

**MANAGEMENT'S DISCUSSION AND ANALYSIS
AND BASIC FINANCIAL STATEMENTS**

**Hospital Service District No. 1 of the
Parish of Tangipahoa, State of Louisiana**

As of and for the Years Ended
June 30, 2025 and 2024
With Report of Independent Auditors

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Hospital Service District No. 1 of the
Parish of Tangipahoa, State of Louisiana

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of Hospital Service District No. 1 of the Parish of Tangipahoa, State of Louisiana (the "District"), as of and for the years ended June 30, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of June 30, 2025 and 2024 and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits 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 ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the Auditor's 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 opinions.

Emphasis of Matter

As explained in Note 1 to the financial statements, the District adopted Governmental Accounting Standards Board ("GASB") Statement No. 101, *Compensated Absences*, during the year ended June 30, 2025, which is applied retroactively by restating balances in the financial statements as of July 1, 2023 and for the year ended June 30, 2024. Our opinion is not modified with respect to this matter.

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 District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 auditor's 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 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages four through ten 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 GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

HORNE LLP

Ridgeland, Mississippi
October 20, 2025

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA**

Management's Discussion and Analysis
Years Ended June 30, 2025 and 2024

This section of the annual financial report of Hospital Service District No. 1 of the Parish of Tangipahoa, State of Louisiana (the "District" or the "System") presents background information and management's analysis of the District's financial performance. Please read it in conjunction with the basic financial statements in this report.

Required Financial Statements

The basic 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 the District's 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 the District's creditors (liabilities). They also provide the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. Increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. All of the current year's revenues and expenses are accounted for in the statements of revenue, expenses and changes in net position. This statement measures changes in the District's operations over the past year 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 statements are 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 questions such as, where did cash come from, what was cash used for and what was the change in cash balance during the reporting period.

District Statements of Net Position

A summary of the District's statements of net position as of June 30, 2025, 2024 and 2023, is presented in Table 1 below:

**TABLE 1
Condensed Statements of Net Position**

| | As of June 30, | | |
|---|-----------------------|-----------------------|-----------------------|
| | 2025 | 2024 (As Restated) | 2023 (As Restated) |
| Total current assets | \$ 336,106,701 | \$ 336,619,540 | \$ 312,465,002 |
| Capital assets, net | 245,437,473 | 206,309,930 | 197,231,835 |
| Subscription assets, net | 16,814,790 | 3,515,089 | 6,745,115 |
| Other assets | 2,263,551 | 2,012,198 | 1,829,063 |
| Total assets and deferred outflows | <u>\$ 600,622,515</u> | <u>\$ 548,456,757</u> | <u>\$ 518,271,015</u> |
| Current liabilities | \$ 64,488,837 | \$ 54,910,173 | \$ 49,871,570 |
| Long-term debt outstanding and other long-term liabilities | 161,998,544 | 151,121,210 | 155,603,187 |
| Total liabilities | <u>226,487,381</u> | <u>206,031,383</u> | <u>205,474,757</u> |
| Net position: | | | |
| Net investment in capital assets | 99,494,672 | 58,438,672 | 47,432,121 |
| Unrestricted net position | <u>274,640,462</u> | <u>283,986,702</u> | <u>265,364,137</u> |
| Total liabilities and net position | <u>\$ 600,622,515</u> | <u>\$ 548,456,757</u> | <u>\$ 518,271,015</u> |

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA**
Management's Discussion and Analysis
Years Ended June 30, 2025 and 2024

Summary of the District's Income

The following table contains a summary of income and changes in net position of the District for the years ended June 30, 2025 through 2023:

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

| | For the Year Ended June 30, | | |
|--|-----------------------------|-----------------------|-----------------------|
| | 2025 | 2024 (As Restated) | 2023 (As Restated) |
| Revenue: | | | |
| Net patient service revenue | \$ 380,973,525 | \$ 346,555,930 | \$ 317,024,949 |
| Other | 119,199,806 | 100,067,414 | 110,087,866 |
| Total operating revenue | 500,173,331 | 446,623,344 | 427,112,815 |
| Expenses: | | | |
| Salaries and employee benefits | 293,196,325 | 262,319,687 | 236,008,323 |
| Supplies, contract services, equipment and fees | 143,541,100 | 130,164,375 | 122,802,355 |
| Other operating expenses | 22,502,250 | 19,394,268 | 20,996,189 |
| Depreciation and amortization | 22,388,558 | 19,306,137 | 19,637,176 |
| Interest | 3,988,498 | 3,847,531 | 3,906,255 |
| Total operating expenses | 485,616,731 | 435,031,998 | 403,350,298 |
| Operating income | 14,556,600 | 11,591,346 | 23,762,517 |
| Investment income, net | 17,174,022 | 16,716,197 | 9,549,312 |
| Other nonoperating income (loss) | (20,862) | 1,321,573 | (4,205,584) |
| Increase in net position | 31,709,760 | 29,629,116 | 29,106,245 |
| Net position at beginning of year | 342,425,374 | 312,796,258 | 283,690,013 |
| Net position at end of year | \$ 374,135,134 | \$ 342,425,374 | \$ 312,796,258 |

The District is located primarily in Hammond, Louisiana within the Parish of Tangipahoa. The District primarily serves Tangipahoa Parish and the surrounding areas. The District has a Level II Trauma Center. Future population growth is expected along the I-12 corridor where the facilities are located. The District includes North Oaks Medical Center, North Oaks Rehabilitation Hospital and the North Oaks Physician Group.

Service Area, Competition, and Market Share

Among the total procedures performed by the System, 45.2 percent of the patients reside in Tangipahoa Parish, which is the definition of the System's Primary Service Area ("PSA"). The PSA uses the entire previous calendar year's inpatient and outpatient admissions and registrations. Tangipahoa Parish is located on the southeastern border of the State of Louisiana.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA**
Management's Discussion and Analysis
Years Ended June 30, 2025 and 2024

Service Area, Competition, and Market Share (continued)

The System's Secondary Service Area ("SSA") includes portions of Tangipahoa's neighboring parishes, 33.7 percent of St. Helena Parish, 16.3 percent of Livingston Parish, and smaller portions of St. Tammany and Washington Parishes. In addition to Louisiana-based parishes, a small group of patients residing in Amite County and Walthall County, Mississippi received services by the System.

Physician recruiting has continued to be successful and aggressive. Currently, the District is supported by a medical staff of 361 as of June 30, 2025.

Overview of the Financial Statements

Over the past few fiscal years, the District has diligently worked on strengthening its balance sheet. As of June 30, 2025, the District had \$600.6 million in total assets, which is an increase from \$518.3 million in 2023, an increase of 15.9 percent. There is an expectation of continued improvement through fiscal year 2026.

Sources of Revenue

Operating Revenue

During fiscal year 2025, the District derived the majority, approximately 76 percent, of its total revenue from patient service revenue. During fiscal years 2024 and 2023, approximately 78 percent and 74 percent of the District's revenue was derived from patient service revenue, respectively. Patient service revenue includes revenue from the Medicare and Medicaid programs, other third-party payors and patients for direct patient care. Reimbursement for the Medicare and Medicaid programs and other third-party payors is based upon established rates and contracts. The difference between the billed charges and the established contract rates is recognized as a contractual allowance.

Other Revenues

In 2025, other revenues increased to \$119.2 million from \$100.1 million in 2024 due to changes in supplemental payments, Employee Retention Tax Credit ("ERTC") payments received, and an increase in contract and retail pharmacy revenue.

Investment Income

As a Hospital Service District governed by the State of Louisiana, the District is authorized by Louisiana statutes to invest in obligations of the U.S. Treasury and other federal agencies, time deposits with state banks and national banks having their principal offices in the State of Louisiana, guaranteed investment contracts issued by highly rated financial institutions and certain investments with qualifying mutual or trust fund institutions.

