HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
MARCH 31, 2026 AND 2025

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Hospital Service District No. 3
Parish of Vermilion, State of Louisiana
d/b/a Gueydan Memorial Guest Home
Gueydan, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Hospital Service District No. 3 of the Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home (the "Hospital District"), a component unit of the Vermilion 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 Hospital Service District No. 3 of the Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home'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 District, 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 District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital District's ability to continue as a going concern for a reasonable period of time.

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial information of Hospital Service District No. 3 of the Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home and do not purport to, and do not, present fairly the financial position of the Vermilion 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

The Hospital Service District No. 3 of the Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of net patient service revenues, schedules of operating expenses and schedule of compensation, benefits, and other payments to agency head or chief executive officer are presented for the purposes of additional analysis and are 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 basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated September 29, 2026 on our consideration of the Hospital District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital District's internal control over financial reporting and compliance.

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

September 29, 2026

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME
STATEMENTS OF NET POSITION
MARCH 31,

	2026	2025
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 379,912	$ 462,825
Certificates of deposit	1,200,000	920,000
Investments	3,346,940	1,984,088
Patient accounts receivable, net of allowance for doubtful accounts of $233,858 in 2026 and $174,973 in 2025 (Note 5)	483,707	510,499
Accrued interest receivable	20,474	19,429
Other receivables	-0-	245,791
Inventory	27,882	21,480
Prepaid expenses	141,480	161,441
Total current assets	5,600,395	4,325,553
RESTRICTED ASSETS		
Cash and cash equivalents	7,301	52,110
Investments	249,014	477,080
Ad valorem tax receivable	9,560	7,730
Total restricted assets	265,875	536,920
CAPITAL ASSETS		
Nondepreciable assets (Note 9)	101,127	54,256
Depreciable assets, at cost, less accumulated depreciation of $4,832,903 in 2026 and $4,765,817 in 2025 (Note 9)	1,273,438	1,082,203
Total capital assets	1,374,565	1,136,459
TOTAL ASSETS	$ 7,240,835	$ 5,998,932

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME
STATEMENTS OF NET POSITION (CONTINUED)
MARCH 31,

	2026	2025
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	$ 251,251	$ 114,157
Estimated third-party payor settlements	12,354	67,678
Accrued salaries and wages	136,485	121,762
Compensated absences (Note 10)	51,137	57,568
Other payable	41,233	37,512
Total current liabilities	492,460	398,677
NET POSITION		
Net investment in capital assets, net of related debt	1,374,565	1,136,459
Restricted for debt services and capital facilities	265,875	536,920
Unrestricted	5,107,935	3,926,876
Total net position	6,748,375	5,600,255
TOTAL LIABILITIES AND NET POSITION	$ 7,240,835	$ 5,998,932

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED MARCH 31,

	2026	2025
Operating revenues:		
Net patient service revenues (net of provision for bad debts of $194,634 in 2026 and $170,362 in 2025)	$ 5,231,402	$ 4,972,608
UPL supplemental payments	1,308,031	926,261
Total operating revenues	6,539,433	5,898,869
Operating expenses:		
General and administrative	1,491,654	1,447,151
Nursing services	1,994,994	2,048,185
Housekeeping	181,863	163,422
Dietary	509,010	496,444
Plant operations	325,332	267,901
Laundry	87,602	110,515
Patient activity	42,239	42,475
Consultants	54,124	51,538
Clinic	28,115	28,305
Medicare SNF and outpatient	407,213	377,823
Intergovernmental transfer - public nursing home UPL	513,794	364,562
Depreciation	161,586	151,385
Total operating expenses	5,797,526	5,549,706
Operating income (loss)	741,907	349,163
Non-operating revenues (expenses):		
Ad valorem tax	204,948	205,779
Interest revenue	162,494	150,592
Miscellaneous income	48,025	57,402
Gain (loss) on disposal of fixed assets	(9,254)	7,500
Total non-operating revenues, net	406,213	421,273
Changes in net position	1,148,120	770,436
Net position, beginning of year	5,600,255	4,829,819
Net position, end of year	$ 6,748,375	$ 5,600,255

