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LOWER CAMERON HOSPITAL SERVICE DISTRICT
SOUTH CAMERON MEMORIAL HOSPITAL
ANNUAL FINANCIAL REPORT
OCTOBER 31, 1997 AND 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, 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 MAY 13 1998

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Financial Statements:		
Independent Auditors' Report.....		1-2
Comparative Balance Sheet.....	A	3-4
Comparative Statement of Revenues, Expenses, and Changes in Retained Earnings	B	5-6
Comparative Statement of Cash Flows	C	7-8
Notes to the Financial Statements.....		9-23
Internal Control Reports:		
Independent Auditors' Report on the Internal Control Structure in Accordance with <u>Government Auditing Standards</u>		34-39
Independent Auditors' Report on Internal Control Structure Used in Administering Federal Financial Assistance.....		36-38
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.....		29
Independent Auditors' Report on Compliance with General Requirements Applicable to Federal Financial Assistance Programs.....		30
Independent Auditors' Report on Compliance with Specific Requirements Applicable to Nonmajor Federal Financial Assistance Programs.....		31
Independent Auditors' Report on Compliance with Specific Requirements Applicable to Major Federal Financial Assistance Programs.....		32

TABLE OF CONTENTS

	Schedule	Page
Other Supplementary Data:		
Summary of Prior Year Findings Related to Internal Control.....		33
Schedule of Operating Expenses.....	1	34-41
Independent Auditors' Report on Schedule of Federal Financial Assistance.....		42
Schedule of Federal Financial Assistance...	2	43
Schedule of Current Year Findings and Recommendations.....	3	44
Schedule of Prior Year Findings and Recommendations.....	4	45
Management Letter.....		46-47
Corrective Action Plan.....		48

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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, 1997 and 1998 and the years ended. 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-133, Auditing of State and Local Governments. Those standards and OMB Circular A-133 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, 1997 and 1998 and the results of its operations and its cash flows for the years 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.

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 each component unit financial statements taken as a whole.

McMullen and Mancuso, CPAs

April 28, 1988

SOUTH CAMERON MEMORIAL HOSPITAL
COMPARATIVE BALANCE SHEET
OCTOBER 31, 1997 AND 1996

Exhibit A

ASSETS

	1997	1996
Current Assets:		
Cash (Note 10)	\$ 385,319	\$ 136,867
Accounts Receivable (Note 11)	4,288,383	2,480,910
Due from Other Governments (Note 8)	788,783	888,044
Due from Other Funds (Note 12)	37,508	62,588
Miscellaneous Receivable	48,228	---
Federal Grants Receivable	48,228	---
Inventory, at cost (Note 1F)	125,218	197,391
Prepaid Expenses	38,395	31,008
	<hr/>	<hr/>
Total Current Assets	5,898,902	3,473,918
Restricted Assets (Note 1E)		
Cash	138,368	154,851
	<hr/>	<hr/>
Total Restricted Assets	138,368	154,851
Other Assets (Note 1I)		
Land & Improvements	38,828	38,828
Buildings	2,288,569	2,288,569
Machinery & Equipment	2,308,870	2,274,462
Accumulated Depreciation	(2,309,522)	(2,075,084)
Goodwill	1,858	1,798
	<hr/>	<hr/>
Total Other Assets	2,200,473	2,432,513
	<hr/>	<hr/>
Total Assets	\$ 7,937,744	\$ 4,658,402

See accompanying auditors' report and notes to financial statements.

SOUTH CAMERON MEMORIAL HOSPITAL
COMPARATIVE BALANCE SHEET
OCTOBER 31, 1997 AND 1996

Exhibit A

LIABILITIES AND FUND EQUITY

	1997	1996
Current Liabilities:		
Cash Overdraft (Note 10)	\$ ---	\$ 432,834
Accounts Payable	983,421	1,418,288
Due to Other Funds (Note 11)	37,580	62,860
Due to MedCap (Note 12)	1,749,570	740,587
Capital Leases Payables (Note 8)		
First United Leasing	---	8,881
James Harrogh	---	13,219
HFL-Link Division	---	100,885
Bankers Leasing Association	8,889	8,484
Bonds Payable (Note 13)	191,987	203,977
Compensated Absences Payable (Note 5)	81,580	79,879
Accrued Liabilities	89,589	128,876
	<hr/>	<hr/>
Total Current Liabilities	3,022,316	3,890,849
Long Term Liabilities:		
Capital Leases Payables (Note 8)		
Bankers Leasing Association	16,502	22,388
Bonds Payable (Note 13)	288,619	289,529
	<hr/>	<hr/>
Total Long Term Liabilities	304,921	431,948
	<hr/>	<hr/>
Total Liabilities	3,327,237	4,322,797
Fund Equity:		
Contributed Capital	428,464	428,464
Retained Earnings:		
unreserved, Undesignated	4,185,073	2,120,653
	<hr/>	<hr/>
Total Fund Equity	4,613,537	2,549,117
	<hr/>	<hr/>
Total Liabilities & Fund Equity	\$ 7,940,774	\$ 6,871,914

see accompanying auditors' report and notes to financial statements.

