CITIZENS MEDICAL CENTER

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
MARCH 31, 2026 AND 2025

LESTER, MILLER & WELLS
A Corporation of Certified Public Accountants

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Citizens Medical Center
Columbia, Louisiana

Management's Discussion and Analysis

This section of the annual financial report for Hospital Service District No. 1 of Caldwell Parish, State of Louisiana d/b/a Citizens Medical Center (the "Hospital") provides background information and management's analysis of the Hospital's financial performance for the fiscal years that ended March 31, 2026, 2025, and 2024. Please read it in conjunction with the financial statements beginning on page 5 and notes to the financial statements beginning on page 10 in this report.

Financial Highlights

- The Hospital's total assets decreased by approximately $1,345,000, or roughly 5.3%. Capital assets decreased by approximately $898,000 in 2026.
- The Hospital's total liabilities decreased by approximately $682,000, or 9.4%. Long-term debt decreased approximately $802,000 during fiscal year 2026.
- During the year, the Hospital's total operating revenue decreased by approximately $150,000 or 0.8%. Operating expenses decreased by roughly $388,000, or 1.7%, partly due to supply and drug expenses decreasing 33.0%. The Hospital had a loss from operations of $2,232,000, which is 11.2% of total operating revenue.

Required Financial Statements

The financial statements contained in this report are presented using Governmental Accounting Standards Board (GASB) accounting principles. These financial statements provide overall information about the Hospital's financial activities on both short-term and long-term basis. The Statements of Net Position present information about its assets (resources) and liabilities (the amounts obligated to its creditors). The Statements of Revenues, Expenses, and Changes in Net Position present information about the current and prior years' activities in revenues and expenses. This statement also provides useful information for determining whether the Hospital's patient service revenue and other revenue sources were sufficient to allow the Hospital to recover all its costs. The final required financial statement is the Statement of Cash Flows which provides information about the Hospital's cash from operations, investing, and financing activities. In addition, this statement provides useful information to answer questions such 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

The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the Hospital's activities. These two statements report the net position of the Hospital and changes in them. Increases or decreases in the Hospital's net position are one of several indicators of whether its overall 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.

Citizens Medical Center
Columbia, Louisiana

Management's Discussion and Analysis

Net Position

A summary of the Hospital's Statements of Net Position is presented in the table below:

TABLE 1
Condensed Statements of Net Position
(In thousands)

	March 31, 2026	2025	2024
Total current assets	$ 10,314	$ 10,712	$ 14,987
Nondepreciable capital assets	1,072	1,087	5,951
Depreciable capital assets - net	12,174	13,057	4,180
Other assets, including assets whose use is limited	317	317	1,594
Deferred outflows of resources	98	147	196
Total Assets	$ 23,975	$ 25,320	$ 26,908
Total current liabilities	$ 3,048	$ 2,928	$ 3,436
Long-term liabilities	3,545	4,347	4,212
Total Liabilities	6,593	7,275	7,648
Invested in capital assets, net of related debt	9,541	9,932	5,291
Restricted	317	317	1,594
Unrestricted	7,524	7,796	12,375
Total Net Position	17,382	18,045	19,260
Total Liabilities and Net Position	$ 23,975	$ 25,320	$ 26,908

A significant component of the change in the Hospital's current assets is the change in cash and cash equivalents and certificates of deposits. Cash and cash equivalents and certificates of deposits decreased by $263,000, $4,945,000 and $442,000 in fiscal years 2026, 2025 and 2024, respectively. Capital assets decreased by $898,000 in 2026, compared to increases of $4,013,000 or 39.6% and $4,767,000 or 88.9% in 2025 and 2024, respectively. The Hospital completed construction of the new rural health clinic building during 2025. Total liabilities decreased by $682,000 or 9.4% and $373,000 or 4.9% in 2026 and 2025, respectively, compared to an increase in 2024 of $5,892,000 or 335.7%. The decreases in 2026 and 2025 were attributable to the completion of the rural health clinic construction project in 2025 and repayment of the related debt.

Citizens Medical Center
Columbia, Louisiana

Management's Discussion and Analysis

Summary of Revenues, Expenses, and Changes in Net Position

The following table represents the Hospital's revenues, expenses, and changes in net position for the fiscal years ended March 31:

TABLE 2
Condensed Statements of Revenues, Expenses, and Changes in Net Position
(In thousands)

	March 31, 2026	2025	2024
Net patient service revenue	$ 16,433	$ 16,209	$ 14,584
Medicaid supplemental payments	2,481	1,975	2,676
Other revenue, net	932	1,812	173
Total Operating Revenue	19,846	19,996	17,433
Salaries and benefits	11,887	11,929	11,026
Supplies and drugs	1,473	2,199	1,626
Professional fees	4,316	3,835	3,406
Other expenses	2,824	3,061	2,550
Insurance	369	384	381
Depreciation and amortization	1,209	1,058	823
Total Operating Expenses	22,078	22,466	19,812
Operating income (loss)	(2,232)	(2,470)	(2,379)
Nonoperating income	1,568	1,573	1,845
Changes in net position before capital grants	(664)	(897)	(534)
Capital grants	-0-	-0-	3
Changes in net position	(664)	(897)	(531)
GASB 101, restatement	-0-	(318)	-0-
Beginning net position	18,045	19,260	19,791
Ending Net Position	$ 17,381	$ 18,045	$ 19,260

Management's Discussion and Analysis

Sources of Revenue

Net Patient Service Revenue

During fiscal year 2026, the Hospital derived the majority of its total revenue from net patient service revenue. Net patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payors, who receive care in the Hospital's facilities. Reimbursement for the Medicare and Medicaid programs and other third-party payors is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual adjustment. Net patient service revenue increased by $224,000 or 1.4% and $1,625,000 or 11.1% in 2026 and 2025, respectively, compared to a decrease of $397,000 or 2.7% in 2024.

Table 3 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended March 31:

TABLE 3
Payor Mix by Percentage

	2026	2025	2024
Medicare and managed care plans	40%	41%	41%
Medicaid and managed care plans	32%	31%	35%
Commercial insurance	25%	23%	22%
Self-pay	3%	5%	2%
Total	100%	100%	100%

Other Revenue

Other revenue includes Medicaid supplemental payments, grant income, cafeteria income, and other miscellaneous services. Other revenue decreased by $239,000, or 4.6%, in 2026, compared to an increase of $870,000, or 20.3%, in 2025 and a decrease of $805,000, or 15.8%, in 2024. The decrease in 2026 was primarily attributable to the Hospital's discontinuation of its participation in the 340B program, partially offset by increases in Medicaid supplemental payments and grant income.

