

5057

**HOSPITAL SERVICE DISTRICT NUMBER 1  
OF  
PLAQUEMINES PARISH, LOUISIANA  
d/b/a  
PLAQUEMINES MEDICAL CENTER  
FINANCIAL REPORT  
YEAR ENDED DECEMBER 31, 2007**

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

Release Date 7/30/08

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**HOSPITAL SERVICE DISTRICT NO. 1  
OF  
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PLAQUEMINES MEDICAL CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2007**

This section of the annual financial report of Hospital Service District No. 1 of the Parish of Plaquemines (d/b/a Plaquemines Medical Center) (the "Center"), presents background information and management's analysis of the Center's financial performance during the fiscal year that ended on December 31, 2007. Please read it in conjunction with the financial statements in this report.

**Financial Highlights**

- The Center's total assets increased by approximately \$3,553,000, or approximately 36 %, primarily due to unexpended funds received from the special millage passed in 2002 and various grants that covered certain operating expenses.
- On August 29, 2005 Hurricane Katrina destroyed the facility, all equipment and financial records owned by the Center. The Center was inoperable through the remainder of the year. The Center reopened in a temporary facility on May 1, 2006 financed by FEMA.
- During the year, the Center's total operating revenue decreased approximately \$80,000 or 2%, to \$2,981,667 from the prior year while expenses increased \$378,000, or 21% to \$2,194,929. The Center had income from operations of \$831,738, which is approximately 27% of total operating revenue. This compares to the prior fiscal year's income from operations of approximately \$1,289,571, or 42% of operating revenue.
- The Center received approximately \$1,451,428 and \$1,350,344 in 2007 and 2006, respectively, in ad valorem tax revenue for the operations of the facility.
- During the fiscal year, the Center made capital investments for a total of approximately \$128,151.

**Required Financial Statements**

The Basic Financial Statements of the Center report information about the Center using Governmental Accounting Standards Board ("GASB") accounting principles. These Statements offer short-term and long-term financial information about its activities. The balance sheets 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 statement of revenue 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

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December 31, 2007**

**Required Financial Statements (Continued)**

revenue sources. The final required financial statement is the statement of cash flows. The primary purpose of this statement 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.

**Financial Analysis of the Hospital**

The balance sheet and the statement of revenue and expenses report information about the Center's activities. These two statements report the net assets of the Center and changes in them. Increases or decreases in the Center's net assets 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
December 31, 2007**

**Net Assets**

**TABLE 1  
Condensed Balance Sheets**

**December 31**

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Total current assets	\$ 3,908,573	\$ 2,685,867	\$ 1,222,706	45.52%
Capital assets - net	515,163	452,444	62,719	13.86%
Assets limited to use	<u>8,909,832</u>	<u>6,642,556</u>	<u>2,267,276</u>	34.13%
Total assets	<u>\$ 13,333,568</u>	<u>\$ 9,780,867</u>	<u>\$ 3,552,701</u>	36.32%
Current liabilities	\$ 1,070,059	\$ 279,282	\$ 790,777	283.15%
Long-term debt outstanding other long-term liabilities	<u>-</u>	<u>-</u>	<u>-</u>	0.00%
Total liabilities	1,070,059	279,282	790,777	283.15%
Net assets				
Restricted net assets	3,912,896	6,586,960	(2,674,064)	-40.60%
Unrestricted net assets	<u>8,350,613</u>	<u>2,914,625</u>	<u>5,435,988</u>	186.51%
Total liabilities and net assets	<u>\$ 13,333,568</u>	<u>\$ 9,780,867</u>	<u>\$ 3,552,701</u>	36.32%

As can be seen in Table 1, total assets increased by approximately \$3,552,701 to \$13,333,568 in fiscal year 2007, from approximately \$9,780,867 in fiscal year 2006. The change in total net assets is primarily due to the excess of revenues over expenses in fiscal year 2007 and investment in capital assets.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
December 31, 2007**

