

**HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF ST. MARY
DBA: BAYOU BEND HEALTH SYSTEM**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED SEPTEMBER 30, 2025



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**HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
DBA: BAYOU BEND HEALTH SYSTEM
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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Hospital Service District No. 1 of the Parish of St. Mary
dba: Bayou Bend Health System
Franklin, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Hospital Service District No. 1 of the Parish of St. Mary dba: Bayou Bend Health System (the Hospital), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

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

Basis for Opinion

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

Adjustments to Prior Period Financial Statements

As part of our audit of the September 30, 2025, financial statements, we also audited adjustments described in Note 1 that were applied to restate the September 30, 2024, financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the September 30, 2024, financial statement of the Hospital other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the September 30, 2024, financial statements as a whole.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

Board of Commissioners
Hospital Service District No. 1 of the Parish of St. Mary
dba: Bayou Bend Health System

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hospital's basic financial statements. The supplementary schedules 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 GAAS. In our opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2026, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Houston, Texas
March 26, 2026

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
DBA: BAYOU BEND HEALTH SYSTEM
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	3,427,065
Investments		4,739,108
Accounts Receivables, Less Allowance for Doubtful Accounts of \$1,598,817		1,973,380
Due from Third Party Payors		1,403,615
Other Receivables		7,653,466
Inventories		642,611
Prepaid Expenses		475,476
Total Current Assets		20,314,721

ASSETS WHOSE USE IS LIMITED

By Board		9,194,662
By Bond Indenture:		
Series 2005 Contingency Fund		191,220
Series 2005 Reserve Fund		191,223
Total Assets Whose Use is Limited by Bond Indenture		382,443
Total Assets Whose Use is Limited		9,577,105

PROPERTY, PLANT, AND EQUIPMENT

Property, Plant, and Equipment Cost		81,060,000
Less: Accumulated Depreciation		(38,033,984)
Total Property, Plant, and Equipment		43,026,016

DEFERRED OUTFLOWS OF RESOURCES

Deferred Financing Costs		7,152
Total Deferred Outflows of Resources		7,152

Total Assets		\$ 72,924,994
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**HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
DBA: BAYOU BEND HEALTH SYSTEM
STATEMENT OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2025**

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Current Portion of Long-Term Debt	\$	469,828
Accounts Payable		1,923,893
Due to Third Party Payors		1,490,294
Credit Balances		107,430
Interest Payable		81,309
Accrued Salaries and Related Withholdings		1,430,032
Accrued Vacation and Holiday Expense		636,712
Total Current Liabilities		6,139,498

LONG-TERM LIABILITIES

Revenue Bonds Series 2005		3,111,948
Lease Payable		1,240,222
Total Long-Term Liabilities		4,352,170

Total Liabilities		10,491,668
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NET POSITION

Invested in Capital Assets, Net of Related Debt		38,204,018
Restricted Net Position (Expendable)		382,443
Unrestricted		23,846,865
Total Net Position		62,433,326

Total Liabilities and Net Position		\$ 72,924,994
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**HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
DBA: BAYOU BEND HEALTH SYSTEM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2025**

OPERATING REVENUES

Net Patient Service Revenue Before Provision for Doubtful Accounts	\$ 30,227,743
Provision for Doubtful Accounts	<u>(2,573,057)</u>
Net Patient Service Revenue, Less Provision for Doubtful Accounts	27,654,686
Ad Valorem Taxes	3,165,721
Intergovernmental Transfers - Operating Grant	3,258,243
Other Operating Revenue	<u>2,129,166</u>
Total Operating Revenues	<u>36,207,816</u>

OPERATING EXPENSES

Professional Services	23,484,464
General and Administrative	14,430,784
Depreciation and Amortization	<u>2,795,622</u>
Total Operating Expenses	<u>40,710,870</u>

OPERATING LOSS

(4,503,054)

NONOPERATING REVENUES (EXPENSES)

Full Medicaid Capacity Payment Program Funding	3,095,275
Grant Revenue	936,226
Net Increase in the Fair Value of Investments	16,496
Investment Income	157,005
Gain on the Disposal of Fixed Assets	-
Interest Income	67,148
Interest Expense	(190,843)
Other Nonoperating Revenue	<u>829</u>
Total Nonoperating Revenues (Expenses)	<u>4,082,136</u>

CHANGE IN NET POSITION

(420,918)

Net Position - Beginning of Year as Previously Reported	64,266,035
Prior Period Adjustment	<u>(1,411,791)</u>
Net Position - Beginning of Year as Restated	<u>62,854,244</u>

NET POSITION - END OF YEAR

\$ 62,433,326

See accompanying Notes to Financial Statements.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
DBA: BAYOU BEND HEALTH SYSTEM
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2025**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Patients	\$ 26,343,000
Ad Valorem Taxes	3,189,253
Intergovernmental Transfers-Operating Grant	3,363,320
Cash Received from Other Sources	2,913,373
Cash Payments to Suppliers for Goods and Services	(17,942,001)
Cash Payments to Employees for Services	(19,953,377)
Net Cash Used by Operating Activities	(2,086,432)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of Property and Equipment	(6,726,129)
Principal Payments on Long-Term Debt	(300,450)
Interest Payments on Long-Term Debt	(122,031)
Grant Income	3,992,110
Other Nonoperating Income	829
Net Cash Used by Capital and Related Financing Activities	(3,155,671)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Deferred Financing Costs	2,936
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CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Investments	(3,773,198)
Proceeds from the Sale of Investments	3,635,995
Investment Income	149,638
Interest Income	67,148
Net Cash Provided by Investing Activities	79,583