TABLE 4
Other Revenue *(in thousands)*

	2026	2025	2024
Cafeteria sales	$ 60	$ 65	$ 59
Sales tax	1,495	1,359	1,425
Medicaid supplemental payments	2,481	1,975	2,676
Grants - operating and capital	780	361	16
340B revenue	-0-	1,281	-0-
Miscellaneous	92	106	101
Total	$ 4,908	$ 5,147	$ 4,277

Miscellaneous Income

Miscellaneous income consists primarily of amounts received from processing Medicaid applications, clinic HPSA/PCP payments and group purchasing rebates.

Investment Income

The Hospital earned $210,000, $373,000, and $548,000 in interest income in fiscal years 2026, 2025, and 2024, respectively. At year-end, the Hospital held approximately $5,150,000, $4,950,000, and $9,440,000 in certificates of deposit for fiscal years 2026, 2025, and 2024, respectively. The decrease in interest income in 2026 was primarily attributable to lower interest rates earned on certificates of deposit during the year. The decrease in interest income in 2025 was primarily attributable to lower certificate of deposit balances compared to 2024, partially offset by higher interest rates earned during 2025.

Operating and Financial Performance

Patient Revenue

Table 5 below depicts Medicare and Medicaid patient revenue for the fiscal years ended March 31:

TABLE 5
Patient Revenue
(in thousands)

	2026	2025	2024
Medicare/Medicare managed care and Medicaid/ Medicaid managed care gross patient charges	$ 29,341	$ 27,612	$ 25,461
Total gross charges	$ 40,826	$ 38,012	$ 33,509
Percent of total gross charges	72%	73%	76%

Gross patient service revenue increased by $1,815,000 and $4,503,000 in fiscal years 2026 and 2025, respectively, compared to a decrease of $270,000 in fiscal year 2024. The increase in 2026 was primarily attributable to chargemaster increases and increased patient volumes in radiology, operating room, and emergency room services. In 2025, the increase was primarily driven by growth in radiology and rural health clinic services, with related charges increasing by approximately $1,618,000 and $1,766,000, respectively.

Medicare and Medicaid Patient Statistics

Table 6 is a comparison of the Hospital's Medicare and Medicaid discharges, patient days, and lengths of stay for the fiscal years ended March 31:

TABLE 6
Medicare and Medicaid Patient Statistics

	2026	2025	2024
Discharges:			
Adult and pediatric (A & P)	387	399	371
Medicare (included in A & P)	206	230	211
Medicaid (included in A & P)	47	48	51
Patient days:			
Adult and pediatric (A & P)	1,444	1,595	1,505
Medicare (included in A & P)	694	871	807
Medicaid (included in A & P)	219	226	219
Medicare average length of stay	3.37	3.79	3.82
Medicaid average length of stay	4.66	4.71	4.29

In fiscal year 2026, acute days decreased by 151, compared to an increase of 90 in 2025 and a decrease of 95 in 2024. Citizens Rural Clinic had an increase in charges of $267,564, $1,766,000 and $182,000 in 2026, 2025 and 2024, respectively.

Expenses

Overall expenses decreased by $388,000 in 2026, compared to increases of $2,654,000 and $878,000 in 2025 and 2024, respectively. The most significant decrease in 2026 was in drug expense, primarily due to the Hospital's discontinuation of its participation in the 340B program. In fiscal year 2025, the increase in expenses was primarily attributable to higher salaries and benefits associated with employee retention efforts, increased drug expense related to the Hospital's participation in the 340B program, and costs associated with the expansion of physician services in the rural health clinic.

Accounts Receivable

Table 7 below summarizes Accounts Receivable for the fiscal years ended March 31:

TABLE 7
Accounts Receivable
(in thousands)

	2026	2025	2024
Accounts receivable	$ 3,498	$ 3,782	$ 3,505
Allowance for uncollectibles	(1,079)	(1,328)	(1,238)
Net accounts receivable	$ 2,419	$ 2,454	$ 2,267

Accounts receivable decreased by $35,000 in 2026, increased by $187,000 in 2025, and decreased by $243,000 in 2024.

Capital Assets

At the end of 2026, the Hospital invested $217,000 in depreciable capital assets and $45,000 in nondepreciable capital assets, as detailed in Note 5 to the financial statements.

Table 8 below summarizes capital assets additions for the fiscal years ended March 31:

TABLE 8
Capital Assets
(in thousands)

	2026	2025	2024
Building & land	$ -0-	$ 171	$ 74
Equipment	217	289	68
Construction in progress	45	4,562	5,131
Total capital additions	$ 262	$ 5,022	$ 5,273

Debt

At year-end, the Hospital had $3,702,143 in outstanding debt, consisting of the Hospital Revenue Bond, Series 2023, and a financed purchase obligation. More detailed information about the Hospital's long-term liabilities is presented in the notes to the financial statements.

Management's Discussion and Analysis

Contacting the Hospital's Financial Manager

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

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Independent Auditors' Report

To the Board of Commissioners
Hospital Service District No. 1
Parish of Caldwell, State of Louisiana
Columbia, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Hospital Service District No. 1, Parish of Caldwell, State of Louisiana, d/b/a Citizens Medical Center (the "Hospital" or "District"), a component unit of the Caldwell Parish Police Jury, as of and for the years ended March 31, 2026 and 2025, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital, as of March 31, 2026 and 2025, 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial information of the Hospital and do not purport to, and do not, present fairly the financial position of Caldwell Parish Police Jury as of March 31, 2026 and 2025, 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.

