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

FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2014

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HOSPITAL SERVICE DISTRICT NO. 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014
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, 2014. 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 $8,099,552, or approximately 17.56%, 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.

- During the year, the Center's total operating revenue decreased $78,331 or 11.16%, to $623,769 from the prior year while expenses increased $591,873, or 15.70% to $4,361,673. The Center had loss from operations of $3,737,904, which is approximately 599% of total operating revenue. This compares to the prior fiscal year's loss from operations of $3,067,700, or 437% of operating revenue.

- The Center received $2,735,336 and $2,426,879 in 2014 and 2013, respectively, in ad valorem tax revenue for the operations of the facility.

- The Center received $3,092,968 and $2,760,399 in 2014 and 2013, respectively in special millage ad valorem tax revenue for construction and new programs for the facility.

- During the fiscal year, the Center made capital investments, net of depreciation, for a total of $10,451,116.

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.

HOSPITAL SERVICE DISTRICT NO. 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
December 31, 2014
Unaudited

Net Position

The following table presents a summary of the Center's Statement of Net Position for each of the fiscal years ended December 31, 2014 and 2013:

TABLE 1
Condensed Consolidated Statements of Net Position

	2014	2013	Dollar Change	Percent Change
Assets				
Total current assets	$ 6,543,243	$ 7,650,269	$ (1,107,026)	-14.47%
Capital assets - net	27,762,632	17,311,516	10,451,116	60.37%
Restricted assets	19,927,477	21,172,015	(1,244,538)	-5.88%
Total assets	54,233,352	46,133,800	8,099,552	17.56%
Liabilities				
Current liabilities	1,823,548	1,516,960	306,588	20.21%
Net Position				
Net investment in capital assets	27,762,632	17,311,516	10,451,116	60.37%
Restricted	19,482,387	21,563,611	(2,081,224)	-9.65%
Unrestricted	5,164,785	5,741,713	(576,928)	-10.05%
Total Net Position	$ 52,409,804	$ 44,616,840	$ 7,792,964	17.47%

As can be seen in Table 1, total assets increased by $8,099,552 to $54,233,352 in fiscal year 2014, from $46,133,800 in fiscal year 2013. The change in total net position is primarily due to the excess of revenues over expenses in fiscal year 2014 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, 2014 and 2013:

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

	Year Ended December 31		Dollar	Percent
	2014	2013	Change	Change
Revenue:				
Net patient service revenue	$ 623,769	$ 702,100	$ (78,331)	-11.16%
Total operating revenue	623,769	702,100	(78,331)	
Expenses:				
Salaries & employee benefits	1,529,025	1,431,224	97,801	6.83%
Supplies, contract services, equipment, and fees	1,933,413	1,881,031	52,382	2.78%
Other operating expenses	629,644	399,000	230,644	57.81%
Depreciation	269,591	58,545	211,046	360.49%
Total operating expenses	4,361,673	3,769,800	591,873	15.70%
Operating loss	(3,737,904)	(3,067,700)	(670,204)	21.85%
Investment income	5,004	14,758	(9,754)	-66.09%
Excess of expenses over revenue & investment income	(3,732,900)	(3,052,942)	(679,958)	22.27%
Ad valorem tax revenue	2,735,336	2,426,879	308,457	12.71%
Miscellaneous	11,394	34,029	(22,635)	-66.52%
Construction grant income	5,616,214	11,663,454	(6,047,240)	-51.85%
Gain on disposal of assets	44,501	-	44,501	100.00%
Old facility demolition	-	(26,022)	26,022	100.00%
Other	25,451	-	25,451	100.00%
Ad valorem tax revenue special millage	3,092,968	2,760,399	332,569	12.05%
Change in net assets	7,792,964	13,805,797	(6,368,607)	-46.13%
Total net position - beginning of year	44,616,840	30,811,043	13,805,797	44.81%
Total net position - end of year	$ 52,409,804	$ 44,616,840	$ 7,792,964	17.47%

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 $251,068 or 45% during 2014.

Investment Income

The Center holds designated and restricted funds that are invested primarily in money market funds. These investments had a total return of $5,004 and $14,758 during fiscal years 2014 and 2013, respectively.

Operating and Financial Performance

The following summarizes the Center's statements of revenue and expenses as between 2014 and 2013:

Overall activity at the Center, as measured by patient-visits and procedures performed increased 7% to 8,631 visits and procedures in 2014 from 8,094 visits and procedures in 2013. Net patient service revenue per patient visit/procedure decreased 17% to $72.27 per patient visit/procedure in 2014 from $86.74 per patient visit/procedure in 2013.

