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

FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2012

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2012. 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 $6,684,122 or approximately 26%, primarily due to unexpended funds received from the special millage passed in 2002 and the FEMA construction grant to cover the cost of the new facility.

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- During the year, the Center's total operating revenue decreased $62,564 or 6.7%, to $872,715 from the prior year while expenses increased $66,941, or 1.8% to $3,736,868. The Center had a loss from operations of $2,864,153, which is approximately 328% of total operating revenue. This compares to the prior fiscal year's loss from operations of $2,734,648, or 292% of operating revenue.

- The Center received $2,596,933 and $2,158,836 in 2012 and 2011, respectively, in ad valorem tax revenue for the operations of the facility.

- The Center received $2,939,636 and $2,446,943 in 2012 and 2011, 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 for a total of $2,997,460.

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 Center

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
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PLAQUEMINES MEDICAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
December 31, 2012
Unaudited

Net Position

TABLE 1
Condensed Consolidated Statements of Net Position

December 31

	2012	2011	Dollar Change	Percent Change
Assets				
Total current assets	$ 6,533,495	$ 8,104,740	$ (1,571,245)	-19.39%
Capital assets - net	5,040,382	2,129,263	2,911,119	136.72%
Assets limited to use	21,174,830	15,830,582	5,344,248	33.76%
Total assets	32,748,707	26,064,585	6,684,122	25.64%
Liabilities				
Current liabilities	712,532	803,509	(90,977)	-11.32%
Deferred Inflows of Resources				
Unearned grant revenue	1,225,132	-	-	100.00%
Net Position				
Net investment in capital assets	5,040,382	2,129,263	2,911,119	136.72%
Restricted	20,683,296	16,726,275	3,957,021	23.66%
Unrestricted	5,087,365	8,534,801	(3,447,436)	-40.39%
Total Net Position	$ 30,811,043	$ 26,064,585	$ 418,608	1.61%

As can be seen in Table 1, total assets increased by $6,684,122 to $32,748,707 in fiscal year 2012, from $26,064,585 in fiscal year 2011. The change in total net position is primarily due to the excess of revenues over expenses in fiscal year 2012 and investment in capital assets funded by the FEMA hurricane reconstruction grant.

HOSPITAL SERVICE DISTRICT NO. 1
OF
PLAQUEMINES PARISH, LOUISIANA
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
December 31, 2012
Unaudited

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, 2012 and 2011:

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

	Year Ended December 31 2012	2011	Dollar Change	Percent Change
Revenue:				
Net patient service revenue	$ 872,715	$ 935,279	$ (62,564)	-6.69%
Total operating revenue	872,715	935,279	(62,564)	
Expenses:				
Salaries & employee benefits	1,237,567	1,207,565	30,002	2.48%
Supplies, contract services, equipment, and fees	2,065,879	2,038,253	27,626	1.36%
Other operating expenses	347,081	345,509	1,572	0.45%
Depreciation	86,341	78,600	7,741	9.85%
Total operating expenses	3,736,868	3,669,927	66,941	1.82%
Operating income (loss)	(2,864,153)	(2,734,648)	(129,505)	4.74%
Investment income	28,967	20,906	8,061	38.56%
Excess of revenue & investment income over expenses	(2,835,186)	(2,713,742)	(121,444)	4.48%
Advalorem tax revenue	2,596,933	2,158,836	438,097	20.29%
Other	7,944	26,104	(18,160)	-69.57%
Construction Grant income	3,145,345	1,113,271	2,032,074	182.53%
Emergency Preparedness	(22,110)	-	(22,110)	100.00%
Old facility demolition	(282,595)	-	(282,595)	100.00%
Special millage Advalorem tax revenue	2,939,636	2,446,943	492,693	20.14%
Change in net position	5,549,967	3,031,412	2,120,728	69.96%
Total net position - beginning of year	25,261,076	22,229,664	3,031,412	13.64%
Total net position - end of year	$ 30,811,043	$ 25,261,076	$ 5,549,967	21.97%

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. Net patient revenue decreased by 7% from the prior year. This is due to the provision for bad debt increased approximately $276,930 or 75% during 2012. This increase is due in large part to the decrease in accounts receivable for services rendered to patients who are covered by any third party insurance rather than government insurance programs.