NET DECREASE IN CASH AND CASH EQUIVALENTS

(5,159,584)

Cash and Cash Equivalents - Beginning of Year

18,163,754

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 13,004,170

See accompanying Notes to Financial Statements.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
DBA: BAYOU BEND HEALTH SYSTEM
STATEMENTS OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2025**

**RECONCILIATION OF OPERATING LOSS TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES:**

Operating Loss	\$ (4,503,054)
Adjustments to Reconcile Operating Loss to Net Cash	
Provided (Used) by Operating Activities:	
Depreciation and Amortization	2,795,622
Provision for Doubtful Accounts	2,573,057
Increase in Receivables and Due from/to Third Party	(3,632,659)
Increase in Inventories and Prepaid Expenses	1,016,913
Decrease in Accounts Payable and Accrued Expenses	(336,311)
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,086,432)</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash and Cash Equivalents	\$ 3,427,065
Cash Whose Use is Limited	<u>9,577,105</u>
Cash and Cash Equivalents - End of Year	<u>\$ 13,004,170</u>

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING
ACTIVITIES**

Decrease in Fair Value of Investments	<u>\$ 16,496</u>
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**HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
DBA: BAYOU BEND HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Hospital Service District No. 1 of the Parish of St. Mary, d.b.a. Bayou Bend Health System (the Hospital) was created by Ordinance No. 559 of the Police Jury of St. Mary Parish on September 20, 1950, to operate, control, and manage matters concerning the health care of citizens west and northwest of the Wax Lake Outlet. The Hospital is governed by a board of seven commissioners who are appointed by the St. Mary Parish Council. For this reason, the Hospital is considered to be a component unit of the St. Mary Parish Government, St. Mary Parish, Louisiana.

Use of Estimates

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

Proprietary Fund Accounting

The Hospital utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized using the economic resources measurement focus and the accrual basis of accounting. Substantially all revenues and expenses are subject to accrual.

Inventories

Inventories of drugs and supplies are stated at the lower of cost (first-in, first-out) or market.

Property, Plant, and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under lease is stated at the sum of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term, plus initial direct cost necessary to place the lease asset in service. Leased equipment is amortized on the straight-line method over the shorter of the lease term or estimated useful lives of the assets. Subscription-based information technology arrangement is stated at the sum of the initial measurement of the subscription liability plus any payments made to the lessor at or before the commencement of the subscription term plus initial direct cost necessary to place the subscription asset in service. Subscription-based information technology arrangements are amortized on the straight-line method over the shorter of the subscription term or estimated useful lives of the assets.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
DBA: BAYOU BEND HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Property, Plant, and Equipment (Continued)

Gifts of long-lived assets such as land, building, or equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less. Uses of restricted funds are determined by board resolution only.

Compensated Absences

Employees of the Hospital are entitled to paid time off depending on their length of service and other factors. Accrued compensated absences on the Hospital's statement of net position was \$636,712 as of September 30, 2025.

Ad Valorem Taxes

The Hospital received approximately eight percent (8%) of its financial support from ad valorem taxes during the year ended September 30, 2025. Current taxes are received beginning in December of each year and become delinquent after January 31 of the following year.

Risk Management

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

Investments in Debt and Equity Securities

Investments in debt and equity securities are carried at fair value except for investments in debt securities with maturities of less than one year at the time of purchase. These investments are reported at approximated fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating income when earned.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
DBA: BAYOU BEND HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Net Position

GASB 63 and GASB Codification Section P80 states that net position is equal to assets, plus deferred outflows of resources, less liabilities and deferred inflows of resources. Net position classifications are defined as follows:

Invested in Capital Assets, Net of Related Debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets invested in capital assets, net of related debt, excludes unspent debt proceeds.

Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets may be restricted when there are limitations imposed on their use either through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position consists of net position that does not meet the definition of the two preceding categories.

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Operating and Nonoperating Revenue

Operating revenue includes net patient revenue, ad valorem taxes, intergovernmental transfer grants, cafeteria and vendor sales, rental income, and other revenues determined by management to be derived from operations of the Hospital. Nonoperating revenues include grant revenue, interest income, and gains or losses not considered to be derived from operations of the Hospital.

Restricted Resources

Restricted funds may be designated by the board in order to comply with bond covenants, contracts, or other specific purposes. The Hospital first applies restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted net position are available.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
DBA: BAYOU BEND HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Income Taxes

The Hospital is a political subdivision and exempt from taxes.

Advertising

The Hospital expenses advertising costs as incurred.

Environmental Matters

Due to the nature of the Hospital's operations, materials handled could lead to environmental concerns. However, at this time, management is not aware of any environmental matters which need to be considered.

Adoption of Accounting Standard

Effective October 1, 2024, the Hospital implemented GASB Statement 101, *Compensated Absences*. This statement updated the recognition and measurement guidance for compensated absences and associated salary-related payments and amended certain previously required disclosures.

Implementation did not have a material impact on the statements of net position and statements of revenues, expenses, and changes in net position as a result of adopting GASB Statement Number 101.

Prior Period Adjustment

During the current year, the Hospital identified errors in the previously issued consolidated financial statements for the year ended September 30, 2024. The errors resulted from recording revenue instead of a reduction of a receivable upon the receipt of grant funds, as well as under reporting depreciation on a previously capitalized construction project.

