

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

Management's Discussion and Analysis
and Financial Statements

March 31, 2026 and 2025

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HOSPITAL SERVICE DISTRICT NO. 1 OF TERREBONNE PARISH, STATE OF LOUISIANA

Management's Discussion and Analysis

This section of Hospital Service District No. 1 of Terrebonne Parish, State of Louisiana's (the District), annual financial report presents background information and management's analysis of the District's financial performance during the fiscal year ended March 31, 2026. Please read it in conjunction with the financial statements in this report.

In June 2013, Hospital Service District No. 1 of Terrebonne Parish, State of Louisiana, became the sole member of Southern Regional Medical Corporation (SRMC). SRMC entered into a Cooperative Endeavor Agreement (CEA) with the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College (LSU), the Louisiana Division of Administration (DOA), and the State of Louisiana through the Division of Administration (the State) and the Louisiana Department of Health (LDH) to which the District assists SRMC in ensuring the availability of hospital services to low-income and indigent patients in south central Louisiana. SRMC entered in an agreement with LSU to take possession, use, and occupy the Leonard J. Chabert Medical Center (Chabert), and assume responsibility for its operations. SRMC entered into a management agreement with Chabert Management LLC (Manager) to provide management, staff, and other assistance to SRMC to operate Chabert. The CEA is for an initial term of five years and automatically renews for an additional five-year term, unless terminated by either party. SRMC is the sole member of Quality and Outcome Improvement Network, Inc. (QIN). SRMC established QIN to work with the Healthy Louisiana Medicaid managed care organizations and other hospitals to improve the availability and quality of care in Louisiana. The District's financial statements include Terrebonne General Health System (TGHS), SRMC, and QIN.

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 its activities. The Statements of Net Position include all of the District's assets and liabilities and deferred inflows and outflows of resources and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the reporting period's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Position. This statement measures changes in the District's operations over the past two years and can be used to determine whether the District has been able to recover all of its costs through its net patient service revenue and other revenue sources. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash from operations, investing, and financing activities, and to provide answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

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

Management's Discussion and Analysis

Financial Analysis of the District

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

Financial Highlights for the Year Ended March 31, 2026

- The District's assets and deferred outflows increased by approximately \$158.6 million or 20%, primarily due to increase in funding to be received under the State's supplemental Medicaid program and proceeds from the issuance of bonds.
- During the fiscal year, the District's total operating revenues increased from prior year by \$70.5 million, or 16%, to \$513.8 million, while operating expenses increased \$57.5 million, or 13%, to \$498.9 million. The District had income from operations of \$14.9 million, which is 2.9% of total operating revenue and represents an increase of \$13.1 million from prior year income from operations.
- During fiscal year 2026, the District qualified to receive funding from eligible supplemental Medicaid payments. The amount of this funding included in total operating revenue for the year is \$93.5 million.
- During the fiscal year, the District issued \$80.0 million of Series 2026 Bonds to finance the costs of capital expenditures and refund the Series 2013 Bonds.

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

Management's Discussion and Analysis

Summary of Net Position

A summary of the District's Statements of Net Position at March 31, 2026 and 2025 is presented in Table 1 below:

TABLE 1
Condensed Statements of Net Position
(In Thousands)

	2026	2025	Dollar Change	Percent Change
Current Assets	\$ 560,853	\$ 465,545	\$ 95,308	20%
Capital Assets, Net	166,188	172,609	(6,421)	-4%
Other Assets, Including Board Designated and Restricted Investments	223,822	154,025	69,797	45%
Deferred Outflows of Resources	-	43	(43)	-100%
 Total Assets and Deferred Outflows of Resources	 \$ 950,863	 \$ 792,222	 \$ 158,641	 20%
Current Liabilities	\$ 503,165	\$ 423,635	\$ 79,530	19%
Long-Term Liabilities	88,809	30,950	57,859	187%
 Total Liabilities	 591,974	 454,585	 137,389	 30%
 Deferred Inflows of Resources	 3,707	 4,637	 (930)	 -20%
Net Investment in Capital Assets	139,914	134,280	5,634	4%
Restricted Net Position	938	5,759	(4,821)	-84%
Unrestricted Net Position	214,330	192,961	21,369	11%
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 \$ 950,863	 \$ 792,222	 \$ 158,641	 20%

As can be seen in Table 1, total assets and deferred outflows increased by \$158.6 million to \$950.9 million at March 31, 2026, up from \$792.2 million at March 31, 2025.

Total current liabilities increased by \$79.5 million from March 31, 2025 to March 31, 2026, primarily as a result of the timing of payments passed through QIN to other organizations. Total long-term liabilities increased by \$57.9 million from March 31, 2025 to March 31, 2026, primarily as a result of the issuance of the Series 2026 Bonds.

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

Management's Discussion and Analysis

Summary of Revenues and Expenses

The following table presents a summary of the District's revenues and expenses for each of the years ended March 31, 2026 and 2025:

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

	2026	2025	Dollar Change	Percent Change
Net Patient Service Revenue	\$ 375,089	\$ 328,498	\$ 46,591	14.2%
Other Revenue, Net	138,708	114,761	23,947	21%
Total Operating Revenue	513,797	443,259	70,538	16%
Salaries, Wages, and Benefits	145,468	136,103	9,365	7%
Supplies and Materials	104,536	95,084	9,452	10%
Purchased Services	200,167	162,878	37,289	23%
Professional Fees	16,358	14,340	2,018	14%
Other Operating Expenses	12,131	12,405	(274)	-2%
Depreciation and Amortization	20,245	20,609	(364)	-2%
Total Operating Expenses	498,905	441,419	57,486	13%
Income from Operations	14,892	1,840	13,052	709%
Investment Income, Net	7,592	7,666	(74)	-1%
Interest Expense	(1,536)	(1,118)	(418)	37%
Other Expenses	1,234	(1,377)	2,611	-190%
Total Nonoperating Revenues (Expenses)	7,290	5,171	\$ 2,119	41%
Change in Net Position	22,182	7,011		
Net Position				
Beginning of Period, Restated	333,000	325,989		
End of Period	\$ 355,182	\$ 333,000		

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

Management's Discussion and Analysis

Sources of Revenue

Operating Revenue

During fiscal year 2026, the District derived the majority of its operating revenue from patient revenues. Patient revenues include revenues from the Medicare and Medicaid programs and patients, or their third-party insurers, who pay for care in the District's facilities. Reimbursement for the Medicare and Medicaid programs and the third-party insurers is based upon established contracts. The difference between the covered charges and the expected payment is recognized as a contractual allowance.

Table 3 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended March 31, 2026 and 2025:

**TABLE 3
Payor Mix**

	2026	2025
Medicare	51%	52%
Medicaid	17%	16%
Other	32%	32%
Total Patient Revenues	100%	100%

Other Operating Revenue

The District also generated other operating income of \$138.7 million in fiscal year 2026 and \$114.8 million in fiscal year 2025. Of this amount, \$93.5 million in 2026 and \$82.5 million in 2025 relates to payments from supplemental programs. The remaining income does not relate to patient revenues, and consists primarily of rental and retail income, reference lab income, cafeteria income, and other departmental income.

Nonoperating Income

The District holds designated and restricted funds in its Statements of Net Position that are invested primarily in money market funds and securities issued by the U.S. Treasury and its agencies and other federal agencies. These investments earned \$7.6 million and \$7.7 million during fiscal years 2026 and 2025, respectively.

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

Management's Discussion and Analysis

Operating and Financial Performance

The following summarizes the District's Statements of Revenues, Expenses, and Changes in Net Position between fiscal years 2026 and 2025:

Overall activity at the District, as measured by patient discharges, increased by 1% to 8,771 in 2026, compared to 8,672 in 2025. Patient days increased by 0.3% from 39,873 in 2025 to 40,000 in 2026. The average length of stay for the District remained consistent with the prior year, with the stay length at 4.6 days for 2026 and 4.7 days for 2025.

Net patient service revenue increased \$1.4 million, or 0.5%, in 2026. Contractual allowances, excluding bad debt, decreased to 66% of charges in 2026 from 67% in 2025. Provision for bad debts remained consistent with the prior year.

Employee wages and compensation increased by \$9.3 million from the prior year. Salaries and benefits were 28% and 30% of total operating revenue in fiscal years 2026 and 2025, respectively. The cost of supplies and materials increased by \$9.5 million, or 10%, due to impact of inflation and other economic pressures. Purchased services increased during the year by \$37.3 million, mainly due to changes in management and IGT expenses. Depreciation and amortization expense remained consistent with the prior year. Total operating expenses increased by \$57.5 million, or 13%, for the year ended March 31, 2026.

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

Management's Discussion and Analysis

Capital Assets

During fiscal year 2026, the District invested in a broad range of capital assets included in Table 4 below:

TABLE 4
Capital Assets
(In Thousands)

	2026	2025	Dollar Change	Percent Change
Land and Land Improvements	\$ 46,021	\$ 46,164	\$ (143)	0%
Building	248,510	244,312	4,198	2%
Equipment	177,702	174,487	3,215	2%
Right-to-Use Assets	13,163	11,980	1,183	10%
Subtotal	485,396	476,943	8,453	2%
Less: Accumulated Depreciation	334,052	314,932	19,120	6%
Construction in Progress	14,844	10,598	4,246	40%
Net Capital Assets	\$ 166,188	\$ 172,609	\$ (6,421)	-4%

During fiscal year 2026, net capital assets decreased due to the impact of scheduled depreciation. Total additions were approximately \$13.0 million on equipment and facility initiatives. The District also has a strategic plan that incorporates a master facility plan for future expansion. The timing and priorities of the plan are available as a separate document.

