HOSPITAL SERVICE DISTRICT NO. 2
D/B/A
LASALLE GENERAL HOSPITAL
AND
LASALLE NURSING HOME

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
SEPTEMBER 30, 2025 AND 2024

LESTER, MILLER & WELLS
A Corporation of Certified Public Accountants

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Financial Statements
And
Independent Auditors' Report
Years Ended September 30, 2025 and 2024

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Hospital Service District No. 2 of LaSalle Parish, State of Louisiana
(d/b/a LaSalle General Hospital and LaSalle Nursing Home
Management's Discussion and Analysis

This section of the Hospital Service District's (the District) annual financial report presents background information and management's analysis of the Hospital Service District's financial performance during the fiscal year that ended on September 30, 2025. Please read it in conjunction with the financial statements in this report.

Financial Highlights

- The District's total assets decreased in fiscal year (FY) 2025 by $467,000 largely due to depreciation and amortization of capital assets in excess of investments in new capital assets. In FY 2024, total assets decreased by $6,115,000, due to decreases in cash and accounts receivable, and increases in depreciation and amortization of capital assets. Cash increased by $130,000 in FY 2025 and decreased by $796,000 in FY 2024. This is compared to a decrease of $205,000 in FY 2023. In FY 2025, accounts receivable, net, increased by $327,000, compared to a decrease of $2,489,000 in FY 2024. The decrease in FY 2024 was due to better collections and increases in allowances for doubtful accounts.

- During the year, the District's total operating revenues increased by $5,039,000 compared to FY 2024 decrease of $832,000. The FY 2025 increase is due to increases in Net Patient Service Revenue of $1,793,0000, Medicaid Supplemental Payments of $1,746,000, and Other Operating Revenue of $1,612,000. Nursing Home days increased by 765 and Rural Health Clinic visits decreased by 175 in FY 2025.

- Total operating expenses increased by $1,898,000 or 5.45%, following an increase of $1,200,000 or 3.55%, in fiscal years 2025 and 2024, respectively. Increases in salaries and benefits of $247,000 occurred in FY 2025, following an increase of $927,000 in FY 2024.

- The District had a loss from operations of $752,000 and $4,277,000 in fiscal years 2025 and 2024, due to a rise in operating expenses, as well as a significant increases in allowances for accounts receivable.

- The District is experiencing financial difficulties due to several problems including slow cash collections and increases in expenses.

- In June 2025, Louisiana Governor Jeff Landry signed House Bill 460, which included a $1,200,000 appropriation for LaSalle General Hospital, to be used on operating expenses of the Hospital incurred before close of business on June 30, 2025. As of September 30, 2025, these funds have not yet been received by the Hospital and are not included in the accompanying financial statements. Management expects to receive and utilize these funds in FY 2026.

Required Financial Statements

The Financial Statements of the District report information about the District using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The Statements of Net Position includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Position. This statement measures changes in the District's operations over the past two years and can be used to determine whether the District has been able to recover all of its costs through its patient service revenue and other revenue sources.

The final required financial statement is the Statements of Cash Flows. The primary purpose of this statement is to provide information about the District's cash from operating, investing, and financing activities, and to provide answers to such questions as "Where did cash come from?", "What was cash used for?" and "What was the change in cash balance during the reporting period"?

Financial Analysis of the Hospital Service District

The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the District's activities. These two statements report the net position of the District and changes in them. Increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

Net Position

Table 1 presents a condensed Statements of Net Position for the Hospital Service District.

TABLE 1
Condensed Statements of Net Position

	September 30, 2025	2024	2023
Total current assets	$ 7,901,742	$ 6,420,832	$ 10,347,496
Nondepreciable capital assets	513,814	774,157	621,475
Depreciable capital assets - net	14,384,129	14,739,681	15,100,467
Right-of-use capital assets, net	615,825	722,920	839,008
Subscription assets	5,105,666	6,449,692	7,594,085
Assets limited to use	238,945	118,179	835,953
Other assets	2,303	4,580	6,858
Total Assets	$ 28,762,424	$ 29,230,041	$ 35,345,342
Current liabilities	$ 9,698,357	$ 7,723,200	$ 7,839,227
Compensated absences	221,356	219,123	-0-
Lease liabilities	440,309	543,071	628,941
Long-term debt	2,359,688	2,674,753	2,983,013
Subscription liabilities, net	4,028,828	5,304,321	6,484,434
Invested in capital assets, net of related debt	12,000,601	12,341,776	12,100,734
Restricted: debt reserve fund	256,131	134,994	850,911
Unrestricted	(242,846)	288,803	4,458,082
Total Liabilities and Net Position	$ 28,762,424	$ 29,230,041	$ 35,345,342

Summary of Revenues, Expenses, and Changes in Net Position

Table 2 presents a summary of the District's historical revenues and expenses.

TABLE 2
Condensed Statements of Revenues, Expenses, and Changes in Net Position

	September 30, 2025	2024	2023
Revenues			
Net patient service revenue	$ 24,883,820	$ 23,090,337	$ 24,273,030
Medicaid supplemental payments	5,880,059	4,134,177	5,475,756
Operating grants & IGT	-0-	112,349	92,543
Other operating revenue	4,926,572	3,314,134	1,641,401
Total Revenues	35,690,451	30,650,997	31,482,730
Expenses			
Salaries and benefits	17,684,927	17,438,151	16,511,341
Other expenses	16,086,841	14,358,583	14,264,393
Depreciation and amortization	2,955,151	3,032,372	2,858,943
Total Expenses	36,726,919	34,829,106	33,634,677
Operating Income (Loss)	(1,036,468)	(4,178,109)	(2,151,947)
Nonoperating Revenues (Expenses)			
Property taxes	328,546	311,321	296,634
Interest income	4,414	8,189	5,997
Interest expense	(471,050)	(443,163)	(456,684)
Covid-19 grants and loan forgiveness	-0-	-0-	166,033
Gain on disposal of assets	(396)	338	586
Changes in Net Position before Capital Grants	(1,174,954)	(4,301,424)	(2,139,381)
Capital grants	423,267	24,398	63,837
Increase (Decrease) in Net Position	(751,687)	(4,277,026)	(2,075,544)
Net Position at Beginning of Year	12,765,573	17,409,727	19,485,271
Prior Period Adjustment	-0-	(367,128)	-0-
Net Position at End of Year	$ 12,013,886	$ 12,765,573	$ 17,409,727

Sources of Revenue

Operating Revenue

During FY 2025, the District derived the majority of its total revenue from patient services. Patient service revenue includes revenue from the Medicare and Medicaid programs, commercial insurance, other various third-party payors, and patients who receive care in the District's facilities. Reimbursement for the Medicare and Medicaid programs, commercial insurance, and other third-party payors is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance.

Table 3 presents the percentages by payor. The Hospital's is a percentage of gross charges billed for patient services. The Nursing Home's is based on the census.

TABLE 3
Payor Mix by Percentage

	LaSalle General Hospital September 30,		
	2025	2024	2023
Medicare	30%	30%	34%
Medicaid	24%	24%	31%
Commercial Insurance	43%	43%	32%
Self Pay	3%	3%	3%
Totals	100%	100%	100%

	LaSalle Nursing Home September 30,		
	2025	2024	2023
Medicare	18%	10%	10%
Medicaid	70%	75%	76%
Commercial Insurance	N/A	N/A	N/A
Self Pay	12%	15%	14%
Totals	100%	100%	100%

Medicaid supplemental payments and other operating revenue

For state fiscal year (SFY) 2026, 2025 and 2024, the Louisiana Department of Health (LDH) obtained a Medicaid State Plan Amendment (SPA) approval from the Centers for Medicare and Medicaid Services (CMS) to make quarterly supplemental payments to hospitals based upon certain assumptions under a direct payment plan (DPP). The Hospital has recognized $2,550,000 under the directed payment plan during FY 2025.

In FY 2025, the District has worked with a contractor specializing in 340B drug program optimization As a result, revenue from the 340B drug program increased to $3,464,000 in 2025 from $2,398,000 and is included in other operating revenue.

Non-operating Income

Non-operating income included ad-valorem property tax revenues of $329,000 and $311.000 for FY 2025 and 2024, respectively. Limited use assets at year-end included ad valorem taxes of $206,626 and grants restricted for various purposes of $32,000.

Operating and Financial Performance

The following summarizes the District's Statements of Revenues, Expenses, and Changes in Net Position between 2025, 2024, and 2023:

Overall activity at the Hospital, measured by acute (including new vision and behavioral health) patient discharges, were 567, 658, and 1,026, in 2025, 2024, and 2023, respectively. Acute patient days were 1,391 in 2025, 2,167 in 2024, and 2,321 in 2023.

For Swing Bed activity at the Hospital, discharges were 44, 39, and 43, for 2025, 2024, and 2023, respectively. Swing Bed patient days were 580, 705, and 660, in 2025, 2024, and 2023, respectively.

The Nursing Home census remained relatively constant at 68 and 58 residents at the end of FY 2025 and 2024, respectively. The Nursing Home continues to have a low census count.

Net Patient Service Revenue (NPSR) for the District increased by $1,793,000 in FY 2025 and decreased by $1,183,000 in FY 2024 from FY 2023. The decrease in FY 2024 over 2023 is largely related to the write-off of uncollectible receivables due to billing issues under a new computer system.

With continued efforts to expand our market through both new patient services and new infrastructure, the District is positioned to move forward. The District will continue to aggressively develop, sustain and enhance access to high quality, affordable healthcare.

The District has experienced significant losses in the prior fiscal years, which has led to a decline in the financial position. Management has implemented plans to alleviate this negative trend. Management intends to reduce expenses, which will not impact the District's revenues. The focus of management will be on continuing to grow patient volume by evaluating continuum of care and seeking marketing opportunities to inform the public of the services the District has to offer.

Capital Assets

Table 4 presents a condensed schedule of capital assets.

