ST. MARTIN PARISH HOSPITAL SERVICE DISTRICT NO. 2

Breaux Bridge, Louisiana

Financial Report

Year Ended September 30, 2023

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Champagne & Company, LLC
Certified Public Accountants

Russell F. Champagne, CPA, CGMA*
Penny Angelle Scruggins, CPA, CGMA*

Shayne M. Breaux, CPA
Kaylee Champagne Frederick, CPA

*A Professional Accounting Corporation

113 East Bridge Street
PO Box 250
Breaux Bridge, LA 70517
Phone: (337) 332-4020
Fax: (337) 332-2867

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
St. Martin Parish Hospital Service District No. 2
Breaux Bridge, Louisiana

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the St. Martin Parish Hospital Service District No. 2 (the District), a component unit of the St. Martin Parish Government, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of general and administrative expenses but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 District's internal control over financial reporting and compliance.

Champagne & Company, LLC
Certified Public Accountants

Breaux Bridge, Louisiana
February 8, 2024

FINANCIAL STATEMENTS

St. Martin Parish Hospital Service District No. 2
Breaux Bridge, Louisiana

Statement of Net Position
September 30, 2023

ASSETS	
Current assets:	
Cash and cash equivalents	$ 1,518,337
Lease receivable	391,942
Prepaid expenses	216,487
Total current assets	2,126,766
Noncurrent assets:	
Restricted assets -	
Cash and cash equivalents	2,246
Bond issuance costs (prepaid insurance)	42,481
Capital assets -	
Non-depreciable	967,517
Buildings and equipment, net of accumulated depreciation	17,128,271
Noncurrent portion of lease receivable	14,711,786
Total noncurrent assets	32,852,301
Total assets	$ 34,979,067
LIABILITIES, DEFERRED INFLOWS AND NET POSITION	
LIABILITIES	
Current liabilities:	
Intergovernmental liability	10,000
Unearned rent revenue	276,000
Bonds payable	515,000
Interest payable	39,418
Total current liabilities	840,418
Long term liabilities:	
Unearned rent revenue	1,679,000
Bonds payable	10,687,602
Total long term liabilities	12,366,602
Total liabilities	13,207,020
DEFERRED INFLOWS OF RESOURCES	
Deferred amount on donation of leased asset improvement	284,952
Deferred amount on lease	15,085,728
Total deferred inflows of resources	15,370,680
NET POSITION	
Net investment in capital assets	4,613,816
Unrestricted	1,787,551
Total net position	6,401,367
Total liabilities, deferred inflows, and net position	$ 34,979,067

The accompanying notes are an integral part of the basic financial statements

St. Martin Parish Hospital Service District No. 2
Breaux Bridge, Louisiana

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended September 30, 2023

Operating revenues:	
Lease income	$ 626,313
Interest income from lease agreement	123,178
Total operating revenue	749,491
Operating expenses:	
General and administrative	371,198
Depreciation and amortization	808,985
Total operating expenses	1,180,183
Income (Loss) from operations	(430,692)
Nonoperating revenues (expenses)	
Property tax revenue	919,360
Contribution income recognized on leased asset improvement	26,972
Interest income	71,906
Interest expense	(484,539)
Dividend income	18,609
Bond issuance and related costs	(2,947)
Total nonoperating revenues	549,361
Change in net position	118,669
Net position, beginning of year	6,282,698
Net position, end of year	$ 6,401,367

The accompanying notes are an integral part of the basic financial statements

St. Martin Parish Hospital Service District No. 2
Breaux Bridge, Louisiana

Statement of Cash Flows
For the Year Ended September 30, 2023

Cash flows from operating activities:	
Cash receipts from lease	$ 455,491
Cash payments to suppliers for goods and services	(486,701)
Net cash used by operating activities	(31,210)
Cash flows from capital and related financing activities:	
Cash receipts from property tax revenues	919,360
Principal paid on capital debt	(500,000)
Interest paid on capital debt	(485,775)
Net cash used by capital and related financing activities	(66,415)
Cash flows from investing activities:	
Dividend income	109
Interest income	4,440
Net cash provided by investing activities	4,549
Net decrease in cash and cash equivalents	(93,076)
Cash and cash equivalents, beginning of period	1,613,659
Cash and cash equivalents, end of period	$ 1,520,583

