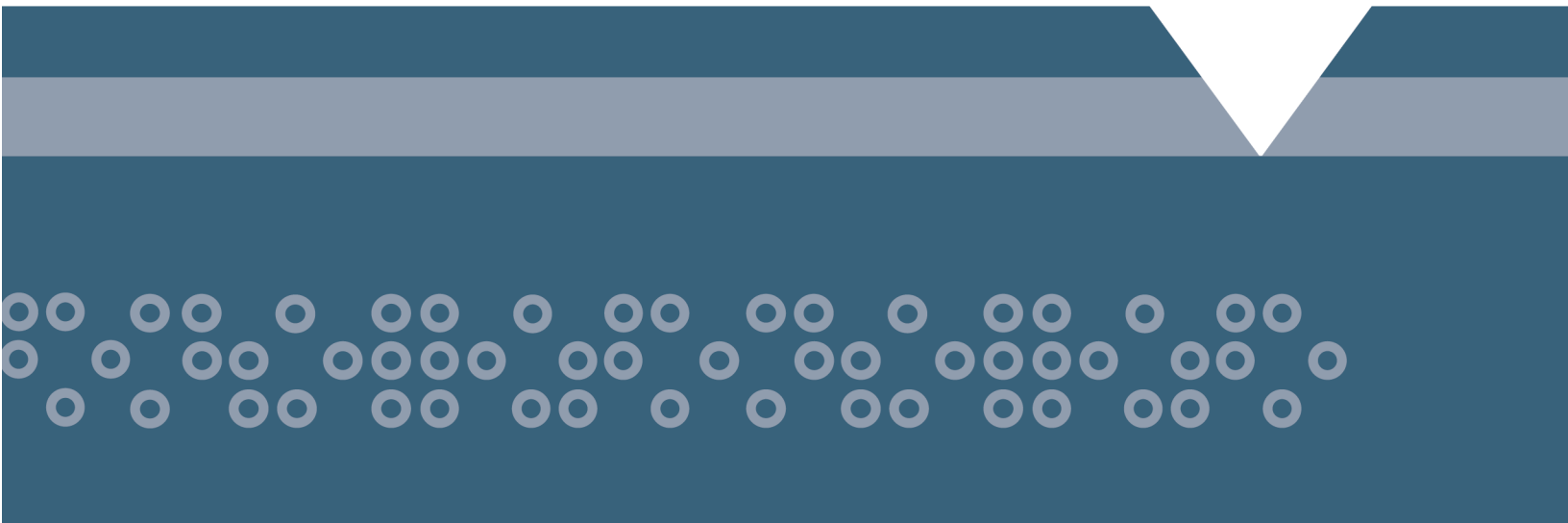


**Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center and Affiliate**

Homer, Louisiana
December 31, 2024



**CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER
AND AFFILIATE
TOWN OF HOMER, STATE OF LOUISIANA
PERIOD ENDED DECEMBER 31, 2024**

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CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Claiborne Parish Hospital Service District #3 d/b/a/ Claiborne Memorial Medical Center and Affiliate’s (Hospital’s) annual financial report presents background information and management’s analysis of the Hospital’s financial performance during the fiscal period that ended on December 31, 2024. Please read it in conjunction with the financial statements in this report. The Hospital elected to change its fiscal year from June 30 to December 31 following the June 30, 2023 year-end so these financial statements present eighteen months’ operations. Due to the change in accounting period, only the single period financial statements are presented. Select comparative information is included in the Management’s Discussion and Analysis.

Overview of the Financial Statements

The financial statements contain the accounts of Claiborne Parish Hospital Service District #3 of Claiborne Parish, Louisiana. The governing authority of Claiborne Parish Hospital Service District #3 is the Claiborne Parish Hospital Board of Commissioners. The Financial Statements of the Hospital report information about the Hospital using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities.

This annual report consists of three components – the Management’s Discussion and Analysis of Financial Condition and Operating Results (this section), the Independent Auditor’s Report and the Financial Statements. The Financial Statements report the financial position of the Hospital and the results of its operations and its cash flows. The financial statements are prepared on the accrual basis of accounting.

The Balance Sheets include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. It provides information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Hospital and assessing the liquidity and financial flexibility of the Hospital. The Statements of Revenues, Expenses, and Changes in Net Position report all the revenues and expenses when the underlying transactions occur, regardless of when cash is received or paid. These statements measure the performance of the Hospital’s operations during the years provided and can be used to determine whether the Hospital has been able to recover all its costs through its patient service revenue and other revenue sources.

The Hospital’s net position is the difference between its assets and liabilities reported in the balance sheet on page 4. Total net position decreased during fiscal period 2024 by \$3,190,000 (22.39%) as reflected on the statement of revenues, expenses, and changes in net position.

The primary purpose of the Statement of Cash Flows is to provide information about the Hospital’s cash from operations, investing, and financing activities. The cash flow statements outline information as to sources and uses of cash as well as the change in the cash balance during the reporting period.

The annual report also includes Notes to Financial Statements that are essential to gain a full understanding of the data provided in the Financial Statements. The Notes to Financial Statements can be found immediately following the basic financial statements in this report.

Hospital Operations and Significant Events

The Hospital provides inpatient and outpatient and emergency hospital services, as well as skilled nursing (through “swing beds”), home health, and addiction recovery services to patients from Claiborne and surrounding parishes and

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

counties. The hospital facility is licensed for 47 patient beds and has a state-of-the art intensive care unit, a modern surgery suite, an emergency department, as well as physical and occupational therapy and specialty clinics.

During fiscal period 2024, the Hospital operated three primary care clinics, two of which were accredited for the full period as Rural Health Clinics which provides increased reimbursement rates for Medicare and Medicaid services. The third clinic received accreditation in 2024. An additional clinic incurred expenses in 2024, but did not begin seeing patients until 2025. The clinics had net patient revenue of \$9,452,283 for FP 2024.

The 10 bed Care Recovery Clinic opened in March, 2021 and is being operated within the hospital.

Financial Analysis of the Hospital

The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Hospital's activities. These two statements report the net position of the Hospital and changes in them. Increases or improvements, as well as decreases or declines in the net position, are indicators of the financial state of the Hospital. Other non-financial factors that should also be considered include changes in economic conditions, population growth and new or changed government legislation.

Balance Sheet

A summary of the Hospital's Balance Sheet as of December 31, 2024 and June 30, 2023 and 2022 is presented in the following table:

TABLE 1
Condensed Balance Sheet (In thousands)

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Total current assets	\$ 7,338	\$ 11,234	\$ 27,325
Limited use assets (non current)	1,718	1,394	1,386
Other assets	388	390	393
Property, plant and equipment	9,045	9,522	9,740
Total assets	<u>\$ 18,489</u>	<u>\$ 22,540</u>	<u>\$ 38,844</u>
Total current liabilities	\$ 3,537	\$ 4,292	\$ 18,983
Long-term debt, net of current maturities	810	916	1,020
Total liabilities	<u>4,347</u>	<u>5,208</u>	<u>20,003</u>
Net position:			
Invested in capital assets, net of related debt	8,129	8,502	8,624
Restricted expendable	299	239	362
Unrestricted	5,714	8,591	9,855
Total net position	<u>14,142</u>	<u>17,332</u>	<u>18,841</u>
Total liabilities and net position	<u>\$ 18,489</u>	<u>\$ 22,540</u>	<u>\$ 38,844</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Summary of Revenues, Expenses and Changes in Net Position

The following table presents a summary version of the Hospital's historical revenues and expenses for the period ended December 31, 2024 and the years ended June 30, 2023 and 2022.

