

1574

OFFICIAL
FILE COPY

DO NOT SEND OUT

(Xerox necessary
copies from this
copy and PLACE
BACK In FILE)

RECEIVED
LEGISLATIVE AUDITOR
SEP 11 11 04 16

LOWER CAMERON HOSPITAL SERVICE DISTRICT
SOUTH CAMERON MEMORIAL HOSPITAL
ANNUAL FINANCIAL REPORT
OCTOBER 31, 1995 AND 1994

under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 SEP 11 1996

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Financial Statements:		
Independent Auditors' Report.....		1-2
Comparative Balance Sheet.....	A	3-5
Statement of Revenues, Expenses, and Changes in Retained Earnings for the year ended October 31, 1995.....	B	6-7
Statement of Revenues, Expenses, and Changes in Retained Earnings for the four months ended October 31, 1994.....	C	8-9
Statement of Cash Flow for the year ended October 31, 1995.....	D	10-11
Notes to the Financial Statements.....		12-24
Internal Control Reports:		
Independent Auditors' Report on the Internal Control Structure in Accordance with <u>Government Auditing Standards</u>		25-26
Independent Auditors' Report on Internal Control Structure Used in Administering Federal Financial Assistance.....		27-29
Compliance Reports:		
Independent Auditors' Report on Compliance with Laws and Regulations Based on an Audit of Financial Statements Performed in Accordance with <u>Governmental Auditing Standards</u> issued by the GAO.....		30
Independent Auditors' Report on Compliance with General Requirements Applicable to Federal Financial Assistance Programs.....		31
Independent Auditors' Report on Compliance with Specific Requirements Applicable to Nonmajor Federal Financial Assistance Programs.....		32

Independent Auditors' Report on
Compliance with Specific Requirements
Applicable to Major Federal
Financial Assistance Programs.....

33-34

Schedule

Other Supplementary Data:

Schedule of Operating Expenses.....	1	35-39
Independent Auditors' Report on Schedule of Federal Financial Assistance.....		40
Schedule of Federal Financial Assistance....	2	41
Schedule of Current Year Findings and Recommendations.....	3	42
Schedule of Prior Year Findings and Recommendations.....	4	43-44

McMullen and Mancuso
Certified Public Accountants, L.L.C.

Lisa S. McMullen, CPA
Pamela C. Mancuso, CPA

3516 Maplewood Drive
Sulphur, Louisiana 70663
Telephone (318) 625-5057
Fax (318) 625-5879

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Lower Cameron Hospital Service District
South Cameron Memorial Hospital
Cameron, Louisiana

We have audited the component unit financial statements of South Cameron Memorial Hospital as of October 31, 1995 and 1994 and for the year and four months then ended, respectively. These financial statements are the responsibility of the Board. Our responsibility is to express an opinion on the component unit financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audit 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of South Cameron Memorial Hospital as of October 31, 1995 and 1994 and the results of its operations and its cash flows for the year and four months then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information, listed as "supplementary data" in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements of South Cameron Memorial Hospital.

Members

American Institute of Certified Public Accountants
Louisiana Society of Certified Public Accountants

Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to such component unit financial statements taken as a whole.

McMullen & Mancuso, CPAs

March 1, 1996

SOUTH CAMERON MEMORIAL HOSPITAL
COMPARATIVE BALANCE SHEET
OCTOBER 31, 1995 AND 1994

Exhibit A

ASSETS

	<u>1995</u>	<u>1994</u>
<u>Current Assets:</u>		
Cash (Note 1D)	\$ 303,396	\$ 1,479,741
Investments in Certificates of Deposits (Note 1D)	2,250,000	---
Accounts Receivable (Note 1I)	2,123,434	1,654,632
Due from DHHS	---	4,167
Due from Other Governments	339,092	---
Due from Other Funds (Note 10)	81,250	125,000
Miscellaneous Receivable	1,970	---
Inventory, at Cost (Note 1F)	250,632	213,251
Prepaid Expenses	---	7,715
	5,349,774	3,484,506
<u>Restricted Assets: (Note 1E)</u>		
Cash	146,959	139,106
Certificate of Deposit	184,159	---
	331,118	139,106
<u>Other Assets: (Note 4)</u>		
Land & Improvements	30,826	28,767
Buildings	2,130,687	1,999,984
Machinery & Equipment	2,163,610	1,687,034
Accumulated Depreciation	(1,813,142)	(1,607,741)
Goodwill	1,750	1,800
	2,513,731	2,109,844
	\$ 8,194,623	\$ 5,733,456

"See accompanying auditors' report and notes to financial statements."

SOUTH CAMERON MEMORIAL HOSPITAL Exhibit A
COMPARATIVE BALANCE SHEET
OCTOBER 31, 1995 AND 1994

LIABILITIES AND FUND EQUITY

	<u>1995</u>	<u>1994</u>
<u>Current Liabilities:</u>		
Cash Overdraft (Note 1D)	\$ 240,851	\$ 82,153
Accounts Payable	345,838	129,072
Due to Other Funds (Note 10)	81,250	125,000
Miscellaneous Payable	---	1,534
Note Payable -		
Medical Express (Note 6)	---	41,378
Capital Leases Payables (Note 8)		
First United Leasing	11,272	10,507
Lanier	1,150	4,345
Robert Stephens	10,117	22,836
James Morrough	11,693	---
HTI-Link Division	125,485	---
Bonds Payable (Note 12)	97,450	91,333
Compensated Absences Payable (Note 5)	76,603	61,434
Accrued Liabilities	83,950	64,342
Interest Payable	2,727	3,750
	1,088,386	637,684
<u>Long Term Liabilities:</u>		
Capital Leases Payables (Note 8)		
First United Leasing	6,951	18,223
Lanier	---	1,150
Robert Stephens	---	10,117
James Morrough	7,407	---
HTI-Link Division	58,252	--
Bonds Payable (Note 12)	503,535	600,985
	576,145	630,475
Total Long Term Liabilities	576,145	630,475
Total Liabilities	1,664,531	1,268,159
<u>Fund Equity:</u>		
Contributed Equity	425,464	425,464
Retained Earnings:		
Unreserved, Undesignated	6,104,628	4,039,833
Total Fund Equity	6,530,092	4,465,297
Total Liabilities & Fund Equity	\$ 8,194,623	\$ 5,733,456

"See accompanying auditors' report and notes to financial statements."