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31,

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from and on behalf of patients	$ 5,202,870	$ 4,842,019
Payments to employees	(2,675,600)	(2,598,235)
Payments to suppliers and contractors	(2,797,674)	(2,712,778)
Other receipts and payments, net	1,553,822	689,691
Net cash provided by (used in) operating activities	1,283,418	220,697
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Ad valorem taxes	203,118	204,707
Other	48,025	57,402
Net cash provided by (used in) non-capital financing activities	251,143	262,109
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(408,946)	(171,686)
Proceeds from the sale of capital assets	-0-	7,500
Net cash provided by (used in) capital and related financing activities	(408,946)	(164,186)
CASH FLOWS FROM INVESTING ACTIVITIES		
Other investments	(1,134,786)	(939,584)
Interest income	161,449	155,497
Purchase (redemption) of certificates of deposit, net of renewals	(280,000)	198,000
Net cash provided by (used in) investing activities	(1,253,337)	(586,087)
Net increase (decrease) in cash and cash equivalents	(127,722)	(267,467)
Cash and cash equivalents, beginning	514,935	782,402
Cash and cash equivalents, ending	$ 387,213	$ 514,935

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED MARCH 31,

	2026	2025
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	$ 741,907	$ 349,163
Adjustment to reconcile operating income to net cash flows provided by (used in) operating activities:		
Depreciation	161,586	151,385
Provision for bad debts	194,634	170,362
(Increase) decrease in assets -		
Patient accounts receivable	(167,842)	(289,741)
Third-party payor settlements	(55,324)	(11,210)
Prepaid expense	19,961	62,685
Inventories	(6,402)	(4,381)
Other receivables	245,791	(236,570)
Increase (decrease) in liabilities -		
Accounts payable	137,094	237
Accrued expenses	14,723	9,587
Compensated absences	(6,431)	8,608
Other payable	3,721	10,572
Net cash provided by (used in) operating activities	$ 1,283,418	$ 220,697
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and cash equivalents	$ 379,912	$ 462,825
Cash and cash equivalents in restricted assets	7,301	52,110
Total cash and cash equivalents	$ 387,213	$ 514,935
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest	$ -0-	$ -0-

See accompanying notes to financial statements.

NOTE 1 - DESCRIPTION OF ORGANIZATION

Organization

The Hospital Service District No. 3, Parish of Vermilion, State of Louisiana (the "Hospital District") is a political subdivision of the state created by an ordinance adopted by the Vermilion Parish Police Jury on November 19, 1988. The geographical limits of the Hospital District coincide with those of Ward No. 8 of Vermilion Parish. Members of the Board of Commissioners are appointed by the Vermilion Parish Police Jury. The Hospital District is operating under the name Gueydan Memorial Guest Home. It operates a 66-bed nursing home that cares mainly for the elderly located in Southwest Louisiana and it operated a rural health clinic until August 3, 2020. Both of which are located in Gueydan, Louisiana.

On August 3, 2020, the Hospital District entered into a multi-year lease agreement to lease the rural health clinic facilities and equipment to Ochsner Abrom Kaplan Memorial Hospital (OAKMH), a subsidiary of Ochsner Lafayette General Medical Center. OAKMH has assumed management and operations of the rural health clinic.

The financial statements of the Hospital District have been prepared in accordance with generally accepted accounting principles ("GAAP") in the United States of America applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Hospital District are described below.

Reporting Entity

As the governing authority of the Parish, for reporting purposes, the Vermilion Parish Police Jury is the reporting entity for the Hospital District. Accordingly, the Hospital District was determined to be a component unit of Vermilion Parish Police Jury. The accompanying financial statements present only the Hospital District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The Hospital District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year they are levied. Grants are recognized as revenue as soon as eligibility requirements imposed by the provider have been met. The Hospital District's accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the *Louisiana Governmental Audit Guide,* and the *Audit and Accounting Guide – Health Care Organizations,* published by the American Institute of Certified Public Accountants, and standards established by the GASB.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

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

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.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Hospital District considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Under state law, the Hospital District may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Patient Accounts Receivable and Allowance for Uncollectible Accounts

