

REEVES MEMORIAL MEDICAL CENTER

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2025 and 2024



LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

Reeves Memorial Medical Center
Financial Statements
and
Independent Auditors' Report
Years Ended December 31, 2025 and 2024

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Ward 3, 4 and 10 Hospital Service District
of the Parish of Union, State of Louisiana
Management's Discussion and Analysis

This section of the Hospital Service District's (the "District") annual financial report presents background information and management's analysis of the District's financial performance during the fiscal year that ended on December 31, 2025. Please read it in conjunction with the financial statements in this report.

Financial Highlights

- The District's total assets increased in FY 2025 by \$2,938,062 compared to an increase of \$2,436,707 and \$28,873,933 in FY 2024 and 2023, respectively. The majority of the increase in fiscal year 2025, is due to increase in Construction in Progress from new hospital construction.
- Patient volume decreased in FY 2025 compared to an increase in fiscal years 2024 and 2023. The District reported operating income of \$2,728,102, \$1,055,081 and \$1,000,606 in FY 2025, 2024 and 2023, respectively. The District reported nonoperating loss, which includes bond interest expense, of \$998,650 and \$85,476 in FY 2025 and 2024, respectively, with nonoperating operating income, which includes property tax revenue and interest income, of \$534,242 in FY 2023. Operating expenses increased by \$2,808,043 and \$1,806,137 in FY 2025 and 2024, respectively, with a \$19,606,501 decrease in FY 2023.
- The District has agreed to a cooperative endeavor (CEA). The intent of this arrangement is to pool District 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 District Coalition (RHC), into an account, from which RHC is permitted to withdraw funds and make distributions to participating Districts 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 with RHC were less than the receipts under this program, resulting in a net amount of \$715,472 and \$986,892 for the year ended December 31, 2025 and 2024, respectively.
- The District received property tax revenues of \$324,958, \$325,589, and \$280,757, for fiscal years 2025, 2024, and 2023, respectively. The 5.34 mills ad valorem tax expired in fiscal year 2021 and was renewed for 2021 through 2031. The 5.11 mills were renewed in December 2025 for another 10 years. In FY 2025, the District board voted to increase the 5.34 mills to 5.47 mills to maintain the ad valorem tax equal to prior year tax collections.

Required Financial Statements

The Financial Statements of the District report information about the District using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The Statements of Net Position include all of the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Position. This statement measures improvements in the District's operations over the past three years and can be used to determine whether the District has been able to recover all of its costs through its patient service revenue and other revenue sources. The final required financial statement is the Statements of Cash Flows. The primary purpose of this statement is to provide information about the District's cash from operations, investing and financing activities, and to provide answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Ward 3, 4 and 10 Hospital Service District
of the Parish of Union, State of Louisiana
Management's Discussion and Analysis (continued)

Financial Analysis of the Hospital Service District

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

Net Position

The District's net position is the difference between its assets and liabilities reported on the balance sheet on page 5. The District's net positions, for FY 2025, 2024, and 2023, are \$19,580,947, \$17,846,658 and \$16,904,851, respectively. The financial highlights also discuss the changes in assets and liabilities as presented in Table 1 below:

TABLE 1
Condensed Statements of Net Position

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Total current assets	\$ 10,789,015	\$ 11,281,793	\$ 9,003,226	\$ 15,194,199
Capital assets - net	31,572,082	16,423,464	4,982,682	3,221,411
Other assets	<u>10,739,825</u>	<u>22,457,603</u>	<u>33,740,245</u>	<u>436,610</u>
 Total assets	 <u>\$ 53,100,922</u>	 <u>\$ 50,162,860</u>	 <u>\$ 47,726,153</u>	 <u>\$ 18,852,220</u>
 Current liabilities	 \$ 5,404,120	 \$ 3,660,241	 \$ 2,065,574	 \$ 1,591,295
Long-term liabilities	<u>28,115,855</u>	<u>28,655,961</u>	<u>28,755,728</u>	<u>1,670,391</u>
 Total liabilities	 <u>33,519,975</u>	 <u>32,316,202</u>	 <u>30,821,302</u>	 <u>3,261,686</u>
 Invested in capital assets, net of related debt	 3,187,813	 (12,125,863)	 (23,673,019)	 1,220,358
Restricted	8,045,874	22,268,489	33,512,422	171,576
Unrestricted	<u>8,347,260</u>	<u>7,704,032</u>	<u>7,065,448</u>	<u>14,198,600</u>
 Net position	 <u>19,580,947</u>	 <u>17,846,658</u>	 <u>16,904,851</u>	 <u>15,590,534</u>
 Total liabilities and net position	 <u>\$ 53,100,922</u>	 <u>\$ 50,162,860</u>	 <u>\$ 47,726,153</u>	 <u>\$ 18,852,220</u>

Ward 3, 4 and 10 Hospital Service District
of the Parish of Union, State of Louisiana
Management's Discussion and Analysis (continued)

Summary of Changes in Net Position

The following table presents a summary of the District's historical revenues and expenses for each of the fiscal years ended December 31, 2025, 2024, 2023 and 2022.

TABLE 2
Summary of Revenues, Expenses, and Changes in Net Position

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Revenues:				
Net patient service revenue	\$ 16,498,079	\$ 13,376,814	\$ 11,558,379	\$ 10,864,226
Other revenue	<u>4,595,454</u>	<u>3,235,655</u>	<u>3,193,478</u>	<u>23,685,071</u>
Total revenues	<u>21,093,533</u>	<u>16,612,469</u>	<u>14,751,857</u>	<u>34,549,297</u>
Expenses:				
Salaries and benefits	9,269,024	7,998,122	6,603,063	6,176,077
Medical supplies and drugs	1,919,538	1,756,809	1,887,838	1,464,721
Professional fees	2,683,836	2,468,801	1,892,536	1,705,187
Other expenses	3,688,639	2,647,608	2,304,433	2,027,790
Intergovernmental transfer expense	-0-	-0-	452,167	21,374,913
Insurance	255,245	236,661	210,933	199,582
Depreciation	<u>549,149</u>	<u>449,387</u>	<u>400,281</u>	<u>409,482</u>
Total expenses	<u>18,365,431</u>	<u>15,557,388</u>	<u>13,751,251</u>	<u>33,357,752</u>
Operating income (loss)	2,728,102	1,055,081	1,000,606	1,191,545
Nonoperating revenues (expenses)				
Interest income	801,595	1,751,052	383,850	38,085
Interest expense	(2,125,203)	(2,162,117)	(130,365)	(84,307)
Property tax revenue	324,958	325,589	280,757	301,822
COVID-19 grant awards	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,020,969</u>
Nonoperating income (loss), net	(998,650)	(85,476)	534,242	1,276,569
Changes in net position before capital grants	1,729,452	969,605	1,534,848	2,468,114
Capital grants	<u>-0-</u>	<u>10,911</u>	<u>28,696</u>	<u>4,250</u>
Changes in net position before other comprehensive income	1,729,452	980,516	1,563,544	2,472,364
Other comprehensive income				
Change in unrealized gain (loss) on securities	<u>4,837</u>	<u>(38,709)</u>	<u>(37,211)</u>	<u>19,403</u>
Changes in net position	\$ <u><u>1,734,289</u></u>	\$ <u><u>941,807</u></u>	\$ <u><u>1,526,333</u></u>	\$ <u><u>2,491,767</u></u>

Ward 3, 4 and 10 Hospital Service District
of the Parish of Union, State of Louisiana
Management's Discussion and Analysis (continued)

Sources of Revenue

Operating Income

During fiscal year 2025, the District derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payors, who receive care in the District's facilities. On December 30, 2005, the District changed its status for Medicare reimbursement purposes from a prospectively paid (PPS) hospital to a cost-based reimbursement or critical access hospital. This change resulted in more reimbursement from Medicare. Reimbursement for the Medicare and Medicaid programs and the third-party payors is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes grants to provide healthcare to indigent and/or low-income patients. If the District continues to meet the criteria, grant money may be available for a short period of time. Other revenue also contains cafeteria sales, HPSA incentive income, and other miscellaneous services.