The District holds designated funds that are invested primarily in money market funds, securities issued by the U.S. Treasury and other federal agencies. Investment income consists of interest earnings on funds and realized and net unrealized gain or loss on fair market value adjustments. These investments had a total return of approximately \$17,174,000, \$16,716,000 and \$9,549,000 during fiscal years 2025, 2024 and 2023, respectively. Investments are expected to fluctuate with market conditions.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA**
Management's Discussion and Analysis
Years Ended June 30, 2025 and 2024

Overview of the Financial Statements (continued)

Allowances and Expense

The following summarizes the District's statements of revenue, expenses and changes in net position between 2025 and 2024:

- The District reports net patient service revenue in the statements of revenue, expenses and changes in net position. Net patient service revenue represents gross patient revenue, net of allowances.
- In 2025, net patient service revenue increased to \$380,974,000 or 9.9 percent from \$346,556,000 in 2024 due to increases in inpatient and outpatient volumes.
- Salaries expense increased approximately \$23,823,000 or 10.6 percent to \$248,288,000 in 2025 from \$224,464,000 in 2024. The primary driver of the increase year-over-year is related to an increase in FTEs, especially the Medical Center and Physician Group. Additionally, the District continued to focus on reducing contract labor and replacing with employees.
- As a percentage of salaries expense, employee benefit expense was approximately 18.1 percent and 16.9 percent for the fiscal years ended June 30, 2025 and 2024, respectively.
- Supplies increased approximately \$12,874,000 or 15.7 percent, from the prior year. This rise was driven by the inflationary environment and a higher volume of Inpatient/Outpatient surgery supplies and implants. Additionally, there was an increase in the volume of infusion drugs.
- Depreciation and amortization expense increased approximately \$3,082,000 or 16.0 percent, from the prior year. This increase in the fiscal year was due to the acquisitions of new clinics, on-going construction and an increase in SBITA contracts.
- Total operating expenses increased approximately \$50,585,000 or 11.6 percent, for the year ended June 30, 2025, for the reasons discussed above.

The following summarizes the District's statements of revenue, expenses and changes in net position between 2024 and 2023:

- The District reports net patient service revenue in the statements of revenue, expenses and changes in net position. Net patient service revenue represents gross patient revenue, net of allowances.
- In 2024, net patient service revenue increased to \$346,556,000 or 9.3 percent from \$317,025,000 in 2023 due to increases in inpatient and outpatient volumes.
- Salaries expense increased approximately \$21,124,000 or 10.4 percent to \$224,464,000 in 2024 from \$203,340,000 in 2023. The primary driver of the increase year-over-year is related to an increase in FTEs, especially the Medical Center and Physician Group. In addition, there were continued merit increases resulting from employees' annual evaluations.
- Contract services, equipment and fees increased approximately \$1,688,000 or 3.6 percent from the prior year. The increase is primarily due to professional fees for radiologists due to an increase in procedures during the fiscal year.
- As a percentage of salaries expense, employee benefit expense was approximately 16.9 percent and 16.1 percent for the fiscal years ended June 30, 2024 and 2023, respectively.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA**
Management's Discussion and Analysis
Years Ended June 30, 2025 and 2024

Overview of the Financial Statements (continued)

- Supplies increased approximately \$5,674,000 or 7.4 percent, from the prior year. During the fiscal year, the District experienced a general increase in supplies cost resulting from the strains put on the supply chain, the inflationary environment, and new services such as cardiovascular procedures and oncology services.
- Depreciation and amortization expense decreased approximately \$331,000 or 1.7 percent, from the prior year. This decrease in the fiscal year was due to a change in the depreciation method of straight-line full year to straight-line one month.
- Total operating expenses increased approximately \$31,682,000 or 7.9 percent, for the year ended June 30, 2024, for the reasons discussed above.

Capital Assets

During fiscal years 2025, 2024 and 2023, the District invested approximately \$58,600,000, \$25,479,000 and \$10,436,000, respectively, in a broad range of property and equipment included in Table 3 below.

**TABLE 3
Capital Assets**

| | As of June 30, | | |
|-------------------------------|----------------|----------------|----------------|
| | 2025 | 2024 | 2023 |
| Land improvements | \$ 375,077 | \$ 201,053 | \$ 129,801 |
| Building and equipment | 413,599,561 | 389,224,483 | 386,835,749 |
| Lease assets | 512,001 | 351,242 | 351,242 |
| Subtotal | 414,486,639 | 389,776,778 | 387,316,792 |
| Less accumulated depreciation | (231,046,388) | (213,278,717) | (202,494,609) |
| Land | 9,855,023 | 8,157,925 | 8,157,925 |
| Construction in progress | 52,142,199 | 21,653,944 | 4,251,727 |
| Net capital assets | \$ 245,437,473 | \$ 206,309,930 | \$ 197,231,835 |

Subscription Assets

During fiscal years 2025, 2024 and 2023, the District invested approximately \$17,105,000, \$0- and \$1,749,000, respectively, in a broad range of subscription assets included in Table 4 below.

**TABLE 4
Subscription Assets**

| | As of June 30, | | |
|-------------------------------|----------------|---------------|---------------|
| | 2025 | 2024 | 2023 |
| Subscription assets | \$ 19,988,646 | \$ 10,725,556 | \$ 11,595,571 |
| Less accumulated amortization | (3,173,856) | (7,210,467) | (4,850,456) |
| Net subscription assets | \$ 16,814,790 | \$ 3,515,089 | \$ 6,745,115 |

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA**

Management's Discussion and Analysis
Years Ended June 30, 2025 and 2024

Overview of the Financial Statements (continued)

Long-Term Debt

At June 30, 2025, the District had approximately \$163,409,000 in short-term and long-term debt, including lease and subscription liabilities. Total debt, including lease and subscription liabilities, increased by approximately \$11,701,000 in fiscal year 2025 from \$151,708,000 in fiscal year 2024. The amortization of premium on long term debt for fiscal year 2025 was approximately \$1,928,000.

At June 30, 2024, the District had approximately \$151,708,000 in short-term and long-term debt, including lease and subscription liabilities. Total debt, including lease and subscription liabilities, decreased by approximately \$5,264,000 in fiscal year 2024 from \$156,972,000 in fiscal year 2023. The amortization of premium on long term debt for fiscal year 2024 was approximately \$1,928,000.

More detailed information about the District's long-term debt is presented in the notes to basic financial statements.

Earnings Before Interest, Taxes, Depreciation and Amortization

EBITDA is defined as income before depreciation and amortization, interest expense, losses (gains) on sales of facilities, losses on retirement of debt, and net income attributable to noncontrolling interests. EBITDA is commonly used as an analytical indicator within the health care industry and also serves as a measure of leverage capacity and debt service ability.

EBITDA should not be considered as a measure of financial performance under generally accepted accounting principles, and the items excluded from EBITDA are significant components in understanding and assessing financial performance. Because EBITDA is not a measurement determined in accordance with generally accepted accounting principles and is thus susceptible to varying calculations, EBITDA, as presented, may not be comparable to other similarly titled measures of other companies.

For the EBITDA numbers represented below, the District includes investment income, net in other revenues.

EBITDA, plus other items identified above, as of the year ended June 30, 2025 was approximately \$58,087,000 and increased \$5,304,000 or 10.0 percent from 2024 EBITDA of approximately \$52,783,000. EBITDA, plus other items identified above, as of the year ended June 30, 2024 was approximately \$52,783,000 and increased \$133,000 or 0.3 percent from 2023 EBITDA of approximately \$52,650,000. The increases are due to the reasons noted above in the summary of the District's statements of revenue, expenses and changes in net position between 2024 and 2023.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA**
Management's Discussion and Analysis
Years Ended June 30, 2025 and 2024

Overview of the Financial Statements (continued)

TABLE 5
Condensed Summary of EBITDA

| | For the Year Ended June 30, | | |
|---|-----------------------------|----------------|----------------|
| | 2024 | | |
| | 2025 | (As Restated) | 2023 |
| Net patient service revenue | \$ 380,973,525 | \$ 346,555,930 | \$ 317,024,949 |
| Other revenues | 136,352,966 | 118,105,184 | 115,431,594 |
| Total revenues | 517,326,491 | 464,661,114 | 432,456,543 |
| Less operating expenses, excluding interest, depreciation and amortization | (459,239,675) | (411,878,330) | (379,806,867) |
| EBITDA | \$ 58,086,816 | \$ 52,782,784 | \$ 52,649,676 |

Budget-to-Actual Results

The following summarizes the District's budget-to-actual results for the year ended June 30, 2025:

- Operating revenues are higher than budgeted primarily due to volume increases, specifically in Pharmacy, Emergency Department, Operating Rooms, Lab and various other areas of the Medical Center. Additionally, the uncertainty surrounding the State Directed Payment Program ("SDPP") and the ERTC during the fiscal year budgeting process led the management team to adopt a conservative approach when budgeting for these programs.
- Operating expenses are higher than budgeted, with the largest increase stemming from salaries and benefits. This rise was primarily driven by an increase in FTEs, particularly within the Physician Group and the Medical Center. Additionally, the District continued to focus on reducing contract labor and replacing with employees.
- Total nonoperating revenues are higher than budgeted due to investment income exceeding expectations based on improved market conditions.

