

**LOWER CAMERON HOSPITAL SERVICE DISTRICT**  
**FINANCIAL REPORT**  
**DECEMBER 31, 2009**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/14/10

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**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying basic financial statements of the Lower Cameron Hospital Service District, a component unit of the Cameron Parish Police Jury, as of and for the years ended December 31, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Service District's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lower Cameron Hospital Service District as of December 31, 2009 and 2008, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2010, on our consideration of the Lower Cameron Hospital Service District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The Lower Cameron Hospital Service District has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Lower Cameron Hospital Service District's financial statements as a whole. The accompanying schedules of other operating revenues and schedules of board fees are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations", and is also not a required part of the financial statements. The schedules of operating revenues, schedules of board fees and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other 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 our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Broussard, Poche, Lewis & Breaux, L.L.P.*

Lafayette, Louisiana  
June 28, 2010

**LOWER CAMERON HOSPITAL SERVICE DISTRICT**

**BALANCE SHEETS**  
December 31, 2009 and 2008

	2009	(As Restated) 2008
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,643,260	\$ 2,919,824
Property tax receivable, net of allowance of \$10,584 and \$41,043 for 2009 and 2008, respectively	711,794	873,582
Due from other governmental agencies	1,587,984	1,474,954
Rent receivable	20,000	75,000
Other receivables	671,251	1,447,597
Total current assets	\$ 6,634,289	\$ 6,790,957
<b>CAPITAL ASSETS</b>		
Property, plant and equipment, at cost, less accumulated depreciation of \$2,792,897 and \$1,545,626 for 2009 and 2008, respectively	22,248,495	23,115,989
Total assets	\$ 28,882,784	\$ 29,906,946
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 2,145,032	\$ 2,107,071
Accrued interest payable	-	3,532
Third-party payor settlements	7,833,285	7,833,285
Tax anticipation certificates payable	-	840,000
Total current liabilities	\$ 9,978,317	\$ 10,783,888
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 22,248,495	\$ 23,115,989
Unrestricted (deficit)	(3,344,028)	(3,992,931)
Total net assets	\$ 18,904,467	\$ 19,123,058
Total liabilities and net assets	\$ 28,882,784	\$ 29,906,946

See Notes to Financial Statements.

**LOWER CAMERON HOSPITAL SERVICE DISTRICT**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**Years Ended December 31, 2009 and 2008**

	<u>2009</u>	<u>(As Restated) 2008</u>
<b>Operating revenues:</b>		
Rental income	\$ 120,000	\$ 120,000
Other operating revenues	6,878	23,007
<b>Total operating revenues</b>	<u>\$ 126,878</u>	<u>\$ 143,007</u>
<b>Operating expenses:</b>		
Depreciation and amortization	\$ 1,247,271	\$ 1,246,707
Emergency room and rural health clinic maintenance	1,397,402	1,569,417
Legal and accounting	226,468	265,202
Contract labor	9,600	8,350
Grant administration expense	49,000	26,417
Other operating expenses	18,766	89,488
<b>Total operating expenses</b>	<u>\$ 2,948,507</u>	<u>\$ 3,205,581</u>
<b>Operating loss</b>	<u>\$ (2,821,629)</u>	<u>\$ (3,062,574)</u>
<b>Non-operating revenues (expenses):</b>		
Ad valorem taxes	\$ 2,216,370	\$ 2,367,763
SSBG subcontractor expense	(390,000)	(307,767)
Investment income	2,370	22,995
Interest expense	(22,778)	(55,757)
Noncapital grants	390,000	1,621,074
<b>Total non-operating revenues (expenses)</b>	<u>\$ 2,195,962</u>	<u>\$ 3,648,308</u>
<b>Excess (deficiency) of revenues over expenses before capital grants</b>	<u>\$ (625,667)</u>	<u>\$ 585,734</u>
<b>Capital grants</b>	<u>407,076</u>	<u>502,538</u>
<b>Increase (decrease) in net assets</b>	<u>\$ (218,591)</u>	<u>\$ 1,088,272</u>
<b>Net assets (deficit) beginning of the year (as previously stated)</b>		<u>\$ 18,016,666</u>
<b>Prior period adjustment</b>		<u>18,120</u>
<b>Net assets at beginning of year as restated</b>	<u>\$ 19,123,058</u>	<u>\$ 18,034,786</u>
<b>Net assets at end of year</b>	<u>\$ 18,904,467</u>	<u>\$ 19,123,058</u>

See Notes to Financial Statements.