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 basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic 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 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2026, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

September 17, 2026

CITIZENS MEDICAL CENTER
STATEMENTS OF NET POSITION
MARCH 31,

Assets and Deferred Outflows of Resources	2026	2025
Current		
Cash and cash equivalents (Notes 2 & 3)	$ 1,080,810	$ 1,546,184
Certificates of deposit	4,836,285	4,633,939
Accounts receivable, net of allowances for uncollectibles (Note 4)	2,419,195	2,453,976
Other receivables	537,161	383,419
Estimated third-party payor settlements	613,606	873,794
Inventory	482,697	506,388
Prepaids	344,316	314,365
Total Current Assets	10,314,070	10,712,065
Non-Current		
Assets limited as to use (Note 6)	317,033	317,361
Nondepreciable capital assets (Note 5)	1,071,831	1,086,989
Depreciable capital assets, net (Note 5)	12,171,666	13,020,245
Right-of-use capital assets, net (Note 5)	2,421	36,381
Total Assets	23,877,021	25,173,041
Deferred Outflows of Resources		
Excess consideration provided for acquisition	98,246	147,369
Total Deferred Outflows of Resources	98,246	147,369
Total Assets and Deferred Outflows of Resources	$ 23,975,267	$ 25,320,410

See accompanying notes to financial statements.

CITIZENS MEDICAL CENTER
STATEMENTS OF NET POSITION (Continued)
MARCH 31,

Liabilities and Net Position	2026	2025
Current		
Accounts payable	$ 552,417	$ 972,413
Accrued expenses	684,406	713,511
Current portion of compensated absences	1,104,438	670,904
Deferred revenue	1,789	1,789
Estimated third-party payor settlements	220,738	57,680
Current portion of lease liabilities	3,076	50,542
Current portion of long-term debt	481,143	461,000
Total Current Liabilities	3,048,007	2,927,839
Long-term		
Compensated absences, net of current portion	324,859	647,073
Lease liabilities, net of current portion (Note 8)	-0-	3,077
Long-term debt, net of current portion (Note 9)	3,221,000	3,697,000
Total Liabilities	6,593,866	7,274,989
Net Position		
Net investment in capital assets	9,540,699	9,931,996
Restricted (Note 6)	317,033	317,361
Unrestricted	7,523,669	7,796,064
Total Net Position	17,381,401	18,045,421
Total Liabilities and Net Position	$ 23,975,267	$ 25,320,410

See accompanying notes to financial statements.

CITIZENS MEDICAL CENTER
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED MARCH 31,

	2026	2025
Operating Revenues		
Net patient service revenue (Note 10)	$ 16,433,482	$ 16,208,679
Medicaid supplemental payments	2,481,408	1,974,973
Noncapital grants	780,114	360,573
Other operating revenue	151,343	1,452,038
Total Operating Revenues	19,846,347	19,996,263
Operating Expenses		
Salaries	10,186,187	10,068,512
Benefits and payroll taxes	1,700,900	1,859,838
Supplies and drugs	1,473,499	2,199,440
Professional fees	4,315,530	3,835,043
Other expenses	2,823,880	3,060,680
Insurance	369,274	383,982
Depreciation and amortization	1,208,556	1,058,182
Total Operating Expenses	22,077,826	22,465,677
Operating Income (Loss)	(2,231,479)	(2,469,414)
Nonoperating Income (Loss)		
Sales tax	1,495,306	1,359,498
Interest income	210,309	372,594
Interest expense	(138,156)	(159,092)
Increase (Decrease) in Net Position	(664,020)	(896,414)
Beginning Net Position	18,045,421	18,941,835
Ending Net Position	$ 17,381,401	$ 18,045,421

See accompanying notes to financial statements.

CITIZENS MEDICAL CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31,

	2026	2025
Cash flows from operating activities:		
Cash received from patients and third-party payors	$ 16,891,509	$ 15,867,549
Other receipts from operations	3,259,123	3,415,146
Cash payments for other operating expenses	(9,408,439)	(9,604,945)
Cash payments to employees and for employee-related costs	(11,804,872)	(11,822,283)
Net cash provided (used) by operating activities	(1,062,679)	(2,144,533)
Cash flows from investing activities:		
Interest income	210,309	372,594
Proceeds from certificates of deposit	-0-	3,213,120
Cash invested in certificates of deposit	(202,346)	-0-
Net cash provided (used) by investing activities	7,963	3,585,714
Cash flows from non-capital financing activities:		
Proceeds from sales taxes	1,495,306	1,359,498
Net cash provided (used) by non-capital financing activities	1,495,306	1,359,498
Cash flows from capital and related financing activities:		
Principal payments on lease liabilities	(50,543)	(183,025)
Principal payments on long-term debt	(465,357)	(445,000)
Interest expense	(138,156)	(159,092)
Cash proceeds from limited use assets	328	1,276,936
Acquisition of capital assets	(252,236)	(5,021,827)
Net cash provided (used) by capital and related financing activities	(905,964)	(4,532,008)
Net increase (decrease) in cash and cash equivalents	(465,374)	(1,731,329)
Beginning cash and cash equivalents	1,546,184	3,277,513
Ending cash and cash equivalents	$ 1,080,810	$ 1,546,184

See accompanying notes to financial statements.

CITIZENS MEDICAL CENTER
STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED MARCH 31,

	2026	2025
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	$ 144,698	$ 165,303
Right-of-use assets acquired under leases	$ 9,500	$ -0-
Reconciliation of income from operations to net cash provided (used) by operating activities:		
Operating income (loss)	$ (2,231,479)	$ (2,469,414)
Adjustments to reconcile revenue in excess of expenses to net cash provided by operating activities		
Depreciation and amortization	1,208,556	1,058,183
Change in current assets (increase) decrease		
Accounts receivable, net	34,781	(187,105)
Other receivables	(153,742)	(372,438)
Estimated third-party payor settlements	260,188	(112,167)
Inventory	23,691	(3,525)
Prepaids	(29,951)	5,233
Change in current liabilities (increase) decrease		
Accounts payable	(419,996)	(127,509)
Accrued expenses	(29,105)	(81,415)
Compensated absences	111,320	187,482
Estimated third-party payor settlements	163,058	(41,858)
Net cash provided (used) by operating activities	$ (1,062,679)	$ (2,144,533)

See accompanying notes to financial statements.

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Hospital Service District No. 1 of the Parish of Caldwell (the "Hospital" or the "District") was created by an ordinance of the Caldwell Parish Police Jury. The District is comprised of and embraces the territory contained within the Parish of Caldwell, State of Louisiana, as constituted as of the date of the ordinance.

The Hospital is a political subdivision of the Caldwell Parish Police Jury whose jurors are elected officials. The Hospital's commissioners are appointed by the Caldwell Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Caldwell Parish Police Jury is the financial reporting entity for the Hospital. Accordingly, the Hospital was determined to be a component unit of the Caldwell 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.