Contacting the District's Financial Officer

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

BASIC FINANCIAL STATEMENTS

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA**

Statements of Net Position
June 30, 2025 and 2024

| | 2025 | 2024 (As Restated) |
|--|----------------|-----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 14,661,473 | \$ 34,522,592 |
| Investments | 195,821,901 | 206,786,277 |
| Patient accounts receivable, net of allowance for doubtful accounts of \$46,645,090 and \$42,385,645 in 2025 and 2024, respectively | 67,533,989 | 59,765,337 |
| Estimated third-party payor settlements | 34,095,683 | 13,689,908 |
| Inventories | 12,374,120 | 10,961,818 |
| Prepaid expenses and other current assets | 11,619,535 | 10,893,608 |
| Total current assets | 336,106,701 | 336,619,540 |
| Capital assets, net | 245,437,473 | 206,309,930 |
| Subscription assets, net | 16,814,790 | 3,515,089 |
| Deferred compensation plan investments | 2,260,053 | 2,011,076 |
| Other long-term assets | 3,498 | 1,122 |
| Total assets | \$ 600,622,515 | \$ 548,456,757 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | \$ 20,491,207 | \$ 18,370,845 |
| Accrued salaries and payroll-related costs | 13,224,240 | 10,916,533 |
| Compensated absences | 13,759,809 | 12,835,977 |
| Accrued interest payable | 2,306,125 | 2,306,125 |
| Accrued self-insurance claims | 7,310,406 | 7,671,049 |
| Estimated third-party payor settlements | 3,726,117 | 211,313 |
| Current maturities of lease liabilities | 169,130 | 86,341 |
| Current maturities of subscription liabilities | 3,501,803 | 2,511,990 |
| Total current liabilities | 64,488,837 | 54,910,173 |
| Long-term debt, less current maturities | 145,942,801 | 147,871,258 |
| Lease liabilities, less current maturities | 218,256 | 58,177 |
| Subscription liabilities, less current maturities | 13,577,434 | 1,180,699 |
| Deferred compensation plan obligations | 2,260,053 | 2,011,076 |
| Total liabilities | 226,487,381 | 206,031,383 |
| NET POSITION | | |
| Net investment in capital assets | 99,494,672 | 58,438,672 |
| Unrestricted net position | 274,640,462 | 283,986,702 |
| Total net position | 374,135,134 | 342,425,374 |
| Total liabilities and net position | \$ 600,622,515 | \$ 548,456,757 |

See accompanying notes.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA**
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2025 and 2024

| | 2025 | 2024 (As Restated) |
|---------------------------------------|----------------|-----------------------|
| Revenue | | |
| Net patient service revenue | \$ 452,058,467 | \$ 406,579,335 |
| Provision for doubtful accounts | (71,084,942) | (60,023,405) |
| Total net patient service revenue | 380,973,525 | 346,555,930 |
| Other revenues | 119,199,806 | 100,067,414 |
| Total operating revenue | 500,173,331 | 446,623,344 |
| Expenses | | |
| Salaries and wages | 248,287,834 | 224,464,400 |
| Employee benefits | 44,908,491 | 37,855,287 |
| Supplies | 94,725,986 | 81,852,144 |
| Contract services, equipment and fees | 48,815,114 | 48,312,231 |
| Other operating expenses | 22,502,250 | 19,394,268 |
| Depreciation and amortization | 22,388,558 | 19,306,137 |
| Interest | 3,988,498 | 3,847,531 |
| Total expenses | 485,616,731 | 435,031,998 |
| Income from operations | 14,556,600 | 11,591,346 |
| Nonoperating revenues (expenses) | | |
| Investment income, net | 17,174,022 | 16,716,197 |
| Grants and recoveries (write-offs) | (20,862) | 1,321,573 |
| Total nonoperating revenues | 17,153,160 | 18,037,770 |
| Increase in net position | 31,709,760 | 29,629,116 |
| Beginning net position | 342,425,374 | 312,796,258 |
| Ending net position | \$ 374,135,134 | \$ 342,425,374 |

See accompanying notes.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA**

Statements of Cash Flows
For the Years Ended June 30, 2025 and 2024

| | 2025 | 2024 (As Restated) |
|---|----------------|-----------------------|
| Cash flows from operating activities | | |
| Cash collected from patients and third-party payors | \$ 417,280,354 | \$ 361,106,499 |
| Cash payments to employees and for employee-related costs | (290,325,429) | (259,780,069) |
| Cash payments for supplies, services and other prepaid expenses | (166,078,343) | (145,928,901) |
| Cash received from supplemental programs | 56,919,972 | 77,824,994 |
| Net cash provided by operating activities | 17,796,554 | 33,222,523 |
| Cash flows from noncapital financing activities | | |
| Noncapital grants and recoveries (write-offs) | (20,862) | 1,321,573 |
| Net cash provided by (used in) noncapital financing activities | (20,862) | 1,321,573 |
| Cash flows from capital and related financing activities | | |
| Purchases of capital assets | (58,244,192) | (25,377,588) |
| Proceeds from sale of land | 1,848,234 | - |
| Payments related to lease liabilities | (167,970) | (173,041) |
| Payments related to subscription liabilities | (3,309,076) | (2,922,861) |
| Interest on long-term debt | (5,534,700) | (5,534,700) |
| Net cash used in capital and related financing activities | (65,407,704) | (34,008,190) |
| Cash flows from investing activities | | |
| Investment income | 4,996,258 | 9,897,854 |
| Purchases of investments | (20,621,558) | (5,265,056) |
| Proceeds from sales and maturities of investments | 43,396,193 | 13,000,000 |
| Net cash provided by investing activities | 27,770,893 | 17,632,798 |
| Net change in cash and cash equivalents | (19,861,119) | 18,168,704 |
| Cash and cash equivalents, beginning of year | 34,522,592 | 16,353,888 |
| Cash and cash equivalents, end of year | \$ 14,661,473 | \$ 34,522,592 |

See accompanying notes.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA**

Statements of Cash Flows
For the Years Ended June 30, 2025 and 2024

| | 2025 | 2024 (As Restated) |
|--|----------------------|-----------------------|
| Reconciliation of income from operations to net cash provided by operating activities | | |
| Income from operations | \$ 14,556,600 | \$ 11,591,346 |
| Adjustments to reconcile income from operations to net cash provided by operating activities | | |
| Depreciation and amortization | 22,388,558 | 19,306,137 |
| Provision for doubtful accounts | 71,084,942 | 60,023,405 |
| Gain on disposal of capital assets | (1,313,382) | (15,933) |
| Amortization of premium on long-term debt | (1,928,457) | (1,928,456) |
| Interest expense on long-term debt | 5,534,700 | 5,534,700 |
| Changes in operating assets and liabilities | | |
| Patient accounts receivable | (78,853,594) | (67,406,742) |
| Inventories and prepaid expenses | (2,138,229) | 2,784,176 |
| Estimated third-party payor settlements | (16,890,971) | (308,514) |
| Accounts payable and accrued expenses | 4,991,258 | 5,525,593 |
| Other assets and liabilities | 365,129 | (1,883,189) |
| Net cash provided by operating activities | <u>\$ 17,796,554</u> | <u>\$ 33,222,523</u> |
| Supplemental cash flow information | | |
| Acquisition of capital assets via lease obligations | <u>\$ 410,838</u> | <u>\$ 101,164</u> |
| Acquisition of subscription assets via subscription liabilities | <u>\$ 16,695,624</u> | <u>\$ -</u> |

See accompanying notes.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA**
Years Ended June 30, 2025 and 2024

NOTES TO BASIC FINANCIAL STATEMENTS

Note 1. Organization and Significant Accounting Policies

Organization

Hospital Service District No. 1 of the Parish of Tangipahoa, State of Louisiana (the "District") is a political subdivision of the State of Louisiana created by ordinance of the Tangipahoa Parish Police Jury, which is now the Parish Council, adopted on May 17, 1955, pursuant to Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950, as amended. The District is governed by a Board of Commissioners consisting of seven members appointed by the Parish Council.

Founded in 1954 by the citizens of Tangipahoa Parish and opening its doors on April 20, 1960, as a 60-bed, nonprofit public hospital service district facility, the former "Seventh Ward General Hospital" has evolved into what is now commonly known as the North Oaks Health System (the "System").

