred Outflows/Inflows of Resources

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

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

LOWER CAMERON HOSPITAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position Flow Assumption

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

Operating Revenues and Expenses

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

Grants and Donations

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

Income Taxes

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

Environmental Matters

The Service District is subject to laws and regulations relating to the protection of the environment. The Service District's policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. At December 31, 2017 and 2016, management is not aware of any liability resulting from environmental matters.

Recent Pronouncements

In March 2016, the GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of Statement No. 82 does not have a material impact on the financial statements.

LOWER CAMERON HOSPITAL SERVICE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 3 - CASH AND CASH EQUIVALENTS

The Service District's investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in time deposits, money market investment accounts, or certificates of deposit with financial institutions insured by FDIC; direct obligations of the United States Government and its agencies; commercial paper issued by United States Corporations with a rating of A-1 (Moody's) and P-1 (Standard and Poor's) or higher; and government backed mutual trust funds. At December 31, 2017 and 2016, the Service District's funds consisted solely of demand deposits and certificates of deposits. These deposits are stated at cost, which approximates market.

Custodial credit risk is the risk that in the event of a bank failure, the Service District's deposits may not be returned to it. State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. The Service District's policy requires that all bank balances be insured or collateralized by the financial institution's pledge of their own securities to cover any amount in excess of Federal Depository Insurance Coverage (FDIC). These securities must be pledged in the Service District's name. At December 31, 2017, \$500,000 of the Service District's deposits were secured from risk by FDIC coverage and \$4,348,786 of deposits were secured by the financial institution's pledged securities. At December 31, 2016, \$500,000 of the Service District's deposits were secured from risk by FDIC coverage and \$5,058,805 of deposits were secured by the financial institution's pledged securities. Accordingly, the Service District had no custodial credit risk related to its deposits at December 31, 2017 and 2016.

NOTE 4 - DUE FROM OTHER GOVERNMENTAL AGENCIES

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

	<u>2017</u>	<u>2016</u>
FEMA grant - Physician's Quarters	\$ 37,517	\$ 37,517
FEMA grant - Direct Admin Costs	56,202	56,202
FEMA grant - Hospital Canopies	50,964	54,078
Cameron Parish Sheriff's Office - Ad Valorem Tax	<u>591,733</u>	<u>847,908</u>
 Total due from other governmental agencies	 <u>\$ 736,416</u>	 <u>\$ 995,705</u>

NOTE 5 - AD VALOREM TAXES

The Service District's property tax is levied by the parish on the taxable real property in the Service District in late October of each year. Bills are sent out in November of each year at which time the Service District records the tax revenue, taxes become delinquent on December 31", and become a lien in the following March. The Service District levied 14.0 mills on properties with assessed values of \$82,539,128 and \$87,201,720 net of homestead values, for the years ended December 31, 2017 and 2016, respectively.

LOWER CAMERON HOSPITAL SERVICE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 6 - CAPITAL ASSETS

Capital asset additions, retirements, and balances for the years ended December 31, 2017 and 2016 were as follows:

	<u>2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>2017</u>
Land	\$ 35,221	\$ -0-	\$ -0-	\$ 35,221
Buildings and improvements	21,859,916	302,923	-0-	22,162,839
Equipment	3,521,035	-0-	-0-	3,521,035
Construction in progress	<u>191,055</u>	<u>111,868</u>	<u>302,923</u>	<u>-0-</u>
Total	25,607,227	414,791	302,923	25,719,095
Accumulated depreciation	<u>(8,355,855)</u>	<u>(621,071)</u>	<u>-0-</u>	<u>(8,976,926)</u>
Net	\$ <u>17,251,372</u>	\$ <u>(206,280)</u>	\$ <u>302,923</u>	\$ <u>16,742,169</u>
	<u>2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>2016</u>
Land	\$ 35,221	\$ -0-	\$ -0-	\$ 35,221
Buildings and improvements	21,859,916	-0-	-0-	21,859,916
Equipment	3,531,725	9,942	20,632	3,521,035
Construction in progress	<u>-0-</u>	<u>191,055</u>	<u>-0-</u>	<u>191,055</u>
Total	25,426,862	200,997	20,632	25,607,227
Accumulated depreciation	<u>(7,734,238)</u>	<u>(642,249)</u>	<u>(20,632)</u>	<u>(8,355,855)</u>
Net	\$ <u>17,692,624</u>	\$ <u>(441,252)</u>	\$ <u>-0-</u>	\$ <u>17,251,372</u>

Depreciation expense for the years ended December 31, 2017 and 2016 amount to \$621,071 and \$642,249, respectively.