SOUTH CAMERON MEMORIAL HOSPITAL Exhibit B
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS

For the Year Ended October 31, 1995

Net Patient Service Revenues (Note 1I)	\$ 10,681,239
 <u>Other Operating Revenues:</u>	
Ambulance Administration Fees	150,000
Meals On Wheels	121,392
	271,392
Total Other Operating Revenues	271,392
	10,952,631
 <u>Operating Expenses:</u>	
Nursing and Physician Services	1,907,694
Other Professional Services	1,851,317
General Services	909,655
Administrative and Fiscal Services	1,949,904
Chemical Dependency Unit	1,297,823
Home Health	253,451
Calcasieu Oaks Facility	702,553
Rural Health Clinic	251,778
Amortization of Goodwill	47
Depreciation (Note 1B)	205,401
	9,329,623
Total Operating Expenses	9,329,623
 <u>Other Operating Expenses:</u>	
Ambulance Tax Credit	145,339
Ambulance Administration Fees	150,000
Meals on Wheels	140,798
	436,137
Total Other Operating Expenses	436,137
	1,186,871
Operating Income (Loss)	1,186,871

"See accompanying auditors' report and notes to financial statements."

SOUTH CAMERON MEMORIAL HOSPITAL
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS

Exhibit B

For the Year Ended October 31, 1995

<u>Non-Operating Revenues (Expenses):</u>	
Ad Valorem Taxes (Note 2)	\$ 252,143
State Revenue Sharing	2,813
Federal/State Grants	575,417
Miscellaneous	29,976
Interest Income	68,228
Interest Expense	(56,653)

Total Non-Operating Revenues	871,924

Net Income Before Extraordinary Gain	2,058,795

Extraordinary Gain (Note 13)	6,000

Net Income	2,064,795
Retained Earnings - November 1	4,039,833

Retained Earnings - October 31	\$ 6,104,628
	=====

"See accompanying auditors' report and notes to financial statements."

SOUTH CAMERON MEMORIAL HOSPITAL
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS

Exhibit C

For the Year Ended October 31, 1994

Net Patient Service Revenues (Note 1I)	\$	1,424,079
<u>Other Operating Revenues:</u>		
Meals On Wheels		14,487
		14,487
Total Other Operating Revenues		14,487
		1,438,566
<u>Operating Expenses:</u>		
Nursing and Physician Services		572,830
Other Professional Services		526,516
General Services		287,361
Administrative and Fiscal Services		551,331
Chemical Dependency Unit		123,542
Home Health		79,416
Rural Health Clinic		8,796
Depreciation (Note B)		43,658
		2,193,450
Total Operating Expenses		2,193,450
<u>Other Operating Expenses:</u>		
Ambulance Tax Credit		45,962
Ambulance Administration Fees		---
Meals on Wheels		48,446
		94,408
Total Other Operating Expenses		94,408
		(849,292)
Operating Income (Loss)		(849,292)
<u>Non-Operating Revenues (Expenses):</u>		
Advalorem Taxes		1,008
Miscellaneous		126,822
Interest Expense		(20,939)
		106,891
Total Non-Operating Revenues		106,891
		(742,401)
Net Income		(742,401)
Retained Earnings - July 1		4,782,234
		4,039,833
Retained Earnings - October 31	\$	4,039,833

=====
"See accompanying auditors' report and notes to financial statements."

SOUTH CAMERON MEMORIAL HOSPITAL
STATEMENT OF CASH FLOW

Exhibit D

For the Year Ended October 31, 1995

Cash Flows from Operating Activities:

Operating Income (Loss)	\$	1,186,871
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization		205,448
Change in Assets and Liabilities:		
Decrease (Increase) in Accounts Receivables, Net of Allowance		(468,802)
Decrease (Increase) in Due from Other Governments		(339,092)
Decrease (Increase) in Due from DHHS		4,167
Decrease (Increase) in Misc. Receivable		(1,970)
Decrease (Increase) in Inventories		(37,381)
Decrease (Increase) in Prepaid Expenses		7,715
(Decrease) Increase in Accounts Payable		216,766
(Decrease) Increase in Compensated Absences Payable		15,169
(Decrease) Increase in Interest Payable		(1,023)
(Decrease) Increase in Misc. Payable		(1,534)
(Decrease) Increase in Accrued Liabilities		19,608

Total Adjustments		(380,929)

Net Cash Provided by (used for) Operating Activities		805,942

Cash Flows from Noncapital Financing Activities:

Advalorem Taxes		252,143
Intergovernmental Revenue		578,230
Interest Income		68,228
Miscellaneous		29,976
Payments for Noncapital Financing		(35,378)
Interest Paid for Noncapital Financing		(802)

Net Cash Provided by (used for) Noncapital Financing Activities	\$	892,397
---	----	---------

"See accompanying auditors' report and notes to financial statements."

SOUTH CAMERON MEMORIAL HOSPITAL Exhibit D
STATEMENT OF CASH FLOW
For the Year Ended October 31, 1995

**Cash Flows from Capital And Related
Financing Activities:**

Capital Expenditures	\$	(609,338)
Interest Paid on Capital Financing Activities		(55,851)
Principal Payments for Capital Expenditures		(145,068)
Proceeds from Capital Financing		310,220
Principal Payments on Bonds		(91,333)
Increase in Restricted Cash		(7,853)
Purchase of Restricted Certificate of Deposit		(184,159)

Net Cash Provided by (used for) Capital and Related Financing Activities		(783,382)
--	--	-----------

Net Increase (Decrease) in Cash & Cash Equivalents		914,957
---	--	---------

Cash and Cash Equivalents: At Beginning of Year		1,397,588
At End of Year	\$	2,312,545

Non-Cash Financing Activity:

During the year ended October 31, 1995, the Hospital entered into two non-cash financing activities for equipment leases. The total amount financed was \$310,220.

Additionally, the Hospital incurred a \$6,000 extraordinary gain on the forgiveness of a note payable.

"See accompanying auditors' report and notes to financial statements."

SOUTH CAMERON MEMORIAL HOSPITAL
STATEMENT OF CASH FLOW

Exhibit E

For the Four Months Ended October 31, 1994

Cash Flows from Operating Activities:	
Operating Income (Loss)	\$ (849,292)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	43,658
Change in Assets and Liabilities:	
Decrease (Increase) in Accounts Receivables, Net of Allowance	(212,351)
Decrease (Increase) in Due from Other Governments	54,167
Decrease (Increase) in Due from DHHS	(4,167)
Decrease (Increase) in Inventories	694
Decrease (Increase) in Misc. Receivable	221
Decrease (Increase) in Prepaid Expenses	1,750
(Decrease) Increase in Accounts Payable	(38,755)
(Decrease) Increase in Compensated Absences Payable	1,169
(Decrease) Increase in Interest Payable	(157)
(Decrease) Increase in Misc. Payable	1,534
(Decrease) Increase in Accrued Liabilities	(19,805)
Total Adjustments	(172,042)
Net Cash Provided by (used for) Operating Activities	(1,021,334)
Cash Flows from Noncapital Financing Activities:	
Advalorem Taxes and Other Intergovernmental Revenue	1,008
Miscellaneous	76,822
Payments for Noncapital Financing	(17,296)
Interest Paid for Noncapital Financing	(6,824)
Net Cash Provided by (used for) Noncapital Financing Activities	53,710
	\$ 53,710

"See accompanying auditors' report and notes to financial statements."