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

Exhibit B

For the Years Ended October 31, 1987 and 1986

	1987	1986
Net Patient Service Revenues (Note 11)	\$ 13,142,050	\$ 7,890,821
Other Operating Revenues:		
Ambulance Administration Fees	175,800	158,000
Meals on Wheels	148,414	122,379
	-----	-----
Total Other Operating Revenues	320,414	272,379
	-----	-----
Total Operating Revenues	13,462,464	7,163,200
Operating Expenses:		
Nursing and Physician Services	1,544,540	1,597,569
Other Professional Services	2,387,304	1,571,104
General Services	708,178	913,164
Administrative and Fiscal Services	2,357,395	1,819,299
Chemical Dependency Unit	52,467	157,510
Home Health	299,860	258,822
Collesmia Oaks Facility	3,548,332	1,021,327
Holly Hill Home Facility	218,866	381,332
Rural Health Clinics	299,515	342,031
Amortization of Goodwill	50	50
Depreciation (Note 18)	270,592	361,863
	-----	-----
Total Operating Expenses	10,998,888	11,398,362
Other Operating Expenses:		
Ambulance Tax Credit	160,261	298,284
Ambulance Administration Fees	175,800	158,000
Meals on Wheels	127,442	138,365
Bad Debt Expense	804,564	329,403
	-----	-----
Total Other Operating Expenses	1,267,067	724,152
	-----	-----
Operating Income (Loss)	\$ 1,118,218	\$ (4,788,332)

See accompanying auditors' report and notes to financial statements.

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

Exhibit B

For the Years Ended October 31, 1997 and 1996

	<u>1997</u>	<u>1996</u>
<u>Non-Operating Revenues (Expenses):</u>		
Ad Valorem Taxes (Note 2)	\$ 102,100	\$ 117,878
State Revenue Sharing	2,482	2,637
Federal and State Grants	338,887	415,850
Miscellaneous	29,915	38,187
Interest Income	6,514	16,578
Interest Expense	(18,228)	(62,762)
Gain on Sale of Assets	539	588
	-----	-----
TOTAL Non-Operating Revenues	656,194	739,728
	-----	-----
Net Income	1,774,404	(4,048,808)
	-----	-----
Retained Earnings - November 1 As Originally Reported	2,120,453	4,104,426
Prior Period Adjustments (Note 15)	280,016	76,511
Retained Earnings - November 1 As Restated	2,418,669	6,181,158
	-----	-----
Retained Earnings - October 31	\$ 4,185,073	\$ 2,132,681
	-----	-----

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

SOUTH CAROLINA MEMORIAL HOSPITAL
COMPARATIVE STATEMENT OF CASH FLOW

Exhibit c

For the Years Ended October 31, 1987 and 1986

	1987	1986
Cash Flows from Operating Activities:		
Operating Income (Loss)	\$ 1,118,218	\$ (4,788,332)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	371,842	261,913
Prior Period Adjustment	390,916	78,533
Change in Assets and Liabilities:		
Decrease (Increase) in Accounts Receivables, Net of Allowances	(1,712,470)	(372,481)
Decrease (Increase) in Due from Other Governments	(187,737)	(248,883)
Decrease (Increase) in Federal Grants Receivable	(89,328)	----
Decrease (Increase) in Miscellaneous Receivables	(49,333)	1,978
Decrease (Increase) in Inventories	32,181	97,341
Decrease (Increase) in Prepaid Expenses	(7,305)	(31,088)
(Decrease) Increase in Accounts Payable	(464,897)	1,072,378
(Decrease) Increase in Compensated Absences Payable	3,421	3,378
(Decrease) Increase in Interest Payable	----	(2,727)
(Decrease) Increase in Accrued Liabilities	(17,377)	42,808
Total Adjustments	(1,820,877)	897,688
Net Cash Provided by (used for) Operating Activities	(702,659)	(3,890,644)
Cash Flows from Noncapital Financing Activities:		
Ad Valorem Taxes	322,188	317,878
Intergovernmental Revenue	379,334	418,587
Interest Income	4,514	16,578
Miscellaneous	28,918	28,187
Gain on Sale of Assets	539	508
Net Cash Provided by (used for) Noncapital Financing Activities	\$ 735,493	\$ 789,680

See accompanying auditors' report and notes to financial statements.

