

CLAIBORNE MEMORIAL MEDICAL CENTER
AND AFFILIATE

COMBINED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2025

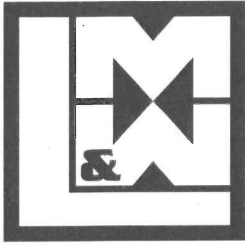


LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT NO. 3,
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
YEAR ENDED DECEMBER 31, 2025

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditors' Report on the Financial Statements and Supplementary Information	1-4
Financial Statements	
Statement of Net Position	5-6
Statement of Revenues, Expenses, and Changes in Net Position	7
Statement of Cash Flows.....	8-9
Notes to Financial Statements	10-31
Supplementary Information	
Schedule of Net Patient Service Revenue	33
Schedule of Other Operating Revenue	34
Schedules of Operating Expenses.....	35-38
Schedule of Compensation Paid to Board Members.....	39
Schedule of Compensation, Benefits, and Other Payments to Chief Executive Officer	40
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 <i>Government Auditing Standards</i>	41-42
Auditors' Schedule of Findings and Responses	43-48



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Independent Auditors' Report

To the Board of Commissioners
Claiborne Parish Hospital Service District No. 3
Homer, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Claiborne Parish Hospital Service District No. 3, d/b/a Claiborne Memorial Medical Center and its affiliate (the "Hospital"), a component unit of the Town of Homer, Louisiana, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Hospital's combined financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital, as of December 31, 2025, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

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



Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial information of the Hospital and do not purport to, and do not, present fairly the financial position of Town of Homer, Louisiana as of December 31, 2025, the changes in its financial position, or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the combined financial statements. Such missing information, although not a part of the combined financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the combined financial statements in an appropriate operational, economic, or historical context. Our opinion on the combined financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2026, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital'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 Hospital's internal control over financial reporting and compliance.

Lester Miller & Warr

Certified Public Accountants
Alexandria, Louisiana

June 30, 2026



CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED STATEMENT OF NET POSITION
DECEMBER 31,

	<u>2025</u>
Assets and Deferred Outflows of Resources	
Current Assets	
Cash and cash equivalents (Note 3)	\$ 50,159
Limited-use assets (Note 7)	202,472
Accounts receivable, net of allowances for uncollectibles (Note 4)	3,550,054
Estimated third-party payor settlements	535,776
Other receivables	2,578,543
Inventories	543,212
Prepaid expenses	<u>224,015</u>
Total Current Assets	<u>7,684,231</u>
Non-Current Assets:	
Limited use assets (Note 7)	1,148,738
Other assets	19,037
Nondepreciable capital assets (Note 5)	1,200,997
Depreciable capital assets, net (Note 5)	7,033,959
Right-of-use capital assets, net (Note 5)	817,875
Subscription assets, net (Note 6)	<u>1,282,907</u>
Total Assets	<u>19,187,744</u>
Deferred Outflows of Resources	
Excess consideration provided for acquisition	<u>368,007</u>
Total Assets and Deferred Outflows of Resources	\$ <u>19,555,751</u>

See accompanying notes to financial statements.

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED STATEMENT OF NET POSITION (Continued)
DECEMBER 31,

	<u>2025</u>
Liabilities and Net Position	
Current Liabilities	
Accounts payable	\$ 2,343,431
Accrued expenses	1,555,188
Estimated third-party payor settlements	530,313
Unearned revenue	27,777
Compensated absences (Note 8)	951,153
Current portion of lease liabilities (Note 10)	248,980
Current portion of subscription liabilities (Note 11)	526,616
Current portion of long-term debt (Note 9)	<u>45,000</u>
Total Current Liabilities	<u>6,228,458</u>
Long-term Liabilities	
Lease liabilities (Note 10)	636,300
Subscription liabilities (Note 11)	867,337
Long-term debt, net of current portion (Note 9)	<u>765,000</u>
Total Liabilities	<u>8,497,095</u>
Net Position	
Invested in capital assets, net of related debt	7,246,505
Restricted	548,358
Unrestricted	<u>3,263,793</u>
Total Net Position	<u>11,058,656</u>
Total Liabilities and Net Position	\$ <u>19,555,751</u>

See accompanying notes to financial statements.

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31,

	<u>2025</u>
Revenues	
Net patient service revenues (Note 12)	\$ 26,476,584
Grants	515,199
Medicaid supplemental payments (Note 19)	5,154,495
Other operating revenues	<u>1,766,911</u>
 Total Revenues	 <u>33,913,189</u>
Operating Expenses	
Salaries	19,094,208
Benefits and payroll taxes	5,411,685
Supplies and drugs	2,554,513
Professional fees	2,816,926
Other expenses	4,314,629
Insurance	559,317
Depreciation and amortization	<u>1,814,075</u>
 Total Expenses	 <u>36,565,353</u>
Operating Income (Loss)	<u>(2,652,164)</u>
Nonoperating Revenues (Expenses)	
Interest income	354,656
Interest expense	(242,566)
Sales tax	<u>829,358</u>
Excess of revenues (expenses) before capital grants	(1,710,716)
Capital grants and contributions	<u>72,830</u>
 Increase (Decrease) in Net Position	 (1,637,886)
Beginning Net Position	<u>12,696,542</u>
Ending Net Position	\$ <u>11,058,656</u>

See accompanying notes to financial statements.

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31,

	<u>2025</u>
Cash flows from operating activities:	
Cash received from patients and third-party payors	\$ 26,776,712
Other receipts from operations	5,004,679
Cash payments to employees and for employee benefits	(24,474,109)
Cash payments for other operating expenses	<u>(8,508,366)</u>
Net cash provided (used) by operating activities	<u>(1,201,084)</u>
Cash flows from investing activities:	
Interest income	354,656
Change in assets whose use is limited	<u>810,770</u>
Net cash provided (used) by investing activities	<u>1,165,426</u>
Cash flows from noncapital financing activities:	
Proceeds from sales tax collections	<u>829,358</u>
Net cash provided (used) by noncapital financing activities	<u>829,358</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(173,054)
Principal payments on lease liabilities	(231,078)
Principal payments on subscription liabilities	(562,581)
Principal payments on long-term debt	(106,000)
Proceeds from capital grants and contributions	72,830
Interest expense	<u>(242,566)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,242,449)</u>
Net increase (decrease) in cash and cash equivalents	(448,749)
Beginning cash and cash equivalents	<u>498,908</u>
Ending cash and cash equivalents	\$ <u><u>50,159</u></u>

See accompanying notes to financial statements.

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED STATEMENT OF CASH FLOWS (Continued)
YEAR ENDED DECEMBER 31,

	<u>2025</u>
Supplemental disclosures of cash flow information:	
Cash paid during the period for interest	\$ <u>242,566</u>
Subscription assets acquired under agreements	\$ <u>184,516</u>
Reconciliation of income from operations to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (2,652,164)
Adjustments to reconcile revenue in excess of expenses to net cash provided by operating activities:	
Depreciation and amortization	1,814,075
Change in current assets (increase) decrease	
Patient accounts receivable	371,719
Estimated third-party payor settlements	(91,973)
Other receivables	(2,441,185)
Inventory	119,786
Prepaid expenses	233,946
Other assets	1,277
Change in current liabilities (increase) decrease	
Accounts payable	1,382,010
Accrued expenses	(113,052)
Estimated third-party payor settlements	20,382
Deferred revenue	9,259
Compensated absences	<u>144,836</u>
Net cash provided (used) by operating activities	\$ <u>(1,201,084)</u>

See accompanying notes to financial statements.

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Claiborne Memorial Medical Center (the "Hospital") operates as an enterprise fund of the Town of Homer, Louisiana. The Hospital is controlled by a board of directors, who are a separate and distinct body from the Selectmen of the Town of Homer. The board members consist of citizens appointed by the Mayor and Selectmen of the Town of Homer. The board members serve without compensation.