SOUTH CAMERON MEMORIAL HOSPITAL
STATEMENT OF CASH FLOW

Exhibit E

For the Year Ended October 31, 1994

**Cash Flows from Capital And Related
Financing Activities:**

Capital Expenditures	\$ (134,675)
Interest Paid on Capital Financing Activities	(14,115)
Principal Payments for Capital Expenditures	(15,099)
Principal Payments on Bonds	(29,153)
Increase in Restricted Cash	(139,106)

Net Cash Provided by (used for) Capital and Related Financing Activities	(332,148)

Net Increase (Decrease) in Cash & Cash Equivalents	(1,299,772)
 Cash and Cash Equivalents:	
At Beginning of Year	2,697,360

At End of Year	\$ 1,397,588
	=====

Non-Cash Financing Activity:

During the year ended October 31, 1994, the Hospital benefitted from the recharacterization of a loan payable to a contribution for \$50,000.

"See accompanying auditors' report and notes to financial statements."

SOUTH CAMERON MEMORIAL HOSPITAL
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 1995

Organization and Background

The South Cameron Memorial Hospital (legal name: Lower Cameron Hospital Service District) was established by the Cameron Parish Police Jury with the appointment of a five-man Board of Commissioners on July 15, 1959. It is operated as a nonprofit corporation and, for reporting purposes, is a component unit of the Cameron Parish Police Jury. Construction was financed through a bond issue (since retired by the district), U. S. (Hill-Burton) funding and local contributions. The hospital still receives community support in the form of local contributions and a maintenance and operation property tax as well as various state and federal funding. The Hospital provides a full range of health care services.

In 1988, the Hospital Service District entered into an agreement (joint service agreement) with the Lower Cameron Hospital Ambulance Service District whereby the Hospital would provide monthly accounting services, including the collecting and disbursing of funds as well as billing the ambulance patients. The Ambulance Service District pays \$12,500 per month for these services. They are also stationed at the Hospital. These two districts are combined in this report.

1. Summary of Significant Accounting Policies

The accounting and reporting policies of the South Cameron Memorial Hospital conform to generally accepted accounting principles. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

Reporting Entity Criteria

The District is a "component" of the Cameron Parish Police Jury entity. The criteria and their application to the hospital are set out briefly below:

Responsibility to Elected Officials. The lowest level of legislative authority (elected) governing the District is the Cameron Parish Police Jury who, in turn, appoint the District's governing Board. This criterion indicates, therefore, a "component" status for the District vis-a-vis the Police Jury.

Exercise of Oversight Responsibility. The Board of Trustees has been given broad authority for the operation of the District by the Police Jury. While the Police Jury continues to monitor and support the Board, the "linkage" or relationship is not "authoritative".

That is, the Board makes financial and managerial decisions in virtual autonomy from the Police Jury. There is no day-to-day reporting or control link between the Police Jury and the Board. This criterion does not indicate "component" status for the Board.

Scope of Public Service. The Hospital Service District is established primarily for the benefit of the residents of Cameron Parish. This criterion indicates a "component" relationship for the District. An additional facility, Calcasieu Oaks, was opened in Calcasieu Parish during the audit period to provide geriatric psychiatric services.

Because of the broad oversight authority consistently granted by the Police Jury to the Board of Trustees over the years and the unique function of the Hospital whose responsibilities, purposes and organization are vastly different from existing Police Jury activities, separate reporting is considered appropriate. The accompanying financial statements present information only on the Lower Cameron Hospital and Ambulance Service Districts and do not present information on the Cameron Parish Police Jury and the general government services provided by that body.

The following is a summary of certain significant accounting policies:

A. Fund Accounting

The accounts of the South Cameron Memorial Hospital, a political subdivision, are maintained as a proprietary (enterprise) fund. Resources are allocated to and accounted for as an enterprise fund based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The other funds and account groups normally found in governmental entities are not utilized by the South Cameron Memorial Hospital because of its single, special purpose which dictates its operation as a proprietary fund per the following:

Proprietary Fund -

Enterprise Fund

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided the periodic termination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, etc.

B. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus.

All proprietary funds are accounted for on a "cost of services" or "capital maintenance" measurement focus, and all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. In compliance with medicare regulations, depreciation is provided over the estimated useful lives using the straight-line method after 1971. Prior to 1972, accelerated depreciation methods were used. The estimated useful lives are as follows:

Buildings and Improvements.....	8 - 50 Years
Equipment.....	3 - 20 Years

All fixed assets are stated at historical cost or estimated historical cost if actual historical cost is not available.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All proprietary funds are accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred.

D. Cash and Cash Equivalents

As reflected in Exhibit A, the South Cameron Memorial Hospital has cash (net of cash overdraft of \$240,851) totaling \$2,312,545 at October 31, 1995, including \$1,120 in petty cash. As of October 31, 1994, the Hospital had cash (net of cash overdraft of \$82,153) totaling \$1,397,588 at October 31, 1994 including \$1,120 in petty cash.

The bank balances of deposits as of October 31, 1995 and 1994 are entirely insured and collateralized with securities pledged by the financial institutions for amounts above the FDIC limit. The amount of pledged securities as of October 31, 1995 consisted of \$3,625,000.

For purposes of the statement of cash flows, the South Cameron Memorial Hospital considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

E. Restricted Assets

The Hospital maintains a cash account which is restricted to payment of bond principal and interest. As of October 31, 1995 and 1994, the balance was \$146,959 and \$139,106, respectively.

As of October 31, 1995, the Hospital had established a certificate of deposit in the amount of \$184,159, for the grant proceeds received for the acquisition and "start up" costs of a mobile unit.

F. Inventories

Inventory of supplies in the proprietary fund is valued at cost (first-in, first-out).

G. Charity Care

The Hospital provides care without charge to patients who meet certain criteria under its Hill-Burton Charity Care policy as well as the Louisiana Department of Health & Hospitals Disproportionate Share Medicare Program. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Hospital does maintain records to identify and monitor the level of charity care it provides. Charity care in the amount of \$671,277 was given during the fiscal year. Funds available under the Hill-Burton Charity Care policy were exhausted during the audit year.

