ST. TAMMANY PARISH HOSPITAL
SERVICE DISTRICT NO. 1

d/b/a ST. TAMMANY HEALTH SYSTEM

Financial Report

December 31, 2025 and 2024

Contents

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a ST. TAMMANY HEALTH SYSTEM

Management's Discussion and Analysis

This section of St. Tammany Parish Hospital Service District No. 1's (the System) annual financial report presents background information and our analysis of the System's financial performance during the fiscal year that ended on December 31, 2025. Please read it in conjunction with the financial statements in this report.

Overview of the Financial Statements

The financial statements contain the accounts of St. Tammany Parish Hospital Service District No. 1 of St. Tammany Parish, Louisiana (a nonprofit corporation created by Act 180 of the 1984 Louisiana Legislature, as amended). The governing authority of St. Tammany Parish Hospital Service District No. 1 is its Board of Commissioners. The St. Tammany Parish Council appoints members of the System's Board of Commissioners.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, St. Tammany Hospital Foundation (the Foundation) is presented as a discretely presented component unit on separate pages of the System's financial statements to emphasize that it is legally separate from the System. The Foundation is a not-for-profit organization supporting the System through fundraising. The Foundation is not included in the Management's Discussion and Analysis section but is included in greater detail in the financial statements and footnotes. In addition, St. Tammany Quality Network (STQN) and St. Tammany Physician Network (STPN) are presented as blended component units whose financial activity is included with the activities of the System.

This annual report consists of three components - the Management's Discussion and Analysis of Financial Condition and Operating Results (this section), the Independent Auditor's Report, and the financial statements. The financial statements report the financial position of the System and the results of its operations and its cash flows. The financial statements are prepared on the accrual basis of accounting. These statements offer short-term and long-term financial information about the System's activities.

The Statement of Net Position includes the System's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the System's creditors (liabilities) for both the current year and the prior year. It also provides the basis for evaluating the capital structure of the System and assessing the liquidity and financial flexibility of the System.

The current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the performance of the System's operations over the past two years and can be used to determine whether the System has been able to recover all of its costs through its patient service revenue and other revenue sources.

The primary purpose of the Statements of Cash Flows is to provide information about the System's cash from operations, investing, and financing activities. The cash flow statements outline where the cash comes from, what the cash is used for, and the change in the cash balance during the reporting period.

The annual report also includes notes to the financial statements that are essential to gain a full understanding of the data provided in the financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

Financial Highlights

The System's change in net position was an increase of $50.6M in 2025 and $60.1M in 2024. Net Position increased by 8.7% in 2025, compared to an 11.5% increase in 2024.

The assets of the System exceeded liabilities at the close of the 2025 fiscal year by $634.8M. Of that amount, $505.3M (unrestricted net position) was available to meet ongoing obligations to the System's patients and creditors, $8.2M was restricted for debt service and self-insured funding arrangements, $4.8M was restricted for capital projects, and $116.4M was the System's net investment in capital assets.

The assets of the System exceeded liabilities at the close of the 2024 fiscal year by $584.2M. Of that amount, $464.0M (unrestricted net position) was available to meet ongoing obligations to the System's patients and creditors, $7.1M was restricted for debt service and self-insured funding arrangements, $4.6M was restricted for capital projects, and $108.5M was the System's net investment in capital assets.

In 2025, net patient service revenue increased by $54.1M, or 10.8%, from 2024. The increase was primarily driven by higher volumes – including those generated by the opening of a 15-bed outpatient surgery center – and by additional supplemental payments received from the State of Louisiana related to the Medicaid program. Operating expenses increased by $72.9M, or 15.2%, in 2025. The increase in operating expenses was driven by volume as well as an increase in personnel costs influenced by market conditions. In total, the System's excess of revenues over expenses before capital contributions in 2025 decreased by approximately $10.0M when compared to 2024.

Financial Analysis of the System

The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the System's business activities. These two statements report the net position of the System and changes in them. Increases or improvements, as well as decreases or declines in the net position, are indicators of the financial position of the System. Other non-financial factors that should also be considered include changes in economic conditions, population growth (including uninsured and economically vulnerable), and new or changed government legislation.

Net Position

A summary of the System's Statements of Net Position is presented in the following table:

	December 31,		
	2025	2024	2023
	(Dollars in Thousands)		
Assets			
Current and other assets	**$ 588,130**	$ 547,480	$ 567,428
Capital assets	**394,642**	380,281	242,893
Total assets	**$ 982,772**	$ 927,761	$ 810,321
Liabilities			
Long-term debt outstanding	**$ 283,042**	$ 276,407	$ 221,826
Other liabilities	**64,975**	67,165	64,421
Total liabilities	**348,017**	343,572	286,247
Net position			
Net investment in capital assets	**116,395**	108,516	78,136
Restricted	**13,011**	11,694	9,151
Unrestricted	**505,349**	463,979	436,787
Total net position	**634,755**	584,189	524,074
Total liabilities and net position	**$ 982,772**	$ 927,761	$ 810,321

Summary of Revenues, Expenses, and Changes in Net Position

The following table presents a summary version of the System's historical revenues and expenses for the years ended December 31, 2025, 2024, and 2023:

	Years Ended December 31,		
	2025	2024	2023
	(Dollars in Thousands)		
Operating revenue			
Net patient service revenue net of provision for bad debts of $28,286 in 2025, $27,882 in 2024, and $23,894 in 2023	**$ 554,316**	$ 500,255	$ 462,886
Other operating revenue	**40,558**	32,788	26,235
Total operating revenue	**594,874**	533,043	489,121
Operating expenses			
Maintenance and operation expenses	**517,564**	451,078	419,630
Depreciation and amortization	**36,405**	29,994	27,552
Total operating expenses	**553,969**	481,072	447,182
Operating net income	**40,905**	51,971	41,939
Federal grants	**278**	1,251	6,359
Insurance proceeds	**-**	-	155
Investment income and gains and losses, net	**21,679**	15,785	14,980
Interest expense	**(13,858)**	(10,104)	(8,328)
Equity in net income of joint ventures	**1,093**	1,007	480
(Loss) Gain on disposal of capital assets	**(149)**	(9)	44
Excess of revenues over expenses before capital contributions	**49,948**	59,901	55,629
Capital contributions	**618**	214	668
Change in net position	**50,566**	60,115	56,297
Total net position - beginning of year	**584,189**	524,074	467,777
Total net position - end of year	**$ 634,755**	$ 584,189	$ 524,074