As the governing authority of the Town, for reporting purposes, the Town of Homer is the financial reporting entity for the Hospital. Accordingly, the Hospital was determined to be a component unit of the Town of Homer based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

During September 2014, governance of the hospital was transferred to Claiborne Parish Hospital Service District No. 3 based on a resolution requiring the parish to seek local tax support for the hospital. The hospital is now operating as Claiborne Memorial Medical Center.

Claiborne Healthcare Foundation, Inc. (the "Foundation") was incorporated on January 1, 2007, as a Louisiana non-profit organization to support specific capital projects that complement the mission of Claiborne Memorial Medical Center. The Hospital Board has pledged to fund the operational expenses of the Foundation so that 100% of the contributions to the Foundation can be allocated according to the donors' restrictions. The Foundation is included in the Hospital's reporting entity because of the significance of its operational and financial relationship with the Hospital. Collectively, Claiborne Memorial Medical Center and its affiliate are hereafter referred to as the "Hospital."

The Hospital elected to change its fiscal year end from June 30 to December 31, effective December 31, 2024.

Nature of Business

The Hospital provides inpatient and outpatient and emergency hospital services, as well as skilled nursing (through "swing beds"), and home health services to patients in Claiborne Parish and surrounding parishes and counties. The facility is licensed for 47 beds and features an intensive care unit, a surgery suite, an emergency department, physical and occupational therapy services, three rural health clinics, and one physician clinic.

The Foundation's purpose is to engage in the solicitation, receipt, administration of funds and property, and from time to time, to disburse such funds or property and the income therefrom, to or for the benefit of the Hospital.

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Principles of Combination

The accompanying financial statements include the accounts and transactions of the Hospital combined with its affiliate, Claiborne Healthcare Foundation, Inc. All material intercompany accounts and transactions have been eliminated.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposits in checking and money market accounts and certificates of deposit with original maturities of 90 days or less. Certificates of deposit with original maturities of over 90 days are classified as short-term investments. Cash and cash equivalents and short-term investments are stated at cost, which approximates market value. The caption "cash and cash equivalents" does not include amounts whose use is limited or temporary cash investments.

Credit Risk

The Hospital provides medical care primarily to Claiborne Parish residents and grants credit to patients substantially all of whom are local residents.

The Hospital's estimate of collectability is based on evaluation of historical collections compared to gross charges and an analysis of aged accounts receivable to establish an allowance for uncollectible accounts.

Significant Concentration of Economic Dependence

The Hospital has an economic dependence on a small number of staff physicians. These physicians admit over 90% of the Hospital's patients. The Hospital also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 12. Changes in federal or state legislation or interpretations of rules have a significant impact on the Hospital.

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Patient Service Revenues

The Hospital has entered into agreements with third-party payors, including government programs, health insurance companies, and managed care health plans, under which the Hospital is paid based upon established charges, the cost of providing services, predetermined rates per diagnosis, fixed per diem rates, or discounts from established charges.

Revenues are recorded at estimated amounts due from patients and third-party payors for the Hospital services provided. Settlements under reimbursement agreements with third-party payors are estimated and recorded in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

Patient Accounts Receivable

Patient accounts receivable are carried at a net amount determined by the original charges for the services provided, less an estimate made for contractual adjustments or discounts provided to the third-party payors, less any payments received and less an estimated allowance for doubtful accounts. Management determines that allowance for doubtful accounts by utilizing a historical experience applied to an aging of accounts. Patient accounts receivable are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off as bad debt expense are recorded as a reduction of bad debt expense when received.

Inventory

Inventories are stated at the lower of cost determined by the first-in, first-out method, or market basis.

Income Taxes

The Hospital is a political subdivision and exempt from taxation. The Foundation is a not-for-profit organization and has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been recorded. The Foundation's federal income tax returns for the tax years 2022 and beyond remain subject to examination by the Internal Revenue Service.

Limited Use Assets

Assets limited to use primarily include assets held by trustees under indenture agreements, designated assets set aside by the Foundation Board, restricted by contributors' designations for capital projects and designated assets set aside by the Hospital Board, over which the Hospital Board retains control and may at its discretion subsequently use for other purposes.

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are recorded at cost for purchased assets or at fair market value on the date of any donation. The Hospital uses straight-line method of determining depreciation for financial reporting and third-party reimbursement. The following estimated useful lives are generally used.

Buildings and Improvements	5 to 40 years
Machinery and Equipment	3 to 20 years
Furniture and Fixtures	3 to 20 years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations as incurred.

The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently.

Right-of-use capital assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the assets into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Subscription Assets and Liabilities

The Hospital determines if an arrangement is a Subscription-Based Information Technology Arrangement ("SBITA") at inception. Subscription assets, net, current maturities of subscription liabilities, and subscription liabilities, net of current maturities are included in the statements of net position.

Subscription assets represent the Hospital's control of the right to use subscription-based information technology for the arrangement term, as specified in the contract, in an exchange or exchange-like transaction. Subscription assets are recognized at the commencement date based on initial measurement of the subscription liability, adjusted for payments made to the vendor at or before the commencement of the SBITA term and certain initial direct costs. Subscription assets are amortized in a systematic and rational manner over the shorter of the arrangement term or the useful life of the underlying asset.

Subscription liabilities represent the Hospital's obligation to make payments arising from the SBITA. Subscription liabilities are initially recognized at the commencement date based on the present value of expected payments over the lease term, adjusted for SBITA incentives. Subsequently, the subscription liability is reduced by the principal portion of the payments made. Interest expense is recognized ratably over the term of the arrangement.

The Hospital has elected to recognize payments for short-term SBITAs with an arrangement term of 12 months or less as expenses are incurred, and these SBITAs are not included as subscription liabilities or right-to-use subscription assets on the statements of net position.

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

The Hospital classifies net position into three components: invested in capital assets, net of related debt; restricted, and unrestricted. Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Unrestricted are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the Hospital's policy to use restricted resources first, then unrestricted resources as they are needed.

Revenues and Expenses

The Hospital's statements of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Hospital's principal activity. Nonexchange revenues are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Grants and Contributions

From time to time, the Hospital receives grants and contributions from the State of Louisiana, individuals or private and public organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as operating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

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.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters, except for workers compensation, general, and professional liability claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years. See Note 13 for discussion of professional and general liability risk.

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure) until then. The Hospital has one item that qualifies for reporting in this category resulting from excess consideration provided for acquisition of clinics.

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until then. The Hospital does not currently have any items that qualify for reporting in this category.

Environmental Matters

The Hospital is subject to laws and regulations relating to the protection of the environment. The Hospital's policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify, with any degree of certainty, the potential financial impact of the Hospital's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the Hospital. At December 31, 2025, management is not aware of any liability resulting from environmental matters.

Advertising

The Hospital expenses advertising cost as incurred. Advertising expense for the year ended December 31, 2025 totaled \$90,092.

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year classification.

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements

The Hospital implemented GASB Statement No. 101, *Uncompensated Absences* in fiscal year 2025. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The new standard is to be applied to all compensated absences as of the beginning of the earliest period presented; and therefore, the March 31, 2024 financial statements have been restated, as discussed in Note 22.

The Hospital implemented GASB Statement No. 102, *Certain Risk Disclosures* in fiscal year 2025. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints and enhance transparency by requiring disclosures about these risks.

Recently Issued Accounting Principles - Not Yet Adopted

The GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The Statement is effective for fiscal years beginning after June 15, 2025.

The GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of the Statement is to provide users of government financial statements with essential information about certain types of capital assets. The Statement is effective for fiscal years beginning after June 15, 2025.

The GASB issued Statement No. 105, *Subsequent Events*. The primary objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. The Statement is effective for fiscal years beginning after June 15, 2026.