TABLE 4
Capital Assets

The District's net capital assets (depreciable) decreased in 2025 by $356,000, primarily due to an increase in accumulated depreciation in excess of new additions. Net right-of-use capital assets decreased $107,000. Net subscription-based assets decreased $1,344,000. See schedule below for all categories of assets.

	September 30, 2025	2024	2023
Nondepreciable capital assets			
Land	$ 278,893	$ 278,893	$ 278,893
Construction in progress	234,921	495,264	342,582
Total nondepreciable capital assets	$ 513,814	$ 774,157	$ 621,475
Depreciable capital assets			
Land improvements	$ 730,003	$ 730,003	$ 730,003
Buildings and fixed equipment	25,672,515	24,701,752	23,749,761
Moveable equipment	9,096,683	9,077,931	9,043,083
Total depreciable capital assets	35,499,201	34,509,686	33,522,847
Less: accumulated depreciation	21,115,072	19,770,005	18,422,380
Total depreciable capital assets, net	$ 14,384,129	$ 14,739,681	$ 15,100,467
Right-of-use capital assets			
Total right-of-use capital assets, net	$ 615,825	$ 722,920	$ 839,008
Subscription-based assets			
Subscription-based assets, net	$ 5,105,666	$ 6,449,692	$ 7,594,085

Long-term Debt

At year-end, the District had $2,673,801 in long-term debt, $640,710 in right-of-use lease liabilities, and $5,304,322 in subscription liabilities. No new finance purchase leases were entered into in FY 2025 or 2024. One new right-of-use lease of $133,330 was added in FY 2025. No new SBITA's were added in FY 2025. Liabilities related to subscription-based information technology (SBITA's) were added in FY 2023 in compliance with GASB No. 96.

Long-term Debt (Continued)

A balance of $1,289,000 remains at year-end on the $2,000,000 bonds borrowed in FY 2020.

The District took out a $2,500,000 loan in 2009 for construction of the Physician Office Building, which opened September 1, 2009. This loan was refinanced in fiscal year 2018 at Sabine State Bank with a balloon payment due in March 2023. It was refinanced again in March 2023 with a final payment due in August 2024. The balance was paid off in FY 2024. More detailed information about the District's long-term debt is presented in Note 12 to the combined financial statements.

Contacting the Hospital Service District's Financial Manager

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

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Hospital Service District No. 2,
Parish of LaSalle, State of Louisiana
Jena, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying combined financial statements of Hospital Service District No. 2, Parish of LaSalle, State of Louisiana (the "District"), a component unit of the LaSalle Parish Police Jury, as of and for the years ended September 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's combined financial statements as listed in the table of contents.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the District, as of September 30, 2025 and 2024, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Board of Commissioners
Hospital Service District No. 2
Parish of LaSalle, State of Louisiana
Jena, Louisiana
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Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial information of the District and do not purport to, and do not, present fairly the financial position of LaSalle Parish Police Jury as of September 30, 2025 and 2024, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 25 to the financial statements, the District is experiencing financial difficulties. Our opinion is not modified in respect to this matter.

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 "viii" be presented to supplement the combined financial statements. Such information is the responsibility of management and, although not a part of the combined financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the combined financial statements in an appropriate operational, economic, or historical context. 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 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.

Supplementary Information

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

Board of Commissioners
Hospital Service District No. 2
Parish of LaSalle, State of Louisiana
Jena, Louisiana
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Other Reporting Required by *Government Auditing Standards*

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

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

March 30, 2026

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Combined Statements of Net Position
September 30,

ASSETS	2025	2024
Current Assets		
Cash and cash equivalents (Note 3)	$ 466,208	$ 336,190
Limited use assets - required for current liabilities (Note 4)	17,186	16,815
Accounts receivable, net (Note 5)	3,752,584	3,425,689
Estimated third-party payor settlements	976,897	900,030
Other receivables	2,282,104	1,338,707
Inventory	298,439	266,428
Prepaid expenses	108,324	136,973
Total Current Assets	7,901,742	6,420,832
Non-Current Assets		
Nondepreciable capital assets (Note 6)	513,814	774,157
Depreciable capital assets, net (Note 6)	14,384,129	14,739,681
Right-of-use capital assets, net (Note 6)	615,825	722,920
Subscription assets (Note 7)	5,105,666	6,449,692
Limited use assets (Note 4)	238,945	118,179
Other assets (Note 8)	2,303	4,580
Total Assets	$ 28,762,424	$ 29,230,041

LIABILITIES AND NET POSITION	2025	2024
Current Liabilities		
Cash overdraft	$ -0-	$ 57,881
Accounts payable	4,756,302	3,820,486
Accrued expenses and withholdings (Note 9)	1,504,414	905,863
Estimated third-party payor settlements	70,507	2,245
Deferred revenue	-0-	36,051
Limited use assets	17,186	16,815
Retirement plan payable	949,638	463,599
Current portion of compensated absences (Note 10)	610,302	597,731
Current portion of lease liability (Note 13)	200,401	203,027
Current portion of subscription liability (Note 14)	1,275,494	1,310,582
Current portion of long-term debt (Note 12)	314,113	308,920
Total Current Liabilities	$ 9,698,357	$ 7,723,200

See accompanying notes to financial statements.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Combined Statements of Net Position (Continued)
September 30,

	2025	2024
Long-term Liabilities		
Compensated absences (Note 10)	$ 221,356	$ 219,123
Lease liability, net of current maturities (Note 13)	440,309	543,071
Subscription liability, net of current maturities (Note 14)	4,028,828	5,304,321
Long-term debt, net of current maturities (Note 12)	2,359,688	2,674,753
Total Liabilities	16,748,538	16,464,468
Net Position		
Invested in capital assets, net of related debt	12,000,601	12,341,776
Restricted (Note 4)	256,131	134,994
Unrestricted	(242,846)	288,803
Total Net Position	12,013,886	12,765,573
Total Liabilities and Net Position	$ 28,762,424	$ 29,230,041

See accompanying notes to financial statements.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Combined Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30,

	2025	2024
Operating Revenues		
Net patient service revenue (Note 15)	$ 24,883,820	$ 23,090,337
Medicaid supplemental payments	5,880,059	4,134,177
Intergovernmental transfer grants	-0-	48,522
Noncapital grants	-0-	63,827
Other operating revenues	4,926,572	3,314,134
Total Operating Revenues	35,690,451	30,650,997
Operating Expenses		
Salaries and benefits	17,684,927	17,438,151
Medical supplies and drugs	3,083,934	2,775,125
Insurance	461,667	428,377
Professional fees	3,342,828	3,295,107
Other expenses	9,198,412	7,859,974
Depreciation and amortization	2,955,151	3,032,372
Total Operating Expenses	36,726,919	34,829,106
Operating Income (Loss)	(1,036,468)	(4,178,109)
Nonoperating Revenues (Expenses)		
Property taxes	328,546	311,321
Interest income	4,414	8,189
Interest expense	(471,050)	(443,163)
Gain (loss) on disposal of assets	(396)	338
Changes in Net Position before Capital Grants	(1,174,954)	(4,301,424)
Capital grants	423,267	24,398
Increase (Decrease) in Net Position	(751,687)	(4,277,026)
Net Position at Beginning of Year	12,765,573	17,042,599
Net Position at End of Year	$ 12,013,886	$ 12,765,573

See accompanying notes to financial statements.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Combined Statements of Cash Flows
Years Ended September 30,

	2025	2024
Cash flows from operating activities:		
Cash received from patients and third-party payors	$ 23,621,812	$ 25,300,821
Other receipts from operations	10,789,742	7,951,974
Cash payments to employees and for employee-related cost	(16,585,533)	(17,625,694)
Cash payments for other operating expenses	(15,212,268)	(13,551,639)
Net cash provided (used) by operating activities	2,613,753	2,075,462
Cash flows from investing activities:		
Interest income	4,414	8,189
Net cash provided (used) by investing activities	4,414	8,189
Cash flows from non-capital financing activities:		
Proceeds from property taxes	328,546	311,321
Proceeds from unearned revenue	(36,051)	(218,946)
Net cash provided (used) by non-capital financing activities	292,495	92,375
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(752,528)	(1,256,260)
Principal payments on lease liability obligations	(238,718)	(261,622)
Principal payments on subscription liability obligations	(1,310,581)	(1,271,909)
Principal payments on long-term debt	(309,872)	(481,344)
Interest expense on long-term debt	(471,050)	(443,163)
Proceeds from limited use assets	(120,766)	717,774
Proceeds from capital grants	423,267	24,398
Proceeds (loss) from disposal of capital assets	(396)	338
Net cash provided (used) by capital and related financing activities	$ (2,780,644)	$ (2,971,788)

See accompanying notes to financial statements.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Combined Statements of Cash Flows (Continued)
Years Ended September 30,

	2025	2024
Net increase (decrease) in cash and cash equivalents	$ 130,018	$ (795,762)
Beginning cash and cash equivalents	336,190	1,131,952
Ending cash and cash equivalents	$ 466,208	$ 336,190
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	$ 471,050	$ 443,163
Equipment acquired under financed purchase lease	$ -0-	$ -0-
Equipment acquired under right-of-use leases	$ 133,329	$ 144,500
Equipment acquired under subscription agreements	$ -0-	$ 160,748
Reconciliation of income from operations to net cash provided by operating activities:		
Operating income (loss)	$ (1,036,468)	$ (4,178,109)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	2,955,151	3,032,371
Change in current assets (increase) decrease:		
Net patient accounts receivable	(326,895)	2,489,128
Other receivables	(943,397)	32,131
Estimated third-party payor settlements	(8,605)	80,539
Inventory	(32,011)	53,488
Prepaid expenses	28,649	13,557
Change in current liabilities (increase) decrease:		
Cash overdraft	(57,881)	57,881
Accounts payable	935,816	682,019
Accrued expenses and withholdings payable	598,551	235,781
Compensated absences	14,804	(17,555)
Retirement plan payable	486,039	(405,769)
Net cash provided (used) by operating activities	$ 2,613,753	$ 2,075,462

See accompanying notes to financial statements.