LOWER CAMERON HOSPITAL SERVICE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 7 - THIRD-PARTY PAYOR SETTLEMENTS

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

The following is a schedule of third-party payor settlement payable (receivable) as of December 31, 2017 and 2016:

<u>Cost Report Year</u>	<u>Medicare</u>	<u>Medicaid</u>	<u>Total</u>
1995	\$ -0-	\$ 2,684,417	\$ 2,684,417
1997	2,262,779	1,168	2,263,947
1998	4,334,615	93,802	4,428,417
1999	238,164	(2,671)	235,493
2000	166,811	(6,996)	159,815
Amounts discharged per bankruptcy plan	<u>-0-</u>	<u>(1,938,804)</u>	<u>(1,938,804)</u>
 Total	 \$ <u>7,002,369</u>	 \$ <u>830,916</u>	 \$ <u>7,833,285</u>

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

For the periods ended December 31, 2017 and 2016, the Service District paid \$1,664,690 and \$1,586,990, respectively, from its ad valorem tax collections and grant proceeds for the maintenance of the emergency room and health clinic, and operational shortfalls in connection with the Hospital's operations, in accordance with the lease agreements and board resolutions.

NOTE 9 - BANKRUPTCY PLAN

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

LOWER CAMERON HOSPITAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 9 - BANKRUPTCY PLAN (Continued)

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

In accordance with the Bankruptcy Plan, claims were classified as Class 1, Class 2, Class 3, Class 4 and Class 5. As stated in the "Immaterial Modifications to Plan of Adjustment," all unpaid Class 3 claims, which were claims consisting of all allowed unsecured, non-priority claims in excess of \$500, were to be discharged after five years from the date of confirmation. In addition, Class 4 claims consisting of claims owed to the Department of Health and Hospitals (the "DHH") were to be discharged down to 30% of the original confirmed amount after the five-year lapse from date of confirmation. The original amount of Class 5 claims (CMS), however, remain payable as of December 31, 2017 and 2016.

Included in total current liabilities at December 31, 2017 and 2016 is \$7,833,285, which falls under the Bankruptcy Plan. In accordance with the Bankruptcy Plan, there were no amounts paid to creditors during the years ended December 31, 2017 or 2016.

NOTE 10 - CONTINGENCIES

In previous years, the Service District received grant funds for rebuilding of the hospital after Hurricanes Rita, Gustav and Ike. Based on management's records of grant funds received and expenditures, the Service District has recorded a liability of \$351,117 at December 31, 2017 and 2016, respectively, due to other governmental agencies. The project worksheets associated with these grants are in the process of being closed by the Governor's Office of Homeland Security & Emergency Preparedness (GOHSEP). As of the date of this report, the final amount due to GOHSEP cannot be determined and the amount recorded may be subject to change as the project close outs are finalized.

NOTE 11 - SUBSEQUENT EVENTS

The Hospital District evaluated subsequent events through June 27, 2018, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

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

	<u>2017</u>	<u>2016</u>
State revenue sharing	\$ 1,474	\$ 1,389
Oil and gas revenue	575	542
Recovery of bad debts	130,000	-0-
Property lease	<u>4,250</u>	<u>4,000</u>
Total other operating revenues	\$ <u>136,299</u>	\$ <u>5,931</u>

LOWER CAMERON HOSPITAL SERVICE DISTRICT
SCHEDULES OF BOARD FEES
YEARS ENDED DECEMBER 31, 2017 AND 2016

Board Members

The Service District's board members did not receive any compensation for the years ended December 31, 2017 and 2016.

LOWER CAMERON HOSPITAL SERVICE DISTRICT
SCHEDULES OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO AGENCY HEAD
YEAR ENDED DECEMBER 31, 2017

Agency Head Name: Tim Dupont, Chairman

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



LESTER, MILLER & WELLS

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

Board of Commissioners
Lower Cameron Hospital Service District
Creole, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Lower Cameron Hospital Service District as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Lower Cameron Hospital District's basic financial statements and have issued our report thereon dated June 27, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lower Cameron Hospital Service District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lower Cameron Hospital Service District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lower Cameron Hospital Service District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Service District's basic financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness, item 2017-1.