Prior to issuing this report, the intermediary was completing an audit on the Disproportionate Share Free Care Program. The report was not available before issuance of the report. Management believes that, due to the delay of the issuance of any reporting requirements that any disallowed costs would be questioned further.

H. Cost Reimbursement

A statement of Medicare reimbursable cost has been prepared for the fiscal year ended October 31, 1995 and not yet filed with the intermediary.

I. Accounts Receivable and Net Patient Service Revenue

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

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

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

Blue Cross. Inpatient services rendered to Blue Cross subscribers are reimbursed at prospectively determined rates per day of hospitalization. The prospectively determined per-diem rates are not subject to retroactive adjustment.

Generally accepted accounting principles require that the revenue and related receivables for health care services be recorded on the accrual basis at the Hospital's full established rates.

The provision for contractual adjustments (the difference between the established rates and the third party payments) and discounts (the difference between established rates and the amount collectible) are recognized on the accrual basis and deducted from gross service revenue to determine net service revenue. Contractual adjustments, discounts, and an allowance for uncollectible accounts are recorded in the period during which the services are provided in order to report the related receivable at net realizable value.

The Hospital receives additional prospective payments ("disproportionate share payments") in return for serving a disproportionate share of low income patients. These payments are in addition to the reimbursements discussed above. It is management's broad opinion that the inpatient Medicare/Medicaid accounts receivable, which represents a substantial portion of the account balance, is collected by two means: (1) primarily through the traditional third party payment schedule and (2) secondarily through the DSP payments.

Accordingly, it is management's opinion that the current inpatient receivables are collectible. The Hospital has established an allowance for doubtful accounts for the outpatient receivable amounts, specific accounts that are deemed to have a high probability of being uncollectible (even though collection procedures are still being followed), and an historically calculated allowance for other receivable accounts. These receivables are recognized as bad debts through the establishment of an allowance account. The above allowance accounts, with the exception of the separately identified accounts to be adjusted, are determined using an historical percentage.

The allowance accounts set up at the end of the year were \$715,743 and \$560,548 for October 31, 1995 and 1994 respectively.

Concentration of Credit Risk. The majority of the accounts receivable is for patients who are covered by the above third party payors; therefore management does not believe that there is a significant exposure for loss. The majority of patients served reside in the surrounding communities.

2. Ad Valorem Taxes

The following is a schedule of the 1995 property tax calendar that is applicable to the Hospital:

- (1) Levy date: October, 1994
- (2) Billing date: November, 1994
- (3) Collection dates: December, 1994 to February, 1995
- (4) Due dates: November 15, 1994
- (5) Delinquent date: December 31, 1994
- (6) Lien date: February, 1995

These taxes, less certain uncollectibles, collection costs and adjustments, plus minor amounts of prior year taxes are reported in the fiscal year ended October 31, 1995.

3. Retirement Commitments

Full-time employees are members of the Parochial Employees' Retirement System of Louisiana, a multiple-employer defined contribution plan. Contributions to the system are made by both employees and by the Hospital as a percentage of salaries. The payroll for the hospital for the fiscal year ended October 31, 1995, was \$3,327,351. Covered employees are required to contribute 2% of payroll over \$300 which totaled \$28,790. The Hospital contributed \$17,134 on behalf of the employees. Future deficits in the system will be financed by the state, as the Hospital has no further liability to the system. Data concerning the actuarial status of the system are not available at this time. However, historical trend information for this plan is included in the separately issued report for the Parochial Employee's Retirement System, which indicates the system's progress in accumulating sufficient assets to pay benefits when due.

The Hospital participates in a 403(B) plan with Northern Life Insurance Company for the benefit of its employees. The Hospital contributes 4% of eligible gross salaries. Contributions for the fiscal year ended October 31, 1995 were \$94,796.

4. Changes in Property, Plant and Equipment

A summary of changes in proprietary fund type property, plant and equipment at October 31, 1995 are as follows:

	October 31, <u>1994</u>	<u>Additions</u>	October 31, <u>1995</u>
Land and Land Improvements	\$28,767	\$2,059	\$30,826
Bldgs. and Impvmts:			
Buildings	1,585,065	133,719	1,718,784
Additions	312,665	--	312,665
Improvements	102,254	2,638	104,892
Equipment:			
Air Cond. Units	47,737	10,290	47,737
Radio Tower and Antenna System	21,635	--	21,635
Ambulances and Ambulance Equipment	183,134	29,557	212,691
Other Equipment	1,434,528	431,075	1,865,603
	-----	-----	-----
Total	3,715,785	609,338	4,325,123
Accumulated Depreciation	(1,607,741)	(205,401)	(1,813,142)
	-----	-----	-----
Net	2,108,044	403,937	2,511,981
Construction In Progress	--	--	--
Goodwill	1,800	(50)	1,750
	-----	-----	-----
Net Property, Plant, Equip., & Other Assets	\$2,109,844	\$403,887	\$2,513,731
	=====	=====	=====

8. Capital Lease Agreements

The South Cameron Memorial Hospital has entered into five separate lease agreements, which are all properly classified as capital leases and distinguished as such in the Hospital's asset and liabilities sections of its balance sheet. Relevant data for each lease is presented below:

<u>Lessor</u>	<u>Leased Asset</u>	<u>Asset Cost</u>	<u>Accumulated Depreciation As of 6/30/94</u>	<u>Terms of Lease</u>
Lanier	Copier	\$6,523	\$ 2,314	\$389.37-3 Yrs. Monthly until 1/96 at 9.26%
Robert Stephens	Radiology Equipment	\$97,000	\$44,494	\$2,111.04-5 Yrs. monthly until 3/96 at 11%
First United Leasing	Heart Monitor	\$36,185	\$ 5,115	\$1,016.45-3 Yrs. monthly until 4/97 at 7.05% with 10% purchase option
James Morrough	Physician's Office	\$33,500	\$ 1,395	\$1,000-30 Months until 7/97 at 8%
HTI-Link Division	Telemed. Equipment	\$276,720	\$18,650	\$11,616-23 Months until 5/97 at 8.75%

The following is a schedule by years of future minimum lease payments required, together with their present value as of October 31, 1995:

LEASED ASSETS

Year Ending October 31,	Heart Monitor	Physician's Office	Telemedicine Equipment
1996	\$6,951	\$11,693	\$139,392
1997	---	8,697	81,312
Total Minimum Lease Payments	6,951	20,390	220,704
Less Amounts Representing Interest	164	1,590	16,805
Present Value of Minimum Lease Payments	\$6,787 =====	\$18,800 =====	\$203,899 =====

9. Malpractice/General Claims

No claims have been asserted against the Hospital as of October 31, 1995.

