

**HOSPITAL SERVICE DISTRICT NO. 2 OF
ST. LANDRY PARISH, LOUISIANA D/B/A
OPELOUSAS GENERAL HEALTH SYSTEM**

Financial Statements

As of and for the Years Ended
June 30, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Hospital Service District No. 2 of
St. Landry Parish, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of Hospital Service District No. 2 of St. Landry Parish, Louisiana d/b/a Opelousas General Health System (the "District"), a component unit of St. Landry Parish Government, as of and for the year ending June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the District as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* ("GAS"), 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 June 30, 2024, were audited by other auditors, whose report, dated December 19, 2024, expressed an unmodified opinion on those statements.

Emphasis of Matter Regarding Subsequent Event

As explained in Note 14 to the financial statements, in August 2025, the District determined that significant discrepancies existed in inventory associated with Wellsmart Pharmacy South, LLC. As a result, the District closed the facility and notified the proper authorities about the noncompliance. Our opinion is not modified with respect to this matter.

Emphasis of Matter Regarding GASB 101 Adoption

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, 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 4 through 8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Compensation, Benefits and Other Payments to Agency Head on page 36 but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Governmental Auditing Standards

In accordance with GAS, we have also issued our report dated October 14, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GAS in considering the District's internal control over financial reporting and compliance.

HORNE LLP

Ridgeland, Mississippi
October 14, 2025

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
D/B/A OPELOUSAS GENERAL HEALTH SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2025 and 2024

Management's Discussion and Analysis of Hospital Service District No. 2 of St. Landry Parish, Louisiana d/b/a Opelousas General Health System's (the "District") financial performance provides important background information and management's analysis of the District's financial performance. Please read it in conjunction with the District's basic financial statements in this report.

REQUIRED FINANCIAL STATEMENTS

The basic financial statements contained in this report are presented using Governmental Accounting Standards Board ("GASB") accounting principles. These financial statements offer short-term and long-term financial information about the District's activities.

The statements of net position include all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). They also provide the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. Increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating.

All of the current year's revenue and expenses are accounted for in the statements of revenues, expenses and change in net position. This statement measures changes in the District's operations over the past year and can be used to determine whether the District has been able to recover all of its costs through its net patient service revenue and other revenue sources.

The final required financial statements are the statements of cash flows. The primary purpose of these statements are to provide information about the District's cash from operating, investing and financing activities and to provide answers to questions such as, where did the cash come from, what was the cash used for and what was the change in the cash balance during the reporting period.

FINANCIAL HIGHLIGHTS

For the year ended June 30, 2025, the District's general financial highlights were:

- The District experienced an increase in total net patient service revenues of approximately \$25.6 million or 22 percent due to general increase in volumes while other operating revenues decreased approximately \$8.1 million or 14 percent due to the large 340B settlement the District received in fiscal year 2024.
- The District experienced an increase in total operating expenses of approximately \$12.3 million or 7 percent due to substantial increase in salaries and benefits, pharmaceutical expense and other professional services expenses.
- The District total net position decreased \$5,881,080 or 7.0 percent from the previous year due to the reasons above.

CAPITAL ASSETS

Year Ended June 30, 2025

At the end of fiscal year 2025, the District had an investment in capital assets, net of depreciation, of approximately \$49.6 million, a decrease of approximately \$4.7 million or 9 percent from 2024. The decrease in capital assets is related primarily to depreciation expense exceeding current additions for the year.

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
D/B/A OPELOUSAS GENERAL HEALTH SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2025 and 2024

CAPITAL ASSETS, Continued

Year Ended June 30, 2024

At the end of fiscal year 2024, the District had an investment in capital assets, net of depreciation, of approximately \$54.3 million, a decrease of approximately \$4.6 million or 8 percent from 2023. The decrease in capital assets is related primarily to depreciation expense exceeding current additions for the year.

LONG-TERM DEBT

Year Ended June 30, 2025

At the end of fiscal year 2025, the District had approximately \$15.9 million in long-term debt, including leases and subscription liabilities. Total debt decreased by approximately \$2.3 million or 13 percent from 2024. The decrease in debt is related to repayment of debt obligations for the year.

Year Ended June 30, 2024

At the end of fiscal year 2024, the District had approximately \$18.2 million in long-term debt, including leases and subscription liabilities. Total debt decreased by approximately \$6.8 million or 27 percent from 2023. The decrease in debt is related to repayment of debt obligations for the year and especially impacted by catch-up payments for the note payable with Cerner.

NET POSITION

A summary of the District's statements of net position as of June 30 is presented in the following table:

Condensed Statements of Net Position
(Table 1)

	Fiscal Year 2025	Fiscal Year 2024	Fiscal Year 2023
Current assets	\$ 79,481,219	\$ 75,842,421	\$ 83,789,000
Restricted and internally designated	2,052,189	2,062,772	7,144,000
Investments	9,196,657	11,063,248	11,178,000
Capital assets, net	49,373,256	54,284,415	58,926,000
Total assets	140,103,321	143,252,856	161,037,000
Deferred outflows	411,044	869,932	954,000
Current liabilities	50,744,406	47,203,012	49,449,000
Long-term debt, net current maturities	11,180,967	12,449,704	16,367,000
Total liabilities	61,925,373	59,652,716	65,816,000
Net investment in capital assets	33,501,320	36,113,398	29,565,000
Restricted	2,931,438	2,922,076	6,314,000
Unrestricted	42,156,234	45,434,598	60,296,000
Total net position	\$ 78,588,992	\$ 84,470,072	\$ 96,175,000

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
D/B/A OPELOUSAS GENERAL HEALTH SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2025 and 2024

As of the Year Ended June 30, 2025

- Current assets increased \$3.6 million (5 percent) due to a decrease in cash and cash equivalents of approximately \$11.1 million and an increase in estimated party payor settlements of approximately \$13.1 million both of which are mainly the result of delayed payments on the supplemental payments programs in FY 2025.
- Investments decreased \$1.9 million (17 percent) due to the sale of investments during the year used to fund operations while cash from supplemental payments programs was delayed.
- Current liabilities increased to \$3.5 million (8 percent) due to significant payable on the books for funding the supplemental payments programs which were delayed in FY 2025.

As of the Year Ended June 30, 2024

- Current assets decreased \$7.9 million (9 percent) due to significant improvement in collections of accounts receivable.
- Restricted and internally designated assets decreased \$5.1 million (71 percent) due to the repayment of Revenue Bond series 2003.
- Current liabilities decreased \$2.2 million (5 percent) due to reduction in current maturities after the repayment of Revenue Bond series 2003.

REVENUE AND EXPENSES

A summary of the District's historical revenues and expenses and changes in net position for each of the fiscal years ended June 30:

Condensed Statements of Revenues, Expenses and Changes in Net Position
(Table 2)

	Fiscal Year 2025	Fiscal Year 2024	Fiscal Year 2023
Operating revenues			
Net patient service revenue	\$ 140,208,515	\$ 114,605,473	\$ 131,000,000
Other operating revenue	50,474,423	58,556,514	77,216,000
Total operating revenues	190,682,938	173,162,077	208,216,000
Total operating expenses	198,165,546	185,831,247	219,845,000
Loss from operations	(7,482,608)	(12,669,170)	(11,629,000)
Gain on disposal of capital assets	3,879	11,880	3,000
Investment income, net	717,668	742,912	178,000
Interest expense	(580,934)	(743,257)	(1,117,000)
Equity in earnings from joint ventures	1,460,915	1,134,335	990,000
CARES Act Provider Relief Funds	-	-	4,828,000
Change in net position	(5,881,080)	(11,523,300)	(6,747,000)
Net position, beginning of year	84,470,072	95,993,372	102,740,372
Net position, end of year	<u>\$ 78,588,992</u>	<u>\$ 84,470,072</u>	<u>\$ 95,993,372</u>

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
D/B/A OPELOUSAS GENERAL HEALTH SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2025 and 2024

REVENUE AND EXPENSES, Continued

For the Year Ended June 30, 2025

- Net patient service revenue increased by approximately \$25.6 million (22 percent) due to increases in volumes.
- Other revenue decreased by approximately \$8.1 million (14 percent) due to the large 340B settlement the District received in fiscal year 2024.
- Total operating expenses increased by approximately \$12.3 million (7 percent) due to substantial increase in salaries and benefits, pharmaceutical expense and other professional services expenses.
- Equity in earnings from joint venture increased by approximately \$326,000 (29 percent) due to the positive operations from the various joint venture arrangements.

For the Year Ended June 30, 2024

- Net patient service revenue decreased by approximately \$16.4 million (13 percent) due to a reduction in volumes.
- Other revenue decreased by approximately \$15.2 million (20 percent) due to reductions in UPL funds received for the year.
- Total operating expenses decreased by approximately \$34.0 million (15 percent) due to substantial decrease in salaries and benefits and other cost cutting measures taken during the year.
- Equity in earnings from joint venture increased by approximately \$144,000 (15 percent) due to negative operations from various joint venture arrangements.
- The final amount of funds related to the Provider Relief funds of approximately \$4.96 million was recognized within the fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's appointed officials and management considered many factors when setting the budget for the fiscal year ending June 30, 2026. Included in those factors are the status of the economy and the healthcare environment, which take into account market forces and environmental factors such as:

- Medicare reimbursement, including Disproportionate Share and Supplemental Payment Programs;
- Increased number of uninsured and working poor;
- Ongoing competition for services;
- Workforce issues;
- Cost of supplies, including pharmaceuticals;
- Ability to recruit medical staff physicians to enhance services offered to the service area;
- Combined growth of existing services; and
- Payor network refining.