LOWER CAMERON HOSPITAL SERVICE DISTRICT

STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2009 and 2008

	2009	(As Restated) 2008
	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from rental activities	\$ 175,000	\$ 60,000
Payments to suppliers and contractors	(1,771,162)	(993,174)
Other receipts and payments, net	<u>6,878</u>	<u>23,007</u>
Net cash used in operating activities	<u>\$ (1,589,284)</u>	<u>\$ (910,167)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Ad valorem taxes	\$ 2,265,128	\$ 1,829,743
Noncapital grants	481,423	2,152,214
Special needs shelter payments	-	(103,654)
SSBG grant subcontractor expense	(390,000)	(307,767)
Payments on tax anticipation certificates	(840,000)	(830,000)
Interest payments on tax anticipation certificates	<u>(26,310)</u>	<u>(61,142)</u>
Net cash provided by noncapital financing activities	<u>\$ 1,490,241</u>	<u>\$ 2,679,394</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	\$ (271,889)	\$ (3,223,406)
Capital grants	<u>1,091,998</u>	<u>1,240,585</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ 820,109</u>	<u>\$ (1,982,821)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	<u>\$ 2,370</u>	<u>\$ 22,995</u>
Net increase (decrease) in cash and cash equivalents	\$ 723,436	\$ (190,599)
Cash and cash equivalents at beginning of year	<u>2,919,824</u>	<u>3,110,423</u>
Cash and cash equivalents at end of year	<u>\$ 3,643,260</u>	<u>\$ 2,919,824</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating loss	\$ (2,821,629)	\$ (3,062,574)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	1,247,271	1,246,707
(Increase) decrease in assets -		
Rent and other receivables	55,000	(94,255)
Increase (decrease) in liabilities -		
Accounts payable	<u>(69,926)</u>	<u>999,955</u>
Net cash used in operating activities	<u>\$ (1,589,284)</u>	<u>\$ (910,167)</u>

See Notes to Financial Statements.

**LOWER CAMERON HOSPITAL SERVICE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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

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

As the governing authority of the Parish, for reporting purposes, the Cameron Parish Police Jury is the financial reporting entity for the Service District. Accordingly, the Service District was determined to be a component unit of the Cameron Parish Police Jury based on GASB Statement No. 14, *The Financial Reporting Entity*. The accompanying financial statements present only the Service District.

**Operation and management:**

On February 18, 2000, the Service District entered into a management agreement with Camelot Specialty Hospital of Cameron, L.L.C. (the "Camelot"), which assumed management of all hospital operations and the operational funding to the Service District to maintain operational cash flow from February 18, 2000, until the Service District could obtain bankruptcy court, governmental, and voter approval of the lease agreement and assignment agreement for the Service District's Hospital facilities. In accordance with this agreement, Camelot assumed post bankruptcy liabilities, other than those stated in the lease agreement as the responsibility of the Service District.

On September 28, 2000, the Service District entered into a 10 year lease agreement with Camelot to assume all hospital operations of the Service District. The lease agreement provided for the following:

The Service District rented the hospital building and equipment to Camelot. Camelot in turn paid monthly rental payments to the Service District of \$15,000 per month for the first three years of the agreement and then \$20,000 per month starting in September 2004.

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

The Service District was solely responsible for payments of all debts, judgments, and other liabilities prior to November 18, 1999, including all cost report settlements for all cost reporting periods ending prior to the lease commencement date, including any settlements on terminating cost reports. Camelot assumes all debts, judgments, and other liabilities of the Service District accruing on and after November 18, 1999, except for any obligations pertaining to bankruptcy, financial statement audits, and cost report preparation.

The Service District must also pay each year \$175,000 from ad valorem tax collections to Camelot to defray the costs associated with the maintenance of the emergency room and maintenance costs associated with emergency room services. The Service District may also, at its sole discretion, pay Camelot an additional \$40,000 from ad valorem tax collections per year to help defray the cost of maintenance projects and renovations.