TABLE 5
Condensed Statement of Revenues, Expenses, and Changes in Net Assets (In thousands)

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Net patient service revenue	\$ 44,306	\$ 27,792	\$ 46,973
Noncapital grants	204	15	255
Other revenue	3,312	1,798	1,442
Total operating revenues	<u>47,822</u>	<u>29,605</u>	<u>48,670</u>
Salaries	27,089	18,358	16,170
Benefits and payroll taxes	7,701	3,470	3,116
Supplies and drugs	7,414	4,774	4,470
Professional fees	2,774	1,790	2,055
Intergovernmental transfers - access grant exp	204	684	23,318
Other expenses	3,939	2,271	2,418
Insurance	646	418	410
Depreciation and amortization	1,516	944	758
Total operating expenses	<u>51,283</u>	<u>32,709</u>	<u>52,715</u>
Operating income (loss)	<u>(3,461)</u>	<u>(3,104)</u>	<u>(4,045)</u>
HHS stimulus revenue	-	1,037	6,836
PPP loan forgiveness income	-	-	1,609
Opioid grant funds	-	-	490
Insurance settlement on roof damage	-	475	-
Investment income	300	92	29
Interest and service charges expense	(197)	(129)	(120)
Excess of revenues (expenses)	<u>(3,358)</u>	<u>(1,629)</u>	<u>4,799</u>
before capital grants and contributions	<u>(3,358)</u>	<u>(1,629)</u>	<u>4,799</u>
Capital grants and contributions	168	120	722
Increase (decrease) in net position	<u>(3,190)</u>	<u>(1,509)</u>	<u>5,521</u>
Net position - beginning of year	17,332	18,841	13,320
Net position - end of year	<u>\$ 14,142</u>	<u>\$ 17,332</u>	<u>\$ 18,841</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Operating Revenue

During fiscal period 2024, the Hospital derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and other third party payors and patients who receive care in the Hospital's facilities. Reimbursement for the Medicare and Medicaid programs and other third party payors is based upon established contracts. The difference between the full charge and payment is recognized as a contractual adjustment.

Other revenue includes interest income, sales tax revenue, cafeteria sales, and other miscellaneous services.

Table 4 represents the relative percentages of gross charges billed for patient services by payor (excluding the health clinics) for the period ended December 31, 2024 and years ended June 30, 2023 and 2022. Payor mix percentages are computed based on gross charges by payor compared to total gross patient charges, excluding the Direct Payment Program Medicaid funds received.

TABLE 4
Payor Mix by Percentage of Gross Charges

	Period ended	Year ended June 30	
	December 31	2023	2022
	2024		
Medicare	49%	48%	57%
Medicaid	31%	28%	24%
Commercial	17%	18%	14%
Self-pay and other	3%	6%	5%
Total patient revenue	100%	100%	100%

Non-Operating Income

The Hospital holds designated and restricted funds in its Balance Sheet that are invested primarily in money market funds held at First Guaranty Bank and Gibbsland Bank & Trust in Public Fund Service Accounts (PFSA). Total investment income earned was \$300,000 for the period ended December 31, 2024.

All investment accounts are in NOW accounts and Money Market checking accounts earning interest currently at 4.33%.

Capital Grants and Contributions

Various grants were received to purchase equipment and make improvements. The Claiborne Healthcare Foundation, an affiliate, received contributions of \$44,200 during fiscal period 2024 that are restricted towards future capital expenditures.

In FY 2023, the Foundation was awarded a two-year \$250,000 mental health services grant from Department of Health and Human Services. Funds received under this grant are paid to the Hospital for services provided.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Operating and Financial Performance

The highlights of the Hospital's Statements of Revenues, Expenses, and Changes in Net Position include:

- The Hospital's total assets decreased by \$4,051,000 or approximately 17.97% during fiscal period (FP) 2024. Significant changes include a decrease of \$4,897,000 in cash and short-term investments primarily due to an operating loss of \$3,460,000. There was a \$964,000 increase in net patient receivables. Overall liabilities decreased \$804,000 primarily due to the writeoff of an estimated prior year third-party liability that is no longer due.
- Contractual allowances on patient revenue, excluding bad debt, were 55% of charges in 2024.
- Salaries and benefits were 73% of total operating revenue for FP 2024 and cost of supplies were 21% of total operating revenue. Overall operating expenses were 107% of operating revenue.
- Investment income was \$300,000 for FP 2024.

Accounts Receivable

Total accounts receivable at December 31, 2024, was slightly higher than at June 30, 2023, and total accounts receivable at June 30, 2023 was slightly higher than June 30, 2022 primarily due to increased patient revenue and cost report settlement receivables.

TABLE 2
Gross Accounts Receivable Aging (In thousands)

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Current accounts	\$ 6,161	\$ 5,519	\$ 4,920
30-day accounts	1,489	2,068	1,592
60-day accounts	1,209	933	1,118
90-day and over accounts	11,115	8,510	8,579
Total	<u>\$ 19,974</u>	<u>\$ 17,030</u>	<u>\$ 16,209</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital Assets

Net capital assets decreased by \$476,000 in FP 2024. This decrease relates to \$1,040,000 in capital expenditures and \$1,516,000 in depreciation of the Hospital's assets. The table below details significant additions to the Hospital's capital assets during the period ended December 31, 2024:

TABLE 3
Capital Investments

	<u>2024</u> <u>Cost</u>
<u>Equipment</u>	
Lab equipment	\$ 24,309
Total equipment	<u>24,309</u>
<u>Buildings and land</u>	
Land purchase	259,675
Automatic Door	19,700
Alarm and fire systems	9,900
Building purchase	<u>150,000</u>
	<u>439,275</u>
<u>Construction in Progress</u>	
Hospital master plan	55,172
Pharmacy equipment upgrade	24,864
Clinic expansion and renovations	278,759
Building renovations	<u>162,472</u>
Total construction in progress	<u>521,267</u>
 Total major acquisitions	 <u>\$ 984,851</u>

Contacting the Hospital's Financial Management

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Hospital Administration.



PREMIER PLAZA
1900 N. 18TH STREET, SUITE 300 | MONROE, LOUISIANA 71201
318.388.3108 (P) | 318.429.2124 (F)

Board of Directors
Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center
Homer, Louisiana

Independent Auditors' Report

Report on the Financial Statements

Opinion

We have audited the accompanying combined financial statements of Claiborne Parish Hospital Service District #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 eighteen months (period) ended December 31, 2024, and the related notes to the combined financial statements, which collectively comprise the Hospital's basic combined financial statements as listed in the table of contents.

In our opinion, the accompanying combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Hospital, as of December 31, 2024, and the respective changes in combined financial position and cash flows for the period 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 (GAAS) 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Claiborne Parish Hospital Service District #3 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Claiborne Parish Hospital Service District #3'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 combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS 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 combined 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 combined 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 Claiborne Parish Hospital Service District #3'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 combined financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Claiborne Parish Hospital Service District #3's ability to continue as a going concern for a reasonable period of time.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages i through vi be presented to supplement the combined basic financial statements. Such information, although not a part of the combined basic

financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the combined basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the combined basic financial statements, and other knowledge we obtained during our audit of the combined financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

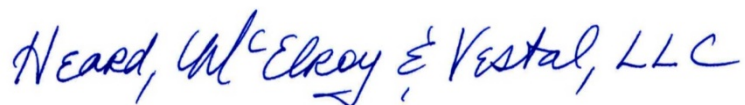
Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's combined basic financial statements. 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.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 accompanying supplementary information is fairly stated in all material respects in relation to the combined basic 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 August 8, 2025, 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.