Patient accounts receivables are carried at the original billed amount less an estimate made for uncollectible accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for uncollectible accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Patient accounts receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

Capital Assets

The Hospital District's capital assets are stated at historical cost. Contributed capital assets are reported at their estimated fair value at the time of donation. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using these asset lives:

Building	20 – 30 years
Furniture and fixtures	3 – 20 years
Building improvements	10 – 15 years
Capitalized interest	30 years

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Patient Service Revenues

The Hospital District has agreements with a third-party payor, which includes government programs under which the Hospital District is paid based upon established charges, the cost of providing services, predetermined diagnosis rates, fixed per diem rates and discounts from established charges. Revenues are recorded at estimated amounts due from patients and third-party payors for services provided.

Net patient service revenues are reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The Hospital District provides care to patients even though they are covered by contractual payment arrangements that do not pay full charges or may lack adequate insurance. As a result, the Hospital District is exposed to credit risks. The Hospital District manages such risks by providing appropriate allowances. The allowances are evaluated on a regular basis and are based upon management's periodic review of the collectability of accounts considering historical experience, the nature and volume of the accounts and the agreement with the prospective third-party payor.

Grants and Donations

Revenues from grants and donations (including capital contributions of assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and donations may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

Net Position Flow Assumption

Sometimes a government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Hospital District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Operating Revenues and Expenses

The Hospital District's statements of revenues, expenses and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Hospital District's principal activity. Non-exchange revenues, including taxes, grants and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertisement

The Hospital District expenses advertising cost as incurred. Advertising expense for the years ended March 31, 2026 and 2025 totaled $496 and $1,197, respectively.

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 District does not currently have any items that qualify 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 so will not be recognized as an inflow of resources (revenue) until that time. The Hospital District does not currently have any items that qualify for reporting in this category.

Risk Management

The Hospital District is exposed to various risks of loss from tort; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health. Commercial insurance coverage is purchased for claims arising from such matters.

Environmental Matters

The Hospital District is subject to laws and regulations relating to the protection of the environment. The Hospital District'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 District'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 District. At March 31, 2026 and 2025, management is not aware of any liability resulting from environmental matters.

Reclassifications

To be consistent with current year classifications, some items from the previous year have been reclassified with no effect on net position.

Compensated Absences

All full-time employees with one full year of continuous employment with the Hospital District earn up to a maximum of 10 days of paid time off. A maximum of 20 days may be carried forward to the succeeding fiscal year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Hospital District is a political subdivision and exempt from taxes.

Restricted Assets

In 2006, a ten-year tax, 7 mill property tax was passed by the District of the Hospital for improving and maintaining the building and capital facilities of the District and also acquiring furnishings and equipment. The tax was renewed at 8.29 mills in 2016 for the same purpose. The statement of net position shows cash and cash equivalents and ad valorem tax receivables as restricted because they were monies collected from the tax.

Subscription Assets and Liabilities

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

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

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

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

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

Recently Adopted Accounting Principles

The District 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 of constraints and enhance transparency by requiring disclosures about these risks.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements

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

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

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

NOTE 3 - DEPOSITS AND INVESTMENTS

The Hospital District's investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in time deposits, money market investment accounts, or certificates of deposit with financial institutions insured by Federal Depository Insurance Coverage (FDIC); direct obligations of the United States Government and its agencies; commercial paper issued by United States Corporations with a rating of A-1 (Moody's) and P-1 (Standard & Poor's) or higher; and government backed mutual trust funds. At March 31, 2026 and 2025, the Hospital District's funds consisted solely of demand deposits and certificates of deposit. These deposits are stated at cost, which approximates market.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Hospital District's deposits may not be returned to it. State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. The Hospital District's policy requires that all bank balances be insured or collateralized by the financial institution to pledge their own securities to cover any amount in excess of FDIC. These securities must be pledged in the Hospital District's name. As of March 31, 2026, $1,450,000 of the Hospital District's deposits were secured from risk by FDIC coverage, $1,356,277 were collateralized by securities pledged by the financial institutions. As of March 31, 2025, $1,170,000 of the Hospital District's deposits were secured from risk by FDIC coverage, $1,312,275 were collateralized by securities pledged by the financial institutions.