The information below summarizes the System's basic Statements of Revenues, Expenses, and Changes in Net Position for 2025 and 2024:

Operating Revenue

During fiscal years 2025 and 2024, the System derived approximately 93.2% and 93.8%, respectively, of its total operating revenues from Net Patient Service Revenues. Net Patient Service Revenues include revenues from the Medicare and Medicaid programs, patients, or their third-party carriers who pay for care in the System's facilities. Other operating revenues increased by approximately $7.8M or 23.7% primarily based on additional pharmacy revenues.

The following table represents the relative percentage of gross charges billed for patient services by payor for the fiscal years ended December 31, 2025 and 2024:

	December 31,	
	2025	2024
Medicare	**19%**	20%
Medicaid	**12%**	13%
Commercial Insurance/Managed Care	**32%**	31%
Medicare Advantage	**36%**	35%
Self-Pay	**1%**	1%
Total gross charges	**100%**	100%

Operating and Financial Performance

The highlights of the System's Statements of Revenues, Expenses, and Changes in Net Position from 2024 to 2025 include:

- During 2025, the System had admissions and patient days of 13,576 and 60,806, respectively. During 2024, the System had admissions of 13,280 and patient days of 59,832, respectively. There was a 2.2% increase in admissions and a 1.6% increase in patient days.
- Observation patient volume decreased by 118 patients, or 1.7%, in 2025. Net "Bedded Patients" (inpatient plus observation) went from 20,287 in 2024 to 20,465 in 2025, or a "Bedded Patient" increase of 178 admissions, or 0.9%.
- Outpatient visits (including Home Health, Hospice, and Physicians) were 306,776. This is an increase of 8.9% from prior year.
- Emergency room visits were 64,933, a decrease of 1.9% from fiscal year 2024.
- Physician Clinic visits were 174,004, an increase of 1.3% from fiscal year 2024. Specialty Clinic visits increased by 4.7% in 2025 primarily due to the expansion of services, notably the addition of Hand Care and OBGYN specialty services.

- Net patient service revenue increased $54.1M, or 10.8%, in 2025. The System continued to see growth in both inpatient and outpatient services. Surgical cases increased by 8.3% with the opening of a new outpatient surgery center, which features 12 operating rooms and 15 extended overnight stay beds.
- Employee compensation increased $30.1M, an increase of 11.4%. This increase was due to market influences as well as an increase in volume in existing and new service lines, including the new outpatient surgery center and specialty clinics for Hand Therapy and OBGYN services.
- Supplies and other expenses increased by $21.1M, or 13.4%, and were related to increases in volume.

The highlights of the System's Statements of Revenues, Expenses, and Changes in Net Position from 2023 to 2024 include:

- During 2024, the System had admissions and patient days of 13,280 and 59,832, respectively. During 2023, the System had admissions and patient days of 12,574 and 58,256, respectively. There was an increase of 5.6% in admissions and 2.7% in patient days.
- Observation patient volume increased by 378 patients, or 5.7%, in 2024. Net "Bedded Patients" (inpatient plus observation) went from 19,203 in 2023 to 20,287 in 2024, or a "Bedded Patient" increase of 1,084 admissions, or 5.6%.
- Outpatient visits (including Home Health, Hospice, and Physicians) were 281,576. This is an increase of 4.5% from prior year.
- Emergency room visits were 66,212, an increase of 1.5% from fiscal year 2023.
- Physician Clinic visits were 171,817, an increase of 10.6% from fiscal year 2023. Primary Care (including pediatrics) increased by 14.5% and Specialty Clinics increased by 6.4%. The increase is primarily due to the addition of primary care providers to support the opening of a new primary care clinic in North Covington. The North Covington Clinic was opened to serve patients North of Covington, as well as start a new Graduate Medical Education Program, which began in July 2024.
- Net patient service revenue increased $37.4M, or 8.1%, in 2024. The System continued to see growth in both inpatient and outpatient services.
- Employee compensation increased $15.2M, an increase of 6.1%. This increase is due to increased employment to address the increase in volume, market adjustments and retention payments for that area where labor shortages persisted. This increase was partially offset by a decrease in agency labor dollars of $2.7M.
- Supplies and other expenses increased by $16.4M, or 11.6%, and were related to increases in volume.

2025 Budget to Actual Comparison (in Thousands)

In comparing actual results of operations versus budgeted 2025 results, the following is noted:

	For the Year Ended December 31,		Variance
	Budget 2025	Actual 2025	Positive (Negative)
Operating revenues			
Net patient service revenue net of provision for bad debts of $33,375 budget and $28,286 actual	$ 537,936	$ 554,316	$ 16,380
Other operating revenue	26,681	40,558	13,877
Total revenues	564,617	594,874	30,257
Operating expenses			
Salaries, wages, and benefits	281,746	293,278	(11,532)
Supplies and other	173,238	178,881	(5,643)
Professional and contractual services	41,087	45,405	(4,318)
Depreciation and amortization	34,307	36,405	(2,098)
Total operating expenses	530,378	553,969	(23,591)
Non-operating income, net	1,306	9,043	7,737
Excess of revenues over expenses	$ 35,545	$ 49,948	$ 14,403

Cash Flows

Changes in the System's cash flows as illustrated in the Statements of Cash Flows appearing on pages 7 and 8 are generally consistent with changes in operating gains and non-operating revenues and expenses, as discussed earlier. Overall, cash and cash equivalents increased in 2025.