The System completed a restructuring in 2012 that resulted in the formation of the following subsidiaries: (i) North Oaks Medical Center, L.L.C. ("NOMC"), a wholly-owned subsidiary of the System whose sole member is the District, whose purpose is to manage and operate the System's acute-care hospital known as North Oaks Medical Center pursuant to a Management Services Agreement between the District and the NOMC Affiliate; North Oaks Medical Center is currently licensed for 330 beds; (ii) North Oaks Rehabilitation Hospital, L.L.C. ("NORH"), a wholly-owned subsidiary of the System whose sole member is the District, whose purpose is to manage and operate the System's comprehensive medical rehabilitation hospital known as North Oaks Rehabilitation Hospital pursuant to a Management Services Agreement between the District and the NORH Affiliate; North Oaks Rehabilitation Hospital is currently licensed for 27 beds; and (iii) North Oaks Physician Group, L.L.C. ("NOPG"), a wholly-owned subsidiary of the System whose sole member is the District, whose purpose is to manage and operate the System's network of multispecialty physician clinics known as North Oaks Physicians Group pursuant to a Management Services Agreement between the District and the NOPG Affiliate. NOPG currently has 41 total clinics; 19 active clinics and 22 on-campus clinics which are licensed as provider-based clinics and are outpatient departments of NOMC. Additionally, in 2009 in connection with the acquisition of the North Oaks Surgery Center, the System formed Gold Leaf Holdings, L.L.C. ("GLH"), a wholly-owned subsidiary of the System whose members are the District and Gold Leaf Holdings II, L.L.C. Each of the Affiliated Entities is governed by a separate Board of Managers that is subject to the power of the Board of Commissioners of the District and whose members are appointed by the Board of Commissioners of the District. All significant intercompany balances and transactions have been eliminated.

Basis of Accounting

The District reports in accordance with accounting principles generally accepted in the United States in accordance with accounting principles promulgated by the Governmental Accounting Standards Board ("GASB"). The accompanying financial statements of the District have been prepared on the accrual basis of accounting using the economic resources measurement focus.

Cash and Cash Equivalents

Cash and cash equivalents include investments in money market funds and highly liquid investments with maturities of three months or less when purchased, excluding amounts whose use is limited by the Board of Commissioners' designation or under trust agreements.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA**
Years Ended June 30, 2025 and 2024

NOTES TO BASIC FINANCIAL STATEMENTS

Note 1. Continued

Investments

All investments are stated at fair value based on quoted market prices. Changes in the difference between the cost and the fair market value of the investments are included in investment income. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. The District classifies investments with the ability to liquidate in less than 12 months as current.

Investment income is reported as nonoperating revenues in the accompanying financial statements.

Inventories

Inventories are valued at the lower of cost or market.

Prepaid Expenses

Prepaid expenses are amortized over the estimated period of future benefit, generally on a straight-line basis.

Capital Assets

The District records all capital asset acquisitions at cost except for assets donated to the District. Donated assets are recorded at appraised value at the date of donation. The District provides for depreciation of its capital assets using the straight-line method based on the estimated useful lives of the assets as suggested by the American Hospital Association.

In 2024, the District changed their depreciation convention from straight-line full year to straight-line full month. This change represents a change in accounting estimate effecting the net capital assets on the statements of net position. Management believes this change is preferable to allow for more relevant matching of usage of assets in the year placed in service. Governmental Accounting Standards Board Statement No. 100 ("GASB 100"), *Accounting Changes and Error Corrections*, requires that such changes are applied prospectively with no impact to previous periods presented in the comparable financial statements. The impact of this change in estimate was a decrease of approximately \$507,000 in depreciation expense in the 2024 statements of revenue, expenses and changes in net position.

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.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA**
Years Ended June 30, 2025 and 2024

NOTES TO BASIC FINANCIAL STATEMENTS

Note 1. Continued

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

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

The District monitors changes in circumstances that would require a remeasurement of its arrangements and will remeasure the right-to-use subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Compensated Absences

The District's compensated absences consist of two types of earned leave that accumulate: paid time off ("PTO") and extended illness time ("EIT"). The policies are defined as follows:

- *PTO* – Employees are granted PTO when accumulated and eligible to be utilized for scheduled personal leaves due to vacations, holidays, personal business or short-term illness. The District's employees earn and accrue PTO at varying rates depending on years of service and employment status, with a maximum accumulation established at two times the annual benefit. Employees with PTO hours remaining upon termination of employment are paid in full.
- *EIT* – Eligible employees are granted EIT when accumulated and utilized for extended absences due to the employee's personal illness or medical conditions. The District's employees earn and accrue EIT at varying rates depending on scheduled hours per week, with a maximum accumulation of 480 hours. Unused EIT is not paid out to the employee upon termination of employment.

Self-Insurance Claims

Accrued self-insurance claims represent the District's best estimate of incurred but unpaid expenses for professional and general liability, workers' compensation and employees' health insurance expense.

Net Position

The District's net position is classified into three components: invested in capital assets, net of related debt, restricted and unrestricted. These components are defined as follows:

- *Net Investment in Capital Assets* – This component reports capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA**
Years Ended June 30, 2025 and 2024

NOTES TO BASIC FINANCIAL STATEMENTS

Note 1. Continued

- *Restricted* – This component reports those net positions with externally imposed constraints on their use by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* – This component reports net positions that do not meet the definition of either of the other two components: "restricted" or "investment in capital assets, net of related debt".

Statements of Revenue, Expenses and Changes in Net Position

For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of healthcare services are included in operating revenue or expenses. All peripheral transactions are reported as a component of nonoperating revenues. Other nonoperating revenues includes other grants and reimbursements.

Net Patient Service Revenue and Related Receivables

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

The District recorded State Directed Payment Program ("SDPP") revenue for Hospital Supplemental payments of approximately \$89,021,000 during the year ended June 30, 2025. This amount was recorded as other revenues on the accompanying statements of revenue, expenses, and changes in net position. The SDPP is the supplemental payment program in Louisiana that had an effective beginning date of July 1, 2022.

The District recorded Full Medicaid Payout ("FMP") revenue for Physician Supplemental payments of approximately \$14,343,000 during the year ended June 30, 2025. This amount was recorded as other revenues on the accompanying statements of revenue, expenses and changes in net position. In fiscal year 2025, the District received approximately \$195,000 for a Medicaid NICU outlier, which offset Medicaid contractual adjustments.

The District recorded SDPP revenue for Hospital Supplemental payments of approximately \$83,482,000 and FMP revenue for Physician Supplemental payments of approximately \$14,765,000 during the year ended June 30, 2024. These amounts were recorded as other revenues on the accompanying statements of revenue, expenses and changes in net position. In fiscal year 2024, the District received approximately \$144,000 for a Medicaid NICU outlier.

The District recorded provider tax assessments of approximately \$5,383,000 during the years ended June 30, 2025 and 2024. These amounts were recorded as offsets to other revenues on the accompanying statements of revenue, expenses and changes in net position.

To provide for accounts receivable that could be uncollectible in the future, the District established an allowance for doubtful accounts to reduce the carrying value of patient receivables to their estimated net realizable value. The primary uncertainty related to collection is related to uninsured patient receivables, insured patient deductibles and co-payments and other amounts due from individual patients. There are various factors that can affect collection trends, such as economic changes, which can affect unemployment rates and the number of uninsured and underinsured

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA**
Years Ended June 30, 2025 and 2024

NOTES TO BASIC FINANCIAL STATEMENTS

Note 1. Continued

patients, the volume of emergency room visits, high deductible plans and business practices related to collection efforts. These factors are monitored continuously and can affect collection trends and the estimation process. The provision for bad debts is based on management's assessment of historical and expected net collections, considering business and economic conditions, trends in health care coverage and other collection indicators. Throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based on these trends. The results in this review are then used to make any modifications to the provision for bad debts and to establish an appropriate estimate allowance for uncollectible accounts.

The District's allowance for doubtful accounts for self-pay patients decreased from 89 percent of self-pay accounts receivable at June 30, 2024, to 88 percent of self-pay accounts receivable at June 30, 2025. The District has not changed its charity care or uninsured discount policies during fiscal years 2025 or 2024.

The District recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the District recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, the District estimates a significant portion of uninsured patients will be unable or unwilling to pay for the services provided. Thus, the District records a significant provision for bad debts related to uninsured patients in the period the services are provided.

