

LOWER CAMERON HOSPITAL SERVICE DISTRICT
FINANCIAL REPORT
DECEMBER 31, 2011

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the Lower Cameron Hospital Service District, a component unit of the Cameron Parish Police Jury, as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Service District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lower Cameron Hospital Service District as of December 31, 2011 and 2010, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2012, on our consideration of the Lower Cameron Hospital Service District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

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

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Lower Cameron Hospital Service District's financial statements as a whole. The accompanying schedules of other operating revenues and schedules of board fees are presented for purposes of additional analysis and are not a required part of the financial statements. The schedules of other operating revenues and schedules of board fees are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Lafayette, Louisiana
June 29, 2012

LOWER CAMERON HOSPITAL SERVICE DISTRICT

BALANCE SHEETS
December 31, 2011 and 2010

ASSETS	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,885,662	\$ 4,106,362
Property tax receivable, net of allowance of \$34,612 and \$14,701 for 2011 and 2010, respectively	349,016	460,458
Due from other governmental agencies	2,661,380	2,841,028
Rent receivable	-	80,000
Other receivables	<u>232,255</u>	<u>65,430</u>
Total current assets	\$ 7,128,313	\$ 7,553,278
CAPITAL ASSETS		
Property, plant and equipment, at cost, less accumulated depreciation of \$5,014,718 and \$4,001,583 for 2011 and 2010, respectively	<u>20,638,354</u>	<u>21,597,421</u>
Total assets	<u>\$ 27,766,667</u>	<u>\$ 29,150,699</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 2,026,955	\$ 2,011,105
Third-party payor settlements	<u>7,833,285</u>	<u>7,833,285</u>
Total current liabilities	<u>\$ 9,860,240</u>	<u>\$ 9,844,390</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 20,638,354	\$ 21,597,421
Unrestricted (deficit)	<u>(2,731,927)</u>	<u>(2,291,112)</u>
Total net assets	<u>\$ 17,906,427</u>	<u>\$ 19,306,309</u>
Total liabilities and net assets	<u>\$ 27,766,667</u>	<u>\$ 29,150,699</u>

See Notes to Financial Statements.

LOWER CAMERON HOSPITAL SERVICE DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Rental income	\$ 113,381	\$ 120,000
Other operating revenues	74,559	2,587
Total operating revenues	<u>\$ 187,940</u>	<u>\$ 122,587</u>
Operating expenses:		
Depreciation and amortization	\$ 1,013,135	\$ 1,208,686
Emergency room and rural health clinic maintenance	2,665,596	1,260,000
Legal and accounting	179,851	156,753
Contract labor	31,600	9,600
Grant administration expense	-	17,500
Bad debt expense	120,000	-
Other operating expenses	52,952	6,724
Total operating expenses	<u>\$ 4,063,134</u>	<u>\$ 2,659,263</u>
Operating loss	<u>\$ (3,875,194)</u>	<u>\$ (2,536,676)</u>
Non-operating revenues:		
Ad valorem taxes, net	\$ 2,387,621	\$ 2,022,214
Investment income	1,310	5,613
Noncapital grants	-	17,500
Total non-operating revenues	<u>\$ 2,388,931</u>	<u>\$ 2,045,327</u>
Deficiency of revenues over expenses before capital grants	\$ (1,486,263)	\$ (491,349)
Capital grants	<u>86,381</u>	<u>399,386</u>
Decrease in net assets	\$ (1,399,882)	\$ (91,963)
Net assets beginning of the year	<u>19,306,309</u>	<u>19,398,272</u>
Net assets at end of year	<u><u>\$ 17,906,427</u></u>	<u><u>\$ 19,306,309</u></u>

See Notes to Financial Statements.