TABLE 3
Patient visits and Procedures Statistical Data

	Year ended December31	
Description	2014	2013
Clinic Visits	7,842	6,532
Primary Care	209	875
Workers Compensation Patients	580	687
Total	8,631	8,094

Operating and Financial Performance (continued)

Salaries and related benefits expense increased $97,801 or 6.83%, to $1,529,025 in 2014 from $1,431,224 in 2013. As a percentage of operating revenue, salary expense was approximately 245% and 204% for the fiscal years ended December 31, 2014 and 2013, respectively.

Supplies, contract services, equipment, and fees and other operating expenses increased $52,382 or 2.78% the year ended December 31, 2014, due to operating the new facility during 2014.

Depreciation expense increased significantly for the year ended December 31, 2014 due to placing in service the new facility. For the fiscal year ended December 31, 2014 and 2013 depreciation expense was $269,591 and $58,545 respectively.

Total operating expenses increased by $591,873 for the year ended December 31, 2014, 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.

Restricted Assets

At December 31, 2014 the Center had $19,927,477 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 2.83 mills on all property subject to taxation for a period of ten years beginning with the year 2012 and ending with the year 2021.

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

Capital Assets

At the end of 2014, the Center had an increase in net capital assets of $10,451,116. This amount represents a net increase of 60% over last year.

Capital Assets, net of depreciation are shown below:

Description	2014	2013	Change
Land	$ 127,597	$ 127,597	$ -
Construction in progress	-	17,102,469	(17,102,469)
Buildings	25,408,554	-	25,408,554
Equipment & Furniture	3,006,846	614,098	2,392,748
Less Accumulated Depreciation	(780,365)	(532,648)	(247,717)
Net Capital Assets	$ 27,762,632	$ 17,311,516	$ 10,451,116

In the fiscal year 2014, the Center spent $8,306,094 in construction and engineering fees related to the construction of the new building. A Project Worksheet (PW) was approved by FEMA in the amount of $22,251,541 as of February 17, 2012. In 2014, the Center received $6,903,332 in FEMA grant proceeds. The Center utilized the special millage revenue to complete the construction of the new facility.

In addition, the Center spent $2,392,748 of special millage revenue to purchase new medical equipment and furniture and fixtures for the new facility.

As previously discussed the new facility was 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, please contact the administration for the Center as follows:

Mr. Dale Adams, Chairman
Plaquemines Medical Center
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Port Sulphur, LA 70083
Phone 504-564-3344
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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 business-type activities 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, 2014, 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 business-type activities of the Hospital Service District Number 1 of Plaquemines Parish, Louisiana, as of December 31, 2014, 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 and analysis on pages i-vii be presented to supplement the basic financial statements. Such information, although not a part of the basic 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. 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 Compensation, Benefits and Other Payments to Agency Head or Chief Executive* is presented for purposes of additional analysis and is not a required part of the 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 Compensation, Benefits and Other Payments to Agency Head or Chief Exxecutive* and the schedule of expenditures of federal awards are the responsibility of management and were 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 Compensation, Benefits and Other Payments to Agency Head or Chief Executive* and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2015, 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, 2015

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, 2014

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 3,468,888
Ad valorem tax revenue receivable, net of estimated uncollectibles of $94,609	2,198,860
Patient accounts receivable, net of estimated uncollectibles of $2,948,647	136,592
Grant income receivable	507,470
Other receivables	57,171
Prepaid Expenses	131,222
Inventories	43,040
Restricted Assets:	
Cash and cash equivalents	17,150,671
Ad valorem tax revenue receivable, net of estimated uncollectibles of $107,528	2,487,290
Certificates of deposit	289,516
Total current assets	26,470,720
NON CURRENT ASSETS	
Capital Assets, net of accumulated depreciation of $780,365	27,762,632
TOTAL ASSETS	54,233,352
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	1,722,498
Accrued expenses	101,050
Total current liabilities	1,823,548
NET POSITION	
Net Investment in Capital Assets	27,762,632
Undesignated - unrestricted	5,164,785
Restricted	19,482,387
TOTAL NET POSITION	$ 52,409,804