The composition of net patient service revenue as of June 30 includes:

| | <u>2025</u> | <u>2024</u> |
|--|-----------------------|-----------------------|
| Gross patient service revenue | \$ 3,767,210,454 | \$ 3,209,716,250 |
| Less provision for contractual and doubtful accounts | (3,386,236,929) | (2,863,160,320) |
| Net patient service revenue | <u>\$ 380,973,525</u> | <u>\$ 346,555,930</u> |

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 net patient service revenue. Records of charges forgone for services and supplies furnished under the charity care policy are maintained to identify and monitor the level of charity care provided.

Grants and Contributions

From time to time, the District receives grants from other governmental entities as well as contributions from individuals and private 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. Nonexchange transactions, incidental transactions or transactions not considered to be central to providing healthcare services, regardless of whether the amounts are unrestricted or restricted to a specific operating purpose, are reported as nonoperating revenues. Amounts restricted to capital acquisition are reported after nonoperating revenue and expenses.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA**
Years Ended June 30, 2025 and 2024

NOTES TO BASIC FINANCIAL STATEMENTS

Note 1. Continued

Uncompensated Care

Uncompensated care cost includes cost of care provided to uninsured and indigent patients for which the District is not compensated, care provided to patients who have the financial capacity to pay, but are unwilling to settle the claim, and care provided to Title XIX Medicaid patients, for whom the District is not adequately covered by the payments. The Balanced Budget Refinement Act ("BBRA") requires that short-term acute care hospitals submit the uncompensated care cost data on the District's cost reports each year.

The District estimated uncompensated care cost amounts to approximately \$49,908,000 and \$47,863,000 in 2025 and 2024, respectively.

Medicare and Medicaid Reimbursement

The District is reimbursed under the Medicare Prospective Payment System, which reimburses the District a predetermined amount for Medicare inpatient acute services rendered based, for the most part, on the MS Diagnosis Related Group assigned to the patient. Medicaid inpatient services are paid on a prospective per diem basis.

The District is reimbursed for Medicare outpatient services under the Ambulatory Payment Classification based on fixed rates per outpatient procedure.

Medicaid outpatient services such as laboratory, outpatient surgery and rehabilitation are reimbursed under fee schedule payment methodology, while other outpatient services are reimbursed based on an average of 85.84 percent of total cost for 2025 and 2024, respectively.

Medicare bad debts, Medicare Disproportionate Share Hospital payments and Medicaid nonfee schedule outpatient services were reimbursed on a tentative basis during the year and are subject to a retroactive payment adjustment determined in accordance with appropriate Medicare or Medicaid program regulations. Retroactive cost settlements are accrued on an estimated basis in the period the related services are rendered and adjusted as necessary in future periods as final settlements are determined. Medicare and Medicaid settlements have been determined following the principles of reimbursement applicable to each program.

The District's percentage of gross patient revenue derived from Medicare and Medicaid program beneficiaries was 76 percent and 77 percent for the years ended June 30, 2025 and 2024, respectively.

Income Taxes

The District is exempt from federal income taxation as a political subdivision of the State of Louisiana and, accordingly, the accompanying basic financial statements do not include any provision for income taxes.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA**
Years Ended June 30, 2025 and 2024

NOTES TO BASIC FINANCIAL STATEMENTS

Note 1. Continued

In particular, laws and regulations governing Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates related to these programs will change by a material amount in the near term.

Accounting Pronouncements Adopted

Governmental Accounting Standards Board Statement No. 101 ("GASB 101")

The District adopted GASB 101, *Compensated Absences*, in fiscal year 2025. This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This statement also establishes guidance for measuring a liability. As required, the accounting standard was applied retroactively, effective July 1, 2023. The retroactive application resulted in a restatement of prior period balances.

The adoption of GASB 101 resulted in an adjustment to the following items as of and for the year ended June 30, 2024.

| | As of and For the Year Ended June 30, 2024 | | |
|--|---|-----------------------------------|-----------------|
| | Previously Reported | Restatement Adjustment | Restated |
| Statements of Net Position | | | |
| Accrued salaries and payroll-related costs | \$ 22,290,653 | \$ (11,374,120) | \$ 10,916,533 |
| Compensated absences | \$ - | \$ 12,835,977 | \$ 12,835,977 |
| Statements of Revenues, Expenses, and Changes in Net Position | | | |
| Net position, beginning of year | \$ 314,321,410 | \$ (1,525,152) | \$ 312,796,258 |
| Employee benefits | \$ 37,918,582 | \$ (63,295) | \$ 37,855,287 |
| Increase in net position | \$ 29,565,821 | \$ 63,295 | \$ 29,629,116 |

Note 2. Cash and Investments

The table below reconciles the cash, investments and designated cash and investments by security type to the amounts recorded on the statements of net position at June 30:

| | Statement of Net Position Classification | | |
|------------------------------------|---|-----------------------|-----------------------|
| | Cash and Equivalents | Investments | Total |
| 2025 | | | |
| U.S. Government-backed obligations | \$ - | \$ 31,274,628 | \$ 31,274,628 |
| Fixed income | - | 18,143,281 | 18,143,281 |
| Equity securities | - | 60,803,280 | 60,803,280 |
| Money market | - | 85,600,712 | 85,600,712 |
| Cash and cash equivalents | 14,661,473 | - | 14,661,473 |
| | \$ 14,661,473 | \$ 195,821,901 | \$ 210,483,374 |

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA**
Years Ended June 30, 2025 and 2024

NOTES TO BASIC FINANCIAL STATEMENTS

Note 2. Continued

| | Statement of Net Position Classification | | |
|------------------------------------|--|-----------------------|-----------------------|
| | Cash and Equivalents | Investments | Total |
| 2024 | | | |
| U.S. Government-backed obligations | \$ - | \$ 25,410,400 | \$ 25,410,400 |
| Fixed income | - | 12,834,767 | 12,834,767 |
| Equity securities | - | 55,589,100 | 55,589,100 |
| Money market | - | 112,952,010 | 112,952,010 |
| Cash and cash equivalents | 34,522,592 | - | 34,522,592 |
| | <u>\$ 34,522,592</u> | <u>\$ 206,786,277</u> | <u>\$ 241,308,869</u> |

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

The cash and cash equivalents are secured with pledged collateral from the financial institution.

Credit Risk – Investments

Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality.

Concentration of Credit Risk

As required under GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3* ("GASB 40"), concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. GASB 40 further defines an at-risk investment to be one that represents more than 5 percent of the fair value of the total investment portfolio and requires disclosure of such at-risk investments. GASB 40 specifically excludes investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments from the disclosure requirement. At June 30, 2025 and 2024, the District had no investments requiring concentration of credit risk disclosure.

Custodial Credit Risk – Deposits

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 Federal Deposit Insurance Corporation ("FDIC") insurance or collateral. The fair value of the collateral pledged must equal 100 percent of the deposits not covered by FDIC insurance. As of June 30, 2025, \$14,501,256 of the District's bank balances of \$14,751,256 were collateralized with securities held by the pledging financial institutions to cover any exposure to credit risk as uninsured. The remaining balance was protected by FDIC insurance.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA**
Years Ended June 30, 2025 and 2024

NOTES TO BASIC FINANCIAL STATEMENTS

Note 2. Continued

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2025 and 2024, the District was not exposed to custodial credit risk for its investments, as all were registered in the name of the District.

Interest Rate Risk – Investments

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Interest rate risk inherent in the portfolio is measured by monitoring the segmented time distribution of the investments in the portfolio. The table below summarizes the District's segmented time distribution investment maturities in years by investment type as of June 30, 2025 and 2024. The District has the ability to liquidate the U.S. Government-backed obligations on demand and, as such, classifies them as current.

| Investment Type | Fair Value | Years | | |
|------------------------------------|---------------|-------|---------------|---------------|
| | | < 1 | 1–5 | > 5 |
| 2025 | | | | |
| U.S. Government-backed obligations | \$ 31,274,628 | \$ - | \$ 20,926,784 | \$ 10,347,844 |
| 2024 | | | | |
| U.S. Government-backed obligations | \$ 25,410,400 | \$ - | \$ 16,518,434 | \$ 8,891,966 |

The District's group purchasing organization, Premier Healthcare Solutions, Inc. ("PHSI"), completed an initial public offering on September 26, 2013. This resulted in the District's 9,518 shares of PHSI stock being converted into 225,090 shares of Class B units in the public company. The District's initial ownership interest in PHSI was recorded as an equity-based investment of \$75,000 at June 30, 2013. In conjunction with the offering, the District sold 35,985 shares of the PHSI stock at \$25.38 per share. This resulted in the District recognizing a realized gain of approximately \$844,000 in October 2013. The remaining 189,105 shares were converted into Class B common shares. These shares were exchangeable pro rata over seven years into Class A common shares or to retain as Class B shares. The fair value of the Premier investment was approximately \$4,147,000 and \$3,531,000 as of June 30, 2025 and 2024, respectively. The District accounts for this PHSI investment as investments on the statement of net position.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA**
Years Ended June 30, 2025 and 2024

NOTES TO BASIC FINANCIAL STATEMENTS

Note 3. Fair Value Measurement

The District holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the District's mission, the District determined that the disclosures related to these investments only need to be disaggregated by major type. The District elected a narrative format for the fair value disclosures.