Table 5 shows the District's fiscal year 2026 capital budget. These projects will be financed from operations. Any master facility spending plan will be funded from operations and designated investments. More information about the District's capital assets is presented in the notes to the financial statements.

TABLE 5
Fiscal Year 2026 Capital Budget
(In Thousands)

Master Facility Plan	\$ 65,628
Contingency	700
Routine Capital	5,947
Total	\$ 72,275

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

Management's Discussion and Analysis

Long-Term Debt

At March 31, 2026, the District had \$80 million in bonds payable outstanding. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements. Total long-term debt outstanding represents 9% of the District's total assets and deferred outflows at March 31, 2026.

Contacting the District's Management

This financial report is designed to provide a general overview of the District's finances. Questions concerning information provided in this report may be addressed to the Office of Vice President of Financial Services, 8166 Main Street, Houma, Louisiana 70360.

HOSPITAL SERVICE DISTRICT NO. 1 OF TERREBONNE PARISH, STATE OF LOUISIANA

Management's Discussion and Analysis

Financial Analysis of the District

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

Financial Highlights for the Year Ended March 31, 2025

- The District's assets and deferred outflows increased by approximately \$74.8 million or 10%, primarily due to increase in funding to be received under the State's supplemental Medicaid program.
- During the fiscal year, the District's total operating revenues decreased from prior year by \$55.2 million, or 11%, to \$443.3 million, while operating expenses decreased \$40.3 million, or 8%, to \$441.4 million. The District had income from operations of \$1.8 million, which is 0.4% of total operating revenue and represents a decrease of \$14.9 million from prior year income from operations.
- During fiscal year 2025, the District qualified to receive funding from eligible supplemental Medicaid payments. The amount of this funding included in total operating revenue for the year is \$82.5 million.
- During the fiscal year, the District made significant capital acquisitions totaling approximately \$15.1 million including the following:
 - Repairs and upgrade to infrastructure of facilities
 - Various renovation projects of existing buildings
 - Purchase of medical equipment

The source of the funding for these projects was derived from operations and drawing on investments, as necessary.

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

Management's Discussion and Analysis

Summary of Net Position

A summary of the District's Statements of Net Position at March 31, 2025 and 2024 is presented in Table 6 below:

TABLE 6
Condensed Statements of Net Position
(In Thousands)

	2025	2024	Dollar Change	Percent Change
Current Assets	\$ 465,545	\$ 391,864	\$ 73,681	19%
Capital Assets, Net	172,609	177,235	(4,626)	-3%
Other Assets, Including Board Designated and Restricted Investments	154,025	148,239	5,786	4%
Deferred Outflows of Resources	43	86	(43)	-50%
 Total Assets and Deferred Outflows of Resources	 \$ 792,222	 \$ 717,424	 \$ 74,798	 10%
 Current Liabilities	 \$ 423,635	 \$ 340,495	 \$ 83,140	 24%
Long-Term Liabilities	30,950	37,578	(6,628)	-18%
 Total Liabilities	 454,585	 378,073	 76,512	 20%
 Deferred Inflows of Resources	 4,637	 4,979	 (342)	 100%
 Net Investment in Capital Assets	 134,280	 132,522	 1,758	 1%
Restricted Net Position	5,759	5,699	60	1%
Unrestricted Net Position	192,961	196,151	(3,190)	-2%
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 \$ 792,222	 \$ 717,424	 \$ 74,798	 10%

As can be seen in Table 6, total assets and deferred outflows increased by \$74.8 million to \$792.2 million at March 31, 2025, up from \$717.4 million at March 31, 2024.

Total current liabilities increased by \$83.1 million from March 31, 2024 to March 31, 2025, primarily as a result of the timing of payments passed through QIN to other organizations.

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

Management's Discussion and Analysis

Summary of Revenues and Expenses

The following table presents a summary of the District's revenues and expenses for each of the years ended March 31, 2025 and 2024:

TABLE 7
Condensed Statements of Revenues,
Expenses, and Changes in Net Position
(In Thousands)

	2025	2024	Dollar Change	Percent Change
Net Patient Service Revenue	\$ 328,498	\$ 327,023	\$ 1,475	0.5%
Other Revenue, Net	114,761	171,403	(56,642)	-33%
Total Operating Revenue	443,259	498,426	(55,167)	-11%
Salaries and Employee Benefits	136,103	137,243	(1,140)	-1%
Supplies and Materials	95,084	87,773	7,311	8%
Purchased Services	162,878	212,192	(49,314)	-23%
Professional Fees	14,340	13,660	680	5%
Other Operating Expenses	12,405	10,834	1,571	15%
Depreciation	20,609	19,975	634	3%
Total Operating Expenses	441,419	481,677	(40,258)	-8%
Income from Operations	1,840	16,749	(14,909)	-89%
Provider Relief Fund	-	8,886	(8,886)	100%
Investment Income, Net	7,666	3,445	4,221	123%
Interest Expense and Amortization	(1,118)	(1,229)	111	-9%
Other Expenses	(1,377)	(661)	(716)	108%
Total Nonoperating Revenues (Expenses)	5,171	10,441	\$ (5,270)	-50%
Change in Net Position	7,011	27,190		
Net Position				
Beginning of Period, Restated	325,989	307,182		
End of Period	\$ 333,000	\$ 334,372		

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

Management’s Discussion and Analysis

Sources of Revenue

Operating Revenue

During fiscal year 2025, the District derived the majority of its operating revenue from patient revenues. Patient revenues include revenues from the Medicare and Medicaid programs and patients, or their third-party insurers, who pay for care in the District's facilities. Reimbursement for the Medicare and Medicaid programs and the third-party insurers is based upon established contracts. The difference between the covered charges and the expected payment is recognized as a contractual allowance.

Table 8 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended March 31, 2025 and 2024:

**TABLE 8
Payor Mix**

	2025	2024
Medicare	52%	51%
Medicaid	16%	18%
Other	32%	31%
Total Patient Revenues	100%	100%

Other Operating Revenue

The District also generated other operating income of \$114.8 million in fiscal year 2025 and \$171.4 million in fiscal year 2024. Of this amount, \$82.5 million in 2025 and \$127.7 million in 2024 relates to grants from supplemental Medicaid payments. The remaining income does not relate to patient revenues, and consists primarily of rental and retail income, reference lab income, cafeteria income, and other departmental income.

Nonoperating Income

The District holds designated and restricted funds in its Statements of Net Position that are invested primarily in money market funds and securities issued by the U.S. Treasury and its agencies and other federal agencies. These investments earned \$6.3 million and \$2.8 million during fiscal years 2025 and 2024, respectively.

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

Management's Discussion and Analysis

Operating and Financial Performance

The following summarizes the District's Statements of Revenues, Expenses, and Changes in Net Position between fiscal years 2025 and 2024:

Overall activity at the District, as measured by patient discharges, increased by 3% to 8,672 in 2025, compared to 8,452 in 2024. Patient days increased by 2.4% from 38,948 in 2024 to 39,873 in 2025. The average length of stay for the District remained consistent with the prior year, with the stay length at 4.7 days for both 2025 and 2024.

Net patient service revenue increased \$1.4 million, or 0.5%, in 2025. Contractual allowances, excluding bad debt, increased to 67% of charges in 2025 from 64% in 2024.

Excluded from net patient service revenue are charges forgone for patient services falling under the District's charity care policy. Based on established rates, gross charges of \$5.5 million were forgone in 2025 compared to \$2.8 million in 2024. Provision for bad debts remained consistent with the prior year.

Employee wages and compensation decreased by \$1.1 million from the prior year. Salaries and benefits were 30% and 27% of total operating revenue in fiscal years 2025 and 2024, respectively. The cost of supplies and materials increased by \$7.3 million, or 8%, due to impact of inflation and supply chain issues. Purchased services decreased during the year by \$49.3 million, mainly due to changes in management and IGT expenses. Depreciation expense increased by \$0.6 million, or 3%. Total operating expenses decreased by \$40.2 million, or 8%, for the year ended March 31, 2025.

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

Management's Discussion and Analysis

Capital Assets

During fiscal year 2025, the District invested in a broad range of capital assets included in Table 9 below:

TABLE 9
Capital Assets
(In Thousands)

	2025	2024	Dollar Change	Percent Change
Land and Land Improvements	\$ 46,164	\$ 45,240	\$ 924	2%
Building	244,312	238,857	5,455	2%
Equipment	174,487	256,032	(81,545)	-32%
Right-to-use Assets	11,980	12,372	(392)	-3%
Subtotal	476,943	552,501	(75,558)	-14%
Less: Accumulated Depreciation	314,932	382,697	(67,765)	-18%
Construction in Progress	10,598	7,431	3,167	43%
Net Capital Assets	\$ 172,609	\$ 177,235	\$ (4,626)	-3%

During fiscal year 2025, net capital assets decreased due to the impact of scheduled depreciation. Total additions were approximately \$15.1 million on equipment and facility initiatives and disposals accounted for approximately \$87 million of retired buildings and equipment. The District also has a strategic plan that incorporates a master facility plan for future expansion. The timing and priorities of the plan are available as a separate document.

Table 10 shows the District's fiscal year 2025 capital budget. These projects will be financed from operations. Any master facility spending plan will be funded from operations and designated investments. More information about the District's capital assets is presented in the notes to the financial statements.