Nature of Business

The Hospital provides outpatient, emergency, rural health clinic, skilled nursing (through "swing-beds"), and acute inpatient services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Fund

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

Basis of Accounting

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

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 ninety (90) days or less. Certificates of deposit with original maturities of over ninety (90) days are classified as short-term. Cash and cash equivalents and certificates of deposit 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit Risk

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

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

Significant Concentration of Economic Dependence

The Hospital has an economic dependence on a small number of staff physicians. These physicians admit over 90% of the Hospital's patients. The Hospital also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 10. Changes in federal or state legislation or interpretations of rules have a significant impact on the Hospital.

Net Patient Service Revenues

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

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

Patient Accounts Receivable

Patient accounts receivable are carried at a net amount determined by the original charges for the services provided, less an estimate made for contractual adjustments or discounts provided to the third-party payors, less any payments received and less an estimated allowance for doubtful accounts. Management determines 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.

Inventory

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

Income Taxes

The entity is a political subdivision and exempt from taxation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Limited Use Assets

Limited use assets consists of unredeemed coupons from the inception of the Hospital Service District and revenue bonds borrowed for the Hospital expansion.

Capital Assets

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

Buildings and Improvements	5 to 40 years
Machinery and Equipment	3 to 20 years
Furniture and Fixtures	3 to 20 years
Intangibles	3 to 8 years

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

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

Net Position

The Hospital classifies net position into three components: invested in capital assets, net of related debt; restricted, and unrestricted. Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, 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.

Revenues and Expenses

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Resources

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

Grants and Contributions

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

Use of Estimates

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

Deferred Outflows/Inflows of Resources

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

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

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and medical malpractice. 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.

Environmental Matters

The Hospital is subject to laws and regulations relating to the protection of the environment. The Hospital's policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty, the potential financial impact of the Hospital's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the Hospital. At March 31, 2026 and 2025 management is not aware of any liability resulting from environmental matters.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

The Hospital expenses advertising cost as incurred. Advertising expense for the years ended March 31, 2026 and 2025 totaled $83,489 and $245,980, respectively.

Charity Care

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

Recently Adopted Accounting Pronouncements

The Hospital implemented GASB Statement No. 102, *Certain Risk Disclosures* in fiscal year 2026. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints and enhance transparency by requiring disclosures about these risks.

Recently Issued Accounting Principles - Not Yet Adopted

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

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

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

Reclassifications

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

NOTE 3 - DEPOSITS AND INVESTMENTS

Louisiana state statutes authorize the Hospital 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 Hospital be protected by insurance or collateral. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance.

Custodial Credit Risks - Custodial credit risk for deposits is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. Louisiana state statutes require that all the deposits of the Hospital be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The Hospital's deposits were entirely insured or entirely collateralized by securities or a letter of credit held by the pledging bank's trust department in the Hospital's name at March 31, 2026 and 2025.

Concentration of Credit Risks - The Hospital has 97% of its cash and cash equivalents at Homeland Federal Savings Bank in checking and certificates of deposit.

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

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

	2026	2025
Carrying amount		
Deposits	$ 1,080,810	$ 1,546,184
Certificates of deposit	5,153,318	4,951,300
	$ 6,234,128	$ 6,497,484

	2026	2025
Included in the following statements of net position captions:		
Current assets		
Cash and cash equivalents	$ 1,080,810	$ 1,546,184
Certificates of deposit	4,836,285	4,633,939
Noncurrent cash and investments		
Held for debt service	317,033	317,361
	$ 6,234,128	$ 6,497,484

NOTE 4 - ACCOUNTS RECEIVABLE

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

	2026	2025
Patient accounts receivable	$ 3,498,195	$ 3,781,976
Estimated uncollectibles	(1,079,000)	(1,328,000)
Net accounts receivable	$ 2,419,195	$ 2,453,976

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

	2026	2025
Medicare	16%	24%
Medicare managed care plans	17%	15%
Medicaid and Medicaid managed care plans	23%	19%
Commercial and other third-party payors	26%	20%
Patients	18%	22%
	100%	100%

NOTE 5 - CAPITAL ASSETS

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

	2025	Additions	Dispositions	Transfers	2026
Nondepreciable capital assets					
Land	$ 113,989	$ -0-	$ -0-	$ -0-	$ 113,989
Construction in progress	930,493	44,803	-0-	(59,961)	915,335
Minor equipment	42,507	-0-	-0-	-0-	42,507
Total nondepreciable capital assets	$ 1,086,989	$ 44,803	$ -0-	$ (59,961)	$ 1,071,831
Depreciable capital assets					
Land improvements	$ 624,379	$ -0-	$ -0-	$ -0-	$ 624,379
Buildings	16,997,992	-0-	-0-	-0-	16,997,992
Furniture and equipment	7,868,367	217,203	-0-	59,691	8,145,261
Total depreciable capital assets	25,490,738	217,203	-0-	59,691	25,767,632
Accumulated depreciation	12,470,493	1,125,473	-0-	-0-	13,595,966
Total depreciable capital assets	$ 13,020,245	$ (908,270)	$ -0-	$ 59,691	$ 12,171,666
Right-of-use capital assets					
Equipment	$ 289,018	$ -0-	$ -0-	$ (268,256)	$ 20,762
Total right-of-use capital assets	289,018	-0-	-0-	(268,256)	20,762
Accumulated amortization	252,637	33,960	-0-	(268,256)	18,341
Total right-of-use capital assets, net	$ 36,381	$ (33,960)	$ -0-	$ -0-	$ 2,421

NOTE 5 - CAPITAL ASSETS (Continued)

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

	2024	Additions	Dispositions	Transfers	2025
Nondepreciable capital assets					
Land	$ 113,989	$ -0-	$ -0-	$ -0-	$ 113,989
Construction in progress	5,794,067	4,561,883	-0-	(9,425,457)	930,493
Minor equipment	42,507	-0-	-0-	-0-	42,507
Total nondepreciable capital assets	$ 5,950,563	$ 4,561,883	$ -0-	$ (9,425,457)	$ 1,086,989
Depreciable capital assets					
Land improvements	$ 478,879	$ 145,500	$ -0-	$ -0-	$ 624,379
Buildings	8,160,795	25,385	-0-	8,811,812	16,997,992
Furniture and equipment	6,968,924	289,059	3,261	613,645	7,868,367
Total depreciable capital assets	15,608,598	459,944	3,261	9,425,457	25,490,738
Accumulated depreciation	11,647,684	826,070	3,261	-0-	12,470,493
Total depreciable capital assets	$ 3,960,914	$ (366,126)	$ -0-	$ 9,425,457	$ 13,020,245
Right-of-use capital assets					
Equipment	$ 289,018	$ -0-	$ -0-	$ -0-	$ 289,018
Total right-of-use capital assets	289,018	-0-	-0-	-0-	289,018
Accumulated amortization	69,648	182,989	-0-	-0-	252,637
Total right-of-use capital assets, net	$ 219,370	$ (182,989)	$ -0-	$ -0-	$ 36,381