LOWER CAMERON HOSPITAL SERVICE DISTRICT

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from rental activities	\$ 73,381	\$ 60,000
Payments to suppliers and contractors	(3,064,359)	(1,506,120)
Other receipts and payments, net	<u>74,559</u>	<u>2,587</u>
Net cash used in operating activities	<u>\$ (2,916,419)</u>	<u>\$ (1,443,533)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Ad valorem taxes	\$ 1,975,232	\$ 2,235,010
Noncapital grants	<u>493,805</u>	<u>17,500</u>
Net cash provided by noncapital financing activities	<u>\$ 2,469,037</u>	<u>\$ 2,252,510</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	\$ (70,683)	\$ (640,996)
Capital grants	<u>296,055</u>	<u>289,508</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ 225,372</u>	<u>\$ (351,488)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>\$ 1,310</u>	<u>\$ 5,613</u>
Net increase (decrease) in cash and cash equivalents	\$ (220,700)	\$ 463,102
Cash and cash equivalents at beginning of year	<u>4,106,362</u>	<u>3,643,260</u>
Cash and cash equivalents at end of year	<u>\$ 3,885,662</u>	<u>\$ 4,106,362</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (3,875,194)	\$ (2,536,676)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	1,013,135	1,208,686
(Increase) decrease in assets -		
Rent and other receivables	(86,825)	(65,000)
Increase (decrease) in liabilities -		
Accounts payable	<u>32,465</u>	<u>(50,543)</u>
Net cash used in operating activities	<u>\$ (2,916,419)</u>	<u>\$ (1,443,533)</u>

See Notes to Financial Statements.

LOWER CAMERON HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

Operation and management:

On February 1, 2007, the Service District entered into Amended and Restated Cooperative Endeavor Lease with Pacer Health Management Corporation ("Pacer"). During 2011, The Service District consented to an asset purchase agreement dated May 6, 2011 by which Frontier Hospitals, Inc. ("Frontier") acquired certain assets of Pacer and the Louisiana Department of Health and Hospitals license for the operation of the hospital facilities of the Service District. Pacer and Frontier, with the consent of the Service District entered into a management agreement dated May 6, 2011 by which Frontier agreed to manage the operations of the hospital facilities for the Service District on behalf of Pacer for the period of time between May 6, 2011 and the closing date of the sale, June 15, 2011 at which time the lease with Pacer was terminated. Also on May 6, 2011, the Service District entered into a Cooperative Endeavor Lease with Frontier whereby Frontier began operating the hospital facilities on the closing date of the sale, June 15, 2011.

The lease with Frontier is for a one year period ending June 14, 2012 with automatic renewals for three consecutive successive five year renewal terms. Rent under the lease is \$9,400 per month.

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

The Service District, subject to the ability to fund from its resources, provides operational assistance to Frontier under the lease agreement. During the initial term of the lease the Service District is to provide \$1,380,000 in four installments, \$115,000 in May 2011, \$115,000 in June 2011, \$575,000 on July 1, 2011 and \$575,000 on August 1, 2011. Frontier may request additional operational assistance from the Service District; however, payment of additional operational assistance is at the discretion of the Service District.

The financial statements of the Service District have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Service District are described below.

LOWER CAMERON HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Method of accounting:

The Service District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows. Property taxes are recognized as revenues in the year they are levied. Grants are recognized as revenue as soon as eligibility requirements imposed by the provider have been met. The Ambulance District's accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the *Louisiana Governmental Audit Guide*, and the *Audit and Accounting Guide – Health Care Organizations*, published by the American Institute of Certified Public Accountants, and standards established by the GASB.

Use of estimates:

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

Cash and cash equivalents:

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

Allowance for uncollectible accounts:

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

Capital assets:

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

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

Operating revenues and expenses:

The Service District's statements of revenues, expenses and changes in net assets distinguish between operating and non-operating revenues and expenses. Operating revenues result from rental activities, the Service District's principal activity. Non-exchange revenues, including taxes and investment income, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide for the operations of the rental activities.

LOWER CAMERON HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Grants and donations:

Revenues from grants and donations (including capital contributions of assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and donations may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expense.

Income taxes:

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

Environmental matters:

The Service District is subject to laws and regulations relating to the protection of the environment. The Service District's policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. At December 31, 2011, management is not aware of any liability resulting from environmental matters.