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, 2014

OPERATING REVENUES		
Net patient service revenue	$	623,769
Total operating revenue		623,769
OPERATING EXPENSES		
Salaries and related expenses		1,529,025
Professional fees		160,948
Medical supplies		192,296
Contract labor		2,161
Repairs and maintenance		55,816
Purchased services		1,738,956
Depreciation and amortization		269,591
Utilities and telephone		135,188
Insurance		144,615
Administrative expense		128,577
Temporary facility fee		4,500
Total operating expenses		4,361,673
OPERATING INCOME (LOSS)		(3,737,904)
NON-OPERATING REVENUE (EXPENSES)		
Ad valorem tax revenue, operating		2,735,336
Ad valorem tax revenue, special millage		3,092,968
Grant income		5,616,214
Gain on disposal of assets		44,501
Miscellaneous		11,394
Investment income		5,004
Other		25,451
Total non-operating revenue		11,530,868
EXCESSES OF REVENUE OVER EXPENSES	$	7,792,964

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, 2014

	Restricted	Unrestricted
Net Position at December 31, 2013	$ 21,563,611	$ 23,053,229
Assets purchases - restrictions released	(10,698,835)	10,698,835
Excess (Deficiency) of revenue over expenses	8,617,611	(824,647)
Net Position at December 31, 2014	$ 19,482,387	$ 32,927,417

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, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Revenue collected	$ 783,057
Cash payments to employees and for employee-related costs	(1,529,025)
Cash payments for operating expenses	(2,385,837)
Net cash used in operating activities	(3,131,805)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Grant income	6,903,332
Ad valorem taxes	2,949,386
Ad valorem taxes - 2002 millage	3,368,609
Other	25,451
Net cash provided by non-capital financing activities	13,246,778
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets (property, plant and equipment)	(10,733,379)
Net cash used in capital and related financing activities	(10,733,379)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(1,441)
Miscellaneous	11,394
Investment income	5,004
Net cash provided by investing activities	14,957
NET DECREASE IN CASH AND CASH EQUIVALENTS	(603,449)
CASH AND CASH EQUIVALENTS, beginning of year	21,223,008
CASH AND CASH EQUIVALENTS, end of year	$ 20,619,559
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	$ (3,737,903)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation and amortization	269,591
Bad Debt Expense	307,522
Changes in operating assets and liabilities	
Accounts receivable	(148,234)
Prepaid Expenses	(129,372)
Accounts payable and accrued expenses	306,591
Net cash used in operating activities	$ (3,131,805)

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, investments, and ad valorem tax receivables 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, 2015, 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 Center 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, 2014 employees have accumulated and vested $42,751of 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

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

A. Cash and Cash Equivalents

At December 31, 2014, the Center has cash equivalents (book balances) totaling $20,619,559 as follows:

Demand Deposits	$ 750
Money Market Accounts	6,536,910
Total Amount of Cash & Cash Equivalent Held at a Fiscal Agent Bank	6,537,660
Investment in Louisiana Asset Management Pool (LAMP)	14,081,899
Total Cash & Cash Equivalents at December 31, 2014	$ 20,619,559

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

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.

Custodial Credit Risk – Deposits Held at Fiscal Agent Bank - At December 31, 2014, the Center had $6,882,700 in deposits (collected bank balances). These deposits are secured from risk by $500,000 of federal deposit insurance and $8,868,574 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). At December 31, 2014 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 $14,081,899. 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.

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

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 – AD VALOREM TAX RECEIVABLES AND REVENUES

Current ad valorem 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.

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. For 2014, the millage was 2.49 mills, and is set to expire in 2024

The Hospital Service District levies an annual ad valorem tax on all property subject to taxation in the District. The tax is collected for the purpose of starting new programs, offering additional services and for capital expenditures related to equipment acquisitions and facility renovations. For 2014, the millage was 2.83 mills, and is set to expire in 2021.

The Center calculates on allowance of uncollectible ad valorem tax revenues of the current year assessment that is does not expect to collect in the upcoming year. The percentage of allowance for uncollectible ad valorem receivable for 2014 is 4%.

NOTE 5 – GRANT RECEIVABLE AND 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 $5,616,214 is for the construction and contents of the permanent facility.

For the year ended December 31, 2014, the Center had outstanding reimbursement requests in the amount of $507,470 which were submitted to FEMA for the construction of the facility.