A handwritten signature in blue ink that reads "Heard, McElroy & Vestal, LLC". The signature is written in a cursive, flowing style.

Monroe, Louisiana
August 8, 2025

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED BALANCE SHEET
DECEMBER 31, 2024

ASSETS

Current:		
Cash and cash equivalents (Note 3)	\$	578,552
Short-term investments (Note 3)		237,154
Receivables, net (Note 4)		5,178,000
Assets limited as to use - current (Notes 3 & 5)		126,936
Inventories		662,998
Prepaid expenses		457,961
Other current assets (Note 6)		96,348
Total current assets		<u>7,337,949</u>
Other:		
Unamortized bond fee		20,314
Goodwill		368,007
Assets limited as to use - non current (Notes 3 & 5)		1,718,246
Capital assets, net (Note 7)		<u>9,045,115</u>
Total assets	\$	<u><u>18,489,631</u></u>

LIABILITIES AND NET POSITION

Current:		
Accounts payable	\$	961,421
Accrued expenses		1,942,067
Deferred grant revenue - Foundation		18,518
Estimated third-party payor settlements		509,931
Current maturities of long-term debt (Note 8)		<u>106,000</u>
Total current liabilities		3,537,937
Long-term debt, net of current maturities (Note 8)		<u>810,000</u>
Total liabilities		<u>4,347,937</u>
Net Position:		
Invested in capital assets, net of related debt		8,129,115
Restricted expendable (Note 5)		298,579
Unrestricted		<u>5,714,000</u>
Total net position		<u>14,141,694</u>
Total liabilities and net position	\$	<u><u>18,489,631</u></u>

The accompanying notes are an integral part of the combined financial statements.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR PERIOD ENDED DECEMBER 31, 2024

Operating Revenues:	
Net patient service revenue (Note 9)	\$44,305,689
Noncapital grants (Note 14)	204,278
Other operating revenue	<u>3,312,203</u>
Total operating revenues	47,822,170
Operating Expenses:	
Salaries	27,089,237
Benefits and payroll taxes	7,700,672
Supplies and drugs	7,414,347
Professional fees	2,774,088
Intergovernmental transfers - physician FMP payments	203,991
Other expenses	3,937,839
Insurance	646,611
Depreciation and amortization	<u>1,516,142</u>
Total operating expenses	<u>51,282,927</u>
Operating income (loss)	<u>(3,460,757)</u>
Nonoperating revenues (expenses)	
Investment income	299,802
Interest and service charges expense	<u>(197,044)</u>
Total nonoperating revenues (expenses)	<u>102,758</u>
Excess (deficit) of revenues before capital grants and contributions	(3,357,999)
Capital grants and contributions	<u>168,238</u>
Increase (decrease) in net position	(3,189,761)
Net position at beginning of year	<u>17,331,455</u>
Net position at end of year	<u>\$14,141,694</u>

The accompanying notes are an integral part of the combined financial statements.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED STATEMENT OF CASH FLOWS
FOR PERIOD ENDED DECEMBER 31, 2024

Cash flows from operating activities:	
Cash receipts from and on behalf of patients	\$ 42,112,885
Other receipts and payments, net	3,505,991
Payments to suppliers and contractors	(14,519,456)
Payments for employees and benefits	<u>(34,799,196)</u>
Net cash (used) by operating activities	(3,699,776)
Cash flows from investing activities:	
Interest on investments	299,802
Change in assets whose use is limited	(324,447)
Proceeds from redemption of investments	<u>3,743,810</u>
Net cash provided by investing activities	3,719,165
Cash flows from capital and related financing activities:	
Capital grants and contributions	168,238
Interest paid on long-term debt	(197,044)
Principal payments on long-term debt	(104,000)
Purchase of capital assets	<u>(1,039,424)</u>
Net cash (used) by capital and related financing activities:	<u>(1,172,230)</u>
Net (decrease) in cash and cash equivalents	(1,152,841)
Beginning cash and cash equivalents	<u>1,731,393</u>
Ending cash and cash equivalents	<u><u>\$ 578,552</u></u>

(Continued)

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED STATEMENT OF CASH FLOWS
FOR PERIOD ENDED DECEMBER 31, 2024

Reconciliation of operating (loss) to net cash (used) by operating activities:	
Operating income (loss)	\$ (3,460,757)
Adjustments to reconcile operating income (loss) to net cash flows provided by operating activities:	
Depreciation and amortization	1,516,142
Amortization of loan fee	2,021
(Increase) decrease in:	
Accounts receivable, net	(964,126)
Other assets	(35,941)
Increase (decrease) in:	
Accounts payable and accrued expenses	471,563
Deferred grant revenue	18,518
Estimated third-party payor settlements	<u>(1,247,197)</u>
Net cash (used) by operating activities	<u>\$ (3,699,777)</u>

The accompanying notes are an integral part of the combined financial statements.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR PERIOD ENDED DECEMBER 31, 2024

NOTE 1 – ORGANIZATION AND OPERATIONS

Legal Organizations

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. The Hospital’s financial accountability as a component unit, is defined in Governmental Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity*, as amended. The accompanying financial statements present information only on the funds maintained by the Hospital.

The Hospital elected to change its fiscal year end from June 30 to December 31, effective December 31, 2024. Due to the transition to a December 31 year end, these financial statements and related disclosures are for the eighteen month period (the “period”) ended December 31, 2024.

During the year ended June 30, 2015, governance of the hospital was transferred to Claiborne Parish Hospital Service District Number 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 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”.

Nature of Business

The Hospital provides inpatient and outpatient and emergency hospital services, as well as skilled nursing (through “swing beds”), home health, and inpatient psychiatric services to patients from Claiborne and surrounding parishes and counties. The hospital facility is licensed for 47 patient beds and has a state-of-the art intensive care unit, a modern surgery suite, an emergency department, as well as physical and occupational therapy and specialty clinics.

During the year ended June 30, 2021, the hospital purchased three local primary health care clinics. Two of the clinics were previously accredited as Rural Health Clinics which provides increased

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reimbursement rates for Medicare and Medicaid services, with the third clinic accredited during 2024.

The Foundation's purpose is to engage in the solicitation, receipt and 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 of accounting in accordance with applicable pronouncements of the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus. The Hospital prepares its financial statements as a business-type activity in conformity with the applicable pronouncements of the GASB. Revenue, expenses, gains, losses, assets, and liabilities are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants) are recognized when all applicable eligibility requirements are met.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

The determination of the allowance for uncollectible accounts receivable and amounts estimated to be recovered from third-party payors are particularly sensitive estimates and are subject to change.

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Income Taxes

The Hospital is a political subdivision and exempt from taxation. The Foundation has been recognized by the Internal Revenue Service as a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. The Foundation has been classified as an organization other than a private foundation.

The Foundation adopted the accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Foundation recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than 50% likely of being realized. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs.