**Summary of Revenue, Expenses, and Changes in Net Assets**

The following table presents a summary of the Center's revenues and expenses for each of the fiscal years ended December 31, 2007 and 2006:

**TABLE 2  
Condensed Statements of Revenue, Expenses,  
And Changes in Net Assets**

	<b>Year ended December 31</b>		<b>Dollar</b>	<b>Percent</b>
	<b>2007</b>	<b>2006</b>	<b>Change</b>	<b>Change</b>
<b>Revenue:</b>				
Net patient service revenue	\$ 723,153	\$ 311,038	\$ 412,115	132.50%
Advalorem tax revenue	1,451,428	1,350,344	101,084	7.49%
Grant income	799,565	1,378,486	(578,921)	-
Other	7,521	21,313	(13,792)	-64.71%
<b>Total operating revenue</b>	<b>2,981,667</b>	<b>3,061,181</b>	<b>(79,514)</b>	
<b>Expenses:</b>				
Salaries & employee benefits	631,864	339,253	292,611	86.25%
Supplies, contract services, equipment, and fees	692,806	692,602	204	0.03%
Other operating expenses	639,655	641,630	(1,975)	-0.31%
Depreciation	65,432	31,447	33,985	108.07%
Provision for bad debt	120,172	66,678	53,494	80.23%
<b>Total operating expenses</b>	<b>2,149,929</b>	<b>1,771,610</b>	<b>378,319</b>	<b>21.35%</b>
Operating income (loss)	831,738	1,289,571	(457,833)	-35.50%
Investment income	269,918	50,870	219,048	430.60%
<b>Excess of revenue &amp; investment income over expenses</b>	<b>1,101,656</b>	<b>1,340,441</b>	<b>(238,785)</b>	<b>-17.81%</b>
Special millage Advalorem tax revenue	1,660,268	1,475,786	184,482	12.50%
Net assets - beginning of year	9,501,585	6,685,358	2,816,227	42.13%
<b>Net assets - end of year</b>	<b>\$ 12,263,509</b>	<b>\$ 9,501,585</b>	<b>\$ 2,761,924</b>	<b>29.07%</b>

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December 31, 2007**

**Sources of Revenue**

**Operating Revenue**

During fiscal years 2007 and 2006, the center derived the majority, approximately 48% and 44%, respectively, of its total operating revenue from Ad valorem tax revenue. Also, during 2007 the Center received approximately 26% of its operating revenue from various grants. 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.

**Investment Income**

The Center holds designated and restricted funds that are invested primarily in money market funds. These investments had a total return of \$269,918 and \$50,870 during fiscal years 2007 and 2006, respectively.

**Operating and Financial Performance**

The following summarizes the Center's statements of revenue, expenses, and changes in net assets between 2007 and 2006:

Overall activity at the Center, as measured by patient-visits and procedures performed, increased 98 % to 4,991 visits and procedures in 2007 from 2,509 visits and procedures in 2006. Net patient service revenue per patient visit/procedure increased 16% to \$144.89 per patient visit/procedure in 2007 from \$123.95 per patient visit/procedure in 2006.



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December 31, 2007**

**TABLE 3  
Patient visits and Procedures Statistical Data**

	Year ended December 31	
	<u>2007</u>	<u>2006</u>
Clinic Visits	4,617	2,173
Workers Compensation Patients	374	151
Labatory Procedures	Unknown	185
X-Ray	Unknown	Unknown
	<u>4,991</u>	<u>2,509</u>

Salaries and related benefits expense increased \$292,611 or 86%, to \$631,864 in 2007 from \$339,253 in 2006. As a percentage of operating revenue, salary expense was approximately 21% and 20% for the fiscal years ended December 31, 2007 and 2006, respectively. This increase was due to the Center being operable for an entire 12-month period in 2007 as compared to being open for eight months in 2006.

Supplies, contract services, equipment, and fees and other operating expenses are unchanged for the year ended December 31, 2007.

Depreciation expense increased approximately \$34,000 due to the first full year of depreciation of furniture, fixtures and equipment purchased to replace those destroyed by Hurricane Katrina.

