

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

**Financial Report**

**Year Ended September 30, 2019**

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## INDEPENDENT AUDITORS' REPORT

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

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, 2019, and the related notes to the financial statements, which collectively comprise the District'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinions**

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, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 2 to the financial statements, the District adopted the provisions of GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *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. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements. The schedule of General and Administrative Expenses included on page 19 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 not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2020, on our consideration of the District's internal control over financial reporting and 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 26, 2020

## **FINANCIAL STATEMENTS**

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

Statement of Net Position  
September 30, 2019

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,167,087
Prepaid expenses	<u>31,020</u>
Total current assets	<u>1,198,107</u>

Noncurrent assets:

Restricted assets -	
Cash and cash equivalents	11,850,706
Bond issuance costs (prepaid insurance)	54,266
Capital assets -	
Land and construction in progress	2,422,654
Buildings and equipment, net of accumulated depreciation	<u>3,108,210</u>
Total noncurrent assets	<u>17,435,836</u>

Total assets	<u><u>\$ 18,633,943</u></u>
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LIABILITIES, DEFERRED INFLOWS AND NET POSITION

LIABILITIES

Current liabilities:

Accounts payable	133,138
Due to others	44
Intergovernmental liability	10,000
Property taxes paid under protest	3,498
Unearned rent revenue	40,560
Bonds payable	455,000
Interest payable	<u>44,141</u>
Total current liabilities	<u>686,381</u>

Long term liabilities:

Unearned rent revenue	60,037
Bonds payable	<u>12,945,376</u>
Total long term liabilities	<u>13,005,413</u>

Total liabilities	<u>13,691,794</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred inflow - Donation of leased asset improvement	<u>392,839</u>
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NET POSITION

Net investment in capital assets	3,279,649
Unrestricted	<u>1,269,661</u>

Total net position	<u>4,549,310</u>
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Total liabilities, deferred inflows, and net position	<u><u>\$ 18,633,943</u></u>
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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, 2019

Operating revenues:	
Lease income	\$ 392,941
	<u>392,941</u>
Total operating revenue	<u>392,941</u>
Operating expenses:	
General and administrative	129,694
Depreciation and amortization	<u>215,578</u>
	<u>345,272</u>
Total operating expenses	<u>345,272</u>
	<u>47,669</u>
Income from operations	<u>47,669</u>
Nonoperating revenues (expenses)	
Property tax revenue	817,345
Contribution income recognized on leased asset improvement	26,972
Miscellaneous income	5,751
Interest income	66,200
Interest expense	(42,122)
Dividend income	30,616
Bond issuance and related costs	<u>(2,947)</u>
Total nonoperating revenues	<u>901,815</u>
Change in net position	949,484
Net position, beginning of year	<u>3,599,826</u>
Net position, end of year	<u>\$ 4,549,310</u>

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

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

Statement of Cash Flows  
For the Year Ended September 30, 2019

Cash flows from operating activities:	
Cash receipts from lease	\$ 352,381
Cash payments to suppliers for goods and services	<u>(118,527)</u>
Net cash provided by operating activities	<u>233,854</u>
Cash flows from capital and related financing activities:	
Cash receipts from property tax revenues	817,345
Cash payments for bond issuance and related costs	(9,957)
Interest paid on capital debt	(650,128)
Purchases of capital assets	<u>(682,447)</u>
Net cash used by capital and related financing activities	<u>(525,187)</u>
Cash flows from investing activities:	
Dividend income	18,615
Interest income	<u>69,713</u>
Net cash provided by investing activities	<u>88,328</u>
Net decrease in cash and cash equivalents	(203,005)
Cash and cash equivalents, beginning of period	<u>13,220,798</u>
Cash and cash equivalents, end of period	<u>\$13,017,793</u>

(continued)



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

Statement of Cash Flows (continued)  
For the Year Ended September 30, 2019

Cash flows from operating activities:	
Income from operations	\$ 47,669
Adjustments to reconcile income from operations to net cash provided by operating activities	
Depreciation	215,578
Unearned rent recognized	(40,560)
Insurance paid by dividend income	12,000
Increase in prepaid expenses	<u>(833)</u>
Net cash provided by operating activities	<u>233,854</u>
Noncash capital and related financing activities	
Contribution income recognized on leased asset improvement	<u>\$ 26,972</u>
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	\$ 913,347
Cash - restricted	<u>12,307,451</u>
Total cash and cash equivalents	<u>13,220,798</u>
Cash and cash equivalents, end of period -	
Cash - unrestricted	1,167,087
Cash - restricted	<u>11,850,706</u>
Total cash and cash equivalents	<u>13,017,793</u>
Net decrease	<u>\$ (203,005)</u>

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

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. 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. 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  
Breux 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
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, 2019 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

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

Notes to Financial Statements (Continued)

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, 2019, taxes of 8.65 mills were levied on property with assessed valuations totaling \$99,088,020 and are dedicated to the repayment of the 2018 series general obligation bonds. Total taxes levied were \$857,117. 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.

