HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER

FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2013

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MANAGEMENT'S DISCUSSION AND ANALYSIS

HOSPITAL SERVICE DISTRICT NO. 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013
Unaudited

This section of Hospital Service District No. 1 of the Parish of Plaquemines (d/b/a Plaquemines Medical Center) (the "Center") annual financial report presents the Center's financial performance during the fiscal year that ended on December 31, 2013. This should be read in conjunction with the financial statements and the accompanying notes to those financial statements in this report.

Financial Highlights

- The Center's total assets increased by $13,385,093, or approximately 40.87%, primarily due to unexpended funds received from the special millage passed in 2002 and the FEMA construction grant to cover the construction cost of the new facility.

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- During the year, the Center's total operating revenue decreased $170,615 or 19.55%, to $702,100 from the prior year while expenses increased $32,931, or .88% to $3,769,799. The Center had loss from operations of $3,067,699, which is approximately 437% of total operating revenue. This compares to the prior fiscal year's loss from operations of $2,864,153, or 328% of operating revenue.

- The Center received $2,426,879 and $2,596,933 in 2013 and 2012, respectively, in ad valorem tax revenue for the operations of the facility.

- The Center received $2,760,399 and $2,939,636 in 2013 and 2012, respectively in special millage ad valorem tax revenue from construction and new programs for the facility.

- During the fiscal year, the Center made capital investments, net of depreciation, for a total of $12,271,134.

Required Financial Statements

The Consolidated Financial Statements of the Center report information about the Center and Plaquemines Primary Care, Inc. using Governmental Accounting Standards Board ("GASB") accounting principles. These Statements offer short-term and long-term financial information about their activities.

The Consolidated Statements of Net Position include all of the Center's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the Center's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Center, and assessing the liquidity and financial flexibility of the Center.

All of the current year's revenues and expenses are accounted for in the Consolidated Statements of Revenues and Expenses. This statement measures changes in the Center's operations over the past year and can be used to determine whether the Center has been able to recover all of its costs through its patient service revenue and other revenue sources.

Required Financial Statements (Continued)

The primary purpose of the Consolidated Statement of Cash Flows is to provide information about the Center's cash from operations, investing, and financing and to provide answers to questions such as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Plaquemines Primary Care, Inc. was established for the purpose of providing on-going and follow-up treatment for chronic illnesses on a schedule appointment basis during pre-determined scheduled hours. Plaquemines Primary Care, Inc. will allow the Center to better service the medical needs of its constituents.

Financial Analysis of the Hospital

The Consolidated Statements of Net Position and the Consolidated Statements of Revenue and Expenses report information about the Center's activities. These two statements report the net position of the Center and changes in them. Increases or decreases in the Center's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors, such as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting, should also be considered.

Net Position

TABLE 1
Condensed Consolidated Statements of Net Position

December 31

	2013	2012	Dollar Change	Percent Change
Assets				
Total current assets	$ 7,650,269	$ 6,533,495	$ 1,116,774	17.09%
Capital assets - net	17,311,516	5,040,382	12,271,134	243.46%
Assets limited to use	21,172,015	21,174,830	(2,815)	-0.01%
Total assets	46,133,800	32,748,707	13,385,093	40.87%
Liabilities				
Current liabilities	1,516,959	712,532	804,427	112.90%
Deferred Inflows of Resources				
Unearned grant revenue	-	1,225,132	(1,225,132)	0.00%
Net Position				
Net investment in capital assets	17,311,516	5,040,382	12,271,134	243.46%
Restricted	21,563,611	20,683,296	880,315	4.26%
Unrestricted	5,741,713	5,087,365	654,348	12.86%
Total Net Position	$ 44,616,840	$ 30,811,043	$ 13,805,797	44.81%

As can be seen in Table 1, total assets increased by $13,385,093 to $46,133,800 in fiscal year 2013, from $32,748,707 in fiscal year 2012. The change in total net position is primarily due to the excess of revenues over expenses in fiscal year 2013 and investment in capital assets funded by the FEMA hurricane reconstruction grant.

Summary of Revenue and Expenses

The following table presents a summary of the Center's historical revenues and expenses for each of the fiscal years ended December 31, 2013 and 2012:

TABLE 2
Condensed Consolidated Statements of Revenue, Expenses, and Change in Net Position

	Year Ended December 31 2013	2012	Dollar Change	Percent Change
Revenue:				
Net patient service revenue	$ 702,100	$ 872,715	$ (170,615)	-19.55%
Total operating revenue	702,100	872,715	(170,615)	
Expenses:				
Salaries & employee benefits	1,431,224	1,237,567	193,657	15.65%
Supplies, contract services, equipment, and fees	1,881,031	2,065,879	(184,848)	-8.95%
Other operating expenses	398,999	347,081	51,918	14.96%
Depreciation	58,545	86,341	(27,796)	-32.19%
Total operating expenses	3,769,799	3,736,868	32,931	0.88%
Operating income (loss)	(3,067,699)	(2,864,153)	(203,546)	7.11%
Investment income	14,758	28,967	(14,209)	-49.05%
Excess of revenue & investment income over expenses	(3,052,941)	(2,835,186)	(217,755)	7.68%
Advalorem tax revenue	2,426,879	2,596,933	(170,054)	-6.55%
Other	34,028	7,944	26,084	328.35%
Construction Grant income	11,663,454	3,145,345	8,518,109	270.82%
Emergency Preparedness	-	(22,110)	22,110	-100.00%
Old facility demolition	(26,022)	(282,595)	256,573	100.00%
Special millage Advalorem tax revenue	2,760,399	2,939,636	(179,237)	-6.10%
Change in net assets	13,805,797	5,549,967	8,377,690	150.95%
Total net position - beginning of year	30,811,043	25,261,076	5,549,967	21.97%
Total net position - end of year	$ 44,616,840	$ 30,811,043	$ 13,805,797	44.81%