Compliance and Other Matters

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

Lower Cameron Hospital Service District Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Service District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Service District's internal control and compliance. This report is intended for the information and use of management, the Board of Commissioners, others within the entity and federal awarding agencies and pass-through entities and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Accordingly, this communication is not suitable for any other purpose, however, this report is a matter of public record and its distribution is not limited.

Lester, Miller & Wells

Certified Public Accountants
Lafayette, Louisiana

June 27, 2018

LOWER CAMERON HOSPITAL SERVICE DISTRICT
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2017

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' opinion issued: unmodified

Internal control over financial reporting:

- Material weaknesses identified – Yes
- Significant deficiencies – No

Compliance

- Noncompliance issues noted – No

Management letter issued – No

Federal Awards – Not applicable

Section II. Financial Statement Findings

FINDING 2017-01 – Segregation of Duties

2017-1 - Segregation of Duties

Condition: The Hospital District does not have adequate segregation of duties. A system of internal control procedures contemplates a segregation of duties so that no one individual handles a transaction from its inception to its completion. While we recognize the Hospital District may not be large enough to permit such procedures, it is important that you be aware of this condition. This condition was also included in the 2016 audit as item 2016-1.

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

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

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

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

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

LOWER CAMERON HOSPITAL SERVICE DISTRICT
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2017

Section III. Federal Award Findings

Not Applicable

Section IV. Management Letter

Not Applicable

LOWER CAMERON HOSPITAL SERVICE DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2017

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

2016-1 - Segregation of Duties

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

Current Status: This finding is repeated at 2017-1.

Section II. Federal Award Findings and Questioned Costs

Not Applicable

Section III. Management Letter

Not Applicable



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Independent Accountant's Report on Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated below, which were agreed to by Lower Cameron Hospital Service District (the "District") and the Louisiana Legislative Auditor (LLA), on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The District's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain 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

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

Management's response: *The District is considered to operate under an enterprise fund. A budget under Local Government Budget Act found under Louisiana Revised Statute (R.S) 39:1301-1315 the District is not required to adopt a budget. The District is aware that good practice is to adopt a budget. Management will work on implementing a policy and adopting a budget.*

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

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

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

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

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

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

- d) **Receipts**, including receiving, recording, and preparing deposits

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

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

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

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

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

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

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

- 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

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

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

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

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

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

- 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.

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

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

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

Management's response: *The District has not incurred debt.*

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.

Findings: *There were no exceptions notes as a result of applying this procedure.*

- 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.

Findings: *The minutes did not reference monthly budget-to-actual comparisons.*

Management's response: *The District is considered to operate under an enterprise fund. A budget under Local Government Budget Act found under Louisiana Revised Statute (R.S) 39:1301-1315 the District is not required to adopt a budget. The District is aware that good practice is to adopt a budget. Management will work on implementing a policy and adopting a budget.*

- 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.

Findings: *There were no exceptions notes as a result of applying this procedure.*

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Findings: *A list of bank accounts was obtained. Management provided representation that the list was 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;

Findings: *Bank statements and reconciliations for all months in the fiscal period were obtained for selected accounts noting that reconciliations have been prepared for all months.*

- 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

Findings: *Bank statements and reconciliations for all months in the fiscal period were obtained for selected accounts noting that management's review was not documented on the reconciliations.*

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

- 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.

Findings: *Bank statements and reconciliations for all months in the fiscal period were obtained for selected accounts noting that there was no review of items outstanding greater than 6 months.*

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

Collections

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

Findings: *A list of the cash locations was obtained. Management provided representation that the list was complete.*

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

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.

Findings: *Per written documentation, the person responsible for collecting cash is not bonded. The person responsible for collecting cash is also responsible for depositing the cash in the bank, recording the related transaction, and reconciling the related bank account.*

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

- 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.

Findings: *Per written documentation, there is no formal process to reconcile cash collections to the general ledger and/or subsidiary ledger. The person performing the reconciliation is responsible for cash collections.*

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

- 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.