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
D/B/A OPELOUSAS GENERAL HEALTH SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2025 and 2024

BUDGET-TO-ACTUAL RESULTS

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

- Operating revenues are higher than budgeted primarily due to volume increases, especially among the higher revenue services such as surgeries, etc. Operating expenses are higher than budgeted, with the largest increase stemming from salaries and benefits. This rise was partially driven by an increase in FTEs and partially driven by the market adjustment wage increase.
- Total nonoperating revenues are higher than budgeted due to investment income exceeding expectations based on improved market conditions.

CONTACTING THE DISTRICT FINANCIAL MANAGER

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

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
D/B/A OPELOUSAS GENERAL HEALTH SYSTEM

Statements of Net Position
June 30, 2025 and 2024

	2025	2024 As Restated
ASSETS		
Current assets		
Cash and cash equivalents	\$ 7,416,666	\$ 18,531,299
Short term investments	3,885,911	5,329,392
Patient receivables, net of allowance for doubtful accounts of \$9,603,271 and \$12,896,702, respectively	29,665,303	27,560,339
Other receivables	1,376,337	1,388,380
Estimated third-party payor settlements	28,692,486	15,579,440
Inventories	6,395,407	5,823,261
Prepaid expenses	1,974,623	1,546,041
Other current assets	74,486	84,269
Total current assets	79,481,219	75,842,421
Restricted and internally designated assets		
Held by trustee for debt service	1,691,526	1,682,010
Cash held in escrow for capital asset purchases	-	20,099
Restricted for cooperative endeavor agreements	360,663	360,663
Total restricted and internally designated assets	2,052,189	2,062,772
Other long-term investments	5,774,364	7,550,133
Joint venture investments	3,296,658	3,387,389
Deposits	125,635	125,726
Capital assets, net	44,048,577	46,895,547
Subscription assets, net	5,324,679	7,388,868
Total assets	140,103,321	143,252,856
DEFERRED OUTFLOWS OF RESOURCES		
Excess acquisition price over net assets acquired	411,044	869,932
Total assets and deferred outflows of resources	\$ 140,514,365	\$ 144,122,788
LIABILITIES		
Current liabilities		
Current maturities of note payable	\$ 1,045,837	\$ 2,683,980
Current maturities of bonds payable	560,000	560,000
Current maturities of lease liabilities	1,071,655	353,627
Current maturities of subscription obligations	2,011,840	2,143,798
Accounts payable	14,881,108	17,427,725
Accrued payroll and benefits	6,420,502	6,644,089
Due to other governmental agencies	22,487,386	14,511,783
Other accrued expenses	2,266,078	2,878,010
Total current liabilities	50,744,406	47,203,012
Notes payable, net of current maturities	354,808	1,400,847
Bonds payable, net of current maturities	5,040,000	5,600,000
Lease liabilities, net of current maturities	2,310,005	55,205
Subscription obligations, net of current maturities	3,476,154	5,393,652
Total long term liabilities	11,180,967	12,449,704
Total liabilities	61,925,373	59,652,716
NET POSITION		
Net investment in capital assets	33,501,320	36,113,398
Restricted for debt service	1,691,526	1,682,010
Restricted for donor restrictions	1,239,912	1,240,066
Unrestricted	42,156,234	45,434,598
Total net position	\$ 78,588,992	\$ 84,470,072

See accompanying notes.

**HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
D/B/A OPELOUSAS GENERAL HEALTH SYSTEM**

Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2025 and 2024

	2025	2024 As Restated
Operating revenues		
Net patient service revenue, net of provision for bad debts of \$8,764,238 and \$18,641,959, respectively	\$ 140,208,515	\$ 114,605,563
Other operating revenue	50,474,423	58,556,514
Total operating revenues	190,682,938	173,162,077
Operating expenses		
Salaries and benefits	85,639,102	82,054,945
Purchased services	20,445,738	20,185,384
Professional fees	15,632,017	11,451,663
Rentals, repairs and maintenance	7,806,592	8,990,212
Other expenses	57,261,412	52,299,982
Depreciation and amortization	10,998,687	10,849,061
Impairment loss	381,998	-
Total operating expenses	198,165,546	185,831,247
Loss from operations	(7,482,608)	(12,669,170)
Nonoperating revenues (expenses)		
Gain on disposal of capital assets	3,879	11,880
Investment income, net	717,668	742,912
Interest expense	(580,934)	(743,257)
Equity in earnings from joint venture investments	1,460,915	1,134,335
Total nonoperating revenues	1,601,528	1,145,870
Decrease in net position	(5,881,080)	(11,523,300)
Net position, beginning of year	84,470,072	95,993,372
Net position, end of year	\$ 78,588,992	\$ 84,470,072

See accompanying notes.

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
D/B/A OPELOUSAS GENERAL HEALTH SYSTEM
Statements of Cash Flows
For the Years Ended June 30, 2025 and 2024

	2025	2024 As Restated
Cash flows from operating activities		
Receipts from and on behalf of patients and third-party payors	\$ 183,452,574	\$ 193,362,701
Payments to suppliers and contractors	(105,295,162)	(97,488,803)
Payments to employees	(85,825,286)	(76,528,542)
Net cash provided by (used in) operating activities	(7,667,874)	19,345,356
Cash flows from capital and related financing activities		
Principal paid on long-term debt and notes payable	(6,738,665)	(7,034,723)
Interest paid on long-term debt	(521,336)	(784,257)
Purchases of capital assets	(1,608,095)	(6,123,408)
Proceeds from sale of capital assets	19,190	11,880
Net cash used in capital and related financing activities	(8,848,906)	(13,930,508)
Cash flows from investing activities		
Purchases of investments	(5,698,742)	(6,481,000)
Proceeds from sale of investments	9,102,485	5,632,000
Distributions from investments	1,987,821	1,198,333
Net cash provided by investing activities	5,391,564	349,333
Net increase (decrease) in cash and cash equivalents	(11,125,216)	5,764,181
Cash and cash equivalents, beginning of year	20,594,071	14,829,890
Cash and cash equivalents, end of year	\$ 9,468,855	\$ 20,594,071
Supplemental schedule of noncash capital and financing activities		
Purchase of capital assets with capital lease obligations	\$ 4,417,855	\$ 245,832

See accompanying notes.

**HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
D/B/A OPELOUSAS GENERAL HOSPITAL AUTHORITY**

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

	2025	2024
<hr/>		
Reconciliation of loss from operations to net cash provided by (used in) operating activities		
Loss from operations	\$ (7,482,608)	\$ (12,669,170)
Adjustments to reconcile loss from operations to net cash provided by (used in) operating activities		
Depreciation and amortization	10,998,687	10,849,061
Impairment of goodwill	381,999	-
Provision for bad debts	8,764,238	18,641,959
Changes in assets and liabilities		
Patient receivables	(10,869,202)	(5,238,298)
Other receivables	109,043	9,634,620
Estimated third-party payor settlements	(5,137,443)	(2,837,657)
Inventory	(572,146)	(257,261)
Prepays	(428,582)	900,959
Other assets	9,874	(24,995)
Accounts payable	(2,546,617)	(288,275)
Other accrued	(895,117)	634,413
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Net cash provided by (used in) operating activities	\$ (7,667,874)	\$ 19,345,356
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Reconciliation of cash and cash equivalents to the statements of net position		
Cash and cash equivalents	\$ 7,416,666	\$ 18,531,299
Held by trustee for debt service	1,691,526	1,682,010
Cash held in escrow for capital asset purchases	-	20,099
Restricted for cooperative endeavor agreements	360,663	360,663
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	\$ 9,468,855	\$ 20,594,071
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See accompanying notes.

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
D/B/A OPELOUSAS GENERAL HEALTH SYSTEM
Years Ended June 30, 2025 and 2024

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations, Reporting Entity and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Hospital Service District No. 2 of St. Landry Parish, Louisiana (the "District") consists of 171 bed acute care hospitals and related outpatient care facilities principally located in Opelousas, Louisiana. The District is a political subdivision of the St. Landry Parish Government, created by an ordinance adopted in 1953 by virtue of the authority of Louisiana Revised Statutes 46:1051 et seq. The purpose of the Hospital Service District is to provide health services to St. Landry Parish. The St. Landry Parish Government appoints the Board of Commissioners.

On May 21, 2002, the District, by a vote of its board, changed the name of its operating entity from "Opelousas General District" to "Opelousas General Health System".

Blended Component Units

The Opelousas General Health System Physician Practices, Inc. (the "Physician Practices") is a nonprofit corporation organized to operate the employed physician offices of the District. Although it is legally separate from the District, the Physician Practices' Board of Trustees also serve on the Board of Commissioners of the District.

The District formed Wellsmart Pharmacy South, LLC, ("WPSL"), which is wholly owned by the District, as a tax-exempt organization for the purpose of purchasing a pharmacy in July 2022. Although it is a legally separate entity, WPSL is wholly owned by the District and the District's board also serves as the entity's board.

The Opelousas General District Foundation, Inc. (the "Foundation") is a legally separate, tax-exempt component unit of the District. The purpose of the Foundation is to develop and cultivate philanthropy and collaborative relationships within the community to support and enhance the programs and services offered through the District to improve the health of the communities it serves. Members of the Foundation include individuals who serve on the Board of Commissioners of the District and any appointments to the Foundation Board must be ratified by the District's Commissioners. Although the District does not control the timing or amount of receipts from the Foundation, the resources of the Foundation are for the benefit of, to perform the functions of, or to carry out the purposes of the District and to make allocations for charitable, scientific, or educational purposes to tax-exempt organizations provided the activities benefit the District.