NOTE 6 - ASSETS LIMITED AS TO USE

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

	2026	2025
Restricted by third-parties		
Unredeemed coupons	$ 65,123	$ 65,123
Bond sinking fund	251,094	251,422
Revenue bonds	816	816
Total assets limited as to use	$ 317,033	$ 317,361

NOTE 7 - COMPENSATED ABSENCES

Employees of the Hospital are entitled to paid days off and sick days depending on length of service. The Hospital recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, three types of leave for liability recognition for compensated absences are – vacation, holiday and sick leave. 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.

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

Sick leave – the Hospital's policy permits employees to accumulate earned but unused sick leave. All sick leave lapses when employees leave employment of the Hospital 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 March 31, follows:

	2025	Net Change	2026	Due Within One Year
Vacation	$ 1,005,457	$ 92,494	$ 1,097,951	$ 850,686
Holiday	80,977	229	81,206	81,206
Sick leave	231,543	18,597	250,140	172,546
Totals	$ 1,317,977	$ 111,320	$ 1,429,297	$ 1,104,438

NOTE 8 - LEASE LIABILITY

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

	2025	Additions	Payments	2026	Due Within One Year
Equipment Lease Liabilities	$ 53,619	$ -0-	$ 50,543	$ 3,076	$ 3,076

	2024	Additions	Payments	2025	Due Within One Year
Equipment Lease Liabilities	$ 236,644	$ -0-	$ 183,025	$ 53,619	$ 50,542

NOTE 8 - LEASE LIABILITY (Continued)

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

- Various lease liability obligations for equipment at imputed interest rates of 5.00% with total monthly payments ranging from $253 to $15,500 through November 22, 2026.

Years Ending March 31,	Principal	Interest	Total
2027	$ 3,076	$ 659	$ 3,735
Total	$ 3,076	$ 659	$ 3,735

NOTE 9 - LONG-TERM DEBT

A summary of long-term debt including revenue bonds, at March 31, follows:

	2025	Additions	Payments	2026	Due Within One Year
Revenue Bonds, Series 2023	$ 4,158,000	$ -0-	$ 461,000	$ 3,697,000	$ 476,000
Finance purchase liability	-0-	9,500	4,357	5,143	5,143
Revenue Bonds, Series 2023	$ 4,158,000	$ 9,500	$ 465,357	$ 3,702,143	$ 481,143

	2024	Additions	Payments	2025	Due Within One Year
Revenue Bonds, Series 2023	$ 4,603,000	$ -0-	$ 445,000	$ 4,158,000	$ 461,000

The following are the terms and due dates of the Hospital's long-term debt at March 31:

- Revenue Bond, Series 2023 at 3.425%, collateralized by pledge and dedication of hospital revenue, with principal payable in annual installments due November 1 and interest payable in semi-annual installments due May 1 and November 1 of each year commencing May 1, 2023.
- Finance purchase of IV pumps from US Medical at 54.135% due in 12 monthly installments of $997.50 through September 23, 2027, secured by equipment.

The Hospital has covenanted to establish a Sinking Fund or "Debt Service Fund" with required deposits applied to the next payment of principal or interest on the bonds. All the funds are expected to be depleted at least once each Bond Year, except for a reasonable carryover amount not exceeding 1/12 of the principal and interest payments on the Bonds for the immediately preceding year.

NOTE 9 - LONG-TERM DEBT (Continued)

Scheduled principal and interest payments on long-term debt follows:

Years Ending March 31,	Principal	Interest	Total
2027	$ 481,143	$ 127,463	$ 608,606
2028	493,000	110,320	603,320
2029	509,000	93,434	602,434
2030	527,000	76,001	603,001
2031	545,000	57,951	602,951
2032-2033	1,147,000	59,253	1,206,253
Total	$ 3,702,143	$ 524,422	$ 4,226,565

NOTE 10 - NET PATIENT SERVICE REVENUE

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

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Hospital is classified as a Medicare Dependent Hospital and has received $506,694 and $622,500, in additional reimbursement in 2026 and 2025, respectively. This classification and related additional reimbursement expires for discharges on and after December 31, 2026, without change in Medicare law. Swing bed routine services are reimbursed based on a prospectively determined rate per patient day based on clinical, diagnostic, and other factors. The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through March 31, 2023.

Medicaid - Inpatient services are reimbursed based on a prospectively determined per diem rate. Some outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid prospectively based on a fee schedule. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been examined by the Medicaid fiscal intermediary through March 31, 2020.

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

NOTE 10 - NET PATIENT SERVICE REVENUE (Continued)

The following is a summary of the Hospital's patient service revenue for the years ended March 31:

	2026	2025
Medicare	$ 8,709,463	$ 8,890,818
Medicare managed care plans	7,571,835	6,871,695
Medicaid and Medicaid managed care plans	13,060,093	11,848,957
Blue Cross Blue Shield	3,712,413	3,706,880
Commercial	6,725,610	4,807,778
Uninsured	1,046,418	1,885,731
Gross charges	40,825,832	38,011,859
Less charges associated with charity patients	(23,012)	(39,753)
Gross patient service revenue	40,802,820	37,972,106
Less deductions from revenue:		
Contractual adjustments	(23,176,996)	(20,613,381)
Policy and other discounts	(107,768)	(85,168)
Patient service revenue (net of contractual adjustments and discounts)	17,518,056	17,273,557
Less provision for bad debts	(1,084,574)	(1,064,878)
Net Patient Service Revenue	$ 16,433,482	$ 16,208,679

As noted in the summary above, the Hospital's gross charges from the Medicare and Medicaid plans account for 72% and 73% of the total for the years ended March 31, 2026 and 2025, respectively.