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

NOTE 3 - DEPOSITS AND INVESTMENTS

Louisiana state statutes authorize the Hospital to invest in direct obligations of the U.S. Treasury and other federal agencies, time deposits with state banks and national banks having their principal office in the State of Louisiana, guaranteed investment contracts issued by highly rated financial institutions, and certain investments with qualifying mutual or trust fund institutions. Louisiana statutes also require that all of the deposits of the Hospital be protected by insurance or collateral. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance.

Custodial Credit Risks - Custodial credit risk for deposits is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. Louisiana state statutes require that all the deposits of the Hospital be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The Hospital's deposits were entirely insured or entirely collateralized by securities or a letter of credit held by the pledging bank's trust department in the Hospital's name at December 31, 2025. The Affiliate (Foundation) had no uninsured deposits at December 31, 2025.

Interest Rate Risks - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer an investment takes to mature, the greater the sensitivity of its fair value to changes in market interest rates. The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

The carrying amounts of deposits and investments are included in the Hospital's balance sheets as follows:

	<u>2025</u>
Carrying amount	
Deposits	\$ 1,063,145
Certificates of deposit	<u>125,000</u>
	<u>\$ 1,188,145</u>
	<u>2025</u>
Included in the following balance sheet captions:	
Cash and cash equivalents	\$ 50,159
Assets whose use is limited	<u>1,137,986</u>
	<u>\$ 1,188,145</u>

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable at December 31 is presented below:

	<u>2025</u>
Patient accounts receivable	\$ 11,289,894
Estimated allowances for uncollectibles	<u>(7,739,840)</u>
Net accounts receivable	\$ <u>3,550,054</u>

The following is a mix of gross receivables from patients and third-party payors at December 31:

	<u>2025</u>
Medicare and Medicare managed care plans	28%
Medicaid and Medicaid managed care plans	23%
Blue Cross Blue Shield	7%
Commercial and other third-party payors	17%
Self pay	<u>25%</u>
	<u>100%</u>

The Medicare, Medicaid, and third-party payors are shown net of contractual allowances.

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

NOTE 5 - CAPITAL ASSETS

The following is a summary of capital assets and related accumulated depreciation at December 31:

	<u>2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>2025</u>
Nondepreciable capital assets					
Land	\$ 439,175	\$ -0-	\$ -0-	\$ 300,000	\$ 739,175
Construction in progress	<u>1,167,290</u>	<u>65,054</u>	<u>-0-</u>	<u>(770,522)</u>	<u>461,822</u>
Total nondepreciable capital assets	\$ <u>1,606,465</u>	\$ <u>65,054</u>	\$ <u>-0-</u>	\$ <u>(470,522)</u>	\$ <u>1,200,997</u>
Depreciable capital assets					
Land improvements	\$ 318,327	\$ -0-	\$ -0-	\$ 53,825	\$ 372,152
Buildings & improvements	15,463,803	-0-	-0-	173,697	15,637,500
Fixed equipment	-0-	-0-	-0-	-0-	-0-
Major movable equipment	<u>10,264,228</u>	<u>108,000</u>	<u>-0-</u>	<u>243,000</u>	<u>10,615,228</u>
Total depreciable capital assets	26,046,358	108,000	-0-	470,522	26,624,880
Accumulated depreciation and amortization	<u>18,607,708</u>	<u>983,213</u>	<u>-0-</u>	<u>-0-</u>	<u>19,590,921</u>
Total depreciable capital assets, net	\$ <u>7,438,650</u>	\$ <u>(875,213)</u>	\$ <u>-0-</u>	\$ <u>470,522</u>	\$ <u>7,033,959</u>
Right-of-use capital assets					
Building	\$ 154,198	\$ -0-	\$ -0-	\$ -0-	\$ 154,198
Equipment	<u>1,183,719</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,183,719</u>
Total right-of-use capital assets	1,337,917	-0-	-0-	-0-	1,337,917
Accumulated amortization	<u>268,840</u>	<u>251,202</u>	<u>-0-</u>	<u>-0-</u>	<u>520,042</u>
Total right-of-use capital assets, net	\$ <u>1,069,077</u>	\$ <u>(251,202)</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>817,875</u>

NOTE 6 - SUBSCRIPTION ASSETS

The following is a summary of subscription-based information technology arrangements for intangible assets and related accumulated amortization for the year ended December 31:

	<u>2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>2025</u>
Subscription-based assets	\$ 2,445,138	\$ 184,516	\$ -0-	\$ -0-	\$ 2,629,654
Accumulated amortization	<u>767,087</u>	<u>579,660</u>	<u>-0-</u>	<u>-0-</u>	<u>1,346,747</u>
Total subscription-based assets, net	\$ <u>1,678,051</u>	\$ <u>(395,144)</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>1,282,907</u>

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

NOTE 7 - ASSETS LIMITED AS TO USE

The following assets are limited as to use as designated below:

<u>By Third Parties</u>	<u>2025</u>
Capital Improvement	\$ 213,224
Bond proceeds	67,662
Self-funded insurance fund - malpractice	125,000
Self-funded insurance fund - group health	142,472
<u>By Board</u>	
Long-term investment fund	656,437
Investment fund	146,415
Less limited-use assets required for current liabilities	<u>(202,472)</u>
Non-current limited-use assets	\$ <u>1,148,738</u>

The total amount restricted by third parties is shown as restricted net position on the balance sheet. This amount is \$548,358 at December 31, 2025.

NOTE 8 - COMPENSATED ABSENCES

Upon completion of ninety (90) days of full-time employment, employees are eligible to benefit time, which combines vacation, holiday and personal leave into a single pool. The amount in which each employee is entitled varies depending on length of service. The Hospital recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability for compensated absences includes salary-related benefits.

A summary of compensated absences at December 31, follows:

	<u>2024</u>	<u>Net Change</u>	<u>2025</u>	<u>Current Portion</u>
Benefit time	\$ <u>806,317</u>	\$ <u>144,836</u>	\$ <u>951,153</u>	\$ <u>951,153</u>

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

NOTE 9 - LONG-TERM DEBT

A summary of long-term debt at December 31 follows:

	<u>2024</u>	<u>Additions</u>	<u>Payments</u>	<u>2025</u>	<u>Due Within One Year</u>
Revenue Bond, Series 2015	\$ 61,000	\$ -0-	\$ 61,000	\$ -0-	\$ -0-
Revenue Bond, Series 2020	<u>855,000</u>	<u>-0-</u>	<u>45,000</u>	<u>810,000</u>	<u>45,000</u>
Total	\$ <u>916,000</u>	\$ <u>-0-</u>	\$ <u>106,000</u>	\$ <u>810,000</u>	\$ <u>45,000</u>

- Revenue Bond, Series 2015, bearing interest at 3.75% and collateralized by pledge of hospital revenues. Principal payments are due annually on December 1, beginning at \$40,000 and increasing in increments of \$2,000-\$3,000 annually. Interest is payable in semi-annual installments. The bond matures on December 1, 2024.
- Revenue Bonds, Series 2020, bearing interest at 2.50% and collateralized by a pledge of hospital revenues. Principal payments are due annually on June 1 in amounts ranging from \$20,000 to \$65,000, with interest payable semiannually. The bond matures on June 1, 2040.

Scheduled principal and interest repayments on long-term debt are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2026	\$ 45,000	\$ 19,688	\$ 64,688
2027	45,000	18,563	63,563
2028	50,000	17,375	67,375
2029	50,000	16,125	66,125
2030	50,000	14,875	64,875
2031 - 2035	265,000	55,064	320,064
2036 - 2040	<u>305,000</u>	<u>19,317</u>	<u>324,317</u>
Totals	\$ <u>810,000</u>	\$ <u>161,007</u>	\$ <u>971,007</u>

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

NOTE 10 - LEASE LIABILITY

A summary of the changes in lease liability obligations as of December 31 follows:

	<u>2024</u>	<u>Additions</u>	<u>Payments</u>	<u>2025</u>	<u>Due Within One Year</u>
Building	\$ 145,594	\$ -0-	\$ 47,675	\$ 97,919	\$ 51,632
Equipment	<u>970,764</u>	<u>-0-</u>	<u>183,403</u>	<u>787,361</u>	<u>197,348</u>
Total	\$ <u>1,116,358</u>	\$ <u>-0-</u>	\$ <u>231,078</u>	\$ <u>885,280</u>	\$ <u>248,980</u>

The following are the terms and due dates of the Hospital's lease liability obligations at December 31:

- Lease liability obligation for a building at an imputed interest rate of 8.00% with monthly payments of \$4,800 through October 1, 2027.
- Various lease liability obligations for equipment at imputed interest rates ranging from 4.48% to 8.25% with total monthly payments ranging from \$1,187 to \$15,250 through October 1, 2029.