Total operating expenses increased by \$378,000 for the year ended December 31, 2007, for the reasons discussed above.

Investment income consists of interest earnings on funds placed in interest bearing accounts. Total investment income increased from the prior year due to greater amounts being on deposit in interest bearing accounts.

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December 31, 2007**

**Assets Limited as to Use**

At December 31, 2007 the Center had approximately \$8,909,832 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. The administration of the Center along with the Federal Emergency Management Agency (FEMA) has identified a new location for the permanent facility to be located. In November 2007 the land on which the permanent facility is to be located was purchased. It is anticipated that construction of the permanent facility will begin in June 2009.

**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 and to demonstrate the Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Center administration.

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**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying balance sheet of the Hospital Service District Number 1 of Plaquemines Parish, Louisiana d/b/a Plaquemines Medical Center (the Center) a component unit of the Plaquemines Parish Government as of December 31, 2007, and the related statement of revenue and expenses, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital Service District Number 1 of Plaquemines Parish, Louisiana, as of December 31, 2007, and the results of its operations and the cash flows of the Center for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages i through vii are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Hospital Service District Number 1 of Plaquemines Parish, Louisiana taken as a whole. The accompanying 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 not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

## ***Camnetar & Co., CPAs***

***a professional accounting corporation***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2008 on our consideration of the Hospital Service District Number 1 of Plaquemines Parish, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Camnetar & Co.*

*Camnetar & Co., CPAs*  
***a professional accounting corporation***

Gretna, Louisiana  
June 30, 2008

## **FINANCIAL STATEMENTS**

**HOSPITAL SERVICE DISTRICT NUMBER 1  
OF  
PLAQUEMINES PARISH, LOUISIANA  
d/b/a  
PLAQUEMINES MEDICAL CENTER  
BALANCE SHEET  
December 31, 2007**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 2,185,876
Ad valorem tax revenue receivable	1,492,176
Patient accounts receivable, net of estimated uncollectibles of \$206,119	219,956
Prepaid expenses	-
Inventories	<u>10,565</u>
 Total current assets	 3,908,573

**ASSETS LIMITED AS TO USE**

Ad valorem tax receivable	1,695,984
Cash and cash equivalents	6,386,500
Grant income receivable	-
Certificates of deposit	268,792
Due from unrestricted assets	<u>558,556</u>
 Total assets limited as to use	 8,909,832

Property and equipment, net of accumulated depreciation of \$96,822	<u>515,163</u>
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**TOTAL ASSETS** \$ 13,333,568

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 115,497
Due to restricted assets	558,556
Deferred Revenue	373,852
Accrued expenses	<u>22,154</u>
 Total current liabilities	 1,070,059

**NET ASSETS**

Undesignated - unrestricted	3,912,896
Restricted	<u>8,350,613</u>
 Total net assets	 <u>12,263,509</u>

**TOTAL LIABILITIES AND NET ASSETS** \$ 13,333,568

See Accountant's Report and notes to financial statements.

**HOSPITAL SERVICE DISTRICT NUMBER 1  
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STATEMENT OF REVENUES AND EXPENSES  
For The Year Ended December 31, 2007**

<b>OPERATING REVENUES</b>	
Net patient service revenue	\$ 723,153
Recovery of bad debt	<u>-</u>
Total operating revenue	<u>723,153</u>
<b>OPERATING EXPENSES</b>	
Salaries and related expenses	631,864
Professional fees	309,308
Provision for bad debts	120,172
Medical supplies	226,733
Contract labor	140,321
Repairs and maintenance	34,641
Purchased services	495,171
Depreciation and amortization	65,432
Utilities and telephone	31,526
Insurance	46,233
Administrative expense	45,413
Temporary facility expense	<u>3,115</u>
Total operating expenses	<u>2,149,929</u>
<b>OPERATING INCOME (LOSS)</b>	<b>(1,426,776)</b>
<b>NON-OPERATING REVENUE</b>	
Ad valorem tax revenue	3,111,696
Grant income	799,565
Miscellaneous	7,521
Investment income	<u>269,918</u>
Total non-operating revenue	<u>4,188,700</u>
<b>EXCESSES OF REVENUE OVER EXPENSES</b>	<b>\$ <u>2,761,924</u></b>

See Accountant's Report and notes to financial statements.