(continued)

St. Martin Parish Hospital Service District No. 2
Breaux Bridge, Louisiana

Statement of Cash Flows (continued)
For the Year Ended September 30, 2023

Cash flows from operating activities:	
Loss from operations	$ (430,692)
Adjustments to reconcile income from operations to net cash provided by operating activities	
Depreciation	808,985
Increase in lease receivable	(18,000)
Unearned rent recognized	(276,000)
Insurance paid by dividend income	18,500
Increase in prepaid expenses	(134,003)
Net cash used by operating activities	(31,210)
Noncash capital and related financing activities	
Contribution income recognized on leased asset improvement	$ 26,971
Reconciliation of cash and cash equivalents per statement of cash flows to the statement of net position:	
Cash and cash equivalents, beginning of period -	
Cash - unrestricted	$ 1,611,538
Cash - restricted	2,121
Total cash and cash equivalents	1,613,659
Cash and cash equivalents, end of period -	
Cash - unrestricted	1,518,337
Cash - restricted	2,246
Total cash and cash equivalents	1,520,583
Net decrease	$ (93,076)

The accompanying notes are an integral part of the basic financial statements

St. Martin Parish Hospital Service District No. 2
Breaux Bridge, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

The St. Martin Parish Hospital Service District No. 2 (the District) was created in October 1969, by the Parish Government of St. Martin Parish, Louisiana, to operate, control, and manage matters concerning the Parish's health care functions. The Parish Government appoints the Boards of Commissioners of the District, and the District may not issue debt without the Parish's approval. For this reason, the District is considered to be a component unit of the St. Martin Parish Government, St. Martin Parish, Louisiana.

The following is a summary of certain significant accounting policies:

A. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The District utilizes the proprietary fund method of accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

B. Use of Estimates

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

C. Cash and Cash Equivalents

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

D. Capital Assets

Capital assets are recorded at cost. Assets that are considered to have future value are capitalized.

Depreciation of all exhaustible capital assets is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method. Capital assets under lease obligations are amortized on straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization expense in the financial statements. The estimated useful lives are as follows:

Land Improvements	5 - 25 years
Building	10 - 40 years
Building Improvements	10 - 40 years
Equipment	5 - 25 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

E. Debt Issuance Costs

Debt issuance costs, except for any portion related to prepaid insurance costs, are recognized as an expense in the period incurred. Prepaid insurance costs are reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt. The bond issuance costs balance as of September 30, 2023 relate to the unamortized prepaid insurance costs that were paid with the Series 2018 General obligation bonds.

F. Grants and Donations

Revenues from grants and donations are recognized when all eligibility requirements, including time requirements, are met. Grants and donations may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as operating revenues.

G. Deferred Outflows of Resources and Deferred Inflows of Resources

In some instances, the GASB requires a government to delay recognition of decreases in net position as expenditures until a future period. In other instances, governments are required to delay recognition of increases in net position as revenues until a future period. In these circumstances, deferred outflows of resources and deferred inflows of resources result from the delayed recognition of expenditures or revenues, respectively.

H. Equity Classifications

In the statement of net position, equity is classified as net position and displayed in three components:

a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net position – Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints may be placed on the use, either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net position – Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

I. Ad Valorem Taxes

For the year ending September 30, 2023, taxes of 8.65 mills were levied on property with assessed valuations totaling $110,402,695 and are dedicated to the repayment of the 2018 series general obligation bonds. Total taxes levied were $954,988. The taxes are levied and assessed in June or July. Tax bills are mailed in October or November, become liens on December 31, and are delinquent if unpaid as of March 1. The majority of collections occur in the months of December through February.

J. Risk Management

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. There were no reductions in insurance coverage during the year and no settled claims for the last three years.

K. Restricted Assets

Restricted assets include cash and interest-bearing deposits that are legally restricted as to their use. The restricted assets are related to the general obligation bonds, series 2018. When the District has both restricted and unrestricted resources available to finance a particular program, it is the District's policy to use restricted resources before unrestricted resources.