In accordance with GASB Statement No. 62 and GASB Codification Section 2250, the prior-period adjustment is reported as a restatement of beginning net position. The restatement does not affect current-year activity but is required to present the beginning net position of the Hospital in accordance with generally accepted accounting principles.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
DBA: BAYOU BEND HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Prior Period Adjustment (Continued)

The following table summarizes the impact on the restatement on the previously reported financial statements:

	<u>As Previously Stated</u>	<u>Adjustment</u>	<u>As Restated</u>
Statement of Net Position:			
Current Assets:			
Other Receivables	\$ 6,137,430	\$ (1,000,000)	\$ 5,137,430
Property, Plant, and Equipment:			
Accumulated Depreciation	(35,339,062)	(418,687)	(35,757,749)
Net Position:			
Invested in Capital Assets, Net of Related			
Debt	33,973,061	(418,687)	33,554,374
Unrestricted	29,911,676	(1,000,000)	28,911,676
Statement of Revenues, Expenses and			
Changes in Net Position:			
Operating Expenses:			
Depreciation and Amortization	2,987,822	418,687	3,406,509
Non-Operating Revenues (Expenses):			
Grant Revenue	3,771,518	(1,000,000)	2,771,518

Subsequent Events

In preparing these financial statements, the Hospital has evaluated events and transactions for potential recognition or disclosure through March 26, 2026, the date the financial statements were available to be issued.

NOTE 2 MAJOR SOURCE OF REVENUE

The Hospital participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Hospital derived approximately 75% of its gross patient service revenue in 2025 from patients covered by the Medicare and Medicaid programs. The Hospital received total grant revenue, including operating and nonoperating, of \$7,289,744 for 2025.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
DBA: BAYOU BEND HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 3 NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in a future period as final settlements are determined.

The primary third-party programs include Medicare and Medicaid, which account for a significant amount of the Hospital's revenue. The laws and regulations under which Medicare and Medicaid programs operate are complex, and subject to interpretation and frequent changes. As part of operating under these programs, there is a possibility that government authorities may review the Hospital's compliance with these laws and regulations. Such review may result in adjustments to program reimbursement previously received and subject the Hospital to fines and penalties. Although no assurance can be given, management believes it has complied with the requirements of these programs.

A summary of the payment arrangements with major third-party payors follows.

Medicare: Inpatient services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare Administrative Contractor (MAC). The Hospital's Medicare cost reports have been settled by the MAC through September 30, 2023.

Medicaid: Inpatient services rendered to Medicaid and Medicaid Managed Care Organizations (MCOs) program beneficiaries are reimbursed at a fixed rate per day for medical/surgical patients. Outpatient services for traditional Medicaid and MCO program beneficiaries are reimbursed under a cost reimbursement methodology, with certain limitations and exceptions. The Hospital is reimbursed at an interim rate with final settlement determined after submission of annual cost reports filed by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through September 30, 2018.

Commercial: The Hospital has entered into payment agreements with certain commercial insurance carriers and preferred-provider organizations. The basis for payment to the Hospital under some of these agreements includes prospectively determined daily rates.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
DBA: BAYOU BEND HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 3 NET PATIENT SERVICE REVENUE (CONTINUED)

For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant estimated provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts, recognized in the period from these major payor sources, is as follows.

Net Patient Service Revenue by Payor Before Provision for Doubtful Accounts:

Medicare	\$ 5,387,868
Medicaid	18,002,037
All Other Payors	<u>6,837,838</u>
Total Net Patient Service Revenue Before	
Provision for Doubtful Accounts	<u>\$ 30,227,743</u>

The following table represents Total Net Patient Service Revenue:

Gross Patient Service Revenue	\$ 52,324,000
Less: Contractual Adjustments	(25,217,740)
Add: Physician Full Medicaid Payment	<u>3,121,483</u>
Net Patient Service Revenue Before	
Provision for Doubtful Accounts	30,227,743
Provision for Doubtful Accounts	<u>(2,573,057)</u>
Net Patient Service Revenue After	
Provision for Doubtful Accounts	<u>\$ 27,654,686</u>

During the fiscal year ended September 30, 2025, the Hospital received funding based on provider services provided to the MCOs through the Louisiana Department of Health and Hospital's Bayou Health Program referred to as "Physician Full Medicaid Payment" above. Under this program, the Hospital was required to make intergovernmental transfers (IGT) totaling \$1,954,800 to the Louisiana DHH for the year ended September 30, 2025. The Hospital later received matching dollars for the transfer in addition to the FMP payment. Before administrative fees paid to the MCOs and a third-party representative organization, the Hospital recognized a gross benefit of approximately \$3,121,483 for the year ended September 30, 2025. The Hospital has included this amount in the "Physician Full Medicaid Payment" shown above as a part of Net Patient Service Revenue.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
DBA: BAYOU BEND HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 4 ACCOUNTS RECEIVABLE - PATIENTS

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with Medicaid, Commercial, and Self-Pay patients, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience and on the age of the receivable balance. The aged balance indicates that third-party claims have reached an age where the probability of payment is low and that self-pay patients are unable or unlikely to pay the portion of their bill for which they are financially responsible.