Sources of Revenue

Operating Revenue

Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payors. Reimbursement for the Medicare and Medicaid programs and the third-party payors is based upon established rates and contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. The provision for bad debt decreased approximately $86,875 or 13% during 2013.

Investment Income

The Center holds designated and restricted funds that are invested primarily in money market funds. These investments had a total return of $14,758 and $28,967 during fiscal years 2013 and 2012, respectively.

Operating and Financial Performance

The following summarizes the Center's statements of revenue and expenses as between 2013 and 2012:

Overall activity at the Center, as measured by patient-visits and procedures performed decreased 10% to 8,094 visits and procedures in 2013 from 8,966 visits and procedures in 2012. Net patient service revenue per patient visit/procedure decreased 14% to $84.08 per patient visit/procedure in 2013 from $97.33 per patient visit/procedure in 2012.

TABLE 3
Patient visits and Procedures Statistical Data

	Year ended December 31	
	2013	**2012**
Clinic Visits	6,532	7,183
Primary Care	875	1,099
Workers Compensation Patients	687	684
	8,094	8,966

Operating and Financial Performance (continued)

Salaries and related benefits expense increased $193,657 or 15.65%, to $1,431,224 in 2013 from $1,237,567 in 2012. As a percentage of operating revenue, salary expense was approximately 206% and 142% for the fiscal years ended December 31, 2013 and 2012, respectively.

Supplies, contract services, equipment, and fees and other operating expenses decreased $184,848 or 8.95% the year ended December 31, 2013.

Depreciation expense decreased slightly for the year ended December 31, 2013 due some assets becoming fully depreciated.

Total operating expenses increased by $32,931 for the year ended December 31, 2013, for the reasons discussed above.

Investment income consists of interest earnings on funds placed in interest bearing accounts. Total investment income decreased from the prior year due to current economic conditions dictating lower interest rates being paid to depositors on these types of accounts.

Assets Limited as to Use

At December 31, 2013 the Center had $21,172,015 of assets limited as to use. The source of these funds is a special millage passed by the voters of Plaquemines Parish designated for starting new programs, offer additional services and for capital expenditures related to equipment acquisitions and facility renovations. This special millage was renewed by the voters of Plaquemines Parish in October 2010. The levy is three mills on all property subject to taxation for a period of ten years beginning with the year 2012 and ending with the year 2021. In addition to the special millage funds the Center has received construction advances from FEMA to be used exclusively for construction cost of the new facility which are reported as assets limited as to use.

The administration of the Center along with the Federal Emergency Management Agency (FEMA) has identified a new location for the permanent facility to be located. In November 2007 the land on which the permanent facility is to be located was purchased. Construction of the new facility began in 2012 and it is anticipated the facility will be completed in 2014.

Capital Assets

At the end of 2013, the Center had a net investment of $12,271,134 in a capital assets see table below. This amount represents a net increase of 243% over last year

Capital Assets at Year End
(Net of Depreciation)

	2013	2012	Change
Land	$ 127,597	$ 127,597	$ -
Construction in progress	16,876,900	4,786,803	12,090,097
Equipment	307,019	125,982	181,037
Total	$ 17,311,516	$ 5,040,382	$12,271,134

In the fiscal year 2013, the Center spent $12,090,097 in construction and engineering fees related to the construction of the new building. A Project Worksheet (PW) has been approved by FEMA in the amount of $22,251,541 as of February 17, 2012. As previously discussed the new facility is expected to be completed in 2014.

Contacting the Center's Financial Manager

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Center's finances. If you have questions about this report or need additional financial information, contact Center administration.

Mr. James L. Cappiello, Chairman
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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Hospital Service District Number 1 of Plaquemines Parish, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the Hosptial Service District Number 1 of Plaquemines Parish, Louisiana d/b/a Plaquemines Medical Center (the Center), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the Hospital Service District Number 1 of Plaquemines Parish, Louisiana, as of December 31, 2013, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages i-vii be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hospital Service District Number 1 of Plaquemines Parish, Louisiana's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2014, on our consideration of the Hospital Service District Number 1 of Plaquemines Parish, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matter. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hospital Service District Number 1 of Plaquemines Parish, Louisiana's internal control over financial reporting and compliance.

Camnetar & Co.