The Hospital District has its investments invested in the Louisiana Asset Management Pool, Inc. (LAMP), which is a local government investment pool established as a cooperative effort to enable public entities of the State of Louisiana to aggregate funds for investment. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana and is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA – R.S. 33:2955.

LAMP is designed to be highly liquid to give participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments. Investments in LAMP are stated at fair value. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of pool shares. LAMP is rated AAAm by Standard & Poor's.

NOTE 4 - NET PATIENT SERVICE REVENUES

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

- ***Medicare*** – Covered skilled nursing services are paid based on the patient driven payment model (PDPM), a fee schedule amount for outpatient services and a per visit basis for rural health clinic services.

- ***Medicaid*** – Covered nursing home services are paid based on a per diem rate per day and a per visit basis for rural health clinic services.

During the years ended March 31, 2026 and 2025, approximately 77% and 79%, respectively, of the Hospital District's gross patient services were furnished to Medicare and Medicaid beneficiaries. Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. The Hospital District believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations are subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

NOTE 5 - ACCOUNTS RECEIVABLE

Patient accounts receivable reported as current assets by the Hospital District at March 31, 2026 and 2025 consisted of these amounts:

	2026	2025
Receivables from patients and insurance carriers	$ 323,845	$ 333,154
Receivables from Medicare	85,717	91,022
Receivables from Medicaid	308,003	261,296
Total patient accounts receivable	717,565	685,472
Allowance for doubtful accounts	(233,858)	(174,973)
Patient accounts receivable, net	$ 483,707	$ 510,499

NOTE 6 - CONCENTRATION OF CREDIT RISK

The Hospital District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at March 31, 2026 and 2025 was as follows:

	2026	2025
Medicare	12%	13%
Medicaid	43%	38%
Other third-party payors	45%	49%
	100%	100%

NOTE 7 - AD VALOREM TAXES

Ad valorem taxes are attached as an enforceable lien on property as of January 1 of each year. Taxes are levied on November 15 and are actually billed to the taxpayers in December. Billed taxes due by December 31 become delinquent on January 1 of the following year.

Tax revenues are recognized in the year billed.

The Hospital District received approximately 3.04% and 3.37% in 2026 and 2025, respectively, of its financial support from ad valorem taxes. These funds are restricted for the retirement of bonds and maintaining the building and capital facilities of the Hospital District and acquiring furnishings and equipment.

The taxes are based on assessed values determined by the Tax Assessor of Vermilion Parish and are collected by the Sheriff. The taxes are remitted to the Hospital District net of deductions for the pension fund contributions. For the years ended March 31, 2026 and 2025, taxes of 8.29 mills were levied amounting to total taxes of $204,948 and $205,779, respectively.

NOTE 8 - CUSTODIAL ASSET AND LIABILITY

The Hospital District maintains a bank account for their residents as a service to them. The related asset and liability of $19,870 at March 31, 2026 and $18,079 at March 31, 2025 is not included in this report due to its custodial nature.

NOTE 9 - CAPITAL ASSETS

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

	2025	Additions	Retirements	Transfers	2026
Nondepreciable capital assets					
Land	$ 35,000	$ -0-	$ -0-	$ -0-	$ 35,000
Construction in progress	19,256	47,379	-0-	(508)	66,127
Total nondepreciable assets	$ 54,256	$ 47,379	$ -0-	$ (508)	$ 101,127
Depreciable capital assets					
Building	$ 2,464,324	$ -0-	$ -0-	$ -0-	$ 2,464,324
Furniture and equipment	1,587,111	121,214	(57,969)	-0-	1,650,356
Capitalized interest	73,839	-0-	-0-	-0-	73,839
Land and building improvements	1,722,746	240,353	(45,785)	508	1,917,822
Total historic cost	5,848,020	361,567	(103,754)	508	6,106,341
Less accumulated depreciation for:					
Building	(2,373,057)	(11,463)	-0-	-0-	(2,384,520)
Furniture and equipment	(1,301,220)	(66,384)	54,348	-0-	(1,313,256)
Capitalized interest	(73,839)	-0-	-0-	-0-	(73,839)
Land and building improvements	(1,017,701)	(83,739)	40,152	-0-	(1,061,288)
Total accumulated depreciation	(4,765,817)	(161,586)	94,500	-0-	(4,832,903)
Depreciable capital assets, net	$ 1,082,203	$ 199,981	$ (9,254)	$ 508	$ 1,273,438