The District follows the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 61, *The Financial Reporting Entity*. As a result, the entities listed above are included in the accompanying financial statements as blended component units of the District. All significant intercompany balances and transactions have been eliminated.

Basis of Presentation

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

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
D/B/A OPELOUSAS GENERAL HEALTH SYSTEM
Years Ended June 30, 2025 and 2024

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In particular, laws and regulations governing Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates related to these programs will change by a material amount in the near term.

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.

Restricted and Internally Designated Assets

Noncurrent restricted and internally designated assets include cash and cash equivalents set aside by the Board of Commissioners for future capital improvements as well as assets externally restricted for debt service. The Board retains control of the funds set aside for future capital improvements and may, at its discretion, subsequently use them for other purposes.

Patient Accounts Receivable

The District reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients and others. The District provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. Losses are charged against the allowance when management believes the collectability of an account is confirmed. Subsequent recoveries, if any, are recognized as income.

The allowance for doubtful accounts is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the accounts in light of historical experience, the nature and volume of the accounts and the agreements with the respective third-party payors.

Inventories

Inventories are valued at the latest invoice price, which approximates the lower of cost (first-in, first-out method) or market.

Prepaid Expenses

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

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
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Years Ended June 30, 2025 and 2024

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Investments

The District holds certificates of deposit ("CD") with banks that participate in the Federal Deposit Insurance Corporation's ("FDIC") deposit insurance program. The District accounts for all CDs at amortized cost. CDs with original maturities greater than three months and remaining maturities less than 12 months, that management does not have the intent and ability to renew beyond 12 months, are classified as a current asset. Those with maturities greater than 12 months are presented as noncurrent cash and investments.

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

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

Investments include certificates of deposit, municipals bonds, and obligations of the U.S. Government, U.S. Government Agencies bonds, mortgage pools and domestic commercial paper with at least A-1 (Moody's) rating or equivalent.

Capital Assets, Net

Capital asset additions are recorded at cost except for assets donated to the District. Donated assets are recorded at appraised value at the date of donation. Depreciation is computed using the straight-line method with useful lives of the property ranging from two to 40 years. Maintenance, repairs, replacement and improvements of minor importance are expensed. Major replacements and improvements that extend the useful life are capitalized.

Leases and Subscription-Based Information Technology Arrangements

The District recognizes leases and Subscription-Based Information Technology Arrangement ("SBITA") assets and liabilities in accordance with GASB Statement No. 87 and Statement No. 96, respectively.

For lease agreements with terms exceeding 12 months, the District records a lease liability and a right-to-use asset at the commencement of the lease term. The lease liability is measured at the present value of future lease payments, and the right-to-use asset is measured at the amount of the initial lease liability, plus certain initial direct costs and capitalization implementation costs. Subsequently, the lease liability is reduced by the principal portion of lease payments made and the lease asset is amortized on a straight-line basis over its useful life.

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

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D/B/A OPELOUSAS GENERAL HEALTH SYSTEM
Years Ended June 30, 2025 and 2024

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

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

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

The District used the interest rate the lessor charges or if the rate is not explicitly stated or readily determinable, the District uses its incremental borrowing rate to calculate the present value of expected lease or SBITA payments.

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

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense or expenditure) until then. Deferred outflows reported in this year's financial statements relate primarily to the excess purchase prices over the net assets acquired in acquisitions prior years. Amortization expense was approximately \$77,000 and \$84,000 for the years ended June 30, 2025 and 2024, respectively.

Deferred outflows for excess purchase price over net assets acquired are tested for impairment as circumstances arise. During 2025, management determined that the deferred outflow for excess purchase price over net assets acquired associated with the operation of WPSL was impaired, see further in Note 14. The District recognized an impairment loss of approximately \$382,000 in the related statement of revenues, expenses and changes in net position.

Compensated Absences

The District's employees earn paid time off ("PTO") hours at varying rates depending on years of service and employment status. Employees may accumulate PTO hours to a maximum of 400 hours. When this is reached, further accumulation is ceased until PTO time is used. There is no cash option associated with this maximum bank. Bonus PTO is earned every fifth year beginning with the completion of the 10th year of full-time employment and this bonus amount will be pro-rated for part-time status. Employees with PTO hours remaining upon separation are paid in full.

The District's full-time employees accrue a set amount of Extend Illness Bank ("EIB") hours per pay period. Employees are not eligible to use EIB until they have completed three months of uninterrupted full-time employment. EIB is limited to an employee's own illness and is subject to specific conditions for use. Employees may accumulate EIB hours to a maximum of 720 hours. There is no payment of EIB upon termination.

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
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 Years Ended June 30, 2025 and 2024

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

As of March 31, 2025 and 2024, accrued PTO was approximately \$4,433,000 and \$4,703,000, respectively. As of March 31, 2025 and 2024, accrued EIB was approximately \$207,000 and \$172,000, respectively. These liabilities are measured using the pay rates in effect as of the reporting date and include applicable salary-related payments. The compensated absences balance is classified as current in its entirety and is included in accrued payroll and benefits within the accompanying financial statements. The table below summarizes the change year over year:

	Beginning Balance	Earned (Used), at Net	Ending Balance
2025	\$ 4,874,312	\$ (234,752)	\$ 4,639,560
2024	\$ 4,951,995	\$ (77,683)	\$ 4,874,312

Risk Management

The District is exposed to various risks of loss from torts, theft of, damage to and destruction of assets, business interruption, errors and omissions, employee injuries and illnesses, natural disasters, medical malpractice and dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in the three preceding years. See further discussion in Note 13 and 14.

Self-Insurance Claims

Accrued self-insurance claims represent the District's best estimate of incurred but unpaid expenses for employees' health insurance expense.

Income Taxes

The District is exempt from federal income taxation as a political subdivision of the State of Louisiana and accordingly, the accompanying basic financial statements do not include any provision for income taxes. The Physician Practices, WPSL and Foundation qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code ("IRC") and therefore, have no provisions for federal income taxes.

Net Position

Net position is classified into three components consisting of resources invested in capital assets (property and equipment), net of related debt, restricted and unrestricted. These components are defined as follows:

- *Net Investment in Capital Assets* – This component reports capital assets net of accumulated depreciation and the outstanding balance of any related debt that is attributable to the acquisitions of the capital assets.
- *Restricted Net Position* – This component reports those resources that are externally restricted by creditors, grantors, contributors or laws and regulations or those restricted by constitutional provisions and enabling legislation.
- *Unrestricted Net Position* – This component reports resources that do not meet the definition of invested in capital assets, net of related debt, or restricted.

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Years Ended June 30, 2025 and 2024

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

When both restricted and unrestricted resources are available to finance particular programs, it is the District's policy to use the restricted resources before using the unrestricted resources.

Reclassification

Certain prior year amounts have been reclassified to conform to the 2025 presentation, with no impact to total net position.

Patient Service Revenue

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

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

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 foregone for services and supplies furnished under the charity care policy are maintained to identify and monitor the level of charity care provided.

Operating Revenue and Expenses

The District's statements of revenues, expenses and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services, which is the District's principal activity. Nonexchange revenues, including grants and contributions received for purposes other than capital asset acquisition and interest income are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
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Years Ended June 30, 2025 and 2024

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Grants and Contributions

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

New Accounting Standards Adopted

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

The District adopted GASB 101, *Compensated Absences*, in fiscal year 2025. This Statement provides guidance on the accounting and financial reporting for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The audit standard was applied retroactively back to July 1, 2023 as required, resulting in the restatement of prior period balances.

The adoption of GASB 101 resulted in an adjustment to the following items:

	As of and for the Year Ended June 30, 2024		
	Previously Reported	Restatement Adjustment	Restated
Statements of Net Position			
Accrued payroll and benefits	\$ 6,472,491	\$ 171,598	\$ 6,644,089
Statements of Revenues, Expenses, and Changes in Net Position			
Net position, beginning of year	\$ 96,176,314	\$ (182,942)	\$ 95,993,372
Salaries and benefits	\$ 82,066,289	\$ (11,344)	\$ 82,054,945
Decrease in net position	\$ (11,534,644)	\$ 11,344	\$ (11,523,300)

Note 2. Cash Deposits and Investments

The District's investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in direct obligations of the United States Government and its agencies pledged by its full faith and credit and certificates of deposit accounts which are secured by the FDIC and/or a pledge of securities, domestic commercial paper with at least A-I (Moody's) rating or equivalent, and the Louisiana District Investment Pool. At June 30, 2025, all of the District's demand deposits or certificates of deposit were secured by FDIC coverage.

The Trust, which is a public trust, is not required to comply with the collateralization requirements of the local depository law (per La. Atty. Gen. Op. No. 89-549).

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Years Ended June 30, 2025 and 2024

NOTES TO FINANCIAL STATEMENTS

Note 2. Continued

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to them. The District's investment policy limits the maximum funds invested with respect to time deposits in any one financial institution to 33-1/3 percent of total funds available for investment, except for the District's lead bank, which cannot exceed the greater of \$2 million, or 50 percent of total invested funds. At each institution, \$250,000 of deposits was secured by FDIC, which was not exposed to custodial credit risk. As of June 30, 2025 \$9,675,641 of the District's bank balance totaling \$9,925,641, while exposed to custodial credit risk, are secured by the pledge of securities owned by the fiscal agent bank.