GASB Statement No. 72, *Fair Value Measurement and Application*, enhances comparability of governmental financial statements by requiring fair value measurement for certain assets and liabilities using a consistent definition and accepted valuation techniques. The standard establishes a hierarchy of inputs used to measure fair value that prioritizes the inputs into three categories – Level 1, Level 2 and Level 3 inputs – considering the relative reliability of the inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted (unadjusted) prices in active markets for identical financial assets or liabilities that the District has the ability to access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the financial asset or liability.

The following tables represent the fair value measurements as of and for the years ended June 30, 2025 and 2024:

| Fair Value Measurements at June 30, 2025 | | | | |
|--|--|---|--|--------------------------------|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Balance at June 30, 2025 |
| Investments | | | | |
| U.S. Government-backed obligations | \$ - | \$ 31,274,628 | \$ - | \$ 31,274,628 |
| Fixed income | 18,143,281 | - | - | 18,143,281 |
| Equity securities | 60,803,280 | - | - | 60,803,280 |
| Money market | 85,600,712 | - | - | 85,600,712 |
| Total | \$ 164,547,273 | \$ 31,274,628 | \$ - | \$ 195,821,901 |

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA**
Years Ended June 30, 2025 and 2024

NOTES TO BASIC FINANCIAL STATEMENTS

Note 3. Continued

| Fair Value Measurements at June 30, 2024 | | | | | |
|--|--|---|--|----|--------------------------------|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | | Balance at June 30, 2024 |
| Investments | | | | | |
| U.S. Government-backed obligations | \$ - | \$ 25,410,400 | \$ - | \$ | 25,410,400 |
| Fixed income | 12,834,767 | - | - | | 12,834,767 |
| Equity securities | 55,589,100 | - | - | | 55,589,100 |
| Money market | 112,952,010 | - | - | | 112,952,010 |
| Total | \$ 181,375,877 | \$ 25,410,400 | \$ - | \$ | 206,786,277 |

Note 4. Concentration of Credit Risk

The percentage mix of net receivables from patients and third-party payors at June 30 was as follows:

| | 2025 | 2024 |
|--------------|------|------|
| Medicare | 26% | 26% |
| Medicaid | 9 | 9 |
| Managed care | 20 | 21 |
| Commercial | 35 | 35 |
| Self-pay | 10 | 9 |
| Total | 100% | 100% |

The relative percentages of gross charges billed for patient services by payor for the years ended June 30 was as follows:

| | 2025 | 2024 |
|--------------|------|------|
| Medicare | 50% | 49% |
| Medicaid | 26 | 28 |
| Managed care | 16 | 17 |
| Commercial | 6 | 4 |
| Self-pay | 2 | 2 |
| Total | 100% | 100% |

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA**
Years Ended June 30, 2025 and 2024

NOTES TO BASIC FINANCIAL STATEMENTS

Note 5. Capital Assets

The District's investment in capital assets consisted of the following as of June 30, 2025:

| | June 30, 2024 | Additions | Transfers | Retirements | June 30, 2025 |
|---|------------------|---------------|-------------|--------------|------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 8,158,000 | \$ 1,951,000 | \$ - | \$ (254,000) | \$ 9,855,000 |
| Construction in progress | 21,654,000 | 36,924,000 | (6,437,000) | - | 52,141,000 |
| Total capital assets not being depreciated | 29,812,000 | 38,875,000 | (6,437,000) | (254,000) | 61,996,000 |
| Capital assets being depreciated: | | | | | |
| Land improvements | 201,000 | 176,000 | - | (2,000) | 375,000 |
| Buildings and improvements | 254,458,000 | 7,003,000 | 6,274,000 | (896,000) | 266,839,000 |
| Equipment | 134,767,000 | 12,151,000 | 163,000 | (320,000) | 146,761,000 |
| Capital leases | 351,000 | 411,000 | - | (250,000) | 512,000 |
| Total capital assets being depreciated | 389,777,000 | 19,741,000 | 6,437,000 | (1,468,000) | 414,487,000 |
| Less: total accumulated depreciation | (213,279,000) | (18,977,000) | - | 1,210,000 | (231,046,000) |
| Total capital assets being depreciated, net | 176,498,000 | 764,000 | 6,437,000 | (258,000) | 183,441,000 |
| Capital assets, net | \$ 206,310,000 | \$ 39,639,000 | \$ - | \$ (512,000) | \$ 245,437,000 |

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA**
Years Ended June 30, 2025 and 2024

NOTES TO BASIC FINANCIAL STATEMENTS

Note 5. Continued

The District's investment in capital assets consisted of the following as of June 30, 2024:

| | June 30, 2023 | Additions | Transfers | Retirements | June 30, 2024 |
|---|------------------|--------------|-----------|-------------|------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 8,158,000 | \$ - | \$ - | \$ - | \$ 8,158,000 |
| Construction in progress | 4,254,000 | 18,378,000 | (978,000) | - | 21,654,000 |
| Total capital assets not being depreciated | 12,412,000 | 18,378,000 | (978,000) | - | 29,812,000 |
| Capital assets being depreciated: | | | | | |
| Land improvements | 130,000 | 71,000 | - | - | 201,000 |
| Buildings and improvements | 252,320,000 | 1,160,000 | 978,000 | - | 254,458,000 |
| Equipment | 134,515,000 | 5,768,000 | - | (5,516,000) | 134,767,000 |
| Capital leases | 351,000 | 101,000 | - | (101,000) | 351,000 |
| Total capital assets being depreciated | 387,316,000 | 7,100,000 | 978,000 | (5,617,000) | 389,777,000 |
| Less: total accumulated depreciation | (202,496,000) | (16,400,000) | - | 5,617,000 | (213,279,000) |
| Total capital assets being depreciated, net | 184,820,000 | (9,300,000) | 978,000 | - | 176,498,000 |
| Capital assets, net | \$ 197,232,000 | \$ 9,078,000 | \$ - | \$ - | \$ 206,310,000 |

For the years ended June 30, 2025 and 2024, depreciation expense for capital assets was approximately \$18,977,000 and \$16,400,000, respectively.

At June 30, 2025 and 2024, the District had various commitments totaling approximately \$19,124,000 and \$7,027,000, respectively. These commitments relate to various capital projects.

Note 6. Subscription Assets

The District has subscription-based information technology arrangements for intangible assets such as their electronic health record software, enterprise resource planning software, human resources software, and various other software. As of June 30, 2025 and 2024, the District had subscription assets of approximately \$19,989,000 and \$10,726,000, respectively. The related accumulated amortization of the subscription assets as of June 30, 2025 and 2024 was approximately \$3,174,000 and \$7,211,000, respectively.

For the years ended June 30, 2025 and 2024, amortization expense for subscription assets was approximately \$3,412,000 and \$2,906,000, respectively.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA**
Years Ended June 30, 2025 and 2024

NOTES TO BASIC FINANCIAL STATEMENTS

Note 7. Employee Retirement Plan

The District has a defined contribution plan for employees. Under the plan, the District is required to contribute a specified percentage of eligible employees' salaries based on years of service. Participants may contribute up to the maximum level allowed by the Internal Revenue Code ("IRC") or 25 percent of gross salary, whichever is less. The participants vest immediately in all participant contributions and vest 100 percent over a five-year cliff vesting schedule in all District contributions. The retirement benefits received by the participants will depend upon the accumulated value of their accounts at distribution upon termination, attaining age 59.5, severe financial hardship or death. Retirement expense included in employee benefit expense was approximately \$6,566,000 and \$5,508,000 in 2025 and 2024, respectively, representing the required contributions in both years. The District also sponsors deferred compensation plans 415(m) and 457 of the IRC. The District reports the plan assets and a corresponding liability in the accompanying basic financial statements. Accordingly, the District has recorded an asset and a corresponding liability of approximately \$2,260,000 and \$2,011,000 as of June 30, 2025 and 2024, respectively.