TABLE 10
Fiscal Year 2025 Capital Budget
(In Thousands)

Master Facility Plan	\$ 50,104
Contingency	600
Routine Capital	5,649
Total	\$ 56,353

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

Management's Discussion and Analysis

Long-Term Debt

At March 31, 2025, the District had \$31.3 million in bonds payable outstanding. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements. Total long-term debt outstanding represents 4% of the District's total assets and deferred outflows at March 31, 2025.



Independent Auditor's Report

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

Report on the Audits of the Financial Statements

Opinion

We have audited the accompanying financial statements of Hospital Service District No. 1 of Terrebonne Parish, State of Louisiana (the District), a component unit of the Terrebonne Parish Consolidated Government, as of and for the year ended March 31, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 1 of Terrebonne Parish, State of Louisiana, as of March 31, 2026, and the respective changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the 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 opinion.

Other Matter

The financial statements of the District, as of and for the year ended March 31, 2025, were audited by other auditors, whose report dated August 28, 2025, expressed an unmodified opinion on those financial statements.

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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information on pages 33 through 38 and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, on page 40, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information on pages 33 through 39 and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. 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.



Covington, LA
August 28, 2026

**HOSPITAL SERVICE DISTRICT NO.1 OF
TERREBONNE PARISH, STATE OF LOUISIANA
Statements of Net Position
March 31, 2026 and 2025 (In Thousands)**

	2026	2025
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and Cash Equivalents	\$ 146,874	\$ 133,136
Patient Accounts Receivable, Net of Allowance for Doubtful Accounts and Contractual Adjustments of \$44,700 in 2026 and \$38,600 in 2025	18,500	15,607
Estimated Net Receivables under Government Programs	20,669	14,277
Inventories	8,187	7,891
Prepaid Expenses	7,882	2,490
Other Current Assets	357,803	286,385
Funds Held by Trustee under Bond Resolution	938	5,759
Total Current Assets	560,853	465,545
Noncurrent Cash and Investments		
Designated by Board for Plant Replacement and Expansion, Including Accrued Interest of \$900 in 2026 and \$496 in 2025	129,931	123,223
Restricted for Capital Projects	64,849	75
Total Noncurrent Cash and Investments	194,780	123,298
Capital Assets		
Land and Land Improvements	46,021	46,164
Buildings	248,510	244,312
Equipment	177,702	174,487
Construction in Progress	14,844	10,598
Right-to-Use Assets	13,163	11,980
Less: Accumulated Depreciation/Amortization	(334,052)	(314,932)
Total Capital Assets, Net	166,188	172,609
Other Assets	29,042	30,727
Total Assets	950,863	792,179
Deferred Outflows of Resources	-	43
Total Assets and Deferred Outflows of Resources	\$ 950,863	\$ 792,222

The accompanying notes are an integral part of these financial statements.

**HOSPITAL SERVICE DISTRICT NO.1 OF
TERREBONNE PARISH, STATE OF LOUISIANA
Statements of Net Position (Continued)
March 31, 2026 and 2025 (In Thousands)**

	2026	2025
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 325,963	\$ 314,777
Accrued Employee Compensation	18,299	16,690
Accrued Interest Payable	703	469
Self-Insurance Reserves	1,722	1,290
Other Current Liabilities	154,181	83,030
Current Maturities of Hospital Revenue Bonds	-	5,290
Current Maturities of Lease and SBITA Liabilities	2,297	2,089
Total Current Liabilities	503,165	423,635
Long-Term Liabilities		
Hospital Revenue Bonds, Net of Current Maturities	85,525	26,010
Lease and SBITA Liabilities, Net of Current Maturities	3,284	4,940
Total Liabilities	591,974	454,585
Deferred Inflows of Resources	3,707	4,637
Net Position		
Net Investment in Capital Assets	139,914	134,280
Restricted for Debt Service	938	5,759
Unrestricted	214,330	192,961
Total Net Position	355,182	333,000
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 950,863	\$ 792,222

The accompanying notes are an integral part of these financial statements.

**HOSPITAL SERVICE DISTRICT NO.1 OF
TERREBONNE PARISH, STATE OF LOUISIANA
Statements of Revenues, Expenses,
and Changes in Net Position
For the Years Ended March 31, 2026 and 2025 (In Thousands)**

	2026	2025
Operating Revenues		
Net Patient Service Revenue	\$ 375,089	\$ 328,498
Other Operating Revenue, Net	138,708	114,761
Total Operating Revenues	513,797	443,259
Operating Expenses		
Salaries, Wages, and Benefits	145,468	136,103
Supplies and Materials	104,536	95,084
Purchased Services	200,167	162,878
Professional Fees	16,358	14,340
Other Operating Expenses	12,131	12,405
Depreciation and Amortization	20,245	20,609
Total Operating Expenses	498,905	441,419
Income from Operations	14,892	1,840
Nonoperating Revenues (Expenses)		
Investment Revenue	7,592	7,666
Interest Expense	(1,536)	(1,118)
Bond Issuance Costs	(814)	-
Other Revenue (Expenses)	2,048	(1,377)
Total Nonoperating Revenues (Expenses)	7,290	5,171
Change in Net Position	22,182	7,011
Net Position, Beginning of Year, As Previously Reported	333,000	334,372
Cumulative Effect of Change in Accounting Principle	-	(8,383)
Net Position, Beginning of Year, Restated	333,000	325,989
Net Position, End of Year	\$ 355,182	\$ 333,000

The accompanying notes are an integral part of these financial statements.

**HOSPITAL SERVICE DISTRICT NO.1 OF
TERREBONNE PARISH, STATE OF LOUISIANA
Statements of Cash Flows
For the Years Ended March 31, 2026 and 2025 (In Thousands)**

	2026	2025
Cash Flows from Operating Activities		
Cash Received from Patient Services	\$ 502,596	\$ 349,002
Cash Paid to or on Behalf of Employees	(143,859)	(126,893)
Cash Paid for Supplies and Services	(327,061)	(169,063)
Net Cash Provided by (Used in) Operating Activities	31,676	53,046
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(12,356)	(16,299)
Proceeds on Issuance of Long-Term Debt	85,580	-
Principal Payments on Long-Term Debt	(31,350)	(5,175)
Interest Payments	(1,259)	(1,172)
Net Cash Provided by (Used in) Capital and Related Financing Activities	40,615	(22,646)
Cash Flows from Investing Activities		
Interest Received on Investments	2,437	2,821
Noncurrent Cash Equivalents, Net	(60,990)	(11,326)
Net Cash Provided by (Used in) Investing Activities	(58,553)	(8,505)
Increase in Cash and Cash Equivalents	13,738	21,895
Cash and Cash Equivalents, Including Noncurrent Cash and Cash Equivalents		
Beginning of Year	133,136	111,241
End of Year	\$ 146,874	\$ 133,136

The accompanying notes are an integral part of these financial statements.

**HOSPITAL SERVICE DISTRICT NO.1 OF
TERREBONNE PARISH, STATE OF LOUISIANA
Statements of Cash Flows (Continued)
For the Years Ended March 31, 2026 and 2025 (In Thousands)**

	2026	2025
Reconciliation of Income (Loss) from Operations to Net Cash Provided by (Used in) Operating Activities		
Income (Loss) from Operations	\$ 14,892	\$ 1,840
Adjustments to Reconcile Income (Loss) from Operations to Net Cash Provided by (Used in) Operating Activities		
Depreciation and Amortization	20,245	20,609
Changes in Operating Assets and Liabilities		
Patient Accounts Receivable	(2,893)	642
Government Program Receivables	(6,392)	(4,217)
Other Assets	(78,108)	(48,477)
Accounts Payable and Accrued Liabilities	83,932	82,649
Net Cash Provided by (Used in) Operating Activities	\$ 31,676	\$ 53,046

The accompanying notes are an integral part of these financial statements.

HOSPITAL SERVICE DISTRICT NO.1 OF TERREBONNE PARISH, STATE OF LOUISIANA

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

Organization

Hospital Service District No. 1 of Terrebonne Parish, State of Louisiana (the District), a political subdivision of the State of Louisiana and a component unit of the Terrebonne Parish Consolidated Government, owns and operates Terrebonne General Health System (TGHS), Southern Regional Medical Corporation (SRMC), Physician Practice Partners (PPP), Acquisitions of Developing Organizations (AODO), Anesthesia Associates of Bayou Region (AABR), Terrebonne Quality Health Network (TQHN), Quality and Outcome Improvement Network, Inc. (QIN), and Terrebonne General Equity Holdings (TGEH). The TGHS campus is a 321-bed acute care facility, and the SRMC campus is a 156-bed facility, providing comprehensive medical services in southeast Louisiana. PPP was formed to employ physicians performing professional services on the TGHS campus. AODO, doing business as Diagnostic Imaging Center of Terrebonne, is an imaging center providing imaging services in southeast Louisiana off the campus of TGHS. AABR provides anesthesia services to a regional surgical center. TQHN is a clinically integrated network organized to improve quality, coordination, efficiency, and delivery of health services to the community. QIN is organized and shall be operated exclusively for the purpose of fulfilling its Member's purpose of providing access and quality healthcare services to high-risk Medicaid populations and engaging in any lawful activity permitted to be carried on by a non-profit corporation organized as such in the State of Louisiana and as directed by QIN's Member. QIN works with the Healthy Louisiana Medicaid managed care organizations and other hospitals to improve the availability and quality of care in Louisiana. TGEH was formed to hold the District's equity investments.