## LOWER CAMERON HOSPITAL SERVICE DISTRICT

### NOTES TO FINANCIAL STATEMENTS

On February 2, 2004, the Service District entered into a lease assignment and amendment agreement with Camelot and Pacer Health Management Corporation (the "Pacer"), whereby Camelot's rights and obligations under the lease were transferred to Pacer. The lease agreement provides for the following:

The lease is for a 10 year period with an option to extend the term for two additional periods of five years each. The Service District rents the hospital building and equipment to Pacer. Pacer in turn pays monthly rental payments to the Service District of \$20,000 per month for the initial lease term. If Pacer exercises its option to extend the lease, the monthly rental amount is adjusted by the cost of living index.

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

The Service District must pay each year, the ad valorem taxes collected (less any taxes paid under protest), to Pacer to defray the costs associated with the maintenance of the emergency room and improvements to the Hospital facilities. The Service District must also pay each month, \$5,000 from the rental revenue received from Pacer, to help defray the costs associated with the Hospital's Swing Bed Unit.

During the primary term or extended term (the "Option Period") of the lease, the Service District grants to Pacer, an option to purchase the premises and the moveable property (the "Option"), for the fair market value (as defined below) of the premises and the moveable property at the time the Option is exercised. The fair market value of the premises and the moveable property shall be determined by either the mutual consent of Pacer or the Service District, or if the parties cannot agree, by three appraisers selected one by Pacer, one by the Service District, and one by the two appraisers chosen by Pacer and the Service District. The average of the three appraisals done by these three appraisers shall be considered the fair market value. The Service District and Pacer shall split the cost of the three appraisals.

The sale of the premises and the moveable property shall be subject to all legal requirements existing at the time the Option is exercised regarding the sale of immovable and moveable property owned by a hospital service district which may, but not necessarily include the approval of the governing authority of Cameron Parish, which at this time is the Cameron Parish Police Jury, the approval of the voters residing within the Service District, in accordance with La. R.S. 33:3431, et seq. and the approval of the Louisiana Attorney General, in accordance with La. R.S. 40:2115.11, et seq. and the implementing regulations published in the June 20, 1998 *Louisiana Register*. The sale of the premises and the moveable property shall also be subject to either (i) Bankruptcy Court approval in the previous bankruptcy proceedings of the Service District filed in the United States Bankruptcy Court for the Western District of Louisiana, Lake Charles Division, case number 99BK-21290 (the "Bankruptcy Proceedings") or (ii) an agreement with a majority of the creditors of the Service District subject to the Plan of Adjustment approved in the Bankruptcy Proceedings.

The act of sale for the premises (or such other written document as may be required under Louisiana law in order to perfect the Service District's rights) shall state that Pacer and any subsequent transferee of the premises and the moveable property shall not close the Hospital or cease operating the premises as an acute care hospital with an emergency room or as a critical access hospital without the prior written consent of the Service District. In the event that Pacer or any subsequent transferee elects either (i) to close the Hospital or (ii) to cease operating the premises as an acute care hospital without the Service District's prior written consent, then the Service District shall have an option to purchase the premises and the moveable property back from Pacer or any subsequent transferee of the premises and the moveable property for \$1.

## LOWER CAMERON HOSPITAL SERVICE DISTRICT

### NOTES TO FINANCIAL STATEMENTS

On February 1, 2007, the Service District entered into an Amended and Restated Cooperative Endeavor Lease with Pacer. The lease agreement provides for the following:

The lease is for a 10 year period with an option to extend the term during the last year of the original term. The Service District rents the hospital building and equipment to Pacer. Pacer in turn pays monthly rental payments to the Service District of \$10,000 per month for the initial lease term. Payments were to commence on April 15, 2007 until the expiration of the lease. The lease stipulated that in the event of a delay in the substantial completion of the reconstructed hospital beyond April 15, 2007, Pacer's obligations with respect to rental payments shall be suspended until such time Pacer is placed in possession of such facilities following substantial completion. This resulted in no lease payments being received from Pacer in 2007. Rental payments resumed in January 2008.