SOUTH CAMERON MEMORIAL HOSPITAL
 COMPARATIVE STATEMENT OF CASH FLOW
 For the Years Ended October 31, 1997 and 1996

Exhibit c
 (Continued)

	1997	1996
Cash Flows from Capital And Related Financing Activities:		
Capital Expenditures	\$ (41,402)	\$ (400,714)
Interest Paid on Capital Financing Activities	(30,220)	(62,702)
Principal Payments for Capital Expenditures	(20,300)	(110,372)
Proceeds from Capital Financing	---	31,900
Net Proceeds from Accounts Receivable Financing	1,500,923	740,337
Principal Payments on Bonds	(112,950)	(97,450)
Increase in Restricted Cash	19,584	(7,894)
Retirement of Restricted Certificate of Deposit	---	184,129
	-----	-----
Net Cash Provided by (used for) Capital and Related Financing Activities	799,944	491,924
	-----	-----
Net Increase (Decrease) in Cash & Cash Equivalents	601,984	(2,448,812)
	-----	-----
Cash and Cash Equivalents, Net of cash overdrafts:		
At Beginning of Year	(298,267)	2,312,545
	-----	-----
At End of Year	\$ 303,283	\$ (298,267)
	-----	-----

Non-Cash Financing Activity:

During the Year ended October 31, 1996, the Hospital entered into a non-cash financing activity for an equipment lease. The total amount financed was \$21,400.

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

SOUTH CAMERON MEMORIAL HOSPITAL
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 1997 and 1998

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. (Mill-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 1998, 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 the billing for the ambulance patients. The Ambulance Service District pays \$12,000 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 24:519 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 Service District 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.

SOUTH CAMERON MEMORIAL HOSPITAL
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 1997 and 1996

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. The Hospital Service District operates a hospital doing business as South Cameron Memorial Hospital and two rural clinics doing business as Cameron Rural Health Clinic and Grand Lake/Sweet Lake Rural Health Clinic. An additional facility, Calcasieu Oaks, was opened in Calcasieu Parish in 1995. Its operation includes a Medicare certified distinct part psychiatric unit which provides geriatric psychiatric care and other mental health care 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 activities 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:

SOUTH CAMDEN MEMORIAL HOSPITAL
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 1987 and 1986

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 1971, 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.

SOUTH CAMERON MEMORIAL HOSPITAL
NOTICE TO THE FINANCIAL STATEMENTS
OCTOBER 31, 1997 and 1996

C. Basis of Accounting (Cont.)

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 totaling \$288,318 at October 31, 1997, including \$1,186 in petty cash. As of October 31, 1996, the Hospital had cash (net of cash overdraft of \$432,934) totaling \$134,687 at October 31, 1996 including \$1,187 in petty cash.

Deposits in excess of federally insured amounts are required by statute to be protected by collateral of equal market value. Authorized collateral includes general obligations of the U.S. government, obligations issued or guaranteed by an agency established by the U.S. government, general obligation bonds of any state of the U.S. or any Louisiana parish, municipality or school district. Deposits with financial institutions should be evaluated for risk and classified in one of the three following categories:

Category 1 - (which represents the lowest level of risk) includes deposits that are collateralized with securities held by the Hospital or its agent in the Hospital's name.

Category 2 - includes collateralized deposits held by the pledging financial institution's trust department or agent in the Hospital's name.

Category 3 - includes uncollateralized deposits or deposits collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Hospital's name.

SOUTH CAMERON MEMORIAL HOSPITAL
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 1997 and 1996

The Hospital's deposits are categorized below in accordance with Governmental Accounting Standards Board (GASB) Statement No. 3 to give an indication of the level of risk assumed at year end.

Bank	Bank Balance	Book Balance	Credit Risk Category
Hibernia Bank	7,867	7,867	(1)
Bank of New York	188,000	188,000	(1)
Bank of New York	38,349	38,349	(2)
Cameron State Bank	188,000	188,000	(1)
Cameron State Bank	974,028	186,294	(2)
	-----	-----	
	3,317,344	439,513	
	-----	-----	

The Hospital's cash balance at the Bank of New York includes amounts above the FDIC limit of \$100,000. However, it is invested in the U.S. Treasury fund and is collateralized with securities held by the pledging financial institution but not in the Hospital's name.

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.

B. Restricted Assets

The Hospital maintains a cash account with the Bank of New York which is restricted to payment of bond principal and interest. As of October 31, 1997 and 1996, the balance was \$139,349 and \$154,853, respectively.

F. Inventories

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

SOUTH CAROLINA MEMORIAL HOSPITAL
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 1987 and 1988

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's Hospital 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. As of October 31, 1987 and 1988, charity care in the amount of \$10,519 and \$88,829 respectively, was given during the fiscal years. The Hospital was certified as having met its uncompensated services obligation under the Hill-Burton program during the audit period.

H. Cost Reimbursement

A statement of Medicare reimbursable cost has been prepared for the fiscal year ended October 31, 1987 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 payers' 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.

SOUTH CAMERON MEMORIAL HOSPITAL
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 1987 and 1986

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.

Revenue Recognition Policies. 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 DSH 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 \$1,688,793 and \$803,143 for October 31, 1987 and 1986 respectively.

SOUTH CAROLINA MEMORIAL HOSPITAL
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 1997 and 1996

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.

