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LOWER CAMERON HOSPITAL SERVICE DISTRICT
FINANCIAL REPORT
DECEMBER 31, 2003

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

Release Date 8/4/04

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BROUSSARD, POCHE', LEWIS & BREAUX, L.L.P.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of the Lower Cameron Hospital Service District, as of and for the year ended December 31, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the Service District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Eugene C. Gilder, CPA*
Donald W. Kelley, CPA*
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Frank A. Stagno, CPA*
Scott J. Broussard, CPA*
L. Charles Abshire, CPA*
Kenneth R. Dugas, CPA*
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Fayette T. Dupre', CPA*
Mary A. Castille, CPA*
Joey L. Breau, CPA*
Terrel P. Dressel, CPA*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Lower Cameron Hospital Service District as of December 31, 2003, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying general purpose financial statements have been prepared assuming that the Service District will continue as a going concern. As discussed in Note 12 to the general purpose financial statements, the Service District has incurred losses and has a deficit fund balance. These conditions raise substantial doubt about the Service District's ability to continue as a going concern. Management's plans as to these matters are also described in Note 12. The general purpose financial statements do not include any adjustments to reflect the possible future effects of the recoverability of assets or the amounts of liabilities that may result from the possible inability of the Service District to continue as a going concern.

Retired:

Sidney L. Broussard, CPA 1980
Leon K. Poche', CPA 1984
James H. Breau, CPA 1987
Erma R. Walton, CPA 1988
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To the Board of Commissioners
Lower Cameron Hospital Service District

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2004, on our consideration of the Lower Cameron Hospital Service District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Crowley, Louisiana
February 23, 2004

LOWER CAMERON HOSPITAL SERVICE DISTRICT

BALANCE SHEET
December 31, 2003

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	313,573
Property tax receivable		208,793
Rent receivable (less allowance for uncollectible of \$30,000)		-
Other receivables (less allowance for uncollectible of \$341,167)		-
Total current assets	\$	522,366

FIXED ASSETS

Property, plant and equipment, at cost, less accumulated depreciation of \$3,277,612		1,050,603
Total assets	\$	1,572,969

LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES

Accounts payable	\$	514,829
Third-party payor settlements		9,720,024
Total current liabilities	\$	10,234,853

FUND BALANCE

Unrestricted (deficit)		(8,661,884)
Total liabilities and fund balance	\$	1,572,969

See Notes to Financial Statements.

LOWER CAMERON HOSPITAL SERVICE DISTRICT

STATEMENT OF OPERATIONS
Year Ended December 31, 2003

Operating revenues:		
Ad valorem taxes	\$	209,102
Rental income		180,000
Other operating revenues		71,558
		<hr/>
Total operating revenues	\$	460,660
		<hr/>
Operating expenses:		
Depreciation and amortization	\$	121,218
Emergency room maintenance		175,000
Legal and accounting		94,501
Contract labor		3,000
Provision for bad debts		371,167
Other operating expenses		1,348
		<hr/>
Total operating expenses	\$	766,234
		<hr/>
Operating loss	\$	(305,574)
		<hr/>
Non-operating revenues:		
Interest income	\$	386
Intermediary cost report adjustments		1,551
		<hr/>
Total non-operating revenues	\$	1,937
		<hr/>
Deficiency of revenues over expenses	\$	(303,637)
		<hr/> <hr/>

See Notes to Financial Statements.

LOWER CAMERON HOSPITAL SERVICE DISTRICT

STATEMENT OF CHANGES IN FUND BALANCE
Year Ended December 31, 2003

	<u>Unrestricted</u>	<u>Restricted</u>
Fund balance (deficit), beginning	\$ (8,369,475)	\$ 11,228
Amounts released from restrictions	11,228	(11,228)
Deficiency of revenues over expenses	(303,637)	-
Fund balance (deficit), ending	<u>\$ (8,661,884)</u>	<u>\$ -</u>

See Notes to Financial Statements.