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Hospital Service District No. 2, of the Parish of LaSalle, State of Louisiana (referred to as "the District") was created in 1968 by the LaSalle Parish Police Jury.

The District is a political subdivision of the LaSalle Parish Police Jury whose jurors are elected officials. The District's five Commissioners are appointed by the LaSalle Parish Police Jury. As the governing authority of the Parish for reporting purposes, the LaSalle Parish Police Jury is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the LaSalle Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

On April 18, 2001, the District resumed control of LaSalle Nursing Home. LaSalle General Hospital and LaSalle Nursing Home are both enterprise funds within the District.

Nature of Business

The District provides acute inpatient services, behavioral health inpatient services, skilled nursing (through "Swing Beds"), emergency, home health, and outpatient services, including a rural health clinic and private physician offices. Long-term intermediate care is also provided.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Fund

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

Basis of Accounting

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The entity is a political subdivision and is exempt from taxation.

Principles of Combination

The accompanying combined financial statements include the accounts of the Hospital Service District No. 2 of the Parish of LaSalle including LaSalle General Hospital and LaSalle Nursing Home. These are two separate enterprise funds. The District has one board. All intercompany transactions and balances have been eliminated.

Cash and Cash Equivalents

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

Credit Risk

The District provides medical care primarily to LaSalle Parish residents and grants credit to patients, substantially all of whom are local residents. The District's estimate of collectability is based on an evaluation of historical collections compared to gross revenues to establish an allowance for uncollectible accounts.

Significant Concentration of Economic Dependence

The District has an economic dependence on a small number of staff physicians who admit over 90% of the District's patients. The District also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 15. Accordingly, changes in federal and state legislation or interpretations of rules have a significant impact on the District.

Inventory

Inventories are stated at the lower of cost, determined by the first-in, first-out method, or net realizable value.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Patient Service Revenue

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

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

Patient Accounts Receivable

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

Capital Assets

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

Buildings and Improvements	25 to 40 years
Machinery and Equipment	5 to 20 years
Furniture and Fixtures	5 to 15 years

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subscription Assets and Liabilities

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

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

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

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

The individual SBITA contracts do not provide information about the discount rate implicit in the arrangement. Therefore, the District has elected to use its incremental borrowing rate to calculate the present value of expected lease payments.

Net Position

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenses

The District'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 - the District's principal activity. Non exchange revenues are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Grants and Contributions

From time to time, the District 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.

Restricted Revenues

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

Advertising

The District expenses advertising cost as incurred. Advertising expense for the years ended September 30, 2025 and 2024 totaled $126.055 and $169,356, respectively.

Environmental Matters

The Hospital is subject to laws and regulations relating to the protection of the environment. The Hospital's policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty, the potential financial impact of the Hospital's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the District. At September 30, 2025 and 2024, management is not aware of any liability resulting from environmental matters.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Reclassifications

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

Resident Deposits

The Nursing Home manages residents' personal funds that are shown on the financial statements as "Limited use assets" with a related liability, "Limited use assets".

Charity Care

The District 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 District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Risk Management

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters: medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements

The District implemented GASB Statement No. 101, *Compensated Absences* in fiscal year 2025. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The new standard is to be applied to all compensated absences as of the beginning of the earliest period presented and therefore, the September 30, 2024 financial statements have been restated, as discussed in Note 24.

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

Recently Issued Accounting Pronouncements

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

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

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

Lease Assets

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

NOTE 3 - DEPOSITS AND INVESTMENTS

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

Account balances according to bank's records at September 30, 2025, for the District are as follows:

	The Community Bank
Cash in banks	$ 977,533
Insured by FDIC	$ 500,000
Collateralization at fair market value	$ 477,533
Collateralized by note payable	$ -0-
Uncollateralized	$ -0-

Custodial Credit Risks - Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the District be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The District's deposits were entirely insured, entirely collateralized by securities held by the pledging bank's trust department in the District's name, or collateralized by the note payable, at September 30, 2025 and 2024.

Concentration of Credit Risks - The District has 100% of its cash and cash equivalents at The Community Bank in checking accounts.

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

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The carrying amounts of deposits and investments are included in the District's statements of net position as follows:

	2025	2024
Carrying amounts		
Deposits	$ 466,208	$ 336,190
Limited use cash	238,945	118,179
Total	$ 705,153	$ 454,369
Included in the following balance sheet captions		
Cash and cash equivalents	$ 466,208	$ 336,190
Limited use assets - required for current liabilities	17,186	16,815
Limited use assets	221,759	101,364
Total	$ 705,153	$ 454,369

NOTE 4 - LIMITED USE ASSETS

Limited use assets consist of the following items at September 30:

By Third Parties	2025	2024
Restricted cash - grants	$ 32,319	$ 37,573
Ad valorem tax to pay Series 2020 bonds	206,626	80,606
Patient trust funds	17,186	16,815
Required for current liabilities	(17,186)	(16,815)
Limited use assets	$ 238,945	$ 118,179

Bond proceeds of $220,866 were used for capital projects in fiscal year 2024. The remaining balance at September 30, 2024 was zero.

NOTE 5 - ACCOUNTS RECEIVABLE

A summary of accounts receivable as of September 30, is presented below:

	2025	2024
Patient accounts receivable	$ 7,850,584	$ 7,035,528
Estimated uncollectibles	(4,098,000)	(3,609,839)
Net accounts receivable	$ 3,752,584	$ 3,425,689

The following is a summary of the mix of accounts receivable from patients and third-party payors at September 30:

	2025	2024
Medicare	23%	17%
Medicaid	33%	37%
Commercial and other third-party payors	33%	25%
Patients	11%	21%
	100%	100%

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

NOTE 6 - CAPITAL ASSETS

The following is a summary of capital assets and related accumulated depreciation for the year ended September 30:

	2024	Additions	Deductions	Transfers	2025
Nondepreciable capital assets					
Land	$ 278,893	$ -0-	$ -0-	$ -0-	$ 278,893
Construction in progress	495,264	396,948	4,235	(653,056)	234,921
Total nondepreciable capital assets	$ 774,157	$ 396,948	$ 4,235	$ (653,056)	$ 513,814
Depreciable capital assets					
Land improvements	$ 730,003	$ -0-	$ -0-	$ -0-	$ 730,003
Buildings and fixed equipment	24,701,752	342,105	-0-	628,658	25,672,515
Moveable equipment	9,077,931	18,107	23,753	24,398	9,096,683
Total depreciable capital assets	34,509,686	360,212	23,753	653,056	35,499,201
Accumulated depreciation	19,770,005	1,368,424	23,357	-0-	21,115,072
Total depreciable capital assets, net	$ 14,739,681	$ (1,008,212)	$ 396	$ 653,056	$ 14,384,129
Right-of-use capital assets					
Equipment	$ 1,530,708	$ 133,329	$ 120,750	$ -0-	$ 1,543,287
Accumulated amortization	807,788	240,424	120,750	-0-	927,462
Total right-of-use capital assets, net	$ 722,920	$ (107,095)	$ -0-	$ -0-	$ 615,825

NOTE 6 - CAPITAL ASSETS (Continued)

The following is a summary of capital assets and related accumulated depreciation for the year ended September 30:

	2023	Additions	Deductions	Transfers	2024
Nondepreciable capital assets					
Land	$ 278,893	$ -0-	$ -0-	$ -0-	$ 278,893
Construction in progress	342,582	1,050,251	5,561	(892,008)	495,264
Total nondepreciable capital assets	$ 621,475	$ 1,050,251	$ 5,561	$ (892,008)	$ 774,157
Depreciable capital assets					
Land improvements	$ 730,003	$ -0-	$ -0-	$ -0-	$ 730,003
Buildings and fixed equipment	23,749,761	61,625	1,642	892,008	24,701,752
Moveable equipment	9,043,083	34,848	-0-	-0-	9,077,931
Total depreciable capital assets	33,522,847	96,473	1,642	892,008	34,509,686
Accumulated depreciation	18,422,380	1,317,614	-0-	30,011	19,770,005
Total depreciable capital assets, net	$ 15,100,467	$ (1,221,141)	$ 1,642	$ 861,997	$ 14,739,681
Right-of-use capital assets					
Equipment	$ 1,646,539	$ 144,500	$ 531,472	$ 271,141	$ 1,530,708
Accumulated amortization	807,531	258,811	531,472	272,918	807,788
Total right-of-use capital assets, net	$ 839,008	$ (114,311)	$ -0-	$ (1,777)	$ 722,920

NOTE 7- SUBSCRIPTION ASSETS

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

	2024	Additions	Disposals	2025
Subscription-based assets	$ 9,111,048	$ -0-	$ -0-	$ 9,111,048
Accumulated amortization	2,661,356	1,344,026	-0-	4,005,382
Total subscription-based assets, net	$ 6,449,692	$ (1,344,026)	$ -0-	$ 5,105,666

	2023	Additions	Disposals	2024
Subscription-based assets	$ 8,950,300	$ 160,748	$ -0-	$ 9,111,048
Accumulated amortization	1,356,215	1,305,141	-0-	2,661,356
Total subscription-based assets, net	$ 7,594,085	$ (1,144,393)	$ -0-	$ 6,449,692

NOTE 8 - OTHER ASSETS

Other assets at September 30, consists of the following:

	2025	2024
Start up costs for Behavioral Health Unit, net of straight-line amortization over 120 months	$ 2,278	$ 4,555
Deposits	25	25
Total	$ 2,303	$ 4,580

NOTE 9 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

Accrued expenses and withholdings payable at September 30 consist of the following:

	2025	2024
Accrued employee insurance payable (net of accrued stop loss receivable)	$ 966,873	$ 306,913
Accrued salaries and fees payable	409,420	545,761
Payroll withholdings	109,296	37,626
Provider tax payable	18,825	15,563
Total	$ 1,504,414	$ 905,863

NOTE 10 - COMPENSATED ABSENCES

Employees of the District are entitled to paid vacation and sick days depending on job classification, length of service and other factors. The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent year(s), and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, the District has one type of leave for liability recognition for compensated absences, which is paid time off for associates and salaried associates. The liability for compensated absences includes salary-related benefits.