**HOSPITAL SERVICE DISTRICT NUMBER 1  
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STATEMENT OF CHANGES IN NET ASSETS  
For The Year Ended December 31, 2007**

	<u>Restricted</u>	<u>Unrestricted</u>
<b>Net Assets at December 31, 2006</b>	\$ 6,586,960	\$ 2,914,625
Assets purchases - restrictions released	(1,397)	1,397
Excess (Deficiency) of revenue over expenses	<u>1,765,050</u>	<u>996,874</u>
<b>Net Assets at December 31, 2007</b>	<u>\$ 8,350,613</u>	<u>\$ 3,912,896</u>

See Accountant's Report and notes to financial statements.



**HOSPITAL SERVICE DISTRICT NUMBER 1  
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STATEMENT OF CASH FLOWS  
For The Year Ended December 31, 2007**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Revenue collected	\$ 508,522
Cash payments to employees and for employee-related costs	(632,525)
Cash payments for operating expenses	<u>(1,270,191)</u>
Net cash used in operating activities	(1,394,194)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Grant income	2,098,792
Ad valorem taxes	1,334,517
Ad valorem taxes - 2002 millage	<u>1,498,272</u>
Net cash provided by non-capital financing activities	4,931,581
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds on disposal of assets	-
Purchase of capital assets (property, plant and equipment)	<u>(128,151)</u>
Net cash used in capital and related financing activities	(128,151)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of investments	(5,520)
Interest income	<u>269,918</u>
Net cash provided by investing activities	<u>264,398</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	3,673,634
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>4,898,742</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 8,572,376</u>
<b>RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH USED IN OPERATING ACTIVITIES</b>	
Operating loss	\$ (1,426,776)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation and amortization	65,432
Bad Debt Expense	120,172
Changes in operating assets and liabilities	
Accounts receivable	(214,856)
Prepaid expenses	7,696
Inventories	41,108
Accounts payable and accrued expenses	<u>13,030</u>
Net cash used in operating activities	<u>\$ (1,394,194)</u>

See Accountant's Report and notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS  
December 31, 2007**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES**

Organization - 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).

Basis of Accounting – The Center utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis.

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

Use of Estimates – The preparation of financial statements in conformity with GAAP 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.

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

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 are valued at the lower of cost, determined using the first-in, first-out method, or market.

Property and Equipment – Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 4 to 10 years.

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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
December 31, 2007**

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

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 2 – CASH AND CASH EQUIVALENTS**

At December 31, 2007, the Center has cash equivalents (book balances) totaling \$8,572,376 as follows:

Demand Deposits	\$ 23,289
Money Market Accounts	<u>8,549,087</u>
Total	<u>\$ 8,572,376</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (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 includes balances for bond indebtedness and escrow accounts.

At December 31, 2007, the Center had \$8,596,703 in deposits (collected bank balances). These deposits are secured from risk by \$200,000 of federal deposit insurance and \$6,836,851 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

**NOTE 3 – RESTRICTED NET ASSETS**

The temporarily restricted fund balance at December 31, 2007 represents the unexpended portion of the Ad Valorem tax revenue along with the Ad Valorem tax receivable in the amount of \$8,909,832 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
December 31, 2007**

**NOTE 3 – RESTRICTED NET ASSETS (Continued)**

During 2007 the restricted funds advanced the unrestricted funds of the Center \$404,556 to continue operations. At December 31, 2007 the amount due from the unrestricted funds amounted to \$558,556.