Pledged Accounts Receivables. The Hospital entered into an agreement dated June 2, 1996, with Medexp Credit Co. and Medical Capital, L.L.C. for the sale of healthcare receivables. The amount of contingent liability as of October 31, 1997 and 1996 was \$1,728,572 and \$728,567, respectively.

2. Ad Valorem Taxes

The following is a schedule of the 1996 property tax calendar that is applicable to the Hospital:

- (1) Levy date: October, 1996
- (2) Billing date: November, 1996
- (3) Collection dates: December, 1996 to May, 1997
- (4) Due dates: On Receipt
- (5) Delinquent date: December 31, 1996
- (6) Lien date: March, 1997

These taxes, less certain uncollectibles, collection costs and adjustments, plus minor amounts of prior year taxes are reported in both the fiscal year ended October 31, 1997 and 1996.

3. Retirement Commitments

Full-time employees were 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, 1996, was \$1,978,681. Covered employees were required to contribute 3% of payroll over \$400 which totaled \$28,283 for 1996. The Hospital contributed \$13,313 in 1996, 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 discontinued participation in the Parochial Employees' Retirement System of Louisiana in the fiscal year ended October 31, 1997. The employees now participate in the Federal Social Security System.

SOUTH CAROLINA MEMORIAL HOSPITAL
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 1997 and 1996

7. Retirement Commitments (Cont.)

The Hospital participates in a 401(k) 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, 1996 were \$102,377. The Hospital suspended contributions on behalf of the employees in the fiscal year ended October 31, 1997.

8. Changes in Property, Plant and Equipment

A summary of changes in proprietary fund type property, plant and equipment at October 31, 1997 are as follows:

	October 31, 1996	Additions	Deletions	October 31, 1997
Land and Land Improvements	\$ 38,826	--	\$ --	\$ 38,826
Buildings and Improvements:				
Buildings	1,718,784	--	--	1,718,784
Additions	313,089	--	--	313,089
Improvements	178,248	--	--	178,248
Equipment:				
Air Cond. Units	89,037	--	--	89,037
Radio Tower and Antenna System	21,635	--	--	21,635
Ambulances and Ambulance Equipment	212,881	1,418	--	214,299
Other Equipment	1,979,527	88,864	4,778	2,063,613
Total	2,888,827	90,282	4,778	3,073,331
Accumulated Depreciation	(2,078,868)	(264,314)	--	(2,343,182)
net	810,000	(174,032)	4,778	630,746
Goodwill	1,780	(50)	--	1,730
Net Property, Plant, Equip., & Other Assets	\$ 2,432,531	(222,382)	4,778	\$ 2,204,927

SOUTH CAMERON MEMORIAL HOSPITAL
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 1997 and 1996

5. Accumulated Vacation Entitlements

Employees accrue ten (10) vacation days per year after completing one year of service. After 10 years of service, vacation days are accumulated at the rate of fifteen (15) days per year. Employees may accumulate no more than 30 days of vacation except that some employees, whose service began before these policies were implemented, are permitted to retain their previously accumulated totals.

There are no sick leave provisions. There are provisions for cash settlement of unused vacation. The total amount of accumulated vacation accrued at October 31, 1997 and 1996 was \$63,509 and \$79,879, respectively.

6. Due From Other Governments

The Cameron Parish ambulance service district No. 3 owes the Hospital Service District \$78,783 and \$888,248 for October 31, 1997 and 1996, respectively, for the payment of payroll and related benefits as well as operating expenses of the Ambulance District.

7. Hospital Insurance

The Hospital has contracted with the Louisiana Hospital Association Employee Benefit Trust to provide comprehensive health care services in return for monthly premiums. The Association will cover the Hospital employees for medical coverage up to \$7,500. In addition, the Hospital has obtained excess stop-loss insurance from Congress Life Insurance (passed through Hospital Services of Louisiana, Inc.) This excess insurance will reimburse directly to the Hospital the amount of claims paid over \$7,500.

The Hospital views the stop-loss insurance premiums as operating expenses, which are normal, recurring business transactions incurred to provide protection from excessive loss. In turn, they view stop-loss insurance recoveries as a reduction of the health care cost expense.