Ad valorem Revenue

The Center receives advalorem tax revenue for the operations of the facility. During 2012, the amount increased by $438,907 or 20% from the prior year.

The Center receives a special millage of advalorem tax revenue for construction and new program expenditures. During 2012, the amount increased by $492,693 or $20% from the prior year.

Investment Income

The Center holds designated and restricted funds that are invested primarily in money market funds and intrest bearing demand checkings. These investments had a total return of $28,967 and $20,906 during fiscal years 2012 and 2011, respectively.

Operating and Financial Performance

The following summarizes the Center's statements of revenue and expenses for 2012 and 2011 respectively:

Overall activity at the Center, as measured by patient-visits and procedures performed increased 17% to 8,966 visits and procedures in 2012 from 7,661 visits and procedures in 2011. Net patient service revenue per patient visit/procedure decreased 20% to $97.33 per patient visit/procedure in 2012 from $122.08 per patient visit/procedure in 2011.

TABLE 3
Patient visits and Procedures Statistical Data

	Year ended December 31	
	2012	2011
Clinic Visits	7,183	6,779
Primary Care	1,099	345
Workers Compensation Patients	684	537
	8,966	7,661

Salaries and related benefits expense increased $30,002 or 2.48%, to $1,237,567 in 2012 from $1,207,565 in 2011.

Supplies, contract services, equipment, and fees and other operating expenses increased $27,626 or 1.36% the year ended December 31, 2012.

Depreciation expense increased slightly for the year ended December 31, 2012 due to additional assets being placed in service.

Total operating expenses increased by $66,941 or 1.8% for the year ended December 31, 2012, 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 by $8,061. Due to the additional cash on hand from the special millage advalorem tax revenue source.

Assets Limited as to Use

At December 31, 2012 the Center had $21,174,4830 of assets limited as to use. The source of these funds is a special millage passed by the voters of Plaquemines Parish designated for starting new programs, offer additional services and for capital expenditures related to equipment acquisitions and facility renovations. This special millage was renewed by the voters of Plaquemines Parish in October 2010. The levy is three mills on all property subject to taxation for a period of ten years beginning with the year 2012 and ending with the year 2021. In addition to the special millage funds the Center has received construction advances from FEMA to be used exclusively for construction cost of the new facility which are reported as assets limited as to use.

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

Capital Assets

At the end of 2012, the Center had a net investment increase of $2,911,119 in capital assets see table below. This amount represents a net increase of 141% over last year

Capital Assets at Year End
(Net of Depreciation)

	2012	2011	Change
Land	$ 127,597	$ 127,597	$ -
Construction in progress	4,786,803	1,829,892	2,956,911
Equipment	125,982	171,774	(45,792)
Total	$ 5,040,382	$ 2,129,263	$2,911,119

In the fiscal year 2012, the Center spent $2,959,534 in construction and engineering fees related to the construction of the new building. A Project Worksheet (PW) has been approved by FEMA in the amount of $22,251,541 as of February 17, 2011. As previously discussed the new facility is expected to be completed in 2014.

Contacting the Center's Financial Manager

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

Ms. Lynn Nick, Administrator
Plaquemines Medical Center
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Port Sulphur, LA 70083
504/564-3344 ** Fax 504/564-0174

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 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 and for the year then ended December 31, 2012, 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 of 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 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, 2012, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages i through 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 regarding 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 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 financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the 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, 2013 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the 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, 2013

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, 2012

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	3,395,982
Ad valorem tax revenue receivable		2,434,837
Patient accounts receivable, net of estimated uncollectibles of $2,116,000		482,035
Grant income receivable		175,376
Prepaid Expenses		2,225
Inventories		43,040
Total current assets		6,533,495
ASSETS LIMITED AS TO USE		
Ad valorem tax receivable		2,767,314
Cash and cash equivalents		18,119,441
Certificates of deposit		288,075
Total assets limited as to use		21,174,830
CAPITAL ASSETS		
Capital Assets, net of accumulated depreciation of $474,103		5,040,382
TOTAL ASSETS		32,748,707
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable		248,216
Accounts payable, from restricted sources		395,920
Accrued payroll expenses		68,396
Total current liabilities		712,532
DEFERRED INFLOWS OF RESOURCES		
Unearned grant revenue		1,225,132
NET POSITION		
Net Investment in Capital Assets		5,040,382
Undesignated - unrestricted		5,087,365
Restricted		20,683,296
TOTAL NET POSITION	$	30,811,043