Scheduled principal and interest payments on lease liability obligations are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2026	\$ 248,980	\$ 58,379	\$ 307,359
2027	258,693	39,066	297,759
2028	217,687	21,386	239,073
2029	<u>159,919</u>	<u>5,709</u>	<u>165,628</u>
Totals	\$ <u>885,279</u>	\$ <u>124,540</u>	\$ <u>1,009,819</u>

NOTE 11 - SUBSCRIPTION LIABILITIES

A summary of subscription liabilities follows:

	<u>2024</u>	<u>Additions</u>	<u>Payments</u>	<u>2025</u>	<u>Due Within One Year</u>
Totals	\$ <u>1,772,018</u>	\$ <u>184,516</u>	\$ <u>562,581</u>	\$ <u>1,393,953</u>	\$ <u>526,616</u>

The subscription liability obligations relate to subscription-based information technology arrangements at imputed interest rates from 8.00% to 8.50% with maturity dates ranging through August 31, 2028.

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

NOTE 11 - SUBSCRIPTION LIABILITIES (Continued)

Scheduled principal and interest payments on the subscription liability obligations are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2026	\$ 526,616	\$ 95,137	\$ 621,753
2027	496,768	53,172	549,940
2028	370,569	12,420	382,989
2029	-0-	-0-	-0-
2030	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Totals	\$ <u>1,393,953</u>	\$ <u>160,729</u>	\$ <u>1,554,682</u>

NOTE 12 - NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Hospital qualified for a Medicare low-volume add-on for inpatient payments. These payments are effective for discharges occurring October 1, 2010 until September 30, 2025, if not extended by Congress. The additional payment received under the Medicare low volume add-on was approximately \$507,807 for the year ended December 31, 2025. Outpatient services related to Medicare beneficiaries are paid based on a set fee per diagnosis. Swing bed services are reimbursed based on a prospectively determined rate per patient day. The rural health clinics are paid on a cost-based methodology. The Hospital's Medicare cost reports have been examined by the Medicare fiscal intermediary through June 30, 2023.

Medicaid - Inpatient services are reimbursed based on a prospectively determined per diem rate. Some outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid prospectively based on a fee schedule. Rural health clinics are paid on a cost-based methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been examined by the Medicaid fiscal intermediary through June 30, 2020.

Commercial - The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Payment methods under these agreements include prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

NOTE 12 - NET PATIENT SERVICE REVENUE (Continued)

The following is a summary of the Hospital's net patient revenues for the year ended December 31:

	<u>2025</u>
Gross charges	\$ 72,587,957
Less charges associated with charity patients	<u>-0-</u>
Gross patient service revenue	72,587,957
Less deductions from revenue:	
Contractual allowances	43,637,438
Discounts	<u>901,187</u>
Patient service revenue (net of contractual adjustments)	28,049,332
Less provision for bad debts	<u>1,572,748</u>
Net patient service revenue less provisions for bad debts	\$ <u>26,476,584</u>

The Hospital receives a substantial portion of its charges from Medicare and Medicaid programs at discounted rates. The following is a summary of Medicare and Medicaid patient revenues for the year ended December 31:

	<u>2025</u>
Medicare and Medicaid patient charges	\$ 39,058,976
Contractual adjustments	<u>(23,667,194)</u>
Program patient service revenue	\$ <u>15,391,782</u>
Percent of total gross patient charges	<u>54%</u>
Percent of total net patient revenue	<u>58%</u>

The Hospital experienced differences between the amounts initially recorded on its cost settlements with Medicare and Medicaid and the finalized amounts. These adjustments resulted in an increase in net patient service revenue of \$73,302 for 2025. Cost reports thereafter remain subject to audit and changes in estimated settlements.

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

NOTE 13 - CONTINGENCIES

The Hospital evaluates contingencies based upon the best available evidence. The Hospital believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the Hospital's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 12) - The Hospital is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

Further, in order to continue receiving reimbursement from the Medicare program, the Hospital entered into an agreement with a government agent allowing the agent access to the Hospital's Medicare patient medical records for purposes of making medical necessity and appropriate level of care determinations. The agent has the ability to deny reimbursement for Medicare patient claims which have already been paid to the Hospital.

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as privacy, licensure, accreditation, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or asserted at this time.

Professional and General Liability Risk - Effective for claims filed after May 1, 2004, the Hospital discontinued professional and general liability Insurance coverage through the Louisiana Hospital Association Trust Fund. The Hospital continues to participate in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to health care providers. The PCF provides for \$400,000 in coverage for actual claims (attorney fees are the Hospital's responsibility) per occurrence above the first \$100,000 per occurrence for which the Hospital is at risk. The PCF places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limited the PCF's exposure to \$400,000 per occurrence.

The Hospital included provision of \$60,000 at December 31, 2025 for professional liability losses and legal defense costs not covered by the Louisiana Patient's Compensation Fund. The Hospital is contingently liable for losses and related defense costs from professional liability not underwritten by the Louisiana Patient's Compensation Fund. The Hospital included no provision at December 31, 2025 for uninsured general liability losses. The Hospital is contingently liable for losses and related defense costs from general liability.

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

NOTE 13 - CONTINGENCIES (Continued)

A reconciliation of the changes in the aggregate uninsured professional and general liability is as follows:

	<u>2025</u>
Beginning of the year	\$ 60,000
Plus: Claims incurred and changes in estimates net of reinsurance	-0-
Less: Claims paid	<u>-0-</u>
End of the year, included in accrued expenses	\$ <u>60,000</u>

The Hospital received approximately \$1.0 million through the Employee Retention Tax Credit (ERTC), which is recorded as other operating revenue. The Hospital showed the revenue as earned when it substantially met the program's eligibility conditions. The ERTC is a refundable tax credit for businesses and tax-exempt organizations that had employees and were affected during the COVID-19 pandemic. Since the Hospital amended the first quarter of the 2021 payroll tax reports, the Internal Revenue Service (IRS) has three years from date of amending the payroll tax return to audit the ERTC. An IRS examination could result in an overpayment of the claim, which could be material.

NOTE 14 - RETIREMENT PLAN

Effective January 1, 2007, employees may participate in a qualified defined contribution retirement plan (exempt under Section 457(b) of the Internal Revenue Code). Each employee is eligible to join the plan upon completion of ninety (90) days of continuous full-time employment. Employees are immediately 100% vested in their contributions to the plan through a salary reduction agreement. The employees of the Hospital contributed \$604,393 for the year ended December 31, 2025.

Effective January 1, 2007, the Hospital began sponsoring a money purchase pension plan (exempt under Section 401(a) of the Internal Revenue Code). The Hospital contributes a match amount equal to the 457(b) employee deferral contribution up to a maximum of 5% of compensation for eligible employees that are actively employed on the last day of each plan year. Contributions made by the Hospital for the year ended December 31, 2025 were \$506,591.

Acuff and Associates is the third-party administrator of the 457(b) and the 401(a) plans. The Board of Commissioners adopted these plans and may change the terms of the plans to improve administration and can, at their discretion, increase or decrease the contribution percentages.