Basis of Presentation

The financial statements of the District include TGHS and SRMC, wholly-owned non-profit corporations formed for the purpose of entering into an agreement with the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College (LSU), the Louisiana Division of Administration (DOA), and the State of Louisiana through the Division of Administration (the State), and the Louisiana Department of Health (LDH). The accompanying financial statements include TGHS and the District's blended component units - SRMC, PPP, AODO, TQHN, QIN, and TGEH. All significant intercompany balances and transactions have been eliminated in the financial statements. Information regarding significant blended component units has been included on pages 29 - 31.

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

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The financial statements of the District have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated non-exchange transactions (principally, government grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated non-exchange transactions. Government-mandated non-exchange transactions that are not program specific, investment income, and interest on capital assets-related debt are included in nonoperating revenues and expenses. The District first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

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.

Inventories

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

Investments

Investments are stated at fair value. Investments and the associated accrued interest are classified as noncurrent due to these funds being designated by the Board of Commissioners for funded reserves and expenditures in the acquisition or construction of capital assets. Investment income is reported as nonoperating revenues.

Other Assets

Other assets include an investment in a purchasing group, certificates of deposit that are pledged as security under various insurance plans, FMP receivables, and receivables from Medicaid managed care organizations related to QIN.

Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Property is recorded at acquisition cost. Depreciation is provided using the straight-line method based on the estimated useful lives of the assets, which range from 2 to 39 years.

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

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

Right-to-use lease and SBITA assets are initially measured at an amount equal to the initial measurement of the related lease or SBITA liability plus any payments made prior to the commencement of the term, less incentives, and plus ancillary charges necessary to place the agreement into service. The right-to-use lease and SBITA assets are amortized on a straight-line basis over the life of the related agreement.

Depreciation and amortization expense was approximately \$20.2 million and \$20.6 million for the years ended March 31, 2026 and 2025, respectively.

Deferred Outflows and Inflows

Deferred outflows of resources represent the consumption of the government's net position that is applicable to a future reporting period. Deferred inflows of resources represent the acquisition of net position that is applicable to a future reporting period. The District's deferred outflows at March 31, 2025 consist of deferred amounts on bond refinancing. The District's deferred inflows at March 31, 2026 and 2025 consist of amounts associated with the lease of the District's assets.

Net Position

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended, net position is classified into three components: net investment in capital assets, restricted, and unrestricted.

These classifications are defined as follows:

Net Investment in Capital Assets - This component of net position consists of the historical cost of capital assets, including any 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, plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted - This component of net position consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - All other net position is reported in this category.

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

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Revenue and Expenses

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are included in operating income; all peripheral transactions are reported as nonoperating revenues and expenses. Other operating income for fiscal years 2026 and 2025 includes approximately \$95.3 million and \$82.5 million, respectively, which relates to grants from supplemental Medicaid payments. Operating expenses are all expenses incurred to provide health services, other than financing costs.

Custodial Transactions

Operations of QIN are considered custodial transactions in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Thus, the District does not report revenues or expenses related to payments received from Louisiana Medicaid managed care organizations or payments made to hospitals. When QIN receives payments from Louisiana Medicaid managed care organizations, related liabilities are accrued and subsequently paid to participating hospitals.

Net Patient Service Revenue

The District has entered into agreements with third-party payors, including government programs, health insurance companies, and managed care health plans, under which the 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.

Net patient service revenue is reported at the estimated net realizable amounts from patients and third-party payors for the hospital services provided. Settlements under reimbursement agreements with third-party payors are estimated and recorded in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

Accounts Receivable

The District provides credit in the normal course of operations to patients located primarily in southeast Louisiana and to insurance companies conducting operations in this area.

The District maintains allowances for contractual adjustments and doubtful accounts based on management's assessment of collectability, current economic conditions, and prior experience. The District determines if patient accounts receivable are past due based on the discharge date; however, the District does not charge interest on past due accounts. The District charges off patient accounts receivable if management considers the collection of the outstanding balances to be doubtful.

For the years ended March 31, 2026 and 2025, the District recorded allowance for doubtful accounts totaling approximately \$16.9 million and \$15.4 million respectively. For the years ended March 31, 2026 and 2025, the District recorded allowance for contractual adjustments totaling approximately \$27.7 million and \$23.2 million, respectively.

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

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Charity Care

The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. 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. The District's charity care provided during the years ended March 31, 2026 and 2025, measured at established rates, totaled approximately \$19.5 million and \$21.1 million, respectively.

Income Taxes

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

Professional Liability Claims

The provision for estimated malpractice claims includes estimates of the ultimate cost for both reported claims and claims incurred but not reported. The District has not experienced material losses from professional liability claims in the past.

Compensated Absences

The District's employees earn vacation days at varying rates depending on years of service. Generally, on the employee's anniversary date, any unused days greater than one and a half year accrual would expire. Employees also earn sick leave benefits; however, sick leave does not vest and is not accrued.

Use of Estimates

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

The determination of the allowance for uncollectible accounts receivable and amounts estimated to be recovered from third-party payors are particularly sensitive estimates and are subject to change.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassification had no impact on previously reported net position.

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

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements - Adopted

Effective April 1, 2024, the District adopted the provisions of GASB Statement No. 101, *Compensated Absences*, in the current fiscal year. The Statement updates the recognition and measurement guidance for compensated absences, including vacation, sick leave, and other paid time off benefits.

As a result of the implementation, the District recorded a cumulative change in accounting principle that decreased beginning net position by \$8,383,000 as of March 31, 2024. The District presents comparative financial statements and determined that it was not practicable to restate the prior year (fiscal year 2023) due to change in financial reporting software during the prior year which impacted necessary historical data. Accordingly, the cumulative effect of the change has been recognized in the current year only.

Effective April 1, 2025, the District adopted the provisions of GASB Statement No. 102, *Certain Risk Disclosures*. This Statement requires new disclosure requirements about concentrations and constraints to state and local governmental entities that could affect their programs and services or a government's ability to meet its obligations. The adoption of the statement had no material impact on the District's financial statements.

Recently Issued Accounting Pronouncements - Not Yet Adopted

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

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

The GASB issued Statement No. 105, *Subsequent Events*. The objective of the Statement is to improve the financial reporting requirements for subsequent events. The Statement is effective for fiscal years beginning after June 15, 2026.

Management is currently determining the expected impact of implementation of the above standards on the financial statements and notes to the financial statements.

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

Notes to the Financial Statements

Note 2. Cash and Cash Equivalents and Investments

The composition of board-designated and restricted cash, cash equivalents, and investments at March 31, 2026 and 2025 are set forth below (in thousands):

March 31, 2026	Cash and Cash Equivalents	Fixed Income Investments	Other Assets	Total
Board-Designated	\$ 4,507	\$ 118,384	\$ 6,139	\$ 129,030
Accrued Interest	-	-	901	901
Total Board-Designated	4,507	118,384	7,040	129,931
Restricted				
Interest Expense Fund	703	-	-	703
Principal Fund	235	-	-	235
Construction Fund	64,849	-	-	64,849
Total Restricted	65,787	-	-	65,787
Total Board-Designated and Restricted Cash, Cash Equivalents, and Investments	\$ 70,294	\$ 118,384	\$ 7,040	\$ 195,718

March 31, 2025	Cash and Cash Equivalents	Fixed Income Investments	Other Assets	Total
Board-Designated	\$ 4,507	\$ 112,205	\$ 6,139	\$ 122,851
Accrued Interest	-	-	372	372
Total Board-Designated	4,507	112,205	6,511	123,223
Restricted				
Interest Expense Fund	469	-	-	469
Principal Fund	5,290	-	-	5,290
Construction Fund	75	-	-	75
Total Restricted	5,834	-	-	5,834
Total Board-Designated and Restricted Cash, Cash Equivalents, and Investments	\$ 10,341	\$ 112,205	\$ 6,511	\$ 129,057

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

Notes to the Financial Statements

Note 2. Cash and Cash Equivalents and Investments (Continued)

Louisiana state 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. Due to these restrictions, the District does not have a formal policy that limits the types of investments. During the years ended March 31, 2026 and 2025, the District invested primarily in securities issued by the U.S. Treasury and other federal agencies.

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The standardized ratings systems are a tool with which to assess credit risk on debt obligations. The following table can be used in determining the level of exposure to credit risk as of March 31, 2026 and 2025 (in thousands):

Risk Rating	Fair Value at March 31, 2026	Fair Value at March 31, 2025
AAA	\$ 34,720	\$ 35,439
AA	2,321	7,137
A	3,732	2,110
BBB	180	165
Other	7,190	7,308
	48,143	52,159
U.S. Government or Obligations Explicitly Guaranteed	69,120	58,339
Mutual Funds - Mixed (Not Rated)	7,260	7,846
Total	\$ 124,523	\$ 118,344

Obligations of the U.S. government or explicitly guaranteed by the U.S. government are not considered to have credit risk. The investments qualifying for this classification total \$69.1 million and \$58.3 million in fair market value at March 31, 2026 and 2025, respectively. The District had investments in obligations that are implicitly guaranteed by the U.S. government and therefore have credit risk exposure, with a fair value of \$48.1 million and \$52.2 million at March 31, 2026 and 2025, respectively.

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

Notes to the Financial Statements

Note 2. Cash and Cash Equivalents and Investments (Continued)

Concentration of Credit Risk

Per GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, concentration of credit risk is defined as the risk of loss attributed to the magnitude of government's investment in a single issuer. GASB 40 further defines an at-risk investment to be one that represents more than five percent (5%) 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. The District has investments in Federal Home Loan Mortgage Corporation and Federal National Mortgage Association that represented 5.0% and 22.5%, respectively, of the total investments at March 31, 2026, and 5.9% and 23.5%, respectively, of the total investments at March 31, 2025.