Capital Assets

The table below details the changes in the System's capital assets during the year ended December 31, 2025:

Capital Assets (in Thousands)

	December 31,		Dollar	Percent
	2025	2024	Change	Change
Land and improvements	**$ 35,441**	$ 34,839	$ 602	2%
Buildings	**271,139**	253,181	17,958	7%
Equipment	**207,463**	183,433	24,030	13%
Right-of-use assets	**167,180**	147,287	19,893	14%
Construction in progress	**7,429**	27,043	(19,614)	-73%
Subtotal	**688,652**	645,783	42,869	7%
Less: accumulated depreciation and amortization	**(294,010)**	(265,502)	(28,508)	11%
Capital assets, net	**$ 394,642**	$ 380,281	$ 14,361	4%

- Net Capital Assets increased by approximately $14.4M during 2025. Expenditures of $0.6M are related to enhancements in on-campus and offsite pedestrian safety. Expenditures of $18.0M are related to expansion and enhancement projects of physical buildings. Expenditures of $24M are related to replacement of routine equipment and enhancement of information systems.
- Net Capital Assets increased by approximately $84.7M during 2024. Expenditures of $11.1M are related to properties purchased to facilitate future campus growth. Expenditures of $18.8M are related to expansion and enhancement projects of the physical buildings. Expenditures of $9.7M are related to replacement of routine equipment and enhancement of information systems.

Debt Administration

Long-Term Debt, Leases, and Subscription-based IT-Arrangements (SBITA)

At December 31, 2025, the System had $150.0M in long-term debt and $133.0M in lease and SBITA liabilities. These liabilities represent 81.3% of the System's total liabilities as of year-end. At December 31, 2024, the System had $157.6M in long-term debt and $118.8M in total lease and SBITA liabilities, representing 80.4% of the System's total liabilities as of year-end.

The financial statements include right-of-use assets of $167.2M and $147.3M and total lease and SBITA liabilities of $133.0M and $118.8M for the years ending December 31, 2025 and 2024, respectively. The increase of $19.9M in right-of-use assets was primarily a result of the extension of the lease in the medical office building adjacent to the System's main campus. The space will house a new outpatient cardiology center, which will include two cardiac catheterization labs, two invasive and non-invasive cardiology procedure rooms, and four diagnostic testing rooms.

Economic Factors and Next Year's Budget

The System's Board and Management considered many factors when setting the fiscal year 2025 budget. Of primary importance in setting the 2025 budget is the status of the economy, which takes into account market forces and environmental factors such as:

- Medicare reimbursement changes and reductions
- Regulatory changes brought about by changes in political environment
- Cost of supplies and drugs
- Technological advances
- Continued focus on labor management
- Continued growth of service lines, including expansion of services performed within the outpatient surgery center and outpatient cardiology center (opening Q1 2026)

Contacting the System's Financial Manager

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the System's finances. If you have any questions about this report or need additional financial information, please contact the Chief Financial Officer, St. Tammany Health System, 1202 S. Tyler Street, Covington, Louisiana 70433.

MAULDIN & JENKINS
CPAs & ADVISORS

Independent Auditor's Report

To the Board of Commissioners
St. Tammany Parish Hospital Service District No. 1
d/b/a St. Tammany Health System
St. Tammany Parish, Louisiana

Report on Audits of Financial Statements

Opinions
We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of St. Tammany Parish Hospital Service District No. 1 d/b/a St. Tammany Health System (the System), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the System as of December 31, 2025, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of St. Tammany Hospital Foundation were not audited in accordance with *Government Auditing Standards*.

Other Matter
The financial statements of the System, as of and for the year ended December 31, 2024, were audited by other auditors, whose report, dated April 16, 2025, expressed an unmodified opinion on those statements.

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System'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 System's ability to continue as a going concern for a reasonable period of time.

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

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2026, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Metairie, LA
April 21, 2026

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a ST. TAMMANY HEALTH SYSTEM
Statements of Net Position
December 31, 2025 and 2024 (In Thousands)

	2025	2024
Assets		
Current assets		
Cash and cash equivalents	**$ 115,045**	$ 112,766
Investments	**203,998**	194,243
Patient accounts receivable, net of allowance for doubtful accounts of $34,351 in 2025 and $28,937 in 2024	**44,589**	40,139
Settlements due from Medicare and Medicaid intermediaries	**9,856**	-
Inventories	**10,988**	10,112
Prepaid expenses and other receivables	**13,644**	14,415
Total current assets	**398,120**	371,675
Noncurrent cash and investments		
Held by trustee under Construction Fund	**4,795**	4,642
Held by trustee under bond indenture	**6,466**	6,477
Designated by board for capital improvements and facility enhancements	**153,615**	138,798
Held by others for self-insured funding arrangements	**1,750**	575
Total noncurrent cash and investments	**166,626**	150,492
Capital assets		
Land and improvements	**35,441**	34,839
Buildings	**271,139**	253,181
Equipment	**207,463**	183,433
Right-of-use assets	**167,180**	147,287
Construction in progress	**7,429**	27,043
Less: accumulated depreciation and amortization	**(294,010)**	(265,502)
Total capital assets, net	**394,642**	380,281
Other assets	**23,384**	25,313
Total assets	**$ 982,772**	$ 927,761

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

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a ST. TAMMANY HEALTH SYSTEM
Statements of Net Position (Continued)
December 31, 2025 and 2024 (In Thousands)