L. Operating Revenues

The District's Statement of Revenues, Expenses, and Changes in Net Position distinguishes between operating and non-operating revenues. Operating revenues include all transactions associated with the District's lease with St. Martin Hospital, Inc. Non-operating revenues include revenues such as ad valorem taxes, dividends, interest, and gains or losses on disposals of assets. Operating expenses are all expenses to administer the lease agreement, other than financing costs.

(2) Cash and Interest-Bearing Deposits

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of the state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 2023, the District has cash deposits (book balances) totaling $1,520,583.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be recovered or will not be able to recover the collateral securities that are in the possession of an outside party. 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 pledge of securities owned by the pledging financial institution. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit within the financial institution. These securities are held in the name of the pledging financial institution in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at September 30, 2023 are secured as follows:

Bank balances	$ 1,520,583

At September 30, 2023 the deposits are secured as follows:

Federal deposit insurance	$ 250,000
Pledged securities	1,270,583
Total	$ 1,520,583

Deposits in the amount of $1,270,583 were exposed to custodial credit risk. These are uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. The District does not have a policy for custodial credit risk.

(3) Restricted Assets

Restricted assets were composed of cash and interest-bearing deposits at September 30, 2023 and were restricted as follows:

Additions, renovations, and improvements to The District facilities	$ 2,246

(4) Capital Assets

Capital asset balances and activity for the year ended September 30, 2023 is as follows:

	Balance 10/1/2022	Additions	Deletions	Balance 9/30/2023
Capital assets, not being depreciated:				
Land	$ 967,517	$ -	$ -	$ 967,517
Capital assets, being depreciated:				
Buildings	17,185,612	-	-	17,185,612
Building improvements	4,913,162	-	-	4,913,162
Leasehold improvements	400,000	-	-	400,000
Fixed equipment	736,349	-	-	736,349
Land improvements	37,038	-	-	37,038
Movable equipment	6,365	-	-	6,365
Total capital assets	24,246,043	-	-	24,246,043
Less: Accumulated depreciation	(5,341,270)	(808,985)	-	(6,150,255)
Net capital assets	$18,904,773	$ (808,985)	$ -	$18,095,788

Depreciation expense for the year ended September 30, 2023 was $808,985.

(5) Changes in Long-Term Debt

Long-term debt at September 30, 2023 is comprised of the following:

General obligation bonds

$12,565,000 general obligation bonds, series 2018, due in annual installments of $455,000 to $960,000; from March 1, 2020 to March 1, 2038; interest rate ranging from 3% to 5%; payable from ad valorem tax revenues of the District.	$ 11,202,602

The following is a summary of long-term debt transactions of the District for the year ended September 30, 2023:

Long-term debt at September 30, 2022	$ 11,770,068
Increases	-
Decreases:	
Payment of principal	(500,000)
Amortization of bond premium	(67,466)
Long-term debt at September 30, 2023	$ 11,202,602
Amount due within one year	$ 515,000

Interest in the amount of $484,539 was expensed for the year ending September 30, 2023.

The District's outstanding debt from general obligation bonds of $11,202,602 is secured by a special ad valorem tax to be imposed and collected annually on all the property subject to taxation within the territorial limits of the District sufficient to pay the principal of the bonds and interest as they mature.

Debt service requirements on long-term debt at September 30, 2023 are as follows:

Year Ending	General obligation bonds			
September 30,	Principal	Interest	Amortization	Total
2024	515,000	470,550	64,326	1,049,876
2025	535,000	449,450	61,078	1,045,528
2026	565,000	421,950	57,676	1,044,626
2027	590,000	393,075	54,103	1,037,178
2028	620,000	362,825	50,360	1,033,185
2029-2033	3,475,000	1,448,688	189,979	5,113,667
2034-2038	4,355,000	566,375	70,080	4,991,455
Totals	$ 10,655,000	$ 4,112,913	$ 547,602	$ 15,315,515

(6) Major Source of Revenue

The District derived all of its operating revenue from its lease agreements with the St. Martin Hospital, Inc. for the year ended September 30, 2023.