Restricted resources:

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

Note 2. Bank Deposits and Investments

The Service District's investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in time deposits, money market investment accounts, or certificates of deposit with financial institutions insured by FDIC; direct obligations of the United States Government and its agencies; commercial paper issued by United States Corporations with a rating of A-1 (Moody's) and P-1 (Standard and Poor's) or higher; and government backed mutual trust funds. At December 31, 2011 and 2010, the Service District's funds consisted solely of demand deposits and certificates of deposits. These deposits are stated at cost, which approximates market.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Service District's deposits may not be returned to it. State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. The Service District's policy requires that all bank balances be insured or collateralized by the financial institution's pledge of their own securities to cover any amount in excess of Federal Depository Insurance Coverage (FDIC). These securities must be pledged in the Service District's name. At December 31, 2011, \$3,384,768 of the Service District's deposits was secured from risk by FDIC coverage and \$515,528 was secured by the financial institution's pledged securities. The amount of FDIC coverage was increased to \$250,000 in fiscal year 2008 and unlimited coverage was available for non-interest bearing accounts due to the bank's participation in FDIC's Temporary Liquidity Guarantee Program. At December 31, 2010 \$3,605,750 of the Service District's deposits were secured from risk by FDIC coverage and \$515,246 was secured by the financial institution's pledged securities. Accordingly, the Service District had no custodial credit risk related to its deposits at December 31, 2011 and 2010.

LOWER CAMERON HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 3. Due from other governmental agencies

A summary of due from other governmental agencies is as follows:

	2011	2010
FEMA grant- Construction	\$ 56,642	\$ 266,315
Louisiana Community Development Block Grant	454,383	948,189
Cameron Parish Sheriff's Office - Ad Valorem Tax	2,150,355	1,626,524
 Total due from other governmental agencies	 \$ 2,661,380	 \$ 2,841,028

Note 4. Ad Valorem Taxes

The Service District's property tax is levied by the parish on the taxable real property in the Service District in late October of each year. Bills are sent out in November of each year at which time the Service District records the tax revenue, taxes become delinquent on December 31st, and become a lien in the following March. The Service District levied 22.04 mills on properties with assessed values of \$115,823,507 and \$96,970,268 net of homestead values, for the years ended December 31, 2011 and 2010 respectively.

Prior to 2006, protested ad valorem tax receipts were remitted to the Service District and held pending the outcome of the protest lawsuit. If the taxpayer successfully wins the protest lawsuit, the Service District will have to pay the taxpayer the protested tax amount plus interest. At December 31, 2011 and 2010, the amount of protested ad valorem taxes held by the Service District, pending the outcome of protest lawsuits, was \$291,134 and \$292,843, respectively. Since 2006, protested ad valorem receipts are held by the Sheriff pending the outcome of the protest lawsuit. Protested ad valorem receipts collected by the Sheriff and not remitted to the Ambulance District have been recognized as revenue and are included in due from other governmental agencies in the balance sheets. At December 31, 2011 and 2010, the amount of protested ad valorem taxes collected by the Sheriff and being held pending the outcome of protest lawsuits was \$98,348 and \$109,564, respectively.

LOWER CAMERON HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

Capital assets additions, retirements, and balances for the years ended December 31, 2011 and 2010 were as follows:

	December 31, 2010	Additions	Retirements	December 31, 2011
Land	\$ 31,321	\$ -	\$ -	\$ 31,321
Buildings and improvements	21,747,790	369,283	-	22,117,073
Equipment	3,504,678	-	-	3,504,678
Construction in progress	315,215	40,806	(356,021)	-
Total historical cost	<u>\$ 25,599,004</u>	<u>\$ 410,089</u>	<u>\$ (356,021)</u>	<u>\$ 25,653,072</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ (1,832,679)	\$ (585,355)	\$ -	\$ (2,418,034)
Equipment	(2,168,904)	(427,780)	-	(2,596,684)
Total accumulated depreciation	<u>\$ (4,001,583)</u>	<u>\$ (1,013,135)</u>	<u>\$ -</u>	<u>\$ (5,014,718)</u>
Capital assets, net	<u>\$ 21,597,421</u>	<u>\$ (603,046)</u>	<u>\$ (356,021)</u>	<u>\$ 20,638,354</u>