Vacation - the Hospital's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment at the employee's current pay rate upon separation from employment.

Sick leave - the District's policy permits employees to accumulate earned but unused sick leave. All sick leave lapses when employees leave the employ of the District and, upon separation from service, no monetary obligation exists. However, a liability for estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences.

A summary of compensated absences at September 30, follows:

	2024	Net Change	2025	Current Portion
Paid time off	$ 488,538	$ 7,569	$ 496,107	$ 342,570
Sick leave	328,316	7,235	335,551	267,732
Totals	$ 816,854	$ 14,804	$ 831,658	$ 610,302

NOTE 11 - RETIREMENT PLAN

The Hospital has a qualified contributory defined contribution plan "LaSalle General Hospital Money Purchase Pension Plan" under Internal Revenue code of 1986, including any later amendments to the code providing retirement benefits for substantially all of its employees. The plan was restated August 15, 2013. The Plan administrator is the Hospital. The Hospital expects to continue the plan indefinitely but reserves the right to terminate the plan in whole or in part at any time upon giving written notice to all parties concerned. Annually, the Hospital contributes 5.1 percent of the aggregate compensation of eligible employees to the Plan. The liability recorded as "Retirement Plan Payable" on the Combined Statements of Net Position includes employer matching contributions for fiscal year 2025 and 2024. Mandatory contributions by the employee consist of 6.2 percent of their compensation. An employee must be age 18 or older to participate in the plan. An employee is 100 percent vested upon entry to the plan with normal retirement age being 65 years of age. The Principal is the plan trustee.

The Hospital also has a deferred compensation plan "LaSalle General Hospital Deferred Compensation Plan". The plan was intended to meet the requirements of Section 457 of the Internal Revenue Code of 1986, including any later amendments. The plan was restated, effective August 15, 2013. The Plan administrator is the Hospital. Employee voluntary salary contributions have a discretionary match of up to 2.5 percent by the employer. An employee is 100 percent vested upon entry to the plan with normal retirement age being 70 1/2 years of age. The employer discretionary match is determined by the employer and can be amended by the employer at their discretion. For the years ended September 30, 2025 and 2024, the amount of pension expense was $143,040 and $152,232, respectively. The Principal is the plan trustee.

Employee and employer contributions were as follows:

	2025	2024
Employee	$ 910,871	$ 891,364
Employer	$ 654,028	$ 637,971

The Nursing Home sponsors a tax-deferred annuity arrangement "Security Benefits 457 Deferred Compensation Plan", exempt under Section 457 of the Internal Revenue Code that covers all employees who have completed at least 1,000 hours of service per year. The employees must be 21 years of age or older to participate. An employee is 100 percent vested upon entry to the plan with normal retirement age being 70 1/2 years of age. Employees may elect to make contributions of up to $10,000 to the annuity through a salary reduction agreement. The Nursing Home pays participating employees 50% of their contributions currently. This percentage is at the Board's discretion and is reviewed each year. For the years ended September 30, 2025 and 2024, the amount of pension expense was $24,950 and $25,120, respectively. Security Benefits administers the above plan.

NOTE 12 - LONG-TERM DEBT

A summary of long-term debt at September 30 follows:

	2024	Additions	Payments	2025	Due Within One Year
Bond Payable	$ 1,443,000	$ -0-	$ 154,000	$ 1,289,000	$ 161,000
Note Payable - Equipment	44,301	-0-	28,486	15,815	15,815
Note Payable - Siemens	1,496,372	-0-	127,386	1,368,986	137,298
Total	$ 2,983,673	$ -0-	$ 309,872	$ 2,673,801	$ 314,113

	2023	Additions	Payments	2024	Due Within One Year
Note Payable - SSB	$ 183,448	$ -0-	$ 183,448	$ -0-	$ -0-
Bond Payable	1,591,000	-0-	148,000	1,443,000	154,000
Note Payable - Equipment	76,205	-0-	31,904	44,301	27,522
Note Payable - Siemens	1,614,364	-0-	117,992	1,496,372	127,398
Total	$ 3,465,017	$ -0-	$ 481,344	$ 2,983,673	$ 308,920

The following are the terms and due dates of the District's long-term debt at September 30:

- GE financed lease purchase of radiology equipment at 7.45% due in monthly payments of $507 until March 1, 2026, secured with equipment.
- Kansas State Bank financed lease purchase of a nuclear camera at 6.66% due in monthly payments of $1,669 until July 1, 2026, secured with equipment.
- Limited Tax Bonds, Series 2020 at a combined rate of 3.57% collateralized by a pledge and dedication of hospital revenue, with principal annually and interest semi-annually, starting September 1, 2020 through March 1, 2032.
- Tri Tech Medical financed lease purchase of telemetry machines at 2.48% due in monthly payments of $667 until March 29, 2025, secured with equipment. This note was paid out March 2025.
- Secured Note Payable (MOB) at 1.4%, secured by certificate of deposit of $390,000, due in monthly payments of $16,807 until August 23, 2024. This note was paid out August 2024.
- Lease Purchase Energy Savings agreement with Siemens at 4.6%, entered into May 24, 2018, due in variable quarterly payments until May 24, 2033, secured by various equipment. Energy savings should be available to pay lease payments.

NOTE 12 - LONG-TERM DEBT (Continued)

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

Year Ending September 30,	Long-Term Debt Principal	Interest
2026	$ 314,113	$ 104,264
2027	315,753	91,901
2028	333,777	79,129
2029	353,399	65,544
2030	373,650	51,097
2031 - 2033	983,109	57,005
Totals	$ 2,673,801	$ 448,940

Depreciation of assets under financed purchase leases in the amount of $200,537 is included in depreciation expense. The net book value of financed purchase leases is $1,050,796 as of September 30, 2025.

NOTE 13 - LEASE LIABILITY

Right-of-use assets and liabilities under lease liabilities are recorded at the fair value of the asset. The assets are amortized over the lease terms.

The following is a summary of the changes in lease liability obligations as of September 30:

	2024	Additions	Payments	2025	Due Within One Year
Equipment	$ 746,098	$ 133,330	$ 238,718	$ 640,710	$ 200,401
Total	$ 746,098	$ 133,330	$ 238,718	$ 640,710	$ 200,401

NOTE 13 - LEASE LIABILITY (Continued)

The following is a summary of the changes in lease liability obligations as of September 30:

	2023	Additions	Payments	2024	Due Within One Year
Equipment	$ 863,220	$ 144,500	$ 261,622	$ 746,098	$ 203,027
Total	$ 863,220	$ 144,500	$ 261,622	$ 746,098	$ 203,027

The following are the terms and due dates of the District's lease liability obligations:

Various lease liability obligations for equipment at stated and imputed interest rates ranging from 1.5% to 8.3% with total monthly payments ranging from $500 to $8,300, through August 2029.

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

Year Ending September 30,	Lease Liability Principal	Lease Liability Interest
2026	$ 200,401	$ 19,478
2027	186,369	12,005
2028	145,988	5,824
2029	107,952	1,587
2030	-0-	-0-
Totals	$ 640,710	$ 38,894

NOTE 14 - SUBSCRIPTION LIABILITY

The following is a summary of the changes in subscription liability obligations as of September 30:

	2024	Additions	Payments	2025	Due Within One Year
Total	$ 6,614,903	$ -0-	$ 1,310,581	$ 5,304,322	$ 1,275,494

	2023	Additions	Payments	2024	Due Within One Year
Total	$ 7,726,064	$ 160,748	$ 1,271,909	$ 6,614,903	$ 1,310,582

The District began recognizing subscription liability obligations related to the adoption of GASB 96 during fiscal year 2023. The subscription liability obligations relate to subscription-based information technology arrangements at imputed interest of 3% with maturity dates ranging from September 27, 2025 to September 30, 2029.

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

Year Ending September 30,	SBITA Liability Principal	SBITA Liability Interest
2026	$ 1,275,494	$ 142,126
2027	1,314,276	103,344
2028	1,354,237	63,383
2029	1,360,315	22,206
2030	-0-	-0-
Totals	$ 5,304,322	$ 331,059

NOTE 15 - NET PATIENT SERVICE REVENUE

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

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Hospital qualified for a Medicare low volume add-on for inpatient payments. These payments are effective for discharges occurring October 1, 2010 until September 30, 2024, as extended by Congress. The additional payments received under the Medicare low volume add-on were approximately $227,302 and $259,704, for the years ended September 30, 2025 and 2024. The District qualified as a Medicare Dependent Hospital until October 01, 2023. As a result of this, during fiscal year 2024 the intermediary paid volume decrease adjustments (VDA) of $128,838 and $437,936 for fiscal years 2019 and 2020, respectively. Swing bed routine services are reimbursed based on a prospectively determined rate per patient day based on clinical, diagnostic, and other factors. Inpatient behavioral health services are reimbursed based upon a prospective methodology based upon length of stay, diagnosis, and other factors. Home health services are paid by Medicare under a per episode prospective payment system (PPS). The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary.

Medicaid - Inpatient services are reimbursed based on a prospectively determined per diem rate. Some outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid based on a prospectively determined fee schedule. The District is reimbursed at a tentative rate for cost-based services with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. Home health services are paid by Medicaid under a PPS per visit method.

Commercial - The District has also 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. Blue Cross is the largest commercial provider. Blue Cross charges were 11% and 11% of total charges for the years ended September 30, 2025 and 2024, respectively.