LOWER CAMERON HOSPITAL SERVICE DISTRICT

STATEMENT OF CASH FLOWS
Year Ended December 31, 2003

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating income	\$	(305,574)
Ad valorem taxes considered financing activity		(209,102)
<i>Adjustments to reconcile operating loss to net cash used in operating activities:</i>		
Depreciation and amortization		121,218
Provision for bad debts		371,167
<i>(Increase) decrease in assets:</i>		
Rent receivable		90,000
Property tax receivable		16,782
Other receivables		38,843
<i>Increase in liabilities:</i>		
Accounts payable		(127,921)
Third party-payor settlements		(40,960)
 Net cash used in operating activities	 \$	 (45,547)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Ad valorem taxes	209,102
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CASH FLOWS FROM INVESTING ACTIVITIES:

Interest income	386
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Net increase in cash and cash equivalents	\$	163,941
Cash and cash equivalents, beginning		149,632
Cash and cash equivalents, ending	\$	313,573

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES:

Retroactive adjustment to third party-payor settlements	\$	1,551
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See Notes to Financial Statements.

LOWER CAMERON HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

The following is a summary of the Service District's significant accounting policies:

Organization:

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

For reporting purposes, the Service District is not considered a component unit of the Cameron Parish Police Jury due to the fact that they do not meet the established criteria as provided in GASB Statement No. 14, *The Financial Reporting Entity*. These criteria include financial accountability by the Police Jury or the ability to impose their will on the Service District by significantly influencing the programs, projects, activities, or level of services provided by the Service District, and the existence of a financial benefit or burden. The more significant policies of the Service District are described below:

Operation and management:

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

On September 28, 2000, the Service District entered into a 10 year lease agreement with the above mentioned independent management company to assume all hospital operations of the Service District. The lease agreement provides for the following:

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

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

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

LOWER CAMERON HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Property, plant, and equipment:

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

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

Method of accounting:

The Service District utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual method. The Service District's accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the *Louisiana Audit Guide* and *Audit and Accounting Guide – Health Care Organizations*, published by the American Institute of Certified Public Accountants, and standards established by the Governmental Accounting Standards Board (GASB), which is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Accounting standards:

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

Use of estimates:

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

Allowance for uncollectible accounts:

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

LOWER CAMERON HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Cash and cash equivalents:

For purposes of reporting cash flows, the Service District considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Income taxes:

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

Note 2. Cash and Cash Equivalents

Under State laws, the Service District may deposit funds within a fiscal agent bank organized under laws of the State of Louisiana, the laws of any other State in the Union, or the laws of the United States. The Service District may invest in certificates and time deposits of state banks organized under Louisiana Law and national banks having principal offices in Louisiana. At December 31, 2003, the Service District has cash and interest bearing deposits (book balances) totaling \$313,573. These deposits are stated at cost, which approximates market. Under state laws, the deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2003, the Service District has \$371,271 in deposits (bank balances). These deposits are secured from risk by \$100,000 of Federal Deposit Insurance Corporation (FDIC) coverage and \$302,457 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Service District that the fiscal agent has failed to pay deposited funds upon demand.

Note 3. Other Receivables

A summary of other receivables at December 31, 2003, is as follows:

Due from the independent management company	\$ 235,062
Due from independent management company - legal and accounting fees	68,780
Due from independent management company - uncompensated cost	37,325
Less:	
Allowance for amounts deemed uncollectible	<u>(341,167)</u>
Total other receivables	<u>\$ -</u>

LOWER CAMERON HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 4. Restricted Assets

The granting agency has removed the restrictions on the \$11,228 of cash and cash equivalents reported as restricted assets that were set aside for telemedicine evaluation activities associated with the Telemedicine Research Center under the 1994 grant. Therefore, these funds have been re-categorized from restricted assets to unrestricted assets.