The Hospital experienced differences between the amounts initially recorded on its cost settlements with Medicare and Medicaid and its finalized amounts. These adjustments resulted in an increase of $572 for 2026 and a decrease of $75,100 for 2025 in net patient service revenue, respectively. Cost reports thereafter remain subject to audit and changes in estimated settlements.

NOTE 11 - PROFESSIONAL LIABILITY RISK

The Hospital participates in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to healthcare providers. The fund provides for $400,000 in coverage per occurrence above the first $100,000 per occurrence for which the Hospital is at risk.

The fund places no limitation on the number of occurrences covered. In connection with the establishment of the PCF, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to $100,000 per occurrence and limited the PCF's exposure to $400,000 per occurrence.

NOTE 11 - PROFESSIONAL LIABILITY RISK (Continued)

The Hospital'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 Hospital. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The Hospital has not included these allocations of income and equity amounts assigned to the Hospital by the Trust Fund in its financial statements.

NOTE 12 - EMPLOYEE MEDICAL BENEFIT PLAN

The Hospital is self-insured to provide group medical and drug coverage for its employees. The Hospital entered into an agreement on December 30, 2003, with a third-party administrator (90 Degree Benefits) to administer the plan. The plan year runs from December 1 through November 30. The Hospital funds its losses based on actual claims. A stop-loss insurance contract executed with a carrier provides for payment of 100% of claims in excess of $55,000 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 Hospital's estimate will change by a material amount in the near term.

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

	2026	2025
Beginning of the year	$ 137,501	$ 33,065
Plus: Claims incurred and changes in estimate, net of reinsurance	627,074	863,980
Less: Claims paid	677,523	759,544
End of the year, included in accrued expenses	$ 87,052	$ 137,501

NOTE 13 - COMMITMENTS AND CONTINGENCIES

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

The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 10) - The Hospital is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

NOTE 13 - COMMITMENTS AND CONTINGENCIES (Continued)

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

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

Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Professional Liability Risk (Note 11) - The Hospital is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Hospital's insurance carrier.

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

NOTE 14 - RETIREMENT PLAN

Effective January 1, 2008, employees may participate in a qualified defined contribution retirement plan (exempt under Section 457(b) of the Internal Revenue Code). Each employee is eligible to contribute to the plan on the following quarter after completing ninety (90) days of employment and reaching the age of 21. Employees are immediately 100% vested in their contributions to the plan through a salary reduction agreement. In fiscal year 2026 and 2025, employees contributed $473,127 and $430,243, respectively.

Effective January 1, 2008, the Hospital began sponsoring a money purchase pension plan (exempt under Section 401(a) of the Internal Revenue Code). After one year of employment, the Hospital will contribute a 1% discretionary match of all participating eligible employees' salaries per pay period. In addition to this discretionary match, the Hospital contributes a match amount equal to the 457(b) employee deferral contribution up to a maximum of 5% of compensation for participating employees. The employee will be 100% vested after three years of eligibility. In fiscal year 2026 and 2025, the Hospital contributed $359,781 and $325,288, respectively.

NOTE 14 - RETIREMENT PLAN (Continued)

The Hospital's forfeiture policy is to notify Security Benefit who moves the forfeited funds into a forfeiture account. The forfeited funds are then subtracted from the employer amount due to the plan at next payroll date. In fiscal years 2026 and 2025, forfeitures of $-0- and $-0-, occurred, respectively. Security Benefit administers the above plans. The Board of Commissioners adopted these plans and may change the terms of the plans to improve administration and can, at their discretion, increase or decrease the contribution percentages.

NOTE 15 - CHARITY CARE

The Hospital 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 reduced "sliding scale" amount based on the patient's level of income in comparison to the Federal Poverty Guidelines based on a 200% scale. Accordingly, the Hospital does not report the amounts it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The Hospital determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including wages and related benefits, supplies, and other operating expenses. The costs of caring for charity care patients were approximately $12,523 and $23,661, for the years ended March 31, 2026 and 2025, respectively.

NOTE 16 - MEDICAID SUPPLEMENTAL PAYMENTS

For state fiscal year (SFY) 2025 and 2026, the Louisiana Department of Health (LDH) obtained a Medicaid State Plan Amendment (SPA) approval from the Centers for Medicare and Medicaid Services (CMS) to make quarterly supplemental payments to hospitals based upon certain assumptions under a directed payment plan (DPP). Annually thereafter, LDH must submit the assumptions to CMS for approval in future years. The basis for interim supplemental payments is the Hospital's historical paid claims and other factors. In future state fiscal years, actual paid claims and other factors will be used to reconcile interim payments to final settled DPP amounts. LDH anticipates increasing or decreasing future DPP payments by the reconciliation amounts. The Hospital has recognized approximately $1,731,000 and $1,721,000 for the years ended March 31, 2026 and 2025, respectively, as Medicaid supplemental income after consideration was given for future adjustments which the Hospital determined necessary. To the extent income recognized in the current period differs from actual results, Medicaid supplemental income will be adjusted.

The Hospital entered into an Intergovernmental Transfer Agreement (IGT) with the Louisiana Department of Health (LDH) as part of Louisiana Physician IPA, Inc. which is a physician supplemental program. In fiscal year 2026, the Hospital received approximately $750,000 in Medicaid supplemental payments of which approximately $323,000 was submitted to LDH as an IGT. In fiscal year 2025, the Hospital received approximately $238,000 in Medicaid supplemental payments of which approximately $95,000 was submitted to LDH as an IGT.

NOTE 17 - COOPERATIVE ENDEAVOR AGREEMENT

The Hospital has agreed to a cooperative endeavor (CEA) with other like-minded Louisiana hospitals, per Louisiana's Rural Hospital Preservation Act. The intent of this agreement is to pool hospital resources across the State to support access to healthcare in rural Louisiana. Under the CEA, the District deposits an amount, determined annually by the Rural Hospital Coalition (RHC), into an account, from which RHC is permitted to withdraw the funds and make distributions to participating hospitals using a predetermined formula. Although the payments are formulaic in nature, they are not guaranteed, nor are they directly related to Medicaid reimbursement for the provisions of goods and healthcare services to patients. Accordingly, the deposits made by the Hospital to RHC were less than the amount received by the Hospital under this program, resulting in a net amount of $344,562 for the year ended March 31, 2025. For the year ended March 31, 2026, the deposits made by the Hospital to RHC were also less than the amounts received by the Hospital under this program resulting in a net amount of $690,107. These amounts were recorded as other revenue called Access to Care and classified as noncapital grants.