	2025	2024
Liabilities and net position		
Current liabilities		
Accounts payable and accrued expenses	**$ 41,005**	$ 38,793
Accrued employee compensation	**15,864**	15,852
Accrued vacation	**6,227**	5,483
Settlements due to Medicare and Medicaid intermediaries	**1,879**	7,037
Lease liabilities - current	**4,996**	3,929
SBITA liabilities - current	**4,666**	3,236
Amounts due within one year on long-term debt	**7,658**	7,593
Total current liabilities	**82,295**	81,923
Lease liabilities - long-term	**93,992**	81,432
SBITA liabilities - long-term	**29,351**	30,179
Long-term debt, net of current maturities	**142,379**	150,038
Total liabilities	**348,017**	343,572
Net position		
Net investment in capital assets	**116,395**	108,516
Restricted for debt service	**6,466**	6,477
Restricted for capital projects	**4,795**	4,642
Restricted for self-insured funding arrangements	**1,750**	575
Unrestricted	**505,349**	463,979
Total net position	**634,755**	584,189
Total liabilities and net position	**$ 982,772**	$ 927,761

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

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a ST. TAMMANY HEALTH SYSTEM
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2025 and 2024 (In Thousands)

	2025	2024
Operating revenues		
Net patient service revenue, net of provision for bad debts of $28,286 in 2025 and $27,882 in 2024	**$ 554,316**	$ 500,255
Other revenue	**40,558**	32,788
Total operating revenues	**594,874**	533,043
Operating expenses		
Salaries, wages, and benefits	**293,278**	263,207
Supplies and other	**178,881**	157,806
Professional and contractual services	**45,405**	30,065
Depreciation and amortization	**36,405**	29,994
Total operating expenses	**553,969**	481,072
Income from operations	**40,905**	51,971
Non-operating revenues (expenses)		
Federal grants	**278**	1,251
Investment income or loss, net	**21,679**	15,785
Interest expense	**(13,858)**	(10,104)
Equity in net income from joint ventures	**1,093**	1,007
Loss on disposal of capital assets	**(149)**	(9)
Total non-operating revenues, net	**9,043**	7,930
Excess of revenues over expenses before capital contributions	**49,948**	59,901
Capital contributions	**618**	214
Change in net position	**50,566**	60,115
Net position, beginning of year	**584,189**	524,074
Net position, end of year	**$ 634,755**	$ 584,189

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

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a ST. TAMMANY HEALTH SYSTEM
Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024 (In Thousands)

	2025	2024
Cash flows from operating activities		
Cash received from patient services	**$ 577,862**	$ 531,924
Cash paid to or on behalf of employees	**(296,463)**	(270,253)
Cash paid for supplies and services	**(219,295)**	(184,175)
Net cash provided by operating activities	**62,104**	77,496
Cash flows from capital and related financing activities		
Capital contributions	**618**	214
Purchase of capital assets	**(27,056)**	(42,881)
Payments on lease liabilities	**(4,788)**	(4,275)
Payments on SBITA liabilities	**(4,578)**	(5,079)
Principal payments on long-term debt	**(7,594)**	(7,634)
Interest payments	**(13,858)**	(10,104)
Net cash used in capital and related financing activities	**(57,256)**	(69,759)
Cash flows from non-capital and related financing activities		
Federal grants	**278**	1,251
Net cash provided by non-capital and related financing activities	**278**	1,251
Cash flows from investing activities		
Net distribution from joint ventures	**1,363**	1,363
Purchases of investments and noncurrent cash equivalents	**(105,570)**	(106,566)
Sales of investments and noncurrent cash equivalents	**87,666**	64,996
Investment income received	**13,836**	15,785
Net cash used in investing activities	**(2,705)**	(24,422)
Increase (decrease) in cash and cash equivalents	**2,421**	(15,434)
Cash and cash equivalents, including noncurrent cash and cash equivalents		
Beginning of year	**123,885**	139,319
End of year	**$ 126,306**	$ 123,885
Non-cash capital and related financing activities		
Recognition of right-of-use assets and liabilities	**$ 23,595**	$ 71,199
Reconciliation of current and noncurrent cash and cash equivalents		
Current cash and cash equivalents	**$ 115,045**	$ 112,766
Noncurrent cash and cash equivalents	**11,261**	11,119
Total current and noncurrent cash and cash equivalents	**$ 126,306**	$ 123,885

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

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a ST. TAMMANY HEALTH SYSTEM
Statements of Cash Flows (Continued)
For the Years Ended December 31, 2025 and 2024 (In Thousands)

	2025	2024
Reconciliation of income from operations to net cash provided by operating activities		
Income from operations	**$ 40,905**	$ 51,971
Adjustments to reconcile income from operations to net cash provided by operating activities		
Provision for bad debts	**28,286**	27,882
Depreciation and amortization	**36,405**	29,994
Changes in operating assets and liabilities		
Patient accounts receivable	**(32,736)**	(28,260)
Inventories, prepaid expenses, and other receivables	**(105)**	(4,451)
Other assets	**1,395**	(2,384)
Accounts payable and accrued expenses	**2,212**	10,531
Accrued employee compensation and vacation	**756**	(7,046)
Net settlements due to Medicare and Medicaid intermediaries	**(15,014)**	(741)
Net cash provided by operating activities	**$ 62,104**	$ 77,496

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

ST. TAMMANY HOSPITAL FOUNDATION
A Discretely Presented Component Unit of
St. Tammany Parish Hospital Service District No. 1
Statements of Financial Position
December 31, 2025 and 2024

	2025	2024
Assets		
Cash and Cash Equivalents	**$ 996,063**	$ 1,431,331
Certificates of Deposit	**6,208,492**	5,923,668
Interest Receivable	**24,446**	23,491
Pledges Receivable, Net of Allowance of $5,796 as of December 31, 2025 and 2024	**14,774**	70,342
Other Receivables	**30**	40
Other Assets	**358,340**	358,340
Restricted Cash - Donor Endowment Funds	**284,692**	278,735
Total Assets	**$ 7,886,837**	$ 8,085,947
Liabilities and Net Assets		
Liabilities		
Annuities Payable	**$ 14,031**	$ 16,698
Total Liabilities	**14,031**	16,698
Net Assets		
Without Donor Restrictions		
Undesignated	**598,338**	454,459
Designated by the Board for Endowment	**2,908,292**	2,816,803
With Donor Restrictions		
Purpose Restrictions	**4,099,879**	4,531,339
Perpetual in Nature	**266,297**	266,648
Total Net Assets	**7,872,806**	8,069,249
Total Liabilities and Net Assets	**$ 7,886,837**	$ 8,085,947