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.

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

Notes to Financial Statements (Continued)

M. Advertising

The District expenses advertising costs as incurred.

(2) New Accounting Pronouncement

During the year ended September 30, 2019, the District implemented GASB Statement No. 88, *Certain Disclosures related to Debt, including Direct Borrowings and Direct Placements*.

(3) 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, 2019, the District has cash deposits (book balances) totaling \$13,017,793.

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, 2019 are secured as follows:

Bank balances	\$ <u>13,033,331</u>
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At September 30, 2019 the deposits are secured as follows:

Federal deposit insurance	\$ 250,000
Pledged securities	<u>12,783,331</u>

Total	\$ <u>13,033,331</u>
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Deposits in the amount of \$12,783,331 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.

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

Notes to Financial Statements (Continued)

(4) Restricted Assets

Restricted assets were composed of cash and interest-bearing deposits at September 30, 2019 and were restricted as follows:

Additions, renovations, and improvements to St. Martin Parish Hospital facilities	<u>\$ 11,850,706</u>
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(5) Capital Assets

Capital asset balances and activity for the year ended September 30, 2019 is as follows:

	Balance 10/1/2018	Additions	Deletions	Balance 9/30/2019
Capital assets, not being depreciated:				
Land	\$ 967,517	\$ -	\$ -	\$ 967,517
Construction in progress	222,575	1,232,562	-	1,455,137
Capital assets, being depreciated:				
Buildings	843,976	-	-	843,976
Building improvements	4,913,162	-	-	4,913,162
Leasehold improvements	400,000	-	-	400,000
Fixed equipment	800,646	-	-	800,646
Movable equipment	6,365	-	-	6,365
Total capital assets	8,154,241	1,232,562	-	9,386,803
Less: Accumulated depreciation	(3,640,361)	(215,578)	-	(3,855,939)
Net capital assets	<u>\$ 4,513,880</u>	<u>\$ 1,016,984</u>	<u>\$ -</u>	<u>\$ 5,530,864</u>

Depreciation expense for the year ended September 30, 2019 was \$215,578. At September 30, 2019, construction in progress of \$1,455,137 consists of costs incurred to date for additions, renovations, and improvements to St. Martin Parish Hospital facilities as well as capitalized interest of \$539,552. Interest in the amount of \$42,122 was expensed.

(6) Accounts Payable

Accounts payable consists of unpaid architectural services related to the expansion of St. Martin Parish Hospital facilities incurred as of September 30, 2019. The balance of accounts payable at September 30, 2019 was \$133,138.

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

Notes to Financial Statements (Continued)

(7) Changes in Long-Term Debt

Long-term debt at September 30, 2019 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. \$ 13,400,376

The following is a summary of long-term debt transactions of the District for the year ended September 30, 2019:

Long-term debt at September 30, 2018	\$	13,478,112
Increases		-
Decreases:		
Amortization of bond premium		<u>(77,736)</u>
Long-term debt at September 30, 2019	\$	<u>13,400,376</u>
Amount due within one year	\$	<u>455,000</u>

The District's outstanding debt from general obligation bonds of \$13,400,376 are 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, 2019 are as follows:

Year Ending September 30,	General obligation bonds			
	Principal	Interest	Amortization	Total
2020	\$ 455,000	\$ 528,750	\$ 76,328	\$ 1,060,078
2021	470,000	514,875	73,467	1,058,342
2022	485,000	500,550	70,513	1,056,063
2023	500,000	485,775	67,466	1,053,241
2024	515,000	470,550	64,326	1,049,876
2025-2029	2,960,000	1,964,062	269,647	5,193,709
2030-2034	3,610,000	1,310,050	168,063	5,088,113
2035-2038	<u>3,570,000</u>	<u>368,250</u>	<u>45,566</u>	<u>3,983,816</u>
 Totals	 <u>\$ 12,565,000</u>	 <u>\$ 6,142,862</u>	 <u>\$ 835,376</u>	 <u>\$ 19,543,238</u>

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

Notes to Financial Statements (Continued)

(8) 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, 2019.