The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Patient Accounts Receivable consists of the following at September 30, 2025:

Total Patient Accounts Receivable	\$ 5,337,780
Less: Allowances for Doubtful Accounts and Contractual Allowances	<u>(3,364,400)</u>
Net Patient Accounts Receivable	<u>\$ 1,973,380</u>

NOTE 5 ACCOUNTS RECEIVABLE - OTHER

Other Accounts Receivable consists of the following at September 30, 2025:

Accrued Ad Valorem Tax Revenue	\$ 2,236,167
Accrued Investment Income	38,407
Medicaid Physician Rate Enhancement Program	2,910,382
Medicaid DSH Funds Receivable	1,101,669
Full Medicaid Capacity Grant	996,300
All Other	<u>370,541</u>
Total Accounts Receivable - Other	<u>\$ 7,653,466</u>

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
DBA: BAYOU BEND HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 6 PROPERTY, PLANT, AND EQUIPMENT

Depreciation is computed using the straight-line method based on estimated useful lives as follows:

Buildings	10 to 40 Years
Fixed Equipment	5 to 25 Years
Movable Equipment	5 to 25 Years
Land Improvements	5 to 25 Years
Right-of-Use Assets	5 to 25 Years
Software Subscriptions	2 to 10 Years

Property, plant, and equipment consists of the following at September 30, 2025:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 1,635,758	\$ -	\$ -	\$ 1,635,758
Construction in Progress	4,076,979	7,715,581	84,795	11,707,765
Total Assets Not Being Depreciated	5,712,737	7,715,581	84,795	13,343,523
Other Capital Assets:				
Buildings	40,524,423	84,795	1,627,570	38,981,648
Fixed Equipment	782,872	18,793	-	801,665
Movable Equipment	22,576,326	561,856	46,850	23,091,332
Land Improvements	2,826,227	46,850	-	2,873,077
Right-of-Use Assets	307,720	1,482,377	-	1,790,097
Software Subscriptions	221,889	-	43,231	178,658
Total Other Capital Assets	67,239,457	2,194,671	1,717,651	67,716,477
Less Accumulated Depreciation/ Amortization for:				
Buildings	15,317,461	1,622,630	-	16,940,091
Equipment and Furniture Improvements	18,609,661	731,592	-	19,341,253
Right-of-Use Assets	1,073,883	136,398	-	1,210,281
Software Subscriptions	244,863	210,630	-	455,493
Software Subscriptions	93,194	36,903	43,231	86,866
Total Accumulated Depreciation/ Amortization	35,339,062	2,738,153	43,231	38,033,984
Net Property, Plant, and Equipment	\$ 37,613,132	\$ 7,172,099	\$ 1,759,215	\$ 43,026,016

At September 30, 2025, construction in progress is made up of primarily two ongoing projects, an operating room expansion and phase two of the wellness center. The estimated total costs of these projects are \$11,900,000 and \$2,000,000, respectively, and both projects are being financed through grant funds that have been restricted for capital use by the board of commissioners. Phase two of the wellness center is expected to be capitalized in November of 2025, while the operating room expansion project is expected to be capitalized in May of 2026.

Total depreciation expense for the year ended September 30, 2025 was \$2,738,153.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
DBA: BAYOU BEND HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 7 LONG-TERM DEBT

Long-term debt consisted of the following at September 30, 2025:

Description

Revenue Bonds - face value \$5,000,000, dated September 5, 2007, bearing interest at 4.25%, collateralized by hospital revenue, maturing monthly with the final maturity October 5, 2047	\$ 3,239,534
Subscription Liability, Change Healthcare, payable in 60 monthly installments at a 2.54% interest rate, matures in 2027	28,160
Subscription Liability, 3-M, payable in 5 yearly installments at a 3.38% interest rate, matures in 2027	70,192
Right-of-Use Obligation, GE MRI Machine, payable in 60 monthly installments at a 3.63% interest rate, matures in 2030	1,435,650
Right-of-Use Obligation, of the Lab Immunoassay Integrated System, payable in 60 monthly installments at a 1.31% interest rate, matures in 2026	47,124
Right-of-Use Obligation, of Ricoh Copiers, payable in 60 monthly installments at a 0.89% interest rate, matures in 2026	<u>1,338</u>
Total Long-Term Debt	4,821,998
Less: Current Portion	<u>(469,828)</u>
Total Long-Term Portion	<u><u>\$ 4,352,170</u></u>

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
DBA: BAYOU BEND HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 7 LONG-TERM DEBT (CONTINUED)

A summary of long-term debt activity for the year ended September 30, 2025 consisted of the following:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Revenue Bonds Series 2005	\$ 3,361,820	\$ -	\$ 122,286	\$ 3,239,534	\$ 127,586
Software Subscriptions	133,163	-	34,811	98,352	306,234
Lease Obligations	145,088	1,482,377	143,353	1,484,112	36,008
Total	<u>\$ 3,640,071</u>	<u>\$ 1,482,377</u>	<u>\$ 300,450</u>	<u>\$ 4,821,998</u>	<u>\$ 469,828</u>

Scheduled repayments on long-term debt are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 469,828	\$ 241,189	\$ 711,017
2027	450,377	211,438	661,815
2028	466,290	181,008	647,298
2029	471,592	149,770	621,362
2030	383,234	118,416	501,650
2031 - 2035	860,067	453,933	1,314,000
2036 - 2040	1,063,302	250,698	1,314,000
2041 - 2045	657,308	34,543	691,851
Total	<u>\$ 4,821,998</u>	<u>\$ 1,640,995</u>	<u>\$ 6,462,993</u>

NOTE 8 BOND DEFEASANCE

On April 30, 2010, the Hospital issued \$6,295,462 in Revenue Bonds (Refunding Bonds, Series 2010) with an interest rate of 4.45% and annual debt service payments from \$515,052 to \$519,545. These bonds were issued through a current refunding totaling \$6,295,457 of outstanding 2005A Revenue Bonds (R-1 and R-2) bearing interest rates of 7.83% and 6.50%, respectively. The net proceeds were used to immediately refund the Series 2005A Revenue Bonds.