NOTE 6 – CAPITAL ASSETS

Capital assets and depreciation activities of and for the year ended December 31, 2014 is as follows:

	December 31, 2013	Additions	Deletions	December 31, 2014
Capital Assets Not Depreciated				
Construction in progress	$ 17,102,469	$ -	$ (17,102,469)	$ -
Land	127,597	-	-	127,597
Total	17,230,066	-	(17,102,469)	127,597
Capital Assets Depreciated				
Buildings	-	25,408,554		25,408,554
Equipment at cost	614,098	2,426,924	(34,176)	3,006,846
Less Accumulated Depreciation	(532,648)	(269,591)	21,874	(780,365)
Total	81,450	27,565,887	(56,050)	27,635,035
Capital Assets, net	$ 17,311,516	$ 27,565,887	$ (17,158,519)	$ 27,762,632

During the year 2014, the Center recorded depreciation expense in the amount of $269,591.

NOTE 7 – CERTIFICATES OF DEPOSIT FOR 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 8 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Certain payments to vendors that relate to 2014 activity have been accrued. These payments will be made following the year end December 31, 2014. These payments are primarily for costs associated with the construction of the new facility.

NOTE 9 - RESTRICTED NET POSITION

The temporarily restricted fund balance at December 31, 2014 represents the unexpended portion of the Ad Valorem tax revenue along with the Ad Valorem tax receivable in the amount of $19,482,387 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 7 the Center has $250,000 of certificates of deposit pledged to the Louisiana Patient Compensation Fund to satisfy any malpractice claims. At December 31, 2014 the balance of certificates of deposit is $289,516.

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

NOTE 10 - 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 11 – 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, 2014:

Gross patient revenue		$ 1,311,041
Less:	Bad debt	307,522
	Contractual adjustments	379,750
Net patient revenue		$ 623,769

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 – 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.

NOTE 13 – EMPLOYEE RETIREMENT (CONTINUED)

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.

<u>Funding Policy</u> – 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 16 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 years ended December 31, 2014, 2013, and 2012 are as follows:

	2014	2013	2012
Total Payroll	$ 1,229,320	$ 1,126,531	$ 1,016,227
Covered payroll	$ 844,000	$ 870,403	$ 730,121
Employee contributions	$ 80,180	$ 82,688	$ 69,361
Center contributions	$ 135,340	$ 145,792	$ 114,994

NOTE 14 –POST EMPLOYMENT BENEFITS

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Center 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, 2014.

NOTE 15 – 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, 2014:

Jimmy Cappiello	$ 520
Dale Adams	360
Bonnie Thomas	360
Andree Schaubhut	40
Mary Ann Braud	440
Mena Marinovich	520
Tony Frickey	400
Rev. Tyronne Edwards	360
Connie Lincoln	440
	$ 3,440

NOTE 16 – 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. The operations were relocated from the temporary facility to the permanent facility in September 2014. The temporary facility was disposed of in October 2014.

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

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NOTE 17 – FINANCIAL DATA OF COMPONENT UNIT

The condensed financial statement data of Plaquemines Primary Care, Inc. for the year ended December 31, 2014 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.

PLAQUEMINES PRIMARY CARE, INC.
Condensed Statement of Net Position
For the Year Ended December 31, 2014

ASSETS		
Total current assets	$	29,050
Capital assets - net		6,116
Total assets		35,166
LIABILITIES		
Current liabilities		4,577
Due to Plaquemines Medical Center		200,000
Total liabilities		204,577
NET POSITION		
Restricted (deficit)		(169,411)
Undesignated - unrestricted		-
TOTAL NET POSITION	$	(169,411)

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, 2014

Operating Revenue		
Net patient service revenue	$	37,572
Total operating revenue		37,572
Operating Expenses		
Salaries and related expenses		974
Supplies, contract services, equipment, and fees		82,812
Other operating expenses		23,449
Total operating expenses		107,235
Operating loss		(69,663)
Change in net position		(69,663)
Total net position - beginning of year		(99,748)
Total net position - end of year	$	(169,411)

NOTE 17 – FINANCIAL DATA OF COMPONENT UNIT (Continued)

PLAQUEMINES PRIMARY CARE, INC.
Statement of Cash Flows
For the Year Ended December 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Revenue collected	$ 59,451
Cash payments to employees and for employee-related costs	(974)
Cash payments for operating expenses	(108,476)
Net cash used in operating activities	(49,999)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(49,999)
CASH AND CASH EQUIVALENTS, beginning of year	77,318
CASH AND CASH EQUIVALENTS, end of year	$ 27,319
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	$ (69,663)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation and amortization	-
Bad Debt Expense	45,876
Changes in operating assets and liabilities	
Accounts receivable	(23,996)
Accounts payable and accrued expenses	(2,216)
Net cash used in operating activities	$ (49,999)