Camnetar & Co., CPAs
a professional accounting corporation

Gretna, Louisiana
June 30, 2014

FINANCIAL STATEMENTS

HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER
CONSOLIDATED STATEMENT OF NET POSITION
For The Year Ended December 31, 2013

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	3,101,999
Ad valorem tax revenue receivable		2,412,910
Patient accounts receivable, net of estimated uncollectibles of $2,641,125		295,880
Grant income receivable		1,794,588
Prepaid Expenses		1,851
Inventories		43,040
Total current assets		7,650,269
ASSETS LIMITED AS TO USE		
Ad valorem tax receivable		2,762,931
Cash and cash equivalents		18,121,009
Certificates of deposit		288,075
Total assets limited as to use		21,172,015
Capital Assets, net of accumulated depreciation of $532,647		17,311,516
TOTAL ASSETS		46,133,800
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable		1,412,363
Accrued expenses		104,595
Total current liabilities		1,516,959
NET POSITION		
Net Investment in Capital Assets		17,311,516
Undesignated - unrestricted		5,741,713
Restricted		21,563,611
TOTAL NET POSITION	$	44,616,840

The accompanying notes are an integral part of these statements.

HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER
CONSOLIDATED STATEMENT OF REVENUES AND EXPENSES
For The Year Ended December 31, 2013

OPERATING REVENUES	
Net patient service revenue	$ 702,100
Recovery of bad debt	-
Total operating revenue	702,100
OPERATING EXPENSES	
Salaries and related expenses	1,431,224
Professional fees	57,072
Medical supplies	169,042
Contract labor	2,190
Repairs and maintenance	85,951
Purchased services	1,709,799
Depreciation and amortization	58,545
Utilities and telephone	51,079
Insurance	71,610
Administrative expense	129,011
Temporary facility fee	4,275
Total operating expenses	3,769,799
OPERATING INCOME (LOSS)	(3,067,699)
NON-OPERATING REVENUE (EXPENSES)	
Ad valorem tax revenue, operating	5,187,278
Ad valorem tax revenue, special millage	2,760,399
Grant income	11,663,454
Miscellaneous	34,028
Investment income	14,758
Old facility demolition	(26,022)
Total non-operating revenue	19,633,895
EXCESSES OF REVENUE OVER EXPENSES	$ 16,566,196

The accompanying notes are an integral part of these statements.

HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
For The Year Ended December 31, 2013

	Restricted	Unrestricted
Net Position at December 31, 2012	$ 20,683,296	$ 10,127,747
Assets purchases - restrictions released	(12,329,679)	12,329,679
Excess (Deficiency) of revenue over expenses	13,209,994	595,803
Net Position at December 31, 2013	$ 21,563,611	$ 23,053,229

The accompanying notes are an integral part of these statements.

HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER
CONSOLIDATED STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Revenue collected	$ 888,255
Cash payments to employees and for employee-related costs	(1,395,025)
Cash payments for operating expenses	(2,775,454)
Net cash used in operating activities	(3,282,224)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Grant income	8,819,109
Ad valorem taxes	2,448,806
Ad valorem taxes - 2002 millage	2,764,782
Net cash provided by non-capital financing activities	14,032,698
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds on disposal of assets	-
Old facility demolition	(26,022)
Purchase of capital assets (property, plant and equipment)	(11,065,650)
Net cash used in capital and related financing activities	(11,091,672)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	-
Miscellaneous	34,028
Investment income	14,758
Net cash provided by investing activities	48,786
NET INCREASE IN CASH AND CASH EQUIVALENTS	(292,411)
CASH AND CASH EQUIVALENTS, beginning of year	21,515,419
CASH AND CASH EQUIVALENTS, end of year	$ 21,223,008
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	$ (3,067,699)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation and amortization	58,545
Bad Debt Expense	558,590
Changes in operating assets and liabilities	
Accounts receivable	(372,435)
Prepaid Expenses	374
Inventories	-
Accounts payable and accrued expenses	(459,599)
Net cash used in operating activities	$ (3,282,224)

The accompanying notes are an integral part of these statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The financial statements include the accounts of the following entities:

Hospital Service District Number 1 of Plaquemines Parish, Louisiana d/b/a Plaquemines Medical Center (the Center) is organized under powers granted to parishes in the Louisiana Revised Statutes and is exempt from Federal and State income taxes. All corporate powers are vested in a Board of Commissioners appointed by the Plaquemines Parish Council. Prior to January 1, 1990, the Center operated as Plaquemines Parish General Hospital (the Hospital). On August 29, 2005 Hurricane Katrina destroyed the facility and all equipment owned by the Center. The Center was rendered inoperable for the remainder of the year ended December 31, 2005. Effective May 1, 2006 the Center resumed operations in a temporary facility that was financed by the Federal Emergency Management Agency (FEMA). The Center provides urgent care medical services on a 24 hour basis.

Plaquemines Primary Care Inc. is a Louisiana non-profit corporation organized to assist the Hospital in providing primary care medical services to the community in a cost effective and efficient manner.

Reporting Entity

The Governmental Accounting Standards Board issued GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statement No. 14 and No. 34,* which established criteria for determining the reporting entity and component units that should be included within the reporting entity and other reporting relationships. The basic criteria for including a potential component unit within the reporting is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

- Appointing a voting majority of an organization's governing body, and the ability of the primary government to impose its will on that organization and/or the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.

- Organizations for which the primary government does not appoint a voting majority but are fiscally dependent on the primary government.

- Organization for which the reporting entity financial statements would be misleading if the data of the organization is not included because of the nature or significance of the relationship.

Based upon the previous criteria, the Center has determined that Plaquemines Primary Care Inc. is a component unit of the reporting entity.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation- As mentioned above, the accompanying consolidated financial statements include the accounts and transactions of the Center and Plaquemines Primary Care Inc. All significant intercompany accounts and transactions have been eliminated in the consolidation.