As a result, the 2005A Revenue Bonds are considered to be defeased and the liability has been removed from the statements of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$51,687. This amount has been amortized and has a net carrying value of \$7,152 as of September 30, 2025 and is reflected on the statements of net position as Deferred Outflows of Resources. It is being amortized over the remaining life of the refunded debt, which has a shorter life than the original bonds. At the time of the refunding, aggregate debt service payments were reduced by \$1,048,787, and the Hospital obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,313,547. The effective interest rate on the new issue is 4.49%.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
DBA: BAYOU BEND HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 9 CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors is as follows at September 30, 2025:

Medicare	14%
Medicaid	17
Commercial and Other Third-Party Payors and Patients	69
Total	100%

NOTE 10 ASSETS WHOSE USE IS LIMITED

Pursuant to a resolution by the Board of Commissioners of the Hospital made in February of 2008, a board-designated plant fund was established to be utilized for replacement of existing capital assets and the purchase of new capital assets.

In relation to the revenue bonds issued on September 7, 2005 with a face value of \$5,000,000, the Hospital entered into an agreement with the United States Department of Agriculture to reserve cash funds as follows:

"Borrowers issuing bonds or other evidences of debt pledging facility revenues as a security will plan their reserve to provide for at least an annual reserve payment equal to one-tenth of an average annual loan installment, with payments made monthly and evenly divided between a reserve fund and a depreciation and contingency fund, until an amount equal to the highest annual debt service in any future year is accumulated in the reserve fund..."

In relation to the revenue bonds issued April 30, 2010 with a face value of \$6,295,462, the Hospital entered into an agreement with Capital One, N. A., to reserve cash funds as follows:

Debt Service (Sinking) Fund

"The maintenance of the 'Hospital Revenue Bond Sinking Fund' sufficient in amount to pay promptly and fully the principal of and the interest on the Outstanding Parity Bonds and Bonds, including any pari passu bonds issued hereafter in accordance with Outstanding Parity Bond resolution, as said bonds severally become due and payable by transferring from the Operating Fund to the paying agent, monthly in advance ... a monthly amount of moneys sufficient to provide payment of principal and/or interest and premium, if any, on the Outstanding Parity Bonds and Bonds at the time such payment is due.... It is not expected that any amounts will remain in the Debt Service Fund after all payments in a Bond Year have been made therefrom."

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
DBA: BAYOU BEND HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 10 ASSETS WHOSE USE IS LIMITED (CONTINUED)

Reserve Fund

"The maintenance of the 'Hospital Service District No. 1 of the Parish of St. Mary Reserve Fund', by transferring...monthly in advance...a sum at least equal to five percent (5%) of the amount to be paid into the Sinking Fund..."

Contingency Fund

"The maintenance of the 'St. Mary Parish Hospital District Depreciation and Contingency Fund'...by transferring...monthly in advance...a sum at least equal to five percent (5%) of the amount to be paid into the Sinking Fund. When a sum equal to the Debt Service Reserve Requirement has been accumulated in the Reserve Fund, the monthly payments into the Contingency Fund shall be increased to an amount equal to 10% of the amount being paid monthly into the Sinking Fund said payments to continue over the life of the bonds."

On April 22, 2015, the board restricted use of grant funds received from the Full Medicaid Capacity Program to be used for purposes connected to establishing Bayou Bend Health System as a Center of Excellence. These funds will be used for nonoperating expenses.

Below is a breakdown of assets whose use is limited by purpose as of September 30, 2025:

Internally Designated for Capital Acquisitions	\$ 620,222
By Bond Indenture - Series 2005 Contingency Fund	191,220
By Bond Indenture - Series 2005 Reserve Fund	191,223
Full Medicaid Capacity Funding Grant	8,574,440
Total Assets Whose Use is Limited	<u>\$ 9,577,105</u>

NOTE 11 BANK DEPOSITS AND INVESTMENTS

Louisiana State statutes require that all of the deposits of the Hospital must be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance.

The Hospital had bank balances as follows as of September 30, 2025:

Insured (FDIC)	\$ 250,000
Collateralized by Securities Held by the Pledging Financial Institution's Trust Department in the Hospital's Name	<u>26,139,221</u>
Total	<u>\$ 26,389,221</u>
Carrying Value	<u>\$ 13,283,359</u>

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
DBA: BAYOU BEND HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 11 BANK DEPOSITS AND INVESTMENTS (CONTINUED)

At year-end, deposits were fully collateralized. The Hospital's investment policy states that it must at all times conform to Louisiana R.S. 33:2955, as amended from time to time, which is the main statute that governs investments that local political subdivisions are allowed to make in Louisiana. In addition, Act 264 of the 2012 Regular Session enacted R.S. 46:1073 which allows hospital service districts (as defined in R.S. 46:1072) to invest its funds in the same manner as provided by law for investment of funds of the Louisiana Employees Retirement System (LASERS) including but not limited to R.S. 11:263 (the "prudent man rule"). However, any such investment may be made only in compliance with rules and regulations established by the Hospital's Board of Commissioners and in compliance with the provisions of R.S. 11:263 and any other law which provides for the investment of funds in which the funds of LASERS may be invested.

The Hospital's investment policy also states that all investment decisions shall be the responsibility of the Board and that all investment decisions are to be made using reasonable efforts to control risk.

Investments are reported at their fair values in the statement of net position. Unrealized gains and losses are included in the change in net position in the statement of revenues, expenses, and changes in net position.