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. The District investments consist of municipal securities, mortgage pools, and direct obligations of the U.S. Government or its agencies. All of these investments are held by one broker. As of June 30, 2025, the District was not exposed to custodial credit risk for its investments, as all were registered in the name of the District.

The District's investments generally are reported at fair value, as discussed in Note 1. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investment balances were as follows:

	2025	2024
Certificates of deposit	\$ 813,235	\$ 906,402
Corporate bonds	303,335	783,692
U.S. Agencies	6,179,712	6,789,752
Municipal bonds	2,363,993	4,399,679
Total	<u>\$ 9,660,275</u>	<u>\$ 12,879,525</u>

The District had the following recurring fair value measurements as of June 30, 2025 and 2024:

Investments by Fair Value Level	2025	Level 1	Level 2	Level 3
Corporate bonds	\$ 303,335	\$ 303,335	\$ -	\$ -
U.S. Agencies	6,179,712	6,179,712	-	-
Municipal bonds	2,363,993	-	2,363,993	-
Total	<u>\$ 8,847,040</u>	<u>\$ 6,483,047</u>	<u>\$ 2,363,993</u>	<u>\$ -</u>

Investments by Fair Value Level	2024	Level 1	Level 2	Level 3
Corporate bonds	\$ 783,692	\$ 783,692	\$ -	\$ -
U.S. Agencies	6,789,752	6,789,752	-	-
Municipal bonds	4,399,679	-	4,399,679	-
Total	<u>\$ 11,973,123</u>	<u>\$ 7,573,444</u>	<u>\$ 4,399,679</u>	<u>\$ -</u>

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
D/B/A OPELOUSAS GENERAL HEALTH SYSTEM
Years Ended June 30, 2025 and 2024

NOTES TO FINANCIAL STATEMENTS

Note 2. Continued

Credit Risk

The District's investment policy, in compliance with Louisiana Revised Statute 33:2955, allows the District to invest in U.S. Agency securities and certificates of deposit. As of June 30, 2025, the District's investment in U.S. Agencies was rated Aa1 by Moody's Investors Service and AA+ by Standard & Poor's.

Concentration of Credit Risk

The District's investment policy limits its exposure of overconcentration to any single issuer with the exception of U.S. Treasury securities. More than 54 percent of the District's investments are in U.S. Treasury as of June 30, 2025.

Interest Rate Risk

The District's investment policy limits its exposure to fair value losses arising from rising interest rates by placing limits on investment maturities and investing in securities with varying maturities. The policy requires the District to structure the investment portfolio so that securities mature to meet cash requirements for operations, thereby avoiding the need to sell securities on the open market prior to maturity. Operating funds are placed in short-term investments including money market funds or similar investment pools as well as limiting the average maturity of the overall portfolio.

The District had the following investment maturities as of June 30:

Investments Type	2025	Investment Maturities in Years		
		< 1	1 - 5	> 5
Certificates of deposit	\$ 813,235	\$ 813,235	\$ -	\$ -
Corporate bonds	303,335	303,335	-	-
U.S. Agencies	6,179,712	1,588,538	4,271,593	319,581
Municipal bonds	2,363,993	1,144,174	1,219,819	-
Total	\$ 9,660,275	\$ 3,849,282	\$ 5,491,412	\$ 319,581

Investments Type	2024	Investment Maturities in Years		
		< 1	1 - 5	> 5
Certificates of deposit	\$ 906,402	\$ 906,402	\$ -	\$ -
Corporate bonds	783,692	487,138	296,554	-
U.S. Agencies	6,789,752	1,314,206	5,166,106	309,440
Municipal bonds	4,399,679	2,626,344	1,773,335	-
Total	\$ 12,879,525	\$ 5,334,090	\$ 7,235,995	\$ 309,440

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
D/B/A OPELOUSAS GENERAL HEALTH SYSTEM
Years Ended June 30, 2025 and 2024

NOTES TO FINANCIAL STATEMENTS

Note 3. Patient Accounts Receivable

Patient accounts receivable as of June 30 consist of the following:

	2025	2024
Receivable from Medicare	\$ 35,379,016	\$ 32,407,569
Receivable from Medicaid	9,325,831	9,369,709
Receivable from patients and their insurance carriers	29,709,342	29,812,359
Total patient receivables	74,414,189	71,589,637
Less: allowance for uncollectible accounts and contractual adjustments	(44,748,886)	(44,029,298)
Patient accounts receivable, net	\$ 29,665,303	\$ 27,560,339

Note 4. Concentration of Credit risk

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

	2025	2024
Medicare	21%	22%
Medicare Advantage	28	28
Medicaid	9	13
Commercial	25	22
Self-pay	17	15
Total	100%	100%

The mix of net patient service revenues from patients and third-party payors for the year ended June 30 was as follows:

	2025	2024
Medicare	27%	29%
Medicare Advantage	29	27
Medicaid	23	24
Other third-party payors	19	19
Patients	2	1
Total	100%	100%

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
D/B/A OPELOUSAS GENERAL HEALTH SYSTEM
Years Ended June 30, 2025 and 2024

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

Capital assets and depreciation activity for the year ended June 30, 2025 are as follows:

	Beginning Balance		Additions		Disposals		Ending Balance
Nondepreciable capital assets							
Land	\$ 6,185,712	\$	-	\$	-	\$	6,185,712
Construction in progress	565,906		61,415		(281,403)		345,918
Total nondepreciable capital assets	6,751,618		61,415		(281,403)		6,531,630
Depreciable capital assets							
Land improvements	1,927,451		179,598		-		2,107,049
Buildings and improvements	106,304,071		618,465		-		106,922,536
Equipment	108,181,168		909,195		-		109,090,363
Vehicles	326,275		-		(45,222)		281,053
Leased assets	5,479,972		4,136,931		(1,713,727)		7,903,176
Total depreciable capital assets	222,218,937		5,844,189		(1,758,949)		226,304,177
Less: accumulated depreciation	(182,075,008)		(8,576,566)		1,864,344		(188,787,230)
Total depreciable capital assets, net	40,143,928		(2,732,377)		(22,127)		37,516,947
Capital assets, net	\$ 46,895,547	\$	(2,670,962)	\$	(305,530)	\$	44,048,577

Capital assets and depreciation activity for the year ended June 30, 2024 follows:

	Beginning Balance		Additions		Disposals		Ending Balance
Nondepreciable capital assets							
Land	\$ 6,185,712	\$	-	\$	-	\$	6,185,712
Construction in progress	445,906		171,000		(51,000)		565,906
Total nondepreciable capital assets	6,631,618		171,000		(51,000)		6,751,618
Depreciable capital assets							
Land improvements	1,927,451		-		-		1,927,451
Buildings and improvements	104,538,071		1,766,000		-		106,304,071
Equipment	104,240,168		3,941,000		-		108,181,168
Vehicles	326,275		-		-		326,275
Leased assets	5,234,126		245,846		-		5,479,972
Total depreciable capital assets	216,266,091		5,952,846		-		222,218,937
Less: accumulated depreciation	(174,474,008)		(7,601,000)		-		(182,075,008)
Total depreciable capital assets, net	41,792,083		(1,648,154)		-		40,143,929
Capital assets, net	\$ 48,423,701	\$	(1,477,154)	\$	(51,000)	\$	46,895,547

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
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Years Ended June 30, 2025 and 2024

NOTES TO FINANCIAL STATEMENTS

Note 5. Continued

For the years ended June 30, 2025 and 2024, depreciation expense for capital assets was approximately \$8,577,000 and \$7,601,000, respectively.

At June 30, 2025, the District had no commitments related to various capital projects.

Note 6. Subscription Assets

A summary of subscription assets, net, included in subscription assets on the accompanying financial statements as of June 30, were as follows:

	2025	2024
Subscription lease assets	\$ 10,083,803	\$ 10,847,901
Less accumulated depreciation	(4,759,124)	(3,459,033)
Subscription leases, net	\$ 5,324,679	\$ 7,388,868

For the years ended June 30, 2025 and 2024, depreciation expense for subscription assets was approximately \$1,300,000 and \$2,471,000, respectively.

Note 7. Long-Term Debt

A schedule of changes in the District's long-term debt for the year ended June 30, 2025 follows:

	Balance June 30, 2024	Additions	Retirements	Balance June 30, 2025	Due Within One Year
Bonds payable					
Series 2009	\$ 6,160,000	\$ -	\$ (560,000)	\$ 5,600,000	\$ 560,000
Notes payable					
Bank of America	2,417,479	-	(1,016,834)	1,400,645	1,045,837
Cerner Corporation	1,667,348	-	(1,667,348)	-	-
Total notes payable	4,084,827	-	(2,684,182)	1,400,645	1,045,837
Lease liabilities	408,832	4,136,931	(1,164,103)	3,381,660	1,071,655
Subscription liabilities	7,537,450	280,924	(2,330,380)	5,487,994	2,011,840
Total long-term debt, net	\$ 18,191,109	\$ 4,417,855	\$ (6,738,665)	\$ 15,870,299	\$ 4,689,332

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
D/B/A OPELOUSAS GENERAL HEALTH SYSTEM
Years Ended June 30, 2025 and 2024

NOTES TO FINANCIAL STATEMENTS

Note 7. Continued

A schedule of changes in the District's long-term debt for the year ended June 30, 2024 follows:

	Balance June 30, 2023	Additions	Retirements	Balance June 30, 2024	Due Within One Year
Bonds payable					
Series 2009	\$ 6,720,000	\$ -	\$ (560,000)	\$ 6,160,000	\$ 560,000
Series 2003	1,750,000	-	(1,750,000)	-	-
Total bonds payable	8,470,000	-	(2,310,000)	6,160,000	560,000
Notes payable					
Bank of America	3,408,000	-	(990,521)	2,417,479	1,016,632
GE HFS, LLC	148,000	-	(148,000)	-	-
Cerner Corporation	2,222,000	-	(554,652)	1,667,348	1,667,348
Total notes payable	5,778,000	-	(1,693,173)	4,084,827	2,683,980
Lease liabilities	886,000	245,832	(723,000)	408,832	353,627
Subscription liabilities	9,850,000	-	(2,312,550)	7,537,450	2,143,798
Total long-term debt	24,984,000	245,832	(7,038,723)	18,191,109	5,741,405
Unamortized bond discount	(4,000)	-	4,000	-	-
Total long-term debt, net	\$ 24,980,000	\$ 245,832	\$ (7,034,723)	\$ 18,191,109	\$ 5,741,405

Bonds Payable – Series 2003

During 2004, the District issued \$22,500,000 of revenue bonds for the purpose of capital additions. The Series 2003 Bonds had an interest rate of 2.15 to 5.75 percent, collateralized by a first mortgage on the leasehold interest of the facilities and a pledge of District revenues, due serially until October 2023. As of June 30, 2024, the bond was paid in full.