NOTE 9 - CAPITAL ASSETS (CONTINUED)

	2024	Additions	Retirements	Transfers	2025
Nondepreciable capital assets					
Land	$ 35,000	$ -0-	$ -0-	$ -0-	$ 35,000
Construction in progress	20,748	508	-0-	(2,000)	19,256
Total nondepreciable assets	$ 55,748	$ 508	$ -0-	$ (2,000)	$ 54,256
Depreciable capital assets					
Building	$ 2,464,324	$ -0-	$ -0-	$ -0-	$ 2,464,324
Furniture and equipment	1,514,809	139,108	(68,806)	2,000	1,587,111
Capitalized interest	73,839	-0-	-0-	-0-	73,839
Land and building improvements	1,690,676	32,070	-0-	-0-	1,722,746
Total historic cost	5,743,648	171,178	(68,806)	2,000	5,848,020
Less accumulated depreciation for:					
Building	(2,360,806)	(12,251)	-0-	-0-	(2,373,057)
Furniture and equipment	(1,302,597)	(67,429)	68,806	-0-	(1,301,220)
Capitalized interest	(73,839)	-0-	-0-	-0-	(73,839)
Land and building improvements	(945,996)	(71,705)	-0-	-0-	(1,017,701)
Total accumulated depreciation	(4,683,238)	(151,385)	68,806	-0-	(4,765,817)
Depreciable capital assets, net	$ 1,060,410	$ 19,793	$ -0-	$ 2,000	$ 1,082,203

Depreciation expense for the years ended March 31, 2026 and 2025 amounted to $161,586 and $151,385, respectively.

NOTE 10 - COMPENSATED ABSENCES

Employees of the Hospital District earn personal time off (PTO), which combines vacation and sick leave into a single pool of paid leave. PTO is accrued based on length of service and average scheduled hours. The Hospital District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability for compensated absences includes salary-related benefits.

A summary of compensated absences as of March 31, follows:

	2025	Net Change	2026	Current Portion
Personal time off (PTO)	$ 57,568	$ (6,431)	$ 51,137	$ 51,137

NOTE 11 - RETIREMENT

The Hospital District has a simple plan under Section 408(p) of the Internal Revenue Code. The plan became effective March 1, 2001 and provides for employees of the Hospital District to make salary reduction contributions in each calendar year to the simple IRA established by each employee who meets eligibility requirements. All employees of the Hospital District are eligible to participate under the plan except employees who are not reasonably expected to earn $5,000 during the plan year for which the contribution is to be made. The Hospital District has agreed to provide matching contributions for the 2026 and 2025 plan years in the amount of the participant's elective deferrals not in excess of 3% of such participant's compensation and not to exceed $6,500. The Hospital District made contributions of $34,785 for the year ended March 31, 2026 and $37,336 for the year ended March 31, 2025.

NOTE 12 - COMPENSATION PAID TO BOARD OF COMMISSIONERS

In August 2018, House Bill 434 adjusted compensation paid to board members of the Hospital District. The change allowed the Hospital District to pay board members no more than $125 for attendance at meetings of the commission, not to exceed 12 meetings per year and 4 special meetings. Prior to August 2018, the compensation paid to Board of Commissioners was presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Each member of the board received $40 for each day of attendance at meetings of the commission. The compensation paid to Board of Commissioners at March 31, 2026 and 2025 is as follows:

	2026	2025
Grayson Benoit	$ 250	$ -0-
Jamie Lounsberry	1,000	875
Ronnie LeMaire	625	1,250
Shelby Simon	1,125	1,250
Ramona Simon	1,375	1,375
Rachael Vallery	1,375	1,125
Total	$ 5,750	$ 5,875

NOTE 13 - SUPPLEMENTAL MEDICAID PAYMENTS (UPL)

Effective March 2016, the Hospital District entered into a Participation Agreement in order to receive Medicaid supplemental payments for qualifying nursing facilities owned or operated by non-state governmental organizations that have entered into an agreement with the Louisiana Department of Health (LDH). The Hospital District agreed to transfer funds to LDH to be used as Medicaid matching funds within the Medicaid program.