OTHER SUPPLEMENTAL INFORMATION

HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
For the Year Ended December 31, 2014

Agency Head: Deborah Soler

Purpose	Amount
Salary	$ 54,811
Benefits - Insurance	$ 4,185
Benefits - Retirement	$ 8,770
Travel	$ 1,065

Served 6 months

HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
December 31, 2014

Agency Head: Leslie Prest

Purpose	Amount
Salary	$ 32,538
Benefits - Insurance	$ 1,957
Benefits - Retirement	$ 5,206
Benefits - Life Insurance	$ 113

Served 5 months

COMPLIANCE AND INTERNAL CONTROL SECTION

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Society of Louisiana Certified Public Accountants

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 *Government 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, 2014, 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, 2015.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. 2014-2

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. 2014-1

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, 2015.

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, 2015

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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, 2014. 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 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, 2014.

Report on Internal Control Over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance 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 each 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, 2015

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, 2014

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	$ 5,765,798
Total Federal Expenditures			$ 5,765,798

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, 2014

NOTE A - FISCAL PERIOD AUDITED

Single audit testing procedures were performed for program transactions occurring during the year ended December 31, 2014. 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, 2014

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, 2014, and have issued our report thereon dated June 30, 2015. 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, 2014 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

Section II Financial Statement Findings

A – Issues of Noncompliance

None

B – Significant Deficiencies

<u>2014-1 Fixed Asset Management</u>

The Center has acquired a computer program to identify, tag, and track its fixed assets. Initial entry of assets into the program was contracted to the Center's construction management firm. Upon completion of the project, assets on the list did not reconcile to the Center's general ledger. The difference between the detail listing and the general ledger was not considered material in relation to the Center's fixed asset accounts but were substantial in amount. These differences can be due to a number of factors including assets included in the general ledger that have been abandoned, destroyed or otherwise disposed of as well as assets on the list which were not capitalized in the Center's general ledger system. We feel the Center should engage a qualified professional with proper accounting skills to reconcile the differences and make the necessary adjustments to the general ledger system and or to the fixed asset listing.

C – Material Weaknesses

<u>2014-2 Accounting Positions</u>

The Center's organizational chart does not provide for a position or positions whose primary responsibility is the accounting function. As a result, essential accounting processes were assigned to personnel whose training and experience did not provide for effective operation of the Center's system of internal control. We recommend the creation of two positions; a part time position of Controller or Accounting Manager and a full time position of accounting clerk. In creating the positions, job descriptions should be developed that encompass the qualifications in terms of education and work experience necessary to effectively manage and operate the Center's accounting functions.

Section III – Management Letter

<u>2014-3 Adoption of Policies</u>

The Center has followed policies as they pertain to fixed asset capitalization, accounting, personnel, credit cards, and travel. The Center administration has followed the State's travel policy. However, these policies have not been written and formally adopted by the Board We recommend the Center's capitalization policy, accounting policy, credit card policy, and travel policy be formally adopted by the Board.

Section III – Management Letter (Continued)

2014-4 Legal Opinion on Millage

The Center collects a millage of 3.00 mills dedicated for the purpose of starting new programs, offering additional services and for capital expenditures related to equipment acquisitions and facility renovations. The millage was passed in 2002 and renewed in 2012. Due to the vague language in the millage, questions persist as to what expenditures are eligible to be funded from the millage on an ongoing basis, such as, but not limited to, increased cost to maintain, insure, and operate new equipment, new facilities constructed, and funding of new positions created to deliver services and operate the facility. We feel that the Center should engage its legal counsel to assist in defining specifically the types of expenditures that are eligible for millage funding.

Section III Federal Award Findings and Questioned Costs

None

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, 2014

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. *(Resolved)*

Section III Federal Award Findings and Questioned Costs

None

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.
(Partially Resolved)

HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER
MANAGEMENT'S CORRECTIVE ACTION PLAN
For The Year Ended December 31, 2014

Section II   Financial Statement Findings

<u>2014 – Fixed Asset Management</u>

The Center has acquired a computer program to identify, tag, and track its fixed assets. Initial entry of assets into the program was contracted to the Center's construction management firm. Upon completion of the project, assets on the list did not reconcile to the Center's general ledger. The difference between the detail listing and the general ledger was not considered material in relation to the Center's fixed asset accounts but were substantial in amount. These differences can be due to a number of factors including assets included in the general ledger that have been abandoned, destroyed or otherwise disposed of as well as assets on the list which were not capitalized in the Center's general ledger system. We feel the Center should engage a qualified professional with proper accounting skills to reconcile the differences and make the necessary adjustments to the general ledger system and or to the fixed asset listing.