Note 5. Property, Plant, and Equipment

A summary of property, plant, and equipment at December 31, 2003, is as follows:

Building	\$2,175,181
Equipment	2,119,607
Land (plant)	31,321
Land improvements	<u>2,106</u>
Gross property, plant, and equipment	\$4,328,215
Less: accumulated depreciation	<u>(3,277,612)</u>
Net property, plant, and equipment	<u>\$1,050,603</u>

Depreciation expense for the year ended December 31, 2003, totaled \$121,218.

Note 6. Accounts Payable

Of the total accounts payable of \$514,829 at December 31, 2003, \$91,871 is the responsibility of the independent management company in accordance with the management agreement.

Note 7. Ad Valorem Taxes

The Service District is authorized to levy a tax of 3.66 mills on all property in the District for operating and maintaining the District's hospital facilities for a period of ten years, starting in 2000 and ending in the year 2009, or such shorter period during which the taxpayers and members of the public continue to receive the benefit of the continued operation of the emergency room services and facilities, and other hospital services and facilities of the District.

The Service District's property tax is levied by the parish on the taxable real property in the district in late October of each year. Bills are sent out in November of each year at which time the Service District records the tax revenue, and become a lien in the following March. The collection period for the Service District's property taxes is from December (at which time they become delinquent) to the succeeding May.

Pursuant to Act No. 1140 of the 2001 Regular Legislative Session, protested ad valorem tax receipts are no longer segregated and held pending the outcome of the protest lawsuit. Instead, these payments are remitted to the Service District. If the taxpayer successfully wins the protest lawsuit, the Service District is liable to pay the taxpayer the protested tax amount plus interest. At December 31, 2003, the amount of protested ad valorem taxes collected, pending the outcome of protest lawsuits is \$52,875.

LOWER CAMERON HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Rental Income

The Service District rental income of \$180,000 is from the independent management company for monthly rental of the Service District's building and equipment for the period ended December 31, 2003. Of the \$180,000 rent income, \$30,000 was a receivable from the independent management company at December 31, 2003. An amount was accrued in the allowance for uncollectible accounts for the entire \$30,000 rent receivable as of December 31, 2003.

Note 9. Emergency Room Maintenance

For the period ended December 31, 2003, the Service District paid the independent management company \$175,000 from its ad valorem tax collections for the maintenance of the emergency room in accordance with the management agreement.

Note 10. Third-party Payor Settlements

The Service District has intermediary receivable/payable balances on cost reports from when the Service District operated a hospital. Medicare and Medicaid would reimburse the hospital for cost reimbursable items at an interim tentative rate with final settlement determined after submission of the annual cost reports by the hospital and audits thereof by the Medicare and Medicaid fiscal intermediary. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the near term. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to audit. As a result of retroactive adjustments of certain prior year cost reports, the Service District recorded changes in estimates resulting in an increase in non-operating revenues of \$1,551.

The following is a schedule of third-party payor settlement payable/(receivable) as of December 31, 2003:

Cost Report Year	Medicare	Medicaid	Total
1995	\$ -	\$ 2,601,987	\$ 2,601,987
1997	2,262,779	1,168	2,263,947
1998	4,334,615	93,802	4,428,417
1999	238,164	(3,286)	234,878
2000	191,091	(296)	190,795
Total	<u>\$ 7,026,649</u>	<u>\$ 2,693,375</u>	<u>\$ 9,720,024</u>

The Service District's Medicare and Medicaid cost reports have been audited by the Medicare fiscal intermediary through October 31, 1998.

Note 11. Bankruptcy Plan

On November 18, 1999, the Lower Cameron Hospital Service District filed for bankruptcy under Chapter 9 of the Bankruptcy code. On September 28, 2000, the Chapter 9 Bankruptcy plan was accepted by the creditors and was approved by Bankruptcy Court, the Governor, Attorney General, and State Bond Commission, as required by Louisiana Law. The provisions of this confirmed plan bind the Service District and its creditors in accordance with Section 944 of the Code. The plan also binds all creditors of the Service District to cease any

LOWER CAMERON HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

existing offset or recoupment and to refrain from exercising any rights they may have to offset or recoup funds of the Service District or of any lessee of the Service District arising out of amounts owed to creditors based upon periods of time prior to September 28, 2000.