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

TABLE 3
Payor Mix by Percentage

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Medicare	37%	35%	31%	34%
Medicaid	15%	16%	15%	21%
Blue Cross	15%	17%	13%	12%
Commercial and other third-party payors	31%	30%	34%	29%
Other	<u>2%</u>	<u>2%</u>	<u>7%</u>	<u>4%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Non-operating Income

The District holds investments and Certificates of Deposit in its Statements of Net Position in the amount of \$3,942,137, \$2,687,300, and \$2,726,300, for 2025, 2024, and 2023, respectively. Interest income earned from the Certificate of Deposit and investments was \$801,595, \$1,751,052, and \$393,850, for fiscal years 2025, 2024, and 2023, respectively. The District received property tax revenue of \$324,958, \$325,589, and \$280,757 in fiscal years 2025, 2024, and 2023, respectively.

Operating and Financial Performance

In FY 2025, acute and swing patient days decreased by 106 days, compared to a 794 day increase in 2024 and a 231 day increase in FY 2023. Rural health clinic visits increased by 4,556 visits in FY 2025 compared to a 4,023-visit increase in FY 2024 and a 913-visit increase in 2023. The decrease in patient days was mainly due to a decrease in Swing Bed patients.

Ward 3, 4 and 10 Hospital Service District
of the Parish of Union, State of Louisiana
Management's Discussion and Analysis (continued)

Operating and Financial Performance (Continued)

As a critical access hospital, the average length of stay is required to be 4.00 days or less. The Acute day's average length of stay was 3.97 for patients in fiscal year 2025, compared to the Acute days average length of stay of 3.79 in FY 2024.

In FY 2025 the net patient service revenue, increased by \$3,121,265 due to changes in patient volume.

The gross accounts receivable balance decreased by \$90,858 in FY 2025 compared to an increase of \$2,664,409 and \$538,453 in FY 2024 and 2023, respectively. The decrease is primarily due to claims being processed timelier. The District continues to exert every effort to assist patients in finding funding sources for health care.

Salaries & benefits increased in FY 2025 by \$1,270,902 compared to an increase of \$1,395,059 and \$426,986, in FY 2024 and 2023, respectively. In FY 2025 salaries and benefits increased due to increases in staff for additional services provided and increases in employer portion of benefits during FY 2025.

In FY 2025 Provision for Bad Debts decreased by \$2,311,468, compared to an increase of \$1,592,230 in FY 2024 and an increase of \$481,300 in FY 2023.

Depreciation and amortization increased in fiscal year 2025 by \$99,762, compared to an increase of \$49,106 in FY 2024 and a decrease of \$9,201 in FY 2023. Medical Supplies and Drugs increased by \$162,729, in FY 2025, compared to a decrease of \$131,029 in FY 2024 and an increase of \$423,117 in 2023. The increase is due to increase in outpatient volume and new services offered in FY 2025. Professional fees increased by \$215,035 in FY 2025, due to an increase in therapy volume and a full year of cardiology in FY 2025, compared to an increase of \$576,265 in FY 2024 and an increase of \$187,349 in FY 2023. Other expenses and insurance had a combined increase of \$1,059,615 in FY 2025, compared to an increase of \$368,903 and \$287,994 in FY 2024 and 2023, respectively.

Ward 3, 4 and 10 Hospital Service District
of the Parish of Union, State of Louisiana
Management's Discussion and Analysis (continued)

Capital Assets

In FY 2025 net capital assets increased by \$15,148,618, due to constructions of new hospital and clinic, compared to an increase of \$11,440,782 and \$1,761,271 in FY 2024 and 2023, respectively.

TABLE 4
Capital Assets

	December 31, <u>2025</u>	December 31, <u>2024</u>	December 31, <u>2023</u>	December 31, <u>2022</u>
Land	\$ 149,840	\$ 149,840	\$ 149,840	\$ 149,840
Construction in progress	26,149,440	13,948,215	2,443,847	405,370
Land improvements	72,798	72,798	72,798	72,798
Leasehold improvements	22,583	22,583	22,583	22,583
Buildings	6,317,053	2,876,354	2,863,104	2,852,645
Fixed equipment	505,968	505,968	490,881	455,186
Major moveable equipment	3,518,639	3,489,506	3,186,141	3,138,335
Transportation equipment	87,344	87,344	87,344	87,344
Minor equipment	<u>998</u>	<u>300</u>	<u>300</u>	<u>300</u>
 Total	 36,824,663	 21,152,908	 9,316,838	 7,184,401
Accumulated depreciation	<u>5,650,552</u>	<u>5,258,244</u>	<u>4,981,598</u>	<u>4,754,031</u>
 Net capital assets	 \$ <u>31,174,111</u>	 \$ <u>15,894,664</u>	 \$ <u>4,335,240</u>	 \$ <u>2,430,370</u>
 Right-of-use assets, equipment	 \$ 568,322	 \$ 534,121	 \$ 565,453	 \$ 565,453
Accumulated amortization	<u>443,386</u>	<u>401,021</u>	<u>382,126</u>	<u>328,212</u>
 Total right-of-use capital assets, net	 \$ <u>124,936</u>	 \$ <u>133,100</u>	 \$ <u>183,327</u>	 \$ <u>237,241</u>

Long-Term Debt

As of December 31, 2025, the District had \$28,000,000 in long-term and short-term debt. In FY 2025 there was no change in long-term and short-term debt, compared to no change in FY 2024 and an increase of \$26,854,024 in FY 2023. ROU and SBITA liabilities decreased by \$165,058 in FY 2025 compared to a decrease of \$106,374 in FY 2024 and a decrease of \$199,376 in FY 2023. In FY 2023 the District issued \$28,000,000 in revenue bonds to pay for construction of a new hospital and RHC.

Contacting the Hospital Service District's Financial Manager

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



LESTER, MILLER & WELLS

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Bernice, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Ward 3, 4 and 10 Hospital Service District of the Parish of Union, State of Louisiana d/b/a Reeves Memorial Medical Center (the "District"), a component unit of the Union Parish Police Jury, Bernice, Louisiana, as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District'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 District, as of December 31, 2025 and 2024, and the changes in financial position and 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 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 these 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 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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



Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial information of Ward 3, 4 and 10 Hospital Service District of the Parish of Union and do not purport to, and do not, present fairly the financial position of Union Parish Police Jury as of December 31, 2025 and 2024, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages "i" through "vi" be presented to supplement the 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 response 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 and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for 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 and the schedule of expenditures of federal awards are 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 June 26, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.



Board of Commissioners
Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Page Four

The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

June 26, 2026



Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Statements of Net Position
December 31,

ASSETS	<u>2025</u>	<u>2024</u>
Current assets:		
Cash and cash equivalents (Notes 2 & 3)	\$ 4,387,613	\$ 4,830,228
Certificates of deposit (Notes 2 & 3)	1,250,000	2,500,000
Accounts receivable, net (Note 4)	1,417,244	1,564,738
Estimated third-party payor settlements	1,457,842	995,416
Other receivables	1,423,136	472,879
Inventory	665,232	762,040
Prepaid expenses	187,948	156,492
Total current assets	<u>10,789,015</u>	<u>11,281,793</u>
Non-current assets:		
Nondepreciable capital assets (Note 5)	26,299,280	14,098,055
Depreciable capital assets, net (Note 5)	4,874,831	1,796,609
Right-of-use capital assets (Note 5)	124,936	133,100
Subscription assets, net (Note 6)	273,035	395,700
Limited-use assets (Note 8)	8,045,874	22,268,489
Investments (Note 3)	2,692,137	187,300
Other assets (Note 7)	1,814	1,814
Total assets	<u>\$ 53,100,922</u>	<u>\$ 50,162,860</u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	\$ 3,479,130	\$ 1,464,211
Accrued expenses and withholdings payable (Note 12)	305,017	263,951
Current portion of compensated absences (Note 13)	283,891	334,267
Estimated third-party payor settlements	886,970	1,432,681
Current portion of lease liabilities (Note 10)	28,354	41,848
Current portion of subscription liabilities (Note 11)	120,758	123,283
Current portion of long-term debt (Note 9)	300,000	-0-
Total current liabilities	<u>5,404,120</u>	<u>3,660,241</u>
Long-term liabilities:		
Compensated absences	180,698	271,765
Lease liabilities (Note 10)	74,428	102,709
Subscription liabilities (Note 11)	160,729	281,487
Long-term debt (Note 9)	<u>27,700,000</u>	<u>28,000,000</u>
Total liabilities	<u>33,519,975</u>	<u>32,316,202</u>
Net position:		
Invested in capital assets, net of related debt	3,187,813	(12,125,863)
Restricted (Note 8)	8,045,874	22,268,489
Unrestricted	<u>8,347,260</u>	<u>7,704,032</u>
Total net position	<u>19,580,947</u>	<u>17,846,658</u>
Total liabilities and net position	<u>\$ 53,100,922</u>	<u>\$ 50,162,860</u>

See accompanying notes to financial statements.