> <u>Management's Response:</u>
> The Center agrees with the recommendation and will make a proposal to the Board to implement a fixed asset management that reconciles the general ledger to the fixed asset listing system.

<u>2014-2 Accounting Positions</u>

The Center's organizational chart does not provide for a position or positions whose primary responsibility is the accounting function. As a result, essential accounting processes were assigned to personnel whose training and experience did not provide for effective operation of the Center's system of internal control. We recommend the creation of two positions; a part time position of Controller or Accounting Manager and a full time position of accounting clerk. In creating the positions, job descriptions should be developed that encompass the qualifications in terms of education and work experience necessary to effectively manage and operate the Center's accounting functions.

> <u>Management's Response:</u>
> The Center agrees with the recommendation and will gain Board approval necessary to create the positions necessary to effectively manage and operate the Center's accounting functions.

Section III – Management Letter

2014-3 Adoption of Policies

The Center has followed policies as they pertain to fixed asset capitalization, accounting, personnel, credit cards, and travel. The Center administration has followed the State's travel policy. However, these policies have not been written and formally adopted by the Board. We recommend the Center's capitalization policy, accounting policy, credit card policy, and travel policy be formally adopted by the Board.

Management's Response:
The Center agrees with the recommendation and will obtain Board adoption of said policies.

2014-4 Legal Opinion on Millage

The Center collects a millage of 3.00 mills dedicated for the purpose of starting new programs, offering additional services and for capital expenditures related to equipment acquisitions and facility renovations. The millage was passed in 2002 and renewed in 2012. Due to the vague language in the millage, questions persist as to what expenditures are eligible to be funded from the millage on an ongoing basis, such as, but not limited to, increased cost to maintain, insure, and operate new equipment, new facilities constructed, and funding of new positions created to deliver services and operate the facility. We feel that the Center should engage its legal counsel to assist in defining specifically the types of expenditures that are eligible for millage funding.

Management's Response:
The Center agrees with the recommendation and will obtain opinion from legal counsel regarding utilization of the millage funding.

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

MANAGEMENT ADVISORY COMMENTS

DECEMBER 31, 2014

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, 2014 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, 2015

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

2014-3 Adoption of Policies

The Center has followed policies as they pertain to fixed asset capitalization, accounting, personnel, credit cards, and travel. The Center administration has followed the State's travel policy. However, these policies have not been written and formally adopted by the Board We recommend the Center's capitalization policy, accounting policy, credit card policy, and travel policy be formally adopted by the Board.

2014-4 Legal Opinion on Millage

The Center collects a millage of 3.00 mills dedicated for the purpose of starting new programs, offering additional services and for capital expenditures related to equipment acquisitions and facility renovations. The millage was passed in 2002 and renewed in 2012. Due to the vague language in the millage, questions persist as to what expenditures are eligible to be funded from the millage on an ongoing basis, such as, but not limited to, increased cost to maintain, insure, and operate new equipment, new facilities constructed, and funding of new positions created to deliver services and operate the facility. We feel that the Center should engage its legal counsel to assist in defining specifically the types of expenditures that are eligible for millage funding.

PLAQUEMINES
MEDICAL CENTER

26851 Highway 23
Port Sulphur, LA 70083

Phone No: 504.564.3344
Fax No: 504.564.0174

June 30, 2015

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, 2015.

MANAGEMENT COMMENTS

2014 – Fixed Asset Management

Management's Response:
The Center agrees with the recommendation will make a proposal to the Board to implement a fixed asset management that reconciles the general ledger to the fixed asset listing system.

2014-2 Accounting Positions

Management's Response:
The Center agrees with the recommendation and will gain Board approval necessary to create the positions necessary to effectively manage and operate the Center's accounting functions.

2014-3 Adoption of Policies

Management's Response:
The Center agrees with the recommendation and will obtain Board adoption of said policies.

2014-3 Legal Opinion on Millage

Management's Response:
The Center agrees with the recommendation and will obtain an opinion from legal counsel regarding utilization of the millage funding.

Leslie Prest

Leslie Prest
Administrator