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

NOTE 15 - EMPLOYEE MEDICAL BENEFIT PLAN

The Hospital is self-insured to provide group medical coverage for its employees. A third-party administers the group medical coverage for the Hospital. The Hospital funds its losses based on actual claims. A stop-loss insurance contract executed with a carrier limits the Hospital's liability to specified amounts. There were no significant changes in insurance coverage from the prior year. A liability is accrued for self-insured employee health claims, including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims' experience, recently settled claims, and frequency of claims. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term.

The following is a summary of changes in the Hospital's claims liability for the year ended December 31:

	<u>2025</u>
Beginning of the year	\$ 719,768
Plus: Claims incurred and changes in estimates net of reinsurance	3,631,723
Less: Claims paid	<u>3,801,789</u>
End of the year, included in accrued expenses	\$ <u>549,702</u>

NOTE 16 - SALES TAX REVENUE

On April 27, 2024, the voters of the District renewed a one-half percent (0.5%) sales and use tax for a ten-year period beginning May 1, 2025. The sales tax collection is for the purpose of operations, maintenance, and improvement of the facilities and equipment of the Hospital. Sales tax revenue is approximately 2% of the total revenues in fiscal year 2025.

NOTE 17 - GRANTS

On July 23, 2024, the Foundation was awarded a \$375,000 grant from the Health Resources and Services Administration (HRSA) under the Substance Abuse and Mental Health Services Program. The grant provides funding of \$375,000 over a three-year period, with annual budget periods of \$125,000 beginning September 30 of each year. During the year ended December 31, 2025, the Foundation recognized approximately \$93,000 of grant revenue related to the program.

On May 22, 2024, the Hospital was awarded a \$750,000 grant from the Health Resources and Services Administration (HRSA) under the Rural Residency Planning and Development Program. The grant is funded over a three-year period, with annual budget periods beginning August 1 of each year. During the year ended December 31, 2025, the Hospital recognized approximately \$373,000 of grant revenue related to the program.

Various other grants were received during the year for other uses.

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

NOTE 18 - CLAIBORNE HEALTHCARE FOUNDATION (AFFILIATE)

The accompanying combined financial statements include the accounts of the Foundation, with intercompany accounts eliminated. Foundation contributions received of \$166,298 are included in grants and contributions for the year ended December 31, 2025. Hospital support of operational expenses for the Foundation were \$2,958 during the period ended December 31, 2025.

Following is a summary of net assets and results of operations of the Foundation as of December 31:

	<u>2025</u>
Assets	
Limited use assets	\$ <u>213,224</u>
Liabilities and Net Assets	
Deferred revenue	\$ 27,777
Net assets	<u>185,447</u>
Total liabilities and net assets	\$ <u>213,224</u>
	<u>2025</u>
Revenue	
Contribution revenue	\$ 72,830
Grant income	93,468
Interest income	<u>915</u>
Total revenue	<u>167,213</u>
Expenses	
Grants to Hospital	122,968
Other expense	<u>11,923</u>
Total expenses	<u>134,891</u>
Excess of revenue over expenses	32,322
Beginning net assets	<u>153,125</u>
Ending net assets	\$ <u>185,447</u>

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

NOTE 19 - MEDICAID SUPPLEMENTAL PAYMENTS

For state fiscal year (SFY) 2025 and 2026, the Louisiana Department of Health (LDH) obtained a Medicaid State Plan Amendment (SPA) approval from the Centers for Medicare and Medicaid Services (CMS) to make quarterly supplemental payments to hospitals based upon certain assumptions under a directed payment plan (DPP). Annually thereafter, LDH must submit the assumptions to CMS for approval in future years. The basis for interim supplemental payments is the Hospital's historical paid claims and other factors. In future state fiscal years, actual paid claims and other factors will be used to reconcile interim payments to final settled DPP amounts. LDH anticipates increasing or decreasing future DPP payments by the reconciliation amounts. The Hospital has recognized approximately \$4.3 million for the year ended December 31, 2025, as Medicaid supplemental income after consideration was given for future adjustments which the Hospital determined necessary. To the extent income recognized in the current period differs from actual results, Medicaid supplemental income will be adjusted.

The Hospital entered into an Intergovernmental Transfer Agreement (IGT) with the Louisiana Department of Health (LDH) as part of a physician supplemental program. In state fiscal year (SFY) 2025, the Louisiana Department of Health (LDH) obtained a Medicaid State Plan Amendment (SPA) approval from the Centers for Medicare and Medicaid Services (CMS) to make payments under a directed payment plan (DPP). The SFY 2026 SPA submitted to CMS by LDH has not yet been approved. The approval could impact the estimated revenue and expenditures related to this program. The final DPP could be materially different from current estimates reported in the financial statements. In fiscal year 2025, the Hospital recognized approximately \$853,000 in Medicaid supplemental payments of which approximately \$373,000 was recognized as IGT due to LDH.

NOTE 20 - COOPERATIVE ENDEAVOR AGREEMENT

The Hospital has agreed to a cooperative endeavor (CEA) with other like-minded Louisiana hospitals, per Louisiana's Rural Hospital Preservation Act. The intent of this agreement is to pool hospital resources across the State to support access to healthcare in rural Louisiana. Under the CEA, the District deposits an amount, determined annually by the Rural Hospital Coalition (RHC), into an account, from which RHC is permitted to withdraw the funds and make distributions to participating hospitals using a predetermined formula. Although the payments are formulaic in nature, they are not guaranteed, nor are they directly related to Medicaid reimbursement for the provisions of goods and healthcare services to patients. Accordingly, the deposits made by the Hospital to RHC were more than the amount received by the Hospital under this program, resulting in a net amount of \$923,888 for the year ended December 31, 2025. This was recorded as an expense called Access to Care.

NOTE 21 - CERTAIN RISK DISCLOSURES

As discussed in other notes to the financial statements, the Hospital participates in various Medicaid supplemental payment programs (MSPP) administered through the Louisiana Department of Health (LDH). During the fiscal year ended December 31, 2025, the revenues under the Medicaid supplemental payment programs represented approximately 15 percent of the Hospital's operating revenues, a significant concentration beyond Medicaid claims-based revenue.

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

NOTE 21 - CERTAIN RISK DISCLOSURES (Continued)

The Hospital's receipt of MSPP is dependent upon federal and state statutes, regulations, funding mechanisms, and program methodologies that are subject to legislative and regulatory change. The One Big Beautiful Bill Act (OBBBA) included provisions which have reduced the numbers of eligible Medicaid recipients. This reduction is expected to also reduce Medicaid claims revenue and MSPP to an extent which management cannot determine at this time. Future disclosures are anticipated as reductions materialize.

Management is actively evaluating the potential cash flow and revenue effects of OBBBA and LDH changes while developing mitigation strategies.

NOTE 22 - CHANGE IN METHOD OF ACCOUNTING AND PRIOR PERIOD ADJUSTMENTS

Change in Method of Accounting for Compensated Absences – As discussed in Note 2, the Hospital adopted GASB Statement No. 101, *Compensated Absences*, on January 1, 2025. This statement is applied retroactively by restating balances in the financial statements as of December 31, 2025 as shown in the table below.

Correction of Prior Period Errors – During fiscal year 2025, the District determined that prior year accounts receivable were overstated due to oversight of certain facts and conditions related to the collectability of patient accounts receivables. The effect of this error correction resulted in adjustments to and restatements of beginning net position, accounts receivable, and net patient service revenue, as shown in the table below.

During fiscal year 2025, the District determined that certain lease agreements and subscription based information technology arrangements (SBITAs) that met the definition of Leases and SBITAs per GASB Statement No. 87 and 96, respectfully, were not identified and reflected in the accounting records. The effect of this error correction resulted in adjustments to and restatements of, beginning net position, Lease assets, Subscription assets, Lease liabilities, Subscription liabilities, Depreciation and amortization, Interest expense, and Other expenses, as shown in the table below.