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31,

	<u>2025</u>	<u>2024</u>
Revenues:		
Net patient service revenue (Note 15)	\$ 16,498,079	\$ 13,376,814
Medicaid supplemental payments	1,887,348	1,091,041
Grant income	12,534	10,122
Other operating revenue	<u>2,695,572</u>	<u>2,134,492</u>
Total revenues	<u>21,093,533</u>	<u>16,612,469</u>
Expenses:		
Salaries and benefits	9,269,024	7,998,122
Medical supplies and drugs	1,919,538	1,756,809
Professional fees	2,683,836	2,468,801
Other expenses	3,688,639	2,647,608
Insurance	255,245	236,661
Depreciation and amortization	<u>549,149</u>	<u>449,387</u>
Total expenses	<u>18,365,431</u>	<u>15,557,388</u>
Operating income (loss)	2,728,102	1,055,081
Nonoperating revenues (expenses)		
Interest income	801,595	1,751,052
Interest expense	(2,125,203)	(2,162,117)
Property tax revenue (Note 17)	<u>324,958</u>	<u>325,589</u>
Nonoperating income (loss), net	(998,650)	(85,476)
Changes in net position before capital grants	1,729,452	969,605
Capital grants	<u>-0-</u>	<u>10,911</u>
Changes in net position before other comprehensive income	<u>1,729,452</u>	<u>980,516</u>
Other comprehensive income		
Change in unrealized gain (loss) on securities	<u>4,837</u>	<u>(38,709)</u>
Changes in net position	<u>1,734,289</u>	<u>941,807</u>
Beginning net position	<u>17,846,658</u>	<u>16,904,851</u>
Ending net position	\$ <u>19,580,947</u>	\$ <u>17,846,658</u>

See accompanying notes to financial statements.

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Statements of Cash Flows
Years Ended December 31,

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 15,637,436	\$ 13,872,982
Other receipts from operations	3,645,197	3,122,109
Cash payments to employees and for employee-related cost	(9,369,401)	(7,967,702)
Cash payments for other operating expenses	<u>(6,466,987)</u>	<u>(6,268,096)</u>
Net cash provided (used) by operating activities	<u>3,446,245</u>	<u>2,759,293</u>
Cash flows from investing activities:		
Interest income	801,595	1,751,054
Acquisition of investments	<u>(1,250,000)</u>	<u>-0-</u>
Net cash provided (used) by investing activities	<u>(448,405)</u>	<u>1,751,054</u>
Cash flows from non-capital financing activities		
Proceeds from property tax	<u>324,958</u>	<u>325,589</u>
Net cash provided (used) by non-capital financing activities	<u>324,958</u>	<u>325,589</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(15,697,767)	(11,828,935)
Proceeds from capital grants	-0-	10,911
Cash invested in limited use assets	14,222,615	11,243,933
Payment on lease liability obligations	(41,775)	(53,381)
Payments on subscription liabilities	(123,283)	(114,229)
Interest expense on long-term debt	<u>(2,125,203)</u>	<u>(2,162,117)</u>
Net cash provided (used) by capital and related financing activities	<u>(3,765,413)</u>	<u>(2,903,818)</u>
Net increase (decrease) in cash and cash equivalents	(442,615)	1,932,118
Beginning cash and cash equivalents	<u>4,830,228</u>	<u>2,898,110</u>
Ending cash and cash equivalents	\$ <u>4,387,613</u>	\$ <u>4,830,228</u>

See accompanying notes to financial statements.

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Statements of Cash Flows (Continued)
Years Ended December 31,

	<u>2025</u>	<u>2024</u>
Reconciliation of income from operations to net cash provided by operating activities:		
Operating income (loss)	\$ 2,728,102	\$ 1,055,081
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	549,149	449,387
Changes in:		
Accounts receivable, net	147,494	(58,665)
Estimated third-party payor settlements	(1,008,137)	554,833
Other receivables	(950,257)	(119,046)
Inventory	96,808	(165,421)
Prepaid expenses	(31,456)	10,005
Accounts payable	2,014,919	998,571
Accrued expenses and withholdings payable	<u>(100,377)</u>	<u>34,548</u>
Net cash provided (used) by operating activities	\$ <u>3,446,245</u>	\$ <u>2,759,293</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ <u>2,125,203</u>	\$ <u>2,162,117</u>
Unrealized gain (loss) recorded to investments and net position	\$ <u>4,837</u>	\$ <u>(38,709)</u>

See accompanying notes to financial statements.

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2025 and 2024

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Ward 3, 4 and 10 Hospital Service District of the Parish of Union, State of Louisiana (referred to as the "District") was created by an ordinance of the Union Parish Police Jury on July 11, 1967, and beginning September 2010 is referred to as Reeves Memorial Medical Center.

The District is a political subdivision of the Union Parish Police Jury whose jurors are elected officials. Its commissioners are appointed by the Union Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Union Parish Police Jury is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the Union 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 District provides outpatient, emergency, rural health clinic, acute inpatient, and skilled nursing (through "swing beds") services. The District converted to a Medicare critical care hospital (CAH) on December 30, 2005.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Enterprise Fund

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

Basis of Accounting

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

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2025 and 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

Credit Risk

The District provides medical care primarily to Union Parish residents and grants credit to patients, substantially all of whom are local residents.

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

Net Patient Service Revenue

The District has entered into agreements with third-party payors, including government programs, health insurance companies, and managed care health plans, under which the 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 receivables 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 receivables are written off as bad debt expense when deemed uncollectible. Recoveries of

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2025 and 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Investments in Debt and Equity Securities

Investments in debt and equity securities are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating revenue when earned.

Capital Assets

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

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

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

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

Net Position

The District classifies net position into three components: invested in capital assets, net of related debt; restricted, and unrestricted. Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2025 and 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Revenues and Expenses

The District's Statements of Changes in Revenues, Expenses, and Net Position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the District's principal activity. Nonexchange revenues are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Restricted Revenues

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

Grants and Contributions

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

Charity Care

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

Use of Estimates

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

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2025 and 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

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

Risk Management

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; 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 District is subject to laws and regulations relating to the protection of the environment. The 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 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 District. At December 31, 2025 and 2024, management is not aware of any liability resulting from environmental matters.

Advertising

The District expenses advertising cost as incurred. Advertising expense for the years ended December 31, 2025 and 2024 totaled \$106,452 and \$25,518, respectively.

Subscription Assets and Liabilities

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

Subscription assets represent the District's control of the right to use a subscription-based information technology for the arrangement term, as specified in the contract, in 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 District's obligation to make payments arising from the SBITA. Subscription liabilities are initially recognized at the commencement date based on the present value of expected payments over the lease term, adjusted for SBITA incentives. Subsequently, the subscription liability

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2025 and 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

is reduced by the principal portion of the payments made. Interest expense is recognized ratably over the term of the arrangement.

The District has elected to recognize payments for short-term SBITAs with an arrangement term of 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 its incremental borrowing rate to calculate the present value of expected lease payments.