As permitted by State and Federal laws, LDH agrees to use such funds to make Medicaid payments within the Medicaid program which shall include both the "non-federal share" and the "federal funds" generated by the "non-federal share." The Medicaid supplemental payments made to Public Nursing Facility shall not exceed Public Nursing Facility's upper payment limit.

NOTE 13 - SUPPLEMENTAL MEDICAID PAYMENTS (UPL) (CONTINUED)

The Hospital District made payments to LDH in conjunction with this agreement totaling $513,794 in 2026 and $364,562 in 2025. These payments are recognized as operating expense in the statement of revenues, expenses and changes in net position. LDH made Medicaid supplemental payments to the Hospital District totaling $1,308,031 in 2026 and $926,261 in 2025. These payments are recognized as operating revenues in the statement of revenues, expenses and changes in net position.

NOTE 14 - PROFESSIONAL/COMMERCIAL LIABILITY RISK

The Hospital District participates in the Louisiana Patient's Compensation Fund 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, for which the Hospital District is at risk. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlements for professional liability to $100,000 per occurrence and limiting the Patient's Compensation Fund's exposure to $400,000 per occurrence.

The Hospital District participates in Louisiana Nursing Home Association Malpractice and General Liability Fund. The Fund provides for professional liability coverage of $100,000, plus interest per claim and a $5,000 per occurrence deductible. The Fund also covers Commercial and General Liability.

Each participant in the Trust is jointly and severally liable for the obligations of the Trust.

NOTE 15 - CONTINGENCIES

The principal contingencies are described below:

The Hospital District is contingently liable for losses from professional and general liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Nursing Home Association Malpractice and General Liability Fund.

The Hospital District participates in the Louisiana Nursing Home Association Self-Insurance Fund for Worker's Compensation. Should the fund's assets not be adequate to cover claims made against it, the Hospital District may be assessed its pro-rata share of the resulting deficit. It is not possible to estimate the amounts of additional assessments, if any. Accordingly, the Hospital District is contingently liable for assessments by the Louisiana Nursing Home Association Self-Insurance Fund for Worker's Compensation.

NOTE 16 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date the financial statements were available to be issued, September 29, 2026, and determined no material events occurred that require disclosure. No subsequent events occurring after that date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME
SCHEDULES OF NET PATIENT SERVICE REVENUES
YEARS ENDED MARCH 31,

	2026	2025
Gross patient service revenue:		
Medicaid	$ 3,082,534	$ 3,152,905
Private	1,330,158	1,093,925
Managed Care	27,334	9,811
Medicare SNF	1,003,695	838,904
Medicare outpatient	291,057	334,374
Total gross patient service revenue	5,734,778	5,429,919
Contractual allowances - nursing home	(308,742)	(286,949)
Provisions for bad debt	(194,634)	(170,362)
Net patient service revenues	$ 5,231,402	$ 4,972,608

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED MARCH 31,

	2026	2025
General and administrative:		
Salaries -		
Administrator and director	$ 107,980	$ 105,866
Office and clerical	165,762	157,759
Transportation	31,729	22,056
Advertising	496	1,197
Auto expense	2,369	2,709
Bank charges	200	185
Board fees	5,750	5,875
Computer expenses	68,168	59,941
Dues and subscriptions	4,606	4,291
Employee benefits	179,638	171,126
Employer retirement matching	34,785	37,336
Insurance	236,492	247,542
Legal and accounting	79,791	82,469
Licenses	1,550	1,389
Medicare consultants	54,081	54,940
Miscellaneous	7,128	5,593
Office supplies	9,506	11,426
Outside services	35,432	22,343
Payroll taxes	198,472	191,904
Pension expense	6,818	6,855
Postage and freight	2,770	2,509
Provider fee	233,422	228,542
Telephone	14,146	15,509
Travel and seminar	10,563	7,789
Total general and administrative	1,491,654	1,447,151
Nursing services:		
Salaries -		
Director of nursing	108,935	107,827
Other	1,669,924	1,611,736
Nursing supplies	112,721	105,954
Contract nursing services	103,414	222,668
Total nursing services	$ 1,994,994	$ 2,048,185