Fair Value of Financial Instruments

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements* (Topic 820) requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements. These levels are as follows:

Level 1 – inputs are based upon adjusted quoted prices for identical instruments traded in active markets.

Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of assets or liabilities.

Level 3 – inputs are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability. The fair values are, therefore, determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
DBA: BAYOU BEND HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 11 BANK DEPOSITS AND INVESTMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Hospital's assets, which are measured on a recurring basis, at fair value at September 30, 2025:

	Fair Value Measurements Using			Total Assets at Fair Value
	Level 1	Level 2	Level 3	
Money Market Funds	\$ 27,376	\$ -	\$ -	\$ 27,376
US Government Obligations	3,238,069	-	-	3,238,069
Mortgage-Backed Securities	-	435,385	-	435,385
Collateralized Mortgage Obligations	-	95,185	-	95,185
Municipal Obligations	-	719,649	-	719,649
Corporate Bonds	223,444	-	-	223,444
	<u>\$ 3,488,889</u>	<u>\$ 1,250,219</u>	<u>\$ -</u>	<u>\$ 4,739,108</u>

NOTE 12 GOVERNING BOARD EXPENSES

The board of commissioners of Hospital Service District No. 1, Parish of St. Mary received no compensation for the year ended September 30, 2025.

NOTE 13 PENSION PLAN

The Hospital has two defined contribution retirement plans, a 457(b) plan and a 401(a) plan, which are administered by Retirement Strategies Group, LLC. Qualified employees may elect to make contributions to the plans through salary reduction agreements. The employees are 100% vested in the 457(b) plan when the first contribution is made. The 401(a) plan's vesting percentage varies in relation to the employee's period of service. The amount of the employer's contribution is currently 2% of the eligible participants' annual compensation. Benefit terms and amendments require approval by management and the board. Total expense for the year ended September 30, 2025 was \$301,820. Forfeitures may first be used to pay administrative expenses. Forfeitures of matching contributions that relate to excess amounts may be used to reduce employer contributions. No forfeitures were reflected in pension expense as a reduction of employer contributions for the year ended September 30, 2025. The accrued pension plan liability was \$229,760 for the year ended September 30, 2025.

NOTE 14 CHARITY CARE

The Hospital provides services without charge or at amounts less than its rates to patients who meet the criteria of its charity care policy. The criteria for charity care consider items such as family income, net worth, extent of financial obligations for health care services, etc. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported in revenue.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
DBA: BAYOU BEND HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 14 CHARITY CARE (CONTINUED)

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges forgone, based on established rates, were approximately \$79,158 for the year ended September 30, 2025.

Management estimates that approximately \$46,636 of costs were related to charity care for the year ended September 30, 2025. This estimate is based on a ratio of total cost to gross patient charges applied to gross uncompensated charges associated with providing care to charity patients.

NOTE 15 CONTINGENCIES AND COMMITMENTS

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

The principal contingencies are described below.

Third-Party Based Revenues

Cost reimbursements and claims are subject to examination by agencies administering the programs. The Hospital is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the results of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of those programs. The amount of such retroactive adjustments cannot be determined.

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 Hospital is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
DBA: BAYOU BEND HEALTH SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 15 CONTINGENCIES AND COMMITMENTS (CONTINUED)

Third-Party Based Revenues (Continued)

Legislation and regulation at all levels of government have affected and are likely to continue to affect the operation of the Hospital. Federal healthcare reform legislation proposals debated in Congress in recent years have included significant reductions in Medicare and Medicaid program reimbursement to hospitals and the promotion of a restructured delivery and payment system focusing on competition among providers based on price and quality, managed care, and steep discounting or capitated payment arrangements with many, if not all, of the Hospital's principal payors. It is not possible at this time to determine the impact on the Hospital of government plans to reduce Medicare and Medicaid spending, government implementation of national and state healthcare reform, or market initiated delivery system and/or payment methodology changes. However, such changes could have an adverse impact on operating results, cash flows, and estimated debt service coverage of the Hospital in future years.

Professional Liability Risk

The Hospital is contingently liable for losses outside of its professional liability insurance coverage.

NOTE 16 UNCOMPENSATED CARE REVENUE AND OTHER FUNDING

Intergovernmental Transfers - Operating Grant

In fiscal year 2015 the Hospital entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (the Grantor) whereby the Grantor distributes the funds as an intergovernmental transfer (IGT). The aggregate IGT grant revenue is \$3,258,243 for the year ended September 30, 2025 and is reflected on the statement of revenues, expenses, and changes in net position in Intergovernmental Transfers – Operating Grant.

Full Medicaid Payment Program Funding

The Hospital received Full Medicaid Payment Program (FMPP) funding from the Louisiana Department of Health (LDH) during the fiscal year ended September 30, 2025. As part of the agreement with LDH, the Hospital was required to provide an IGT of 33% of the gross funds to the LDH in order to secure the federal Medicaid matching funds. In addition, the Hospital has a CEA with Teche Action Board, Inc., a Louisiana nonprofit corporation, under the terms of which the Hospital granted a portion of the FMPP funding to Teche Action Board, Inc. for the purpose of promoting and providing for the general health of the community. Under the terms of the CEA, in the event that the Hospital does not receive funding for these efforts, there is no obligation on the part of the Hospital to provide funds to Teche Action Board, Inc. The FMPP grant revenue is reflected on the statements of revenues, expenses and changes in net position as Nonoperating Revenue – Full Medicaid Capacity Payment Program Funding.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
 DBA: BAYOU BEND HEALTH SYSTEM
 SCHEDULES OF PATIENT SERVICE REVENUE
 YEAR ENDED SEPTEMBER 30, 2025**