Recently Adopted Accounting Pronouncements

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

Recently Issued Accounting Pronouncements

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

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

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

NOTE 3 - DEPOSITS AND INVESTMENTS

Louisiana state statutes authorize the District to invest in direct obligations of the U.S. Treasury and other federal agencies, time deposits with state banks and national banks having their principal office in the State of Louisiana, guaranteed investment contracts issued by highly rated financial institutions, and certain investments with qualifying mutual or trust fund institutions. Louisiana statutes also require that all of the

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2025 and 2024

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

deposits of the District be protected by insurance or collateral. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance.

Custodial Credit Risks – Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the District be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The District's deposits were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the District's name at December 31, 2025 and 2024.

Concentration of Credit Risks – The District has 100% of its cash and cash equivalents at Origin 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 District 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.

Account balances according to bank's records at December 31, 2025, for the District are as follows:

	<u>2025</u>	<u>2024</u>
Cash in banks	\$ <u>14,416,885</u>	\$ <u>29,742,019</u>
Insured by FDIC	\$ <u>751,500</u>	\$ <u>751,500</u>
Collateralization at fair market value	\$ <u>35,068,140</u>	\$ <u>35,455,763</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2025 and 2024

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

	<u>2025</u>	<u>2024</u>
Carrying amount		
Deposits	\$ 4,387,613	\$ 4,830,228
Certificates of deposit	1,250,000	2,500,000
Investments	<u>2,692,137</u>	<u>187,300</u>
	\$ <u>8,329,750</u>	\$ <u>7,517,528</u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 4,387,613	\$ 4,830,228
Certificates of deposit	1,250,000	2,500,000
Investments	<u>2,692,137</u>	<u>187,300</u>
	\$ <u>8,329,750</u>	\$ <u>7,517,528</u>

Investments in marketable equity securities consist of stocks donated to the District in 1988. An analysis at December 31 is as follows:

		----- Fair Value -----	
	<u>Shares</u>	<u>2025</u>	<u>2024</u>
Exxon Corporation	800	\$ 88,088	\$ 77,872
Pfizer	3,300	<u>104,049</u>	<u>109,428</u>
Total market value		192,137	187,300
Less cost basis		<u>(14,456)</u>	<u>(14,456)</u>
Unrealized gain (loss)		\$ <u>177,681</u>	\$ <u>172,844</u>

The District records these registered securities under the provision of the GASB Statement No 31. These securities are recorded at fair value and unrealized gains are recognized as a component of fund equity. Fair values are based upon quoted market prices as of the fiscal year end. These securities are considered a Level 1 investment under the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2025 and 2024

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The District has 50% of 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.

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. 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.

At December 31, 2025 the District had the following investments and maturities, all of which were held in the District's name by a custodial bank that is an agent of the District.

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Investment Maturities (In Years)</u>		
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>
Money Market	\$ 504,000	\$ 504,000	\$ -0-	\$ -0-
LAMP	1,250,000	1,250,000	-0-	-0-
Charles Schwab	100,000	100,000	-0-	-0-
Tyco Electronics	73,000	73,000	-0-	-0-
Enterprise Products	50,000	50,000	-0-	-0-
Tele Communications	100,000	100,000	-0-	-0-
Legg Mason	33,000	33,000	-0-	-0-
Welltower	100,000	100,000	-0-	-0-
Goldman Sachs Group	5,000	5,000	-0-	-0-
Southern Calif Edison	100,000	100,000	-0-	-0-
Wells Fargo	100,000	100,000	-0-	-0-
Government Bonds	85,000	-0-	85,000	-0-
Total	\$ <u>2,500,000</u>	\$ <u>2,415,000</u>	\$ <u>85,000</u>	\$ <u>-0-</u>

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2025 and 2024

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The District's investments are recorded at fair value as of December 31, 2025 in accordance with GASB Statement No. 72, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement establishes a three-level hierarchy of inputs to valuation techniques used to measure fair value. Level 1 inputs are accessible quoted prices in active markets for identical assets at the measurement date; Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset, either directly or indirectly; Level 3 inputs are unobservable inputs. The fair value of U. S. Treasury Strips was determined using Level 1 inputs. The fair value of municipal and government bonds was determined using Level 2 inputs.

As of December 31, 2025, the District's investments were rated as follows:

Investment Type	Moody's	S&P
LAMP	Not Rated	AAAm
Charles Schwab	A2	A-
Tyco Electronics	A3	A-
Enterprise Products	A3	A-
Tele Communications	A3	A-
Legg Mason	A2	A
Welltower	A3	A-
Goldman Sachs Group	A2	BBB+
Southern Calif Edison	A2	BBB+
Wells Fargo	A3	BBB
Government Bonds	Not Rated	Not Rated

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2025 and 2024

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>2025</u>	<u>2024</u>
Patient accounts receivable	\$ 6,171,733	\$ 6,262,591
Estimated allowance for uncollectibles	<u>(4,754,489)</u>	<u>(4,697,853)</u>
Net patient accounts receivable	\$ <u>1,417,244</u>	\$ <u>1,564,738</u>

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

	<u>2025</u>	<u>2024</u>
Medicare	14%	15%
Medicaid	6%	7%
Commercial and other third-party payors	22%	23%
Blue Cross	15%	15%
Patients	<u>43%</u>	<u>40%</u>
	<u>100%</u>	<u>100%</u>

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2025 and 2024

NOTE 5 - CAPITAL ASSETS

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

	December 31, 2024	Additions	Dispositions	Transfers	December 31, 2025
Nondepreciable capital assets					
Land	\$ 149,840	\$ -0-	\$ -0-	\$ -0-	\$ 149,840
Construction in progress	13,948,215	15,641,924	-0-	(3,440,699)	26,149,440
Total nondepreciable capital assets	\$ 14,098,055	\$ 15,641,924	\$ -0-	\$ (3,440,699)	\$ 26,299,280
Depreciable capital assets					
Land improvements	\$ 72,798	\$ -0-	\$ -0-	\$ -0-	\$ 72,798
Leasehold improvements	22,583	-0-	-0-	-0-	22,583
Buildings	2,876,354	-0-	-0-	3,440,699	6,317,053
Fixed equipment	505,968	-0-	-0-	-0-	505,968
Major moveable equipment	3,489,506	29,133	-0-	-0-	3,518,639
Transportation equipment	87,344	-0-	-0-	-0-	87,344
Minor equipment	300	698	-0-	-0-	998
Total depreciable capital assets	7,054,853	29,831	-0-	3,440,699	10,525,383
Accumulated depreciation	5,258,244	392,308	-0-	-0-	5,650,552
Total depreciable capital assets, net	\$ 1,796,609	\$ (362,477)	\$ -0-	\$ 3,440,699	\$ 4,874,831
Right-of-use capital assets					
Equipment	\$ 534,121	\$ 74,982	\$ 40,781	\$ -0-	\$ 568,322
Accumulated amortization	401,021	42,365	-0-	-0-	443,386
Total right-of-use capital assets, net	\$ 133,100	\$ 32,617	\$ 40,781	\$ -0-	\$ 124,936

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NOTE 5 - CAPITAL ASSETS (Continued)

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

	December 31, 2023	Additions	Dispositions	Transfers	December 31, 2024
Nondepreciable capital assets					
Land	\$ 149,840	\$ -0-	\$ -0-	\$ -0-	\$ 149,840
Construction in progress	2,443,847	11,504,368	-0-	-0-	13,948,215
Total nondepreciable capital assets	\$ 2,593,687	\$ 11,504,368	\$ -0-	\$ -0-	\$ 14,098,055
Depreciable capital assets					
Land improvements	\$ 72,798	\$ -0-	\$ -0-	\$ -0-	\$ 72,798
Leasehold improvements	22,583	-0-	-0-	-0-	22,583
Buildings	2,863,104	13,250	-0-	-0-	2,876,354
Fixed equipment	490,881	15,087	-0-	-0-	505,968
Major moveable equipment	3,186,141	303,365	-0-	-0-	3,489,506
Property held for capital lease	-0-	-0-	-0-	-0-	-0-
Transportation equipment	87,344	-0-	-0-	-0-	87,344
Minor equipment	300	-0-	-0-	-0-	300
Total depreciable capital assets	6,723,151	331,702	-0-	-0-	7,054,853
Accumulated depreciation	4,981,598	276,646	-0-	-0-	5,258,244
Total depreciable capital assets, net	\$ 1,741,553	\$ 55,056	\$ -0-	\$ -0-	\$ 1,796,609
Right-of-use capital assets					
Equipment	\$ 565,453	\$ -0-	\$ 31,332	\$ -0-	\$ 534,121
Accumulated amortization	382,126	50,227	31,332	-0-	401,021
Total right-of-use capital assets, net	\$ 183,327	\$ (50,227)	\$ -0-	\$ -0-	\$ 133,100