The Hospital experienced material differences between the amounts initially recorded on its cost settlements with Medicare and Medicaid. The finalized Medicaid amount for fiscal year 2019 and 2020 resulted in a decrease in amounts due to the Hospital of $126,924. Medicare's finalized amounts did not change materially in fiscal year 2025.

The Hospital's previous reimbursements are also subject to secondary review by Medicare and Medicaid representatives. These representatives have several initiatives in progress. Material liabilities have been identified to date under these review programs; and, the potential exists for future claims. These will be recognized in the year the amounts are determined, if any.

NOTE 15 - NET PATIENT SERVICE REVENUE (Continued)

The following is a summary of the District's net patient service revenue for the years ended September 30:

	2025	2024
Gross charges	$ 60,024,234	$ 61,458,210
Less charges associated with charity patients	(125,906)	(29,898)
Gross patient service revenue	59,898,328	61,428,312
Less deductions from revenue:		
Contractual adjustments	(26,624,416)	(31,453,575)
Policy and other discounts	(4,850,666)	(3,723,988)
Patient service revenue (net of contractual adjustments and discounts)	28,423,246	26,250,749
Less provision for bad debts	(3,539,426)	(3,160,412)
Net patient service revenue less provision for bad debts	$ 24,883,820	$ 23,090,337

The District receives a substantial portion of its charges from the Medicare and Medicaid programs at discounted rates. The following is a summary of gross Medicare and Medicaid patient revenues for the years ended September 30:

	2025	2024
Medicare and Medicaid gross patient charges	$ 34,768,990	$ 34,997,380
Contractual adjustments	(13,364,671)	(15,664,656)
Program patient service revenues	$ 21,404,319	$ 19,332,724
Percent of total gross patient charges	58%	57%
Percent of total net patient revenue	86%	84%

NOTE 16 - PROFESSIONAL LIABILITY RISK

The District participates 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 fund provides for $400,000 in coverage per occurrence above the first $100,000 per occurrence for which the District is at risk. The fund 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 limiting the PCF's exposure to $400,000 per occurrence.

The District's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are redetermined utilizing actual losses of the District. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The District has included these allocations or equity amounts assigned to the District by the trust fund in its financial statements.

NOTE 17 - WORKMEN'S COMPENSATION RISK

The District participates in the Louisiana Hospital Association Self-Insurance Worker's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. Accordingly, the District is contingently liable for assessments by the Louisiana Hospital Association Trust Fund. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The District has included these allocations or equity amounts assigned to the District by the trust fund in its financial statements.

NOTE 18 - EMPLOYEE MEDICAL BENEFIT PLAN

The District is self-insured to provide group medical and drug coverage for its employees. The District entered into an agreement on November 1, 1997, with a third-party administrator to administer the plan. The third-party administrator is Insurance Management Services (IMS). The plan year runs from December 1 through November 30. The District funds its losses based on actual claims. A stop-loss insurance contract executed with an insurance carrier provides for payment of 100% of claims in excess of $80,000 per covered individual. A liability is accrued for self-insured employee health claims, including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims' experience, recently settled claims, and frequency of claims. It is reasonably possible that the District's estimate will change by a material amount in the near term.

NOTE 18 - EMPLOYEE MEDICAL BENEFIT PLAN (Continued)

The following is a summary of changes in the Hospital's claims liability for the year ended September 30:

	2025	2024
Beginning of the year	$ 306,913	$ 187,000
Plus: Claims incurred and changes in estimate, net of reinsurance	1,178,354	966,949
Less: Claims paid	518,394	847,036
End of the year	$ 966,873	$ 306,913

NOTE 19 - CONTINGENCIES

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

The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 15) - The District 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 licensure, accreditation, privacy, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the District 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

NOTE 19 - CONTINGENCIES (Continued)

to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Professional Liability Risk (Note 16) - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

Workmen's Compensation Risk (Note 17) - The district is contingently liable for assessments by the Louisiana Hospital Association Trust Fund.

Self-Funded Health Insurance Risk (Note 18) - The Hospital has a self-funded health insurance plan administered by Insurance Management Services. Provision has been made for incurred but non-reported claims in the amount of $85,000. Accordingly, the Hospital is contingently liable for claims that may be reported subsequent to the balance sheet date. The Hospital has acquired stop-loss insurance to cover individual claims exceeding $80,000.

NOTE 20 - CHARITY CARE

The District provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% of charity care or owe a per-diem based on the patient's level of income. Accordingly, the District does not report the amounts it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The District determines the cost associated with providing charity care by aggregating the applicable direct and indirect costs, including wages and related benefits, supplies and other operating expenses. The cost of caring for charity care patients was approximately $77,038 and $16,944 in 2025 and 2024, respectively. The amount of charges for services and supplies furnished under the District's charity care policy aggregated approximately $125,906 and $29,898 in 2025 and 2024, respectively.

NOTE 21 - PROPERTY TAXES

The District levies a property tax on all property subject to taxation in the service district. A 10-year 10.45 mill tax was effective thru 2012, to be dedicated and used for operating, maintaining, renovating, and improving emergency medical services. This tax was renewed for a maximum of 5.0 mills for 10 years in October 2012 and in November 2019. This tax will be effective until the year 2029. Property taxes are collected through the local sheriff's office and remitted, net of collection fees, to the District. Property tax notices are mailed by November 15 each year, are due by December 31, and become delinquent on January 31.

NOTE 22 - MEDICAID SUPPLEMENTAL PAYMENTS

For state fiscal years (SFY) 2026, 2025 and 2024, the Louisiana Department of Health (LDH) obtained a Medicaid State Plan Amendment (SPA) approval from the Centers for Medicare and Medicaid Services (CMS) to make quarterly supplemental payments to hospitals based upon certain assumptions under a directed payment plan (DPP). Annually thereafter, LDH must submit the assumptions to CMS for approval in future years. The basis for interim supplemental payments is the Hospital's historical paid claims and other factors. In future state fiscal years, actual paid claims and other factors will be used to reconcile interim payments to final settled DPP amounts. LDH anticipates increasing or decreasing future DPP payments by the reconciliation amounts. The Hospital has recognized approximately $2,547,620 and $2,801,933 for the years ended September 30, 2025 and 2024, respectively, as Medicaid supplemental income after consideration was given for future adjustments which the Hospital determined necessary. The extent income recognized in the current period differs from actual results, Medicaid supplemental income will be adjusted.

The District d/b/a LaSalle Nursing Home entered into an Intergovernmental Transfer Agreement (IGT) with the Louisiana Department of Health (LDH) as part of the "Non-State Governmental Organization Nursing Facilities Medicaid Upper Payment Limit Program (SPA)." This Medicaid supplemental payment is to be used as a match within the Medicaid program. In fiscal year 2025 the District received a total of $1,717,312 of which $673,975 was submitted to LDH as an IGT. In fiscal year 2024 the District received a total of $1,864,594 of which $841,956 was submitted to LDH as an IGT.

The District d/b/a LaSalle General Hospital entered into an Intergovernmental Transfer Agreement (IGT) with the Louisiana Department of Health (LDH) as part of Louisiana Physician IPA, Inc. which is a physician supplemental program. In fiscal year 2025, the District received a total of $2,004,278 of which $861,961 was submitted to LDH as an IGT. In fiscal year 2024, the District received a total of $293,654 of which $117,702 was submitted to LDH as an IGT.

NOTE 23 - COOPERATIVE ENDEAVOR AGREEMENT

The District has agreed to a cooperative endeavor (CEA) with other like-minded Louisiana hospitals, per Louisiana's Rural Hospital Preservation Act. The intent of this arrangement is to pool hospital resources across the State to support access to healthcare in rural Louisiana. Under the CEA, the District deposits an amount, determined annually by the Rural Hospital Coalition (RHC), into an account, from which RHC is permitted to withdraw funds and make distributions to participating hospitals using a predetermined formula. Although the payments are formulaic in nature, they are not guaranteed, nor are they directly related to Medicaid reimbursements for the provisions of goods and healthcare services to patients. Accordingly, the deposits made by the District to RHC were less than the amount received by the District under this program, resulting in a net amount of $926,508 and $359,183 for the years ended September 30, 2025 and 2024, respectively. This was recorded as other operating revenue called Access to Care.

NOTE 24 - ACCOUNTING CHANGES AND PRIOR PERIOD ADJUSTMENTS

Change in Method of Accounting for Compensated Absences – As discussed in Note 2, the District adopted GASB Statement No. 101, *Compensated Absences*, on October 1, 2024. This statement is applied retroactively by restating balances in the financial statements as of September 30, 2024 as shown in the table below.

Correction of Prior Period Error – During fiscal year 2025, the District determined that prior year patient accounts receivable were overstated due to oversight of certain facts and conditions related to the collectability of patient accounts receivables. The effect of this error correction resulted in adjustments to and restatements of beginning net position, accounts receivable and net patient services revenue of $1,385,000, as shown in the table below.

Correction of Prior Period Error – During fiscal year 2025, the District determined that certain intercompany accounts in the prior year were misclassified. The effect of this reclassification error resulted in a reduction of other receivables and accrued expenses of $425,406, as shown in the table below.

	2024 As Previosly Reported	Restatement - GASB 101 Implementation	Error Corrections	2024 As Restated
Accounts receivable, net	$ 4,810,689	$ -0-	$ (1,385,000)	$ 3,425,689
Other receivables	$ 1,764,113	$ -0-	$ (425,406)	$ 1,338,707
Accrued expenses	$ 1,786,223	$ (454,954)	$ (425,406)	$ 905,863
Compensated absences (short-term)	$ -0-	$ 597,731	$ -0-	$ 597,731
Compensated absences (long-term)	$ -0-	$ 219,123	$ -0-	$ 219,123
Net Position (Unrestricted)	$ 2,035,703	$ (361,900)	$ (1,385,000)	$ 288,803
Net patient service revenue	$ 24,475,337	$ -0-	$ (1,385,000)	$ 23,090,337
Salaries and benefits	$ 17,443,379	$ (5,228)	$	$ 17,438,151

NOTE 25 - EMPHASIS OF MATTER

The District has experienced significant losses in the six prior fiscal years, which has led to a decline in the financial position. Additionally, the District has experienced problems meeting its current obligations.