Claims may be asserted arising from past services provided. Management believes that these claims, if asserted, would be settled within the limits of insurance coverage.

10. Other Required Disclosures

Segment Information

Segment information that is not presented on the face of the component unit financial statements are as follows for October 31,

	<u>1995</u>	<u>1994</u>
a.) Net Working Capital	\$ 4,261,388	\$ 2,846,822
b.) Property, Plant, and Equipment Additions (See note 4)	609,338	1,106,685
c.) Interest Costs (100% expense)	56,653	20,939

Interfund Activity

Ambulance Service District No. 1 had a liability of \$81,250 in administrative fees which were due to the Hospital Service District at October 31, 1995. This amount will be paid in the next fiscal year.

11. Post Employment Benefits

The Hospital does not provide post-employment health care benefits for retired employees.

12. General Long-Term Debt

A summary of general long-term debt is as follows:

Description	Balance at 11/01/94	Retired	Balance at 10/31/95
Revenue Bonds: \$750,000 originally issued with interest at 6.5%, due 02-01-01	\$ 692,318	\$ 91,333	\$600,985
	=====		

Following is a summary of bond principal maturities and interest requirements:

Year Ending October 31,	Revenue Bonds
1996	\$ 133,645
1997	133,645
1998	133,645
1999	133,645
2000	133,645
2001	44,548

Total	712,773
Less Interest	111,788

Net	\$ 600,985
	=====

13. Extraordinary Gain

The Hospital recognized an extraordinary gain in the amount of \$6,000 in the year ended October 31, 1995. This gain resulted from the forgiveness of a note payable with Nations Bank, per a contractual agreement.

14. Related Party Transactions

The Hospital has engaged the services of three of the board members during the year ended October 31, 1995. Payments to the board members during the year were as follows:

Dr. Richard Sanders	\$127,812
James Colligan	\$ 10,000
Mike Delauney	\$ 10,000

The Hospital is of the opinion that the size of the community necessitates the engagement of some of the professional staff of the Board. Additionally, the related party transactions were consummated on terms equivalent to those that prevail in arm's length transactions.

McMullen and Mancuso
Certified Public Accountants, L.L.C.

Lisa J. McMullen, CPA
Pamela C. Mancuso, CPA

3516 Maplewood Drive
Sulphur, Louisiana 70663
Telephone (318) 625-5057
Fax (318) 625-5879

**INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE BASED ON
AN AUDIT OF COMPONENT UNIT FINANCIAL STATEMENTS IN ACCORDANCE WITH
GOVERNMENTAL AUDITING STANDARDS**

Board of Trustees
Lower Cameron Hospital Service District
South Cameron Memorial Hospital
Cameron, Louisiana

We have audited the component unit financial statements of South Cameron Memorial Hospital as of October 31, 1995 and 1994, and for the year and for the four months then ended, respectively, and have issued our report thereon dated March 1, 1996.

We have conducted our audit in accordance with generally accepted auditing standards and 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 component unit financial statements are free of material misstatement.

The management of South Cameron Memorial Hospital is responsible for establishing and maintaining internal control structure. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of component unit financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Members

American Institute of Certified Public Accountants
Louisiana Society of Certified Public Accountants

In planning and performing our audit of the component unit financial statements of South Cameron Memorial Hospital for the year ended October 31, 1995 and four months ended October 31, 1994, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

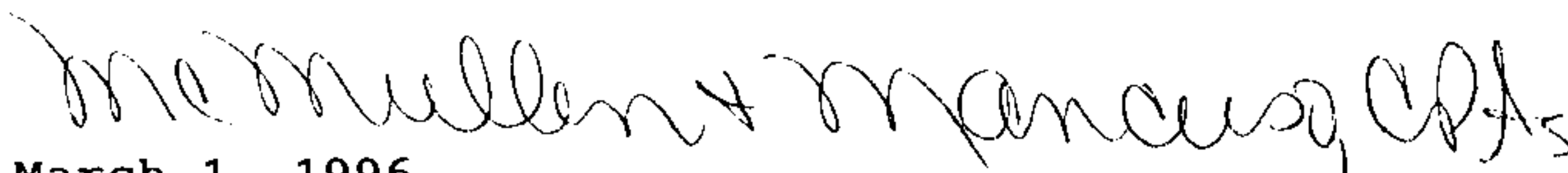
We noted certain matters involving the internal control structures and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the component unit financial statements.

A deficiency in the design in control structure exists due to the lack of appropriate review of systems output. The computer reports on general ledger should be reviewed monthly for accuracy. We noted that the reports were not reviewed until after year end.

Additionally, we noted failures in the operation of the control structure evidenced by a failure to perform reconciliations timely and by instances of failures to sign items of inventory out of Central Supply for use by another governmental district.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not disclose all reportable conditions that are also considered to be material weaknesses as described above. However, we believe none of the reportable conditions described above are material weaknesses.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of South Cameron Memorial Hospital in a separate letter dated March 1, 1996. This report is intended for the information of the management, the Board and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.



March 1, 1996

McMullen and Mancuso
Certified Public Accountants, L.L.C.

Lisa S. McMullen, CPA
Pamela C. Mancuso, CPA

3516 Maplewood Drive
Sulphur, Louisiana 70663
Telephone (318) 625-5054
Fax (318) 625-5849

**INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE USED IN
ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

Board of Trustees
Lower Cameron Hospital Service District
South Cameron Memorial Hospital
Cameron, Louisiana

We have audited the component unit financial statements of South Cameron Memorial Hospital as of October 31, 1995 and 1994, and for the year and for the four months then ended, respectively, and have issued our report thereon dated March 1, 1996. We have also audited the compliance of South Cameron Memorial Hospital with requirements applicable to major federal financial assistance programs and have issued our report thereon dated March 1, 1996.

We have conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement, and about whether the South Cameron Memorial Hospital complied with laws and regulations, noncompliance with which would be major to a major federal financial assistance program.

In planning and performing our audit for the year ended October 31, 1995 and four months ended October 31, 1994, we considered the internal control structure of South Cameron Memorial Hospital in order to determine our auditing procedures for the purpose of expressing our opinions on the component unit financial statements of South Cameron Memorial Hospital, and on the compliance of South Cameron Memorial Hospital with requirements applicable to major programs and to report on the internal control structure in accordance with OMB A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control policies and procedures relevant to our audit of the component unit financial statements in a separate report dated March 1, 1996.