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

The Service District will also provide Pacer with financial support to defray losses in operational shortfalls from the Creole operations of \$3,500,000 in 2007 and \$1,200,000 or such lesser amount as may be generated by ad valorem tax revenues collected in year 2008 and thereafter.

The more significant accounting policies of the Service District are described below:

The accompanying basic financial statements of the Service District have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. GASB 34 established standards for external financial reporting for all state and local governmental entities, which included a balance sheet or statement of net assets, a statement of revenues, expenditures and changes in net assets, and a statement of cash flows utilizing the direct method of presentation. The Statement requires the classification of net assets into four components: invested in capital assets, net of related debt; restricted expendable net assets; restricted nonexpendable net assets; and unrestricted net assets. *Net assets invested in capital assets net of related debt* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted expendable net assets* are non-capital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Service District. *Restricted nonexpendable net assets* equal the principal portion of permanent endowments. *Unrestricted net assets* are remaining net assets that do not meet the definition of *invested in capital assets net of related debt* or *restricted*. These and other changes are reflected in the accompanying basic financial statements (including the notes to the financial statements).

#### Method of accounting:

The Service District utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual method. The Service 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 Governmental Accounting Standards Board (GASB), which is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

## LOWER CAMERON HOSPITAL SERVICE DISTRICT

### NOTES TO FINANCIAL STATEMENTS

#### Accounting standards:

Pursuant to the GASB (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Service District has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

#### Use of estimates:

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

#### Cash and cash equivalents:

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

#### Allowance for uncollectible accounts:

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

#### Capital assets:

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

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

#### Operating revenues and expenses:

The Service District's statements of revenues, expenses and changes in net assets 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.

## LOWER CAMERON HOSPITAL SERVICE DISTRICT

### NOTES TO FINANCIAL STATEMENTS

#### 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, 2009, management is not aware of any liability resulting from environmental matters.

#### Restricted resources:

When the Service District has both restricted and unrestricted resources available to finance a particular program, it is the District's policy to use restricted resources before unrestricted resources.

#### Note 2. Bank Deposits and Investments

The Service District's investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in time deposits, money market investment accounts, or certificates of deposit with financial institutions insured by FDIC; direct obligations of the United States Government and its agencies; commercial paper issued by United States Corporations with a rating of A-1 (Moody's) and P-1 (Standard and Poor's) or higher; and government backed mutual trust funds. At December 31, 2009 and 2008, the Service District's funds consisted solely of demand deposits and certificates of deposits. These deposits are stated at cost, which approximates market.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Service District's deposits may not be returned to it. State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. The Service District's policy requires that all bank balances be insured or collateralized by the financial institution to pledge 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, 2009, \$3,142,932 of the Service District's deposits were secured from risk by FDIC coverage and \$515,002 was secured by the financial institution's pledged securities. The amount of FDIC coverage was increased to \$250,000 in fiscal year 2008 and unlimited coverage was available for non-interest bearing accounts due to the bank's participation in FDIC's Temporary Liquidity Guarantee Program. At December 31, 2008 \$2,425,497 of the Service District's deposits were secured from risk by FDIC coverage and \$514,165 was secured by the financial institution's pledged securities. Accordingly, the Service District had no custodial credit risk related to its deposits at December 31, 2009 and 2008.

LOWER CAMERON HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 3. Other Receivables

A summary of other receivables is as follows:

	2009	2008
FEMA grant- Hurricane Gustav and Ike	\$ -	\$ 70,653
FEMA grant- Hospital equipment	-	490,147
FEMA grant- Construction	156,438	-
Louisiana Community Development Block Grant	454,383	805,596
Pacer	-	20,771
South Cameron Memorial Foundation	60,430	60,430
Total other receivables	\$ 671,251	\$1,447,597

Note 4. Ad Valorem Taxes

The Service District was authorized to levy a tax of 3.66 mills on all property in the Service District for operating and maintaining the Service District's hospital facilities for a period of 10 years, starting in 2000 and ending in the year 2009, or such shorter period during which the taxpayers and members of the public continue to receive the benefit of the continued operation of the emergency room services and facilities, and other hospital services and facilities of the Service District. An election in September of 2006 increased the authorized millage to 21.00 mills for a period of 10 years, starting in 2006. The Service District levied 22.04 mills for 2009 due to property value reassessment and 21.00 mills for 2008.