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, 2012

OPERATING REVENUES		
Net patient service revenue	$	872,715
Recovery of bad debt		-
Total operating revenue		872,715
OPERATING EXPENSES		
Salaries and related expenses		1,237,567
Professional fees		64,952
Medical supplies		205,023
Contract labor		30,986
Repairs and maintenance		68,480
Purchased services		1,829,870
Depreciation and amortization		86,341
Utilities and telephone		42,764
Insurance		66,296
Administrative expense		87,226
Temporary facility expense		17,363
Total operating expenses		3,736,868
OPERATING INCOME (LOSS)		(2,864,153)
NON-OPERATING REVENUE (EXPENSES)		
Ad valorem tax revenue		5,536,569
Grant income		3,145,345
Miscellaneous		7,944
Investment income		28,967
Old facility demolition		(282,595)
Emergency Preparedness		(22,110)
Total non-operating revenue		8,414,120
EXCESSES OF REVENUE OVER EXPENSES	$	5,549,967

The accompanying notes are an integral part of these statements.

HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
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CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
For The Year Ended December 31, 2012

	Restricted	Unrestricted
Net Position at December 31, 2011	$ 16,726,275	$ 8,534,801
Assets purchases - restrictions released	(2,997,459)	2,997,459
Excess (Deficiency) of revenue over expenses	6,954,480	(1,404,513)
Net Position at December 31, 2012	$ 20,683,296	$ 10,127,747

The accompanying notes are an integral part of these statements.

HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Revenue collected	$ 907,570
Cash payments to employees and for employee-related costs	(1,254,926)
Cash payments for operating expenses	(1,922,594)
Net cash used in operating activities	(2,269,950)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Grant income	4,378,459
Ad valorem taxes	2,101,483
Ad valorem taxes - 2002 millage	2,376,529
Net cash provided by non-capital financing activities	8,856,471
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Old facility demolition	(278,379)
Emergency Preparedness	(18,782)
Purchase of capital assets (property, plant and equipment)	(2,959,529)
Net cash used in capital and related financing activities	(3,256,690)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(1,721)
Miscellaneous	7,944
Investment income	28,967
Net cash provided by investing activities	35,190
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,365,021
CASH AND CASH EQUIVALENTS, beginning of year	18,150,398
CASH AND CASH EQUIVALENTS, end of year	$ 21,515,419
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	$ (2,864,153)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation and amortization	86,341
Bad Debt Expense	645,465
Changes in operating assets and liabilities	
Accounts receivable	(610,610)
Prepaid Expenses	7,758
Inventories	43,149
Accounts payable and accrued expenses	422,100
Net cash used in operating activities	$ (2,269,950)

The accompanying notes are an integral part of these statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated basic 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. 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).

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

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

<u>Measurement Focus, Basis of Accounting</u> – 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.

<u>Accounting Standards</u> – 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.

<u>Income Taxes</u> – 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.

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

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.

Capital Assets – 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.

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

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

Subsequent Event Review - Management of the Center has reviewed subsequent events through June 30, 2013, 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 Center'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 Center'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.

Deferred Inflows of Resources – In addition to liabilites, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to future period(s) and will *not* be recognized as an inflow of resources (revenue) until that time. The Center has only one type of item that qualifies for reporting in this category. Acorrdingly, the item, *unearned revenue*, is reported on the statement of net position.

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.

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

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.

Compensated absences - Expenditures related to compensated absences are expensed when incurred, accordingly no liability is recorded. Employees of the Center earn vacation 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.

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

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

Impact of Recently Issued Accounting Principles -
Recently Issued and Adopted Accounting Pronouncements

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* GASB 62 incorporates into GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletin of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011. The adoption of this statement in 2012 does not have any impact on the Center's consolidated financial statements.

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

Impact of Recently Issued Accounting Principles (Continued) -
Recently Issued and Adopted Accounting Pronouncements

In June 2011, the GASB Issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in a statement of financial position and related disclosures. The statements of net assets is renamed the statement of net position, and which includes components of assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The provisions of this statement are effective for financial periods beginning after December 15, 2011. During 2012 the Center adopted the statement and has restated balances previously referred to as net assets as net position.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities.* GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The Statement is effective for periods beginning after December 15, 2012. Management has elected to early implement Statement 65 in fiscal year 2012. The adoption of GASB 65 had no impact on prior period financial statements. In 2012, the Center does report deferred inflows of resources.