Bonds Payable – Series 2009

During July 2009, the District issued \$14,000,000 of revenue bonds for the purpose of refinancing a note and to finance cash outlays of the District. The Series 2009 Bonds is payable annually through October 2034 at an interest rate of 4.50 percent, and is collateralized by a first mortgage on the South Campus buildings and a pledge of District revenues.

Under the terms of the revenue bonds, the District is required to maintain certain deposits with a trustee. Such deposits are included as restricted cash in the statements of net position. The revenue bond indenture also places certain requirements regarding cash balances and liquidity of the District and requires that the District satisfy certain measures of financial performance as long as the bonds are outstanding. Collateral for these bonds includes the District and medical office buildings, equipment and inventory.

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
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Years Ended June 30, 2025 and 2024

NOTES TO FINANCIAL STATEMENTS

Note 7. Continued

The District was not in compliance with certain provisions of the bond covenants as of June 30, 2025. The District obtained waivers of these violations from the bond holders; consequently, no adjustments have been made to the classification of the bond amounts due as of June 30, 2025.

Note payable obligations

During 2021, the District entered into an agreement for the purchase of software and equipment upgrades for the Cerner system. Total costs associated with the upgrade were approximately \$5,002,000, which is included in equipment. Total quarterly payments for the obligation are approximately \$664,000 with an imputed interest rate of 5.5 percent and a final installment due January 1, 2023. Beginning April 1, 2023, quarterly installments were updated to approximately \$514,000. Due to problems with the integration, Management elected to cease payments to Cerner in July of 2023. During fiscal year 2025, The District and Cerner signed a settlement agreement that required the District to pay \$2,800,000 and purchase additional services worth \$700,000 to cover the amount disputed and resolve any system challenges.

During 2021, the District entered into an agreement with Bank of America Leasing & Capital, LLC for funding for equipment purchases. The financing was issued in the amount of approximately \$5,000,000. The funds are held in an escrow account and can be used for capital equipment purchases, such remaining funds are included as restricted cash in the statement of net position. Monthly payments are due in the amount of approximately \$89,000 including interest at a fixed rate of 2.74 percent and a final payment due in October 2026.

Lease liabilities

The District has lease liabilities related to property and equipment, with interest rates ranging from 2.73 to 4.75 percent and maturity dates ranging from fiscal year 2025 through 2030.

Subscription lease liabilities

The District has subscription lease liabilities related to subscription-based IT arrangements, with interest rates ranging from 2.84 to 4.50 percent and maturity dates ranging from fiscal year 2025 through 2028.

Scheduled interest and principal payments on long-term debt at June 30, 2025 are as follows:

	<u>Long-Term Debt</u>		<u>Lease Liabilities</u>		<u>Subscription Liabilities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 1,605,837	\$ 264,686	\$ 1,071,655	\$ 120,335	\$ 2,011,840	\$ 169,561
2027	914,808	216,227	706,178	88,805	1,959,560	99,183
2028	560,000	189,000	616,223	58,360	1,516,594	27,463
2029	560,000	163,800	555,505	33,078	-	-
2030	560,000	138,600	432,099	8,671	-	-
2031-2035	2,800,000	315,000	-	-	-	-
	<u>\$ 7,000,645</u>	<u>\$ 1,287,313</u>	<u>\$ 3,381,660</u>	<u>\$ 309,249</u>	<u>\$ 5,487,994</u>	<u>\$ 296,207</u>

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
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Years Ended June 30, 2025 and 2024

NOTES TO FINANCIAL STATEMENTS

Note 8. Employee Retirement Plan

The District maintains a Social Security Replacement Plan and a 401(a) Money Purchase Plan (defined contribution plans) for which employees become immediately eligible to participate. Employees are required to make nonelective contributions in the amount of 7.65 percent of compensation to the Social Security Replacement Plan, of which the employees are 100 percent vested. The 401(a) Money Purchase Plan requires the District to make employer contributions ranging from 5.00 to 13.00 percent of the employee's compensation based on credited years of service. The District's contributions vest with employees based on years of service with employees becoming 100 percent vested after six years of service. The District's contributions to the plan for the years ended June 30, 2025 and 2024 were approximately \$4,789,000 and \$4,275,000, respectively.

The District also offers its employees the option of participating in a 457(b) Retirement Savings Plan (defined contribution plan). The District does not contribute to the 457(b) Retirement Savings Plan on behalf of its employees. Eligible employees may choose to contribute any amount of compensation to the plan, up to the maximum amount allowed by law. Employees are 100 percent vested in these contributions.

Note 9. Joint Ventures

Complete financial statements for the joint ventures described below can be obtained from the District upon request.

The District is a participant in a joint venture with private investors in Opelousas Radiation Therapy, LLC ("ORT"). The District also has a service agreement with ORT to provide certain administrative and support services to the District's cancer center. The District invested approximately \$50,000 for 50 percent membership interest in the joint venture. The District's equity interest in the joint venture was approximately \$597,000 and \$918,000 at June 30, 2025 and 2024, respectively. The District recognized income related to the joint venture of approximately \$425,000 and \$412,000 in 2025 and 2024, respectively.

The District is a participant in a joint venture with Acadian Homecare, LLC, d/b/a St. Landry Home Care, in order to provide home health services to the patients of the District service area. The District has a 33 percent membership interest in the joint venture. The District's equity interest in the joint venture was approximately \$9,000 and \$9,000 at June 30, 2025 and 2024, respectively. The District recognized income related to the joint venture in the amount of approximately \$177,000 and \$179,000 in 2025 and 2024, respectively.

The District is a participant in a joint venture with private investors in St. Landry Sleep Medicine Real Estate Venture, LLC. The District has a 36 percent membership interest in the joint venture. The District's equity interest in the joint venture was approximately \$240,000 and \$249,000 at June 30, 2025 and 2024, respectively. The District recognized loss related to the joint venture of approximately (\$9,000) and (\$2,000) in 2025 and 2024, respectively.

The District is a participant in a joint venture with private investors in Louisiana Hospice Group, LLC, in order to provide hospice services to patients of the District service area. The District has a 25 percent membership interest in the joint venture. The District's equity interest in the joint venture was approximately \$635,000 and \$646,000 at June 30, 2025 and 2024, respectively. The District recognized income related to the joint venture of approximately \$531,000 and \$348,000 in 2025 and 2024, respectively.

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Years Ended June 30, 2025 and 2024

NOTES TO FINANCIAL STATEMENTS

Note 9. Joint Ventures

The District is a participant in a joint venture with private investors in Sunset Healthcare Realty, LLC ("SHR"), which owns and leases a building for an outpatient imaging center in Sunset, Louisiana. The District invested approximately \$382,000 for 51 units of the 100 units available in the joint venture. SHR leases land from the District, on which a building was constructed, for \$2,000 per month. The total lease income reported was approximately \$23,000 in 2025 and 2024. The building is leased to OGH Imaging, LLC ("OGHI"), a joint venture in which the District also participates. The District's equity interest in the SHR joint venture was approximately \$1,199,000 and \$1,030,000 at June 30, 2025 and 2024, respectively. The District recognized income related to the joint venture of approximately \$255,000 and \$131,000 in 2025 and 2024, respectively.

The District is a participant in a joint venture with private investors in OGHI, in order to operate an outpatient-imaging center in Sunset, Louisiana to provide imaging services to the patients of the District service area. The District invested approximately \$494,000 for 52 units of the 100 units available in the joint venture. The District's equity interest in the joint venture was approximately \$615,000 and \$534,000 at June 30, 2025 and 2024, respectively. The District recognized income related to the joint venture of approximately \$81,000 and \$67,000 in 2025 and 2024, respectively.

The District entered into a management and services agreement with Mary Bird Perkins Cancer Center ("MBPCC") with an effective date January 1, 2023, with the intent to expand cancer patient care services. MBPCC provides certain medical and nonmedical services to the District, including serving as manager. This agreement, unless terminated earlier, shall continue for 10 years. The agreement will automatically renew for three successive 10-year terms under the same terms and conditions. The District and MBPCC share the combined results from operations, where the District receives 75 percent and the MBPCC receives 25 percent, until the District has recovered its annual contribution margin, agreed to be approximately \$1,600,000. Once the District has recovered its annual contribution margin, the District and MBPCC shall each receive 50 percent of the combined results from operations. The District recognized an expense, as an offset to other revenue in the accompany financial statements, of approximately \$2,617,000 and \$3,457,000 related to this arrangement in 2024. As of June 30, 2025 and 2024, the District accrued payables of approximately \$1,354,000 and \$474,000, respectively, related to this arrangement.