SOUTH CAMERON MEMORIAL HOSPITAL
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 1997 and 1996

9. Capital Lease Agreements

The South Cameron Memorial Hospital has entered into four 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:

Lessee	Leased Asset	Asset Cost	Accumulated Depreciation as of 10/31/97	Terms of Lease
Bankers' Leasing Assoc.	Lab Equip.	\$11,900	\$ 8,830	\$443.00 - 5 Yrs. monthly until 2/1001 at 8.25%
First United Leasing	Heart Monitor	\$38,401	\$12,874	\$1,016.45 - 1 Yrs. monthly until 4/97 at 7.85% with 10% purchase option
James Horough	Physician Office	\$3,800	\$ 4,788	\$1,000 - 10 Months until 7/97 at 6% with \$1 buyout purchase option
HFI-Link Division	Telmed. Equipment	\$103,603	\$134,715	\$11,416 -23 Months until 5/97 at 8.75%

SOUTH CAMERON MEMORIAL HOSPITAL
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 1997 and 1996

8. Capital Lease Agreements (Cont.)

The following is a schedule by years of future minimum lease payments required, together with their present value as of October 31, 1997:

LEASED ASSETS	
Year Ending October 31,	Lease Equipment
1998	\$8,346
1999	7,784
2000	7,784
2001	2,569
2002	-----
Total Minimum Lease Payments	26,523
Less Amounts representing Interest	3,452
Present Value of Minimum Lease Payments	\$23,071 -----

9. Operating Leases

The Hospital Service District entered into a five year lease for the Calcasieu Oaks facilities on November 1, 1995. The monthly rental was \$28,800 until December 31, 1995 and \$31,000 from then after. Upon completion of the initial five-year term, the lease shall automatically renew for an additional five-year term unless cancelled by either party at least 90 days prior to the expiration of the current term.

The Hospital Service District has several operating leases for a term of one year or less for various equipment items.

net expenditures for the years ended October 31, 1997 and 1996 were \$183,839 and \$38,700, respectively.

SOUTH CAROLINA MEMORIAL HOSPITAL
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 1997 and 1996

10. Malpractice/General Claims

Two worker's compensation claims have been asserted against the Hospital as of October 31, 1997. They both involve employees of the Hospital. Management believes that these claims would be settled within limits of insurance coverage.

No malpractice claims have been asserted against the Hospital.

11. 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,

	1997	1996
a.) Net Working Capital	\$ 4,261,388	\$ 4,261,388
b.) Property, Plant, and Equipment		
Additions (\$see note 4)	41,863	109,714
c.) Interest Costs (100% expense)	18,320	68,600

Interfund Activity

Ambulance Service District No. 1 had a liability of \$17,500 and \$47,000 in administrative fees which were due to the Hospital Service District at October 31, 1997 and 1996. This amount will be paid in the next fiscal year.

12. Post-Employment Benefits

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

13. General Long-Term Debt

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

Description	Balance at 11/01/96	Retired	Balance at 10/31/97
Revenue Bonds: \$750,000 originally issued with interest at 8.5%, due 02-01-01	\$ 600,838	\$112,840	\$488,000

SOUTH CAROLINA MEMORIAL HOSPITAL
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 1997 and 1996

13. General Long-Term Debt (Cont.)

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

Year Ending October 31,	Revenue Bonds
1998	\$ 122,000
1999	131,645
2000	133,645
2001	44,848
Total	434,140
Less Interest	40,760
Net	\$ 393,380

14. Related Party Transactions

The Hospital has engaged the board members for pharmacy and physician services during the year ended October 31, 1997 and 1996. Payments to the board members during the year were as follows:

	1997	1996
Dr. Richard Sanders	\$888,190	\$287,148
James Colligan	\$ 12,800	\$ 12,000
Mike Delauray	\$ 7,800	\$ 12,000

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.

Two of the above persons are no longer members of the Board of Trustees as James Colligan tendered his resignation to the Board and Mike Delauray passed away during the fiscal year ended October 31, 1997. Therefore, future payments to James Colligan for professional services will not be considered related party transactions.

15. Prior Period Adjustments

Several prior period adjustments were made during the fiscal year ended October 31, 1997. The first adjustment of \$4,922 was to correct the balance of the lease of the physician's office.

SOUTH CAMERON MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 1997

15. Prior Period Adjustments (Cont.)

A second adjustment was made for \$28,431 due to a check from October 31, 1996, which was voided during 1997 and recorded as an expense in the 1996 financial statements.

An adjustment was also made for \$11,298 to write off a payable from October 31, 1996, during 1997.

A fourth prior period adjustment was made to reverse an adjustment from October 31, 1996 to accrue an additional amount due to a vendor. The amount of this adjustment was \$28,163.

Finally, one of the Hospital's vendors recorded an audit adjustment of \$197,580 on their records for the Hospital account. This adjustment was made after the October 31, 1996 audit was issued.

An adjustment of \$76,531 was made to correct the amount recorded as receivable from Ambulance Service District No. 2 for payment of expenses at October 31, 1996.

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**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 and for the years ended October 31, 1997 and 1996, and have issued our report thereon dated April 29, 1998.

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.

Washco

American Institute of Certified Public Accountants
Financial Society of Certified Public Accountants

In planning and performing our audit of the component unit financial statements of South Cameron Memorial Hospital for the years ended October 31, 1997 and 1998, 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.

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 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 risk that errors or irregularities in amounts that would be material in relation to the component unit financial statement being audited 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 operation that we consider material weaknesses as described above.

However, 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 April 29, 1998. This report is intended for the information of the management, the 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.

