

**ST. MARTIN PARISH HOSPITAL  
SERVICE DISTRICT NO. 2  
Breaux Bridge, Louisiana**

**Financial Report**

**Year Ended September 30, 2017**

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# Champagne & Company, LLC

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying financial statements 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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### *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.

### *Accountants' Responsibility*

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### *Accountants' Conclusion*

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

***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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. The results of our review of the basic financial statements are not affected by this missing information.

***Supplemental Information***

The supplemental information included on page 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the information. We have not audited the information and, accordingly, do not express an opinion on such information.

***Champagne & Company, LLC***  
Certified Public Accountants

Breaux Bridge, Louisiana  
March 9, 2018

## **FINANCIAL STATEMENTS**

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

Statement of Net Position  
September 30, 2017

ASSETS

Current assets:

Cash and cash equivalents	\$ 820,254
Deposit held by others	5,000
Prepaid expenses	<u>33,316</u>
Total current assets	858,570

Property, plant and equipment (net)	<u>3,564,915</u>
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Total assets	<u><u>\$ 4,423,485</u></u>
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LIABILITIES, DEFERRED INFLOWS AND NET POSITION

LIABILITIES

Current liabilities:

Bond payable	\$ 88,000
Due to others	44
Intergovernmental liability	10,000
Property taxes paid under protest	3,498
Interest payable	<u>252</u>
Total current liabilities	<u>101,794</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflow - Unearned rent	181,717
Deferred inflow - Donation of leased asset improvement	<u>446,783</u>

Total deferred inflows of resources	<u>628,500</u>
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NET POSITION

Net investment in capital assets	3,030,132
Unrestricted	<u>663,059</u>

Total net position	<u>3,693,191</u>
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Total liabilities, deferred inflows, and net position	<u><u>\$ 4,423,485</u></u>
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See accompanying notes and independent accountants' review report.

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

Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended September 30, 2017

Operating revenues:	
Lease income	<u>\$ 392,941</u>
Total operating revenue	<u>392,941</u>
Operating expenses:	
General and administrative	137,217
Depreciation and amortization	<u>217,016</u>
Total operating expenses	<u>354,233</u>
Income from operations	<u>38,708</u>
Nonoperating revenues (expenses)	
Contribution income recognized on leased asset improvement	26,972
Advalorem taxes	112
Interest income	5,775
Interest expense	(4,217)
Dividend income	<u>40,514</u>
Total nonoperating revenues	<u>69,156</u>
Change in net position	107,864
Net position, beginning of year	<u>3,585,327</u>
Net position, end of year	<u>\$ 3,693,191</u>

See accompanying notes and independent accountants' review report.

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

Statement of Cash Flows  
For the Year Ended September 30, 2017

Cash flows from operating activities:	
Cash received from lease	\$ 352,381
Cash payments to suppliers for goods and services	<u>(128,902)</u>
Net cash provided by operating activities	<u>223,479</u>
Cash flows from non-capital financing activities:	
Ad valorem taxes	<u>112</u>
Net cash provided by non-capital financing activities	<u>112</u>
Cash flows from capital and related financing activities:	
Principal payments on long-term debt	<u>(83,000)</u>
Net cash used in capital and related financial activities	<u>(83,000)</u>
Cash flows from investing activities:	
Dividend income	28,514
Interest income	5,776
Interest expense	<u>(4,217)</u>
Net cash provided by investing activities	<u>30,073</u>
Net increase in cash and cash equivalents	170,664
Cash and cash equivalents, beginning of period	<u>649,590</u>
Cash and cash equivalents, end of period	<u>\$ 820,254</u>

(continued)

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

Statement of Cash Flows (continued)  
For the Year Ended September 30, 2017

Cash flows from operating activities:	
Income from operations	\$ 38,708
Adjustments to reconcile income from operations to net cash provided by operating activities	
Depreciation	217,016
Unearned rent recognized	(40,560)
Insurance paid by dividend income	12,000
Decrease in prepaid expenses	1,553
Decrease in interest payable	(282)
Increase in due to others	44
Increase in deposit held by others	<u>(5,000)</u>
Net cash provided by operating activities	<u>223,479</u>
Noncash capital and related financing activities	
Contribution income recognized on leased asset improvement	<u>\$ 26,972</u>

See accompanying notes and independent accountants' review report.