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

A. Cash and Cash Equivalents

At December 31, 2012, the Center has cash equivalents (book balances) totaling $21,515,423 as follows:

Demand Deposits	$	7,132
Demand Deposits - Interst Bearing		2,649,018
Money Market Accounts		4,789,153
Total Amount of Cash & Cash Equivalent Held at a Fiscal Agent Bank		7,445,303
Investment in Louisiana Asset Management Pool (LAMP)		14,070,120
Total Cash & Cash Equivalents at December 31, 2012	$	21,515,423

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 is further described in Note 4.

Custodial Credit Risk – Deposits Held at Fiscal Agent Bank - At December 31, 2012, the Center had $7,731,470 in deposits (collected bank balances). These deposits are secured from risk by $500,000 of federal deposit insurance and $8,939,768 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3

B. Investments

The Center's investments in the Louisiana Asset Management Pool (LAMP) total $14,070,120. These deposits are stated at cost. LAMP is a local government investment pool established as a cooperative effort to enable public entities of the State of Louisiana to aggregate funds for investments.

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

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

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

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

NOTE 3 –PREPAID ITEMS

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

NOTE 4 - RESTRICTED NET POSITION

The temporarily restricted fund balance at December 31, 2012 represents the unexpended portion of the Ad Valorem tax revenue along with the Ad Valorem tax receivable in the amount of $20,683,296 levied for the specific purpose of starting new programs, offer additional services and for capital expenditures related to equipment acquisitions and facility renovations.

During the year 2012 the Center received an advance for the construction of the permanent facility from FEMA.

As discussed in Note 11 the Center has $250,000 of certificates of deposit pledged to the Louisiana Patient Compensation Fund to satisfy any malpractice claims. At December 31, 2012 the balance of certificates of deposit is $288,075

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

NOTE 5 - THIRD-PARTY PAYOR ARRANGEMENTS

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

NOTE 6 – NET PATIENT SERVICE REVENUE

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

Following is a summary of contractual and other adjustment to arrive at net patient service revenues for the year ended December 31, 2012:

Gross patient revenue	$1,905,558
Less: Bad debt expense	645,465
Less: Contractual adjustments	387,378
Net patient service revenue	$ 872,715

NOTE 7 – EMPLOYEE RETIREMENT

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

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

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

NOTE 7 – EMPLOYEE RETIREMENT(continued)

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

Total payroll, covered payroll, employee contributions and Center contributions for the year ended December 31, 2012:

Total Payroll	$ 1,016,227
Covered payroll	$ 730,121
Employee contributions	$ 69,361
Center contributions	$ 114,994

NOTE 8 –POST EMPLOYMENT BENEFITS

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City provides health care benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured on or before the first day of the month for the actual month covered. This program is offered for duration of 18 months after the termination date. There is no associated cost to the Center under this program, and there are no participants in the program as of December 31, 2012.

NOTE 9 – AD VALOREM TAX REVENUES

The Hospital Service District levies an annual ad valorem tax on all property subject to taxation in the District. The tax is collected to defray the cost of the Center's operations and was 2.49 mills for 2012. Current taxes are received beginning in December of each year and become delinquent after January 31 of the following year. Taxes are reported as revenues in the period for which they are levied.

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

NOTE 10 – TEMPORARY FACILITY

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

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

NOTE 11 – MALPRACTICE INSURANCE

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

NOTE 12 – CONCENTRATION OF CREDIT RISK

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

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

NOTE 13 – GRANT INCOME

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

Grant income in the current year of $3,145,345 is made up of the following:

$2,956,929	Construction of new facility
$ 174,291	Demolition of the old facility
$ 14,124	Emergency Preparedness

NOTE 14 – AMOUNTS PAID TO GOVERNING BOARD MEMBERS

The Center's Board of Commissioners received the following compensation from the Center for services as Commissioners during the year ended December 31, 2012:

Jimmy Cappiello	$	400
Dale Adams		280
Bonnie thomas		320
Andree Schaubhut		240
Mary Ann Braud		360
Mena Marinovich		400
Tony Frickey		320
Rev. Tyronne Edwards		280
Connie Lincoln		400
	$	3,000