McMullen and Mancuzo CPA's

April 29, 1998

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**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 and for the years ended October 31, 1997 and 1998, and have issued our report thereon dated April 29, 1999. 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 April 28, 1999.

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-130, Audits of State and Local Governments. Those standards and OMB Circular A-130 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, 1997 and 1998, 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-130. 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 April 30, 1998.

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 competent 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 purpose 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 Benchmarking
- 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, 1997 and 1998, 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 GMS Circular A-138, 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 programs, 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 weaknesses 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 April 30, 1994.

This report is intended for the information of the management, the 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.

The Mullin and Mancini, CPA

April 29, 1994

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**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 component unit financial statements of South Cameron Memorial Hospital as of and for the years ended October 31, 1997 and 1998, and have issued our report thereon dated April 29, 1999.

We 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.

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 misstatements, we performed tests of the laws, regulations, contracts, 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 herein under Government Auditing Standards.

This report is intended for the information of the management, the 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.

McMullen and Mansour CPAs
April 29, 1999

The Muller and Manasco
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~~INDEPENDENT~~ ~~ACCOUNTING~~ ~~OPINION~~

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**ON COMPLIANCE WITH GENERAL REQUIREMENTS
APPLICABLE TO 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 and for the years ended October 31, 1997 and 1998 and have issued our report thereon dated April 29, 1999.

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, 1997:

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 compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the result 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 the 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.

The Muller and Manasco, CPAs
April 29, 1999

-3D-

Members

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**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 and for the years ended October 31, 1997 and 1996, and have issued our report thereon dated April 29, 1998.

In connection with our audit of the component unit financial statements 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, 1997.

As required by the OMB 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 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, to 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 the 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 and Mancuso CPAs
April 29, 1998

-2-

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**INDEPENDENT AUDITORS' REPORT
ON 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 as of and for the years ended October 31, 1997 and 1996, and have issued our report thereon dated April 29, 1998.

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 those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

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 Circulars 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 these 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 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 or 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, 1997.

This report is intended for the information of the 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.

M. E. Muller and Frank L. Mancuso, CPAs

April 29, 1998

-12-*enclosure*

SOUTH CAMERON MEMORIAL HOSPITAL
SUMMARY OF PRIOR YEAR FINDINGS RELATING TO INTERNAL CONTROL
For the year ended October 31, 1987

Finding Number 1

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

We consider this matter resolved.

Findings Number 2

We noted failures in the operation of the control structure evidenced by failure to perform reconciliations timely and payment of certain payables without an invoice to support the amount expended.

We consider this matter partially resolved. Reconciliations did appear to be performed timely, however, a few exceptions were still noted regarding payments made without an invoice to support the amount expended.

SOUTH CAMERON MEMORIAL HOSPITAL
 STATEMENTS OF OPERATING EXPENSES

Schedule 1

For the Year Ended October 31, 1997

Nursing and Physician Services:

Nursing salaries - RN	\$ 378,048
Nursing salaries - LPN	143,811
Nursing salaries - nurses aide	194,883
Nursing salaries - ER	188,883
Nursing payroll taxes - RN	29,177
Nursing payroll taxes - LPN	11,371
Nursing payroll taxes - nurses aide	14,738
Nursing service - supplies	34,879
Nursing service - substitute	1,210
Nursing service - equipment repair	276
Nursing service - education and travel	1,721
Emergency room - supplies	2,551
Emergency room - equipment repair	528
Emergency room - payroll taxes	11,882
Emergency room - leasing	1,593
Physicians - professional services	28,917
Physicians - emergency room	836,228

Total Nursing and Physician services	\$ 1,544,548

Other Professional Services:

Medical Records:

Salaries	\$ 83,814
Supplies	8,289
Leasing	1,878
Payroll taxes	4,878
Contracts	885

Total Medical Records	99,744

Radiology:

Salaries	185,078
Supplies	14,488
Professional services	33,500
Payroll taxes	7,971
Equipment repairs	797
Special procedures	38,743
Contracts	11,548

Total Radiology	299,998

Schedule 1
 (continued)

**SOUTH CAMERON MEMORIAL HOSPITAL
 SCHEDULE OF OPERATING EXPENSES**

For the Year Ended October 31, 1987

Physical Therapy:	
Salaries	\$ 8,640
Supplies	2,500
Payroll taxes	400
Rental and utilities	12,504
Telephone	737
Contracts	100,833
Equipment repair	329

Total Physical Therapy	131,443
Laboratory:	
Salaries	127,905
Supplies	113,025
Professional services	40,790
Contracts	8,125
Payroll taxes	2,000
Outside test services	35,000
Blood	478
Equipment repair	145

Total Laboratory	332,431
Pharmacy:	
Pharmaceuticals	122,400
Professional services	24,000