NOTE 18 - SALES TAX REVENUE

On April 2, 1977, the voters of the District passed a perpetual one percent sales tax. The sales tax collection is for the purposes of "constructing, acquiring, extending, improving, maintaining and/or operating a hospital for the parish and acquiring the necessary land, equipment, and furnishings therefore". Sales tax revenue is approximately 7% and 6% of the total revenues in fiscal years 2026 and 2025, respectively.

NOTE 19 - CERTAIN RISK DISCLOSURES

As discussed in other notes to the financial statements, the District participates in various Medicaid supplemental payment programs (MSPP) administered through the Louisiana Department of Health (LDH). During the fiscal years ended March 31, 2026 and 2025, the revenues under the MSPP represented approximately 12.5 percent and 9.0 percent, respectively, of the District's operating revenues, a significant concentration beyond Medicaid claims-based revenue.

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

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

NOTE 20 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date the financial statements were available to be issued, September 17, 2026, and no material events occurred that requires disclosure.

No subsequent events occurring after that date have been evaluated for inclusion in these financial statements.

NOTE 21 - COMMISSIONERS

The following commissioners served Citizens Medical Center without compensation during the year ended March 31, 2026:

Ms. Barbara Davis
Ms. Mary Norris
Mr. Charles Esters
Mr. Louis Champagne
Ms. Kem Gay
Mr. Mike Pollard
Mr. Tommy Basco

SUPPLEMENTARY INFORMATION

CITIZENS MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED MARCH 31,

	2026	2025
Routine Services:		
Adult and pediatric	$ 2,888,000	$ 1,889,000
Total Routine Services	2,888,000	1,889,000
Other Professional Services:		
Operating room	1,347,604	831,290
Anesthesia	303,105	299,095
Radiology	10,907,877	9,695,052
Laboratory	6,088,907	5,810,582
IV solutions	284	-0-
Respiratory therapy	322,991	342,311
EKG	719,251	715,250
Central supply	1,604,737	1,515,955
Pharmacy	2,045,422	2,619,606
Emergency room	5,683,382	5,283,556
Observation room	1,560,860	1,472,406
Rural health clinic	6,945,590	6,678,026
Columbia Medical Clinic	-0-	430,858
Hospitalist	407,822	428,872
Total Other Professional Services	37,937,832	36,122,859
Gross Charges	40,825,832	38,011,859
Less charges associated with charity patients	23,012	39,753
Gross Patient Service Revenue	40,802,820	37,972,106
Deductions from revenue:		
Medicare and Medicaid contractual allowances	12,680,911	11,659,077
Other contractual allowances	10,496,085	8,954,304
Policy and other discounts	107,768	85,168
Patient service revenue (net of contractual adjustments and discounts)	17,518,056	17,273,557
Less provision for bad debt	1,084,574	1,064,878
Net patient service revenue less provision for bad debt	$ 16,433,482	$ 16,208,679

CITIZENS MEDICAL CENTER
SCHEDULES OF OTHER OPERATING REVENUE
YEARS ENDED MARCH 31

	2026	2025
Cafeteria sales	$ 59,977	$ 64,917
Medical records abstract fees	13,457	10,012
340B revenue	-0-	1,280,914
Miscellaneous	77,909	96,195
Total Other Operating Revenue	$ 151,343	$ 1,452,038

CITIZENS MEDICAL CENTER
SCHEDULES OF OPERATING EXPENSES – SALARIES AND BENEFITS
YEARS ENDED MARCH 31,

	2026	2025
Administrative and general	$ 1,180,256	$ 1,176,857
Plant operations and maintenance	113,169	66,723
Housekeeping	213,864	216,241
Dietary and cafeteria	180,913	181,766
Central supply	47,091	46,854
Pharmacy	284,854	298,967
Medical records	117,137	120,376
Nursing services	1,371,374	1,440,471
Operating room	215,802	218,082
Anesthesiology	212,063	209,518
Radiology	492,662	507,433
Laboratory	796,188	781,812
Respiratory care	256,887	259,222
Emergency room	778,325	726,362
Rural health clinic	3,925,602	3,684,919
Columbia Medical	-0-	132,909
Total Salaries	10,186,187	10,068,512
Payroll taxes	714,045	670,570
Health insurance	627,074	863,980
Retirement	359,781	325,288
Total Benefits	1,700,900	1,859,838
Total Salaries and Benefits	$ 11,887,087	$ 11,928,350

CITIZENS MEDICAL CENTER
SCHEDULES OF OPERATING EXPENSES – PROFESSIONAL FEES
YEARS ENDED MARCH 31,

	2026	2025
Nursing service	$ 1,775	$ 500
Radiology	306,305	262,375
Laboratory	225,071	268,648
Emergency room	2,413,697	2,386,868
Rural health clinic	1,368,682	535,189
Columbia Medical	-0-	381,463
Total Professional Fees	$ 4,315,530	$ 3,835,043

CITIZENS MEDICAL CENTER
SCHEDULES OF OPERATING EXPENSES – OTHER EXPENSES
YEARS ENDED MARCH 31,

	2026	2025
Miscellaneous service fees	$ 462,115	$ 341,287
Legal and accounting	163,033	162,421
Supplies	401,842	397,590
Repairs and maintenance	544,407	524,355
Utilities	259,083	247,937
Telephone	53,031	52,264
Travel	28,278	15,847
Rentals	168,302	25,687
Education	22,822	30,487
Dues and subscriptions	183,329	215,305
Intergovernmental fee	322,622	96,205
Intergovernmental administrative fee	31,338	12,958
Access to Care payments	-0-	116,866
340B fees	-0-	467,389
Recruitment and advertising	83,489	245,980
Miscellaneous	100,189	108,102
Total Other Expenses	$ 2,823,880	$ 3,060,680

CITIZENS MEDICAL CENTER
SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO CHIEF EXECUTIVE OFFICER
YEAR ENDED MARCH 31, 2026

Agency Head Name:	Steve Barbo
Position:	Chief Executive Officer
Time Period:	April 1, 2025 through March 31, 2026

Purpose	Amount
Salary	251,660
Health insurance	31,496
Retirement	14,273
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	-0-
Registration fees	-0-
Conference travel	-0-
Continuing professional education fees	-0-
Housing	-0-
Cell phone	674
Special meals	-0-

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

To the Board of Commissioners
Hospital Service District No. 1
Parish of Caldwell
Columbia, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hospital Service District No. 1, Parish of Caldwell ("the Hospital"), a component unit of the Caldwell Parish Police Jury, as of and for the years ended March 31, 2026 and 2025, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents, and have issued our report thereon dated September 17, 2026.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 a material weakness and a significant deficiency.