The Foundation has evaluated its positions regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions. With few exceptions, the Foundation is no longer subject to federal, state, or local tax examinations by tax authorities for years before June 30, 2022.

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 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.

Assets Limited as to Use

Assets limited as 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.

Patient Accounts Receivable

The Hospital provides credit in the normal course of operations to patients located primarily in north central Louisiana and to insurance companies conducting operations in this area.

The Hospital maintains allowances for contractual adjustments and doubtful accounts based on management's assessment of collectability, current economic conditions, and prior experience. The Hospital determines if patient accounts receivable are past due based on the discharge date; however, the Hospital does not charge interest on past due accounts. The Hospital charges off

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patient accounts receivable if management considers the collection of the outstanding balances to be doubtful.

The Hospital provides care to patients even though they may lack adequate insurance or may be covered under contractual arrangements that do not pay full charges. As a result, the Hospital is exposed to certain credit risks. The Hospital manages such risk by regularly reviewing its accounts and contracts, and by providing appropriate allowances. Provisions for bad debts are reported as offsets to net patient service revenues consistent with reporting practices for governmental healthcare entities.

For receivables associated with uninsured patients (also known as “self-pay”), which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many uninsured patients are often either unable or unwilling to pay the full portion of their bill for which they are financially responsible. The difference between standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

For the period ended December 31, 2024, the Hospital recorded an allowance for doubtful accounts totaling approximately \$9,716,000.

The Hospital has not materially altered its accounts receivable and revenue recognition policies in fiscal period 2024.

Inventory

Inventories, which consist primarily of drugs and supplies, are stated at the lower of cost determined by the first-in, first-out method, or market basis.

Capital Assets, Net

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

Building and Improvements	5 to 40 years
Machinery and Equipment	3 to 20 years
Furniture and Fixtures	5 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 Hospital capitalizes depreciable property and equipment valued at \$5,000 or more, with a useful life greater than two years. The cost of assets retired or otherwise disposed of and related accumulated depreciation is eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently.

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Net Position

The statement of net position reports net position as the difference between all other elements in a statement of net position and is displayed in three components – net investment in capital assets, restricted net position, and unrestricted net position.

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted – Consists of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
- c. Unrestricted – Consists of all other assets that do not meet the definition of “restricted” or “net investment in capital assets” as described above.

Deferred outflows represent the consumption of the Hospital’s net position that is applicable to a future reporting period. A deferred inflow represents the acquisition of net position that is applicable to a future reporting period. The Hospital had no deferred outflows or inflows of resources at December 31, 2024.

Restricted Resources

When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital’s policy to use restricted resources before unrestricted resources.

Operating Revenues and Expenses

The Hospital’s statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is the Hospital’s principal activity. Non-exchange revenues, not including grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

Grants and Contributions

From time to time, the Hospital receives grants and contributions from 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.

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Net Patient Service Revenue

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.

Net patient service revenue is reported at the estimated net realizable amounts from patients and third-party payors for the hospital services provided. Settlements under reimbursement arrangements with third-party payors are estimated and recorded in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potentially significant wrongdoing. However, compliance with such laws and regulations is subject to future government review and interpretation, as well as significant regulatory action.

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 4. Changes in federal or state legislation or interpretations of rules have a significant impact on the Hospital.

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 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 12 for discussion of professional and general liability risk.

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.

Advertising Costs

Advertising costs are expensed as incurred. Public relations / advertising expenses totaled \$239,852 for the period ended December 31, 2024.

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NOTE 3 – DEPOSITS AND INVESTMENTS

Funds may be invested in direct obligations of the United States Government and its agencies pledged by its full faith and credit, certificates of deposit and savings accounts which are secured by FDIC or pledge of securities, and government backed mutual or trust funds. Currently all amounts shown as investments are interest-bearing deposits. Louisiana law requires banks and savings and loan associations to secure a government's deposits (cash in banks) by pledging qualifying securities as collateral. For this purpose, "cash in banks" is comprised of the account balances according to the banks' records.

Account balances according to banks' records at December 31, 2024, for the Hospital are as follows:

	<u>First Guaranty</u>	<u>Gibsland Bank and Trust</u>
Cash in bank	\$ 1,422,719	\$ 2,906,825
Insured by FDIC	\$ 250,000	\$ 250,000
Collateralization at fair market value	\$ 1,172,719	\$ 2,656,825
Uncollateralized	\$ -	\$ -

Account balances according to banks' records at December 31, 2024, for the Foundation are as follows:

	<u>First Guaranty</u>	<u>Gibsland Bank</u>
Cash in banks	\$ 59,771	\$ 88,171
Insured by FDIC	\$ 250,000	\$ 250,000
Collateralization at fair market value	\$ -	\$ -
Uncollateralized	\$ -	\$ -

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the Hospital's deposits might not be recovered. Louisiana state statutes require that all of 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. Claiborne Memorial Medical Center's deposits were entirely insured or collateralized by securities held by the pledging bank in the Hospital's name at December 31, 2024. The Affiliate's (Foundation) had no uninsured deposits at December 31, 2024.

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Interest Rate Risk - 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 is 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 at December 31, 2024 as follows:

Carrying amount	
Deposits	\$ 578,552
Investments	<u>2,082,336</u>
Totals	<u>\$ 2,660,888</u>
Included in the following balance sheet captions	
Cash and cash equivalents	\$ 578,552
Short-term investments	237,154
Assets limited as to use - current	126,936
Assets limited as to use - noncurrent	<u>1,718,246</u>
Totals	<u>\$ 2,660,888</u>

NOTE 4 – RECEIVABLES, NET AND PATIENT SERVICE REVENUE

Accounts Receivable

A summary of net receivables at December 31, 2024 is presented below:

Accounts receivable	
Patient accounts receivable, net of contractual allowances	\$ 14,409,604
Estimated uncollectibles	<u>(9,716,417)</u>
Net patient accounts receivable	4,693,187
Receivable - Medicaid Fiscal Intermediary	41,010
Third-party cost based settlements	<u>443,803</u>
Receivables, net	<u>\$ 5,178,000</u>

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The following is a summary of the mix of gross receivables from patients and third-party payors at December 31, 2024:

	Hospital	Clinics
Medicare	13%	17%
Medicaid	11%	1%
Medicare HMO	22%	20%
Managed Medicaid	15%	27%
Other third-party payors	22%	24%
Others	<u>17%</u>	<u>11%</u>
Total	<u>100%</u>	<u>100%</u>

Patient Service Revenue

Percentage mix of gross revenue for the period ended December 31, 2024 for patient services rendered under contract with major third-party payers follows:

	Hospital	Clinics
Medicare	30%	22%
Medicaid	18%	0%
Medicare HMO	21%	20%
Managed Medicaid	12%	28%
Other third-party payors	16%	28%
Others	<u>3%</u>	<u>2%</u>
Total	<u>100%</u>	<u>100%</u>

The Hospital receives payment from federal and state agencies (under Medicare and Medicaid programs) for services rendered to program beneficiaries.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near-term. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

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NOTE 5 – ASSETS LIMITED AS TO USE

The components of assets limited as to use at December 31, 2024, is set forth in the following table. Investments are stated at fair value and are comprised primarily of certificates of deposit and money market brokerage accounts.