Note 8. Risk Management

The District is involved in litigation arising in the ordinary course of business. Claims alleging general and malpractice liability have been asserted against the District and are currently in various stages of litigation. The District accrued approximately \$4,412,000 and \$3,823,000 as of June 30, 2025 and 2024, respectively, for the estimated losses and expenses related to general and malpractice liability claims for which the District is self-insured. Claims have been filed alleging damages in excess of the amount accrued for estimated malpractice costs. It is the opinion of management that estimated malpractice costs accrued are adequate to provide for probable losses resulting from pending or threatened litigation. Additional claims may be asserted against the District arising from services provided to patients. The District has made an accrual on estimates for these claims.

The District is self-insured for its workers' compensation and employee health claims. The District has commercial insurance that provides coverage for workers' compensation and employee health claims in excess of certain self-insured limits. The District accrued approximately \$846,000 and \$1,018,000 at June 30, 2025 and 2024, respectively, for employee health insurance claims. The District accrued approximately \$2,052,000 and \$2,830,000 at June 30, 2025 and 2024, respectively, for workers' compensation claims.

The following table summarizes the changes in the self-insurance liability:

| Year Ended June 30, | Beginning of Fiscal Year Liability | Current-Year Claims and Changes in Estimates | Claim Payments | Balance at Fiscal Year-End |
|----------------------------|---|---|---------------------------|---|
| 2025 | \$ 7,671,000 | \$ 27,898,000 | \$(28,259,000) | \$ 7,310,000 |
| 2024 | \$ 7,537,000 | \$ 24,086,000 | \$(23,952,000) | \$ 7,671,000 |

The District participates in the State of Louisiana Patient Compensation Fund (the "Fund"). The Fund provides malpractice coverage to the District for claims in excess of \$100,000, up to \$500,000. According to current state law, medical malpractice liability (exclusive of future medical care awards) is limited to \$500,000 per occurrence. District management has no reason to believe that the District will be prevented from continuing its participation in the Fund.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA**
Years Ended June 30, 2025 and 2024

NOTES TO BASIC FINANCIAL STATEMENTS

Note 9. Compensated Absences

The following table summarizes the changes in the compensated absences for the year ended June 30, 2025:

| Compensated Absence | Balance June 30, 2024 | Earned (Used), Net | Balance June 30, 2025 |
|---------------------|--------------------------|--------------------|--------------------------|
| PTO | \$ 11,374,120 | \$ 885,689 | \$ 12,259,809 |
| EIT | 1,461,857 | 38,143 | 1,500,000 |
| Total | \$ 12,835,977 | \$ 923,832 | \$ 13,759,809 |

The following table summarizes the changes in the compensated absences for the year ended June 30, 2024:

| Compensated Absence | Balance June 30, 2023 | Earned (Used), Net | Balance June 30, 2024 |
|---------------------|--------------------------|--------------------|--------------------------|
| PTO | \$ 11,634,784 | \$ (260,664) | \$ 11,374,120 |
| EIT | 1,525,152 | (63,295) | 1,461,857 |
| Total | \$ 13,159,936 | \$ (323,959) | \$ 12,835,977 |

The liability is measured using the pay rates in effect at the reporting date and includes applicable salary-related payments. The compensated absence balance is classified as current in its entirety.

Note 10. Long-Term Debt

The District's long-term debt consisted of the following:

| | June 30, | |
|---|----------------|----------------|
| | 2025 | 2024 |
| Bonds, Series 2021 | \$ 127,670,000 | \$ 127,670,000 |
| Lease liabilities | 387,386 | 144,518 |
| Subscription liabilities | 17,079,237 | 3,692,689 |
| Total | 145,136,623 | 131,507,207 |
| Plus unamortized bond premium on 2021 bonds | 18,272,801 | 20,201,258 |
| | 163,409,424 | 151,708,465 |
| Less current maturities | (3,670,933) | (2,598,331) |
| Long-term debt, less current maturities | \$ 159,738,491 | \$ 149,110,134 |

On September 21, 2021, the District issued \$127,670,000 of Hospital Revenue Bonds, Series 2021 ("Series 2021 Bonds"). The purpose of these bonds was to refinance all outstanding bonds: the Series 2003A Bonds, Series 2003B Bonds, Series 2009A Bonds, Series 2011 Bonds, Series 2013A Bonds, and Series 2015 Bonds. The Series 2021 Bonds mature annually in amounts ranging from \$5,520,000 to \$10,630,000, bearing interest at 5 percent with a reduction in the interest rate beginning in 2035. Principal payments are due from years 2027 through 2042. The Series 2021 Bonds have no contractual restriction on reserve funds for debt service. Under the terms of the bond indenture, the District is required to maintain, among other provisions, a certain debt service coverage ratio. The District was in compliance with these provisions of the bond indenture at June 30, 2025.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA**
Years Ended June 30, 2025 and 2024

NOTES TO BASIC FINANCIAL STATEMENTS

Note 10. Continued

The District began recognizing capital lease liabilities related to the adoption of GASB 87 during fiscal year 2021. The lease liabilities relate to property and equipment, with maturity dates in fiscal years ranging from 2027 through 2028. The District began recognizing subscription lease liabilities related to the adoption of GASB 96 during fiscal year 2023. The subscription lease liabilities relate to subscription-based IT arrangements, with maturity dates in fiscal years ranging from 2026 through 2035.

The estimated debt service requirements at June 30, 2025, were as follows:

| | Long-Term Debt | | Lease Liabilities | | Subscription Liabilities | |
|-----------|-----------------------|----------------------|--------------------------|------------------|---------------------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2026 | \$ - | \$ 5,534,700 | \$ 169,130 | \$ 12,972 | \$ 3,501,803 | \$ 619,001 |
| 2027 | 5,520,000 | 5,534,700 | 164,222 | 5,698 | 3,519,124 | 478,772 |
| 2028 | 5,800,000 | 5,258,700 | 54,034 | 672 | 2,873,509 | 345,887 |
| 2029 | 6,085,000 | 4,968,700 | - | - | 1,799,243 | 252,400 |
| 2030 | 6,395,000 | 4,664,450 | - | - | 943,162 | 197,036 |
| 2031-2035 | 37,075,000 | 18,196,750 | - | - | 4,442,396 | 412,235 |
| 2036-2040 | 45,940,000 | 9,331,950 | - | - | - | - |
| 2041-2042 | 20,855,000 | 1,259,400 | - | - | - | - |
| | \$ 127,670,000 | \$ 54,749,350 | \$ 387,386 | \$ 19,342 | \$ 17,079,237 | \$ 2,305,331 |

Long-term debt activity for the year ended June 30, 2025 was as follows:

| | Balance June 30, 2024 | Additions | Reductions | Balance June 30, 2025 | Amount Due within One Year |
|--------------------------|----------------------------------|------------------|-------------------|----------------------------------|---|
| Bonds, Series 2021 | \$ 127,670,000 | \$ - | \$ - | \$ 127,670,000 | \$ - |
| Lease liabilities | 144,518 | 410,838 | (167,970) | 387,386 | 169,130 |
| Subscription liabilities | 3,692,689 | 17,104,592 | (3,718,044) | 17,079,237 | 3,501,803 |
| Total long-term debt | 131,507,207 | 17,515,430 | (3,886,014) | 145,136,623 | 3,670,933 |
| Unamortized bond premium | 20,201,258 | - | (1,928,457) | 18,272,801 | - |
| Long-term debt, net | \$ 151,708,465 | \$ 17,515,430 | \$ (5,814,471) | \$ 163,409,424 | \$ 3,670,933 |

Long-term debt activity for the year ended June 30, 2024 was as follows:

| | Balance June 30, 2023 | Additions | Reductions | Balance June 30, 2024 | Amount Due within One Year |
|--------------------------|----------------------------------|------------------|-------------------|----------------------------------|---|
| Bonds, Series 2021 | \$ 127,670,000 | \$ - | \$ - | \$ 127,670,000 | \$ - |
| Lease liabilities | 216,395 | 101,164 | (173,041) | 144,518 | 86,341 |
| Subscription liabilities | 6,956,029 | - | (3,263,340) | 3,692,689 | 2,511,990 |
| Total long-term debt | 134,842,424 | 101,164 | (3,436,381) | 131,507,207 | 2,598,331 |
| Unamortized bond premium | 22,129,714 | - | (1,928,456) | 20,201,258 | - |
| Long-term debt, net | \$ 156,972,138 | \$ 101,164 | \$ (5,364,837) | \$ 151,708,465 | \$ 2,598,331 |

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA**
Years Ended June 30, 2025 and 2024

NOTES TO BASIC FINANCIAL STATEMENTS

Note 11. Charity Care

The estimated amount of cost foregone for services and supplies furnished under the District's charity care policy aggregate to approximately \$89,000 and \$96,000 for the years ended June 30, 2025 and 2024, respectively. This estimate is based on the cost-to-charge ratio of patient care costs, including salaries and benefits, supplies, other operating expenses and depreciation to gross patient charges.