(Continued)

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME
SCHEDULES OF OPERATING EXPENSES (CONTINUED)
YEARS ENDED MARCH 31,

	2026	2025
Housekeeping:		
Salaries	$ 154,253	$ 138,576
Supplies	27,610	24,846
Total housekeeping	181,863	163,422
Dietary:		
Salaries	262,776	249,104
Food	202,447	203,496
Food supplement	11,734	10,315
Supplies	32,053	33,529
Total dietary	509,010	496,444
Plant operations:		
Salaries	62,414	80,287
Contract services	20,223	7,460
Other	7,825	7,748
Small equipment	29,077	14,515
Repairs and maintenance	90,201	63,480
Utilities	115,592	94,411
Total plant operations	325,332	267,901
Laundry:		
Salaries	82,507	103,590
Supplies	5,095	6,925
Total laundry	87,602	110,515
Patient activity and social service:		
Salaries	37,612	39,629
Supplies	4,627	2,846
Total patient activity and social service	$ 42,239	$ 42,475

(Continued)

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME
SCHEDULES OF OPERATING EXPENSES (CONTINUED)
YEARS ENDED MARCH 31,

	2026	2025
Consultants:		
Pharmacy	$ 21,451	$ 20,224
Dietary	6,031	5,378
Dental	1,200	1,100
Medicare	24,000	24,000
Medical records	1,442	836
Total consultants	54,124	51,538
Clinic:		
Insurance	17,583	17,308
Outside services	54	-0-
Repairs and maintenance	6,173	6,170
Supplies	-0-	3,764
Utilities	4,305	1,063
Total clinic	28,115	28,305
Medicare SNF and outpatient:		
Medical supplies and drugs charged to patients	40,892	43,539
Medical supplies non chargeable	133	1,307
Occupational therapy	116,372	112,897
Physical therapy	157,212	144,743
Radiology	1,787	2,593
Speech therapy	90,817	72,744
Total Medicare SNF and outpatient	407,213	377,823
Intergovernmental transfer - public nursing home UPL	513,794	364,562
Depreciation	161,586	151,385
Total operating expenses	$ 5,797,526	$ 5,549,706

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
YEAR ENDED MARCH 31, 2026

Agency Head Name: Trevor Hair
Position: Administrator
Time Period: April 1, 2025 to March 31, 2026

Purpose		Amount
Salary	$	107,622
Benefits - insurance		10,774
Benefits - retirement		4,177
Benefits - other		-0-
Car allowance		-0-
Vehicle provided by government		-0-
Per diem		-0-
Reimbursements		-0-
Travel		481
Registration fees		-0-
Conference travel		-0-
Continuing professional education fees		1,159
Housing		-0-
Unvouchered expenses		-0-
Special meals		-0-
	$	124,213

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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. 3
Parish of Vermilion, State of Louisiana
d/b/a Gueydan Memorial Guest Home
Gueydan, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Hospital Service District No. 3 of the Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home (the "Hospital District") 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 District's basic financial statements as listed in the table of contents, and have issued our report thereon dated September 29, 2026.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2026-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.*

Hospital District's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital District'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 Hospital District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lester, Mann & Wells

Certified Public Accountants
Alexandria, Louisiana

September 29, 2026

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2026

Section I. Summary of Auditors' Results

Report on Internal Control and Compliance Material to the Financial Statements

Type of auditors' opinion issued: unmodified

Internal Control over financial reporting:

- Material weakness(es) identified? ☒ Yes ☐ No
- Control deficiency(ies) identified that we do not consider to be material weaknesses ☐ Yes ☒ None reported

Noncompliance material to financial statements noted ☐ Yes ☒ No

Section II. Financial Statement Findings

2026-001 - Segregation of Duties

Condition: The Hospital District does not have adequate segregation of duties in the area of accounts receivable. During the course of our audit, we noted that the person in charge of accounts receivable has the responsibility to post cash receipts, issue credit memos, write-off account balances, reconcile bank statements and has access to incoming checks for customers. A system of internal control procedures contemplates a segregation of duties so that no one individual handles a transaction from its inception to its completion. While we recognize the Hospital District may not be large enough to permit such procedures, it is important that the Hospital District be aware of this condition. This condition was also included in the 2025 audit as item 2025-001.