Restricted by third parties	
Capital improvement	\$ 171,643
Self-funded insurance fund	<u>126,936</u>
 Total restricted by third parties	 <u>298,579</u>
 Internally designated by board	
Long-term investment fund	881,952
Investment fund	<u>664,651</u>
 Total internally designated by board	 <u>1,546,603</u>
 Total assets limited as to use	 1,845,182
 Less: current portion	 <u>126,936</u>
 Non current assets limited as to use	 <u>\$ 1,718,246</u>

NOTE 6 – OTHER CURRENT ASSETS

The following is a summary of other current assets at December 31, 2024:

Education contracts receivable	\$ 18,154
Sales tax receivable	78,130
Miscellaneous receivables	<u>64</u>
 Balance, end of year	 <u>\$ 96,348</u>

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NOTE 7 – CAPITAL ASSETS

The following is a summary of capital assets and related accumulated depreciation at December 31, 2024:

	<u>June 30, 2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2024</u>
Land and improvements	\$ 497,827	\$ 259,675	\$ -	\$ 757,502
Construction in progress	591,400	837,840	261,950	1,167,290
Buildings and improvements	15,228,677	177,273	-	15,405,950
Leasehold improvements	54,967	-	-	54,967
Equipment	<u>10,240,530</u>	<u>26,585</u>	<u>-</u>	<u>10,267,115</u>
Total	26,613,401	1,301,373	261,950	27,652,824
Accumulated depreciation	<u>(17,091,567)</u>	<u>(1,516,142)</u>	<u>-</u>	<u>(18,607,709)</u>
Net	<u>\$ 9,521,834</u>	<u>\$ (214,769)</u>	<u>\$ 261,950</u>	<u>\$ 9,045,115</u>

NOTE 8 – LONG-TERM DEBT

A summary of long-term debt at December 31, 2024 follows:

	<u>June 30, 2023</u>	<u>Additions</u>	<u>Payments</u>	<u>December 31, 2024</u>	<u>Due Within One Year</u>
2015 Series bonds payable	\$ 120,000	\$ -	\$ 59,000	\$ 61,000	\$ 61,000
2020 Series bonds payable	<u>900,000</u>	<u>-</u>	<u>45,000</u>	<u>855,000</u>	<u>45,000</u>
Total	<u>\$ 1,020,000</u>	<u>\$ -</u>	<u>\$ 104,000</u>	<u>\$ 916,000</u>	<u>\$ 106,000</u>

The terms and due dates of the Hospital's long-term debt, at December 31, 2024 follow:

- 3.75% 2015 Hospital revenue bonds, principal payable in annual installments due December 1 of each year, beginning at \$40,000 and increasing in increments of \$2,000- \$3,000 annually. Interest is payable in semi-annual installments. The bonds are collateralized by a pledge of Hospital operating revenue. Bonds mature on December 1, 2024.
- In December, 2020, the Hospital adopted a resolution issuing \$1,000,000 of Hospital Revenue Bonds, Series 2020. The Series 2020 bonds mature according to maturity schedules contained in the bond documents beginning on June 1, 2021, with schedule maturities ranging from \$40,000 -\$65,000 each year through June 1, 2040. Interest is payable in semi-annual installments at 2.5%.

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

<u>Year Ending December 30,</u>	<u>Long-Term Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 106,000	\$ 21,957
2026	45,000	19,687
2027	45,000	18,563
2028	50,000	17,375
2029	50,000	16,125
2030-2034	260,000	61,625
2035-2039	295,000	26,813
2040	65,000	813
Total	<u>\$ 916,000</u>	<u>\$ 182,958</u>

NOTE 9 – NET PATIENT SERVICE REVENUE

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

Medicare - Inpatient acute, psychiatric and outpatient services rendered to Medicare program beneficiaries are paid primarily by prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Medicare bad debts and are paid at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The difference between a final settlement and an estimated settlement in any year is reported as an adjustment of net patient service revenue in the year the final settlement is made.

Medicaid - Inpatient acute and psychiatric services are reimbursed based on a prospective reimbursement methodology. The Hospital is reimbursed at a prospective rate which is adjusted annually based on published market basket updates (inpatient) or adjusted cost-to-charge ratios per annual cost reports (outpatient) as submitted by the Hospital and settle by the Medicaid fiscal intermediary.

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.

Revenue derived from the Medicare program is subject to audit and adjustment by the fiscal intermediary and must be accepted by the United States Department of Health and Human Services before settlement amounts become final. Revenue derived from the Medicaid program is subject to audit and adjustment and must be accepted by the State of Louisiana, Department of Health and

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Hospitals before the settlement amount becomes final. The Hospital does not anticipate significant adverse adjustments on cost reports which remain open.

Home health services are paid by Medicare under a per episode prospective payment system (PPS) and by Medicaid under a PPS per visit method. Commercial and uninsured visits are not significant.

Following is a schedule of patient service revenue at established rates and charges foregone for the period ended December 31, 2024:

Gross patient service charges	\$ 111,012,154
Medicaid Directed Payment Program funds received	4,188,843
Medicare and Medicaid contractual adjustments	(52,256,919)
Other third-party payor contractual adjustments	(11,565,598)
Provision for bad debts	<u>(7,072,791)</u>
Net patient service revenue	<u>\$ 44,305,689</u>

The Hospital receives a substantial portion of its revenue from the Medicare and Medicaid programs at discounted rates. The following is a summary of Medicare and Medicaid patient revenue percentages for the period ended December 31, 2024 including Managed Medicare and Medicaid programs:

Medicare and Medicaid gross patient charges	\$ 85,777,706
Contractual adjustments	<u>(52,256,919)</u>
Program patient service revenue	<u>\$ 33,520,787</u>
% of total gross patient charges from Medicare and Medicaid	<u>77%</u>
% of total net patient revenue from Medicare and Medicaid	<u>84%</u>

NOTE 10 – COMPENSATED ABSENCES

As of December 31, 2024, the Hospital has accrued a compensated absence liability of \$740,623. The Hospital pays accrued vacation absences upon termination if proper notice and termination procedures are followed.

NOTE 11 – EMPLOYEE BENEFITS

Effective January 1, 2024, the Hospital established a benefit plan administered by 90 Degrees Benefits under which employee health insurance coverage is provided under a self-insurance arrangement. The Plan includes stop loss insurance coverage to limit the Hospital's liability to specified amounts. Included in accrued expenses at December 31, 2024 is an estimate for incurred but not reported claims of \$241,558.

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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 90 days of continuous full-time employment. Employees are immediately 100% vested on contributions to the plan through a salary reduction agreement.

Effective January 1, 2007, the Hospital sponsors 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.

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.

Employer contributions to the plans totaled \$673,727 for the period ended December 31, 2024.

NOTE 12 – CONTINGENCIES

The Hospital evaluates contingencies based upon the best available evidence. 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 9) - 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 programs, 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 determination. 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

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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 unasserted 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 \$30,000 at December 31, 2024, 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, 2024 for uninsured general liability losses. The Hospital is contingently liable for losses and related defense costs from general liability.

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

Balance, beginning of year	\$	30,000
Claim payments		-
Change in estimate		30,000
Inurred claims		-
Balance, end of year	\$	<u>60,000</u>

NOTE 13 – GRANT REVENUE

During the year ended June 30, 2023, the Foundation was awarded a two-year \$250,000 Mental Health Services Grant from the Department of Health and Human Services. The grant is a cost-reimbursement grant and the required services are provided by the Hospital.