St. Martin Parish Hospital Service District No. 2  
Breux 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. Property, Plant & Equipment

Property, plant and equipment, which constitutes assets of the District, are recorded at cost. Assets that are considered to have future value are capitalized.

Depreciation of all exhaustible fixed assets is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight lines method. Equipment under capital lease obligations is 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

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

Notes to Financial Statements (Continued)

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
Furniture, fixtures, & 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. 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.

F. 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.

G. 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

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

Notes to Financial Statements (Continued)

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.

H. Cost of Borrowing

Expenses related to issuance of advance refunding bonds are deferred and amortized over the life of the old debt or the new debt, whichever is shorter.

I. Advalorem Taxes

The District has waived its authorized millage for the year ending September 30, 2017. Taxes collected are related to taxes levied for periods before 2009.

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.

K. Restricted Assets

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 advalorem 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.

M. Advertising

The District expenses advertising costs as incurred.

(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, 2017, the District has cash deposits (book balances) totaling \$820,254.

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

Notes to Financial Statements (Continued)

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, 2017 are secured as follows:

Bank balances	\$ <u>820,254</u>
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At September 30, 2017 the deposits are secured as follows:

Federal deposit insurance	\$ 250,000
Pledged securities	<u>570,254</u>

Total	\$ <u>820,254</u>
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Deposits in the amount of \$570,254 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) Property, Plant and Equipment

Activity for the year ended September 30, 2017 is as follows:

	<u>Balance</u> <u>10/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/2017</u>
Land	\$ 24,726	\$ -	\$ -	\$ 24,726
Land improvements	191,420	-	-	191,420
Buildings	843,976	-	-	843,976
Building improvements	4,913,654	-	-	4,913,654
Leasehold improvements	400,000	-	-	400,000
Fixed equipment	973,549	-	-	973,549
Movable equipment	<u>137,137</u>	<u>-</u>	<u>-</u>	<u>137,137</u>
Total property, plant and equipment	7,484,462	-	-	7,484,462
Less: Accumulated depreciation	<u>(3,702,531)</u>	<u>-</u>	<u>(217,016)</u>	<u>(3,919,547)</u>
Net property, plant and equipment	<u>\$3,781,931</u>	<u>\$ -</u>	<u>\$ (217,016)</u>	<u>\$3,564,915</u>

Depreciation expense for the year ended September 30, 2017 was \$217,016.

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

Notes to Financial Statements (Continued)

(4) Changes in Long-Term Debt

The following is a summary of debt transactions of the District for the year ended September 30, 2017:

Long-term debt at October 1	\$ 171,000
Debt retired	<u>(83,000)</u>
Long-term debt at September 30	<u>\$ 88,000</u>
General obligations bonds, dated March 26, 2008 bearing an interest rate of 3.44%, maturing serially on March 1 of each year beginning in 2009, with interest payable on March 1 and September 1 of each year, with the final maturity on March 1, 2018.	<u>\$ 88,000</u>

(5) 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, 2017.

(6) 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, in years for which the district elects to waive its tax millage.

(7) Assets Limited as to Use

The Series 2008 bond agreement (certificates of indebtedness) 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 from the first revenues received in any calendar year, a sum equal to the principal and/or interest falling due on the certificates in that calendar year, together with such additional proportionate sum as may be required to pay said principal and interest as the same become due and any amount required to pay the charges of the paying agent. At September 30, 2017 the sinking fund balance was \$0, as all required bond payments have been made.

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

Notes to Financial Statements (Continued)

(8) Taxes Paid Under Protest

Act No. 1149 of the Regular Session 2001 Amended La. R.S. 47:1856(E) to provide as follows: Any company instituting suit under these provisions [La. R.S. 47:1856] shall timely pay in full its taxes in the jurisdiction from which its tax bill emanates. Any funds received as payment of taxes under the provisions of this subsection shall be used only for non-recurring expenses expect for any such funds pledged as security for any bonds or other evidences of indebtedness and for any such funds when the proposition approving the millage provides specifically for another intended purpose. The governing authority of any jurisdiction shall not use any such funds for nonrecurring expenses in a manner which will displace, replace or supplant funds which were otherwise available for such nonrecurring expenses.