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

ST. TAMMANY HOSPITAL FOUNDATION
A Discretely Presented Component Unit of
St. Tammany Parish Hospital Service District No. 1
Statement of Activities
For the Year Ended December 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Contributions	$ 41,256	$ 128,419	$ 169,675
Investment Return, Net	322,957	-	322,957
Change in Value of Split-Interest Agreements	(2,316)	(351)	(2,667)
Net Assets Released from Restrictions	559,879	(559,879)	-
Total Revenues, Gains, and Other Support	921,776	(431,811)	489,965
Expenses			
Program Services			
Contributions Awarded/Distributed	686,408	-	686,408
Total Expenses	686,408	-	686,408
Change in Net Assets	235,368	(431,811)	(196,443)
Net Assets, Beginning of Year	3,271,262	4,797,987	8,069,249
Net Assets, End of Year	$ 3,506,630	$ 4,366,176	$ 7,872,806

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

ST. TAMMANY HOSPITAL FOUNDATION
A Discretely Presented Component Unit of
St. Tammany Parish Hospital Service District No. 1
Statement of Activities
For the Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Contributions	$ 42,629	$ 630,619	$ 673,248
Investment Return, Net	356,097	-	356,097
Change in Value of Split-Interest Agreements	(853)	(106)	(959)
Net Assets Released from Restrictions	680,356	(680,356)	-
Total Revenues, Gains, and Other Support	1,078,229	(49,843)	1,028,386
Expenses			
Program Services			
Contributions Awarded/Distributed	742,638	-	742,638
Total Expenses	742,638	-	742,638
Change in Net Assets	335,591	(49,843)	285,748
Net Assets, Beginning of Year	2,935,671	4,847,830	7,783,501
Net Assets, End of Year	$ 3,271,262	$ 4,797,987	$ 8,069,249

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

ST. TAMMANY HOSPITAL FOUNDATION
A Discretely Presented Component Unit of
St. Tammany Parish Hospital Service District No. 1
Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Change in Net Assets	**$ (196,443)**	$ 285,748
Adjustments to Reconcile Change in Net Assets to		
Net Cash (Used in) Provided by Operating Activities		
Unrealized and Realized (Gains) Losses, Net	**(79,075)**	(158,305)
(Increase) Decrease in:		
Pledges Receivable	**55,568**	13,571
Interest Receivable	**(955)**	(3,171)
Other Receivables	**10**	47
Other Assets	**-**	100
Increase (Decrease) in:		
Annuities Payable	**458**	(2,109)
Net Cash (Used in) Provided by Operating Activities	**(220,437)**	135,881
Cash Flows from Investing Activities		
Purchases of Marketable Securities	**(205,749)**	(435,234)
Net Cash Used in Investing Activities	**(205,749)**	(435,234)
Cash Flows from Financing Activities		
Beneficiary Distributions for Gift Annuities	**(3,125)**	(3,125)
Net Cash Used in Financing Activities	**(3,125)**	(3,125)
Net Change in Cash and Cash Equivalents and Restricted Cash	**(429,311)**	(302,478)
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	**1,710,066**	2,012,544
Cash and Cash Equivalents and Restricted Cash, End of Year	**$ 1,280,755**	$ 1,710,066
Reconciliation of Cash and Cash Equivalents and Restricted Cash		
Cash and Cash Equivalents	**$ 996,063**	$ 1,431,331
Restricted Cash - Donor Endowment Funds	**284,692**	278,735
Total Cash and Cash Equivalents and Restricted Cash	**$ 1,280,755**	$ 1,710,066

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

Note 1. Organization and Summary of Significant Accounting Policies

Nature of Business

St. Tammany Health System (the System) is owned and operated by St. Tammany Parish Hospital Service District No. 1 (the District), a Louisiana hospital service district and political subdivision created by Act 180 of the 1984 Regular Session and codified at La. R.S. 46:1064, of St. Tammany Parish (a nonprofit corporation organized by the St. Tammany Parish Police Jury under provisions of Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950). As a body corporate and a political subdivision of the State, the District's operations are an integral part of the Parish. Accordingly, the District is exempt from federal income taxes. The governing authority is the System's Board of Commissioners, appointed by the St. Tammany Parish Council.

The financial statements of the District include the System and blended component units, which are St. Tammany Quality Network (STQN) and St. Tammany Physician Network (STPN). STQN and STPN are wholly-owned by the System and not exempt from federal taxation. No income taxes were owed or paid for the years ended December 31, 2025 and 2024. The System and its blended component units provide primary and secondary health care services through the operation of an acute care hospital, clinics, and other comprehensive health care programs. Patients are primarily from St. Tammany Parish.

STQN was formed January 10, 2013. The Operating Agreement of STQN provides that: (i) STQN was formed to clinically integrate with the System to provide quality, cost-effective health care to the area and community that the STQN and the System serve; (ii) the System has joined STQN as a Class B member; and (iii) the System's capital contribution is $50,000.

STPN was formed in 1993 to employ primary care physicians. STPN had no activity in 2025 and 2024.See Note 17 for further discussion on the financials of each blended component unit.

Beginning on January 1, 2022, the System started participating in the Ochsner Accountable Care Network (OACN).

St. Tammany Hospital Foundation (the Foundation) is a legally separate, tax exempt, discretely presented component unit of the District. The Foundation was formed to, among other things, sustain the healing work of the physicians and staff of the System. The Board of the Foundation is self-perpetuating and consists primarily of citizens of St. Tammany Parish. Although the System does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds are contributed to the System. Because these resources held by the Foundation have historically been for the benefit of the System and these resources have grown in significance, the Foundation is considered a component unit of the District and is discretely presented in these financial statements.