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FOR PERIOD ENDED DECEMBER 31, 2024

NOTE 14 – CLAIBORNE HEALTHCARE FOUNDATION (AFFILIATE)

The accompanying combined financial statements include the accounts of the Foundation, with intercompany accounts eliminated. Foundation contributions received of \$168,238 are included in capital grants and contributions for the period ended December 31, 2024. Hospital support of operational expenses for the Foundation were \$20,075 during the period ended December 31, 2024.

Following is a summary of net position and results of operations of the Foundation as of December 31, 2024:

ASSETS	
Limited use assets	\$ 171,643
LIABILITIES	
Deferred revenue	18,518
NET POSITION	153,125
TOTAL LIABILITIES AND NET POSITION	\$ 171,643
<u>2024</u>	
REVENUE	
Contributions from third parties	\$ 168,238
Non-cash contributions from Hospital	20,075
Interest & gain/loss on investments	129
Total Revenue	188,442
EXPENSES	
Grants to Claiborne Memorial Medical Center	124,023
Other grants paid	2,925
Other expense	455
Administrative expense	20,075
Total Expenses	147,478
Increase in net position	\$ 40,964

NOTE 15 – RELATED PARTY TRANSACTIONS

There was no compensation paid to board members for the period ended December 31, 2024.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR PERIOD ENDED DECEMBER 31, 2024

NOTE 16 – SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through August 8 2025, which is the date the financial statements were available to be issued and determined the following disclosures:

1. Lagniappe Medical Clinic opened in January 2025.
2. Current CFO resigned from the Hospital on May 22, 2025 and the former CFO was rehired on June 18, 2025.
3. Hospital received Employee Retention Credit on May 27, 2025 including interest in the amount of \$1,272,382.38.

SUPPLEMENTARY FINANCIAL INFORMATION

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULE OF NET PATIENT SERVICE REVENUE
FOR PERIOD ENDED DECEMBER 31, 2024

Routine services:

Adult and pediatric	\$ 8,534,187
Intensive care unit	2,863,190
Care recovery unit	2,218,088
Swing bed	<u>281,799</u>

Total	13,897,264
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Other professional services:

Operating room	
Inpatient	65,133
Outpatient	<u>938,388</u>

Total	1,003,521
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Anesthesia

Inpatient	19,825
Outpatient	<u>214,370</u>

Total	234,195
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Radiology

Inpatient	1,916,515
Outpatient	<u>10,388,074</u>

Total	12,304,589
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Laboratory

Inpatient	3,314,199
Outpatient	<u>15,021,310</u>

Total	18,335,509
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Blood

Inpatient	490,838
Outpatient	<u>535,457</u>

Total	\$ 1,026,295
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CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULE OF NET PATIENT SERVICE REVENUE
FOR PERIOD ENDED DECEMBER 31, 2024

Respiratory therapy	
Inpatient	\$ 8,892,643
Outpatient	<u>3,619,350</u>
Total	12,511,993
Physical therapy	
Inpatient	361,541
Outpatient	<u>934,763</u>
Total	1,296,304
Occupational therapy	
Inpatient	539,322
Outpatient	<u>751,384</u>
Total	1,290,706
Central supply	
Inpatient	390,186
Outpatient	<u>769,780</u>
Total	1,159,966
Pharmacy	
Inpatient	5,038,684
Outpatient	<u>6,719,569</u>
Total	11,758,253
Outpatient treatment area	
Outpatient	<u>803,655</u>
Total	\$ 803,655

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULE OF NET PATIENT SERVICE REVENUE
FOR PERIOD ENDED DECEMBER 31, 2024

Emergency room	
Inpatient	\$ 3,346,897
Outpatient	<u>17,565,967</u>
Total	20,912,864
Home health	
Skilled nursing visits	1,010,592
Physical therapy visits	152,375
Occupational and speech therapy visits	3,378
Aide visits	84,040
Medical supplies	<u>15,319</u>
Total	1,265,704
Outpatient clinics	
Patient service revenue	<u>13,211,336</u>
Total	13,211,336
Directed Payment Program Medicaid funds received	4,188,843
Other professional services	
Inpatient	24,375,783
Outpatient	71,473,403
Home health	<u>1,265,704</u>
Total other professional services	<u>97,114,890</u>
Gross patient service charges	115,200,997
Contractual adjustments	(63,822,517)
Provision for bad debts	<u>(7,072,791)</u>
Total patient service allowances	<u>(70,895,308)</u>
Net patient service revenue	\$ <u><u>44,305,689</u></u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULE OF OTHER OPERATING REVENUE
FOR PERIOD ENDED DECEMBER 31, 2024

Cafeteria	\$ 266,039
Medical records	784
Vending machines	5,766
Rental income	3,300
Sales tax revenue	1,288,083
Purchase discounts	35,158
Medicaid Physician IPA	493,911
Miscellaneous	<u>1,219,162</u>
Total other operating revenue	<u>\$ 3,312,203</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULE OF OPERATING EXPENSES – SALARIES AND BENEFITS
FOR PERIOD ENDED DECEMBER 31, 2024

Salaries:

Administrative and general	\$ 3,896,078
Plant operations and maintenance	269,188
Quality	51,511
Housekeeping	361,821
Dietary and cafeteria	455,316
Nursing administration	125,859
Central supply	163,848
Pharmacy	470,627
Medical records	337,305
Nursing services	2,965,267
Intensive care unit	1,040,952
Operating room	345,234
Radiology	1,016,918
Laboratory	1,163,467
Respiratory therapy	863,038
Emergency room	3,844,204
Rural Health Clinics	7,488,245
Care Recovery Unit	1,136,783
Home health	373,719
Outpatient treatment area	66,860
Nursing Supervisor	406,839
Telemetry	202,816
Physical Therapy	39,559
Lagniappe Medical Clinic	<u>3,783</u>
 Total salaries	 <u>\$ 27,089,237</u>

Benefits and payroll taxes:

Payroll taxes	\$ 1,895,673
Health insurance	3,014,093
Other benefits	<u>2,790,906</u>
 Total benefits and payroll taxes	 <u>\$ 7,700,672</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULE OF OPERATING EXPENSES – SUPPLIES AND DRUGS
FOR PERIOD ENDED DECEMBER 31, 2024

Administration	\$ 1,442,932
Housekeeping	126,884
Maintenance	23,307
Dietary	669,682
Medical records	8,557
Adults and pediatrics	167,130
Intensive care unit	139,200
Lagniappe Medical Clinic	26,523
Emergency room	138,353
Operating room	88,386
Radiology	30,850
Laboratory	1,549,990
Blood	270,654
Physical therapy	5,884
Occupational therapy	101
Central supply	181,766
Respiratory therapy	82,327
Pharmacy	1,231,845
Outpatient treatment area	11,513
Quality	3,825
Rural health clinics	1,125,477
Care recovery unit	39,348
Home health	49,793
Senior care	<u>20</u>
 Total supplies and drugs	 <u><u>\$ 7,414,347</u></u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULE OF OPERATING EXPENSES – PROFESSIONAL FEES
FOR PERIOD ENDED DECEMBER 31, 2024