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, and become a lien in the following March. The collection period for the Service District's property taxes is from December (at which time they become delinquent) to the succeeding May.

Pursuant to Act No. 1140 of the 2001 Regular Legislative Session, and until the 2006 year, protested ad valorem tax receipts were no longer segregated and held pending the outcome of the protest lawsuit. Instead, these payments were remitted to the Service District. If the taxpayer successfully wins the protest lawsuit, the Service District is liable to pay the taxpayer the protested tax amount plus interest. The amount of protested ad valorem taxes collected, pending the outcome of protest lawsuits, was \$293,208 at December 31, 2009 and 2008.

LOWER CAMERON HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

Capital assets additions, retirements, and balances for the years ended December 31, 2009 and 2008 were as follows:

	December 31, 2008	Additions	Retirements	December 31, 2009
Land	\$ 31,321	\$ -	\$ -	\$ 31,321
Buildings and improvements	21,120,947	-	-	21,120,947
Equipment	3,504,678	-	-	3,504,678
Construction in progress	4,669	379,777	-	384,446
<b>Total historical cost</b>	<b>\$ 24,661,615</b>	<b>\$ 379,777</b>	<b>\$ -</b>	<b>\$ 25,041,392</b>
Less accumulated depreciation for:				
Buildings and improvements	\$ (718,415)	\$ (554,180)	\$ -	\$ (1,272,595)
Equipment	(827,211)	(693,091)	-	(1,520,302)
<b>Total accumulated depreciation</b>	<b>\$ (1,545,626)</b>	<b>\$ (1,247,271)</b>	<b>\$ -</b>	<b>\$ (2,792,897)</b>
<b>Capital assets, net</b>	<b>\$ 23,115,989</b>	<b>\$ (867,494)</b>	<b>\$ -</b>	<b>\$ 22,248,495</b>

	December 31, 2007	Additions	Retirements	December 31, 2008
Land	\$ 31,321	\$ -	\$ -	\$ 31,321
Buildings and improvements	21,120,947	-	-	21,120,947
Equipment	3,491,876	12,802	-	3,504,678
Construction in progress	-	4,669	-	4,669
<b>Total historical cost</b>	<b>\$ 24,644,144</b>	<b>\$ 17,471</b>	<b>\$ -</b>	<b>\$ 24,661,615</b>
Less accumulated depreciation for:				
Buildings and improvements	\$ (164,235)	\$ (554,180)	\$ -	\$ (718,415)
Equipment	(134,684)	(692,527)	-	(827,211)
<b>Total accumulated depreciation</b>	<b>\$ (298,919)</b>	<b>\$ (1,246,707)</b>	<b>\$ -</b>	<b>\$ (1,545,626)</b>
<b>Capital assets, net</b>	<b>\$ 24,345,225</b>	<b>\$ (1,229,236)</b>	<b>\$ -</b>	<b>\$ 23,115,989</b>

Depreciation expense for the years ended December 31, 2009 and 2008 amount to \$1,247,271 and \$1,246,707, respectively. The construction in progress as of December 31, 2009 and 2008 is shown above and is in reference to the new staff housing.

**LOWER CAMERON HOSPITAL SERVICE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**Note 6. Third-Party Payor Settlements**

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

The following is a schedule of third-party payor settlement payable (receivable) as of December 31, 2009 and 2008:

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

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

For the period ended December 31, 2009 and 2008, the Service District paid \$1,395,771 and \$1,540,000, respectively, from its ad valorem tax collections and grant proceeds for the maintenance of the emergency room and rural health clinic, and operational shortfalls in connection with the Hospital's operations, in accordance with the lease agreement and board resolutions.