Individual financial statements can be obtained from the Foundation's office at 1202 South Tyler Street, Covington, Louisiana 70433. See Note 10 for further details.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Summary of Significant Accounting Policies

Basis of Presentation: The financial statements include all funds of the above-mentioned entities. The System does not have any other component units, agencies, or organizations for which it is financially accountable under criteria set forth by the Governmental Accounting Standards Board (GASB), other than the Foundation which is discretely presented in these financial statements.

The Foundation reports information regarding its financial position and activities based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows: net assets without donor restrictions and net assets with donor restrictions.

Accounting Standards: The System follows GASB Statement No. 62 (GASB 62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) Pronouncements*. GASB 62 incorporates into GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: *FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the AICPA Committee on Accounting Procedures.*

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. As such, certain accounting criteria and financial statement presentation feature modifications differ from GASB requirements. No modifications have been made to the Foundation's financial information in the System's financial reporting entity for these differences.

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

Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in estimates and assumptions in the near-term would be material to the financial statements. Estimates that are particularly susceptible to significant changes in the near-term and which require significant judgments by management include the allowances for doubtful accounts and contractual adjustments, third-party payor settlements, liabilities for self-insurance and workers' compensation.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents: Cash and cash equivalents include investments in highly liquid debt instruments, certificates of deposit, and money market accounts with an original maturity of three months or less when purchased and exclude amounts whose use is limited by board designation or under bond requirements.

Investments: Investments include investments in certificates of deposit, U.S. Government and federal agency securities, and external investment pools and are stated at fair market value. Interest, dividends, and gains and losses, both realized and unrealized, on investments are included in non-operating revenue when earned.

Inventories: Inventories are valued at the most recent invoice price. This method approximates the lower of cost (first-in, first-out method) or market.

Prepaid Expenses: Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid expenses and are accounted for on the consumption method, which is principally over the term of the expected benefit.

Capital Assets: The System's capitalization policy requires the recording at acquisition cost (or fair value at the date of donation, if donated) of individual long-lived assets in excess of $1,000. The policy provides for depreciation using the straight-line method in amounts sufficient to amortize the cost of its assets over their estimated useful lives. Estimated useful lives for buildings are 15 to 40 years and 3 to 25 years for equipment.

Leases: The System follows GASB Statement No. 87, *Leases*, to account for leases. This policy is based on the principle that leases are financings of the right-to-use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset.

The System determines if an arrangement is a lease at inception of the contract. Right-of-use assets represent the right to use the underlying assets for the lease term, and lease liabilities represent the obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The System uses its estimated incremental borrowing rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments.

In accordance with GASB 87, the System does not record right-of-use assets and lease liabilities on leases with an initial term of 12 months or less.

The System's real estate leases may include one or more options to renew, with renewals extending the lease term for multiple years. The exercise of lease renewal options is at the System's sole discretion. In general, the System does not consider it reasonably likely that renewal options will be exercised; therefore, renewal options are generally not recognized as part of right-of-use assets and lease liabilities.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Summary of Significant Accounting Policies (Continued)

Leases (Continued): Certain of the System's lease agreements for real estate include rental payments adjusted periodically for inflation. These variable lease adjustments are recognized in supplies and other expenses, but are not included in the right-of-use asset or liability balances. Variable lease adjustments were not significant in the years ending December 31, 2025 and 2024. The System's lease agreements do not contain any material residual value guarantees, restrictions, or covenants.

Subscriptions: The System follows GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA),* to account for its IT subscription services. The SBITA assets are initially measured at an amount equal to the related SBITA liability plus payments associated with the SBITA contract made to the SBITA vendor at the commencement of subscription term, if applicable and capitalizable initial implementation costs less any SBITA vendor incentives received from SBITA vendor at the commencement of subscription term.

A SBITA asset is amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets. The amortization of the SBITA asset is reported as an outflow of resources (for example, amortization expense), which may be combined with depreciation expense related to other capital assets for financial reporting purposes. Amortization should begin at the commencement of the subscription term.

Employee Benefit Plans: The System provides retirement and deferred compensation benefits through a noncontributory defined contribution plan, voluntary tax-sheltered plans, and a Community Emergency Services Plan (CESP) for certain independent contractors. Employer contributions to the defined contribution plan are recognized as retirement expense - included within salaries, wages, and benefits - in the period the employees provide the related services. Expenses for independent contractors related to the CESP are included in professional fees. We recognize forfeitures of unvested employer contributions as a reduction to benefit expense in the period the forfeiture occurs. Further details regarding plan provisions, funding requirements, and financial activity are disclosed in Note 9.

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

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Summary of Significant Accounting Policies (Continued)

Net Position(Continued): These classifications are defined as follows:

Net Investment in Capital Assets: This component of net position consists of the historical cost of capital assets, including any restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets, plus deferred outflows of resources less deferred inflows of resources related to those assets.

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

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

Operating Revenues and Expenses: The System's statements of revenues, expenses, and changes in net position distinguish between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the System's principal activity. Non-exchange revenues are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Net Patient Service Revenue and Related Receivables: Net patient service revenue and the related accounts receivable are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. The System provides care to patients even though they may lack adequate insurance or may be covered under contractual arrangements that do not pay full charges. As a result, the System is exposed to certain credit risk. The System manages such risk by regularly reviewing its accounts and contracts, and by providing appropriate allowances.

Patient Receivables: Patient receivables, where a third-party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the services provided, less an estimate made for contractual adjustments or discounts provided to third-party payors, less an estimated allowance for doubtful accounts.

Patient receivables due directly from the patients, net of any third-party payor responsibility, are carried at the original charge for the service provided less an estimated allowance for doubtful accounts.