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 recovered. Louisiana state statutes require that all of the deposits of the District be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. As of March 31, 2026, approximately \$144.9 million of the District's bank balance of \$147.6 million was exposed to credit risk as uninsured and collateralized with securities held by the pledging financial institution.

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 March 31, 2026 and 2025, 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. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

Interest rate risk inherent in the portfolio is measured by monitoring the segmented time distribution of the investments in the portfolio.

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

Notes to the Financial Statements

Note 2. Cash and Cash Equivalents and Investments (Continued)

Interest Rate Risk – Investments (Continued)

The tables below summarize the District's segmented time distribution investment maturities in years by investment type as of March 31, 2026 and 2025 (in thousands):

March 31, 2026	Fair Value	Maturity in Years		
		<1	1 to 5	>5
U.S. Treasuries	\$ 37,369	\$ 1,009	\$ 21,674	\$ 14,686
Federal National Mortgage Association	28,057	2,245	4,470	21,342
Federal Home Loan Mortgage Corporation	6,066	728	2,426	2,912
Government National Mortgage Association	8,199	164	246	7,789
Small Business Association	19,960	72	2,688	17,200
Other Securities Guaranteed by the U.S. Government	3,592	-	1,437	2,155
Corporate and Municipal Debt Securities	7,881	788	3,546	3,547
Mutual Fund - Mixed	7,260	7,260		
Certificates of Deposit	6,139	6,139		
Total	\$ 124,523	\$ 18,405	\$ 36,487	\$ 69,631

March 31, 2025	Fair Value	Maturity in Years		
		<1	1 to 5	>5
U.S. Treasuries	\$ 31,733	\$ 1,375	\$ 15,877	\$ 14,481
Federal National Mortgage Association	27,824	3,151	6,933	17,740
Federal Home Loan Mortgage Corporation	6,988	694	1,431	4,863
Government National Mortgage Association	5,675	-	75	5,600
Small Business Association	16,903	92	1,984	14,827
Other Securities Guaranteed by the U.S. Government	4,028	392	300	3,336
Corporate and Municipal Debt Securities	11,208	4,491	4,250	2,467
Mutual Fund - Mixed	7,846	7,846	-	-
Certificates of Deposit	6,139	6,139	-	-
Total	\$ 118,344	\$ 24,180	\$ 30,850	\$ 63,314

Note 3. Fair Value Measurements

To the extent available, the District's investments are recorded at fair value as of March 31, 2026 and 2025. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

Notes to the Financial Statements

Note 3. Fair Value Measurements (Continued)

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Investments classified in Level 3 of the fair value hierarchy are valued using significant unobservable inputs in the valuation process. Level 3 investments consist primarily of corporate and municipal debt securities. The valuation techniques employed to determine the fair value of these investments involve valuation techniques such as discounted cash flow analysis and pricing models. The use of Level 3 inputs may result in higher measurement uncertainty compared to assets with more observable market data.

A summary of the District's investments along with the fair value hierarchy levels of each type of investment is as follows as of March 31, 2026 (in thousands):

March 31, 2026	Total	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Fixed Income Securities				
U.S. Treasuries	\$ 37,369	\$ 37,369	\$ -	\$ -
Federal National Mortgage Association	28,057	699	27,358	-
Federal Home Loan Mortgage Corporation	6,066	-	6,066	-
Government National Mortgage Association	8,199	-	8,199	-
Small Business Association	19,960	-	19,960	-
Other Securities Guaranteed by the U.S. Government	3,592	-	3,592	-
Total Fixed Income Securities	103,243	38,068	65,175	-
Corporate and Municipal Debt Securities	7,881	4,040	3,556	285
Mutual Fund - Mixed	7,260	7,260	-	-
Certificates of Deposit	6,139	-	6,139	-
Total Investments by Fair Value Level	\$ 124,523	\$ 49,368	\$ 74,870	\$ 285

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

Notes to the Financial Statements

Note 3. Fair Value Measurements (Continued)

A summary of the District's investments along with the fair value hierarchy levels of each type of investment is as follows as of March 31, 2025 (in thousands):

March 31, 2025	Total	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Fixed Income Securities				
U.S. Treasuries	\$ 31,733	\$ 31,733	\$ -	\$ -
Federal National Mortgage Association	27,824	1,581	26,243	-
Federal Home Loan Mortgage Corporation	6,988	-	6,988	-
Government National Mortgage Association	5,675	-	5,675	-
Small Business Association	16,903	-	16,903	-
Other Securities Guaranteed by the U.S. Government	4,028	-	4,028	-
Total Fixed Income Securities	93,151	33,314	59,837	-
Corporate and Municipal Debt Securities	11,208	3,658	7,204	346
Mutual Fund - Mixed	7,846	7,846	-	-
Certificates of Deposit	6,139	-	6,139	-
Total Investments by Fair Value Level	\$ 118,344	\$ 44,818	\$ 73,180	\$ 346

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

Notes to the Financial Statements

Note 4. Capital Assets

The summary of changes in capital assets for the year ended March 31, 2026 is as follows (in thousands):

	Balance March 31, 2025	Additions	Retirements/ Transfers	Balance March 31, 2026
Capital Assets Not Being Depreciated				
Land	\$ 37,312	\$ -	\$ (143)	\$ 37,169
Construction in Progress	10,598	11,476	(7,230)	14,844
Total Capital Assets Not Being Depreciated	47,910	11,476	(7,373)	52,013
Capital Assets Being Depreciated				
Land Improvements	8,852	-	-	8,852
Buildings	244,312	4,198	-	248,510
Equipment	174,487	4,566	(1,351)	177,702
Total Capital Assets Being Depreciated	427,651	8,764	(1,351)	435,064
Less: Accumulated Depreciation				
Land Improvements	8,395	65	-	8,460
Buildings	159,418	7,538	-	166,956
Equipment	142,567	9,834	(706)	151,695
Total Accumulated Depreciation	310,380	17,437	(706)	327,111
Capital Assets Being Depreciated, Net	117,271	(8,673)	(645)	107,953
Capital Assets Being Amortized				
Right-to-Use Leased Medical Equipment	8,371	-	-	8,371
Right-to-Use SBITA Assets	3,609	1,183	-	4,792
Total Capital Assets Being Amortized	11,980	1,183	-	13,163
Less: Accumulated Amortization				
Right-to-Use Leased Medical Equipment	3,305	1,277	-	4,582
Right-to-Use SBITA Assets	1,247	1,112	-	2,359
Total Accumulated Amortization	4,552	2,389	-	6,941
Capital Assets Being Amortized, Net	7,428	(1,206)	-	6,222
Total Capital Assets, Net	\$ 172,609	\$ 1,597	\$ (8,018)	\$ 166,188

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

Notes to the Financial Statements

Note 4. Capital Assets (Continued)

The summary of changes in capital assets for the year ended March 31, 2025 is as follows (in thousands):

	Balance March 31, 2024	Additions	Retirements/ Transfers	Balance March 31, 2025
Capital Assets Not Being Depreciated				
Land	\$ 36,462	\$ 850	\$ -	\$ 37,312
Construction in Progress	7,431	14,598	(11,431)	10,598
Total Capital Assets Not Being Depreciated	43,893	15,448	(11,431)	47,910
Capital Assets Being Depreciated				
Land Improvements	8,778	74	-	8,852
Buildings	238,857	5,506	(51)	244,312
Equipment	256,032	5,557	(87,102)	174,487
Total Capital Assets Being Depreciated	503,667	11,137	(87,153)	427,651
Less: Accumulated Depreciation				
Land Improvements	8,331	64	-	8,395
Buildings	152,326	7,143	(51)	159,418
Equipment	218,386	10,722	(86,541)	142,567
Total Accumulated Depreciation	379,043	17,929	(86,592)	310,380
Capital Assets Being Depreciated, Net	124,624	(6,792)	(561)	117,271
Capital Assets Being Amortized				
Right-to-Use Leased Medical Equipment	8,612	-	(241)	8,371
Right-to-Use SBITA Assets	3,760	1,166	(1,317)	3,609
Total Capital Assets Being Amortized	12,372	1,166	(1,558)	11,980
Less: Accumulated Amortization				
Right-to-Use Leased Medical Equipment	2,336	1,186	(217)	3,305
Right-to-Use SBITA Assets	1,318	722	(793)	1,247
Total Accumulated Amortization	3,654	1,908	(1,010)	4,552
Capital Assets Being Amortized, Net	8,718	(742)	(548)	7,428
Total Capital Assets, Net	\$ 177,235	\$ 7,914	\$ (12,540)	\$ 172,609

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

Notes to the Financial Statements

Note 5. Hospital Revenue Bonds

The following table summarizes the District's outstanding bonds at March 31, 2026 and 2025 (in thousands):

	March 31, 2025	Additions	Reductions	March 31, 2026	Due Within One Year
Hospital Revenue Bonds, Series 2013, 2.75% to 4%	\$ 14,845	\$ -	\$ 14,845	\$ -	\$ -
Hospital Revenue Bonds, Series 2016, 1.83%	4,280	-	4,280	-	-
Hospital Revenue Bonds, Series 2017, 2.49%	4,520	-	4,520	-	-
Hospital Revenue Bonds, Series 2020, 2.15%	7,705	-	7,705	-	-
Hospital Revenue and Revenue Refunding Bonds, Series 2026, 5% to 5.5%	-	-	-	-	-
	-	80,000		80,000	-
	31,350	80,000	31,350	80,000	-
Add: Bond Premium	-	5,525	-	5,525	
Less: Bond Discount	50	-	50	-	-
Long-Term Portion of Hospital Revenue Bonds	\$ 31,300	\$ 85,525	\$ 31,300	\$ 85,525	\$ -