Management has implemented plans to alleviate this negative trend and continuously strives to improve current operations. Management is working with an outside consultant and has acted on all recommendations. The focus has been, and continues to be, on improving collections, reducing expenses, and increasing patient volume. Increasing patient volume has been, and remains as, the top priority. As such, management is in the process of evaluating continuum of care with outside consultants and plans to seek grants that would help the District market their services with the goal of increasing public awareness of the services the hospital offers. The District continues to work with the hospital coalition, outside consultants, and the District's attorneys to improve the District's situation. The District has been able to negotiate discounts for amounts owed to two of its major vendors. The District has also seen significant growth in its 340B drug program as a result of working with a vendor who specializes in 340B optimization. Management is also working with third parties to obtain sole-community hospital status, which would lower the eligibility threshold for participation in the 340B drug program and potentially increase Medicare reimbursement.

NOTE 26 - SUBSEQUENT EVENTS

Events relating to the financial audit have been evaluated through March 30, 2026 for subsequent event disclosure, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedules of Net Patient Service Revenue
Years Ended September 30,

	2025	2024
Routine services:		
Adult and pediatric	$ 4,152,478	$ 5,640,600
Swing bed	1,244,000	1,412,000
Behavioral health unit	8,696,050	8,092,617
Nursing home services	6,746,755	6,125,808
Total routine services	20,839,283	21,271,025
Other professional services:		
Radiology	7,037,983	6,486,721
Laboratory and blood	10,045,501	10,231,717
IV therapy	462,901	598,343
Respiratory therapy, EEG, & EKG	2,658,062	3,006,515
Physical therapy	1,093,781	1,336,645
Occupational therapy	693,498	584,281
Speech therapy	657,373	597,909
Medical supply	1,087,024	1,209,891
Pharmacy	1,837,661	2,108,312
Wellness center	14,415	14,200
Emergency service	4,210,708	4,422,786
Observation room	2,496,225	2,055,575
Ambulance service	2,518,543	3,065,762
Home health services	644,716	703,703
Rural health clinic	3,682,652	3,716,784
Industrial medicine	43,908	48,041
Total other professional services	39,184,951	40,187,185
Gross charges	60,024,234	61,458,210
Less charges associated with charity patients	(125,906)	(29,898)
Gross patient service revenue	$ 59,898,328	$ 61,428,312

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedules of Net Patient Service Revenue (Continued)
Years Ended September 30,

	2025	2024
Less deductions from revenue:		
Medicare and Medicaid contractual adjustments	$ (13,364,671)	$ (15,664,656)
Other contractual adjustments	(13,259,745)	(15,788,919)
Policy and other discounts	(4,850,666)	(3,723,988)
Patient service revenue (net of contractual adjustments and discounts)	28,423,246	26,250,749
Less provision for bad debts	(3,539,426)	(3,160,412)
Net patient service revenue	$ 24,883,820	$ 23,090,337

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedules of Other Operating Revenue
Years Ended September 30,

	2025	2024
Purchase discounts taken	$ 8,106	$ 9,451
Cafeteria	207,923	201,750
Medical record abstracts	81	229
Vending	887	1,719
Ambulance reimbursement	261,207	249,756
Medical office rent	17,624	15,755
Pharmacy 340B	3,464,030	2,388,131
Access to care	926,508	359,183
Miscellaneous revenue	40,206	88,160
Total other operating revenue	$ 4,926,572	$ 3,314,134

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedules of Expenses - Salaries and Benefits
Years Ended September 30,

	2025	2024
Salaries:		
Administration	$ 1,323,207	$ 1,326,691
Plant operations and maintenance	256,545	224,197
Laundry	10,687	13,892
Housekeeping	487,357	487,929
Dietary and cafeteria	489,038	486,185
Nursing administration	489,678	496,853
Medical records	158,926	124,233
Social services	122,798	120,919
Nursing services - acute	1,725,091	1,742,287
Nursing services - long-term care	2,474,895	2,138,549
Wellness center	8,128	10,700
Radiology	622,724	645,849
Laboratory	533,775	571,994
Respiratory therapy	498,485	459,238
Physical therapy	252,844	355,955
Occupational therapy	185,355	189,909
Speech therapy	233,335	200,714
Central supply	144,580	163,394
Pharmacy	269,677	275,003
Emergency room	1,216,719	1,306,823
Ambulance	868,537	941,753
Home health	396,647	403,805
Rural health clinic	1,942,147	1,991,118
Industrial medicine	74,497	74,881
Total salaries	14,785,672	14,752,871
Benefits:		
Payroll taxes	576,369	578,581
Health insurance	1,481,716	1,225,673
Other	841,170	881,026
Total benefits	2,899,255	2,685,280
Total salaries and benefits	$ 17,684,927	$ 17,438,151

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedules of Expenses - Medical Supplies and Drugs
Years Ended September 30,

	2025	2024
Nursing services	$ 47,904	$ 97,225
Behavioral health	16,658	16,367
Wellness center	1,705	1,644
Radiology	69,670	61,069
Laboratory and blood	387,714	469,610
Respiratory therapy	41,158	44,112
Physical therapy	2,939	15,416
Occupational therapy	1,910	1,969
Central supply	9,519	23,572
Pharmacy	249,038	379,524
Pharmacy 340B	1,627,739	1,000,546
Emergency room	100,014	107,072
Ambulance	33,626	23,007
Home health	22,129	34,521
Rural health clinic	142,020	143,689
Industrial medicine	19,021	13,753
Nursing home supplies	311,170	342,029
Total medical supplies and drugs	$ 3,083,934	$ 2,775,125

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedules of Expenses - Professional Fees
Years Ended September 30,

	2025	2024
Radiology	$ 357,937	$ 434,096
Laboratory	261,252	260,867
Physical therapy	585,907	527,540
EKG, EEG	63,550	78,085
Emergency room	1,211,084	1,134,336
Pharmacy	6,900	6,900
Rural health clinic	856,198	853,283
Total professional fees	$ 3,342,828	$ 3,295,107

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedules of Expenses - Other Expenses
Years Ended September 30,

	2025	2024
Contract services	$ 154,527	$ 123,731
Consultants	1,373,434	1,432,299
Behavioral health unit consultants	2,530,496	2,351,927
Legal and accounting	233,822	171,743
Supplies	1,098,658	940,854
Laundry contract services	373,481	367,891
Repairs and maintenance	828,979	703,730
Utilities	487,977	527,089
Telephone	124,066	126,407
Travel	111,200	135,319
Rentals	138,695	44,620
Advertising	126,055	169,356
Recruitment	8,318	16,771
Dues and subscriptions	354,795	143,514
Intergovernmental transfer expense	851,961	175,610
Miscellaneous	126,258	162,761
Provider tax	275,690	266,352
Total other expenses	$ 9,198,412	$ 7,859,974

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Net Position
September 30, 2025

	LaSalle General Hospital	LaSalle Nursing Home	Eliminating Entries	Combined
ASSETS				
Current Assets				
Cash and cash equivalents	$ 267,998	$ 198,210	$ -0-	$ 466,208
Assets whose use is limited - required for current liabilities	-0-	17,186	-0-	17,186
Accounts receivable, net of estimated uncollectibles	3,239,327	575,044	(61,787)	3,752,584
Estimated third-party payor settlements	964,828	12,069	-0-	976,897
Other receivables	2,279,967	5,733,868	(5,731,731)	2,282,104
Inventory	298,439	-0-	-0-	298,439
Prepaid expenses	49,014	59,310	-0-	108,324
Total Current Assets	7,099,573	6,595,687	(5,793,518)	7,901,742
Non-Current Assets				
Nondepreciable capital assets	476,550	37,264	-0-	513,814
Depreciable capital assets, net	12,840,544	1,543,585	-0-	14,384,129
Right-of-use capital assets, net	615,825	-0-	-0-	615,825
Subscription assets, net	5,105,666	-0-	-0-	5,105,666
Limited use assets	238,945	-0-	-0-	238,945
Other assets	2,278	25	-0-	2,303
Total Assets	$ 26,379,381	$ 8,176,561	$ (5,793,518)	$ 28,762,424
LIABILITIES AND NET POSITION				
Current Liabilities				
Accounts payable	$ 4,616,994	$ 201,095	$ (61,787)	$ 4,756,302
Accrued expenses and withholdings payable	1,937,313	60,027	(492,926)	1,504,414
Current portion of compensated absences	514,298	96,004	-0-	610,302
Estimated third-party payable	70,507	-0-	-0-	70,507
Limited use assets	-0-	17,186	-0-	17,186
Retirement plan payable	949,638	-0-	-0-	949,638
Current portion of lease liability	200,401	-0-	-0-	200,401
Current portion of subscription liability	1,275,494	-0-	-0-	1,275,494
Current portion of long-term debt	314,113	-0-	-0-	314,113
Total Current Liabilities	9,878,758	374,312	(554,713)	9,698,357
Long-term liabilities				
Compensated absences	211,421	9,935	-0-	221,356
Lease liability, net of current maturities	440,309	-0-	-0-	440,309
Subscription liability, net of current maturities	4,028,828	-0-	-0-	4,028,828
Long-term debt, net of current maturities	7,598,493	-0-	(5,238,805)	2,359,688
Total Liabilities	$ 22,157,809	$ 384,247	$ (5,793,518)	$ 16,748,538

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Net Position (Continued)
September 30, 2025