INPATIENT SERVICE REVENUE

Daily Patient Services:	
Room and Board	\$ 1,442,219
Total Daily Patient Services	1,442,219
Other Nursing Services:	
Central Supplies	662,278
Emergency Service	9,989
Labor and Delivery	693,704
Observation	7,392
Operating Room	1,169,515
Total Other Nursing Services	2,542,878
Other Professional Services:	
Anesthesiology	67,331
Blood	252,767
EKG & EEG	53,788
Inhalation Therapy	970,949
Laboratory	577,716
Pharmacy	1,058,297
Physical Therapy	237,727
Radiology	61,559
Total Other Professional Services	3,280,134
Total Inpatient Service Revenue	7,265,231

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
DBA: BAYOU BEND HEALTH SYSTEM
SCHEDULES OF PATIENT SERVICE REVENUE (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2025**

OUTPATIENT SERVICE REVENUE

Other Nursing Services:

Central Supplies	\$ 176,674
Emergency Services	10,060,871
Labor and Delivery	47,988
Observation	506,899
Operating Room	<u>2,372,128</u>
Total	<u>13,164,560</u>

Other Professional Services:

Anesthesiology	1,109,633
Blood	135,477
Cardiac Rehab	532,431
Clinics	6,768,284
EKG and EEG	545,373
Inhalation Therapy	406,635
Laboratory	8,686,449
Pharmacy	3,284,280
Physical Therapy	1,267,034
Radiology	8,917,826
Wound Care	<u>240,787</u>
Total	<u>31,894,209</u>

Total Outpatient Service Revenue	<u>45,058,769</u>
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GROSS PATIENT SERVICE REVENUE	<u>52,324,000</u>
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Less: Contractual Adjustments	<u>22,096,257</u>
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NET PATIENT SERVICE REVENUE BEFORE PROVISION FOR DOUBTFUL ACCOUNTS	<u><u>\$ 30,227,743</u></u>
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**HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
DBA: BAYOU BEND HEALTH SYSTEM
SCHEDULES OF OTHER OPERATING REVENUES
YEAR ENDED SEPTEMBER 30, 2025**

Cafeteria and Vendor Sales	\$ 163,641
Rental Income	82,241
Fitness Center	591,988
Other	<u>1,291,296</u>
Total Other Operating Revenues	<u><u>\$ 2,129,166</u></u>

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
DBA: BAYOU BEND HEALTH SYSTEM
SCHEDULES OF PROFESSIONAL SERVICES
YEAR ENDED SEPTEMBER 30, 2025**

Salaries and Fees:

Anesthesiology	\$	789,118
Central Supply		223,902
Clinics		5,499,973
EKG and EEG		4,846
Emergency Room		3,107,198
Hospitalist		438,240
Intensive Care Unit		254,482
Inhalation Therapy		680,901
Labor and Delivery		1,951,547
Laboratory		930,746
Nursing		1,658,568
Operating Room		2,252,965
Pharmacy		310,161
Physical Therapy		156,655
Radiology		1,303,269
Social Services		178,780
Speech Therapy		-
Fitness Center		39,000
Wellness Center		249,766
Other		200,766
Total Professional Salaries and Fees		20,230,883

Supplies and Other Expenses:

Anesthesiology		11,533
Central Supply		2,045
Clinics		372,340
Emergency Room		253,470
Intensive Care Unit		12,888
Inhalation Therapy		105,929
Labor and Delivery		92,656
Laboratory		612,853
Nursing		204,435
Operating Room		688,079
Pharmacy		812,015
Physical Therapy		5,294
Radiology		78,800
Social Services		1,244
Total Supplies and Other Expenses		3,253,581

Total Professional Services		\$ 23,484,464
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**HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
 DBA: BAYOU BEND HEALTH SYSTEM
 SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
 YEAR ENDED SEPTEMBER 30, 2025**

Salaries and Fees:	
Administrative	\$ 4,290,083
Dietary	221,604
Housekeeping	81,550
Maintenance	590,163
Medical Records	272,012
Total Salaries and Fees	<u>5,455,412</u>
Supplies and Other Expenses:	
Administrative	3,298,148
Employee Benefits	3,206,672
Dietary	287,132
Fitness Center	115,467
Housekeeping	306,767
Maintenance	1,126,316
Medical Records	4,483
Orthopedics	9,102
Wellness Center	621,285
Total Supplies and Other Expenses	<u>8,975,372</u>
Total General and Administrative Expenses	<u><u>\$ 14,430,784</u></u>

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
DBA: BAYOU BEND HEALTH SYSTEM
SCHEDULES OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO CEO
YEAR ENDED SEPTEMBER 30, 2025**

STEPHANIE GUIDRY, CEO

Salary	\$ 309,544
Incentive Compensation	98,200
Benefits-Insurance	8,323
Benefits-Retirement	8,311
Car Allowance	7,800
Reimbursements	22
Conference Travel	1,266
Special Meals	983
	<hr/>
Total	<u><u>\$ 434,449</u></u>



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

Board of Commissioners
Hospital Service District No. 1 of the Parish of St. Mary
dba: Bayou Bend Health System
Franklin, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Hospital Service District No. 1 of the Parish of St. Mary dba: Bayou Bend Health System (the Hospital), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated March 26, 2026.

Report on Internal Control Over Financial Reporting

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

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.