	March 31, 2024	Additions	Reductions	March 31, 2025	Due Within One Year
Hospital Revenue Bonds, Series 2013, 2.75% to 4%	\$ 15,055	\$ -	\$ 210	\$ 14,845	\$ 220
Hospital Revenue Bonds, Series 2016, 1.83%	6,360	-	2,080	4,280	2,120
Hospital Revenue Bonds, Series 2017, 2.49%	5,585	-	1,065	4,520	1,090
Hospital Revenue Bonds, Series 2020, 2.15%	9,525	-	1,820	7,705	1,860
	36,525	-	5,175	31,350	5,290
Less: Bond Discount	60	-	10	50	-
Long-Term Portion of Hospital Revenue Bonds	\$ 36,465	\$ -	\$ 5,165	\$ 31,300	\$ 5,290

In January 2026, the District issued \$80 million of Hospital Revenue and Revenue Refunding Bonds, Series 2026. The proceeds of the Series 2026 Bonds will be used, together with available moneys of the District, to (i) finance the costs of capital expenditures, including costs of constructing and equipping the Health and Wellness Center and other capital expenditures throughout the District, (ii) currently refund all of the outstanding bonds, and (iii) pay costs of issuance. The 2026 Bonds bear interest at a rate between 5.0% and 5.5%. Interest is payable semi-annually on April 1st and October 1st each year. The bonds mature in annual installments on April 1st of each year until 2055.

The resources provided by the issuance of the bonds were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The refunded bonds were called for redemption on January 29, 2026 and are considered defeased and the liability removed from long-term debt. The advanced refunding was undertaken to reduce total debt service payments over 8 years by approximately \$1.1 million with an economic gain of approximately \$0.4 million.

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

Notes to the Financial Statements

Note 5. Hospital Revenue Bonds (Continued)

The scheduled maturities of the long-term debt are as follows (in thousands):

Year Ending March 31,	Principal	Interest
2027	\$ -	\$ 2,812
2028	1,645	4,142
2029	1,730	4,057
2030	1,820	3,969
2031	1,910	3,875
2032 - 2036	9,785	17,869
2037 - 2041	10,285	15,458
2042 - 2046	13,210	12,535
2047 - 2051	17,100	8,638
2051 - 2056	22,515	3,232
Total	\$ 80,000	\$ 76,587

The District was in compliance with all covenants of its outstanding bond issues at March 31, 2026 and 2025.

Note 6. Third-Party Payor Arrangements

The District receives payment from federal and state agencies (under Medicare and Medicaid programs) for services rendered to program beneficiaries. A summary of the percentage of the District's net patient revenue related to patients participating in the Medicare and Medicaid programs is as follows:

	2026	2025
Medicare	53%	49%
Medicaid	24%	15%

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near-term. The District believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

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

Notes to the Financial Statements

Note 6. Third-Party Payor Arrangements (Continued)

Regulations in effect require annual retroactive settlements for costs reimbursed under these federal programs based upon cost reports filed by the District. The difference between the estimate of these settlements and the final determination of amounts earned under cost reimbursement and prospective payment activities is subject to review by the appropriate governmental authority or its agents. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near-term.

These adjustments resulted in a change to net patient service revenue of approximately \$0.4 million in 2026 and \$0.2 million in 2025. Estimated settlements through March 31, 2024 for the Medicare program and through March 31, 2022 for the Medicaid program have been reviewed by program representatives, and adjustments have been recorded to reflect any revisions to the recorded estimates required. The settlement of these cost reports provides the District with updated information that serves as the basis to adjust estimated settlement amounts. Management believes that adequate provision has been made for adjustments that may result from the final determination of amounts earned under these programs.

Note 7. Net Patient Service Revenue

Net patient service revenue was comprised of the following (in thousands):

	2026	2025
Total Gross Patient Service Charges, Excluding Charity Care	\$ 1,144,385	\$ 1,072,099
Contractual and Other Allowances		
Medicare	443,385	399,227
Medicaid	115,139	116,080
Other	193,683	210,896
Provisions for Bad Debts	17,089	17,398
Total Contractual and Other Allowances	769,296	743,601
Net Patient Service Revenue	\$ 375,089	\$ 328,498

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

Notes to the Financial Statements

Note 8. Retirement Plans

The District has a contributory money accumulation pension plan covering all of its full-time employees of TGHS. Plan participants may contribute to the pension plan. The District contributes amounts from 4% to 6% of each participant's salary to the plan depending upon length of service. Pension expense was approximately \$3.1 million in 2026 and \$2.9 million in 2025.

The District has a deferred compensation plan open to SRMC employees who are over the age of 18 and who have met eligibility requirements. Contributions by the District include matching contributions to the employee up to 2% of the employee's compensation. Total employer contributions to the plan were approximately \$0.3 million in 2026 and \$0.3 million in 2025.

Note 9. Commitments and Contingencies

The District participates in the State of Louisiana Patients' Compensation Fund (the Fund) for professional liability coverage. As a participant, the District receives professional liability coverage on a claims-occurrence basis for claims up to the \$500,000 statutory limitation per occurrence. However, the District is self-insured with respect to the first \$100,000 of each claim.

The District is self-insured for workers' compensation up to \$500,000 per claim and for employee health insurance up to \$250,000 per claim. A liability is recorded when it is probable that a loss has been incurred and the amount of that loss can be reasonably estimated. Liabilities for claims incurred are reevaluated periodically to take into consideration recently settled claims, frequency of claims, and other economic and social factors.

The District purchased commercial insurance that provides coverage for professional liability, workers' compensation, and employee health claims in excess of the self-insured limits. Changes in the District's aggregate claims liability for medical malpractice, workers' compensation, and employee health insurance in fiscal years 2026 and 2025 were as follows (in thousands):

Year Ended March 31,	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year End
2026	\$ 1,290	\$ 15,035	\$ 14,603	\$ 1,722
2025	\$ 1,358	\$ 13,759	\$ 13,827	\$ 1,290

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

Notes to the Financial Statements

Note 9. Commitments and Contingencies (Continued)

Insurance coverage for other loss and liability exposures is maintained at levels considered appropriate by management. The District has been named as a defendant in various legal actions arising from normal business activities, in which damages in various amounts are claimed. The amount of ultimate liability, if any, with respect to such matters cannot be determined, but management believes that any such liability would not have a material effect on the District's financial position.

The District has signed several contracts with major contractors for various projects. A majority of these projects are for building and equipment.

Note 10. Leases and SBITA

Lessee - Leases and SBITA Liabilities

A summary of the changes in the District's lease and SBITA liabilities during fiscal years 2026 and 2025 is as follows (in thousands):

	March 31, 2025	Additions/ Changes	Retirements/ Payments	March 31, 2026	Due Within One Year
Lease Liabilities	\$ 5,092	\$ -	\$ 1,135	\$ 3,957	\$ 1,179
SBITA Liabilities	1,937	324	637	1,624	1,118
Total	\$ 7,029	\$ 324	\$ 1,772	\$ 5,581	\$ 2,297
	March 31, 2024	Additions/ Changes	Retirements/ Payments	March 31, 2025	Due Within One Year
Lease Liabilities	\$ 6,212	\$ -	\$ 1,120	\$ 5,092	\$ 1,144
SBITA Liabilities	2,036	1,071	1,170	1,937	938
Total	\$ 8,248	\$ 1,071	\$ 2,290	\$ 7,029	\$ 2,082

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

Notes to the Financial Statements

Note 10. Leases and SBITA (Continued)

Principal and interest payments due on lease liabilities are as follows (in thousands):

Year Ending March 31,	Lease Liabilities		SBITA Liabilities	
	Principal	Interest	Principal	Interest
2027	\$ 1,179	\$ 76	\$ 1,118	\$ 22
2028	1,205	49	371	7
2029	1,232	21	135	2
2030	341	2	-	-
Total	\$ 3,957	\$ 148	\$ 1,624	\$ 31

Lessor

The District leases office space and clinical facilities, generally to members of its medical staff, under leases whose terms range from one to five years. The District has recorded a receivable and deferred inflow of resources totaling approximately \$3.7 million and \$4.6 million for the years ended March 31, 2026 and 2025, respectively. During the years ended March 31, 2026 and 2025, the District recognized approximately \$1.9 million, under the terms of these leases. The lease payments to be received from these leases during the next five years are as follows (in thousands):

Year Ending March 31,	Amount
2027	\$ 1,429
2028	1,119
2029	810
2030	59
2031	61
Thereafter	140

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

Notes to the Financial Statements

Note 11. Blended Component Unit Information

The following tables include condensed combining statement of net position information for the District and its blended component unit as of March 31, 2026 and 2025:

	March 31, 2026			
	TGHS	SRMC	Elimination	Total
Assets and Deferred Outflows of Resources				
Current Assets	\$ 98,244	\$ 462,609	\$ -	\$ 560,853
Noncurrent Cash and Investments	194,780	-	-	194,780
Capital Assets, Net	150,644	15,544	-	166,188
Other Assets	28,965	77	-	29,042
Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 472,633	\$ 478,230	\$ -	\$ 950,863
	TGHS	SRMC	Elimination	Total
Liabilities, Deferred Inflows of Resources, and Net Position				
Current Liabilities	\$ 40,660	\$ 462,505	\$ -	\$ 503,165
Long-Term Liabilities, Less				
Amounts due Within One Year	88,283	526	-	88,809
Deferred Inflows of Resources	3,618	89	-	3,707
Net Position	340,072	15,110	-	355,182
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 472,633	\$ 478,230	\$ -	\$ 950,863
	TGHS	SRMC	Elimination	Total
Assets and Deferred Outflows of Resources				
Current Assets	\$ 87,101	\$ 378,444	\$ -	\$ 465,545
Noncurrent Cash and Investments	123,298	-	-	123,298
Capital Assets, Net	155,804	16,805	-	172,609
Other Assets	30,724	3	-	30,727
Deferred Outflows of Resources	43	-	-	43
Total Assets and Deferred Outflows of Resources	\$ 396,970	\$ 395,252	\$ -	\$ 792,222
	TGHS	SRMC	Elimination	Total
Liabilities, Deferred Inflows of Resources, and Net Position				
Current Liabilities	\$ 44,277	\$ 379,358	\$ -	\$ 423,635
Long-Term Liabilities, Less				
Amounts due Within One Year	30,183	767	-	30,950
Deferred Inflows of Resources	4,620	17	-	4,637
Net Position	317,890	15,110	-	333,000
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 396,970	\$ 395,252	\$ -	\$ 792,222

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

Notes to the Financial Statements

Note 11. Blended Component Unit Information (Continued)

The following tables include condensed combining statement of revenues, expenses, and changes in net position information for the District and its blended component unit as of March 31, 2026 and 2025:

	March 31, 2026			
	TGHS	SRMC	Elimination	Total
Operating Revenues	\$ 298,809	\$ 214,988	\$ -	\$ 513,797
Operating Expenses	283,945	214,960	-	498,905
Income from Operations	14,864	28	-	14,892
Nonoperating Revenues (Expenses)	7,318	(28)	-	7,290
Change in Net Position	22,182	-	-	22,182
Net Position, Beginning of Year	317,890	15,110	-	333,000
Net Position, End of Year	<u>\$ 340,072</u>	<u>\$ 15,110</u>	<u>\$ -</u>	<u>\$ 355,182</u>

	March 31, 2025			
	TGHS	SRMC	Elimination	Total
Operating Revenues	\$ 267,454	\$ 175,805	\$ -	\$ 443,259
Operating Expenses	265,653	175,766	-	441,419
Income from Operations	1,801	39	-	1,840
Nonoperating Revenues (Expenses)	5,210	(39)	-	5,171
Change in Net Position	7,011	-	-	7,011
Net Position, Beginning of Year	310,879	15,110	-	325,989
Net Position, End of Year	<u>\$ 317,890</u>	<u>\$ 15,110</u>	<u>\$ -</u>	<u>\$ 333,000</u>

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

Notes to the Financial Statements

Note 11. Blended Component Unit Information (Continued)

The following tables include condensed combining statement of cash flows information for the District and its blended component unit as of March 31, 2026 and 2025:

	March 31, 2026			
	TGHS	SRMC	Elimination	Total
Cash Flows from Operating Activities	\$ 17,044	\$ 14,632	\$ -	\$ 31,676
Cash Flows from Capital and Related Financing	42,290	(1,675)	-	40,615
Cash Flows from Investing Activities	(58,553)	-	-	(58,553)
 Increase in Cash and Cash Equivalents	 781	 12,957	 -	 13,738
 Cash and Cash Equivalents, Including Noncurrent Cash and Cash Equivalents Beginning of Year	 18,894	 114,242	 -	 133,136
 End of Year	 \$ 19,675	 \$ 127,199	 \$ -	 \$ 146,874
	March 31, 2025			
	TGHS	SRMC	Elimination	Total
Cash Flows from Operating Activities	\$ 5,163	\$ 47,883	\$ -	\$ 53,046
Cash Flows from Capital and Related Financing	(21,708)	(938)	-	(22,646)
Cash Flows from Investing Activities	(8,505)	-	-	(8,505)
 Increase in Cash and Cash Equivalents	 (25,050)	 46,945	 -	 21,895
 Cash and Cash Equivalents, Including Noncurrent Cash and Cash Equivalents Beginning of Year	 43,944	 67,297	 -	 111,241
 End of Year	 \$ 18,894	 \$ 114,242	 \$ -	 \$ 133,136

OTHER SUPPLEMENTARY INFORMATION

**HOSPITAL SERVICE DISTRICT NO.1 OF
TERREBONNE PARISH, STATE OF LOUISIANA
Combining Statement of Net Position
March 31, 2026 (In Thousands)**

Schedule 1

	TGHS	SRMC	Elimination	Total
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and Cash Equivalents	\$ 19,675	\$ 127,199	\$ -	\$ 146,874
Patient Accounts Receivable, Net of Allowance for Doubtful Accounts and Contractual Adjustments of \$44,700	12,317	6,183	-	18,500
Estimated Net Receivables under Government Programs	18,188	2,481	-	20,669
Inventories	6,635	1,552	-	8,187
Prepaid Expenses	4,082	3,800	-	7,882
Other Current Assets	36,409	321,394	-	357,803
Funds Held by Trustee under Bond Resolution	938		-	938
Total Current Assets	98,244	462,609	-	560,853
Noncurrent Cash and Investments				
Designated by Board for Plant Replacement and Expansion Including Accrued Interest of \$900	129,931	-	-	129,931
Restricted for Capital Projects	64,849	-	-	64,849
Total Noncurrent Cash and Investments	194,780	-	-	194,780
Capital Assets				
Land and Land Improvements	46,021	-	-	46,021
Buildings	231,462	17,048	-	248,510
Equipment	162,405	15,297	-	177,702
Construction in Progress	14,353	491	-	14,844
Right-to-Use Assets	10,954	2,209	-	13,163
Less: Accumulated Depreciation/Amortization	(314,551)	(19,501)	-	(334,052)
Total Capital Assets, Net	150,644	15,544	-	166,188
Other Assets	28,965	77	-	29,042
Total Assets	\$ 472,633	\$ 478,230	\$ -	\$ 950,863

See independent auditor's report.

**HOSPITAL SERVICE DISTRICT NO.1 OF
TERREBONNE PARISH, STATE OF LOUISIANA
Combining Statement of Net Position (Continued)
March 31, 2026 (In Thousands)**

Schedule 1

	TGHS	SRMC	Elimination	Total
Liabilities, Deferred Inflows of Resources, and Net Position				
Current Liabilities				
Accounts Payable and Accrued Expenses	\$ 17,311	\$ 308,652	\$ -	\$ 325,963
Accrued Employee Compensation	16,981	1,318	-	18,299
Accrued Interest Payable	703	-	-	703
Self-Insurance Reserves	1,722	-	-	1,722
Other Current Liabilities	1,886	152,295	-	154,181
Current Maturities of Hospital Revenue Bonds	-	-	-	-
Current Maturities of Lease and SBITA Liabilities	2,057	240	-	2,297
Total Current Liabilities	40,660	462,505	-	503,165
Long-Term Liabilities				
Hospital Revenue Bonds, Net of Current Maturities	85,525	-	-	85,525
Lease and SBITA Liabilities, Net of Current Maturities	2,758	526	-	3,284
Total Liabilities	128,943	463,031	-	591,974
Deferred Inflows of Resources	3,618	89	-	3,707
Net Position				
Net Investment in Capital Assets	125,136	14,778	-	139,914
Restricted for Debt Service	938	-	-	938
Unrestricted	213,998	332	-	214,330
Total Net Position	340,072	15,110	-	355,182
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 472,633	\$ 478,230	\$ -	\$ 950,863

See independent auditor's report.

**HOSPITAL SERVICE DISTRICT NO.1 OF
TERREBONNE PARISH, STATE OF LOUISIANA
Combining Statement of Revenues, Expenses,
and Changes in Net Position
For the Year Ended March 31, 2026 (In Thousands)**

Schedule 2

	TGHS	SRMC	Elimination	Total
Operating Revenues				
Net Patient Service Revenue	\$ 262,205	\$ 112,884	\$ -	\$ 375,089
Other Operating Revenue, Net	36,604	102,104	-	138,708
Total Operating Revenues	298,809	214,988	-	513,797
Operating Expenses				
Salaries, Wages, and Benefits	129,125	16,343	-	145,468
Supplies and Materials	76,972	27,564	-	104,536
Purchased Services	33,344	166,823	-	200,167
Professional Fees	16,358	-	-	16,358
Other Operating Expenses	10,573	1,558	-	12,131
Depreciation and Amortization	17,573	2,672	-	20,245
Total Operating Expenses	283,945	214,960	-	498,905
Income from Operations	14,864	28	-	14,892
Nonoperating Revenues (Expenses)				
Investment Revenue	7,592	-	-	7,592
Interest Expense	(1,508)	(28)	-	(1,536)
Bond Issuance Costs	(814)	-	-	(814)
Other Revenue (Expenses)	2,048	-	-	2,048
Total Nonoperating Revenues (Expenses)	7,318	(28)	-	7,290
Change in Net Position	22,182	-	-	22,182
Net Position, Beginning of Year	317,890	15,110	-	333,000
Net Position, End of Year	\$ 340,072	\$ 15,110	\$ -	\$ 355,182

See independent auditor's report.