Members

American Institute of Certified Public Accountants
Louisiana Society of Certified Public Accountants

The management of South Cameron Memorial Hospital is responsible for establishing and maintaining internal control structure. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of component unit financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purposes of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

General Requirements

Civil Rights
Cash Management
Federal Financial Reports
Allowable Costs/Cost Principles
Drug-Free Workplace Act
Administrative Requirements

Specific Requirements

Types of Services Allowed or Not Allowed
Eligibility
Matching, Level of Effort, or Earmarking
Reporting
Cost Allocation

For all of the internal control categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended October 31, 1995, South Cameron Memorial Hospital expended 100% of its total federal financial assistance under major federal financial assistance programs.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of South Cameron Memorial Hospital's major federal financial assistance program, which is identified in the accompanying Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might constitute material under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of South Cameron Memorial Hospital in a separate letter dated March 1, 1996.

This report is intended for the information of the management, the Board and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

McMullen & Manasco CPAs
March 1, 1996

McMullen and Mancuso
Certified Public Accountants, L.L.C.

Lisa S. McMullen, CPA
Pamela C. Mancuso, CPA

3516 Maplewood Drive
Sulphur, Louisiana 70663
Telephone (318) 625-5054
Fax (318) 625-5849

**Independent Auditors' Report On Compliance With Laws and
Regulations Based On An Audit Of Financial Statements Performed
In Accordance With Governmental Auditing Standards Issued
By The GAO**

Board of Trustees
Lower Cameron Hospital Service District
South Cameron Memorial Hospital
Cameron Parish, Louisiana

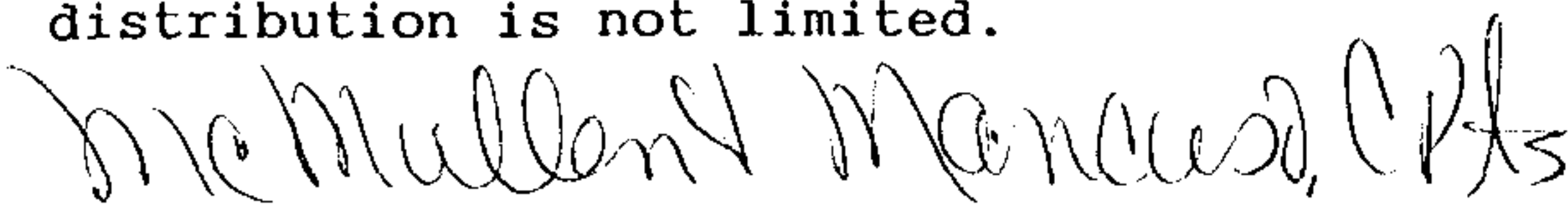
We have audited the accompanying component unit financial statements of the South Cameron Memorial Hospital, Cameron Parish, Louisiana, a component unit of the Cameron Parish Police Jury, for the year ended October 31, 1995 and have issued our report thereon dated March 1, 1996.

We conducted our audit in accordance with generally accepted auditing standards, 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 component unit financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the South Cameron Memorial Hospital, is the responsibility of the South Cameron Memorial Hospital's management. As part of obtaining reasonable assurance, about whether the financial statements are free of material misstatement, we performed tests of the South Cameron Memorial Hospital's compliance with certain provisions of laws, regulations, contract, and grants. However, the objective of our audit of the component unit financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the management, Board of Trustees, and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.



March 1, 1996

Members

American Institute of Certified Public Accountants
Louisiana Society of Certified Public Accountants

McMullen and Mancuso
Certified Public Accountants, L.L.C.

Lisa D. McMullen, CPA
Pamela C. Mancuso, CPA

3516 Maplewood Drive
Sulphur, Louisiana 70663
Telephone (318) 625-5054
Fax (318) 625-5879

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS
APPLICABLE TO NONMAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

To the Board of Trustees
Lower Cameron Hospital Service District
South Cameron Memorial Hospital
Cameron, Louisiana

We have audited the component unit financial statements of South Cameron Memorial Hospital as of October 31, 1995 and 1994 and for the year and four months then ended, respectively, and have issued our report thereon dated March 1, 1996.

In connection with our audit of the component unit financial statement of South Cameron Memorial Hospital, and with our consideration of South Cameron Memorial Hospital's control structure used to administer federal financial assistance programs, as required by the Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments," we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the year ended October 31, 1995. As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed; and eligibility that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on South Cameron Memorial Hospital's compliance with those requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that South Cameron Memorial Hospital had not complied, in all material respects, with those requirements. Also, the results of our procedures did not disclose any immaterial instances of noncompliance with those requirements.

This report is intended for the information of management, the Board of Trustees, and the Legislative Auditor of the State of Louisiana. However, this report is matter of public record and its distribution is not limited.

McMullen & Mancuso, CPAs
March 1, 1995

Members

American Institute of Certified Public Accountants
Louisiana Society of Certified Public Accountants

McMullen and Mancuso
Certified Public Accountants, L.L.C.

Lisa A. McMullen, CPA

Pamela C. Mancuso, CPA

3516 Maplewood Drive

Sulphur, Louisiana 70663

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH GENERAL REQUIREMENTS Telephone (318) 625-5054
APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS Fax (318) 625-5849

To the Board of Trustees
Lower Cameron Hospital Service District
South Cameron Memorial Hospital
Cameron, Louisiana

We have audited the component unit financial statements of South Cameron Memorial Hospital as of October 31, 1995 and 1994 and for the year and four months then ended, respectively, and have issued our report thereon dated March 1, 1996.

We have applied procedures to test South Cameron Memorial Hospital's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance, for the year ended October 31, 1995:

General Requirements

Civil Rights

Cash Management

Federal Financial Reports

Allowable Costs/Cost Principles

Drug-Free Workplace Act

Administrative Requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Single Audits of State and Local Governments." Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on South Cameron Memorial Hospital's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that South Cameron Memorial Hospital had not complied, in all material respects, with those requirements.

This report is intended for the information of management, the Board of Trustees, and the Legislative Auditor of the State of Louisiana. However, this report is matter of public record and its distribution is not limited.

McMullen & Mancuso, CPAs
March 1, 1996

Members

American Institute of Certified Public Accountants

Louisiana Society of Certified Public Accountants

McMullen and Mancuso
Certified Public Accountants, L.L.C.

Lisa J. McMullen, CPA
Pamela C. Mancuso, CPA

3516 Maplewood Drive
Sulphur, Louisiana 70663
Telephone (318) 625-5054
Fax (318) 625-5879

**INDEPENDENT AUDITORS' REPORT
IN COMPLIANCE WITH SPECIFIC REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

To the Board of Trustees
Lower Cameron Hospital Service District
South Cameron Memorial Hospital
Cameron, Louisiana

We have audited the component unit financial statements of South Cameron Memorial Hospital, Cameron, Louisiana as of October 31, 1995 and 1994 and for the year and four months then ended, respectively, and have issued our report thereon dated March 1, 1996.