Anesthesiology	\$ 237,620
Laboratory	321,277
Physical therapy	511,946
Occupational therapy	312,651
Pharmacy	31,979
Emergency room	22,693
Outpatient treatment area	126,831
Home health	31,575
Dietary	3,922
Medical records	234,209
Care recovery unit	116,655
Rural health clinics	296,148
Environmental services	107,794
Administration	<u>418,788</u>
 Total professional fees	 <u>\$ 2,774,088</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULE OF OPERATING EXPENSES – OTHER EXPENSES
FOR PERIOD ENDED DECEMBER 31, 2024

Legal and accounting	\$ 194,839
Repairs and maintenance	669,531
Utilities	657,023
Telephone	105,291
Travel	79,299
Rentals	446,509
License, inspection and membership fees	55,900
Education	61,833
Postage	67,374
Public relations	239,852
Miscellaneous	<u>1,360,388</u>
 Total other expenses	 <u>\$ 3,937,839</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF PER DIEM AND
OTHER COMPENSATION PAID TO HOSPITAL BOARD MEMBERS
FOR PERIOD ENDED DECEMBER 31, 2024

	----- TERM -----		Compensation 2024
	<u>BEGAN</u>	<u>ENDING</u>	
Commissioners:			
Mayor Xanthe Seals	Jan. 2019	Dec. 2024	None
Dr. Sam Abshire	Oct. 2015	Dec. 2025	None
Dr. Mark Haynes	Oct. 2015	Dec. 2025	None
Ms. Nicole Ware	Jun. 2022	May 2026	None
Dr. Ray Spurlock	Jan. 2024	Dec. 2027	None
Mr. Kevin Gray	Jan. 2019	Dec. 2025	None
Mr. Wade Holloway	Oct. 2021	Sept. 2025	None
Mr. Lawson Wilder	Dec. 2022	Dec. 2026	None
Ms. NieKitsha Ridley	May 2024	Dec. 2024	None

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD
FOR PERIOD ENDED DECEMBER 31, 2024

Agency Head: Tina Haynes, CEO

Salary	199,992
Benefits – retirement	10,961
Registration fees	2,815
Travel	6,936
Dues	865
Reimbursements	2,459
Other – Tuition	15,785



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Board of Directors
Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center
Homer, Louisiana

Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards

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 combined financial statements of Claiborne Parish Hospital Service District #3, d/b/a Claiborne Memorial Medical Center and its affiliate (the Hospital) as of and for the period ended December 31, 2024, and have issued our report thereon dated August 8, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hospital's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined 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 combined 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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, we

consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2024-01, 2024-02, 2024-03, and 2024-04.

Compliance and Other Matters

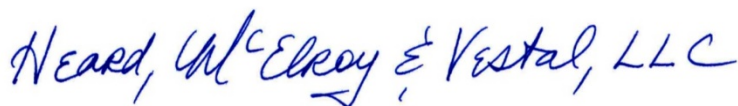
As part of obtaining reasonable assurance about whether the Hospital's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2024-05.

The Hospital's Response to Findings

The Hospital's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Hospital's response and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in blue ink that reads "Heard, McElroy & Vestal, LLC". The signature is written in a cursive, flowing style.

Monroe, Louisiana
August 8, 2025

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF FINDINGS AND RESPONSES
PERIOD ENDED DECEMBER 31, 2024

Section I. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the basic financial statements of Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate
2. Material weaknesses in internal control, relating to the audit of the financial statements are reported.
3. There was an instance of noncompliance, as defined by the *Government Auditing Standards*, to the basic financial statements.

Section II. Financial Statement Findings

2024-01 – Financial Statements

Finding: In the past, the auditors were able to draft the financial statements with management accepting responsibility. 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. Under generally accepted auditing standards, this condition represents a control deficiency that is also considered to be a material weakness in internal controls.

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.

Response: Due to the Hospital's size, the cost of obtaining and/or training personnel with the complete knowledge of GAAP would not be cost effective. The CFO has extensive accounting knowledge and will work closely with the auditors in the preparation of the financial statements and will review the statements prior to issuance.

2024-02 – Bank Reconciliations

Finding: It was noted that monthly bank reconciliations of the operating account were not being reconciled to the general ledger cash accounts, which required audit adjustments to be made. Because the variance involved both prior and current period activity, Hospital personnel were unable to determine the cause of the variance. There was also no independent review of the bank reconciliations once prepared.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF FINDINGS AND RESPONSES
PERIOD ENDED DECEMBER 31, 2024

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.

Response: The Controller is learning the reconciliation procedures and the CFO is implementing new reconciliation procedures on this account and will see that reconciliations are completed and independently reviewed prior to monthly financial statements being prepared.

2024-03 – General Accounting

Finding: It was noted that certain 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. This required several adjusting entries to correct the general ledger balances to accurately reflect the activity.

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.

Response: Controller will reconcile all balance sheet accounts on a monthly basis to ensure balances properly reflect activity for the month.

2024-04 – Benefit Plan Liabilities

Finding: During our review of payroll and retirement benefit records, we noted that the Hospital did not remit the employer's required matching contributions to the retirement plan for the fiscal periods of 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.

Response: Management reviewed all retirement plan contributions to ensure all amounts were properly transferred to the retirement plan. Cash Match funds are transferred after the end of the fiscal year. Will ensure these funds are transferred to the retirement plan within the policy requirements at that time.

2024-05 - Late Submission of Audit Report to the Legislative Auditor

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

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF FINDINGS AND RESPONSES
PERIOD ENDED DECEMBER 31, 2024

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

Response: Policies and procedures will be reviewed and implemented to ensure the audit report is submitted to the Legislative Auditor no later than six months after the close of the fiscal year.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
PERIOD ENDED DECEMBER 31, 2024

2023-01 – Financial Statements

Finding: In the past, the auditors were able to draft the financial statements with management accepting responsibility. 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. Under generally accepted auditing standards, this condition represents a control deficiency that is also considered to be a material weakness in internal controls.

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.

Response: Due to the Hospital's size, the cost of obtaining and/or training personnel with the complete knowledge of GAAP would not be cost effective. The CFO has extensive accounting knowledge and will work closely with the auditors in the preparation of the financial statements and will review the statements prior to issuance.

Current status: Not resolved – See finding 2024-01.

2023-02 – Bank Reconciliations

Finding: It was noted that 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 insure that all bank activity is reconciled to the general ledger on a monthly basis to insure proper financial reporting. Each bank reconciliation should be independently reviewed by a member of management and the review documented.

Response: A new Controller has been hired to assist with monthly accounting work and should be able to assist with the reconciliations. The CFO is implementing new reconciliation procedures on this account and will see that reconciliations are independently reviewed prior to monthly financial statements being prepared.

Current status: Not resolved – See finding 2024-02.



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August 8, 2025

Board of Directors
Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center
Homer, Louisiana

Louisiana Legislative Auditor
Baton Rouge, Louisiana

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2023 through December 31, 2024. Claiborne Memorial Medical Center's (CMMC) management is responsible for those C/C areas identified in the SAUPs.

CMMC 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 July 1, 2023 through December 31, 2024. 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:

Written Policies and Procedures

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

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

The entity has written policies and procedures that adequately address the budget function.

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

Findings: The entity's policy does not address the addition of vendors.

Management's Response: Will update the Policy and Procedures to address the steps taken to add new vendors to our system.

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

The entity has written policies and procedures that adequately address the disbursements function.

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

The entity has written policies and procedures that adequately address the receipts and collections function.

- e) **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(s) rate of pay or approval and maintenance of pay rate schedules.