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NOTE 6 - SUBSCRIPTION ASSETS

The following is a summary of subscription-based information technology arrangements for intangible assets and related accumulated amortization for the years ended December 31, 2025 and 2024:

	December 31, 2024	Additions	Dispositions	Transfers	December 31, 2025
Subscription-based assets	\$ 703,949	\$ 26,011	\$ -0-	\$ -0-	\$ 729,960
Accumulated amortization	<u>308,249</u>	<u>148,676</u>	<u>-0-</u>	<u>-0-</u>	<u>456,925</u>
Total subscription-based assets, net	\$ <u>395,700</u>	\$ <u>(122,665)</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>273,035</u>
	December 31, 2023	Additions	Dispositions	Transfers	December 31, 2024
Subscription-based assets	\$ 679,124	\$ 61,234	\$ 36,409	\$ -0-	\$ 703,949
Accumulated amortization	<u>215,009</u>	<u>129,649</u>	<u>36,409</u>	<u>-0-</u>	<u>308,249</u>
Total subscription-based assets, net	\$ <u>464,115</u>	\$ <u>(68,415)</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>395,700</u>

NOTE 7 - OTHER ASSETS

Other assets consist of the following:

	<u>2025</u>	<u>2024</u>
Meter deposits	\$ <u>1,814</u>	\$ <u>1,814</u>
Total	\$ <u>1,814</u>	\$ <u>1,814</u>

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NOTE 8 - LIMITED-USE ASSETS

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

	<u>2025</u>	<u>2024</u>
<u>Restricted by third-parties</u>		
Bond paying agent fund	\$ 110	\$ 106
Bond contingency fund	-0-	74,497
LHA trust deposits	-0-	-0-
Bond fund	554,332	2,004,460
Construction fund	-0-	10,940,329
Equity fund	5,024,816	6,664,221
Debt service reserve	2,465,016	2,583,276
DPP funds	<u>1,500</u>	<u>1,500</u>
Total restricted by third-parties	8,045,774	22,268,389
<u>Restricted by board</u>		
Intergovernmental transfer	<u>100</u>	<u>100</u>
Limited use assets	\$ <u><u>8,045,874</u></u>	\$ <u><u>22,268,489</u></u>

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NOTE 9 - LONG-TERM DEBT

The following is a summary of long-term debt at December 31, 2025 and 2024:

	December 31, 2024	Additions	Payments	December 31, 2025	Due Within One Year
Revenue bonds, Series 2023	\$ <u>28,000,000</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>28,000,000</u>	\$ <u>300,000</u>
Total	\$ <u>28,000,000</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>28,000,000</u>	\$ <u>300,000</u>
	December 31, 2023	Additions	Payments	December 31, 2024	Due Within One Year
Revenue bonds, Series 2023	\$ <u>28,000,000</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>28,000,000</u>	\$ <u>-0-</u>
Total	\$ <u>28,000,000</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>28,000,000</u>	\$ <u>-0-</u>

The following is a summary of the terms and due dates of the District's long-term debt at December 31:

- On December 14, 2023, Series 2023 Revenue Bonds were issued in the principal amounts of \$28,000,000, at 6.75%, rate increases every 5 years, due in 2053. The bonds are being used to build the new hospital and rural health clinic.

The District issued the \$2,000,000 of revenue bonds for the purpose of improving and renovating the Reeves Memorial Medical Center, including equipment, accessories and furnishings, to prepay (refund) the District's outstanding Hospital Revenue Bond, dated August 20, 2002 issued in the principal amount of \$650,000 and cost of issuance of the Bonds.

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NOTE 9 - LONG-TERM DEBT (Continued)

As required by the R-1 and R-2 bond agreements, the District is required to maintain two separate accounts: Sinking Fund and Contingency Fund. The Sinking Fund is required in order to have sufficient monies to pay promptly and fully the principal and interest on the bonds due the next payment day. The Contingency Fund shall have deposited a sum equal to five percent (5%) of the amount being paid monthly into the Sinking Fund to cover depreciation, extensions, additions, improvements and replacements necessary to properly operate Reeves Memorial Medical Center. The sum equal to five percent (5%) of the Sinking Fund will continue until the amount of \$100,000 is deposited into the Contingency Fund. Should the Contingency Fund sum thereafter be reduced to less than \$100,000, monthly payments shall recommence until Contingency Fund balance is \$100,000.

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

<u>Year ending December 31,</u>	<u>Long-Term Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 300,000	\$ 2,118,090
2027	380,000	2,097,840
2028	400,000	2,072,190
2029	430,000	2,045,190
2030	455,000	2,015,628
2031-2035	2,765,000	9,563,369
2036-2040	3,870,000	8,407,663
2041-2045	5,480,000	6,718,013
2046-2050	7,770,000	4,274,125
2051-2053	<u>6,150,000</u>	<u>975,338</u>
Total	\$ <u>28,000,000</u>	\$ <u>40,287,446</u>

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NOTE 10 - LEASE LIABILITIES

The following is a summary of lease liabilities as of December 31:

	<u>December 31,</u> <u>2024</u>	<u>Additions</u>	<u>Payments</u>	<u>December 31,</u> <u>2025</u>	<u>Due Within</u> <u>One Year</u>
Equipment	\$ <u>144,557</u>	\$ <u>-0-</u>	\$ <u>41,775</u>	\$ <u>102,782</u>	\$ <u>28,354</u>
Total	\$ <u>144,557</u>	\$ <u>-0-</u>	\$ <u>41,775</u>	\$ <u>102,782</u>	\$ <u>28,354</u>
	<u>December 31,</u> <u>2023</u>	<u>Additions</u>	<u>Payments</u>	<u>December 31,</u> <u>2024</u>	<u>Due Within</u> <u>One Year</u>
Equipment	\$ <u>197,938</u>	\$ <u>-0-</u>	\$ <u>53,381</u>	\$ <u>144,557</u>	\$ <u>41,848</u>
Total	\$ <u>197,938</u>	\$ <u>-0-</u>	\$ <u>53,381</u>	\$ <u>144,557</u>	\$ <u>41,848</u>

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

- Various lease liability obligation for equipment at imputed interest rates ranging from 5.00% to 6.00% with total monthly payments ranging from \$197 to \$5,275 through December 31, 2029.

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

	<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$	28,354	\$ 6,681	\$ 35,035
2027		30,199	3,889	34,088
2028		32,177	1,753	33,930
2029		12,052	265	12,317
2030		<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Totals	\$	<u>102,782</u>	\$ <u>12,588</u>	\$ <u>115,370</u>

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NOTE 11 - SUBSCRIPTION LIABILITIES

The following is a summary of subscription liabilities as of December 31:

	<u>December 31,</u> <u>2024</u>	<u>Additions</u>	<u>Payments</u>	<u>December 31,</u> <u>2025</u>	<u>Due Within</u> <u>One Year</u>
Totals	\$ <u>404,770</u>	\$ <u>-0-</u>	\$ <u>123,283</u>	\$ <u>281,487</u>	\$ <u>120,758</u>
Total	\$ <u>404,770</u>	\$ <u>-0-</u>	\$ <u>123,283</u>	\$ <u>281,487</u>	\$ <u>120,758</u>
	<u>December 31,</u> <u>2023</u>	<u>Additions</u>	<u>Payments</u>	<u>December 31,</u> <u>2024</u>	<u>Due Within</u> <u>One Year</u>
Totals	\$ <u>457,763</u>	\$ <u>61,236</u>	\$ <u>114,229</u>	\$ <u>404,770</u>	\$ <u>123,283</u>
Total	\$ <u>457,763</u>	\$ <u>61,236</u>	\$ <u>114,229</u>	\$ <u>404,770</u>	\$ <u>123,283</u>

Scheduled principal and interest payments on subscription liabilities are as follows:

	<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$	120,758	\$ 15,467	\$ 136,225
2027		127,428	7,446	134,874
2028		30,708	681	31,389
2029		2,593	17	2,610
2030		<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Totals	\$	<u>281,487</u>	\$ <u>23,611</u>	\$ <u>305,098</u>

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NOTE 12 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

Accrued expenses and withholdings payable at December 31 consist of the following:

	<u>2025</u>	<u>2024</u>
Accrued interest	\$ 176,659	\$ 176,991
Accrued health savings account	14,411	7,532
Accrued payroll taxes	92,039	431
Accrued payroll	<u>21,908</u>	<u>78,997</u>
 Total	 \$ <u>305,017</u>	 \$ <u>263,951</u>

NOTE 13 - COMPENSATED ABSENCES

Employees of the District are entitled to paid days off and sick days depending on length of service. The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent 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 District’s policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment at the employee’s current pay rate upon separation from employment.