Management determines the allowance for doubtful accounts by identifying delinquent accounts and applying a reserve percentage based on historical experience and current expectations for the collectability of aged accounts. The System does not charge interest on patient receivables.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Summary of Significant Accounting Policies (Continued)

Patient Receivables (Continued): When specific accounts are deemed uncollectible, they are written off against the allowance. Periodic adjustments to the reserve are recognized as bad debt expense, which is a component of net patient service revenue.

Medicare and Medicaid Reimbursement Programs: The System is reimbursed under the Medicare Prospective Payment System (PPS) for acute care inpatient services provided to Medicare beneficiaries and is paid a predetermined amount for these services based, for the most part, on the MS-Diagnosis Related Group (MS-DRG) assigned to level of patient care.

Home health services rendered to Medicare beneficiaries are reimbursed under a per-episode prospective payment system. Outpatient services rendered to Medicare beneficiaries are reimbursed by the Outpatient Prospective Payment System (OPPS), which establishes a number of Ambulatory Payment Classifications (APC) for outpatient procedures in which the System is paid a predetermined amount per procedure.

During 2013, the State of Louisiana (the State) outsourced part of the Medicaid program to third parties. The System entered into contracts with the various Managed Medicaid providers. These contracts reimburse the System using the same methodology of the state-run program. In all cases, the System is paid a prospective per diem rate for Medicaid and Managed Medicaid inpatients. The per diem rate is based on a peer grouping methodology, which assigns a per diem rate to each hospital in the peer group.

Medicaid outpatient services are reimbursed based on cost reimbursement and fee schedule limitations. The cost-based rates are subject to retroactive adjustments. Both Medicare and Medicaid outpatient clinical lab and Medicaid ambulatory surgery services are reimbursed based upon the respective fee schedules.

Retroactive cost settlements based upon annual cost reports are estimated for those programs subject to retroactive settlement and recorded in the financial statements. Final determination of retroactive cost settlements to be received under the Medicare and Medicaid regulations is subject to review by program representatives. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered, and adjusted in a future period as final settlements are determined or determinable. Retroactive adjustments to estimated settlements in 2025 and 2024 were not significant.

Grants and Contributions: From time to time, the System receives grants from the State, as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Summary of Significant Accounting Policies (Continued)

Grants and Contributions (Continued): Grants unrestricted as to their use or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported as capital contributions on the statements of revenues, expenses, and changes in net position.

The Foundation reports contributed support either as increases in net assets without donor restrictions or as increases in net assets with donor restrictions.

Foundation contributions that are restricted by the donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Donated Assets: Donated marketable securities and other non-cash donations are recorded as contributions at their fair value at the date of donation.

Federal Grants: Non-exchange grants are recognized as non-operating revenue in the statements of revenues, expenses, and changes in net position. For the years ended December 31, 2025 and 2024, the System received funding from government agencies in the amount of $278,000 and $1,251,000, respectively.

Restricted Resources: When the System has both restricted and unrestricted resources available to finance a particular program, it is the System's policy to use restricted resources before unrestricted resources.

Charity Care: The System 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 System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The System maintains records to identify and monitor the level of charity care it provides to all of its qualifying patients. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. The System provided charity care of $7,357,000 and $6,798,000 for the years ended December 31, 2025 and 2024, respectively, based upon charges foregone using established rates.

Employee Health and Workers' Compensation Insurance: The System is self-insured for hospitalization and workers' compensation claims. Estimated amounts for claims incurred but not reported are calculated based on claims experience and, together with unpaid claims, are included in accrued employee compensation and accounts payable and accrued expenses, respectively, on the statements of net position.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Principles - Adopted: GASB Statement No. 102 - *Certain Risk Disclosures*: The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints and enhance transparency by requiring disclosures about these risks. The requirements of this statement are effective for reporting periods beginning after June 15, 2024. GASB 102, was implemented effective January 1, 2025, with no impact on the financial statements.

Recently Issued Accounting Principles - Not Yet Adopted: GASB Statement No. 103, *Financial Reporting Model Improvements*: The objective of this statement is to enhance the effectiveness of financial reporting by updating requirements for the MD&A, proprietary fund statements, and the reporting of unusual or infrequent items. These requirements are effective for the System's fiscal year ending December 31, 2026. Management is currently evaluating the impact of this Statement on its financial statements.

Reclassifications: Certain reclassifications have been made to prior year balances to conform to the current year presentation.

Subsequent Events: Management has evaluated subsequent events through April 21, 2026, the date the financial statements were available to be issued, and determined that the following events occurred that require disclosure:

- Subsequent to December 31, 2025, the System collected approximately $22,500,000 in gross Medicaid Directed Payments related to the 2025 fiscal year. As of December 31, 2025, a receivable of $9,856,000 is recorded within Settlements due from Medicare and Medicaid intermediaries. This balance reflects management's estimate of the net realizable amount after considering all program-related obligations, contractual adjustments, and historical cost report activity.

- On March 10, 2026, the System authorized the issuance of up to $90,000,000 in qualified 501(c)(3) Hospital Revenue and Refunding Revenue Bonds (Series 2026) to fund capital expenditures, including new facility construction and improvements, and to refund the outstanding Series 2016 Bonds. As of the date these financial statements were available to be issued, the bond issuance process is ongoing, and the final principal amount, interest rates, and pricing have not yet been determined.

- On January 14, 2026, the System entered into a construction contract in the amount of $29,469,000 for a new parking garage.

No further events occurring after April 21, 2026 have been evaluated for inclusion in these financial statements.

Note 2. Cash and Cash Equivalents and Investments

A. System

Louisiana statutes require that all of the System's deposits be protected by insurance or collateral. The market value of collateral pledged must equal at least 100% of the deposits not covered by insurance. As of December 31, 2025 and 2024, the System's bank balances (including cash and certificates of deposit) were entirely insured or collateralized by investments held by the System's third-party agent in the System's name. The System's investments are generally reported at fair value, as discussed in Note 1.