During fiscal year 2025, the District determined that prior year accruals related to its self-funded health insurance claims liability were understated due to an error in its accrual methodology and incomplete claims data. The effect of this error correction resulted in adjustments to and restatements of, beginning net position, accrued expenses, and benefits and payroll taxes, as shown in the table below.

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

NOTE 22 - CHANGE IN METHOD OF ACCOUNTING AND PRIOR PERIOD ADJUSTMENTS (Continued)

	2024 As Previously Reported	Restatement - GASB 101 Implementation	Error Corrections	2024 As Restated
Accounts receivable, net	\$ 5,178,000	\$ -0-	\$ (760,000)	\$ 4,418,000
Right-of-use capital assets, net	\$ -0-	\$ -0-	\$ 1,069,077	\$ 1,069,077
Subscription assets, net	\$ -0-	\$ -0-	\$ 1,678,051	\$ 1,678,051
Accrued expenses	\$ 1,942,067	\$ -0-	\$ 478,210	\$ 2,420,277
Compensated absences	\$ -0-	\$ 65,694	\$ -0-	\$ 65,694
Lease liabilities (short-term)	\$ -0-	\$ -0-	\$ 231,078	\$ 231,078
Subscription liabilities (short-term)	\$ -0-	\$ -0-	\$ 500,593	\$ 500,593
Subscription liabilities (long-term)	\$ -0-	\$ -0-	\$ 1,271,425	\$ 1,271,425
Lease liabilities (long-term)	\$ -0-	\$ -0-	\$ 885,280	\$ 885,280
Net position	\$ 14,141,694	\$ (65,694)	\$ (1,379,458)	\$ 12,696,542
Net patient service revenue	\$ 44,305,689	\$ -0-	\$ (760,000)	\$ 43,545,689
Benefits and payroll tax	\$ 7,700,672	\$ 71	\$ 478,210	\$ 8,178,953
Other expense	\$ 3,937,839	\$ -0-	\$ (1,236,666)	\$ 2,701,173
Depreciation and amortization	\$ 1,516,142	\$ -0-	\$ 1,035,927	\$ 2,552,069
Interest expense	\$ 197,044	\$ -0-	\$ 341,987	\$ 539,031

NOTE 23 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financials were available to be issued, June 30, 2026, and noted material events requiring disclosure below. No subsequent events occurring after that date have been evaluated for inclusion in these financial statements.

Subsequent to December 31, 2025, the Hospital issued Hospital Revenue Notes, Series 2026, in an aggregate principal amount not to exceed \$1,000,000. The notes bear interest at 6% per annum and mature no later than March 31, 2027. The proceeds of the notes are to be used to fund current operating expenses. As of the date the financial statements were available to be issued, approximately \$250,000 of the note proceeds had been disbursed to the Hospital. The remaining authorized proceeds are expected to be disbursed in accordance with the terms of the note agreement.

Subsequent to December 31, 2025, the Hospital submitted an application to the appropriate state and federal agencies seeking designation as a Critical Access Hospital (CAH). If approved, the designation would result in changes to the Hospital's Medicare reimbursement methodology and certain operational requirements. As of the date the financial statements were available to be issued, the application remains under review, and no determination has been made regarding approval.

SUPPLEMENTARY INFORMATION

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULE OF NET PATIENT SERVICE REVENUE
YEAR ENDED DECEMBER 31,

	<u>2025</u>
Routine services:	
Adult and pediatric	\$ 5,698,368
Intensive care unit	1,804,278
Care recovery unit	1,655,490
Swing bed	<u>165,375</u>
Total routine services	<u>9,323,511</u>
Other professional services:	
Operating room	706,017
Anesthesia	143,325
Radiology	8,238,802
Lab	10,793,408
Blood	508,360
Respiratory therapy	7,524,780
Physical therapy	1,269,845
Occupational therapy	584,915
Central supply	769,211
Pharmacy	7,738,097
Emergency room	13,278,236
Outpatient services	1,001,842
IOP	3,547
Rural health clinics	9,384,170
Private physician clinic	572,705
Home health	<u>747,186</u>
Total other professional services	<u>63,264,446</u>
Gross patient service revenue	<u>72,587,957</u>
Less deductions from revenue:	
Contractual allowances	(43,637,438)
Discounts	<u>(901,187)</u>
Patient service revenue	28,049,332
Less provision for bad debt	<u>(1,572,748)</u>
Net patient service revenue	\$ <u>26,476,584</u>

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULE OF OTHER OPERATING REVENUE
YEAR ENDED DECEMBER 31,

	<u>2025</u>
Cafeteria sales	\$ 137,486
Medical records	634
Vending machine commissions	4,179
Rental income	10,548
Purchase discounts	25,898
Miscellaneous income	<u>1,588,166</u>
 Total other operating revenue	 \$ <u><u>1,766,911</u></u>

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULE OF OPERATING EXPENSES – SALARIES AND BENEFITS
YEAR ENDED DECEMBER 31,

	<u>2025</u>
Administration	\$ 2,728,537
Plant operations and maintenance	237,710
Housekeeping	253,117
Dietary	285,177
Nursing administration	373,315
Central supply	121,857
Pharmacy	372,743
Medical records	301,750
Nursing services, acute care	2,035,737
Nursing services, intensive care unit	749,052
Operating room	203,207
Radiology	496,327
Laboratory	727,713
Respiratory therapy	587,262
Physical therapy	57,116
Telemetry	136,655
Emergency room	2,726,148
Outpatient services	113,021
Care recovery unit	715,771
Rural health clinics	5,193,504
Private physician clinic	427,397
Home health	<u>251,092</u>
 Total salaries	 <u>19,094,208</u>
 Payroll taxes	 1,267,373
Health insurance	3,631,723
Other benefits	<u>512,589</u>
 Total benefits	 <u>5,411,685</u>
 Total salaries and benefits	 \$ <u><u>24,505,893</u></u>

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULE OF OPERATING EXPENSES – SUPPLIES AND DRUGS
YEAR ENDED DECEMBER 31,

	<u>2025</u>
Central supply	\$ 122,468
Pharmacy	762,259
Nursing services, acute care	70,246
Nursing services, intensive care unit	74,106
Operating room	54,049
Radiology	16,523
Laboratory	800,583
Blood	176,497
Respiratory therapy	40,336
Emergency room	65,957
Outpatient services	4,840
Care recovery unit	1,896
Rural health clinics	340,436
Private physician clinic	22,895
Home health	<u>1,422</u>
 Total supplies and drugs	 \$ <u><u>2,554,513</u></u>

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULE OF OPERATING EXPENSES – PROFESSIONAL FEES
YEAR ENDED DECEMBER 31,

	<u>2025</u>
Administration	\$ 599,914
Plant operations and maintenance	65,880
Laundry and linen	68,075
Dietary	22,566
Pharmacy	29,695
Medical records	103,417
Nursing services, acute care	120,647
Anesthesiology	142,760
Radiology	352,969
Laboratory	246,085
Physical therapy	360,548
Occupational therapy	145,124
Speech therapy	13,278
Emergency room	15,816
Outpatient services	71,958
Care recovery unit	71,141
Rural health clinics	350,731
Private physician clinic	16,791
Home health	<u>19,531</u>
 Total professional fees	 \$ <u><u>2,816,926</u></u>

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULE OF OPERATING EXPENSES – OTHER EXPENSES
YEAR ENDED DECEMBER 31,

	<u>2025</u>
Legal and accounting	\$ 202,982
Repairs and maintenance	304,294
Supplies	676,205
Utilities	583,946
Telephone	85,240
Travel and education	75,808
Rentals	94,062
Postage	55,448
Dues and subscriptions	98,175
Recruitment and advertising	90,092
Minor equipment	31,563
Software	562,261
Intergovernmental transfer	373,195
Access to care expenses	923,888
Miscellaneous	<u>157,470</u>
 Total other expenses	 \$ <u>4,314,629</u>