Note 10. Patient Service Revenue

The District has agreements with third-party payors providing payments to the District at amounts different from the District's established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare

Inpatient acute care services (and related capital costs) rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. Acute care service rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services related to Medicare beneficiaries are reimbursed either on a prospective determined rate or a fee schedule. The District is reimbursed for cost reimbursable items and Medicare bad debts at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2018.

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Years Ended June 30, 2025 and 2024

NOTES TO FINANCIAL STATEMENTS

Note 10. Continued

Medicaid

Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per day. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, subject to certain limits, while other outpatient services are reimbursed on a fee schedule. The District is reimbursed for outpatient services at an interim rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through June 30, 2016.

Cost reimbursements are subject to examination by agencies administering the programs. The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of those programs. In 2025 net patient service revenue decreased approximately \$2,493,000 due to prior year retroactive adjustments in excess of amounts previously estimated.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the near term. Additionally, noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs. The District is not aware of any allegations of noncompliance that could have a material adverse effect on the financial statements and believes that it is in compliance with all applicable laws and regulations.

Other

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

A summary of patient service revenue as of June 30 follows:

	<u>2025</u>	<u>2024</u>
Gross patient service revenue	\$ 714,648,617	\$ 667,707,241
Less provisions for		
Contractual adjustments	(565,675,864)	(534,459,719)
Uncollectible accounts	(8,764,238)	(18,641,959)
Net patient service revenue	<u>\$ 140,208,515</u>	<u>\$ 114,605,563</u>

Note 11. Charity Care

The estimated amount of charges foregone for services and supplies furnished under the District's charity care policy aggregated to approximately \$4,515,000 and \$3,613,000 for the years ended June 30, 2025 and 2024, respectively. The estimated cost of charity care, estimated using a ratio of cost-to-gross charges, totaled approximately \$1,252,000 and \$1,006,000 for the years ended June 30, 2025 and 2024, respectively.

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
D/B/A OPELOUSAS GENERAL HEALTH SYSTEM
Years Ended June 30, 2025 and 2024

NOTES TO FINANCIAL STATEMENTS

Note 12. Self-Funded Insurance

Health Insurance

The District provides health insurance coverage to its employees under a self-funded plan. The District pays the health insurance claims as they are incurred by the employee. Stop-loss insurance is retained to limit the District's liability to \$275,000 in 2025, of paid claims per individual on an annual basis. The District purchases commercial insurance for claims in excess of the coverage provided by the District. At June 30, 2025 and 2024, there were no settled claims that exceeded the stop-loss insured limit that would have been included in other receivables on the statements of net position. The District accrued approximately \$414,000 and \$385,000 at June 30, 2025 and 2024, respectively, for employee health insurance claims.

Year ended June 30,	Beginning Balance	Current year claims and change in estimate	Claims paid	Ending Balance
2025	\$ 973,270	\$ 4,749,254	\$ (4,754,092)	\$ 968,432
2024	\$ 837,115	\$ 4,738,155	\$ (4,602,000)	\$ 973,270

Worker's Compensation

The District is also partially self-insured for worker's compensation. The District pays worker's compensation claims as they are incurred. Stop-loss insurance is retained to limit the District's liability to \$350,000 per claim for 2025. The District purchases commercial insurance for claims in excess of the coverage provided by the District. Settled claims have not exceeded this commercial coverage in the past year. The District accrued approximately \$555,000 and \$588,000 at June 30, 2025 and 2024, respectively, for workers' compensation claims.

The balances for both self-insured programs are included in other accrued expenses on the accompany statements of net position. Changes in the District's claim liabilities for these coverages as of June 30 were as follows:

Note 13. Professional and General Liability Risk

The District participate in the Louisiana Patient's Compensation Fund established by the State of Louisiana to provide medical professional coverage to healthcare providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 for which the District are at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limiting the Patient's Compensation Fund's exposure to \$400,000 per occurrence.

The District has acquired additional coverage for professional medical malpractice and general liability through the Louisiana District Association Trust Fund by purchasing a claims-made policy. Losses on medical malpractice and general liability claims are estimated based on deductibles and claims in excess of per-claim or aggregate coverage and incurred but not reported during the claim year. These estimates reflect the District's best estimates of the ultimate costs of reported and unreported claims, using the District's past experience, industry experience and identified asserted claims and reported

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
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Years Ended June 30, 2025 and 2024

NOTES TO FINANCIAL STATEMENTS

Note 13. Continued

incidents. No provision for losses in excess of the deductible amount of the insurance policy has been recorded in the accompanying basic financial statements. Estimated provision for losses on medical malpractice and general liability claims are recorded in other accrued expenses on the accompanying statements of net position and amounted to approximately \$1,070,000 and \$928,000 at June 30, 2025 and 2024.

Note 14. Contingencies

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

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

In August 2025, the District determined that significant discrepancies existed in inventory associated with WPSL and subsequently, WPSL's registration to practice was revoked. The District closed WPSL effective September 8, 2025 due to this regulatory noncompliance. Management believes that the District will be subject to penalties from regulatory agencies, which could be significant; however, they are unable to reasonably estimate the potential impact, if any, at this time and accordingly, no accrual has been recorded.

Note 15. Louisiana Medicaid Supplemental Payment Programs

The District has entered into a series of collaborative agreements and cooperative endeavors designed to provide additional Medicaid funds to help improve or expand allowable healthcare services for Medicaid beneficiaries or low-income, uninsured patients in the community. The Hospital elects to provide the state match for the federal funds associated with some of the Program payments through intergovernmental transfers ("IGTs"). The Hospital expensed approximately \$22,453,000 and \$16,315,000 in IGTs to support the various programs for the years ended June 30, 2025 and 2024 on the accompanying statements of revenue, expenses and changes in net position..

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
D/B/A OPELOUSAS GENERAL HEALTH SYSTEM
Years Ended June 30, 2025 and 2024

NOTES TO FINANCIAL STATEMENTS

Note 15. Continued

State-Directed Payment Program

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

The District recognized net SDPP revenue of approximately \$27,921,000 and \$29,433,000 during the years ended June 30, 2025 and 2024, respectively. The revenue earned from this agreement is included as a component of other operating revenue in the accompanying statements of revenue, expenses and changes in net position.

State-Directed Payment Program for Physicians

On June 1, 2016, the District entered into a Physician Rate Enhancement Funds ("PREF") Assignment Agreement with LDH. Under the program, LDH increased the Per Member Per Month ("PMPM") rate for reimbursement of physician services to include the Full Medicaid Payment ("FMP") component of the Mercer Rate Methodology for safety-net physicians to receive enhanced rates more consistent with their fee-for-service payments. The PREFs can only be paid to a hospital service district that elects to provide the state match for the federal funding associated with these PREF payments.

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

For this agreement, the District recognized net revenue of approximately \$12,592,000 and \$9,888,000 during the years ended June 30, 2025 and 2024, respectively. The revenue earned from this agreement is included as a component of other operating revenue in the accompanying statements of revenues, expenses and changes in net position. The District recorded a receivable, at net, under the program of approximately \$12,592,000 as of June 30, 2025. The receivable is included as a component of estimated third-party payor settlements in the accompanying statements of net position. Future reconciliation differences will be reported prospectively.

Subsequent to fiscal year-end 2025, on August 28, 2025, CMS approved Louisiana's state fiscal year 2025 plan related to this program.

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
D/B/A OPELOUSAS GENERAL HEALTH SYSTEM
Years Ended June 30, 2025 and 2024

NOTES TO FINANCIAL STATEMENTS

Note 16. Blended Component Units

In accordance with GASB No. 61, see below for a reconciliation of the financial statement line items by component:

	2025		
	District & Physician Practice	Foundation	WPSL
Condensed Statements of Net Position			
Assets			
Current assets	\$ 78,275,007	\$ 1,507,991	\$ 529,478
Other assets	10,942,711	358	-
Capital assets	49,371,619	-	1,637
Total assets	128,114,429	1,508,349	531,115
Deferred outflows of resources	411,044	-	-
	<u>\$ 139,000,381</u>	<u>\$ 1,508,349</u>	<u>\$ 531,115</u>
Liabilities			
Current liabilities	\$ 50,740,021	\$ -	\$ 836,892
Long-term liabilities	11,180,967	(1,250)	-
Total liabilities	61,920,988	(1,250)	836,892
Net investment in capital assets	33,501,320	-	1,637
Restricted for debt service	1,691,526	1,239,912	-
Unrestricted	41,886,547	269,687	(307,414)
Total net position (deficit)	<u>\$ 77,079,393</u>	<u>\$ 1,509,599</u>	<u>\$ (305,777)</u>
Condensed Statements of Revenues, Expenses and Changes in Net Position			
Operating revenues	\$ 187,486,499	\$ 628,913	\$ 2,567,526
Operating expenses	194,400,656	617,380	3,147,510
Operating income (loss)	(6,914,157)	11,533	(579,984)
Nonoperating revenues (expense)	912,705	-	-
Change in net position	<u>\$ (6,001,452)</u>	<u>\$ 11,533</u>	<u>\$ (579,984)</u>
Condensed Statements of Cash Flows			
Net cash provided by (used in)			
Operating activities	\$ (7,519,431)	\$ 6,245	\$ (154,688)
Noncapital financing activities	-	-	-
Capital and related financing activities	(8,848,906)	-	-
Investing activities	5,391,564	-	-
Change in cash	(10,976,773)	6,245	(154,688)
Beginning cash	18,676,981	1,421,832	495,258
Ending cash	<u>\$ 7,700,208</u>	<u>\$ 1,428,077</u>	<u>\$ 340,570</u>