Board of Commissioners
Hospital Service District No. 1 of the Parish of St. Mary
dba: Bayou Bend Health System

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

Report on Compliance and Other Matters

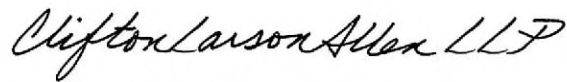
As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not identify findings of noncompliance.

Hospital's Response to Findings

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

Purpose of This Report

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



CliftonLarsonAllen LLP

Houston, Texas
March 26, 2026

HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
DBA: BAYOU BEND HEALTH SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2025

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? yes x none reported
3. Noncompliance material to financial statements noted? yes x no

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
DBA: BAYOU BEND HEALTH SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2025**

Section II – Financial Statement Findings

2025 – 001

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Condition: A properly designed system of internal controls over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity. Management is responsible for establishing and maintaining internal control over financial reporting and procedures related to the fair presentation of the financial statements in accordance with GAAP.

Criteria: The board of directors and management share the ultimate responsibility for the Hospital's system of internal controls. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced.

The Hospital engages auditors to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, CliftonLarsonAllen LLP (CLA) cannot be considered part of the Hospital's system of internal controls. As part of its internal control over the preparation of its financial statements, including disclosures, the Hospital has implemented a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of GAAP and knowledge of the Hospital's activities and operations.

The Hospital's personnel have not monitored recent accounting developments to the extent necessary to enable them to prepare the Hospital's financial statements and related disclosures, to provide a high level of assurance that potential omissions or other errors that are material would be identified and corrected on a timely basis.

Effect: The effect of this condition is that the year-end financial reporting is prepared by a party outside of the Hospital. The outside party does not have the constant contact with ongoing financial transactions that internal staff have. Furthermore, it is possible that new standards may not be adopted and applied timely to the interim financial reporting. It is the responsibility of the Hospital's management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Cause: Due to the limited size of the accounting team, it is not practicable to dedicate resources towards staying up to date on all GAAP pronouncements.

Recommendation: We recommend that management continue reviewing operating procedures in order to obtain the maximum internal control over financial reporting possible under the circumstances to enable staff to draft the financial statements internally.

Management's Response: Management will continue to allow the audit firm to create the draft financial statements and related footnote disclosures and will review and approve these prior to the issuance of the annual financial statements.

HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
DBA: BAYOU BEND HEALTH SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2025

Section II – Financial Statement Findings (Continued)

2025 – 002

Type of Finding: Material Weakness due to Prior Period Restatement

Condition and Criteria: The proposed adjustments related to previous periods had a material effect on the financial statements and created a prior period adjustment to correct beginning net assets on the current year financial statements.

Criteria: A properly designed system of internal control over financial reporting includes prevention, detection and correction of misstatements on a timely basis. Management is responsible for establishing and maintaining internal control over financial reporting and procedures related to fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

Effect: The effect of this condition is that adjustments were posted to correct the beginning net assets presented in the current year financial statements.

Cause: Due to turnover at the CFO position and within the accounting department

Recommendation: Management should continue to refine the year-end review process to identify any discrepancies that could create material misstatements in the financial statements.

Management's Response: The CFO and accounting team are continuing to refine the processes and procedures in place to ensure timely reconciliations and accurate financial reporting on both an interim and annual basis.

Section III – Management Letter Findings

Our audit did not disclose any management letter items for September 30, 2025.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
DBA: BAYOU BEND HEALTH SYSTEM
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2025**

Finding 2024-1 Segregation of Duties

Condition and Criteria: The authorization, recording, and reconciling of transactions as well as the custody of assets related to those transactions are not adequately segregated.

Status: Resolved. Mitigating controls are in place for authorization, recording, and reconciling of transactions as well as the custody of assets related to those transactions.

Finding 2024-2 Proposed Audit Adjustments

Condition and Criteria: The proposed audit adjustments for the fiscal years ended September 30, 2024 had a material effect on the financial statements. The proposed audit adjustments primarily consisted of adjustments to record the effects of Medicaid and Medicare cost reports, filed subsequent to the year-end.

Status: Unresolved. See finding 2025-002.

Finding 2024-3 Financial Statement Preparation

Criteria: The Hospital does not present full disclosure financial statements to its board in accordance with generally accepted accounting principles.

Status: Unresolved. See finding 2025-001.



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Hospital Service District No. 1 of the Parish of St. Mary
dba: Bayou Bend Health System
Franklin, Louisiana

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor (LLA's) Statewide Agreed-Upon Procedures (SAUPs) of the Hospital Service District No. 1 of the Parish of St. Mary dba: Bayou Bend Health System (the Hospital) for the fiscal period October 1, 2024, through September 30, 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 October 1, 2024, through September 30, 2025. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

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 1 month of the related statement closing date (e.g., initialed and dated or electronically logged);

Findings: Procedure performed; exceptions noted.

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

Findings: Procedure performed; exceptions noted.

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

Findings: Procedure performed; exceptions noted.

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

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

Findings: Procedure performed; no exceptions noted.

- 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). One of the selected statements should align with the date of a travel reimbursement selected in Travel and Travel-Related Expense Reimbursements procedure #IS(e). Obtain supporting documentation, and:

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

Findings: Procedure performed; no exceptions noted.

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

Findings: Procedure performed; no exceptions noted.

- C. Using the monthly statements or combined statements selected under #7B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Findings: Procedure performed; no exceptions noted.

We were engaged by the Hospital to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review, 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 ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

The purpose of this report is 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.

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



CliftonLarsonAllen LLP

Houston, Texas
March 26, 2026