Measurement Focus, Basis of Accounting – Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. The Center utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. The financial statements are reported using the economic resources measurement focus.

Accounting Standards – GASBS No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* incorporates the text of certain FASB, APB, and ARB pronouncements that were issued before November 30, 1989, that applied to governments. Those pronouncements had become non authoritative for governmental entities when the FASB established the FASB Accounting Standards Codification as the single source of authoritative, nongovernmental GAAP for nonpublic entities in September 2009. While GASBS No. 62 kept the substance of that guidance, it nevertheless modified the guidance to recognize the effects of the governmental environment and the needs of governmental financial statement users.

Income Taxes – The Center and Plaquemines Primary Care, Inc. are a governmental entity under Section 517 of the Internal Revenue Code and is therefore exempt from Federal income taxes.

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

Cash and Cash Equivalents – Cash and cash equivalents, for cash flow statement purposes, include investments in highly liquid debt instruments with maturities of three months or less, including amounts whose use is limited by board designation.

Inventories – Inventories, which consist primarily of drugs and supplies, are valued at the lower of cost (first-in, first-out method) or market.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets – Capital assets purchased or acquired are reported at cost. Contributed assets are reported at fair market value at date received. Additions, improvements, and other capital outlays that extended the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The Center has not adopted a capitalization policy as it relates to reporting thresholds. Judgment is made on a case by case basis Depreciation on all assets, other than land and construction in progress, is provided on the straight line basis over the following estimated useful lives:

Description	Years Depreciated
Land	N/A
Land improvements	20-30
Buildings	25-40
Building improvements	7-30
Infrastructure	20-50
Machinery and Equipment	5-15

Assets Whose Use is Limited or Restricted - Assets whose use is limited or restricted consists of cash and investments reported at fair value with gains and losses included in the consolidated statements of revenues and expenses.

Charity Care – The Center does not have a formal charity care policy, nor does it maintain detailed records of the amount of charity care it provides.

Subsequent Event Review - Management of the Center has reviewed subsequent events through June 30, 2014, which is the date the financial statements were available to be issued and concluded no disclosure is required in accordance with accounting principles generally accepted in the United States of America.

Operating Revenues and Expenses - The Hospital's statement of revenues, expenses and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Hospital's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contributions - From time to time, the Center receives grants from the State of Louisiana as well as contributions from individuals and private organizations revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Restricted Resources - When the Center has both restricted and unrestricted resources available to finance a particular program, it is the Center's policy to use restricted resources before unrestricted resources.

Net Position - In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended*, net position is classified into three components - net investment in capital assets, restricted; and unrestricted. These classifications are defined as follows:

> Net Investment in Capital Assets - This component of net position consists of the historical cost of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
>
> Restricted - This component of net position consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
>
> Unrestricted - All other net position is reported in this category.

Ad valorem Revenue and Receivables - Property taxes are recorded as revenues in the fiscal year in which they are levied, provided they are collected in the current period or within sixty days thereafter. Ad valorem tax revenue receivables presented in the financial statements represents the estimated tax collectable assessed in the current fiscal year.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated absences

Accumulated vacation and sick leave is accrued as an expense of the period in which incurred. Employees of the District earn vacation pay and sick pay based on an employee's length of employment and is earned ratably during the span of employment. Upon termination, employees are paid full value for any accrued general leave earned.

At December 31, 2013 employees have accumulated and vested $27,287of annual leave benefits, which is recorded as a current liability.

Property Tax Calendar - Property taxes are assessed and collected each fiscal year according to the following property tax calendar.

Lien Date	January 1
Levy Date	June 30
Due Date	December 31
Delinquent Date	January 1 of the following year

Impact of Recently Issued Accounting Principles -

Recently Issued and Adopted Accounting Pronouncements:

In November of 2010, GASB issued Statement No. 61 *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34.* GASB No. 61's objective is to improve financial reporting for governmental financial reporting entity. The Statement modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The Statement also clarifies the reporting equity interests in legally separate organizations. This Statement is for periods beginning after June 15, 2012. The adoption of the Statement in 2013 by the Center affects the notes to the financial statements. The Center reports in the notes to the financial statements the condensed net position, condensed statement of revenues, expenses and changes in net position, and a statement of cash flows for the component unit, Plaquemines Primary Care, Inc.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impact of Recently Issued Accounting Principles (continued) -

Recently Issued and Adopted Accounting Pronouncements (continued):

In March of 2012, GASB issued Statement No. 66 *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*. The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions,* and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICP Pronouncements.* The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The adoption of the Statement in 2013 by the Center does not have any impact on the Center's consolidated financial statements.

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

A. Cash and Cash Equivalents

At December 31, 2013, the Center has cash equivalents (book balances) totaling $21,223,008 as follows:

Demand Deposits	$	750
Money Market Accounts		7,143,922
Total Amount of Cash & Cash Equivalent Held at a Fiscal Agent Bank		7,144,672
Investment in Louisiana Asset Management Pool (LAMP)		14,078,336
Total Cash & Cash Equivalents at December 31, 2013	$	21,223,008

These deposits are stated at cost, which approximates market. Under state law, the deposits held at a fiscal agent bank (or the resulting bank balances) must be secured by federal deposit insurance or the pledged securities owned 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. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Restricted cash of which the use of is restricted as described in Note 4.