	LaSalle General Hospital	LaSalle Nursing Home	Eliminating Entries	Combined
Net Position				
Invested in capital assets, net of related debt	$ 5,180,947	$ 1,580,849	$ 5,238,805	$ 12,000,601
Restricted	238,945	17,186	-0-	256,131
Unrestricted	(1,198,320)	6,194,279	(5,238,805)	(242,846)
Total Net Position	4,221,572	7,792,314	-0-	12,013,886
Total Liabilities and Net Position	$ 26,379,381	$ 8,176,561	$ (5,793,518)	$ 28,762,424

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Net Position
September 30, 2024

	LaSalle General Hospital	LaSalle Nursing Home	Eliminating Entries	Combined
ASSETS				
Current Assets				
Cash and cash equivalents	$ 44,414	$ 291,776	$ -0-	$ 336,190
Assets whose use is limited - required for current liabilities	-0-	16,815	-0-	16,815
Accounts receivable, net of estimated uncollectibles	2,761,798	663,891	-0-	3,425,689
Estimated third-party payor settlements	842,257	57,773	-0-	900,030
Other receivables	1,335,616	5,701,062	(5,697,971)	1,338,707
Inventory	266,428	-0-	-0-	266,428
Prepaid expenses	99,883	37,090	-0-	136,973
Total Current Assets	5,350,396	6,768,407	(5,697,971)	6,420,832
Non-Current Assets				
Nondepreciable capital assets	745,592	28,565	-0-	774,157
Depreciable capital assets, net	13,213,958	1,525,723	-0-	14,739,681
Right-of-use capital assets, net	722,920	-0-	-0-	722,920
Subscription assets, net	6,449,692	-0-	-0-	6,449,692
Limited use assets	118,179	-0-	-0-	118,179
Other assets	4,555	25	-0-	4,580
Total Assets	$ 26,605,292	$ 8,322,720	$ (5,697,971)	$ 29,230,041
LIABILITIES AND NET POSITION				
Current Liabilities				
Cash overdraft	$ 57,881	$ -0-	-0-	$ 57,881
Accounts payable	3,683,698	136,788	$ -0-	3,820,486
Accrued expenses and withholdings payable	1,201,845	163,184	(459,166)	905,863
Current portion of compensated absences	508,736	88,995	-0-	597,731
Estimated third-party payable	2,245	-0-	-0-	2,245
Deferred revenue	16,083	19,968	-0-	36,051
Limited use assets	-0-	16,815	-0-	16,815
Retirement plan payable	463,599	-0-	-0-	463,599
Current portion of lease liabilities	203,027	-0-	-0-	203,027
Current portion of subscription liabilities	1,310,582	-0-	-0-	1,310,582
Current portion of long-term debt	308,920	-0-	-0-	308,920
Total Current Liabilities	7,756,616	425,750	(459,166)	7,723,200
Long-term liabilities				
Compensated absences	208,864	10,259	-0-	219,123
Lease liability, net of current maturities	543,071	-0-	-0-	543,071
Subscription liability, net of current maturities	5,304,321	-0-	-0-	5,304,321
Long-term debt, net of current maturities	7,913,558	-0-	(5,238,805)	2,674,753
Total Liabilities	$ 21,726,430	$ 436,009	$ (5,697,971)	$ 16,464,468

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Net Position (Continued)
September 30, 2024

	LaSalle General Hospital	LaSalle Nursing Home	Eliminating Entries	Combined
Net Position				
Invested in capital assets, net of related debt	$ 5,548,683	$ 1,554,288	$ 5,238,805	$ 12,341,776
Restricted	118,179	16,815	-0-	134,994
Unrestricted	(788,000)	6,315,608	(5,238,805)	288,803
Total Net Position	4,878,862	7,886,711	-0-	12,765,573
Total Liabilities and Net Position	$ 26,605,292	$ 8,322,720	$ (5,697,971)	$ 29,230,041

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2025

	LaSalle General Hospital	LaSalle Nursing Home	Eliminating Entries	Combined
Operating Revenues				
Net patient service revenue	$ 18,277,470	$ 6,606,350	$ -0-	$ 24,883,820
Medicaid supplemental payments	5,880,059	-0-	-0-	5,880,059
Other operating revenue	5,568,674	144	(642,246)	4,926,572
Total Operating Revenues	29,726,203	6,606,494	(642,246)	35,690,451
Operating Expenses				
Salaries and benefits	13,603,350	4,092,357	(10,780)	17,684,927
Medical supplies and drugs	2,772,764	311,170	-0-	3,083,934
Insurance	384,308	77,359	-0-	461,667
Professional fees	2,750,051	592,777	-0-	3,342,828
Other expenses	8,303,105	1,526,773	(631,466)	9,198,412
Depreciation and amortization	2,820,514	134,637	-0-	2,955,151
Total Operating Expenses	30,634,092	6,735,073	(642,246)	36,726,919
Operating Income (Loss)	(907,889)	(128,579)	-0-	(1,036,468)
Nonoperating Revenues (Expenses)				
Property taxes	328,546	-0-	-0-	328,546
Interest income	3,596	34,578	(33,760)	4,414
Interest expense	(504,810)	-0-	33,760	(471,050)
Gain (loss) on disposal of assets	-0-	(396)	-0-	(396)
Changes in Net Position before Capital Grants	(1,080,557)	(94,397)	-0-	(1,174,954)
Capital grants	423,267	-0-	-0-	423,267
Increase (Decrease) in Net Position	(657,290)	(94,397)	-0-	(751,687)
Net Position at Beginning of Year	4,879,292	7,886,281	-0-	12,765,573
Net Position at End of Year	$ 4,222,002	$ 7,791,884	$ -0-	$ 12,013,886

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2024

	LaSalle General Hospital	LaSalle Nursing Home	Eliminating Entries	Combined
Operating Revenues				
Net patient service revenue	$ 17,004,011	$ 6,086,326	$ -0-	$ 23,090,337
Medicaid supplemental payments	4,134,177	-0-	-0-	4,134,177
Intergovernmental transfer grants	48,522	-0-	-0-	48,522
Noncapital grants	63,827	-0-	-0-	63,827
Other operating revenue	3,870,992	56,051	(612,909)	3,314,134
Total Operating Revenues	25,121,529	6,142,377	(612,909)	30,650,997
Operating Expenses				
Salaries and benefits	13,794,616	3,643,535	-0-	17,438,151
Medical supplies and drugs	2,433,096	342,029	-0-	2,775,125
Insurance	361,464	66,913	-0-	428,377
Professional fees	2,760,682	534,425	-0-	3,295,107
Other expenses	6,961,814	1,511,069	(612,909)	7,859,974
Depreciation and amortization	2,909,624	122,748	-0-	3,032,372
Total Operating Expenses	29,221,296	6,220,719	(612,909)	34,829,106
Operating Income (Loss)	(4,099,767)	(78,342)	-0-	(4,178,109)
Nonoperating Revenues (Expenses)				
Property taxes	311,321	-0-	-0-	311,321
Interest income	7,335	34,614	(33,760)	8,189
Interest expense	(476,923)	-0-	33,760	(443,163)
Gain (loss) on disposal of assets	326	12	-0-	338
Changes in Net Position before Capital Grants	(4,257,708)	(43,716)	-0-	(4,301,424)
Capital grants	24,398	-0-	-0-	24,398
Increase (Decrease) in Net Position	(4,233,310)	(43,716)	-0-	(4,277,026)
Net Position at Beginning of Year	9,112,602	7,929,997	-0-	17,042,599
Net Position at End of Year	$ 4,879,292	$ 7,886,281	$ -0-	$ 12,765,573

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedules of Per Diem and
Other Compensation Paid to Board Members
Years Ended September 30,

	Term	-Compensation-	
	Expires	2025	2024
Board Members			
Janice Dosher	April 2026	None	None
Steve Crooks	April 2029	None	None
Sandra Webster	April 2028	None	None
Robert Kendrick, M.D.	April 2030	None	None
Tom Watkins	April 2030	None	None

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Compensation, Benefits, and Other Payments
to Chief Executive Officers
Year Ended September 30, 2025

Agency Head Name:	Lana Francis
Position:	Chief Executive Officer
Time Period:	October 1, 2024 to September 30, 2025

Purpose		Amount
Salary	$	147,470
Health insurance		9,303
Retirement (FICA replacement plan)		3,081
Car allowance		-0-
Vehicle provided by government		-0-
Per diem		-0-
Reimbursements		-0-
Travel		-0-
Registration fees		355
Conference travel		125
Continuing professional education fees		-0-
Housing		-0-
Unvouchered expenses		-0-
Special meals		-0-

Agency Head Name:	Phyllis Bryan
Position:	Administrator
Time Period:	October 1, 2024 to September 30, 2025

Purpose		Amount
Salary	$	138,154
Health insurance		10,387
Retirement		6,000
Car allowance		-0-
Vehicle provided by government		-0-
Per diem		-0-
Reimbursements		121
Travel		64
Registration fees		225
Conference travel		265
Continuing professional education fees		27
Housing		-0-
Unvouchered expenses		-0-
Special meals		-0-

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(1949-2023)

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Hospital Service District No. 2
Parish of LaSalle, State of Louisiana
Jena, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to group financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Hospital Service District No. 2, Parish of LaSalle ("the District"), a component unit of the LaSalle Parish Police Jury, as of and for the years ended September 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's combined basic financial statements as listed in the table of contents, and have issued our report thereon dated March 30, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items: 2025-002, 2025-003, 2025-004 and 2025-07 to be material weaknesses.
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. We

Board of Commissioners
Hospital Service District No. 2
Parish of LaSalle, State of Louisiana
Jena, Louisiana
Page Two

identified certain deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items: 2025-001, 2025-005, and 2025-006 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.* We consider the instances of noncompliance described in the accompanying schedule of findings and responses as items: 2025-005, 2025-006, and 2025-007.