(7) Concentrations of Credit Risk

The District depends solely on the lease revenue derived from its lease with the St. Martin Hospital, Inc. for operational revenue. The District's tax millage is now dedicated to the repayment of bonds (see Note (1) I.).

(8) Assets Limited as to Use

The Series 2018 general obligation bonds agreement requires that a sinking fund be established and maintained with the regularly designated fiscal agent bank of the issuer. The issuer shall deposit in the sinking fund the proceeds of the special tax and no other monies (other than investment earnings). The depository for the sinking fund shall transfer from the sinking fund to the paying agent at least one day in advance of each interest payment date, funds fully sufficient to pay promptly the principal and interest falling due on such date. At September 30, 2023 the sinking fund balance was $2,246.

(9) Leases/Unearned Revenue/Deferred Inflows of Resources

An election was held in the Hospital Service District No. 2 of the Parish of St. Martin, Louisiana on October 4, 2008, the results of which authorized the lease of all of the assets of the District for fair market value to Lafayette General Medical Center ("LGMC"), a non-profit corporation.

The lease was executed on July 31, 2009 between the District (lessor) and St. Martin Hospital, Inc., a Louisiana non-profit corporation that is a wholly owned subsidiary of Lafayette General Medical Center, a Louisiana not-for-profit corporation (lessee). The lease includes the District building located at 210 Champagne Boulevard, Breaux Bridge, Louisiana, 70517. The lease includes some land and all buildings, furniture, fixtures, improvements, inventory, supplies and equipment represented on the *Statement of Net Position*, with a net book value of $17,152,997 for the year ended September 30, 2023, which is also described in Note 4 above.

The initial term of the lease is twenty-five years commencing August 1, 2009. The initial term shall renew for a period of twenty-four years, unless lessee transmits a notice of termination to lessor at least ninety days before the expiration of the initial term. After the fifth lease year, the lease may terminate the lease in the event of "a legislative or regulatory change or determination... that would have a material impact on the lessee's operation of the District...or the District loses its Critical Access Hospital status". Effective November 16, 2011, Amendment No. 4 to the special services lease agreement provided that the latter clause containing a lease review at the fifth year be changed to the fifteenth year upon the commitment by the District to allocate $2,000,000 to the renovation of the District physical plant.

The lease states that "the lessee is responsible for payment of all costs of operation and maintenance of the premises. The lessor shall not be liable for any damage to property in, on, upon or near the premises caused by any event whatsoever... except to the extent that the damage was a result from the intentional or negligent act of the lessor, or the lessor's agent or employees. The lessor shall not be liable for any damage to persons or property sustained by the lessee or others due to the happening of any accident in or about the premises, or due to any negligence of the lessee or any permitted tenant or occupant of the premises, or any other person, except to the extent that the damage was a result from the intentional or negligent act of the lessor, or the lessor's agent or employees... Lessor shall maintain building property and casualty insurance covering the premises... for an amount not less than the full replacement cost of the premises".

During the March 13, 2013 meeting, the board approved Amendment #5 to the Special Services Agreement with Lafayette General Medical Center which increases the monthly lease payment from $23,833 to $29,365. This increase is due to the 5,477 additional square footage and renovations used for the delivery of outpatient services, paid for by the District. The increased lease amount was effective as of May 1, 2013.

During the fiscal year ended September 30, 2012, the District agreed to fund the addition of a new outpatient addition as well as emergency room renovations up to the amount of two million dollars. The lessee, St. Martin Hospital, Inc., agreed to fund the remaining costs of the project. The total amount of these improvements cost $2,553,131 of which the lessee paid $553,131. The District recognized $551,931 of Deferred Inflows of Resources related to the donation of the leased asset improvement project. The District will amortize these inflows over the remainder of the lease term. Contribution income related to this deferred inflow was $26,972 for the year ended September 30, 2023, leaving a balance in the related deferred inflow of $284,952.