We have also audited South Cameron Memorial Hospital's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance, for the year ended October 31, 1995. The management of South Cameron Memorial Hospital is responsible for those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about South Cameron Memorial Hospital's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures did not disclose any immaterial instances of noncompliance with the requirements referred to above.

In our opinion, South Cameron Memorial Hospital complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs for the year ended October 31, 1995.

Members

American Institute of Certified Public Accountants
Louisiana Society of Certified Public Accountants

This report is intended for the information of management, the Board of Trustees, and the Legislative Auditor of the State of Louisiana. However, this report is matter of public record and its distribution is not limited.

McMullen & Mancuso, CPAs

March 1, 1996

SOUTH CAMERON MEMORIAL HOSPITAL
SCHEDULE OF OPERATING EXPENSES

For the Year Ended October 31, 1995

Nursing and Physician Services:

Nursing salaries - RN	\$ 541,516
Nursing salaries - LPN	196,100
Nursing salaries - nurses aids	289,427
Nursing payroll taxes - RN	42,255
Nursing payroll taxes - LPN	15,258
Nursing payroll taxes - nurses aids	22,800
Nursing service - supplies	34,444
Nursing service - subcontract	3,497
Nursing service - education and travel	11,059
Emergency room - supplies	2,748
Emergency room - equipment repair	4,425
Emergency room - salaries	125,735
Emergency room - payroll taxes	9,752
Physicians - professional services	219,032
Physicians - emergency room	389,646

Total Nursing and Physician Services	\$ 1,907,694
--------------------------------------	--------------

Other Professional Services:**Medical Records:**

Salaries	\$ 49,156
Supplies	8,821
Payroll taxes	3,809

Total Medical Records	61,786
-----------------------	--------

Radiology:

Salaries	102,873
Supplies	51,795
Professional fee	80,456
Payroll taxes	7,840
Equipment repairs	340
Special procedures	31,356

Total Radiology	274,660
-----------------	---------

Schedule 1
(Continued)

SOUTH CAMERON MEMORIAL HOSPITAL
SCHEDULE OF OPERATING EXPENSES

For the Year Ended October 31, 1995

Physical Therapy:		
Salaries	\$	10,887
Supplies		2,301
Subcontracts		203,119
Payroll taxes		857
Equipment repairs		285
Utilities		15,134
Therapeutic animal		813

Total Physical Therapy		233,396
 Laboratory:		
Salaries		8,654
Supplies		116,820
Professional services		145,601
Payroll taxes		688
Outside test services		50,128
Equipment repairs		1,345

Total Laboratory		323,236
 Pharmacy:		
Pharmaceuticals		124,899
Professional services		24,000

Total Pharmacy		148,899
 Ambulance:		
Salaries		415,664
Payroll taxes		16,068
Oxygen		14,928
Supplies		18,210
Equipment repairs		9,375
Education		1,545
Fuel		18,538
Consultant		4,480
Specialty service		85
Rent and utilities		4,311

Total Ambulance		503,204

Schedule 1
(Continued)

SOUTH CAMERON MEMORIAL HOSPITAL
SCHEDULE OF OPERATING EXPENSES

For the Year Ended October 31, 1995

Inhalation Therapy:	
Professional services	\$ 32,136

Total Inhalation Therapy	32,136
Swing Bed:	
Salaries	62,958
Payroll taxes	4,965
Supplies	526
Subcontract	747

Total Swing Bed	69,196
Telemedicine Services:	
Salaries	56,403
Payroll taxes	4,303
Supplies	8,409
Equipment repairs	100
Consultant	4,500
Education and travel	9,743
Operations	104,080

Total Telemedicine Services	187,538
Fitness Center:	
Salaries	13,654
Payroll taxes	1,069
Supplies	1,568
Contracts	975

Total Fitness Center	17,266

Total Other Professional Services	\$ 1,851,317
	=====

Schedule 1
(Continued)

SOUTH CAMERON MEMORIAL HOSPITAL
SCHEDULE OF OPERATING EXPENSES

For the Year Ended October 31, 1995

General Services:

Dietary:

Salaries	\$	115,873
Payroll Taxes		8,854
Supplies		45,300
Equipment repairs		54
Professional services		12,075
Cafeteria rental		5,186
Miscellaneous		73
Food		185,433

Total Dietary		372,848

Household and Property:

Housekeeping - salaries		132,883
Housekeeping - payroll taxes		10,363
Housekeeping - contracts		13,833
Housekeeping - supplies		32,959
Laundry and linen		27,973
Maintenance - salaries		176,332
Maintenance - payroll taxes		13,729
Maintenance - contracts		23,111
Maintenance - supplies		60,743
Maintenance - equipment repairs		10,499
Apartment supplies		182
Apartment equipment repairs		45
Apartment rental and utilities		17,817

Total Household and Property		520,469

Central Supply:

Supplies		15,099
Equipment repairs		163
Leasing		1,076

Total Central Supply		16,338

Total General Services	\$	909,655
		=====

Schedule 1
(Continued)

SOUTH CAMERON MEMORIAL HOSPITAL
SCHEDULE OF OPERATING EXPENSES

For the Year Ended October 31, 1995

Administrative and Fiscal Services:	
Administrative - salaries	\$ 159,264
Administrative - supplies	752
Administrative - consultant	47,768
Administrative - education and travel	19,254
Administrative - auto	7,639
Business office - salaries	169,356
Business office - supplies	27,747
Business office - payroll taxes	12,114
Business office - equipment repairs	2,120
Business office - contracts	3,821
Business office - leasing	59,259
Collection fees	6,027
Dues and subscriptions	12,986
Employee benefits	264,282
Insurance	571,180
Legal and professional	143,113
Library	3,017
Licenses	89,767
Miscellaneous	2,233
Penalties	189
Physician Recruitment	54,369
Postage and messenger	15,342
Public relations/advertising	7,750
Rental Expense and utility	15,563
Repairs and maintenance	14,086
Telephone	116,628
Travel	21,039
Unemployment	5,816
Utilities	90,070
Vending Machine	7,353

Total Admininstrative and and Fiscal Services	\$ 1,949,904 =====

McMullen and Mancuso
Certified Public Accountants, L.L.C.