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

**NOTE 4 – EMPLOYEE RETIREMENT**

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

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

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

**HOSPITAL SERVICE DISTRICT NUMBER 1**  
**OF**  
**PLAQUEMINES PARISH, LOUISIANA**  
**d/b/a**  
**PLAQUEMINES MEDICAL CENTER**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2007**

**NOTE 4 – EMPLOYEE RETIREMENT (Continued)**

Funding Policy – Under Plan A, members are required by state statute to contribute 9.50 percent of their annual covered salary, and the Center is required to contribute at an actuarially determined rate. The current rate is 12.75 percent of annual covered payroll. Contributions to the System include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Parish are established and may be amended by state statute. As provide by Louisiana Revised Statute 11:103, the employer contributions are determined by an actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

Total payroll, covered payroll, employee contributions and Center contributions for the year ended December 31, 2007:

Total Payroll	\$	448,138
Covered payroll	\$	372,360
Employee contributions	\$	35,374
Center contributions	\$	49,338

**NOTE 5 – AD VALOREM TAX REVENUES**

The Hospital Service District levies an annual ad valorem tax on all property subject to taxation in the District. The tax is collected to defray the cost of the Center’s operations and was 2.49 mills for 2007. Current taxes are received beginning in December of each year and become delinquent after January 31 of the following year. Taxes are reported as revenues in the period for which they are levied.

In November 2002 the voters of Plaquemines Parish voted to allow the Hospital Service District to levy up to 3.00 mills on all property subject to taxation in the District to be used for the purpose of starting new programs, offer additional services and for capital expenditures related to equipment acquisitions and facility renovations. The millage is set to expire in 2012. For the year ended December 31, 2007 the levy on this Millage were 2.83 mills.

**HOSPITAL SERVICE DISTRICT NUMBER 1  
OF  
PLAQUEMINES PARISH, LOUISIANA  
d/b/a  
PLAQUEMINES MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
December 31, 2007**

**NOTE 6 – TEMPORARY FACILITY**

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

In November 2007 the land on which the permanent facility is to be located was purchased. It is anticipated that construction of the permanent facility will begin in June 2009.

**NOTE 7 – 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 – CONCENTRATION OF CREDIT RISK**

The Center grants credit without collateral to its patients, most of who are residents of Plaquemines Parish and who are 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.

**HOSPITAL SERVICE DISTRICT NUMBER 1  
OF  
PLAQUEMINES PARISH, LOUISIANA  
d/b/a  
PLAQUEMINES MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
December 31, 2007**

**NOTE 9 – GRANT INCOME**

In the year ended December 31, 2007, the Center was the recipient of two grants to assist in its recovery from Hurricane Katrina.

The first grant, a Social Services Block Grant from the U. S. Department of Health and Human Services, passed through the Louisiana Department of Health and Hospitals, began in 2006 and completed in July 2007. Income from this grant totaled \$520,538.

The second grant, a Primary Care Access and Stabilization Grant from the U. S. Department of Health and Human Services, passed through the Louisiana Department of Health and Hospitals and through the Louisiana Public Health Institute a 501(c)(3) organization, is a three year agreement, at minimum of \$437,555, with provisions for additional amounts. Of this amount, \$229,379 was taken into income in 2007 and \$373,852 was recorded on the Balance Sheet as deferred revenue.

The Center also has an outstanding grant from FEMA related to the construction of the permanent facility. The total amount of the grant is \$15,245,149. As of December 31, 2007, \$6,893 has been expended in connection with this grant. No amounts have been taken into income in 2007 with regards to this grant.