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

Included in total current liabilities at December 31, 2003, is \$10,023,868, which falls under the bankruptcy plan. In accordance with the bankruptcy plan, \$75,249 was paid to creditors during the year ended December 31, 2003.

Note 12. Going Concern

The Service District has incurred substantial losses from operations and third-party payor settlements, which have resulted in its liabilities being substantially in excess of its assets causing a deficit fund balance. On November 18, 1999, the Service District filed for voluntary relief under Chapter 9 bankruptcy proceedings in the United States District Court for the Western District of Louisiana. The bankruptcy plan was confirmed on September 28, 2000 (see Note 11). The Service District's Board believes that the confirmation of the bankruptcy plan and the leasing of hospital operations to an independent management company will be sufficient to continue operations. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Note 13. Contingencies

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

Note 14. Subsequent Events

Lease Assignment

Effective March 19, 2004, the Service District entered into a lease assignment and amendment agreement, transferring the lease of the hospital and equipment from Camelot Specialty Hospital of Cameron, L.L.C. to Pacer Health Management Corporation, L.L.C.

Excess Revenue Certificates of Indebtedness

On January 15, 2004, the Service District received approval from the Louisiana State Bond Commission to incur debt in an amount not to exceed \$1,200,000 in the form of excess revenue bonds, for the purpose of purchasing and acquiring certain medical equipment for South Cameron Memorial Hospital. As of the issue date of this report, the Service District has not issued any excess revenue bonds or incurred any debt for acquiring certain medical equipment.



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INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

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

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the Lower Cameron Hospital Service District taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Lower Cameron Hospital Service District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

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

Crowley, Louisiana
February 23, 2004

LOWER CAMERON HOSPITAL SERVICE DISTRICT

SCHEDULE OF OTHER OPERATING REVENUES
Year Ended December 31, 2003

State revenue sharing	\$	2,706
Reimbursement on legal and accounting fees		68,780
Miscellaneous		72
		<hr/>
Total other operating revenues	\$	71,558
		<hr/> <hr/>

LOWER CAMERON HOSPITAL SERVICE DISTRICT

**SCHEDULE OF BOARD FEES
Year Ended December 31, 2003**

Board Members:

The Service District's board members did not receive any compensation for the year ended December 31, 2003.

A schedule of compensation paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.



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

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

We have audited the general purpose financial statements of the Lower Cameron Hospital Service District, as of and for the year ended December 31, 2003, and have issued our report thereon dated February 23, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Lower Cameron Hospital Service District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lower Cameron Hospital Service District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. A reportable condition involves matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Lower Cameron Hospital Service District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2003-1.

To the Board of Commissioners
Lower Cameron Hospital Service District

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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 over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of management, others within the Service District, federal award agencies, pass-through entities, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

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

Crowley, Louisiana
February 23, 2004

LOWER CAMERON HOSPITAL SERVICE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2003

We have audited the general purpose financial statements of the Lower Cameron Hospital Service District as of and for the year ended December 31, 2003, and have issued our report thereon dated February 23, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the general purpose financial statements as of and for the year ended December 31, 2003, resulted in an unqualified opinion.

Section I. Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes No Reportable Conditions Yes No

Compliance

Compliance Material to Financial Statements Yes No

b. Federal Awards

The Service District does not have any Federal Awards.

Section II. Financial Statement Findings

2003-1 – Segregation of Duties

Finding: The Service District does not have adequate segregation of duties. A system of internal control procedures contemplates a segregation of duties so that no one individual handles a transaction from its inception to its completion. While we recognize that the Service District may not be large enough to permit such procedures, it is important that the Service District be aware of this condition.