Lisa S. McMullen, CPA

Pamela C. Mancuso, CPA

3516 Maplewood Drive

Sulphur, Louisiana 70663

Telephone (318) 625-5057

Fax (318) 625-5879

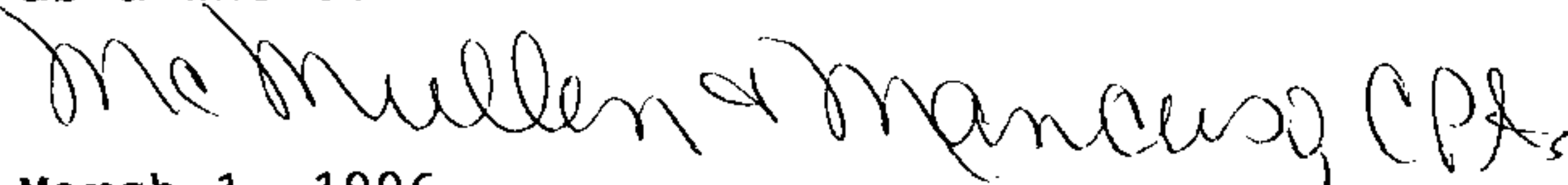
**INDEPENDENT AUDITORS' REPORT ON SCHEDULE
OF FEDERAL FINANCIAL ASSISTANCE**

Board of Trustees
Lower Cameron Hospital Service District
South Cameron Memorial Hospital
Cameron, Louisiana

We have audited the component unit financial statements of South Cameron Memorial Hospital as of October 31, 1995 and 1994, and for the year and for the four months then ended, respectively, and have issued our report thereon dated March 1, 1996. These component unit financial statements are the responsibility of the South Cameron Memorial Hospital management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the component unit financial statements of South Cameron Memorial Hospital, taken as a whole. The accompanying schedule of Federal Financial Assistance is presented for the purposes of additional analysis and is not a required part of the component unit financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly presented in all material respects in relation to the component unit financial statements taken as a whole.



March 1, 1996

Members

American Institute of Certified Public Accountants

Louisiana Society of Certified Public Accountants

SOUTH CAMERON MEMORIAL HOSPITAL
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
 For the Year Ended October 31, 1995

	<u>CFDA Number</u>	<u>Federal Program or Award Amount</u>	<u>Current Year Revenue Recognized</u>	<u>Current Year Expenditures Recognized</u>
Health Resources and Services Administration:				
Rural Health Outreach Grant	93.912	\$298,197	\$316,258	\$316,258
Health Care Financing Administration				
Rural Health Care Transition Grant	93.779	\$150,000 -----	None -----	None -----
Totals		\$448,197 =====	\$316,258 =====	\$316,258 =====

Schedule 3

SOUTH CAMERON HOSPITAL MEMORIAL HOSPITAL
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Year Ended October 31, 1995

There were no current year audit findings applicable to the federal financial assistance programs.

SOUTH CAMERON MEMORIAL HOSPITAL
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
For the Year Ended June 30, 1994

A) INTERNAL CONTROL FINDINGS

1) Timecard Approval

Finding: The Hospital's employees for the most part are required to "punch in and out" daily on the time clock. These cards contain an entire pay period's time records for each employee. The respective supervisors must review and approve all time cards. It was noted however, that there is no documentation that a review of the supervisors' time cards had been performed. We recommended that the supervisors initial and date each employee's time card and that the Hospital administrator approve the supervisors' time cards.

Current Status: The supervisors' are reviewing the employees' timecards but there is no documentation presently that the Hospital Administrator is reviewing the supervisors' timecards.

Management Response: The Business Office Manager approves supervisors' timecards. We consider this matter closed.

2) Personnel Policy Manual Revision/Vacation Leave Carryover

Finding: We recommended that the Hospital appoint a committee to review the current personnel policy manual to ensure that it represents the procedures that are currently being implemented. The vacation leave section stated that "vacations are not cumulative from year to year, but must be taken annually unless deferment is requested by the administration." It appears that the majority of employees are carrying over their balances. The policy could be restated to clarify this section. There also appears to be confusion over the maximum amount of hours allowed to accumulate. The Hospital should specifically state the exact amount of vacation leave that may be accrued in any given year based on years of service and exactly how many hours will be allowed to accumulate at any one point in time. The Hospital has attempted to bring those employees with large cumulative balances to a lower amount with some success.

The drug policy section should also be updated to reflect, in writing, the requirements pertaining to federal assistance. We do not believe that this finding is a reportable condition but simply a management suggestion for improving various documentation of compliance.

Current Status: The Hospital is still working on a complete update of these two sections of the personnel policy manual as well as working with the current employees on any unusually high vacation leave cumulative hours.

Management Response: The department heads of the Hospital are near completion on the necessary revisions in the personnel policy manual.

McMullen and Mancuso

Certified Public Accountants, L.L.C. RECEIVED
AUDITOR

Lisa J. McMullen, CPA

Pamela C. Mancuso, CPA

2637 - 9 W.G. 31 Maplewood Drive

Sulphur, Louisiana 70663

Telephone (318) 623-5054

Fax (318) 623-5849

Board of Trustees
Lower Cameron Hospital Service District
South Cameron Memorial Hospital
Cameron, Louisiana

In planning and performing our audit of the component unit financial statements of South Cameron Memorial Hospital for the year ended October 31, 1995 and four months ended October 31, 1994, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide an opinion on the internal control structure. However, we noted certain matters involving the internal control structures and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect South Cameron Memorial Hospital's ability to record, process, summarize, and report financial data consistent with the assertions of management in the component unit financial statements.

A deficiency in the design in control structure exists due to the lack of appropriate review of systems output. The computer reports on general ledger should be reviewed monthly for accuracy. We noted that the reports were not reviewed until after year end.

In addition to printing the financial statements and reports timely, they should also be presented to the Hospital Administrator for review along with budget comparisons and other data. The Board should also require the presentation of financial reports periodically throughout the year.

Bank reconciliations should be prepared timely and reviewed by another employee of the Hospital. We noted several bank accounts had not been reconciled monthly throughout the year and needed to be reconciled after year end. Adding another person to review and initial the prepared bank reconciliations would add additional internal control and would encourage the more timely reconciliations of the accounts.

Additionally, we noted failures in the operation of the control structure evidenced by a failure to perform reconciliations timely and by instances of failures to sign items of inventory out of Central Supply for use by another governmental district.

Members

American Institute of Certified Public Accountants

Louisiana Society of Certified Public Accountants

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not disclose all reportable conditions that are also considered to be material weaknesses as described above. However, we believe none of the reportable conditions described above is believed to be a material weakness.

This report is intended for the information of the management, the Board and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

McMullen and Mancuso, CPAs

March 1, 1996