**HOSPITAL SERVICE DISTRICT NO.1 OF
TERREBONNE PARISH, STATE OF LOUISIANA
Combining Statement of Cash Flows
For the Year Ended March 31, 2026 (In Thousands)**

Schedule 3

	TGHS	SRMC	Total
Cash Flows from Operating Activities			
Cash Received from Patient Services	\$ 284,514	\$ 218,082	\$ 502,596
Cash Paid to or on Behalf of Employees	(127,587)	(16,272)	(143,859)
Cash Paid for Supplies and Services	(139,883)	(187,178)	(327,061)
Net Cash Provided by (Used in) Operating Activities	<u>17,044</u>	<u>14,632</u>	<u>31,676</u>
Cash Flows from Capital and Related Financing Activities			
Purchase of Capital Assets	(10,709)	(1,647)	(12,356)
Proceeds on Issuance of Long-Term Debt	85,580	-	85,580
Principal Payments on Long-Term Debt	(31,350)	-	(31,350)
Interest Payments	(1,231)	(28)	(1,259)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>42,290</u>	<u>(1,675)</u>	<u>40,615</u>
Cash Flows from Investing Activities			
Interest Received on Investments	2,437	-	2,437
Noncurrent Cash Equivalents, Net	(60,990)	-	(60,990)
Net Cash Provided by (Used in) Investing Activities	<u>(58,553)</u>	<u>-</u>	<u>(58,553)</u>
Increase in Cash and Cash Equivalents	<u>781</u>	<u>12,957</u>	<u>13,738</u>
Cash and Cash Equivalents, Including Noncurrent Cash and Cash Equivalents			
Beginning of Year	<u>18,894</u>	<u>114,242</u>	<u>133,136</u>
End of Year	<u>\$ 19,675</u>	<u>\$ 127,199</u>	<u>\$ 146,874</u>

See independent auditor's report.

**HOSPITAL SERVICE DISTRICT NO.1 OF
TERREBONNE PARISH, STATE OF LOUISIANA
Combining Statement of Cash Flows (Continued)
For the Year Ended March 31, 2026 (In Thousands)**

Schedule 3

	TGHS	SRMC	Total
Reconciliation of Income (Loss) from Operations to Net Cash Provided by (Used in) Operating Activities			
Income (Loss) from Operations	\$ 14,864	\$ 28	\$ 14,892
Adjustments to Reconcile Income (Loss) from Operations to Net Cash Provided by (Used in) Operating Activities			
Depreciation and Amortization	17,573	2,672	20,245
Changes in Operating Assets and Liabilities			
Patient Accounts Receivable	(2,460)	(433)	(2,893)
Government Program Receivables	(5,556)	(836)	(6,392)
Other Assets	(8,169)	(69,939)	(78,108)
Accounts Payable and Accrued Liabilities	792	83,140	83,932
Net Cash Provided by (Used in) Operating Activities	\$ 17,044	\$ 14,632	\$ 31,676

See independent auditor's report.

**HOSPITAL SERVICE DISTRICT NO.1 OF
TERREBONNE PARISH, STATE OF LOUISIANA
Schedule of Compensation, Benefits, and Other Payments
to Chief Executive Officer
For the Year Ended March 31, 2026**

Schedule 4

Chief Executive Officer
Phyllis Peoples, CEO

Salary	\$1,008,992
Employer Paid Payroll Taxes	26,130
Benefits - Insurance	45,878
Benefits - Retirement	41,677
Dues	438
Cell Phone	1,775
Special Meals	701
Travel	3,013
Total	\$1,128,604

See independent auditor's report.

**HOSPITAL SERVICE DISTRICT NO.1 OF
TERREBONNE PARISH, STATE OF LOUISIANA
Schedule of Expenditures of Federal Awards
For the Year Ended March 31, 2026**

Schedule 5

Federal Grantor/Pass- Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Entity's Identifying Number	Expenditures
Department of Homeland Security			
Passed through State of Louisiana - Governor's Office of Homeland Security and Emergency Preparedness			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	None	\$ 7,631,841
Total Department of Homeland Security			<u>7,631,841</u>
Total Expenditures of Federal Awards			<u>\$ 7,631,841</u>

See independent auditor's report.

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

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule or SEFA) includes the federal award activity of the District under programs of the federal government for the year ended March 31, 2026. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the net position, changes in net position, or cash flows of the District.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting.

Note 3. Sub-Recipients

There were no payments to sub-recipients for the fiscal year ended March 31, 2026.

Note 4. Indirect Cost Rate

The District did not apply indirect costs to the program.

See independent auditor's report.



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

Independent Auditor's Report

To the Board of Commissioners
Hospital Service District No. 1 of
Terrebonne Parish, 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, the financial statements of Hospital Service District No. 1 of Terrebonne Parish, State of Louisiana (the District), as of and for the year ended March 31, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 28, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 may exist that have not been 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Mauldin & Jenkins, LLC

Covington, LA
August 28, 2026



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hospital Service District No. 1 of Terrebonne Parish, State of Louisiana's (the District), compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended March 31, 2026. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2026.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Mauldin & Jenkins, LLC

Covington, LA
August 28, 2026

**HOSPITAL SERVICE DISTRICT NO.1 OF
TERREBONNE PARISH, STATE OF LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended March 31, 2026**

Part I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to the financial statements? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditors report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR section 200.516(a)? No

Identification of major programs:

<u>Program</u>	<u>Assistance Listing Number</u>
Disaster Grants - Public Assistance	97.036

Dollar threshold used to distinguish between Type A and Type B programs: \$1,000,000

Auditee qualified as a low risk auditee? No

Part II - Financial Statement Findings

None.

Part III - Findings and Questioned Costs for Federal Awards

None.

**HOSPITAL SERVICE DISTRICT NO.1 OF
TERREBONNE PARISH, STATE OF LOUISIANA
Schedule of the Prior Year's Audit Findings
For the Year Ended March 31, 2026**

None.



AGREED-UPON PROCEDURES REPORT

Hospital Service District No. 1 of Terrebonne Parish

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period April 1, 2025 - March 31, 2026

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

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year April 1, 2025 through March 31, 2026. Hospital Service District No. 1 of Terrebonne Parish's (the District) management is responsible for those C/C areas identified in the SAUPs.

The District has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in the LLA's SAUPs for the fiscal year April 1, 2025 through March 31, 2026. Additionally, the LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and results are as follows:

1) Written Policies and Procedures

- A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
- i. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - ii. ***Purchasing***, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, (4) controls to ensure compliance with the Public Bid Law, and (5) documentation required to be maintained for all bids and price quotes.

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

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

2) Board or Finance Committee

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

- ii. For those entities reporting on the governmental accounting model, review the minutes from all regularly scheduled board/finance committee meetings held during the fiscal year and observe whether the minutes from at least one meeting each month referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual comparisons, at a minimum, on all proprietary funds, and semi-annual budget-to-actual comparisons, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
- iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
- iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

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

3) Bank Reconciliations

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated or electronically logged); and
 - iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: Two of the bank reconciliations selected were not prepared within 2 months of the related statement closing date. No other exceptions were found as a result of these procedures.

4) Collections (excluding electronic funds transfers)

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

- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
- i. Employees responsible for cash collections do not share cash drawers/registers;
 - ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;
 - iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and
 - iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.
- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.
- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits, and:
- i. Observe that receipts are sequentially pre-numbered.
 - ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - iii. Trace the deposit slip total to the actual deposit per the bank statement.
 - iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - v. Trace the actual deposit per the bank statement to the general ledger.

Results: For one bank account selected, there was insufficient evidence to determine if the deposits were made within one business day of receipt at the collection location. No other exceptions were found as a result of these procedures.

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

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- B. For each location selected under procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
 - ii. At least two employees are involved in processing and approving payments to vendors;
 - iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;
 - iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and
 - v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

[Note: Findings related to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]
- C. For each location selected under procedure #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
 - i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.
- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

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

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

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and:
 - i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.
- C. Using the monthly statements or combined statements selected under procedure #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.
- D. Using the list of terminated employees obtained in Payroll and Personnel procedure #9C identify those individuals who had access to cards and randomly select 5 terminated employees (or all terminated employees with card access if less than 5) from this population. Observe evidence that the cards have been deactivated for these terminated employees. In cases where a card is shared by multiple users, obtain evidence that the terminated employees' authorization has been removed.

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

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

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

For each of the 5 reimbursements selected:

- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana (doa.la.gov/doa/ost/ppm-49-travel-guide/) or the U.S. General Services Administration (www.gsa.gov);
- ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;
- iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and
- iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

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

8) Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
 - i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;
 - ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);
 - iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and
 - iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

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

9) Payroll and Personnel

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

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

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

10) Ethics

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

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

11) Debt Service

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

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

12) Fraud Notice

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the Legislative Auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.
- B. Observe that the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

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

13) Information Technology Disaster Recovery/Business Continuity

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

- A. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.
- B. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
- C. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

- D. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.
- E. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:
- Hired before June 9, 2020 - completed the training; and
 - Hired on or after June 9, 2020 - completed the training within 30 days of initial service or employment.

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

14) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1st, and observe that the report includes the applicable requirements of R.S. 42:344:
- i. Number and percentage of public servants in the agency who have completed the training requirements;
 - ii. Number of sexual harassment complaints received by the agency;
 - iii. Number of complaints which resulted in a finding that sexual harassment occurred;
 - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - v. Amount of time it took to resolve each complaint.

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

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

Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

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

Mauldin & Jenkins, LLC

Covington, LA
August 28, 2026