Total Pharmacy	146,400
Ambulance:	
Salaries	483,776
Payroll taxes	32,888
Equipment repairs	8,504
Education	1,181
Fuel	18,923
Contracts	119,444
Supplies	11,077
Telephone	2,000
rent and utilities	8,121

Total Ambulance	681,909

**SOUTH CAMERON MEMORIAL HOSPITAL
SCHEDULE OF OPERATING EXPENSES**

For the Year Ended October 31, 1997

Schedule 1
(Continued)

Respiratory Therapy:	
Professional services	\$ 2,100
Oxygen	27,302
Contracts	472,466
Supplies	2,830
	<hr style="border-top: 1px dashed black;"/>
Total Respiratory Therapy	504,700
Swing Bed:	
Salaries	58,583
Payroll taxes	4,693
Supplies	2,481
Rentals	11,355
Subcontract	837
	<hr style="border-top: 1px dashed black;"/>
Total Swing Bed	78,350
Telemedicine Services:	
Salaries	62,883
Payroll taxes	4,729
Supplies	3,115
Contracts	5,695
Consultant	7,000
Education and travel	9,100
Equipment repair	120
Telephone	9,648
	<hr style="border-top: 1px dashed black;"/>
Total Telemedicine Services	102,386
Wellness Center:	
Salaries	16,088
Payroll taxes	3,302
Consultant	4,000
Education and travel	4,418
Supplies	4,400
Telephone	400
Contracts	14,699
	<hr style="border-top: 1px dashed black;"/>
Total Wellness Center	46,608

Schedule 1
(Continued)

SOUTH CAMERON MEMORIAL HOSPITAL
SCHEDULE OF OPERATING EXPENSES

For the Year Ended October 31, 1987

Fitness Center:	
Salaries	\$ 14,413
Payroll taxes	1,125
Supplies	79
Contracts	47,838
Equipment repair	440
Telephone	547

Total Fitness Center	64,642

Total Other Professional Services	\$ 2,387,344

General Services:	
Dietary:	
Salaries	\$ 117,903
Payroll taxes	8,607
Supplies	24,288
Professional services	13,600
Contracts	1,259
Food	97,254
Equipment repair	731

Total Dietary	264,232

Household and Property:	
Housekeeping - salaries	110,779
Housekeeping - payroll taxes	8,489
Housekeeping - contracts	11,481
Housekeeping - supplies	35,328
Laundry and linen	29,288
Maintenance - salaries	128,143
Maintenance - payroll taxes	9,758
Maintenance - contracts	24,804
Maintenance - supplies	28,389
Maintenance - equipment repairs	3,201

Total Household and Property	349,841

Schedule 1
(continued)

SOUTH CAROLINA MEMORIAL HOSPITAL
SCHEDULE OF OPERATING EXPENSES

For the Year Ended October 31, 1997

Central Supply:		
Supplies	\$	51,757
leasing		1,514
Contracts		512
Equipment repair		343

Total Central Supply		53,946
Material Management:		
salaries		17,588
Payroll taxes		1,273
Supplies		2,478

Total Material Management		21,341

Total General Services	\$	758,378

Administrative and Fiscal Services:		
Administrative - salaries	\$	135,000
Administrative - supplies		185
Administrative - education and travel		1,821
Administrative - contracts		83
Administrative - consultants		1,081
Administrative - auto		10,288
Advertising and public relations		422
Bank card charges		1,828
Business office - salaries		123,374
Business office - supplies		19,666
Business office - payroll taxes		8,458
Business office - contracts		1,187
Business office - leasing		31,248
Collection fees		5,712
Dues and subscriptions		12,104
Equipment rental		3,643
Insurance		880,394
Legal and professional		183,034
Licenses		8,384
maintenance service contracts		1,318
Miscellaneous		23

Schedule 1
(Continued)

SOUTH CAMERON MEMORIAL HOSPITAL
SCHEDULE OF OPERATING EXPENSES

For the Year Ended October 31, 1997

<u>Administrative and Fiscal Services (Cont.)</u>	
Permittees	\$ 379
Postage and messenger	16,816
Rental expense and utility	13,484
Telephone	84,743
Travel	11,853
Television rental	1,987
Unemployment	10,301
Utilities	73,852
Vending machine	6,183
Wedding discount fees	561,666
Wedcap loan origination fees	14,000

Total Administrative and and Fiscal Services	\$ 2,167,156

<u>Chemical Dependency Unit:</u>	
Salaries	\$ 14,872
Payroll taxes	3,899
Rent and utilities	14,896

Total Chemical Dependency Unit	\$ 32,667

<u>Home Health:</u>	
Salaries - clerical	\$ 11,824
Salaries - RN	117,538
Salaries - LPN	38,267
Salaries - nurses aide	31,308
Payroll taxes - clerical	881
Payroll taxes - RN	8,592
Payroll taxes - LPN	3,114
Payroll taxes - nurses aide	2,439
Supplies	6,627
Mileage	21,525
Rent and utilities	1,816
Leasing	52,464
Postage	86
Telephone	1,388
Equipment repair	118