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF COMPENSATION PAID TO BOARD MEMBERS
YEAR ENDED DECEMBER 31, 2025

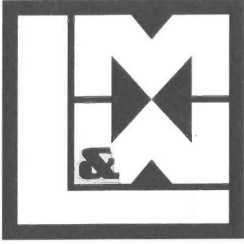
<u>Board Member</u>	<u>Paid on Behalf of Commissioners</u>
Kevin Gray	-0-
Sam Abshire, M.D.	-0-
Mark Haynes, M.D.	-0-
Wade Holloway	-0-
NieKitsha Ridley	-0-
Dr. Xanthe Seals	-0-
Ray Spurlock, O.D.	-0-
Nicole Ware	-0-
Lawson Wilder	-0-

CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO CHIEF EXECUTIVE OFFICER
YEAR ENDED DECEMBER 31, 2025

Agency Head Name:
Position:

Tina Haynes
CEO

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 264,992
Health insurance	-0-
Retirement	13,250
Life insurance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	4,941
Travel	11,475
Registration fees	1,399
Conference travel	-0-
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-
Professional dues	1,265
Cell phone	-0-



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(1949-2023)

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
Claiborne Parish Hospital Service District No. 3
Homer, 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 Claiborne Parish Hospital Service District No. 3, d/b/a Claiborne Memorial Medical Center and its affiliate (the "Hospital"), a component unit of the Town of Homer, Louisiana, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Hospital's combined financial statements as listed in the table of contents, and have issued our report thereon dated June 30, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital'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 were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2025-001, 2025-002, 2025-003, 2025-004 and 2025-005 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Hospital's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Hospital's response to the findings identified in our audit as described in the accompanying schedule of findings and responses. The Hospital's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and the use of the Board of Commissioners, management, and the office of the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Legate, William M. WMS

Certified Public Accountants
Alexandria, Louisiana

June 30, 2026



CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2025

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified – Yes
- Significant deficiencies identified – None identified

Compliance:

- Noncompliance issues noted – No

Management letter issued – No

Federal Awards – N/A

Section II. Financial Statement Findings

FINDING 2025-001 - Bank Reconciliations

Criteria: Management is responsible for maintaining effective internal controls over cash, including the timely preparation, review, and resolution of reconciling items identified during the bank reconciliation process. Reconciling differences should be investigated and corrected promptly to ensure cash balances are complete and accurate.

Condition: Several bank accounts contained reconciling items that had not been identified and resolved as of year-end, including certain items that originated in prior years. During the audit, management researched the outstanding items and provided support to resolve several of the differences. However, not all reconciling differences had been fully investigated and corrected as of year-end.

Cause: The procedures in place to review bank reconciliations and investigate outstanding reconciling items were not operating effectively to ensure differences were identified, researched, and resolved on a timely basis.

Effect: Unresolved reconciling items increase the risk of errors or misstatements in cash balances and financial reporting.

Recommendation: We recommend management strengthen its bank reconciliation review process to ensure all reconciling items are investigated, documented, and resolved in a timely manner.

Response: Management is in the process of researching outstanding reconciling items and has provided documentation supporting the resolution of several differences. Management will continue this process and implement reconciliation review procedures to ensure reconciling items are identified, investigated, and resolved on a timely basis going forward.



CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2025

FINDING 2025-002 - General Accounting - Reconciliations

Criteria: Management is responsible for maintaining effective internal controls over financial reporting, including preparing and reviewing timely reconciliations of balance sheet accounts. Reconciliations should be supported by appropriate documentation and agree to the general ledger.

Condition: Several balance sheet accounts had not been reconciled to supporting schedules as of year-end. These accounts included Medicare and Medicaid cost report receivables and payables, as well as other balance sheet accounts.

Cause: Procedures were not in place to ensure balance sheet accounts were reconciled, reviewed, and differences resolved prior to the preparation of the year-end financial statements.

Effect: Assets were overstated by approximately \$287,000; liabilities were overstated by approximately \$111,000; beginning net position was overstated by approximately \$60,000; and ending net position was overstated by approximately \$116,000.

Recommendation: We recommend management implement procedures requiring balance sheet accounts to be reconciled to supporting documentation each month, with a formal review process to ensure reconciling differences are investigated and resolved before the financial statements are prepared.

Response: Management researched differences and provided supporting reconciliations to resolve identified issues. Management will strengthen its month-end and year-end closing procedures to ensure balance sheet accounts are reconciled, reviewed, and supported on a timely basis.

FINDING 2025-003 - Failure to Implement New Accounting Standards

Criteria: Management is responsible for preparing financial statements in accordance with generally accepted accounting principles (GAAP), including the timely implementation of new accounting standards issued by the Governmental Accounting Standards Board (GASB).

Condition: The Hospital did not implement the requirements of GASB Statements No. 87, Leases, No. 96, Subscription-Based Information Technology Arrangements, and No. 101, Compensated Absences, as of year-end.

Cause: Management did not have procedures in place to identify, evaluate, and implement new GASB pronouncements in a timely manner.

Effect: Assets were understated by approximately \$2,000,000; liabilities were understated by approximately \$2,400,000; beginning net position was overstated by approximately \$207,000; and current-year expenses were understated by approximately \$109,000.

Recommendation: We recommend management establish procedures to monitor new accounting standards, assess their applicability, and implement required accounting changes.

Response: Management will implement procedures to ensure new GASB pronouncements are evaluated and implemented timely in future reporting periods.



CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2025

FINDING 2025-004 - Accounting Estimates - Receivables

Criteria: Management is responsible for developing accounting estimates based on available information, historical experience, and other relevant factors. Methodology used to prepare estimates should be evaluated for accuracy and updated as conditions change.

Condition: The methodology used to estimate the net realizable value of patient accounts receivable did not adequately consider claim denials when estimating expected collections.

Cause: Controls over the development and review of the accounts receivable estimate were not sufficient to ensure all significant factors affecting collectability, including claim denials, were considered when preparing methodology.

Effect: Assets were overstated by approximately \$450,000; beginning net position was overstated by approximately \$700,000; and current-year revenues were understated by approximately \$250,000.

Recommendation: We recommend management periodically review and update significant assumptions used to estimate patient accounts receivable, including consideration of claim denials and other factors affecting expected collections, to ensure the estimate reflects current conditions.

Response: Management will revise its methodology to incorporate claim denial experience into the estimate of patient accounts receivable. Management will continue to evaluate the methodology each reporting period to ensure the estimate reflects current collections based on the information available.

FINDING 2025-005 - Self-funded Group Health Insurance

Criteria: Management is responsible for maintaining complete and accurate accounting records and preparing financial statements in accordance with generally accepted accounting principles (GAAP). This includes timely reconciliation of self-funded health insurance accounts and the development of a reasonable methodology to estimate liabilities for claims incurred but not yet reported (IBNR).

Condition: Accounting records related to the Hospital's self-funded group health insurance plan were not properly maintained and reconciled in a manner that provides complete and accurate information required for financial reporting.

Cause: Formal procedures for performing routine reconciliations of self-funded health insurance accounts and estimating IBNR liabilities were not in place.

Effect: Assets were overstated by approximately \$2,770,000; liabilities were overstated by approximately \$1,165,000; beginning net position was overstated by approximately \$478,000; and current-year expenses were understated by approximately \$1,127,000.

Recommendation: We recommend management establish and document formal procedures for the timely reconciliation of self-funded health insurance accounts to supporting documentation, including bank records and third-party administrator reports. Management should also develop and document a methodology for estimating and recording IBNR liabilities.

Response: Management will implement formal procedures for reconciling self-funded health insurance accounts and developing a documented methodology to estimate and record IBNR liabilities.



CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2025

Section III. Federal Award Findings

Not applicable

Section IV. Management Letter

Not applicable



CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2025

Section I. Financial Statement Findings

FINDING 2024-001 - Financial Statements

Condition: Effective for financial statements ending on or after December 15, 2006, Statements on Auditing Standards 115 places more responsibility on management to ensure the propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of the financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the resources necessary to internally complete the reporting requirements.