Recommendation: The Service District is aware of and has evaluated this problem and concluded that it would not be cost beneficial or possible with the limited resources available to create a segregated accounting environment. Keeping in mind the limited number of personnel to which duties can be assigned, the Service District should continue to monitor assignment of duties to ensure as much segregation of duties and responsibility as possible.

Response: Due to limited resources, complete segregation of duties is not possible. However, the Service District will continue to monitor this situation.

Section III. Internal Control and Compliance Material to the Federal Awards

There were no matters reported relating to reportable conditions, material weaknesses, or instances of noncompliance, including questioned costs, related to federal awards for the year ended December 31, 2003.

LOWER CAMERON HOSPITAL SERVICE DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended December 31, 2003

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

2002-1 – Accounts Payable Controls

Finding: During the course of our audit we noted that expenses in the amount of \$4,116 were paid with the Service District's funds for insurance claims of a former employee. By investigating this payment, we determined that a payment for a health insurance premium (dated October 1, 2000) was not made in a timely manner by the independent management company. By not submitting this payment to the Service District's health insurer in a timely manner, the employees listed on the premium did not receive proper insurance coverage. Due to the fact that the employees were not covered during this time period, because of the untimely payment by the independent management company, the funds of the Service District were used to pay for medical expenses of the former employee. Employees of the Service District at the time also submitted \$1,606 for their portion of the premium for which they received no health insurance coverage.

Recommendation: The Service District should reimburse former employees of the Service District the \$1,606 they paid for their portion of insurance premiums on the health insurance invoice dated October 1, 2000 in which they received no coverage. The Service District should then request payment from the independent management company the \$1,606 paid to employees for their portion of unpaid premiums as well as the amount paid for medical expenses for a former district employee of \$4,116.

Response: RESOLVED. The Service District has reimbursed employees of the District who paid their portion for insurance coverage when in fact they had no insurance coverage. The Service District has been reimbursed by the independent management company for amounts paid for former employees' portions of insurance coverage as well as the amount paid for medical expenses of a former employee.

2002-2 – Segregation of Duties

Finding: The Service District does not have adequate segregation of duties. A system of internal control procedures contemplates a segregation of duties so that no one individual handles a transaction from its inception to its completion. While we recognize that the Service District may not be large enough to permit such procedures, it is important that the Service District be aware of this condition.

Recommendation: The Service District is aware of and has evaluated this problem and concluded that it would not be cost beneficial or possible with the limited resources available to create a segregated accounting environment. Keeping in mind the limited number of personnel to which duties can be assigned, the Service District should continue to monitor assignment of duties to ensure as much segregation of duties and responsibility as possible.

Response: UNRESOLVED. The Service District has continued to try to monitor the problem with segregation of duties, but due to the small size of the administrative staff, complete segregation of duties is not possible. This finding is also included in the audit report for the year ended December 31, 2003, and described in 2003-1.

Section II. Internal Control and Compliance Material to Federal Awards

The prior year report did not include any federal awards.

Section III. Management Letter

The prior year report did not include a management letter.

LOWER CAMERON HOSPITAL SERVICE DISTRICT

5360 West Creole Hwy

Cameron, Louisiana 70631

Telephone (337) 542-4111

Fax (337) 542-4692

MANAGEMENT'S CORRECTIVE ACTION PLAN

Year Ended December 31, 2003

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

2003-1 – Segregation of Duties

Response: Due to the limited resources, complete segregation of duties is not possible. However, the Service District will continue to monitor this situation.

Section II. Internal Control and Compliance Material to Federal Awards

There were no matters reported relating to reportable conditions, material weaknesses, or instances of noncompliance, including questioned costs, related to federal awards Year Ended December 31, 2003.

Section III. Management Letter

There were no matters reported in a separate management letter Year Ended December 31, 2003.

Responsible party: Lower Cameron Hospital Service District's Board of Commissioners.