**LOWER CAMERON HOSPITAL SERVICE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**Note 8. Long - Term Debt**

A schedule of changes in the Service District's non-current liabilities for 2009 and 2008 are as follows:

	<u>Balance</u> <u>6/30/2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2009</u>	<u>Amount</u> <u>due within</u> <u>one year</u>
Tax anticipation certificates	\$ 840,000	\$ -	\$ 840,000	\$ -	\$ -

  

	<u>Balance</u> <u>6/30/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2008</u>	<u>Amount</u> <u>due within</u> <u>one year</u>
Tax anticipation certificates	\$ 1,670,000	\$ -	\$ 830,000	\$ 840,000	\$ 840,000

During 2006, the District issued \$2,500,000 of tax anticipation certificates. The tax anticipation certificates are to be used to generate monies for up front expenses such as initial payments for operational expenses, construction estimates, engineering fees, FEMA ineligible costs and expenses not covered in a timely manner by the Louisiana Recovery Authority. The certificates have an interest rate of 4.09%, are payable in principal and interest solely from the irrevocable pledge and dedication of revenues generated by the special ad valorem maintenance tax of 21 mills on all taxable property in Cameron Parish, due semiannually until 2009.

**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

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 (HCFA), however, remain payable as of December 31, 2009.

Included in total current liabilities at December 31, 2009 and 2008 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, 2009 or 2008.

#### Note 10. Contingencies

The Service District is the defendant in a malpractice lawsuit filed by a former patient of the geriatric psychiatric facility when the Service District operated the facility. The claim was presented to the medical review panel, which denied the plaintiff's claim. The plaintiff filed suit in District Court for the claim. The Service District's insurer that was defending the case is now bankrupt. Per legal counsel, the ultimate outcome of the suit cannot be presently determined and an amount of loss, if any, cannot be reasonably estimated, therefore, no provision for any liability has been made in the financial statements.

#### Note 11. Settlement Agreement with Camelot and Purchase Agreement for Stock

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

On September 21, 2004, the Service District entered into a purchase agreement with Rainier Gonzalez (the "Buyer"), whereby Buyer would purchase the 50,000,000 shares of stock from the Service District. The purchase price to be paid by Buyer for the stock shall be \$200,000 paid in a cash lump sum unless within 10 days after the sales notice, Buyer notifies the Service District in writing of its election to pay the Service District \$250,000 to be paid in 25 equal monthly installments of \$10,000 represented by a promissory note.

As of the issue date of this report, the Service District has not obtained physical possession of the Pacer Health Corporation stock and therefore has not enacted the purchase agreement with Buyer. As of the balance sheet date, the Service District has not recognized any recovery associated with this purchase agreement. Management will record any proceeds received from the purchase agreement with Buyer as bad debt recoveries at the time of receipt.

**LOWER CAMERON HOSPITAL SERVICE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**Note 12. Noncapital and Capital Grants**

The following is a recap of the noncapital and capital grants recognized by the Service District for the years ending December 31, 2009 and 2008.

	<b>2009</b>	<b>2008</b>
<b>Noncapital grants:</b>		
Department of Health and Hospitals - Social Services Block Grant	\$ 390,000	\$ 334,185
Community Foundation of Acadiana	-	678,455
Louisiana Community Development Block Grant	-	608,434
<b>Total noncapital grants</b>	<b>\$ 390,000</b>	<b>\$ 1,621,074</b>
 <b>Capital grants:</b>		
U.S. Department of Homeland Security (FEMA Public Assistance) -		
Hospital and staff housing construction	\$ 366,643	\$ 5,317
Hospital equipment	-	426,569
Hurricane Gustav and Ike expenses	40,433	70,652
<b>Total capital grants</b>	<b>\$ 407,076</b>	<b>\$ 502,538</b>

**Note 13. Prior Period Adjustment**

The 2008 financial information was restated due to amounts that were paid in 2008 and 2007 on behalf of the South Cameron Memorial Hospital Foundation that were incorrectly recorded as the Service District's expenses. As a result, accounts receivable at December 31, 2008 has been increased by \$52,375, and increase in net assets for the year changed by \$34,255. The effect on net assets at the beginning of the year for the period ending December 31, 2008 was \$18,120.

**SUPPLEMENTARY INFORMATION**

LOWER CAMERON HOSPITAL SERVICE DISTRICT

SCHEDULES OF OTHER OPERATING REVENUES

Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
State revenue sharing	\$ 2,062	\$ 2,761
Oil and gas revenue	4,482	19,889
Miscellaneous	<u>334</u>	<u>357</u>
Total other operating revenues	<u>\$ 6,878</u>	<u>\$ 23,007</u>

**LOWER CAMERON HOSPITAL SERVICE DISTRICT**

**SCHEDULES OF BOARD FEES  
Years Ended December 31, 2009 and 2008**

**Board Members**

The Service District's board members did not receive any compensation for the years ended December 31, 2009 and 2008.