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

A summary of compensated absences at December 31, follows:

	<u>2024</u>	<u>Net Change</u>	<u>2025</u>	<u>Current Portion</u>
Vacation time	\$ 433,729	\$ (40,590)	\$ 393,139	\$ 270,225
Sick time	<u>172,306</u>	<u>(100,854)</u>	<u>71,452</u>	<u>13,666</u>
 Totals	 \$ <u>606,035</u>	 \$ <u>(141,444)</u>	 \$ <u>464,591</u>	 \$ <u>283,891</u>

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NOTE 14 - RETIREMENT PLAN

On January 1, 2012, the District instituted the Reeves Memorial Medical Center 457 Plan, which is a defined contribution plan (exempt under Section 457 of the Internal Revenue Code). Security Benefits is the Plan's third-party administrator. At December 31, 2025 and 2024 there were 64 and 56 plan members, respectively. Employees are eligible to participate in the plan beginning on the date of hire, with a maximum contribution of up to 100% of compensation. The contribution limit for those under age 50 is not to exceed \$31,000 and \$20,500 in calendar years 2025 and 2024, respectively. For those 50 or older \$30,000 and \$28,000 are the contribution limits for calendar years 2025 and 2024, respectively. The District has elected to match 100% of the first 3% of the participating employees' compensation deferred to the plan. The District may choose to make annual discretionary non-elective contributions based on the employees' compensation during the plan year. The District holds all rights to change and/or stop its contribution at any time. Employees are immediately vested in their contributions and in the employer match posted to their account.

The District's contributions were \$110,436 and \$74,335, compared to employee contributions of \$198,027 and \$231,751, for the years ended December 31, 2025 and 2024, respectively.

NOTE 15 - NET PATIENT SERVICE REVENUE

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

Medicare - The District became a Medicare "Critical Access Hospital" (CAH) effective December 30, 2005. This designation enables the District to receive cost-based reimbursement for most services provided to Medicare beneficiaries on or after this date, including Swing Bed and rural health clinic services.

The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the District.

Medicaid - Inpatient services are reimbursed based on a prospectively determined per diem rate. Most Medicaid outpatient services are reimbursed under a cost reimbursement methodology, while others are paid on a prospectively determined fee schedule. Rural health clinic services were paid based on a prospectively determined rate per visit until June 30, 2008, when it changed to a cost reimbursement methodology. The District is reimbursed at a tentative rate for cost-based services with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary.

Commercial - The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

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NOTE 15 - NET PATIENT SERVICE REVENUE (Continued)

Blue Cross Blue Shield "BCBS" is the largest commercial provider. BCBS charges were 15% of the gross charges for the years ended December 31, 2025 and 2024.

The following is a summary of the District's net patient service revenues for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Gross charges	\$ 26,067,786	\$ 25,689,880
Less charges associated with charity patients	<u>(4,650)</u>	<u>(10,968)</u>
Gross patient service revenue	26,063,136	25,678,912
Add increases in revenue:		
Less deductions from revenue:		
Contractual adjustments	(8,919,706)	(9,392,758)
Policy and other discounts	<u>(285,658)</u>	<u>(238,179)</u>
Patient service revenue (net of contractual adjustments and discounts)	16,857,772	16,047,975
Less provision for bad debt	<u>(359,693)</u>	<u>(2,671,161)</u>
Net patient service revenue	\$ <u>16,498,079</u>	\$ <u>13,376,814</u>

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

	<u>2025</u>	<u>2024</u>
Medicare and Medicaid charges	\$ 13,523,462	\$ 13,312,676
Contractual adjustments	<u>(3,543,138)</u>	<u>(4,874,930)</u>
Program patient service revenue	\$ <u>9,980,324</u>	\$ <u>8,437,746</u>
Percent of total gross patient charges	<u>52%</u>	<u>52%</u>
Percent of total net patient revenue	<u>60%</u>	<u>63%</u>

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NOTE 15 - NET PATIENT SERVICE REVENUE (Continued)

The District experienced differences between the amounts initially recorded on its cost settlements with Medicare and Medicaid and the finalized amounts.

NOTE 16 - CHARITY CARE

The District provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% of charity care or owe a 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 District does not report the amounts it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The District determines the 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 \$3,112 and \$5,473, in 2025 and 2024, respectively.

NOTE 17 - PROPERTY TAX REVENUE

The District levies property taxes for the maintenance and operation of the facility. The taxes are collected by the Union Parish Sheriff's office for an 8% collection fee. Property tax notices are mailed by November 15 each year and are due by December 31. The lien date is January 31. The special maintenance and operation millage is a ten-year tax assessed on all taxable property within the District at the rate of 10.45 mills. The 5.11 mills tax, which expired December 31, 2025, was renewed for the period 2026 through 2036. The 5.34 mills tax, which expired in 2021, was renewed for the period 2021 through 2031.

NOTE 18 - PROFESSIONAL LIABILITY RISK

The District participates in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to health care providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the District is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the 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 19 - WORKER'S COMPENSATION RISK

The District participates in the Louisiana District Association Self Insurance Worker's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to

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NOTE 19 - WORKER'S COMPENSATION RISK (Continued)

member Districts. The District has included these allocations and equity amounts assigned to the District by the Trust Fund in its financial statements.

NOTE 20 - CONTINGENCIES

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

The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 15) - The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of those programs. The amount of such adjustments cannot be determined.

Further, in order to continue receiving reimbursement from the Medicare program, the District entered into an agreement with a government agent allowing the agent access to the District'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 District.

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

Professional Liability Risk (Note 18) - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

Worker's Compensation Risk (Note 19) - The District carries worker's compensation insurance through the Louisiana District Association Trust Fund. Should the fund's assets not be adequate to cover claims made

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NOTE 20 - CONTINGENCIES (Continued)

against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any.

Litigation and other matters in the ordinary course of business are pending against the District. In the opinion of management and counsel, insurance is sufficient to cover adverse legal determination in the case where liability can be measured.

NOTE 21 - GRANT REVENUE

The District recognized operating grant income of \$12,534 and \$10,122 in years 2025 and 2024, respectively, for Medicaid Physician IPA payments and SHIP Grant.

NOTE 22 - COOPERATIVE ENDEAVOR AGREEMENT

The District has agreed to a cooperative endeavor (CEA) with other like-minded Louisiana hospitals, per Louisiana's Rural Hospital Preservation Act. The intent of this arrangement is to pool District resources across the State to support access to healthcare in rural Louisiana. Under the CEA, the District deposits an amount, determined annually by the Rural Hospital Coalition (RHC), into an account, from which RHC is permitted to withdraw funds and make distributions to participating hospitals using a predetermined formula. Although the payments are formulaic in nature, they are not guaranteed, nor are they directly related to Medicaid reimbursement for the provisions of goods and healthcare services to patients. Accordingly, the deposits with RHC were less than the receipts under this program, resulting in a net amount of \$715,472 and \$986,892 for the years ended December 31, 2025 and 2024, respectively. This was recorded as other operating revenue as access to care payment.