	December 31, 2009	Additions	Retirements	December 31, 2010
Land	\$ 31,321	\$ -	\$ -	\$ 31,321
Buildings and improvements	21,120,947	626,843	-	21,747,790
Equipment	3,504,678	-	-	3,504,678
Construction in progress	384,446	315,215	(384,446)	315,215
Total historical cost	<u>\$ 25,041,392</u>	<u>\$ 942,058</u>	<u>\$ (384,446)</u>	<u>\$ 25,599,004</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ (1,272,595)	\$ (560,084)	\$ -	\$ (1,832,679)
Equipment	(1,520,302)	(648,602)	-	(2,168,904)
Total accumulated depreciation	<u>\$ (2,792,897)</u>	<u>\$ (1,208,686)</u>	<u>\$ -</u>	<u>\$ (4,001,583)</u>
Capital assets, net	<u>\$ 22,248,495</u>	<u>\$ (266,628)</u>	<u>\$ (384,446)</u>	<u>\$ 21,597,421</u>

Depreciation expense for the years ended December 31, 2011 and 2010 amount to \$1,013,135 and \$1,208,686, respectively. Canopies for the hospital were being constructed during 2010 and were completed during 2011.

LOWER CAMERON HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 6. Third-Party Payor Settlements

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

The following is a schedule of third-party payor settlement payable (receivable) as of December 31, 2011 and 2010:

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

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

For the period ended December 31, 2011 and 2010, the Service District paid \$2,665,596 and \$1,260,000, respectively, from its ad valorem tax collections and grant proceeds for the maintenance of the emergency room and rural health clinic, and operational shortfalls in connection with the Hospital's operations, in accordance with the lease agreements and board resolutions.

Note 8. Bankruptcy Plan

On November 18, 1999, the Service District filed for bankruptcy under Chapter 9 of the Bankruptcy Code. On September 28, 2000, the Chapter 9 Bankruptcy Plan was accepted by the creditors and was approved by Bankruptcy Court, the Governor, Attorney General, and State Bond Commission, as required by Louisiana Law. The provisions of this confirmed plan bind the Service District and its creditors in accordance with Section 944 of the Code. The Plan also binds all creditors of the Service District to cease any existing offset or recoupment and to refrain from exercising any rights they may have to offset or recoup funds of the Service District or of any lessee of the Service District arising out of amounts owed to creditors based upon periods of time prior to September 28, 2000.

LOWER CAMERON HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

In accordance with the Bankruptcy Plan, claims were classified as Class 1, Class 2, Class 3, Class 4 and Class 5. As stated in the "Immaterial Modifications to Plan of Adjustment", all unpaid Class 3 claims, which were claims consisting of all allowed unsecured, non-priority claims in excess of \$500, were to be discharged after five years from the date of confirmation. In addition, Class 4 claims consisting of claims owed to the Department of Health and Hospitals (the "DHH") were to be discharged down to 30% of the original confirmed amount after the five year lapse from date of confirmation. The original amount of Class 5 claims (HCFA), however, remain payable as of December 31, 2011.

Included in total current liabilities at December 31, 2011 and 2010 is \$7,833,285 which falls under the Bankruptcy Plan. In accordance with the Bankruptcy Plan, there were no amounts paid to creditors during the years ended December 31, 2011 or 2010.

Note 9. Contingencies

The Service District is the defendant in a malpractice lawsuit filed by a former patient of the geriatric psychiatric facility when the Service District operated the facility. The claim was presented to the medical review panel, which denied the plaintiff's claim. The plaintiff filed suit in District Court for the claim. The Service District's insurer that was defending the case is now bankrupt. The suit was tried in District Court and favorable verdict of no liability was awarded to the Service District; however, the plaintiff had the right to appeal. Subsequent to year end the Service District and the plaintiff reached a settlement whereby the Service District paid the plaintiff \$20,000.