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
D/B/A OPELOUSAS GENERAL HEALTH SYSTEM
Years Ended June 30, 2025 and 2024

NOTES TO FINANCIAL STATEMENTS

Note 16. Continued

	2024		
	District & Physician Practice	Foundation	WPSL
Condensed Statements of Net Position			
Assets			
Current assets	\$ 74,474,607	\$ 1,497,709	\$ 722,866
Other assets	13,508,709	357	-
Capital assets	54,282,420	-	1,995
Total assets	142,265,736	1,498,066	724,861
Deferred outflows of resources	457,577	-	412,355
Total assets and deferred outflows of resources	<u>\$ 142,723,313</u>	<u>\$ 1,498,066</u>	<u>\$ 1,137,216</u>
Liabilities			
Current liabilities	\$ 47,192,764	\$ -	\$ 863,009
Long-term liabilities	12,449,704	-	-
Total liabilities	59,642,468	-	863,009
Net investment in capital assets	36,113,398	-	-
Restricted for debt service	1,682,010	1,240,066	-
Unrestricted	45,285,437	258,000	274,207
Total net position (deficit)	<u>\$ 83,080,845</u>	<u>\$ 1,498,066</u>	<u>\$ 274,207</u>
Condensed Statements of Revenues, Expenses and Changes in Net Position			
Operating revenues	\$ 170,348,616	\$ 815,047	\$ 1,998,414
Operating expenses	183,063,788	587,556	2,179,903
Operating income (loss)	(12,715,172)	227,491	(181,489)
Nonoperating revenues (expense)	939,620	24,818	(22)
Change in net position	<u>\$ (11,775,552)</u>	<u>\$ 252,309</u>	<u>\$ (181,511)</u>
Condensed Statements of Cash Flows			
Net cash provided by (used in)			
Operating activities	\$ 19,071,266	\$ 258,832	\$ 15,258
Noncapital financing activities	-	-	-
Capital and related financing activities	(13,930,508)	-	-
Investing activities	349,333	-	-
Change in cash	5,490,091	258,832	15,258
Beginning cash	13,186,890	1,163,000	480,000
Ending cash	<u>\$ 18,676,981</u>	<u>\$ 1,421,832</u>	<u>\$ 495,258</u>

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
D/B/A OPELOUSAS GENERAL HEALTH SYSTEM
Years Ended June 30, 2025 and 2024

NOTES TO FINANCIAL STATEMENTS

Note 17. Subsequent Event

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 14, 2025, and determined that an event occurred that requires additional disclosure. This event is further disclosed at Note 14.

SUPPLEMENTARY INFORMATION

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
D/B/A OPELOUSAS GENERAL HEALTH SYSTEM
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the Year Ended June 30, 2025

Agency Head:

Lance Armentor, Chief Executive Officer

Purpose	Amount
Salary	\$ 492,563
Benefits - insurance	13,163
Car allowance	8,400
HSA Savings	900
VALIC - employer contribution	27,980
Conference reimbursements	2,200
	<hr/>
	\$ 545,919



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

The Board of Commissioners
Hospital Service District No. 2 of
St. Landry Parish, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("GAS"), the financial statements of the business-type activities of Hospital Service District No. 2 of St. Landry Parish, Louisiana (the "District"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 14, 2025.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under GAS, and which are described in the accompanying schedule of findings and responses as item 2025-001.

The District's Response to Findings

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

Purpose of This Report

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



Ridgeland, Mississippi
October 14, 2025

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
D/B/A OPELOUSAS GENERAL HEALTH SYSTEM
Schedule of Findings and Responses
For the Year Ended June 30, 2025

Finding 2025-001 – WPSL Regulatory Noncompliance

Condition

The District was notified by its one of its vendors that an audit of the pharmacy inventory at Wellsmart Pharmacy South, LLC, ("WPSL") resulted in significant discrepancies. WPSL is a blended component unit of the District that was established with the sole purpose of purchasing a pharmacy in 2022. Further investigations indicate that management of WPSL has been operating under an inadequate internal control environment and as such their U.S Drug Enforcement Administration ("DEA") registration has been revoked.

Criteria

Regulatory agencies were notified and will conduct investigations to determine whether fines or penalties will be assessed. The suspension or revocation of a pharmacy's DEA registration significantly limits what that pharmacy is legally allowed to dispense.

Cause and Effect

When WPSL purchased the pharmacy in 2022, numerous controls, policies and procedures were carried over from the previous ownership. Since then retail pharmacy operations have grown increasingly more complex, but WPSL management had not consistently updated processes to appropriately address the risk of noncompliance.

Recommendation

As the District has made the decision to close WPSL effective September 8, 2025 due to regulatory noncompliance, we have no operational recommendations. Financially we recommend the District to accrue any regulatory fines or penalties to be assessed as soon as it is reasonably possible to estimate the potential impact.

Views of Responsible Officials and Planned Corrective Action

The District notified the Louisiana Legislative Auditor and appropriate local law enforcement as soon as the misappropriation was identified. The District made the decision to close WPSL effective September 8, 2025 due to regulatory noncompliance. The District will accrue any regulatory fines or penalties as soon as it is reasonably possible to estimate the potential impact.



April 30, 2026

Management and the Finance Committee
St. Landry Parish Hospital Service District No. 2
d/b/a Opelousas General Health System
Opelousas, Louisiana

This letter includes information and recommendations with respect to matters that came to our attention in connection with our audit of the financial statements of Opelousas General Health System (the "System") as of and for the year ended June 30, 2025.

Schedule of Findings and Responses

Audit Finding #2025-001 - Delinquent Filing

Condition

Although the audit report for the fiscal year ended June 30, 2025 was released prior to the statutory due date, the report was not uploaded to the Louisiana Legislative Auditor (LLA) by the required deadline due to an administrative oversight. As a result, the audit was recorded by the LLA as submitted after the statutory due date.

Criteria

Louisiana Revised Section ("R.S.") 24:513 and 24:514 establishes the statutory due dates of auditees as no later than six months after the auditee's fiscal year end. Extension requests are allowable under the following categories: non-emergency or emergency. An emergency extension may only occur when a gubernatorially declared disaster or emergency prevents the auditee from completing the report by the statutory due date. The LLA grants non-emergency extensions but still considers audits with nonemergency extensions as late and expects a finding issued as such.

Cause and Effect

The delinquent filing resulted from an administrative error in the final submission process. While the audit was completed and released timely, the required upload to the LLA system was not completed as expected, resulting in the audit being classified as delinquent.

Recommendation

We recommend that the System designate an individual on the finance team to monitor reporting deadlines and ensure the timely filing of all reporting requirements.

Views of Responsible Officials and Planned Corrective Action

The System designated an individual on the finance team to monitor reporting deadlines and they will ensure the timely filing of all reporting requirements going forward.

This letter is intended solely for the information and use of management, the Finance Committee and the LLA, and is not intended to be, and should not be, used by anyone other than these specified parties. It is our pleasure to respond to any questions you have about this letter. We appreciate the opportunity to continue to be of service to the System.

Sincerely,

A handwritten signature in black ink that reads "HORNE LLP". The letters are in a cursive, slightly slanted font.

HORNE LLP

**DISTRICT SERVICE DISTRICT NO. 2 OF
ST. LANDRY PARISH, LOUISIANA D/B/A
OPELOUSAS GENERAL HEALTH SYSTEM**
Opelousas, Louisiana

**Independent Accountant's Report
on Applying Agreed-Upon Procedures**
For the Reporting Period
July 1, 2024 through June 30, 2025



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Hospital Service District No. 2 of
St. Landry Parish, Louisiana

We have performed the procedures enumerated below, which were agreed to by Hospital Service District No. 2 of St. Landry Parish, Louisiana d/b/a Opelousas General Health System (the "District") and the Louisiana Legislative Auditor ("LLA") on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures ("SAUPs") for the reporting period July 1, 2024 through June 30, 2025. The District's management is responsible for those control and compliance areas identified in the SAUPs.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Determine whether the District's written policies and procedures address each of the following financial/business functions: budgeting, purchasing, disbursements, receipts/collections, payroll/personnel, contracting, travel and expense reimbursement, credit cards, ethics, debt service, information technology disaster recovery/business continuity and prevention of sexual harassment.

We obtained and examined the District's policies and procedures documentation for each of the financial/business functions listed above.

Board/Committee Meetings

2. Determine whether the managing Board meets (with quorum) at least monthly, or on a frequency in accordance with the Board of Commissioners (the "Board") enabling legislation, charter, bylaws or other equivalent document.
3. Observe that the minutes referenced or included financial activity.
4. Obtain the prior year audit report and observe the unrestricted fund balance. If the unrestricted fund balance in the prior year had a negative ending balance, observe that the minutes for at least one meeting during the reporting period referenced or included a formal plan to eliminate the negative unrestricted balance.

5. Observe that the minutes include updates of the progress of resolving audit findings, if applicable.

Not applicable for Year 2 testing cycle in accordance with guidance per SAUPs Fiscal Years beginning on or after January 1, 2024 issued October 31, 2024.