Further, La. R.S. 47:1856(F) (1) (a) (I) provides that if the assessed valuation finally determined by the Court is less than the amount determined by the Louisiana Tax Commission, the protesting public service company is entitled to a credit against future property taxes in each jurisdiction affected, or refund in cash from each jurisdiction affected. If the company chooses a refund, a refund is required to be paid by the Tax Collector of each affected jurisdiction from current tax collections and in no event will the refund be paid later than 90 days from the date in which the judgment is entered and becomes final, and interest shall be credited thereon at the minimum rate as provided by La. R.S. 39:1217.1 Taxes paid under protest at September 30, 2017 was \$3,498.

(9) Leases/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, Breux Bridge, Louisiana, 70517. The lease includes all land, buildings, furniture, fixtures, improvements, inventory, supplies and equipment represented on the *Statement of Net Position*, with a net book value of \$3,564,915 for the year ended September 30, 2017, which is also described in Note 3 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. The lease is considered an operating lease by the District. 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

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

Notes to Financial Statements (Continued)

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.

On May 14, 2012, the District entered into an intergovernmental agreement with the St. Martin Parish Government for lease of the former Breux Bridge Health Unit. In this agreement, the District “agreed to assume the administration of the aforementioned property (the health unit) so that, because of its stature within the medical community, it can better negotiate an agreement with Lafayette General Medical Center, Inc. and/or healthcare entities associated therewith to use the former health unit to attract professional medical care”. The agreement stipulates that St. Martin Parish, “does hereby let, lease, and demise” the health unit property to the District for the “sole and exclusive purpose of providing healthcare services”. The District “shall have the right to sublet’ the premises. The term of the lease is for a period of fifteen years, commencing May 14, 2012. The agreement calls for an “annual rental of forty thousand dollars... due and payable on or before June 30<sup>th</sup> of each year”. The total lease expenses incurred for the years ended September 30, 2017 was \$40,000.

In conjunction with the intergovernmental agreement, the District signed a lease agreement on May 14, 2012 as lessor with Lafayette General Medical Center as lessee to lease the health unit for a term of fifteen years. The rental due to the District is a monthly sum of \$3,380. In addition, the District agreed to “give Lessee a dollar for dollar credit against rent due for all funds lessee expended in renovations/improvements made to the Leased Premises prior to the Commencement date, up to the amount of Four Hundred thousand dollars”.

As a result of the lease agreement for the health unit, and the renovations made to the building by Lafayette General Medical Center for amounts in excess of \$400,000; the District has recognized leasehold improvements and deferred inflows of resources for unearned rent revenue in the amount of \$400,000. The District will recognize lease revenue equal to the amount of revenue earned in the period, and will reduce the deferred inflow for the same amount each year. Lease revenue recognized for the fiscal year ended September 30, 2017, in relation to the health unit totaled \$40,560, leaving a balance in deferred inflows of \$181,717.

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

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

Notes to Financial Statements (Continued)

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, 2017, leaving a balance in the related deferred inflow of \$446,783.

Total lease revenue recognized for the year ended September 30, 2017 was \$392,941.

(10) Compensation of Board Members

The board of commissioners did not receive any compensation for the year ended September 30, 2017.

(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, 2017, 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”.

SUPPLEMENTAL INFORMATION

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

Schedule of General and Administrative Expenses  
For the Year Ended September 30, 2017

Administrative	\$ 8,102
Auditing	8,953
Fees	1,382
Insurance	77,383
Lease Expense	40,000
Other	<u>1,397</u>
Total General and Administrative Expenses	<u>\$ 137,217</u>

See independent accountants' review report

SCHEDULE OF FINDINGS, ATTESTATION REPORT AND QUESTIONNAIRE

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

Schedule of Prior and Current Year Findings and  
Management's Corrective Action Plan  
Year Ended September 30, 2017

I. Prior Year Findings:

Internal Control over Financial Reporting

2016-001 – Inadequate Segregation of Accounting Functions

Finding:

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

Status:

Unresolved. See item 2017-001

Compliance

There were no findings that were required to be reported at September 30, 2016.