During the November 2019 meeting, the board approved Amendment #7 to the Special Services Agreement with Lafayette General Medical Center. The amendment is to be effective on September 30, 2019. Such amendment indicates upon completion and occupancy of an approximate $11,200,000 expansion of the Hospital, approximately 28,000 net new square footage will be added to the premises. Upon the lessee's occupancy of the new square footage, the lessee shall pay as additional rent on the new square footage at a rate of $12 annually or $1 monthly per square foot (and any partial months will be prorated). In addition, the amendment specifies that both the lessor and lessee foresee the expansion of the Hospital to exceed the lessors' funds available for the expansion ($11,200,000). Therefore, if the lessor and lessee jointly agree that additional construction above $11,200,000 is needed, then at that time the parties shall jointly agree that the lessee shall pay contractors for the add-on construction. Once occupancy of the completed net new space is achieved, lessee shall be given a dollar for dollar rent credit for the rent associated with the new square footage until the lessee is made whole for the add-on construction.

During the June 2021 meeting, the board approved Amendment #8 to the Special Services Agreement with Lafayette General Medical Center. The amendment is to be effective retroactively to February 1, 2021. Such amendment indicated beginning on February 1, 2021 and on the 1st day of each month thereafter, and continuing through and including October 1, 2030, rent is the sum of $34,365 per month (the "Adjusted Rent"). The Adjusted Rent includes a credit of $23,000 per month being applied to the Adjusted Rent resulting from the add-on construction paid for by the Lessee. Beginning on November 1, 2030, and on the 1st day of each month thereafter, and continuing for the remainder of the full Initial Term, and the Renewal Term of this Lease, rent is the sum of $57,365 per month (the "Rent").

During the July 2023 meeting, the board requested Lafayette General Medical Center to increase the lease agreement by $9,000 per month effective August 2023, which was agreed to. This change increased the Adjusted Rent to $43,365 per month from August 1, 2023 to October 1, 2030. Beginning November 1, 2030, and on the 1st day of each month thereafter, and continuing for the remainder of the full Initial Term, and the Renewal Term of this Lease, Rent is the sum of $66,365 per month.

Lease revenue recognized for the fiscal year ended September 30, 2023 in relation to the add on construction totaled $276,000, leaving a balance in the related unearned rent revenue of $1,955,000.

The District recognized a lease receivable at September 30, 2022 in the amount of $13,098,935. Measurement of the lease receivable was determined based on the present value of payments expected to be received during the lease term discounted at a 5% interest rate, which is an estimated incremental borrowing rate. The District also recognized a deferred inflow of resources in the amount of $13,098,935 which was calculated on the same basis as the lease receivable. Due to the modification of the lease agreement, the lease receivable and deferred inflow were remeasured as of August 1, 2023. The District recognized lease revenue of $583,203 and interest income in the amount of $123,178 related to this lease of the hospital for the year ended September 30, 2023. After remeasurement and consideration of lease revenue recognized in the current year, the balance of lease receivable is $15,103,728 and the balance of the deferred inflow related to the deferred amount on lease is $15,085,728 at September 30, 2023. The remaining payments until the end of the lease term related to this lease are as follows:

Year Ending September 30,	Principal	Interest	Total
2024	391,942	146,438	$ 538,380
2025	393,074	127,306	520,380
2026	413,184	107,196	520,380
2027	434,323	86,057	520,380
2028	456,544	63,836	520,380
2029-3033	1,700,468	1,706,432	3,406,900
2034-2038	1,307,249	2,674,651	3,981,900
2039-2043	1,677,669	2,304,231	3,981,900
2044-2048	2,153,052	1,828,848	3,981,900
2049-2053	2,763,136	1,218,764	3,981,900
2054-2058	3,413,087	436,082	3,849,169
Totals	$ 15,103,728	$ 10,699,841	$ 25,803,569

(10) Compensation of Board Members

The board of commissioners did not receive any compensation for the year ended September 30, 2023.

(11) Act 706 – Schedule of Compensation, Reimbursements, Benefits and Other Payments to Entity Head

Under Act 706, the District is required to disclose the compensation, reimbursements, benefits, and other payments made to the chairman, Burton Dupuis, in which the payments are related to the position. During the year ended September 30, 2023 there were no payments made to the chairman.