NOTE 23 - MEDICAID SUPPLEMENTAL PAYMENTS

The District entered into an Intergovernmental Transfer Agreement (IGT) with the Louisiana Department of Health (LDH) as part of Louisiana Physician IPA, Inc. which is a physician supplemental program. In fiscal year 2025, the District received approximately \$105,097 in Medicaid supplemental payments of which approximately \$30,295 was submitted to LDH as an IGT.

For state fiscal years (SFY) 2025 and 2024, the Louisiana Department of Health (LDH) obtained a Medicaid State Plan Amendment (SPA) approval from the Centers for Medicare and Medicaid Services (CMS) to make quarterly supplemental payments to Districts based upon certain assumptions under a directed payment plan (DPP). Annually thereafter, LDH must submit the assumptions to CMS for approval in future years.

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NOTE 23 - MEDICAID SUPPLEMENTAL PAYMENTS (Continued)

The basis for interim supplemental payments is the District'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 District has recognized \$1,887,348 and \$1,091,041 for the years ended December 31, 2025 and 2024, respectively, as Medicaid supplemental income after consideration was given for future adjustments which the District determined necessary. To the extent income recognized in the current period differs from actual results, Medicaid supplemental income will be adjusted.

NOTE 24 - RELATED PARTY

The District has a management agreement with Impact Healthcare Solutions, LLC to manage the District. Additionally, Impact provides billing and collection services. Total amounts paid for these services were \$894,378 and \$771,256, for December 31, 2025 and 2024, respectively.

NOTE 25 - 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 year ended December 31, 2025 and 2024, the revenues under the Medicaid supplemental payment programs represented approximately 25 percent 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.

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2025 and 2024

NOTE 26 - REEVES MEMORIAL MEDICAL CENTER FOUNDATION (AFFILIATE)

The accompanying combined financial statements include the accounts of the Foundation. The Foundation revenues of \$119,824 are included in other revenues and expenses of \$101,757 are included in other expenses, for the year ended December 31, 2025.

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and cash equivalents	\$ 59,896	\$ 41,829
Total assets	\$ <u>59,896</u>	\$ <u>41,829</u>
LIABILITIES AND NET ASSETS		
Net assets	\$ 41,829	\$ 21,268
Total liabilities and net assets	\$ <u>41,829</u>	\$ <u>21,268</u>
REVENUE		
Contribution revenue	\$ 119,493	\$ 21,888
Interest income	<u>331</u>	<u>45</u>
Total revenue	<u>119,824</u>	<u>21,933</u>
EXPENSES		
Fundraising and administrative expense	<u>101,757</u>	<u>1,372</u>
Excess of revenue over expenses	18,067	20,561
Beginning net assets	<u>41,829</u>	<u>21,268</u>
Ending net assets	\$ <u>59,896</u>	\$ <u>41,829</u>

NOTE 27 - SUBSEQUENT EVENT

Management has evaluated subsequent events through the date the financial statements were to be issued, June 26, 2026, and determined that 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

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Schedules of Net Patient Service Revenue
Years Ended December 31,

	<u>2025</u>	<u>2024</u>
Daily patient services:		
Room and board	\$ 583,471	\$ 512,472
Swing	<u>1,553,003</u>	<u>1,719,125</u>
Total daily patient services	<u>2,136,474</u>	<u>2,231,597</u>
Other professional services:		
Radiology	4,769,420	4,959,005
Laboratory	4,350,571	4,159,673
Blood	23,222	21,544
Respiratory therapy	568,943	445,238
Physical therapy	2,566,609	2,250,146
Occupational therapy	1,735,347	1,574,496
Speech therapy	155,445	139,809
EKG	127,875	109,346
Medical supply	159,433	101,282
Pharmacy	3,975,421	4,603,051
Rural health clinic	2,615,003	2,069,822
Wound care	306	3,181
Emergency room	2,876,717	2,997,440
Monitor	<u>7,000</u>	<u>24,250</u>
Total other professional services	<u>23,931,312</u>	<u>23,458,283</u>
Gross charges	26,067,786	25,689,880
Less charges associated with charity patients	<u>4,650</u>	<u>10,968</u>
Gross patient service revenue	26,063,136	25,678,912
Deductions from revenue:		
Medicare and Medicaid contractual adjustments	3,543,138	4,874,930
Other contractual adjustments	5,376,568	4,517,828
Policy and other discounts	<u>285,658</u>	<u>238,179</u>
Patient service revenue (net of contractual adjustments and discounts)	16,857,772	16,047,975
Less provision for bad debt	<u>359,693</u>	<u>2,671,161</u>
Net patient service revenue less provision for bad debt	\$ <u>16,498,079</u>	\$ <u>13,376,814</u>

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Schedules of Other Operating Revenue
Years Ended December 31,

	<u>2025</u>	<u>2024</u>
HPSA incentive	\$ 166,590	\$ 121,754
Dietary revenue	69,004	73,133
Discounts taken	64,830	67,864
Pharmacy revenue	1,161	2,226
340B pharmaceutical program	1,202,240	653,437
Contribution revenue	129,886	21,888
Administrative processing fee	101,443	140,400
Access to care payments	715,472	986,892
Miscellaneous revenue	<u>244,946</u>	<u>66,898</u>
 Total other revenue	 \$ <u>2,695,572</u>	 \$ <u>2,134,492</u>

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Schedules of Expenses – Salaries and Benefits
Years Ended December 31,

	<u>2025</u>	<u>2024</u>
Administration	\$ 648,456	\$ 712,448
Plant maintenance	166,203	78,942
Housekeeping	147,915	125,083
Dietary	203,119	202,198
Nursing administration	91,452	116,929
Health information	185,214	186,876
Nursing services	2,009,625	1,670,158
Radiology	431,470	395,257
Laboratory	570,341	532,379
Respiratory therapy	60,669	58,608
EKG and EEG	13,497	11,498
Central supply	-0-	28,027
Pharmacy	241,084	256,882
Rural health clinic	1,547,293	1,324,901
Emergency room	<u>1,379,450</u>	<u>1,101,811</u>
 Total salaries	 <u>7,695,788</u>	 <u>6,801,997</u>
 Payroll taxes	 521,087	 495,262
Health/life insurance	901,825	583,869
457 matching contribution	110,436	74,335
Worker's compensation	<u>39,888</u>	<u>42,659</u>
 Total benefits	 <u>1,573,236</u>	 <u>1,196,125</u>
 Total salaries and benefits	 \$ <u>9,269,024</u>	 \$ <u>7,998,122</u>

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Schedules of Expenses – Medical Supplies and Drugs
Years Ended December 31,

	<u>2025</u>	<u>2024</u>
Nursing services	\$ 97,060	\$ 92,837
Radiology	13,732	1,246
Blood	18,749	9,548
Respiratory therapy	17,294	13,714
Physical and occupational therapy	875	-0-
Pharmacy	1,763,998	1,630,678
Central Supply	-0-	18
Rural health clinic	<u>7,830</u>	<u>8,768</u>
 Total medical supplies and drugs	 \$ <u>1,919,538</u>	 \$ <u>1,756,809</u>

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Schedules of Expenses – Professional Fees
Years Ended December 31,

	<u>2025</u>	<u>2024</u>
Administration	\$ 825	\$ -0-
Nursing	172,277	240,437
Radiology	240,924	297,901
Laboratory	178,799	180,821
Physical therapy	645,811	531,928
Occupational therapy	436,690	363,889
Speech therapy	121,940	120,723
Cardiology	168,777	53,424
Pharmacy	37,569	39,143
Rural health clinic	12,000	15,000
Emergency room	<u>668,224</u>	<u>625,535</u>
 Total professional fees	 \$ <u><u>2,683,836</u></u>	 \$ <u><u>2,468,801</u></u>

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Schedules of Expenses – Other Expenses
Years Ended December 31,