Management Letter Items

There were no findings that were required to be reported at September 30, 2016.

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

Internal Control over Financial Reporting

2017-001 – 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.

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.

(continued)

St. Martin Hospital Service District No. 2  
Breux Bridge, Louisiana

Schedule of Prior and Current Year Findings and  
Management's Corrective Action Plan (continued)  
Year Ended September 30, 2017

Compliance

There are no findings that were required to be reported at September 30, 2017.

Management Letter Items

There are no findings that are required to be reported at September 30, 2017.

# Champagne & Company, LLC

Certified Public Accountants

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures included in the *Louisiana Government Audit Guide* and enumerated below, which were agreed to by the board of commissioners of the St. Martin Parish Hospital Service District No. 2 (the District), a component unit of the St. Martin Parish Government and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the District's compliance with certain laws and regulations during the year ended September 30, 2017 included in the accompanying *Louisiana Attestation Questionnaire*. The District's management is responsible for its financial records and compliance with applicable laws and regulations. This agreed upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Governmental Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

### Public Bid Law

1. Obtain documentation for all expenditures made during the year for material and supplies exceeding \$30,000, and public works exceeding \$152,550. Compare the documentation for these expenditures to Louisiana Revised Statute (R.S.) 39:1551-39:1775 (the state procurement code) or R.S. 38:2211-2296 (the public bid law), whichever is applicable; and report whether the expenditures were made in accordance with these laws.

There were no expenditures made during the year for materials and supplies exceeding \$30,000, or public works exceeding \$152,550.

### Code of Ethics for Public Officials and Public Employees

2. Obtain a list of the immediate family members of each board member as defined by R.S. 42:1101-1124 (the ethics law).

Management provided us with the required list including the noted information.

3. Obtain from management a listing of all employees paid during the fiscal year.

The District does not have any employees; therefore, this step is not applicable.

4. Report whether any employees' names appear on both lists obtained in Procedures 2 and 3.

The District does not have any employees; therefore, this step is not applicable.

5. Obtain a list of all disbursements made during the year; and a list of outside business interests of board members, employees, and board members' and employees' immediate families. Report whether any vendors appear on both lists.

Management provided us with the required lists including the noted information. No vendors appeared on both lists.

### **Budgeting**

6. Obtain a copy of the legally adopted budget and all amendments.

Management provided us with the legally adopted budget.

7. Trace the budget adoption of the budget and approval of any amendments to the minute book, and report whether there are any exceptions.

The budget adoption was traced to the minutes book. There were no budget amendments.

8. Compare the revenues and expenditures of the final budget to actual revenues and expenditures. Report whether actual revenues failed to meet budgeted revenues by 5% or more, and whether actual expenditures exceeded budgeted amounts by 5% or more, and whether actual expenditures exceeded budgeted amounts by 5% or more. (For agencies that must comply with Licensing Agency Budget Act only, compare the expenditures of the final budget to actual expenditures, and report whether actual expenditures exceeded budgeted amounts by 10% or more per category or 5% or more in total).

The District operates as a proprietary fund; therefore, this is not applicable.

### **Accounting and Reporting**

9. Obtain the list of all disbursements made during the fiscal year. Randomly select six disbursements, and obtain documentation from management for these disbursements. Compare the selected disbursements to the supporting documentation, and:

- a. Report whether the six disbursements agree to the amount and payee in the supporting documentation;

We examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

- b. Report whether the six disbursements are coded to the correct fund and general ledger account; and

All six payments were properly coded to the correct fund and general ledger account.

- c. Report whether the six disbursements were approved in accordance with management's policies and procedures.

Inspection of documentation supporting each of the six selected disbursements indicated proper approval.

## **Meetings**

10. Obtain evidence from management to support that agendas for meetings recorded in the minutes book were posted or advertised as required by R.S. 42:11 through 42:28 (open meetings law); and report whether there are any exceptions.

Management confirmed that agendas were posted as required.