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 deficiency described in the accompanying schedule of findings and responses as item 2026-001 to be a material weakness.

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 consider the deficiency described in the accompanying schedule of findings and responses as item 2026-002 to be a significant deficiency.

Report on Compliance and Other Matters

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

The Hospital's Response to Findings

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

Purpose of This Report

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

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

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

September 17, 2026

CITIZENS MEDICAL CENTER
AUDITORS' SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2026

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified opinion

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

Compliance:
- Noncompliance issues noted – No

Management letter issued – No

Federal Awards – N/A

Section II. Financial Statement Findings

FINDING 2026-001 - 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.

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 overstated at year-end by approximately $168,000 and net patient service revenue was overstated by approximately $168,000.

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 correcting the control deficiency. 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. The Chief Financial Officer (CFO) will review interim adjustments on a monthly basis and ensure that all third-party payor settlements are recorded to correct general ledger accounts.

FINDING 2026-002 - Segregation of Duties

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

Condition: Due to limited staffing with the technical skills to perform these duties, there is not a complete segregation of duties in all accounting, recording and custody functions.

Cause: Hospital is small and cannot afford to pay salaries for staff to have a complete segregation of 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 size of our organization, and the abilities of our current staff, management will continue to closely supervise and review the personnel assigned to the accounting, recording, and custody functions. Steve Barbo, CEO and Patty Laird, CFO, will continue to monitor these tasks daily.

Section III. Federal Award Findings

Not applicable

Section IV. Management Letter

Not applicable

CITIZENS MEDICAL CENTER
AUDITORS' SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2026

Section I. Financial Statement Findings

FINDING 2025-001 - Third-Party Payor Settlements

Fiscal Year Initially Reported: March 31, 2016

Finding: Estimates of third-party payor cost settlements were not calculated or recorded on an interim basis.

Recommendation: Management should continue to adjust the settlements based on interim cost report calculations and consider the results in relation to other factors that occur that may impact the estimates.

Response: Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from correcting the control deficiency. As it is impracticable for management to make such estimates, differences between interim payments and future cost report settlements will be charged to or against income in future periods when determinable.

Resolution: Not resolved - See Finding 2026-001

FINDING 2025-002 - Segregation of Duties

Fiscal Year Initially Reported: March 31, 2008

Finding: 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.

Response: Due to limited staffing with the technical skills to perform these duties, management feels that close supervision of the personnel assigned to those tasks is the preferred solution. Steve Barbo, CEO and Patty Laird, CFO, will continue to monitor these tasks on a daily basis.

Resolution: Not resolved - See Finding 2026-002

Section II. Federal Award Findings

Not applicable

Section III. Management Letter

Not applicable

CITIZENS MEDICAL CENTER

INDEPENDENT AUDITORS' REPORT ON APPLYING AGREED UPON PROCEDURES

FOR THE YEAR ENDED
MARCH 31, 2026

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners
of Hospital Service District No. 1
of the Parish of Caldwell
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period April 01, 2025 through March 31, 2026. The Hospital Service District No. 1, Parish of Caldwell, State of Louisiana, d/b/a Citizens Medical Center's (the "Hospital") management is responsible for those C/C areas identified in the SAUPs.

The Hospital has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period April 01, 2025 through March 31, 2026. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1) Written Policies and Procedures

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

   i. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

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

   iii. ***Disbursements***, including processing, reviewing, and approving.

   iv. ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with

outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

v. ***Payroll/Personnel***, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.

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

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

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

ix. ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

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

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

xii. ***Prevention of Sexual Harassment***, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Exceptions: The ethics policy did not address maintaining documentation to demonstrate that all employees and officials are notified of changes to the entity's ethics policy.

Management's Response: Management has updated the ethics policy to address the exception noted above. The revised policy is pending board approval.

2) Board or Finance Committee

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

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

ii. For those entities reporting on the governmental accounting model, review the minutes from all regularly scheduled board/finance committee meetings held during the fiscal year and observe

whether the minutes from at least one meeting each month references or included monthly budget-to-actual comparisons, at a minimum, on all proprietary funds, and semi-annual budget-to-actual comparisons, 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 these procedures.

3) Bank Reconciliations

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

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

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

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

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

4) Collections (excluding electronic funds transfers)

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

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

employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that

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

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

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

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

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

D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

i. Observe that receipts are sequentially pre-numbered.

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

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

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

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

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

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

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

B. For each location selected under procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that

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

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

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

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

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

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

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

ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.

D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

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

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

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

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

i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., itemized 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 #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

D. Using the list of terminated employees obtained in Payroll and Personnel procedure #9C identify those individuals who had access to cards and randomly select 5 terminated employees (or all terminated employees with card access if less than 5) from this population. Observe evidence that the cards have been deactivated for these terminated employees. In cases where a card is shared by multiple users, obtain evidence that the terminated employees' authorization has been removed.

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

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

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

i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana (doa.la.gov/doa/ost/ppm-49-travel-guide/) or the U.S. General Services Administration (www.gsa.gov);

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

iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and

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

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

8) Contracts

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

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

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

   iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and

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

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

9) Payroll and Personnel

A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and

   i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);

   ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;

   iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and

   iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.

C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to

the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.

D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

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

10) *Ethics*

A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and

   i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and

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

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

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

11) Debt Service

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

B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

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

12) Fraud Notice

A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the

legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.

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

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

13) Information Technology Disaster Recovery/Business Continuity

A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**

   i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

   ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

   iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

C. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:

   i. Hired before June 9, 2020 – completed the training, or

   ii. Hired on or after June 9, 2020 – completed the training within 30 days of initial service or employment.

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

14) Prevention of Sexual Harassment

A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation

demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:

   i. Number and percentage of public servants in the agency who have completed the training requirements;

   ii. Number of sexual harassment complaints received by the agency;

   iii. Number of complaints which resulted in a finding that sexual harassment occurred;

   iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

   v. Amount of time it took to resolve each complaint.

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

We were engaged by the Hospital to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

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

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

September 22, 2026