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Custodial Credit Risk – Deposits Held at Fiscal Agent Bank - At December 31, 2013, the Center had $9,098,542 in deposits (collected bank balances). These deposits are secured from risk by $500,000 of federal deposit insurance and $15,516,746 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). At December 31, 2013 none of the Center's deposits with the financial institutions were under collateralized.

B. Investments

The Center's investments in the Louisiana Asset Management Pool (LAMP) total $14,078,336. LAMP is a local government investment pool established as a cooperative effort to enable public entities of the State of Louisiana to aggregate funds for investments.

In accordance with GASB Codification Section 150.165, the investment in LAMP is not categorized in the three risk categories provided by GASB Codification Section 150.165 because the Investment is in the pool of funds and thereby not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc.; a nonprofit corporation organized under the laws of the State of Louisiana, and is governed by a board of directors comprised of representatives from various local governments and state wide professional organizations. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

Interest Rate Risk - Interest Rate Risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. The Center does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk - Investments Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the Center will not be able to fully recover the value of the investment. Investments in external investment pools are not exposed to custodial credit risk because of their natural diversification and the diversification required by the Securities and Exchange Commission.

NOTE 3 –PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

NOTE 4 - RESTRICTED NET POSITION

The temporarily restricted fund balance at December 31, 2013 represents the unexpended portion of the Ad Valorem tax revenue along with the Ad Valorem tax receivable in the amount of $21,563,611 levied for the specific purpose of starting new programs, offer additional services and for capital expenditures related to equipment acquisitions and facility renovations.

As discussed in Note 11 the Center has $250,000 of certificates of deposit pledged to the Louisiana Patient Compensation Fund to satisfy any malpractice claims. At December 31, 2013 the balance of certificates of deposit is $288,075.

The Center first applies restricted resources when expenditure is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE 5 - THIRD-PARTY PAYOR ARRANGEMENTS

The Center participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Center believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

NOTE 6 – NET PATIENT SERVICE REVENUE

Net patient service revenue is patient revenue reported at the Center's established rates less contractual adjustment, policy discounts and bad debt expense.

Following is a summary of contractual and other adjustment to arrive at net patient service revenues for the year ended December 31, 2013:

Gross patient revenue	$1,524,191
Less: Bad debt expense	558,590
Less: Contractual adjustments	263,501
Net patient service revenue	$ 702,100

NOTE 7 – EMPLOYEE RETIREMENT

Plan Description – Substantially all employees of the Center are members of the Parochial Employees' Retirement System of Louisiana (System), a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All participating employees of the Center are members of Plan A.

All permanent employees working at least 28 hours per week who are paid from funds of the Center are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of creditable service. However, for those employees who were members of the supplemental-plan-only before January 1, 1980, the benefit is equal to one percent of final average salary plus $24 for each year of supplemental-plan-only service earned before January 1, 1980, plus 3 percent of final-average salary for each year of service credited after the revision date. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619 or by calling (225) 928-1361.

NOTE 7 – EMPLOYEE RETIREMENT (Continued)

Funding Policy – Under Plan A, members are required by state statute to contribute 9.50 percent of their annual covered salary, and the Center is required to contribute at an actuarially determined rate. The current rate is 15.75 percent of annual covered payroll. Contributions to the System include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Parish are established and may be amended by state statute. As provide by Louisiana Revised Statute 11:103, the employer contributions are determined by an actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

Total payroll, covered payroll, employee contributions and Center contributions for the year ended December 31, 2013:

Total Payroll	$ 1,126,531
Covered payroll	$ 870,403
Employee contributions	$ 82,688
Center contributions	$ 145,792

NOTE 8 –POST EMPLOYMENT BENEFITS

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City provides health care benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured on or before the first day of the month for the actual month covered. This program is offered for duration of 18 months after the termination date. There is no associated cost to the Center under this program, and there are no participants in the program as of December 31, 2013.

NOTE 9 – AD VALOREM TAX REVENUES

The Hospital Service District levies an annual ad valorem tax on all property subject to taxation in the District. The tax is collected to defray the cost of the Center's operations and was 2.49 mills for 2013. Current taxes are received beginning in December of each year and become delinquent after January 31 of the following year. Taxes are reported as revenues in the period for which they are levied.

In November 2002 the voters of Plaquemines Parish voted to allow the Hospital Service District to levy up to 3.00 mills on all property subject to taxation in the District to be used for the purpose of starting new programs, offer additional services and for capital expenditures related to equipment acquisitions and facility renovations. In 2012 the voters of Plaquemines Parish approved an extension of this millage for an additional 10 years. Accordingly, this millage is set to expire in 2022. For the year ended December 31, 2013 the levy on this Millage was 2.83 mills.

NOTE 10 – TEMPORARY FACILITY

Effective May 1, 2006 the Center resumed providing services in a temporary facility that was financed by the Federal Emergency Management Agency (FEMA). The facility comprises a building constructed with mobile trailers located on a parcel of land the use of which was donated to the Center at no cost. Under the regulations of FEMA the ownership of the mobile trailers will revert to FEMA when the permanent facility is completed and operations are relocated.