## **Debt**

11. Obtain bank deposit slips for the fiscal year, and scan the deposit slips in order to identify and report whether there are any deposits that appear to be proceeds of bank loans, bonds, or like indebtedness. If any such proceeds are identified, obtain from management evidence of approval by the State Bond Commission, and report any exceptions.

We inspected copies of all bank deposit slips for the period under examination and noted no deposits which appeared to be proceeds of bank loans, bonds, or like indebtedness.

## **Advances and Bonuses**

12. Obtain the list of payroll disbursements and meeting minutes of the governing board, if applicable. Scan these documents to identify and report whether there are any payments or approval of payments to employees that may constitute bonuses, advances, or gifts.

The District does not have any employees; therefore, this step is not applicable.

## **Prior Comments and Recommendations**

13. Obtain and report management's representation as to whether any prior-year suggestions, recommendations, and/or comments have been resolved.

See the summary schedule of prior and current year findings and management's corrective action plan for any comments or unresolved matters.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of board of commissioners of the St. Martin Parish Hospital Service District No. 2 (the District), a component unit of the St. Martin Parish Government and the Legislative Auditor, State of Louisiana, and is not intended to be and should not be used by anyone other than those specified parties.

***Champagne & Company, LLC***

Certified Public Accountants

Breaux Bridge, Louisiana  
March 9, 2018

**LOUISIANA ATTESTATION QUESTIONNAIRE**  
**(For Attestation Engagements of Governmental Agencies)**

1/12/2018 (Date Transmitted)

Champagne & Company, LLC (CPA Firm Name)  
113 E. Bridge Street (CPA Firm Address)  
Breaux Bridge, LA 70517 (City, State Zip)

In connection with your engagement to apply agreed-upon procedures to the control and compliance matters identified below, as of 9/30/17 (date) and for the year then ended, and as required by Louisiana Revised Statute (R.S.) 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you.

**Public Bid Law**

It is true that we have complied with the public bid law, R.S. Title 38:2211-2296, and, where applicable, the regulations of the Division of Administration and the State Purchasing Office.  
Yes [x] No [ ]

**Code of Ethics for Public Officials and Public Employees**

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of R.S. 42:1101-1124.  
Yes [x] No [ ]

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of R.S. 42:1119.  
Yes [x] No [ ]

**Budgeting**

We have complied with the state budgeting requirements of the Local Government Budget Act (R.S. 39:1301-15), R.S. 39:33, or the budget requirements of R.S. 39:1331-1342, as applicable.  
Yes [x] No [ ]

**Accounting and Reporting**

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by R.S. 44:1, 44:7, 44:31, and 44:36.  
Yes [x] No [ ]

We have filed our annual financial statements in accordance with R.S. 24:514, and 33:463 where applicable.  
Yes [x] No [ ]

We have had our financial statements reviewed in accordance with R.S. 24:513.  
Yes [x] No [ ]

We have complied with R.S. 24:513 A. (3) regarding disclosure of compensation, reimbursements, benefits and other payments to the agency head, political subdivision head, or chief executive officer.  
Yes [x] No [ ]

**Meetings**

We have complied with the provisions of the Open Meetings Law, provided in R.S. 42:11 through 42:28.  
Yes [x] No [ ]

**Debt**

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and R.S. 39:1410.60-1410.65.

Yes  No

**Advances and Bonuses**

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, R.S. 14:138, and AG opinion 79-729.

Yes  No

**Prior-Year Comments**

We have resolved all prior-year recommendations and/or comments.

Yes  No

**General**

We are responsible for our compliance with the foregoing laws and regulations and the internal controls over compliance with such laws and regulations.

Yes  No

We have evaluated our compliance with these laws and regulations prior to making these representations.

Yes  No

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations.

Yes  No

We have made available to you all records that we believe are relevant to the foregoing agreed-upon procedures.

Yes  No

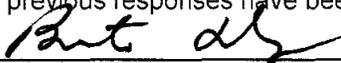
We have provided you with any communications from regulatory agencies, internal auditors, other independent practitioners or consultants or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of your report.

Yes  No

We will disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance that may occur up to the date of your report.

Yes  No

The previous responses have been made to the best of our belief and knowledge.

	Chairman	1/12/18	Date
_____	Treasurer	_____	Date
_____	President	_____	Date