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Ralph Friend, CPA 2002  
Donald W. Kelley, CPA 2005  
George J. Trappey, III, CPA 2007  
Terrel P. Dressel, CPA 2007  
Herbert Lemoine II, CPA 2008

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

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

We have audited the basic financial statements of the Lower Cameron Hospital Service District, as of and for the year ended December 31, 2009, and have issued our report thereon dated June 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Lower Cameron Hospital Service District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lower Cameron Hospital Service District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lower Cameron Hospital Service District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Lower Cameron Hospital Service District's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the *limited purpose* described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Broussard, Poche, Lewis & Breaux L.L.P.*

Lafayette, Louisiana  
June 28, 2010





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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

We have audited the compliance of the Lower Cameron Hospital Service District with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2009. The Lower Cameron Hospital Service District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Lower Cameron Hospital Service District's management. Our responsibility is to express an opinion on Lower Cameron Hospital Service District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Lower Cameron Hospital Service District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Lower Cameron Hospital Service District's compliance with those requirements.

In our opinion, the Lower Cameron Hospital Service District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

**Internal Control Over Compliance**

Management of the Lower Cameron Hospital Service District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Lower Cameron Hospital Service District's internal control over compliance with the requirements that could have a direct and material effect on a

major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Lower Cameron Hospital Service District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Broussard, Poche, Lewis & Breaux, L.P.*

Lafayette, Louisiana  
June 28, 2010

**LOWER CAMERON HOSPITAL SERVICE DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2009**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Current Year Expenditures</u>
U.S. Department of Health and Human Services: Louisiana Department of Health and Hospitals - Office of the Secretary: Bureau of Primary Care and Rural Health - Social Services Block Grant	93.667	047119	\$ <u>390,000</u>
U.S. Department of Homeland Security: Governor's Office of Homeland Security & Emergency Preparedness - Public Assistance Grants	97.036	FEMA-1607-DR-LA FEMA-1792-DR-LA	\$ <u>366,643</u> \$ <u>40,433</u>
			\$ <u>797,076</u>

See Note to Schedule of Expenditures of Federal Awards.

LOWER CAMERON HOSPITAL SERVICE DISTRICT

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2009

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Lower Cameron Hospital Service District and is presented on the accrual basis of accounting, which is described in Note 1 to the financial statements of the Lower Cameron Hospital Service District. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

LOWER CAMERON HOSPITAL SERVICE DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended December 31, 2009

Section I. Summary of Auditors' Results

*Financial Statements*

Type of auditors' report issued: unqualified.

Internal control over financial reporting:

- Material weakness identified? \_ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? \_ Yes X No

Noncompliance material to financial statements noted? \_ Yes X No

*Federal Awards*

Internal control over major programs:

- Material weaknesses identified? \_ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? \_ Yes X No

Type of auditors' report issued on compliance for major programs: unqualified.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_ Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
97.036	Public Assistance Grants
93.667	Social Services Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000.

Auditee qualified as low-risk auditee? \_ Yes X No

**LOWER CAMERON HOSPITAL SERVICE DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**Year Ended December 31, 2009**

**Section II. Financial Statement Findings**

None reported.

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

None reported.

LOWER CAMERON HOSPITAL SERVICE DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS  
Year Ended December 31, 2009

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

Not applicable.

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

2008-1 – Debarment and Suspension

**Recommendation:** We recommend that the Service District implement controls to assure that all contractors are not on the List of Parties Excluded from Federal Procurement.

**Current Status:** The Service District has implemented controls to assure that all contractors are not on the List of Parties Excluded from Federal Procurement.

2008-2 – Grant Revenues and Related Expenditures

**Recommendation:** We recommend that the Service District implement procedures to ensure that grant revenues received are reconciled to the grant award in a timely manner.

**Current Status:** The Service District has implemented procedures that assign the responsibility to the program administrator to reconcile grant awards with revenues received and expenditures for the grants.

**Section III. Management Letter**

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