Findings: The general ledger detail was used to pull all cash collections. The highest dollar week of collections was selected for testing. All collections selected were deposited within one day of collection.

- 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.

Findings: All collections were completely supported by documentation.

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.

Findings: *There is not a written process defined to determine the completeness of collections by a person who is not responsible for collections.*

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

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.

Findings: *We obtained general ledger details representing all entity disbursements and management provided representation that the listing was 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.

Findings: *Supporting documentation examined for each 25 disbursements selected and found that a formal requisition/purchase order system is not used.*

Management's response: *Management is aware of the issue. Due to the limited number of expenditures, the Board has decided a formal purchase order system is unnecessary. The Board approves all expenditures made.*

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Findings: *A formal purchase order system is not used; however, approval by the Board for all expenditures was noted in the minutes.*

Management's response: *Management is aware of the issue. Due to the limited number of expenditures, the Board has decided a formal purchase order system is unnecessary. The Board approves all expenditures made.*

Board of Commissioners
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- 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.

Findings: *A formal purchase order system is not used; however, approval by the Board for all expenditures was noted in the minutes.*

Management's response: *Management is aware of the issue. Due to the limited number of expenditures, the Board has decided a formal purchase order system is unnecessary. The Board approves all expenditures made.*

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.

Findings: *The contract accountant is responsible for processing payments and is able to add vendors.*

Management's response: *Management is aware of the segregation of duties deficiency due to limited staff. Compensating controls are in place to detect the addition of unauthorized vendors. Due to the limited number of expenditures, the Board reviews and approves all invoices paid by the District.*

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.

Findings: *There were no exceptions noted as a result of applying this procedure.*

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.

Findings: *The supply of unused checks are stored in a locked cabinet in the Administrative office at South Cameron Memorial Hospital. The contract accountant, who does not have signatory authority, has sole access to the unused 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.

Findings: *A signature stamp is not utilized.*

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.

Findings: Management's representation that the District does not possess any credit cards, bank debit cards, fuel cards, and P-cards was obtained.

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.

Findings: The District does not possess any credit cards.

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.)

Findings: The District does not possess any credit cards.

- 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.

Findings: The District does not possess any credit cards.

- 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.

Findings: The District does not possess any credit cards.

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.

Findings: A list of all travel and related expense reimbursements, by person was obtained. Management provided representation that the list was 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.

Findings: The policy of the District is to use the Louisiana Travel Guide. In all instances reviewed, the Hospital was in-line with the policy. The Louisiana Travel Guide reimbursed with lower rates than the GSA.

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.

Findings: There were no exceptions noted as a result of applying the above 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.

Findings: A list of all contracts in effect during the fiscal period and management's representation that the listing is complete were obtained.

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.

Findings: There was no formal written contract that supported the contract accountant's service arrangement.

Management's response: The Board approved the contract accountant's service arrangement. A formal/written contract will be adopted and signed.

- 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)

Findings: The District complied with all legal requirements on contracts that were subject to the Louisiana Public Bid Law.

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

Findings: The District did not solicit quotes for contracts that did not meet the requirements of the Public Bid Law.

- 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.

Findings: No contracts amendments were noted.

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- 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.

Findings: *There were no exceptions noted as a result of applying this procedure.*

- 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).

Findings: *There were no exceptions noted as a result of applying this procedure.*

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.

Findings: *Management's representation that the District does not have employees was obtained*

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.

Findings: *The District does not have employees on staff, and therefore does not perform payroll functions.*

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.

Findings: The District does not have employees on staff, and therefore does not perform payroll functions.

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.

Findings: The District does not have employees on staff, and therefore does not perform payroll functions.

Ethics (excluding nonprofits)

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.

Findings: One of the seven Board members had not taken the required ethics training for 2017

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

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.

Findings: There were no exceptions noted as a result of applying this procedure.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

Findings: The District does not have any debt.

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.

Findings: The District does not have any debt.

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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.

Findings: *The District does not have any debt.*

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.

Findings: *No exceptions were noted in applying the above procedure.*

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.

Findings: *No exceptions were noted in applying the above procedure.*

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

Findings: *No exceptions were noted in applying the above procedure.*

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

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

Loster, Miller & Wells

Certified Public Accountants
Lafayette, Louisiana

June 27, 2018