**NOTE 10 – 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, 2007:

Jimmy Cappiello	\$ 280
Dale Adams	200
Karen Melancon	40
Bonnie Thomas	240
Bernadetta Wallace	120
Danica Ansardi	200
Mary Ann Braud	200
Mena Marinovich	120
Charlotte Mareno	120
Connie Lincoln	<u>240</u>
	<u>\$ 1,760</u>

**HOSPITAL SERVICE DISTRICT NUMBER 1**  
**OF**  
**PLAQUEMINES PARISH, LOUISIANA**  
**d/b/a**  
**PLAQUEMINES MEDICAL CENTER**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2007**

**NOTE 11 – CAPITAL ASSETS**

Capital assets and depreciation activities of and for the year ended December 31, 2007 is as follows:

	<u>Balance</u> <u>December 31, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31, 2007</u>
Equipment at cost	\$ 483,834	\$ 128,151	\$ -	\$ 611,985
Accumulated Depreciation	\$ 31,390	\$ 65,432	\$ -	\$ 96,822



**COMPLIANCE AND INTERNAL CONTROL SECTION**

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**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 the financial statements 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, 2007, and have issued our report thereon dated June 30, 2008. 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

In planning and performing our audit, we considered the Center'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 the Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Center's financial statements that is more than inconsequential will not be prevented or detected by the Center's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned cost as 2007-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Center's internal control.

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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 internal control that might be significant deficiencies or material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free of 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 *Government Auditing Standards*.

We noted certain matters that we reported to management of the Center in a separate letter dated June 30, 2008.

The Center's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Center's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners of the Hospital Service District Number 1 of Plaquemines Parish, Louisiana d/b/a Plaquemines Medical Center, Center's Management, the Louisiana Legislative Auditor, and 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. Under the Louisiana Revised Statute 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, 2008

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the Hospital Service District Number 1 of Plaquemines Parish, Louisiana d/b/a Plaquemines Medical Center (the Center) with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Center's management. Our responsibility is to express an opinion on the Center's compliance based on our audit.

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. Our audit does not provide a legal determination of the Center's compliance with those requirements.

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 requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of the Center is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

## *Camnetar & Co., CPAs*

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Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Center's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned cost as items 2007-1 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Center's internal control. Of the significant deficiencies internal control over compliance described in the accompanying schedule of findings and questioned costs, we considered items 2007-1 to be material weaknesses.

The Center's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Center's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners of the Hospital Service District Number 1 of Plaquemines Parish, Louisiana d/b/a Plaquemines Medical Center, Center's Management, the Louisiana Legislative Auditor, and 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. Under the Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

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*Camnetar & Co., CPAs*

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Gretna, Louisiana  
June 30, 2008

**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, 2007**

Federal Grantor/Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
FEMA Disaster Grant-Public Assistance	97.036	075-UWJE6-00	\$ 6,893
Department of Health and Hopsitals Social Services Block Grant	93.667		520,538
Department of Health and Hopsitals Public Care Access and Stabilization Grant	93.779		229,379
Total Federal Expenditures			<u>\$ 756,810</u>

The accompanying notes are an integral part of this statement

**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, 2007**

**NOTE A - FISCAL PERIOD AUDITED**

Single audit testing procedures were performed for program transactions occurring during the year ended December 31, 2007. 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, 2007**

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, 2007, and have issued our report thereon dated June 30, 2008. 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, 2007 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    Unqualified       Qualified   
For Major Programs                    Disclaimer       Adverse

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

Yes  No

**c. Identification of Major Programs:**      Disaster Grants Public Assistance

Dollar threshold used to distinguish between Type A and Type B Programs:    \$ 500,000

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



**HOSPITAL SERVICE DISTRICT NUMBER 1  
OF  
PLAQUEMINES PARISH, LOUISIANA  
d/b/a  
PLAQUEMINES MEDICAL CENTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
For The Year Ended December 31, 2007**

**Section II Financial Statement Findings**

**A – Issues of Noncompliance**

None

**B – Significant Deficiencies**

**Finding 2007-1– Refinement of General Ledger Accounting System and General Accounting Procedures** – The center has chosen to outsource its general ledger accounting system to its billing and collection management company. This effort began in 2008. It is our understanding that the system used is “after the fact”; entering checks and deposits after they are written or made. We feel this type of arrangement does not render effective control environment. The system should be further refined to include accounts receivable and payable which can be reconciled on a monthly basis. The current accounting system in place could be moved to an internet based platform with data entry dividend between the on-site personnel and the management company, with the management company or an outside CPA performing reconciliation of cash, accounts receivable, and accounts payable on a monthly basis.