Bank Reconciliations

6. Obtain from management a listing of all bank accounts held by the District.
7. Select the District's main operating account and a sample of four other bank accounts provided in the listing obtained from management in SAUP #6. For each sample, randomly select one month from the reporting period, obtain bank statements and corresponding reconciliations for month selected, and determine whether:
 - a. Bank reconciliations have been prepared within two months of the related statement closing date.
 - b. Bank reconciliations were properly reviewed by management within one month of being prepared.
 - c. Management has researched reconciling items that have been outstanding for more than 12 months from the statement closing date and documented such research accordingly, if applicable.

Not applicable for Year 2 testing cycle in accordance with guidance per SAUPs Fiscal Years beginning on or after January 1, 2024 issued October 31, 2024.

Collections

8. Obtain from management a listing of all deposit sites maintained by the District and select a sample of five deposit sites. For each deposit site, obtain from management a listing of all cash collection locations maintained by the District.
9. Select a sample of one collection location for each deposit site provided in the listing obtained from management in SAUP #8. For each sample, obtain and inspect written policies and procedures related to employee job duties. Observe that job duties are properly segregated at each collection location such that:
 - a. Employees who are responsible for cash collections do not share cash drawers/registers.
 - b. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - c. Each employee responsible for collecting cash is not 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.
 - d. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
10. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
11. Select two deposit dates for each of the five bank accounts selected for SAUP #7 and obtain supporting documentation such that:
 - a. Observe that receipts are sequentially pre-numbered.

- b. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c. Trace the deposit slip total to the actual deposit per the bank statement.
- d. 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 or the deposit is less than \$100).
- e. Trace the actual deposit per the bank statement to the general ledger.

Not applicable for Year 2 testing cycle in accordance with guidance per SAUPs Fiscal Years beginning on or after January 1, 2024 issued October 31, 2024.

Nonpayroll Disbursements

- 12. Obtain from management a listing of all District disbursements for the reporting period and a listing of all employees involved with nonpayroll purchasing and payment functions.
- 13. Obtain written policies and procedures related to employee job duties and observe job duties are properly segregated such that:
 - a. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b. At least two employees are involved in processing and approving payments to vendors.
 - c. 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.
 - d. 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.
 - e. Only employees/officials authorized to sign checks approves the release of electronic reimbursements.
- 14. Select a sample of five disbursements, excluding credit cards and travel reimbursements, provided in the listing obtained from management in SAUP #12. Obtain supporting documentation for each transaction and:
 - a. Observe that the disbursement matched the related original invoice/billing statement.
 - b. Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under SAUP #13, as applicable.
- 15. Select a sample of five electronic disbursements and observe that the disbursement was approved by the appropriate personnel per the Hospital's policy.

Not applicable for Year 2 testing cycle in accordance with guidance per SAUPs Fiscal Years beginning on or after January 1, 2024 issued October 31, 2024.

Credit Cards

- 16. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards maintained by the District.

We obtained from management a list of all active credit cards, bank debit cards, fuel cards, and P-cards.

17. Select a sample of five cards used from the listing obtained from management in SAUP #16 during the reporting period. For each sample, obtain one monthly statement and reconciliation during the reporting period and:
 - a. Observe that there is evidence that the monthly statement and supporting documentation (e.g., original receipts for purchases, exception reports, etc.) were reviewed and approved in writing/electronically by someone other than the authorized card holder.

We reviewed monthly statements and supporting documentation related to credit card activity selected and noted all items were approved in accordance with written policy.
 - b. Observe that finance charges and/or late fees were not assessed on the selected statements.

We reviewed monthly statements and supporting documentation related to credit card activity selected and noted no finance charges or late fees were assessed on the selected statements.
18. Using the monthly statements obtained from management in SAUP #17, excluding fuel cards, select 10 transactions from each statement and obtain supporting documentation including:
 - a. An itemized receipt that identifies precisely what was purchased.
 - b. Written documentation of the business/public purpose.
 - c. Documentation of individuals participating in meals, if applicable.

We reviewed supporting documentation related to credit card activity selected and noted all items were properly documented as defined by LLA's SAUPs.

Travel and Expense Reimbursement

19. Obtain from management a listing of all travel and related expense reimbursements for the reporting period.
20. Select a sample of five reimbursements from the listing obtained from management in SAUP #19. For each sample, obtain the related expense reimbursement forms or prepaid expense documentation, as well as supporting documentation, and determine:
 - a. If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c. Observe that each reimbursement is supported by documentation for the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy.
 - d. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Not applicable for Year 2 testing cycle in accordance with guidance per SAUPs Fiscal Years beginning on or after January 1, 2024 issued October 31, 2024.

Contracts

21. Obtain from management a listing of all contracts in effect during the reporting period.

22. Select a sample of five contracts during the reporting period, excluding payments to practitioners, provided in the listing obtained from management in SAUP #21. Obtain the related contracts, paid invoices and:
 - a. Observe whether each contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b. Observe whether each contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
 - c. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment.
 - d. Select one payment from the reporting period for each of the five contracts selected, 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.

Not applicable for Year 2 testing cycle in accordance with guidance per SAUPs Fiscal Years beginning on or after January 1, 2024 issued October 31, 2024.

Payroll and Personnel

23. Obtain from management a listing of all employees employed during the reporting period. Select a sample of five employees, obtain their paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates within their personnel files.
24. Select one pay period during the reporting period and, for the five employees selected above in SAUP #23, obtain attendance leave records and leave documentation, and:
 - a. Observe that all selected employees documented their daily attendance and leave (e.g., vacation, sick, compensatory).
 - b. Observe that supervisors approved the attendance and leave of the selected employees.
 - c. Observe that any leave accrued or taken for those selected employees is reflected in the District's cumulative leave records.
 - d. Observe the rate paid to the employees agrees to the authorized salary/pay rate found within the personnel file.
25. Obtain from management a listing of all employees that received termination payments during the reporting period. Select a sample of two employees and obtain related documentation of the hours and pay rates used in termination payment calculations. Agree hours to the employees' cumulative leave records and agree pay rates to the employees' authorized pay rates per their personnel files.
26. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid and associated forms were submitted to the applicable agencies by the required deadlines.

Not applicable for Year 2 testing cycle in accordance with guidance per SAUPs Fiscal Years beginning on or after January 1, 2024 issued October 31, 2024.

Ethics

27. Using the sample of five employees from the listing provided in SAUP #23, obtain ethics compliance documentation from management and determine whether the District maintained documentation to demonstrate:
 - a. Each employee completed one hour of required ethics training during the reporting period.

- b. Each employee attested through signature verification that they have read the District's ethics policy during the reporting period.

We obtained and examined the District's ethics documentation for each of the requirements listed above and confirmed the inclusion of all necessary items as defined by LLA's SAUPs.

- 28. Inquire and/or observe whether the agency has appointed an ethics designee.

We confirmed with the Louisiana Ethics Administration Program that the District had appointed an ethics designee as of the reporting period ended June 30, 2025.

Debt Service

- 29. If debt was issued during the reporting period, obtain supporting documentation from the District and determine whether approval was obtained from the State Bond Commission.
- 30. If the District had outstanding debt during the reporting period, obtain from management a listing of all bonds/notes outstanding. 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.

Not applicable for Year 2 testing cycle in accordance with guidance per SAUPs Fiscal Years beginning on or after January 1, 2024 issued October 31, 2024.

Fraud Notice

- 31. Inquire of management whether the District had any misappropriations of public funds or assets during the reporting period. If applicable, review supporting documentation and determine whether the District reported the misappropriation to the legislative auditor and the District attorney of the parish in which the District is domiciled.
- 32. Observe whether the District has posted on its premises and website the notice required by R.S 24:523.1 related to the reporting of misappropriation, fraud, waste or abuse of public funds.

Not applicable for Year 2 testing cycle in accordance with guidance per SAUPs Fiscal Years beginning on or after January 1, 2024 issued October 31, 2024.

Information Technology Disaster Recovery/Business Continuity

- 33. Obtain and inspect the District's most recent documentation that it has backed up its critical data. Observe evidence that such back up occurred within the past week, was not maintained on local server/network, and was encrypted.
- 34. Obtain and inspect the District's most recent documentation that it has tested/verified that its backups can be restored. Confirm that the test/verification was successfully performed within the past three months.
- 35. Obtain a listing of the District's computers currently in use. Select a sample of five computers and observe 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.
- 36. Using the listing of terminated employees provided in SAUP #25, select five terminated employees and observe evidence that they have been removed or disabled from the network.
- 37. Using the listing of employees from payroll and personnel testing, obtain cybersecurity training documentation and determine that training occurred in accordance with R.S 42:1267.

Not applicable for Year 2 testing cycle in accordance with guidance per SAUPs Fiscal Years beginning on or after January 1, 2024 issued October 31, 2024.

Prevention of Sexual Harassment

38. Using the five employees selected above in SAUP #23, obtain sexual harassment training documentation demonstrating at least one hour of training during the calendar year.
39. Observe the District has posted its sexual harassment policy and complaint procedure on its website.
40. Obtain the District's annual sexual harassment report for the current fiscal period, confirm that it was dated on or before February 1, and observe it includes the following:
 - a. Number and percentage of public servants in the District who have completed the training requirements;
 - b. Number of sexual harassment complaints received by the District;
 - c. Number of complaints which resulted in a finding that sexual harassment occurred;
 - d. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - e. Amount of time it took to resolve each complaint.

Not applicable for Year 2 testing cycle in accordance with guidance per SAUPs Fiscal Years beginning on or after January 1, 2024 issued October 31, 2024.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those control and compliance 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.

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

HORNE LLP

Ridgeland, Mississippi
October 14, 2025