(9) 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 I).

(10) 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, 2019 the sinking fund balance was \$166,817.

(11) 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 except 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, 2019 was \$3,498.



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

Notes to Financial Statements (Continued)

(12) 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, 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 \$5,530,864 for the year ended September 30, 2019, which is also described in Note 5 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 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

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

Notes to Financial Statements (Continued)

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, 2019 was \$40,000. The total lease payable related to this intergovernmental agreement at September 30, 2019 was \$10,000, which consists of the annual accrued lease payment through such date.

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 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 unearned rent revenue for the same amount each year. Lease revenue recognized for the fiscal year ended September 30, 2019, in relation to the health unit totaled \$40,560, leaving a balance in unearned rent revenue of \$100,597.

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, 2019, leaving a balance in the related deferred inflow of \$392,839.

Total lease revenue recognized for the year ended September 30, 2019 was \$392,941.

Remaining lease commitments as of September 30, 2019 are:

Year Ending September 30,	Revenue	Expense
2020	\$ 392,940	\$ 40,000
2021	392,940	40,000
2022	392,940	40,000
2023	392,940	40,000
2024	392,940	40,000
2025-2029	1,870,060	80,000
2030-2034	<u>1,732,535</u>	<u>-</u>
Totals	<u>\$ 5,567,295</u>	<u>\$ 280,000</u>

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

Notes to Financial Statements (Continued)

(13) Compensation of Board Members

The board of commissioners did not receive any compensation for the year ended September 30, 2019.

(14) 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, 2019, there were no payments made to the chairman.

(15) 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”.

In addition, the District has a construction commitment with respect to the expansion project of approximately \$11,200,000.

(16) Subsequent Events

Subsequent events have been evaluated through February 26, 2020, the date of the financial statement issuance. During the November 20, 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.

**OTHER SUPPLEMENTARY INFORMATION**

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

Schedule of General and Administrative Expenses  
For the Year Ended September 30, 2019

Accounting	\$	15,000
Insurance		70,267
Lease Expense		40,000
Miscellaneous		3,900
Supplies		<u>527</u>
Total General and Administrative Expenses	\$	<u>129,694</u>

**INTERNAL CONTROL,  
COMPLIANCE,  
AND  
OTHER MATTERS**

# Champagne & Company, LLC

Certified Public Accountants

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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  
Breux 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 (District) as of and for the year ended September 30, 2019, 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 26, 2020.

### 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) 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 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 consider the deficiency described in the accompanying schedule of prior and current year audit findings and management's corrective action plan, identified as item 2019-001, to be a material weakness.

## **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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **St. Martin Parish Hospital Service District No.2's Response to Findings**

The District's response to the finding identified in our audit is 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 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 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 26, 2020



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, 2019

I. Prior Year Findings:

Internal Control over Financial Reporting

2018-001 – Inadequate Segregation of Accounting Functions

Finding:

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

Status:

Unresolved. See item 2019-001

Compliance

There were no findings that were required to be reported at September 30, 2018.

Management Letter Items

There were no findings that were required to be reported at September 30, 2018.

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

Internal Control over Financial Reporting

2019-001 – 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)

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

Schedule of Prior and Current Year Findings and  
Management's Corrective Action Plan (continued)  
Year Ended September 30, 2019

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 that are required to be reported at September 30, 2019.

Management Letter Items

There are no findings that are required to be reported at September 30, 2019.

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

**Statewide Agreed-Upon Procedures Report**

**Year Ended September 30, 2019**

# Champagne & Company, LLC

## Certified Public Accountants

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

To the Board of Commissioners of St. Martin Parish Hospital Service District No. 2 and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the St. Martin Parish Hospital Service District No. 2 (the District) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2018 through September 30, 2019. The District's Board of Commissioners are responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this 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.

The procedures and associated findings are as follows:

#### Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

- a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget

*No exceptions noted.*

- b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

*Written policies and procedures were obtained and address the functions noted above except for how vendors are added to vendor list.*

- c) **Disbursements**, including processing, reviewing, and approving

*No exceptions noted.*

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

*No exceptions noted.*

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

*Not applicable; the entity does not have employees.*

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

*No exceptions noted.*

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

*Not applicable; the entity does not have credit cards.*

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

*Not applicable. The entity does not have any travel/expense reimbursements.*

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

*No exceptions noted.*

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

*No exceptions noted.*

- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

*No exceptions noted.*

### ***Board or Finance Committee***

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*Board or Finance Committee procedures were not tested at September 30, 2019 (Year 3) due to the fact that there were no exceptions in prior year (Year 2).*

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
  - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
  - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
  - c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

### ***Bank Reconciliations***

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3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
  - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

*No exceptions noted.*
  - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and  

*No exceptions noted.*
  - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

*No exceptions noted.*

## *Collections*

---

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

*Obtained listing of deposit sites and management's representation that listing is complete.*

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

*No exceptions noted.*

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.