Note 10. Settlement Agreement with Camelot and Purchase Agreement for Stock

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

During 2011, the Service District obtained physical possession of the stock and entered into a purchase agreement with a buyer. The Service District collected \$71,664 under the purchase agreement during the year ended December 31, 2011. The amount is considered bad debt recoveries and is included in other operating revenues in the statement of revenues, expenses and changes in net assets.

LOWER CAMERON HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Noncapital and Capital Grants

The following is a recap of the noncapital and capital grants recognized by the Service District for the years ending December 31, 2011 and 2010.

	<u>2011</u>	<u>2010</u>
Noncapital grants:		
Louisiana Community Development Block Grant	\$ -	\$ 17,500
Total noncapital grants	<u>\$ -</u>	<u>\$ 17,500</u>
Capital grants:		
U.S. Department of Homeland Security (FEMA Public Assistance) - Hospital and staff housing construction	<u>\$ 86,381</u>	<u>\$ 399,386</u>
Total capital grants	<u>\$ 86,381</u>	<u>\$ 399,386</u>

Note 12. Reclassifications

Certain amounts in the prior year have been reclassified to conform to the current year presentation.

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SUPPLEMENTARY INFORMATION

LOWER CAMERON HOSPITAL SERVICE DISTRICT

SCHEDULES OF OTHER OPERATING REVENUES

Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
State revenue sharing	\$ 1,930	\$ 2,075
Oil and gas revenue	630	271
Income from stock sale	71,664	-
Miscellaneous	<u>335</u>	<u>241</u>
Total other operating revenues	<u>\$ 74,559</u>	<u>\$ 2,587</u>

LOWER CAMERON HOSPITAL SERVICE DISTRICT

SCHEDULES OF BOARD FEES
Years Ended December 31, 2011 and 2010

Board Members

The Service District's board members did not receive any compensation for the years ended December 31, 2011 and 2010.

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Mary A. Castille, CPA*
Joey L. Breaux, CPA*
Craig J. Viator, CPA*
John L. Istre, CPA*
Elizabeth J. Moreau, CPA*
Frank D. Bergeron, CPA*
Lonnie J. Hebert, CPA*
Robert M. DeRouen, Jr. CPA*

Retired:

Sidney L. Broussard, CPA 1925-2005
Leon K. Poché, CPA 1984
James H. Breaux, CPA 1987
Erma R. Walton, CPA 1988
George A. Lewis, CPA 1992
Geraldine J. Wimberley, CPA 1995
Lawrence A. Cramer, CPA 1999
Ralph Friend, CPA 2002
Donald W. Kelley, CPA 2005
George J. Trappey, III, CPA 2007
Terrel P. Dressel, CPA 2007
Herbert Lemoine II, CPA 2008
Mary T. Miller, CPA 2011

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

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

We have audited the basic financial statements of the Lower Cameron Hospital Service District, as of and for the year ended December 31, 2011, and have issued our report thereon dated June 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Brunard, Poche, Lewis & Brunard, L.L.P.

Lafayette, Louisiana
June 29, 2012

LOWER CAMERON HOSPITAL SERVICE DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2011

We have audited the basic financial statements of the Lower Cameron Hospital Service District, as of and for the year ended December 31, 2011, and have issued our report thereon dated June 29, 2012. 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 financial statements as of December 31, 2011 resulted in an unqualified opinion.

Section I. Summary of Auditors' Results

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

Internal Control

Material weaknesses Yes No

Control deficiencies identified
that are not considered to be
material weaknesses Yes None reported

Compliance

Compliance material to financial statements Yes No

Section II - Financial Statement Findings

None Reported

LOWER CAMERON HOSPITAL SERVICE DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended December 31, 2011

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

None reported.

Section II. Internal Control and Compliance Material to Federal Awards

None reported.

Section III. Management Letter

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