Note 12. Louisiana Medicaid Supplemental Payment Programs

The District has entered into a series of collaborative agreements and cooperative endeavors designed to provide additional Medicaid funds to help improve or expand allowable healthcare services for Medicaid beneficiaries or low-income, uninsured patients in the community.

Physician Rate Enhancement Agreement

On June 1, 2016, the HSD and the NOPG entered into a Physician Rate Enhancement Funds ("PREFs") Assignment Agreement with LDH. Under the program, LDH increased the Per Member Per Month ("PMPM") rate for reimbursement of physician services to include the FMP for safety-net physicians to receive enhanced rates. The PREFs can only be paid to an HSD that elects to provide the state match for the federal funding associated with these Physician Rate Enhancement Funds payments. NOPG has to contract with or be employed by the HSD to provide inpatient and outpatient physician services to be eligible to receive the funds. Under the agreement, NOPG assigns all rights and authorities to HSD to contract for and to collect payment of PREFs.

Effective for the state fiscal year 2025, the state has submitted a preprint to CMS to implement a new payment model for the reimbursement of physician services to Medicaid managed care enrollees. The model is still pending final approval from the Centers of Medicare and Medicaid Services, consequently, no payments for this program were issued by the federal government prior to the Hospital's fiscal year end. As the model covers services for the period July 1, 2024 through June 30, 2025, the Hospital recorded a receivable. However, due to the uncertainty surrounding the new program's final approval, the receivable was conservatively based on payouts from the previously approved federal matching program.

The District recorded a receivable, at net, under this program of approximately \$14,765,000 as of and for the year ended June 30, 2025. The receivable is included as a component of estimated third-party payor settlements in the accompanying statements of net position. The District recognized net revenue of approximately \$14,343,000 and \$14,765,000 during the years ended June 30, 2025 and 2024, respectively. The revenue is included as a component of other revenues in the accompanying statements of revenues, expenses and changes in net position. Future reconciliation differences will be reported prospectively. Subsequent to fiscal year end 2025, on August 28, 2025, CMS approved Louisiana's state fiscal year 2025 plan related to this program.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA**
Years Ended June 30, 2025 and 2024

NOTES TO BASIC FINANCIAL STATEMENTS

Note 12. Continued

Managed Care Incentive Program

On January 1, 2019, the District entered into an agreement with Louisiana State University to participate as a member of the Louisiana Quality Network ("LQN"). Under LQN, healthcare providers participate in the Managed Care Incentive Program to improve the quality of healthcare provided while eliminating inefficiencies and costs in the Medicaid delivery systems of their state. For this agreement, the District recognized net revenue of approximately \$7,236,000 and \$7,023,000 during the years ended June 30, 2025 and 2024, respectively. The initial period of the agreement was for five years, expiring on December 31, 2024. The agreement shall be extended and renewed automatically for successive one-year terms, but the agreement may be terminated by either party with 30 days' written notice.

Louisiana State Directed Payment Program

Effective July 1, 2022, Louisiana Medicaid implemented a new SDPP model for in-state hospitals licensed and enrolled in Medicaid. The SDPP arrangement utilizes a uniform percentage increase directed fee schedule in accordance with 42 CFR Section 438.6(c)(1)(iii)(c). The fee schedule provides a uniform percentage increase for payments to qualifying hospitals within specified tiered provider classes for Medicaid managed care contracted inpatient and outpatient services provided to Medicaid enrolled individuals. Qualifying hospitals receive interim lump-sum quarterly directed payments from MCOs, as directed by LDH. Within 12 months after the end of the MCO contract rating period, LDH will conduct a reconciliation process based on actual utilization during the MCO contract rating period and the MCOs will make payment adjustments, as directed by LDH.

The District recognized net SDPP revenue of approximately \$89,021,000 and \$83,482,000 during the years ended June 30, 2025 and 2024, respectively. The revenue earned from this agreement is included as a component of other revenues in the accompanying statements of revenue, expenses and changes in net position.

Intergovernmental Transfer Agreement

The District participates in the Louisiana Medicaid Intergovernmental Transfer ("IGT") program, which allows governmental hospitals to transfer public funds to the LDH for the nonfederal share of certain Medicaid supplemental payments. These transfers are used by the State to draw down federal matching funds, which are subsequently distributed back to qualifying hospitals through various Medicaid supplemental payment programs, including state-directed payments and other Medicaid reimbursement arrangements.

The District remits IGT payments to LDH on a periodic basis as determined by LDH. These payments are not contingent on the receipt of any specific services and are considered a component of the overall funding structure for the Medicaid program. Revenue related to supplemental payments funded through IGTs is recognized when earned and reported as other operating revenue in the accompanying statements of revenues, expenses, and changes in net position.

The District made total IGT payments of approximately \$21,518,000 during the years ended June 30, 2025 and 2024.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA**
Years Ended June 30, 2025 and 2024

NOTES TO BASIC FINANCIAL STATEMENTS

Note 13. Contingencies

FEMA established the COVID-19 Public Assistance Program (the "Program") for the purpose of providing support to meet emergency needs during the COVID-19 pandemic. The Program required applicants to submit a request for public assistance ("RPA") to FEMA no later than July 1, 2022. The District completed their FEMA RPA on April 2, 2020. As of June 30, 2025 and 2024 the District had a related receivable of approximately \$723,000 and \$1,999,000, respectively in other current assets.

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, government healthcare program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers in recent years. 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 laws and regulations, 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.



**INDEPENDENT AUDITOR'S 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**

The Board of Commissioners
Hospital Service District No. 1 of the Parish
of Tangipahoa, State of 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 ("*Government Auditing Standards*"), the financial statements of the business-type activities of the Hospital Service District No. 1 of the Parish of Tangipahoa, State of Louisiana (the "District"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 20, 2025.

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 District'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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*.

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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HORNE LLP

Ridgeland, Mississippi
October 20, 2025



INDEPENDENT AUDITOR'S REPORT ON OTHER SUPPLEMENTARY INFORMATION

The Board of Commissioners
Hospital Service District No. 1 of the
Parish of Tangipahoa, State of Louisiana

We have audited the statement of net position of the Hospital Service District No. 1 of the Parish of Tangipahoa, State of Louisiana (the "District"), as of June 30, 2025 and 2024, and the related statements of revenue, expenses, and changes in net position, and cash flows for the years then ended, and have issued our report thereon dated October 20, 2025. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to Agency Head are presented for the purpose of additional analysis, as required by Louisiana Revised Statute 24:513 A (3) and is not a required part of the basic financial statements.

The Schedule of Compensation, Benefits, and Other Payments to Agency Head is the responsibility of the Board of Commissioners and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 Schedule of Compensation, Benefits, and other Payments to Agency Head is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

HORNE LLP

Ridgeland, Mississippi
October 20, 2025

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA**
Schedule of Compensation, Benefits, and Other Payments to Agency Head
Year Ended June 30, 2025

Agency Head:

Michele Sutton, Chief Executive Officer

| Purpose | | Amount |
|--------------------------------|----|---------------|
| Salary | \$ | 1,235,168 |
| Benefits-insurance | | 13,003 |
| Benefits-retirement | | 252,112 |
| Benefits-other | | 98,791 |
| Car allowance | | - |
| Vehicle provided by government | | - |
| Per diem | | - |
| Reimbursements | | - |
| Travel | | - |
| Registration fees | | - |
| Conference travel | | - |
| Housing | | - |
| Unvouchered expenses | | - |
| Special meals | | - |
| Other | | - |

See Independent Auditor's Report on Supplementary Information.