*The person responsible for collecting cash is also responsible for preparing/making deposits.*

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

*No exceptions noted.*

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

*No exceptions noted.*

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

*No exceptions noted.*

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

*St. Martin Hospital Service District No. 2 does not issue receipts. Therefore, all 8 collections tested did not have receipts.*

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

*No exceptions noted.*

- c) Trace the deposit slip total to the actual deposit per the bank statement.

*No exceptions noted.*

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

*Of the 8 deposits tested, 4 deposits were not made within one business day of receipt.*

- e) Trace the actual deposit per the bank statement to the general ledger.

*No exceptions noted.*

***Non-Payroll Disbursements (excluding credit card purchases/payments, travel reimbursements, and petty cash purchases )***

---

*Non-Payroll Disbursement procedures were not tested at September 30, 2019 (Year 3) due to the fact that there were no exceptions in prior year (Year 2).*

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
  - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
  - b) At least two employees are involved in processing and approving payments to vendors.
  - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
  - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
- 10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
  - a) Observe that the disbursement matched the related original invoice/billing statement.



- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

#### ***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

---

*St. Martin Hospital Service District No. 2 does not have any credit cards, bank debit cards, fuel cards, or p-cards. Therefore, all steps below are not applicable.*

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
  - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]
  - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

#### ***Travel and Travel-Related Expense Reimbursement (excluding credit card transactions)***

---

*St. Martin Hospital Service District No. 2 does not have any travel/expense reimbursements; therefore, all steps below are not applicable.*

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
  - a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
  - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedures #1h).
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

### ***Contracts***

---

*Contracts procedures were not tested at September 30, 2019 (Year 3) due to the fact that there were no exceptions in prior year (Year 2).*

- 15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Alternately, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing or general ledger is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
  - a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
  - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
  - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
  - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

### ***Payroll and Personnel***

---

*St. Martin Hospital Service District No. 2 does not have any employees or elected officials; therefore, all steps below are not applicable.*

- 16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- 17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and;
  - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.
  - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
- 18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/official's cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/official's personnel files.
- 19. Obtain management's representation that employer and employee portion of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

***Ethics (excluding nonprofits)***

---

- 20. Using the five randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

*Procedure 16 was not applicable which then makes this procedure not applicable.*

- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

***Debt Service***

---

*Debt Service procedures were not tested at September 30, 2019 (Year 3) due to the fact that there were no exceptions in prior year (Year 2).*

- 21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
- 22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

***Other***

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- 23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

*Management has asserted that the entity did not have any misappropriations of public funds or assets during the fiscal period.*

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1. concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

*The entity has not posted on its premises and website the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.*

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures; other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

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

Breaux Bridge, Louisiana  
February 26, 2020

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

Management's Response to Statewide Agreed-Upon Procedures  
For the Year Ended September 30, 2019

Management Response to Item:

- 1b Because of the limited number of disbursements of the District, the District believes current policies over disbursements are adequate without mentioning how vendors are added to the vendor list.
- 5b Although the person responsible for collections is also responsible for preparing / making deposits, the District believes current policies over collections are adequate due to the limited number of collections received and the fact that the District does not collect cash.
- 7a Although receipts are not issued with collections, the District believes current policies over collections are adequate. Collections are consistent, and therefore, easy to reconcile.
- 7d Although the results of the test indicate some deposits are being made greater than one business day from the date of receipt, this is not the case. The District does not record the "received date" due to the minimal amount of receipts. Therefore, because there is no indication of the "received date", the date of the issued check was used to symbolize the "received date". The District has adequate policies over collections and adheres to such policies, including making deposits within one business day of the date of collection. The District does not believe any changes are needed related to this exception.
- 24 The District does not have any employees. In fact, there is no formal office space allotted for the District except one small office gratuitously provided by St. Martin Hospital. Only the Chair of the District uses this office, and then only occasionally. Therefore, the posting of such signage would be a vain and useless act.