**Management’s Response:**

Management agrees with the finding and will meet with the management company and the auditor to begin implementation

**Section III Federal Award Findings and Questioned Costs**

See finding 2007-1 above.

**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, 2007**

**Section I – Internal Control and Compliance Material to the Financial Statements**

**Finding 2006-1– Implementation of General Ledger Accounting System** – The District’s general ledger accounting system was destroyed in August 2005 as a result of the complete destruction of its facility in Hurricane Katrina. Since the resumption of operations in 2006 the District has not reactivated or replaced its general ledger accounting system. (Partially Resolved)

**Section II – Internal Control and Compliance Material to Federal Awards**

See finding 2006-1 above.

**Section III – Management Letter**

**2006-2 – Implementation of General Ledger Accounting Procedures** – At present the Center is not using a General Ledger Accounting System which uses a series of self balancing accounts that establish the basis for an effective internal control system. A comprehensive accounting manual should be developed to establish accounting procedures which will further help increase internal accounting controls. (Partially Resolved)

**2006-3 – Accounting Assistance** – The Center should consider acquiring assistance from an outside source to perform higher level accounting functions including accruals and reconciliations on a monthly basis. (Partially Resolved)

**2006-4 – Cost Analysis** – Items purchased for the establishment of the temporary facility were purchased under the exceptions to the public bid law with regards to the declaration of an “extreme public emergency”. (Unresolved)

**2006-5 – Purchasing Policy** – Since the Center does not employ a full time procurement person it would be advisable to establish a written purchasing policy and to train responsible personnel on the provisions of the Louisiana Public Bid Laws. (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, 2007**

**Section I – Internal Control and Compliance Material to the Financial Statements**

See finding 2007-1 in the “Schedule of Findings and Questioned Costs at Page 21 of this report.

**Section II – Internal Control and Compliance Material to Federal Awards**

See finding 2007-1 in the “Schedule of Findings and Questioned Costs at Page 21 of this report.

**Section III – Management Letter**

**2007-2 – Refinement of General Ledger Accounting System and General Accounting Procedures –**

See finding 2007-1 in the “Schedule of Findings and Questioned Costs at Page 21 of this report.

**2007-3 Performance of a Cost Analysis** – Items purchased for the establishment of the temporary facility were purchased under the exceptions to the public bid law with regards to the declaration of an “extreme public emergency”. In order to support the funds expended as being reasonable under the circumstances it would be advisable to perform or have performed a complete Cost Analysis on those purchases.

**Management’s Response:**

Management agrees and will again request assistance form the management group to perform the suggested cost analysis.

**HOSPITAL SERVICE DISTRICT NUMBER 1  
OF  
PLAQUEMINES PARISH, LOUISIANA  
d/b/a  
PLAQUEMINES MEDICAL CENTER  
MANAGEMENT ADVISORY COMMENTS  
DECEMBER 31, 2007**

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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, 2007 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, 2008

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**

#### **2007-2 – Refinement of General Ledger Accounting System and General Accounting Procedures**

– The center has chosen to outsource its general ledger accounting system to its billing and collection management company. This effort began in 2008. It is our understanding that the system used is “after the fact”; entering checks and deposits after they are written or made. We feel this type of arrangement does not render effective control environment. The system should be further refined to include accounts receivable and payable which can be reconciled on a monthly basis. The current accounting system in place could be moved to an internet based platform with data entry dividend between the on-site personnel and the management company, with the management company or an outside CPA performing reconciliation of cash, accounts receivable, and accounts payable on a monthly basis.

**2007-3 Performance of a Cost Analysis** – Items purchased for the establishment of the temporary facility were purchased under the exceptions to the public bid law with regards to the declaration of an “extreme public emergency”. In order to support the funds expended as being reasonable under the circumstances it would be advisable to perform or have performed a complete Cost Analysis on those purchases.