In November 2007 the land on which the permanent facility is to be located was purchased. Construction on the permanent facility has begun and will be completed in 2014.

NOTE 11 – MALPRACTICE INSURANCE

During 1976, the State of Louisiana enacted legislation that created a statutory limit of $500,000 for each medical professional liability claim and established the Louisiana Patient Compensation Fund (State Insurance Fund) to provide professional liability insurance to participating health care providers. The Center participates in the State Insurance Fund, which provides up to $400,000 coverage for settlement amounts in excess of $100,000 per claim. The Center has pledged $250,000 in certificates of deposit to the Louisiana Patient Compensation Fund in order to cover any claims up to the $100,000 deductible. All interest earned on the certificates remains with the Center.

NOTE 12 – CONCENTRATION OF CREDIT RISK

The Center grants credit without collateral to its patients, most of who are residents of Plaquemines Parish and who are often insured under third-party payor agreements such as Medicare, Medicaid and Blue Cross. Any balances remaining after the third-party payors have completed their obligation are considered patient responsibility.

Economic Dependency - The Center is located in Port Sulphur, Louisiana and relies primarily on ad valorem taxes imposed by Plaquemines Parish Government.

NOTE 13 – GRANT INCOME

The Center also has an outstanding grant from FEMA related to the construction of the permanent facility. The total amount of the grant is $22,251,541. In addition, the Center has other FEMA grants to provide for the demolition of the old facility and the current temporary facility.

Grant income recognized in the current year of $11,663,724 is made up of the following: (1) $11,612,922 for the construction of the permanent facility and (2) $50,802 for demolition of the former facility.

NOTE 14 – AMOUNTS PAID TO GOVERNING BOARD MEMBERS

The Hospital Board of Commissioners received the following compensation from the Center for services as Commissioners during the year ended December 31, 2013:

Jimmy Cappiello		$ 600
Dale Adams		360
Bonnie Thomas		360
Andree Schaubhut		160
Mary Ann Braud		480
Mena Marinovich		600
Tony Frickey		520
Rev. Tyronne Edwards		360
Connie Lincoln		360
		$ 3,800

HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER
Notes to the Financial Statements
For The Year Ended December 31, 2013

NOTE 15 – CAPITAL ASSETS

Capital assets and depreciation activities of and for the year ended December 31, 2013 is as follows:

	December 31, 2012	Additions	Deletions	December 31, 2013
Capital Assets Not Depreciated				
Construction in progress	$ 4,786,803	$ 12,315,666		$ 17,102,469
Land	127,597	-	-	127,597
Total	4,914,400	12,315,666	-	17,230,066
Capital Assets Depreciated				
Equipment at cost	600,085	14,013	-	614,098
Less Accumulated Depreciation	(474,103)	(58,545)	-	(532,648)
Total	125,982	(44,532)	-	81,450
Capital Assets, net	$ 5,040,382	$ 12,271,134	$ -	$ 17,311,516

NOTE 16 – DEFERRED INFLOWS OF RESOURCES

During the year 2013 the Center received advances for the construction of the permanent facility from FEMA. The Center expended all of the advances on the construction of the permanent facility, as such, the Center has no deferred inflows of resources for the year ended December 31, 2013.

NOTE 17 – FINANCIAL DATA OF COMPONENT UNIT

The condensed financial statement data of Plaquemines Primary Care, Inc. for the year ended December 31, 2013 is shown below in the following statements: (1) condensed statement of net position; (2) condensed statement of revenues, expenses, and change in net position; (3) statement of cash flows.

NOTE 17 – FINANCIAL DATA OF COMPONENT UNIT (Continued)

PLAQUEMINES PRIMARY CARE INC.
Condensed Statement of Net Position
December 31, 2013

	2013
Assets	
Total current assets	$ 100,929
Capital assets - net	6,116
Total assets	107,045
Liabilities	
Current liabilities	6,793
Due to Plaquemines Medical Center	200,000
Total liabilities	206,793
Deferred Inflows of Resources	
Unearned grant revenue	-
Net Position	
Invested in capital assets, net of related debt	-
Restricted (deficit)	(99,748)
Unrestricted	-
Total Net Position	$ (99,748)

NOTE 17 – FINANCIAL DATA OF COMPONENT UNIT (Continued)

PLAQUEMINES PRIMARY CARE, INC.
Statement of Revenues, Expenses, and Change in Net Position
For the Year Ended December 31, 2013

	2013
Operating Revenue	
Net patient service revenue	$ 142,417
Total operating revenue	142,417
Operating Expenses	
Salaries and related expenses	825
Supplies, contract services, equipment, and fees	126,757
Other operating expenses	39,734
Depreciation	-
Total operating expenses	167,316
Operating income (loss)	(24,899)
Nonoperating Revenue (Expense)	
Investment income	24
Other income	21,250
Total Nonoperating Revenue (Expense):	21,274
Change in net position	(3,625)
Total net position - beginning of year	(96,123)
Total net position - end of year	$ (99,748)

NOTE 17 – FINANCIAL DATA OF COMPONENT UNIT (Continued)