NOTE 15 – CAPITAL ASSETS

Capital assets and depreciation activities of and for the year ended December 31, 2012 is as follows:

	December 31, 2011	Additions	Deletions	December 31, 2012
Capital Assets Not Depreciated				
Construction in progress	$ 1,829,892	$ 2,956,911		$ 4,786,803
Land	127,597	-	-	127,597
Total	1,957,489	2,956,911	-	4,914,400
Capital Assets Depreciated				
Equipment at cost	559,536	40,549	-	600,085
Less Accumulated Depreciation	(387,762)	(86,341)	-	(474,103)
Total	171,774	(45,792)	-	125,982
Capital Assets, net	$ 2,129,263	$ 2,911,119	$ -	$ 5,040,382

NOTE 16 – DEFERRED INLOWS OF RESOURCES

During the year 2012 the Center received an advance for the construction of the permanent facility from FEMA. The Center identifies grant resources that have been received, but not yet earned. Grant revenues which are unearned at year-end are recorded as unearned grant revenue. The Center funds certain programs through cost-reimbursement grants; revenues received before the eligibility requirements are met are reported as unearned grant revenue.

COMPLIANCE AND INTERNAL CONTROL SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business type activities of the Hospital Service District Number 1 of Plaquemines Parish, Louisiana d/b/a Plaquemines Medical Center (the Center) as of and for the year ended December 31, 2012, 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, 2013.

Internal Control Over Financial Reporting

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

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

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

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 instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2012-1.

We noted certain matters that we reported to the management of the Center, in a separate letter dated June 30, 2013.

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, 2013

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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, 2012. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Hospital Service District Number 1 of Plaquemines Parish, Louisiana d/b/a Plaquemines Medical Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2012-2. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses. 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, 2013

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, 2012

Federal Grantor/Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
Department of Homeland Security Direct Programs	97.036	075-UWJE6-00	$ 3,261,615
Disaster Grants - Public Assistance			
(Presidentially Declared Disasters)			
Passed through Louisiana Governors Office of			
Homeland Security and Emergency Preparedness			
Total Federal Expenditures			$ 3,261,615

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, 2012

NOTE A - FISCAL PERIOD AUDITED

Single audit testing procedures were performed for program transactions occurring during the year ended December 31, 2012. 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, 2012

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, 2012, and have issued our report thereon dated June 30, 2013. 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, 2012 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

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

2012-1 Written Contract with Medical Service Provider –

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

We strongly recommend that the Center enter into a written contract with this physician.

Management's Response:
We are currently amending our contract with the entity that provides our doctors for the clinic. Upon completion of this contract we will enter into a separate contract with the physician for Plaquemines Primary Care, Inc.

B – Significant Deficiencies

None

Section III Federal Award Findings and Questioned Costs

2012-2 Reporting on Federal Grants –

The quarterly reports for calendar year 2012 prepared on the Centers behalf, by its contracted construction management company did not agree, in all material respects, to the Schedule of Expenditures of Federal Awards or the Center's audited financial results. These reports significantly understated actual expenditures for the year on the Center's two major projects. We recommend that the reports be amended to report the correct expenditures.

Management's Response:
Due to a lack of expertise in handling such matters, we contracted with our construction management firm to handle all aspects of compliance with requirements of our Federal Grants as it relates to reconstruction and demolition of our facilities resulting from Hurricane Katrina. We will demand that any reports filed on our behalf which are incorrect be amended to report the correct information as soon as possible.

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, 2012

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

2011-1 Written Contract with Medical Service Provider -

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

In our further review of this arrangement we noted that even though the physician only provides part time medical services, the Center paid, on behalf of the physician, his entire annual malpractice insurance premium and coverage under the policy extended to several other medical institutions.

We strongly recommend that the Center enter into a written contract with this physician.

(Partially Resovled)

Section II – Internal Control and Compliance Material to Federal Awards

None

Section III – Management Letter

2011-2 Legal Representation –

At present, legal representation for the Center is provided by the Plaquemines Parish District Attorney's office. We feel going forward the Board should consider engaging a private law firm for representation at public meetings and to give management ready access to legal representation throughout the year. Currently no attorney representative from the Plaquemines Parish District Attorney's office attends the public meetings of the Center.