	<u>2025</u>	<u>2024</u>
Purchased services	\$ 1,423,675	\$ 1,034,757
Accounting and legal	116,123	103,800
Non medical supplies	872,314	454,070
Repairs and maintenance	523,273	491,413
Utilities	114,373	107,194
Telephone	58,476	63,921
Travel	32,021	26,455
Rentals	39,441	30,290
Training	24,235	13,412
Promotion and advertising	106,452	25,518
Licensing and publications	73,168	68,650
Miscellaneous	193,091	216,408
Foundation fundraising and special events	101,757	1,372
Tax assessor fees	<u>10,240</u>	<u>10,348</u>
 Total other expenses	 \$ <u>3,688,639</u>	 \$ <u>2,647,608</u>

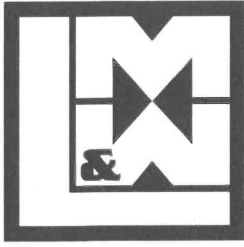
Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Schedules of Per Diem and Other Compensation Paid to Board Members
Years Ended December 31,

	<u>2025</u>	<u>2024</u>
Board members:		
Penya Moses	\$ 200	\$ 320
Jennifer Lenard	240	320
Christopher Adkins	200	240
Sharon Hays	200	320
Mark Deason	<u>240</u>	<u>360</u>
Total	\$ <u>1,080</u>	\$ <u>1,560</u>

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Schedule of Compensation, Benefits, and Other Payments
To Chief Executive Officer
Year Ended December 31, 2025

Agency Head Name: David Caston
Position: CEO
Time Period: January 1, 2025 to December 31, 2025

<u>Purpose</u>	<u>Amount</u>
Salary	188,942
Health insurance	-0-
Retirement	-0-
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	-0-
Registration fees	-0-
Conference travel	3,843
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
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
Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Bernice, Louisiana

We have audited, 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, the financial statements of Ward 3, 4 and 10 Hospital Service District of the Parish of Union, State of Louisiana d/b/a Reeves Memorial Medical Center (the "District"), a component unit of the Union Parish Police Jury, as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated June 26, 2026.

Report on Internal Control Over Financial Reporting

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

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.

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Page Two

We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2025-001 and 2025-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*

The District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *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 use of management, the Board of Commissioners, others within the entity, 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Certified Public Accountants
Alexandria, Louisiana

June 26, 2026



Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Schedule of Current Year Findings and Responses
Year Ended December 31, 2025

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified opinion on financial statements prepared in accordance with generally accepted accounting principles (GAAP)

Internal control over financial reporting:

- Material weaknesses identified – Yes
- Significant deficiencies identified – No

Compliance:

- Noncompliance issues noted – No

Management letter issued – No

Section II. Financial Statement Findings

Finding 2025-001 – Third-Party Settlements

Criteria: Management should reconcile third-party settlement accounts schedules that include all cost report balances.

Condition: Management did not reconcile third-party settlement balance to schedules that include cost report settlement balance for all outstanding cost report years.

Cause: Managements third party balances were understated by previous year cost report amounts.

Effect: An adjustment of \$304,000 was made to post settlements to the accounts.

Recommendation: We recommend updating Medicare and Medicaid schedules as cost reports are finalized or payments are made.

Management Response: Management will prepare Medicare and Medicaid schedules and reconcile to the schedules.

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Schedule of Current Year Findings and Responses
Year Ended December 31, 2025

Finding 2025-002 – Accrual of DPP Receivables

Criteria: U.S. generally accepted accounting principles require that revenues be reported in the period earned.

Condition: Management did not record revenue when earned from DPP payment programs.

Cause: The DPP payments were recorded on a cash basis, instead of an accrual basis.

Effect: Accounts receivable and income were understated by approximately \$192,617.

Recommendation: Management should record revenue when earned from the DPP program and reconcile to the payments when received.

Management Response: Management has established a process to record the DPP payment program on a monthly basis. The amounts will be reviewed during the monthly close process by the Chief Financial Officer.

Section III. Federal Award Findings

Not applicable

Section IV. Management Letter

Not applicable

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Schedule of Prior Year Findings and Responses
Year Ended December 31, 2025

Section I. Financial Statement Findings

Finding 2024-001 – Third-Party Settlements

Criteria: An estimate for Medicare and Medicaid cost report settlement should be estimated and recorded as either an asset or liability.

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

Cause: Management elected not to record an estimate.

Effect: An adjustment of \$710,953 was made to post settlements to the accounts.

Recommendation: We recommend making interim estimates and recording a receivable or payable for the current year Medicare and Medicaid cost report settlements.

Management Response: Management will consider preparing an estimate for Medicare and Medicaid cost settlements.

Resolution: Not resolved

Finding 2024-002 – New Accounting Pronouncement

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

Condition: GASB 101, *Compensated Absences*, became effective January 1, 2024 for the District's reporting period. The implementation of the new GASB pronouncement was not completed until June 2025.

Cause: The data to calculate sick time accrual and wage related cost were not collected in time to calculate the necessary liabilities.

Effect: Liabilities were understated by approximately \$207,000.

Recommendation: We recommend that future implementation of new accounting pronouncements be completed during the year in which they go into effect.

Management Response: Management will implement the GASB 101 in July 2025. Additionally, management will ensure new accounting pronouncements are implemented in a timely manner.

Resolution: Resolved

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Schedule of Prior Year Findings and Responses
Year Ended December 31, 2025

Finding 2024-003 – Net Patient Service Revenue

Criteria: Medicare and Medicaid allowance percentages should be updated to include all account receivable balances when calculating allowances.

Condition: Management did not use updated Medicare and Medicaid percentages to calculate adjustments and the account receivable balances from the old computer system were not included in the allowance calculations.

Cause: Management's calculations were understated due to outdated and missing data.

Effect: An adjustment of \$683,223 was made to correct allowance and adjustment accounts.

Recommendation: We recommend updating Medicare and Medicaid percentages and include old account receivable balances from old computer system.

Management Response: Management will consider writing off old accounts and will update percentages timely.

Resolution: Resolved

Section II. Federal Award Findings

Not applicable

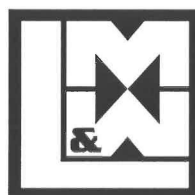
Section III. Management Letter

Not applicable

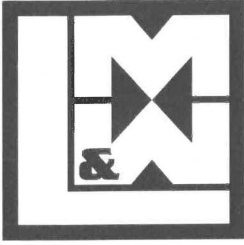
REEVES MEMORIAL MEDICAL CENTER

INDEPENDENT AUDITORS' REPORT
ON APPLYING AGREED UPON
PROCEDURES

FOR THE YEAR ENDED
DECEMBER 31, 2025



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners
of Ward 3, 4 & 10 Hospital Service District of
Parish of Union State of Louisiana
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Board of Commissioners of Ward 3, 4 & 10 Hospital Service District of Parish of Union State of Louisiana (the Hospital) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2025 through December 31, 2025. The Hospital's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

1) *Written Policies and Procedures*

- A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - i. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - ii. **Purchasing**, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, (4) controls to ensure compliance with the Public Bid Law, and (5) documentation required to be maintained for all bids and price quotes.
 - iii. **Disbursements**, including processing, reviewing, and approving.
 - iv. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

- v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.
- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- viii. **Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- xi. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

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

2) Board or Finance Committee

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and
 - i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - ii. For those entities reporting on the governmental accounting model, 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 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.*



To the Board of Commissioners
of Ward 3, 4 & 10 Hospital Service District of
Parish of Union State of Louisiana
and the Louisiana Legislative Auditor

- 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;



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- iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;
 - iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and
 - v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.
- C. For each location selected under procedure #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and
- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.
- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

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

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

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and
- i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder and
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.
- C. Using the monthly statements or combined statements selected under procedure #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and



obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

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

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

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

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected
- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);
 - ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;
 - iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and
 - iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Exceptions: 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



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- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;
- ii. Observe whether the contract was approved by the governing body/board, if required by policy or law;
- iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and
- iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

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

9) Payroll and Personnel

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and
 - i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;
 - iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
 - iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.
- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

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



10) Ethics

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

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

11) Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.
- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Exceptions: 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

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

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

14) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity’s premises if the entity does not have a website).



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

We are required to be independent of the 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.



Certified Public Accountants
Alexandria, Louisiana

June 26, 2026