PLAQUEMINES PRIMARY CARE, INC.
Statement of Cash Flows
For the Year Ended December 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES		
Revenue collected	$	159,223
Cash payments to employees and for employee-related costs		(825)
Cash payments for operating expenses		(167,391)
Net cash used in operating activities		(8,993)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Miscellaneous income		21,250
Net cash provided by non-capital financing activities		21,250
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets (property, plant and equipment)		0
Net cash used in capital and related financing activities		0
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income		24
Net cash provided by investing activities		24
NET INCREASE IN CASH AND CASH EQUIVALENTS		12,281
CASH AND CASH EQUIVALENTS, beginning of year		65,038
CASH AND CASH EQUIVALENTS, end of year	$	77,318
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$	(24,899)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Bad Debt Expense		0
Changes in operating assets and liabilities		
Accounts receivable		16,806
Accounts payable and accrued expenses		(900)
Net cash used in operating activities	$	(8,993)

COMPLIANCE AND INTERNAL CONTROL SECTION

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

To the Board of Commissioners
Hospital Service District Number 1 of Plaquemines Parish, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business type activities of the Hospital Service District Number 1 of Plaquemines Parish, Louisiana d/b/a Plaquemines Medical Center (the Center) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated June 30, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies, 2013-1.

Compliance and Other Matters

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

We noted certain matters that we reported to the management of the Center, in a separate letter dated June 30, 2014.

The Center's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Under the Louisiana Revised Statue 24:513, this report is distributed by the Legislative Auditor as a public document.

Camnetar & Co.

Camnetar & Co., CPAs
a professional accounting corporation

Gretna, Louisiana
June 30, 2014

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Commissioners
Hospital Service District Number 1 of Plaquemines Parish, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the Hospital Service District Number 1 of Plaquemines Parish, Louisiana d/b/a Plaquemines Medical Center's (the Center) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended December 31, 2013. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Center's compliance.

Opinion on Each Major Federal Program

In our opinion, the Hospital Service District Number 1 of Plaquemines Parish, Louisiana d/b/a Plaquemines Medical Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Under the Louisiana Revised Statue 24:513, this report is distributed by the Legislative Auditor as a public document.

Camnetar & Co.

Camnetar & Co., CPAs
a professional accounting corporation

Gretna, Louisiana
June 30, 2014

HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

Federal Grantor/Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
Department of Homeland Security Direct Programs Disaster Grants - Public Assistance (Presidentially Declared Disasters) Passed through Louisiana Governors Office of Homeland Security and Emergency Preparedness	97.036	075-UWJE6-00	$ 11,945,620
Total Federal Expenditures			$ 11,945,620

HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2013

NOTE A - FISCAL PERIOD AUDITED

Single audit testing procedures were performed for program transactions occurring during the year ended December 31, 2013. Federal financial assistance received during the year did meet the criteria set forth in the Single Audit Act and OMB Circular A-133. Grant terms are indicated in the Schedule of Expenditures of Federal Awards.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the Center has met the qualifications for the respective grants. Costs incurred in programs partially funded by federal grants are applied against federal grant funds to the extent of revenue available when they properly apply to the grant.

HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended December 31, 2013

We have audited the financial statements of the Hospital Service District Number 1 of Plaquemines Parish d/b/a Plaquemines Medical Center as of and for the year ended December 31, 2013, and have issued our report thereon dated June 30, 2014. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A133. Our audit of the financial statements as of December 31, 2013 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 Significant Deficiencies ☒ Yes ☐ No

Compliance
Compliance Material to Financial Statements ☐ Yes ☒ No

b. Federal Awards

Internal Control
Material Weaknesses ☐ Yes ☒ No Significant Deficiencies ☐ Yes ☒ No

Type of Opinion On Compliance For Major Programs: Unqualified ☒ Qualified ☐ Disclaimer ☐ Adverse ☐

Are their findings required to be reported in accordance with Circular A-133, Section .510(a)?

☐ Yes ☒ No

Was a management letter issued? ☒ Yes ☐ No

c. Identification of Major Programs:

- Disaster Grant – Public Assistance CFDA 97.036

Dollar threshold used to distinguish between Type A and Type B Programs: $ 300,000

Is the auditee a "low-risk" auditee, as defined by OMB Circular A-133? ☐ Yes ☒ No

HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For The Year Ended December 31, 2013

Section II Financial Statement Findings

A – Issues of Noncompliance

None

B – Significant Deficiencies

2013-1 Medical Billing and Collections

During early 2013 the Center brought the management of medical billing, follow-up of denied claims, and collections of accounts receivable in house. During the course of the audit, it became apparent that the system of internal control with regards to these functions lacked an effective system of follow-up to insure all chargers were being billed, denied claims were being further processed and delinquent accounts receivable were being properly pursued. We believe that the system of internal control should be augmented to insure proper follow up in these areas.

Management's Response:

The Center agrees with the recommendation and will implement oversight of these functions within the next ninety (90) days.