The District's Response to Findings

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

Purpose of This Report

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

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

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

March 30, 2026

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Current Year Findings and Responses
Year Ended September 30, 2025

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:
- Material weaknesses identified - Yes
- Significant deficiencies identified - Yes

Compliance
- Noncompliance issues noted - Yes

Management letter issued - No

Federal Awards - N/A

Section II. Financial Statement Findings

FINDING 2025-001 - Segregation of Duties

Criteria: There should be a complete segregation of duties in all accounting, recording and custody functions.

Condition: Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording and custody functions.

Cause: District is small and cannot afford to pay salaries for staff to completely segregate duties.

Effect: Fraud could occur without internal controls detecting it on a timely basis.

Recommendation: We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes 1) separating transaction authorization from custody of related assets; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

Response: Due to the size of our organization, and the abilities of current staff, we will continue to closely supervise and review the accounting, recording, and custody functions.

FINDING 2025-002 - Estimate of Third-party Payor Settlements

Criteria: Accrual basis accounting should include revenues and receivables when earned rather than when received.

Condition: Management did not record an estimate for the current year Medicare and Louisiana Medicaid cost report settlements.

Section II. Financial Statement Findings (Continued)

Cause: Management considered the cost of calculating an estimated cost report settlement to be in excess of the benefit.

Effect: Because an estimated cost report settlement for the current fiscal year was not recorded, the receivables were materially understated at year-end by $463,000 and contractual adjustments were materially overstated by $463,000.

Recommendation: Management should calculate and record settlements based on interim cost report calculations, if the cost does not exceed the benefits.

Response: Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from preparing interim cost reports. It is more efficient and cost effective for external cost report preparers to prepare the cost reports at year-end. Management will record differences between interim payments and actual cost report settlements. These differences will be charged against income in future periods when determinable. Contract Chief Financial Officer will review interim adjustments on a monthly basis. District staff will ensure during each month that all third-party payor settlements are recorded to correct general ledger accounts.

FINDING 2025-003 - Allowances for receivables

Criteria: The District should make calculations using current information to determine the valuation of receivables and adjust the allowances as necessary in order to properly report net patient service revenue.

Condition: Various accounts receivable balances for patients and third-parties were deemed as uncollectible or overvalued as of September 30, 2025.

Cause: Historical collection percentages used in the estimate for net patient accounts receivable did not reflect current collection percentages and percentages were not adjusted for older receivables.

Effect: Net patient service revenue and related receivables were overstated by approximately $324,000.

Recommendation: Management should use current collection information as the basis for estimating the collectability of patient accounts receivable with additional reserves for older receivables.

Response: Management will update the percentages used to estimate net patient accounts receivable to reflect current reimbursement rates and additional reserves will be applied to older receivables.

Section II. Financial Statement Findings (Continued)

FINDING 2025-004 - Self Funded Group Health Insurance

Criteria: Employee health insurance claims that were processed by the third-party administrator of the self-funded group health insurance plan should be recorded and submitted by the Hospital for payment as they are received.

Condition: Employee health insurance claims incurred and reported by the third-party administrator of the self-funded group health insurance plan were not paid timely and a liability reflecting unpaid claims was not established.

Cause: Checks prepared by the third-party administrator for the payment of processed claims are being held by the Hospital until funding is available for payment. Checks held by the Hospital are recorded as a liability rather than outstanding checks. At year-end, the liability balance was adjusted to agree with estimates of claims incurred but not reported.

Effect: The liability for unpaid employee health insurance claims and employee health insurance expense were understated by approximately $767,000.

Recommendation: We recommend recording checks for employee health insurance claims as cash disbursements and submitting outstanding checks to providers as they are received from the third-party administrator.

Response: Management will record employee health insurance claims as cash disbursements and remit checks to providers as they are received.

FINDING 2025-005 - Pensions

Criteria: Management should submit employer matching contributions in a timely manner in accordance with plan documents.

Condition: Management did not submit employer matching contributions for calendar year 2024 in a timely manner in accordance with plan documents.

Cause: Employer was experiencing cash flow problems.

Effect: Management was not in compliance with plan documents.

Recommendation: Employer contributions should be remitted to the plan in accordance with plan documents.

Response: The employer matching contributions for calendar year 2024 were remitted in March of 2026. Management plans to remit the employer matching contributions for calendar year 2025 in fiscal year 2026. In the future, management will comply with plan documents.

Section II. Financial Statement Findings (Continued)

FINDING 2025-006 - Contracts

Criteria: Payments should be made in agreement with contract terms.

Condition: Payments for contracted services were not paid timely during fiscal year 2025.

Cause: Collection errors and lack of oversight led to slow cash flows.

Effect: Contract terms were violated.

Recommendation: We recommend that management either pay contract timely or agree to different payment terms for contracted services.

Response: Management will make every effort to pay contracts on a timely basis.

FINDING 2025-007 - New Accounting Pronouncement

Criteria: New accounting pronouncements should be implemented in the year that they become effective.

Condition: GASB 101, *Compensated Absences*, became effective October 1, 2024 for the District's reporting period, but was not implemented.

Cause: Lack of oversight by management.

Effect: Liabilities and beginning net position, as of September 30, 2025, were understated by approximately $362,000.

Recommendation: We recommend implementing new accounting pronouncements in the year in which they become effective.

Response: Management will ensure new accounting pronouncements are implemented in a timely manner.

Section III. Federal Awards Findings and Questioned Costs

Not applicable

Section IV. Management Letter

Not applicable

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Prior Year Findings
Year Ended September 30, 2025

Section I. Financial Statement Findings

FINDING 2024-001 - Segregation of Duties

Fiscal Year Initially Reported: September 30, 2007

Condition: Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording and custody functions.

Recommendation: We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes 1) separating transaction authorization from custody of related assets; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

Current Status: Not resolved - See finding 2025-001

FINDING 2024-002 - Estimate of Third-party Payor Settlements

Fiscal Year Initially Reported: September 30, 2007

Condition: Management did not record an estimate for the current year Medicare and Louisiana Medicaid cost report settlements.

Recommendation: Management should calculate and record settlements based on interim cost report calculations, if the cost does not exceed the benefits.

Current Status: Not resolved - See finding 2025-002

FINDING 2024-003 - Reconciliations

Fiscal Year Initially Reported: September 30, 2023

Condition: The District's subsidiary ledgers and general ledger accounts were not reconciled in a timely manner creating noncompliance with the District's internal controls.

Recommendation: Management should review the reconciliations of subsidiary ledgers on a monthly basis and correct any errors prior to year-end. They should also comply with the internal control procedures.

Current Status: Resolved.

Section I. Financial Statement Findings (Continued)

FINDING 2024-004 - Credit Balances

Fiscal Year Initially Reported: September 30, 2023

Condition: Credit balances on accounts receivable grew from $184,000 at September 30, 2022 to $588,000 at September 30, 2023. In fiscal year 2024, they increased to $780,000.

Recommendation: We recommend that management assigns the duty of oversight and investigating adjustments and credit balances on patient accounts to a specific person. This person should report to management and make necessary adjustments to or timely refunds of the balances as needed on a monthly basis.

Current Status: Resolved

FINDING 2024-005 - Accounts payable

Fiscal Year Initially Reported: September 30, 2024

Condition: Accounts payable invoices for goods and services were not accrued correctly during the fiscal years 2023 and 2024.

Recommendation: We recommend that management assigns the duty of oversight to a specific person. This person should review reports, prepare accruals, and report to management on a monthly basis to verify oversight is being performed.

Current Status: Resolved

FINDING 2024-006 - Contracts

Fiscal Year Initially Reported: September 30, 2024

Condition: Payments for contracted services were not paid timely during fiscal year 2024.

Recommendation: We recommend that management either pay contracts timely or agree to different payment terms for contracted services.

Current Status: Not resolved - See finding 2025-006

Section II. Federal Awards Findings and Questioned Costs

Not applicable

Section III. Management Letter

Not applicable

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 01, 2024 through September 30, 2025. The District's management is responsible for those C/C areas identified in the SAUPs.

The District 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 October 01, 2024 through September 30, 2025. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1) Board or Finance Committee

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

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

   ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

   iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

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

2) Bank Reconciliations

A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

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

ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated, electronically logged); and

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

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

3) Collections (excluding electronic funds transfers)

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

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

i. Employees responsible for cash collections do not share cash drawers/registers;

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

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

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

C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.

D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #2A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

i. Observe that receipts are sequentially pre-numbered.

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

iii. Trace the deposit slip total to the actual deposit per the bank statement.

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

v. Trace the actual deposit per the bank statement to the general ledger.

Exceptions: LNH – The person responsible for collecting cash is also responsible for preparing and posting deposits.

Management's Response: Management has enacted policies and procedures to address the control and compliance areas identified. However, due to small staff, there will always be a segregation of duties issue at the Nursing Home.

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

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

B. For each location selected under procedure #4A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that

i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;

ii. At least two employees are involved in processing and approving payments to vendors;

iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;

iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and

v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

C. For each location selected under procedure #4A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and

i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and

ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #4B above, as applicable.

D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #2A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

Exceptions: LNH – The employee responsible for processing payments is also authorized to sign checks and mail them. Also, there is no evidence of segregation of duties on non-payroll disbursements.

Management's Response: Management has enacted policies and procedures to address the control and compliance areas identified. However, due to small staff, there will always be a segregation of duties issue at the Nursing Home.

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

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

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

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

ii. Observe that finance charges and late fees were not assessed on the selected statements.

C. Using the monthly statements or combined statements selected under procedure #5B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Exceptions: LNH - Twenty of thirty (20 of 30) individual transactions tested did not have written documentation of the business purpose.

Management's Response: Management will update and enforce policies and procedures to ensure credit card purchases are supported by an original itemized receipt and written documentation of the business purpose.

6) Fraud Notice

A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.

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

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

We were engaged by the District and LLA 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 the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

Board of Commissioners
Hospital Service District No. 2 of the Parish of LaSalle
and the Louisiana Legislative Auditor

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

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana
March 20, 2026