Total Home Health	\$ 289,285

Schedule 1
 (Continued)

SOUTH CAMERON MEMORIAL HOSPITAL
 SCHEDULE OF OPERATING EXPENSES

FOR the Year Ended October 31, 1967

<u>Calcasieu Oaks Facility:</u>		
Salaries - RN	\$	421,822
Salaries - LPN		40,422
Salaries - clerical		26,476
Salaries - MFT		227,328
Salaries - technicians		78,726
Salaries - housekeeping		25,353
Payroll taxes - RN		22,622
Payroll taxes - LPN		3,163
Payroll taxes - clerical		2,027
Payroll taxes - MFT		16,780
Payroll taxes - housekeeping		1,819
Advertising		388
Contracts - various		233,886
Dietary foods		166,856
Education and travel		278
Equipment and building repairs		1,285
Laundry and linens		6,247
Leasing		8,987
Licenses		85
Postage		288
Professional services		621,666
Rent and utilities		688,000
Special procedures		197,568
Supplies		42,704
Supplies - pharmacy		124,884
Telephone		19,930

Total Calcasieu Oaks Facility	\$	3,649,822

<u>Holly Hill House Facility:</u>		
Salaries	\$	58,148
Payroll taxes		4,388
Supplies		484
Contracts		197,608
Rental and utilities		200
Telephone		3,000

Total Holly Hill House Facility	\$	219,668

SOUTH CAROLINA MEMORIAL HOSPITAL
SCHEDULE OF OPERATING EXPENSES

For the Year Ended October 31, 1987

<u>Rural Health Clinics</u>		
Salaries - physicians	\$	87,313
Salaries - LPN		42,842
Salaries - clerical		15,418
Salaries - nurse practitioners		72,288
Salaries - GL		11,181
Payroll taxes - physician		6,724
Payroll taxes - LPN		3,182
Payroll taxes - clerical		988
Payroll taxes - nurse practitioners		5,081
Payroll taxes - GL		878
Supplies		8,418
Rent and utilities		24,019
Telephone		8,138
Contracts		4,190
Education and travel		842
Professional services		8,008
Postage		548

Total Rural Health Clinics	\$	298,813

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**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 and for the years ended October 31, 1997 and 1996 and have issued our report thereon dated April 29, 1998. 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-133, Audits of State and Local Governments. Those standards and OMB Circular A-133 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. 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 purpose 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.

McMullen and Moncreau, CPAs
April 28, 1998

SOUTH CAMERON MEMORIAL HOSPITAL
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
 For the Year Ended October 31, 1997

Schedule 2

	<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	93.012	\$256,207	\$256,207	\$256,207
Health care financing Administration				
Rural Health care Transition Grant	93.779	150,000	55,350	55,350
Totals		<u>\$406,207</u>	<u>\$311,557</u>	<u>\$311,557</u>

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Year Ended October 31, 1997

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

SOUTH CAROLINA MEMORIAL HOSPITAL Schedule 4
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
For the Year Ended October 31, 1986

There were no prior year audit findings applicable to the Federal financial assistance programs.

The Muller and Manasco
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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 as of and for the years ended October 31, 1997 and 1998, 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 structure 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.

We noted instances of payment of accounts without a related invoice which caused the Hospital to overpay a particular account. While we are aware that this practice is not the norm, we do want to stress that all payments should be made from an original invoice only. If payment is being demanded, a copy of an invoice can usually be obtained from the vendor, and later attached to the original invoice when located.

Another problem noted was in the taking of inventory on October 31, 1997. Particularly, controls were not in place for reconciling items removed from and added to inventory subsequent to the physical count. All departments should be instructed of the proper procedure before starting to take the physical inventory. Additionally, several items were not included in the inventory at calculation date nor were the items that were included valued.

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 risk that errors or irregularities in accounts that would be material in relation to the component unit financial statement 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 are material weaknesses.

This report is intended for the information of the 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.

McMillon and Mancuso, CPAs

April 29, 1988

SOUTH CAMERON MEMORIAL HOSPITAL

JOSEPH L. BOLLEA
Chair, Board of Trustees

ROUTE 1, BOX 277 □ CAMERON, LOUISIANA 70520 □ TELEPHONE (337) 542-4111 / FAX (337) 542-4002

SOUTH CAMERON MEMORIAL HOSPITAL CORRECTIVE ACTION PLAN For the Year Ended October 31, 1997

Finding Number 1

Payment of accounts without a related invoice.

Reasons

While it is our policy to pay accounts from an original invoices, we do concede that a few exceptions occurred where a bill was paid as a result of a telephone request. We will request an invoice in all instances before releasing payment.

Finding Number 2

Problems regarding inventory procedures.

Reasons

We concur with the auditors' findings and will have a meeting with all supervisory personnel prior to beginning inventory as well as submit a memo to all appropriate staff.