Section III Federal Award Findings and Questioned Costs

None

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HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER
SCHEDULE OF PRIOR YEAR FINDINGS
For The Year Ended December 31, 2013

Section II   Financial Statement Findings

2012-1 Written Contract with Medical Service Provider –

During the course of our audit we noted that the Center had entered into an arrangement, through its blended component unit, Plaquemines Primary Care, Inc., with a physician to provide part-time medical services. This arrangement was never reduced to a written contract. (*Resolved)*

Section III   Federal Award Findings and Questioned Costs

2012-2 Reporting on Federal Grants –

The quarterly reports for calendar year 2013 prepared on the Centers behalf, by its contracted construction management company did not agree, in all material respects, to the Schedule of Expenditures of Federal Awards or the Center's audited financial results. These reports significantly understated actual expenditures for the year on the Center's two major projects. We recommend that the reports be amended to report the correct expenditures. (*Resolved)*

Section III – Management Letter

2012-3 Legal Review and Consultation Regarding Contracts –

The center is in the process of renegotiating a contract with its principal medical service provider. We believe that the Center's attorney should be involved in this process in the early stages so that the contracts are in compliance with Louisiana State Statutes as they relate to contracts with public entities. (*Resolved)*

2012-4 Losses From Operations –

The Center continued to experience significant losses from operations in 2012. The Center's losses from operations totaled $2.8 million. Total visits increased by 17% but total revenues decreased by approximately $50,000 and revenue per visit decreased by 25%. This required 51% of total ad valorem tax to be used to supplement operations. Considering the additional costs that will be required to operate the new center once it opens in early 2014, unless new reserves are found, the Center will require more of its ad valorem taxes to supplement operations as well as begin to erode its cash resources. *(Resolved)*

Section II Financial Statement Findings

2013-1 Medical Billing and Collections

During early 2013 the Center brought the management of medical billing, follow-up of denied claims, and collections of accounts receivable in house. During the course of the audit, it became apparent that the system of internal control with regards to these functions lacked an effective system of follow-up to insure all chargers were being billed, denied claims were being further processed and delinquent accounts receivable were being properly pursued. We believe that the system of internal control should be augmented to insure proper follow up in these areas.

Management's Response:

The Center agrees with the recommendation and will implement oversight of these functions within the next ninety (90) days.

Section III – Management Letter

2013- 2 Fixed Asset Management

The Center does not currently have a written capitalization and tracking policy with regards to its fixed assets. In the past, acquisition of fixed assets were minimal, however on completion of the permanent facility, significant purchases of medical and office equipment and furniture and fixtures will occur. We believe a system of identification and tracking should be developed and a capitalization policy be adopted to insure proper fixed asset tracking and management.

Management's Response:

The Center agrees with the recommendation and will develop a written capitalization policy and have it voted on by the board within the next ninety (90) days.

HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER

MANAGEMENT ADVISORY COMMENTS

DECEMBER 31, 2013

Camnetar & Co., CPAs
a professional accounting corporation
2550 Belle Chasse Highway, Suite 170, Gretna, LA 70053
504.362.2544 (Fax) 504.362.2663

Edward L. Camnetar, Jr., CPA
Orfelinda G. Richard, CPA
Jamie G. Rogers, CPA

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

Board of Commissioners
Hospital Service District Number 1 of Plaquemines Parish, Louisiana

As part of our examination of the financial statements of the Hospital Service District Number 1 of Plaquemines Parish, Louisiana d/b/a Plaquemines Medical Center as of December 31, 2013 and for the year then ended, we reviewed the system of internal control, administrative procedures and financial procedures of the Center. Our review did not include a detailed examination of all transactions, such as would be necessary to disclose any defalcations or irregularities that may have occurred. However, our engagement did include such tests of the Center's system and procedures to the extent we considered necessary to make an evaluation as required by generally accepted auditing standards and the Louisiana Municipal Audit and Accounting Guide.

As a result of our review, we noted certain areas in the Center's system and procedures where we believe improvements could be made. This memorandum summarizes our comments and suggestions.

We will be pleased to discuss them with you and provide assistance in their implementation.

Camnetar & Co.

Camnetar & Co., CPAs
a professional accounting corporation

Gretna, LA
June 30, 2014

The accompanying advisory comments reflect observations made during the course of this year's audit. These observations are not intended as an evaluation of the performance of any of the Center's personnel.

We would be glad to review these findings with any member of the Center's administration or governing body should further discussion be deemed necessary.

COMMENTS AND SUGGESTIONS

2013- 2 Fixed Asset Management

The Center does not currently have a written capitalization and tracking policy with regards to its fixed assets. In the past, acquisition of fixed assets were minimal, however on completion of the permanent facility, significant purchases of medical and office equipment and furniture and fixtures will occur. We believe a system of identification and tracking should be developed and a capitalization policy be adopted to insure proper fixed asset tracking and management.

PLAQUEMINES MEDICAL CENTER

26851 Highway 23
Port Sulphur, LA 70083

Phone No: 985.564.3344
Fax No: 985.564.0174

June 30, 2014

Mr. Daryl G. Purpera, CPA. CFE
Legislative Auditor
State of Louisiana
P O Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

The following outlines the action to be taken by the Plaquemines Medical Center (Hospital Service District No. 1 of Plaquemines Parish) regarding the "Schedule of Findings and Questioned Cost" and management advisory comments addressed to you by our auditor, Camnetar & Co., CPAs (APAC), in their report dated June 30, 2014.

MANAGEMENT COMMENTS

2013-1 Medical Billing and Collections

Management's Response:

The Center agrees with the recommendation and will implement oversight of these functions within the next ninety (90) days.

2013- 2 Fixed Asset Management

Management's Response:

The Center agrees with the recommendation and will develop a written capitalization policy and have it voted on by the board within the next ninety (90) days.

James L. Cappiello
James L. Cappiello
Chairman