(Ongoing - Partially Resolved)

2011-3 Legal Review of Contracts –

During the course of our audit we reviewed several contracts in effect with the Center and its principal service providers. We noted certain provisions in the contract with a provider which we believe should be reviewed by attorneys representing the Center for compliance with Louisiana statues as they relate to contracts with public entities.

(Ongoing - Partially Resolved)

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, 2012

2011-4 Monitoring Cost versus Benefit of Providing 24 Hour Services –

In 2011 the Center provided services on a twenty-four hour basis for entire year as opposed to eight months in 2010. In addition through its blended component unit, Plaquemines Primary Care, Inc., the Center began providing primary care services two days a week in June 2011. In spite of increased services, patient revenue decreased by approximately $50,000 and operating expenses increased by approximately $540,000.

During 2011 total patient visits were 7,661, which includes 345 visits to Plaquemines Primary Care. This is down from the 10,160 visits in 2010. The operating cost per visit in 2011 was $527.15 compared to 2010 in which the cost was $344.22 per visit a 53% increase in cost per visit.

Once again we feel that management of the Center must carefully analyze costs versus benefit of these operation decisions.

(Ongoing - Partially Resolved)

2011-5 Cost Outside the Scope of a Contract –

During the course of our audit of the Center's Major Federal Program we noted certain expenditures totaling approximately $3,700 that were outside the scope of the contract with the service provider. This amount was below the amount which must be reported as a 'questioned cost' in the Center's OMB Circular A133 Report, but we thought it should be brought to the attention of the Center's management. These charges should be reviewed by management and the propriety of the charges should be discussed with the service provider.

(Ongoing - 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, 2012

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

2012-1 Written Contract with Medical Service Provider –

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

We strongly recommend that the Center enter into a written contract with this physician.

> Management's Response:
> We are currently amending our contract with the entity that provides our doctors for the clinic. Upon completion of this contract we will enter into a separate contract with the physician for Plaquemines Primary Care, Inc.

Section II – Internal Control and Compliance Material to Federal Awards

2012-2 Reporting on Federal Grants –

The quarterly reports for calendar year 2012 prepared on the Centers behalf, by its contracted construction management company did not agree, in all material respects, to the Schedule of Expenditures of Federal Awards or the Center's audited financial results. These reports significantly understated actual expenditures for the year on the Center's two major projects. We recommend that the reports be amended to report the correct expenditures.

> Management's Response:
> Due to a lack of expertise in handling such matters, we contracted with our construction management firm to handle all aspects of compliance with requirements of our Federal Grants as it relates to reconstruction and demolition of our facilities resulting from Hurricane Katrina. We will demand that any reports filed on our behalf which are incorrect be amended to report the correct information as soon as possible.

Section III – Management Letter

2012-3 Legal Review and Consultation Regarding Contracts –

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

Section III – Management Letter (Continued)

2012-3 Legal Review and Consultation Regarding Contracts –

Management's Response:

We will contact our attorney and make sure that he is involved in the process.

2012-4 Losses From Operations –

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

Management's Response:

The board is fully aware of the situation and is exploring every avenue to improve the situation.

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

MANAGEMENT ADVISORY COMMENTS

DECEMBER 31, 2012

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, 2012 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, 2013

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

2012-3 Legal Review and Consultation Regarding Contracts –

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

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

PLAQUEMINES MEDICAL CENTER

26851 Highway 23
Port Sulphur, LA 70083

Phone No: 985.564.3344
Fax No: 985.564.0174

June 30, 2013

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, 2013.

MANAGEMENT COMMENTS

2012-1 Written Contract with Medical Service Provider –

We are in the process of amending our contract with the entity that provides our doctors for the Center. The same entity provides our physician for Plaquemines Primary Care, Inc. Upon completion of the amendment to our contract for the Center, we will prepare a separate contract with the entity for Plaquemines Primary Care, Inc.

2012-2 Reporting on Federal Grants –

Due to our lack of expertise in the handling of Federal Grants, we engaged our construction management company to provide the services for us. I will demand that they take whatever steps necessary to correct these reports as soon as possible.

2012-3 Legal Review and Consultation Regarding Contracts –

We will contact our attorney and make sure that he is involved in the process.

2014 Losses from Operations –

The board is fully aware of the situation and is exploring every avenue to improve the situation.

James L. Cappiello
James L. Cappiello
Chairman