(12) Commitments and Contingencies

On October 24, 2012, the District entered a "Joint Venture Agreement for Health Care Services" with The Doctors, LLC for the use of land located underneath the physician office building that is adjacently located to St. Martin Hospital. The agreement had previously been in place with Lafayette General Medical Center, who is the prior owner of the physician office building, the new owner being The Doctors, LLC. The agreement gives the right of use of the land underneath the building to The Doctors, LLC for a term of eighty-four years from June 1, 2012. The Doctors, LLC obligates itself to maintain the building as a physician's office able to accommodate two physicians. Upon violation of the contract by The Doctors, LLC, the District "shall be entitled to full ownership of the physician office building and its appurtenances upon payment of any principal mortgage balance bearing against the said building".

(13) Subsequent Events

The District received funding from the St. Martin Parish Government in the amount of $1,500,000 in January 2024. The District will be receiving an additional $1,500,000 from the State of Louisiana via Act No. 397 from the 2023 Regular Session. The purpose of these funds is the construction of a medical office building for the District.

OTHER SUPPLEMENTARY INFORMATION

St. Martin Parish Hospital Service District No. 2
Breaux Bridge, Louisiana

Schedule of General and Administrative Expenses
For the Year Ended September 30, 2023

Accounting	$	13,500
Insurance		313,194
Lease Expense		40,000
Miscellaneous		460
Supplies		4,044
Total General and Administrative Expenses	$	371,198

INTERNAL CONTROL,

COMPLIANCE,

AND

OTHER MATTERS

Champagne & Company, LLC
Certified Public Accountants

Russell F. Champagne, CPA, CGMA*
Penny Angelle Scruggins, CPA, CGMA*

Shayne M. Breaux, CPA
Kaylee Champagne Frederick, CPA

*A Professional Accounting Corporation

113 East Bridge Street
PO Box 250
Breaux Bridge, LA 70517
Phone: (337) 332-4020
Fax: (337) 332-2867

INDEPENDENT AUDITORS' 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 of the
St. Martin Parish Hospital Service District No. 2
Breaux Bridge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the St. Martin Parish Hospital Service District No. 2 (the District), a component unit of the St. Martin Parish Government, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 8, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 a 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying schedule of prior and current year audit findings and management's corrective action plan, identified as item 2023-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 financial statements. 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*.

St. Martin Parish Hospital Service District No.2's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on The District's response to the finding identified in our audit and described in the accompanying schedule of prior and current year audit findings and management's corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Champagne & Company, LLC
Certified Public Accountants

Breaux Bridge, Louisiana
February 8, 2024

St. Martin Parish Hospital Service District No. 2
Breaux Bridge, Louisiana

Schedule of Prior and Current Year Findings and
Management's Corrective Action Plan
Year Ended September 30, 2023

I. Prior Year Findings:

Internal Control over Financial Reporting

2022-001 – Inadequate Segregation of Accounting Functions

Finding:

The District did not have adequate segregation of functions within the accounting system.

Status:

Unresolved. See item 2023-001

Compliance

There were no findings reported at September 30, 2022.

Management Letter Items

There were no items reported at September 30, 2022.

II. Current Year Findings and Management's Corrective Action Plan:

Internal Control over Financial Reporting

2023-001 – Inadequate Segregation of Accounting Functions; Year Initially Occurred—Unknown

Condition and Criteria:

The District did not have adequate segregation of functions within the accounting system.

Effect:

This condition represents a material weakness in the internal control of the District.

Cause:

The District's Board of Commissioners conducts all transactions on a volunteer basis. There are a limited number of Commissioners and therefore limited opportunity to segregate duties.

Recommendation:

No plan is considered necessary due to the fact that it would not be cost effective to implement a plan.

(continued)

Management's Corrective Action Plan:

Due to the small size of the District board, the benefit of segregating duties would not outweigh the cost and time requirements.

Compliance

There are no findings reported at September 30, 2023.

Management Letter Items

There are no items reported at September 30, 2023.