The entity has written policies and procedures that adequately address the payroll and personnel function.

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

Findings: The entity's policy does not specifically address standard terms and conditions.

Management's Response: Policy on contracts entered into will be updated to ensure standard terms and conditions of each new contract are addressed in the contract.

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

The entity has written policies and procedures that adequately address the credit card function.

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

The entity has written policies and procedures that adequately address the travel and expense reimbursement function.

- i) **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.

The entity has written policies and procedures that adequately address the ethics functions.

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

Findings: The entity does not have written policies that address the debt service function.

Management's Response: Current debt on the books did not require a separate debt service account to be created. It was management's decision to set aside the funds each month to ensure funds were available when payment was due. Also, to accrue the expense associated with the bond payment to each month rather than have it hit all in the month the payment was actually paid. However, a policy will be written to address the debt service function on and new debt incurred in the future, as required.

- k) **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.

The entity has policies and procedures that adequately address information technology disaster recovery/business continuity requirements.

- l) **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.

Findings: The entity sexual harassment policy does not specifically address annual employee training or annual reporting.

Management's Response: CMMC did implement state-compliant annual sexual harassment training and reporting procedures in 2024. An updated policy reflecting these requirements is currently under revision and will be submitted to the Board for approval upon completion.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

The entity's Board of Directors and Finance Committee met monthly in accordance with its bylaws.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget- to-actual, at a minimum, on all special revenue funds⁷.

Each meeting's minutes referred to budget-to-actual financial statement comparisons.

- c) 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.

Not applicable to the entity.

- d) 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.

Findings: HMMV notes the board is not receiving regular, written updates of the progress of resolving audit findings.

Management's Response: Beginning with this audit, FYE 12/31/2024, the Board will begin to receive written updates, with their Board packets each month, of the progress of resolving audit findings.

Bank Reconciliations

- 3. 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:

- a) Bank reconciliations include written evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

Findings: Two Bank reconciliations were not prepared within two months of the related statement closing date.

Management's Response: Management will ensure all bank reconciliations will be prepared within two months of each month the related statement closing date.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

No exceptions noted.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

No exceptions noted.

Collections (excluding electronic funds transfers)

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

The entity has four physical locations where deposits are prepared and reconciled.

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

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

6. 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 enforced during the fiscal period.

No exceptions noted.

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

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

In lieu of pre-numbering receipts, all receipts are recorded onto a daily receipt listing that is reconciled to the validated deposit slip in order to ensure the completeness of deposits.

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

No exceptions noted.

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

No exceptions noted.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

Findings: One instance of deposits not being made within one business day of the cash collection were noted. The depository for this instance was not more than 10 miles from the collection location and the deposit was more than \$100.

Management's Response: Staff responsible for depositing funds received will be instructed to make sure all deposits are made the next business day.

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

No exceptions noted.

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Per listing provided by management, payments are processed through one location - the Accounts Payable Department.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Job duties appear properly segregated.

- b) At least two employees are involved in processing and approving payments to vendors.

Job duties appear properly segregated.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files unless another employee is responsible for periodically reviewing changes to vendor files.

Controller is approving payments and has the authority to add vendors.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

The A/P clerk duties include processing payments and mailing the checks.

- e) 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.

No exceptions were noted.

[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); should not be reported.]]

- 10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original itemized invoice, and that supporting documentation indicates that deliverables included on the invoice were received by the entity.

No exceptions noted.

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

No exceptions noted.

- 11. 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:

- a) Observe that the disbursement was approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy.

No exceptions noted.

- b) Observe that the disbursement was approved by the required number of authorized signers per the entity's policy.

No exceptions noted.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

- 12. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Obtained listing and related documentation of all active cards from Management.

- 13. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

Finding: There is no evidence that the statement was reviewed and approved in writing.

Management's Response: Receipts on all purchase transactions are reviewed and signed off on by the appropriate manager however the actual credit card statement was not approved. Going forward, management will ensure that all credit card statements are signed as reviewed.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

No exceptions noted.

14. Using the monthly statements or combined statements selected under #13 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Findings: Four instances of transactions not having specifically written documentation of business purpose were noted.

Management's Response: Management will ensure, as receipts are turned in, documentation of business purpose is indicated for each use of the credit card/debit card.

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

15. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, 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).

No exceptions noted.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

No exceptions noted.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

No exceptions noted.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions noted.

Contracts

- 16. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

The contracts selected for testing were not subject to bid as the contracts in question were required by state or purchase contract, related to ongoing service agreements, or for specific property acquisition.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).

No exceptions to procedure noted.

- c) 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 was approval documented).

No exceptions to procedure noted.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions to procedure noted.

Payroll and Personnel

- 17. 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.

Obtained listing from Management and agreed selected employees' salaries and pay rates without exception.

18. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)

Payroll records maintained by the payroll software.

- b) Observe that supervisors approved the attendance and leave of the selected employees or officials.

No exceptions noted.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

No exceptions noted.

- d) Observe that the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

No exceptions noted.

19. 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, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity policy on termination payments. Agree the hours to the employee or officials' cumulate leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

No exceptions noted.

20. 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.

Management's representation obtained covering these statements.

Ethics

21. Using the 5 randomly selected employees/officials from procedure #17 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Finding: One test selection did not complete one hour of ethics training during the fiscal period.

Management's Response: In this case, the employee was a medical student classified as a PRN employee who only works during academic breaks. During the fiscal year under review, the

student did not work any hours and therefore was not scheduled for training. To ensure compliance going forward, HR will implement a new procedure of PRN employees who are inactive for extended periods will be placed on a formal leave status until annual ethics training is completed. Upon completion, their PRN status will be reactivated and they may return to work.

- b. Observe that the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

N/A – no changes to the entity's ethics policy during the fiscal period.

- 22. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

No exceptions noted.

Debt Service

- 23. 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.

No debt was issued during the fiscal period.

- 24. 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).

No exceptions noted.

Fraud Notice

- 25. 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.

N/A – no misappropriations of public funds identified during the fiscal period.

- 26. 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.

No exceptions noted.

Information Technology Disaster Recovery/Business Continuity

27. Perform the following procedures, verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”

- a. 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.

We performed the procedure and discussed the results with management.

- b. 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.

We performed the procedure and discussed the results with management.

- c. 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.

We performed the procedure and discussed the results with management.

28. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #19. Observe evidence that the selected terminated employees have been removed or disabled from the network.

No exceptions were noted.

Prevention of Sexual Harassment

29. Using the 5 randomly selected employees/officials from procedure #17 under “Payroll and Personnel” above, 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.

Findings: One test selection did not complete sexual harassment in the current year.

Management’s Response: Same as above in 21 a.), PRN employees who are inactive for extended periods will be placed on formal leave status until annual compliance trainings are completed. Upon completion, their PRN status will be reactivated and they may return to work.

30. 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).

No exceptions noted.

31. 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 it includes the applicable requirements of R.S. 42:344:

- a. Number and percentage of public servants in the agency who have completed the training requirements;
- b. Number of sexual harassment complaints received by the agency;
- c. Number of complaints which resulted in a finding that sexual harassment occurred;
- d. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- e. Amount of time it took to resolve each complaint.

No exceptions noted.

We were engaged by Claiborne Memorial Medical Center 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.

We are required to be independent of Claiborne Memorial Medical Center 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.

Heard, McElroy & Vestal, LLC