Criteria: An effective system of internal control requires a proper segregation of duties so that no one individual handles a transaction from its inception to its completion.

Cause: The Hospital District has a limited number of employees within the accounting department.

Effect: Ineffective system of internal controls within the accounting function.

Recommendation: Keeping in mind the limited number of personnel to which duties can be assigned, the Hospital District should continue to monitor assignment of duties to assure as much segregation of duties and responsibility as possible, and management and the board should review accounts receivable financial information on a timely basis.

Response: The Hospital District is aware of and evaluated this problem and concluded that it would not be cost beneficial or possible with the limited resources available to create a segregated accounts receivable environment. However, the Hospital District will continue to monitor this issue and the Board will review accounts receivable financial information on a timely basis.

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2026

Section III. Federal Award Findings and Questioned Costs

Not applicable.

Section IV. Management Letter

Not applicable.

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED MARCH 31, 2026

Section I. Internal Control and Compliance Material to the Financial Statements

2025-001 - Segregation of Duties

Recommendation: Keeping in mind the limited number of personnel to which duties can be assigned, the Hospital District should continue to monitor assignment of duties to assure as much segregation of duties and responsibility as possible, and the Board should review accounts receivable financial information on a timely basis.

Current Status: This finding is repeated at 2026-001.

Section II. Federal Award Findings and Questioned Costs

Not applicable.

Section III. Management Letter

Not applicable

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES FOR THE YEAR ENDED MARCH 31, 2026

To the Board of Commissioners
Hospital Service District No. 3
of Parish of Vermilion, State of Louisiana
d/b/a Gueydan Memorial Guest Home
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 1, 2025 through March 31, 2026. The Hospital Service District No. 3 of Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home's (the Nursing Home) management is responsible for those C/C areas identified in the SAUPs.

The Nursing Home 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 1, 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 Nursing Home's Sexual Harassment policy does not address the annual training and reporting requirements. The Nursing Home did not have an adequate Information Technology Disaster Recovery/Business Continuity policy.

Management's Response: Management is aware of the deficiency in the Sexual Harassment policy and will update the policy to include the training and reporting requirements. Management is in the process of developing an appropriate Information Technology Disaster Recovery/Business Continuity policy.

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

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

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

Exceptions: No exceptions noted.

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 noted.

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 agency 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: The person responsible for collecting cash is also responsible for preparing and posting deposits and reconciling cash collections.

Management's Response: Management is aware of the segregation of duties deficiency due to limited staff. Management is working to correct the deficiency through additional review and approval processes.

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. *Electronic disbursements do not include transfers from one account to another within the agency (i.e. operating account to payroll account).*

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 noted.

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

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

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

   i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder and

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

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

Exceptions: Of the eleven (11) credit card transactions tested, one (1) transaction did not have written documentation of the business purpose.

Management's Response: Management will ensure the credit card transactions include proper supporting documentation, including written documentation of the business purpose.

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

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

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

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

   iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those

individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and

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

Exceptions: No exceptions noted.

8) Contracts

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

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

ii. Observe whether the contract was approved by the governing body/board, if required by policy or law;

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

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

Exceptions: No exceptions noted.

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 noted.

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 noted.

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 noted.

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 noted.

13) Information Technology Disaster Recovery/Business Continuity

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

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

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

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

D. 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.

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

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

14) Prevention of Sexual Harassment

A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

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

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

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

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

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

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

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

Exceptions: The annual sexual harassment report was not prepared on or before February 1st.

Management's Response: Management will ensure the annual sexual harassment report is prepared in a timely manner.

We were engaged by the Nursing Home 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 Nursing Home 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 29, 2026