Recommendation: Management should either: (a) obtain the resources necessary to internally prepare or review the auditor's preparation of the Hospital's financial statements and related footnote disclosures in accordance with GAAP, or (b) determine if the cost of "a" overrides the benefit of correcting this control deficiency.

Current Status: Resolved

FINDING 2024-002 - Bank Reconciliations

Condition: Monthly bank reconciliations of the operating account were not being reconciled to the general ledger cash accounts. Because the variance involved both prior and current year activity, Hospital personnel were unable to determine the cause of the variance. There was also no independent review of the bank reconciliations once prepared.

Recommendation: Management should review with hospital personnel the proper procedures to ensure that all bank activity is reconciled to the general ledger on a monthly basis to ensure proper financial reporting. Each bank reconciliation should be independently reviewed by a member of management and the review documented.

Current Status: Not resolved – See finding 2025-001.

FINDING 2024-003 - General Accounting

Condition: Detail schedules supporting balance sheet accounts had not been reconciled to the general ledger at period-end including cost report related receivables and certain liabilities.

Recommendation: Management should review with hospital personnel the proper procedures to ensure that all detailed information is reconciled to the general ledger on a monthly basis to ensure proper financial reporting.

Current Status: Not resolved – See finding 2025-002.



CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2025

FINDING 2024-004 - Benefit Plan Liabilities

Condition: The Hospital did not remit the employer's required matching contributions to the retirement plan for fiscal periods 2023 and 2024 as required by the retirement plan policy.

Recommendation: Management should immediately review and reconcile all retirement plan contributions and remit any outstanding employer match amounts. Additionally, the entity should implement internal controls to ensure timely and accurate retirement plan contributions in accordance with policy requirements.

Current Status: Resolved

FINDING 2024-005 - Late Submission of Audit Report to the Legislative Auditor

Condition: The audit report was submitted after the statutory due date.

Recommendation: Management should implement policies and procedures to ensure timely filing of all required reports.

Current Status: Resolved

Section II. Federal Award Findings

Not applicable

Section III. Management Letter

Not applicable



CLAIBORNE MEMORIAL MEDICAL CENTER
INDEPENDENT AUDITORS' REPORT
ON APPLYING AGREED UPON PROCEEDURES
FOR THE YEAR ENDED
DECEMBER 31, 2025



LESTER, MILLER & WELLS
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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners
of Claiborne Parish Hospital Service District No. 3
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2025 through December 31, 2025. Hospital's management is responsible for those C/C areas identified in the SAUPs.

The Hospital has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2025 through December 31, 2025. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1) *Written Policies and Procedures*

- A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
- i. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - ii. **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.
 - iii. **Disbursements**, including processing, reviewing, and approving.
 - iv. **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).

- v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.
- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- viii. **Credit Cards (and debit cards, fuel cards, purchase 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).
- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- xi. **Information Technology 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.
- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Exceptions: No exceptions were found as a result of these procedures.

2) Board or Finance Committee

- A. 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
 - i. 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.
 - ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-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.*



- iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned 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 unassigned fund balance in the general fund.
- iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Exceptions: During the period under examination, one (1) of the twelve (12) monthly meetings was cancelled.

Management's Response: The board approved cancelling one (1) meeting during the period under examination.

3) Bank Reconciliations

- A. Obtain a listing of entity 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:
 - i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated, electronically logged); and
 - iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Exceptions: The five (5) bank reconciliations selected for testing did not include evidence of preparation within two (2) months of the bank statement closing date. For three (3) of the five (5) bank reconciliations tested, there was no written evidence that management or a board member reviewed the bank reconciliations. For three (3) of the (5) bank reconciliations tested, there was no evidence that reconciling items were researched and resolved in a timely manner.

Management's Response: Management will implement procedures to ensure bank reconciliations are prepared within two (2) months of the statement closing date and to ensure a member of management reviews bank reconciliations in a timely manner. Management is in the process of researching and resolving outstanding reconciling items.



4) Collections (excluding electronic funds transfers)

- A. 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).
- B. 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 (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then 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
 - i. Employees responsible for cash collections do not share cash drawers/registers;
 - ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;
 - iii. Each employee responsible for collecting cash is not also 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; and
 - iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or custodial fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.
- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.
- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (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). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - i. Observe that receipts are sequentially pre-numbered.
 - ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - iii. Trace the deposit slip total to the actual deposit per the bank statement.
 - iv. 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 and the cash is stored securely in a locked safe or drawer).
 - v. Trace the actual deposit per the bank statement to the general ledger.

Exceptions: No exceptions were found as a result of these procedures.



5) Non-Payroll Disbursements (excluding card purchases, travel reimbursements, and petty cash purchases)

- A. 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).
- B. For each location selected under procedure #5A 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, then inquire of employees about their job duties), and observe that job duties are properly segregated such that
 - i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
 - ii. At least two employees are involved in processing and approving payments to vendors;
 - iii. 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;
 - iv. 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; and
 - v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.
- C. For each location selected under procedure #5A 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
 - i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.
- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

Exceptions: No exceptions were found as a result of these procedures.



6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase 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.
- B. 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
 - i. Observe whether 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) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder and
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.
- C. Using the monthly statements or combined statements selected under procedure #6B 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 (e.g., each card should have 10 transactions subject to inspection). 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). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.
- D. Using the list of terminated employees obtained in Payroll and Personnel procedure #9C identify those individuals who had access to cards and randomly select 5 terminated employees (or all terminated employees with card access if less than 5) from this population. Observe evidence that the cards have been deactivated for these terminated employees. In cases where a card is shared by multiple users, obtain evidence that the terminated employees' authorization has been removed.

Exceptions: No exceptions were found as a result of these procedures.

7) Travel and Travel-Related Expense Reimbursements (excluding card transactions)

- A. 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 and 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
 - i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);
 - ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;



- iii. 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 Policies and Procedures procedure #1A(vii); and
- iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Exceptions: Three (3) of the five (5) travel reimbursements tested did not include documentation of the business purpose.

Management's Response: Management will implement review procedures to ensure appropriate documentation is maintained to support reimbursements.

8) Contracts

- A. 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. *Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and
 - i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;
 - ii. Observe whether the contract was approved by the governing body/board, if required by policy or law;
 - iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and
 - iv. 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.

Exceptions: No exceptions were found as a result of these procedures.

9) Payroll and Personnel

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and



- i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;
 - iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
 - iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.
- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Exceptions: No exceptions were found as a result of these procedures.

10) Ethics

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and
- i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
 - ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Exceptions: No exceptions were found as a result of these procedures.

11) Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.



- B. 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 (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Exceptions: Payments of interest and principal for one (1) bond were not made on or before the required dates per the bond documents.

Management's Response: Management will implement procedures to monitor payment due dates and ensure payments are remitted on or before the date required by the bond documents.

12) Fraud Notice

- A. 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 as required by R.S. 24:523.
- B. 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.

Exceptions: No exceptions were found as a result of these procedures.

13) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**
- i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.
 - ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.



- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.
- C. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:
 - i. If hired before June 9, 2020 – completed the training, or
 - ii. If hired on or after June 9, 2020 – completed the training within 30 days of initial service or employment.

Exceptions: We performed the procedures and discussed the results with management.

14) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:
 - i. Number and percentage of public servants in the agency who have completed the training requirements;
 - ii. Number of sexual harassment complaints received by the agency;
 - iii. Number of complaints which resulted in a finding that sexual harassment occurred;
 - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - v. Amount of time it took to resolve each complaint.

Exceptions: No exceptions were found as a result of these procedures.

We were engaged by the Hospital to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, 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.



Board of Commissioners
of Claiborne Parish Hospital Service District No. 3
and the Louisiana Legislative Auditor

We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended 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.

Lester, Miller & Wicks

Certified Public Accountants
Alexandria, Louisiana

June 30, 2026