At December 31, 2025 and 2024, the System had the following investments and maturities, all of which were held in the System's name by a custodial bank or trust that is an agent of the System:

		Investment Maturities (in Years)		
December 31, 2025 Investment Type	**Carrying Amount**	**Less Than 1**	**1 - 5**	**>5**
		(in thousands)		
U.S. government security	**$ 110,192**	**$ 20,292**	**$ 81,706**	**$ 8,194**
U.S. agency obligation	**218,096**	**41,023**	**146,968**	**30,105**
Municipal obligation	**880**	**255**	**625**	**-**
Certificates of deposit	**30,195**	**30,195**	**-**	**-**
Total	**$ 359,363**	**$ 91,765**	**$ 229,299**	**$ 38,299**

		Investment Maturities (in Years)		
December 31, 2024 Investment Type	Carrying Amount	Less Than 1	1 - 5	>5
		(in thousands)		
U.S. government security	$ 78,688	$ 5,090	$ 62,478	$ 11,120
U.S. agency obligation	224,260	53,458	150,049	20,753
Municipal obligation	1,836	1,326	510	-
Corporate security	272	272	-	-
Certificates of deposit	28,560	28,560	-	-
Total	$ 333,616	$ 88,706	$ 213,037	$ 31,873

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

A. System (Continued)

Credit Risk: The System may invest idle funds as authorized by Louisiana Revised Statutes, as follows:

a. Direct United States Treasury obligations, the principal and interest of which are fully guaranteed by the government of the United States.

b. United States government agency obligations, the principal, and interest of which are fully guaranteed by the government of the United States, or United States government obligations.

c. Time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana.

d. Mutual or trust funds, which are registered with the Securities and Exchange Commission under the Securities Act of 1933, and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies.

Disclosures Relating to Credit Risk: As of December 31, 2025, the System's investments were rated A or higher by Standard and Poor's and Fitch Ratings and by Moody's Investor Services with the exception of the System's investments in Federal Agricultural Mortgage Corporation (FAMC) securities which are unrated.

Concentration of Credit Risk: The System places no limit on the amount it may invest in any one issuer. Issuers comprising five percent or more of the System's investments at December 31, 2025 and 2024 were as follows:

Issuer	**2025**	2024
U.S. Treasury	**33%**	25%
Federal Farm Credit Bureau	**25%**	22%
Federal Home Loan Bank	**24%**	27%
Federal National Mortgage Association	**11%**	12%
Federal Home Loan Mortgage Corporation	**4%**	6%

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

A. System (Continued)

The fair values of deposits and investments included in the System's statements of net position as of December 31, 2025 and 2024 are as follows (in thousands):

	2025	2024
December 31, 2025		
Deposits	**$ 126,306**	$ 123,885
Investments	**359,363**	333,616
Total deposits and investments	**$ 485,669**	$ 457,501
Included in the following captions		
Current assets		
Cash and cash equivalents	**$ 115,045**	$ 112,766
Investments	**203,998**	194,243
Noncurrent cash and investments		
Held by trustee under Construction Fund	**4,795**	4,642
Held by trustee under bond indenture	**6,466**	6,477
Designated by board for capital improvements and facility enhancements	**153,615**	138,798
Held by others for professional and other liability claims	**1,750**	575
Total deposits and investments	**$ 485,669**	$ 457,501

Noncurrent cash and investments include amounts with limitations and internal designations concerning their expenditure.

Under its revenue bond agreements, the System maintains certain trustee-held accounts. This includes a Debt Service Reserve Fund for the Series 2018A and 2018B bonds to cover principal and interest if available funds are insufficient. Bondholders hold a prior lien on these funds.

Funds held by others for professional and other liability claims consist primarily of certificates of deposit held as collateral for the System's self-insured workers' compensation claims.

A portion of the unrestricted net position has been designated by the System's Board of Commissioners for capital improvements and facility enhancements. These designated funds are reflected as a component of noncurrent cash and investments.

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

B. Foundation

At December 31, 2025 and 2024, the Foundation's investments consisted of certificates of deposit. Market risk is dependent on the future changes in market prices of the various investments held.

Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited at any one institution. The Foundation has not experienced any losses on its cash investments. The Foundation's investments do not represent significant concentrations of market risk inasmuch as the Foundation's investment portfolio is adequately diversified among issuers, industries, and geographic regions.

C. Fair Value Measurement

The System's and Foundation's investments measured and reported at fair value are classified according to the following hierarchy:

- Level 1 - Investments reflect prices quoted in active markets.
- Level 2 - Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 - Investments reflect prices based upon unobservable sources.

Debt, equities, and investment derivatives classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor.

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

C. Fair Value Measurement (Continued)

The following tables set forth by level, within the fair value hierarchy, the System's assets at fair value as of December 31, 2025 and 2024:

	December 31, 2025	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(in thousands)		
Investments by fair value level				
Debt securities				
U.S. government security	**$ 110,192**	**$ 110,191**	**$ -**	**$ -**
U.S. agency obligation	**218,096**	**34,702**	**183,395**	**-**
Municipal obligations	**880**	**130**	**750**	**-**
Total investments by fair value level	**329,168**	**$ 145,023**	**$ 184,145**	**$ -**
Certificates of deposit (Measured at Amortized Cost)	**30,195**			
Total Investments at Fair Value	**$ 359,363**			

	December 31, 2024	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(in thousands)		
Investments by fair value level				
Debt securities				
U.S. government security	$ 78,688	$ 78,688	$ -	$ -
U.S. agency obligation	224,260	50,854	173,406	-
Corporate security	272	272	-	-
Municipal obligations	1,836	375	1,461	-
Total investments by fair value level	305,056	$ 130,189	$ 174,867	$ -
Certificates of deposit (Measured at Amortized Cost)	28,560			
Total Investments at Fair Value	$ 333,616			

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

C. Fair Value Measurement (Continued)

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2025 and 2024:

		Fair Value Measurements at Reporting Date Using:		
December 31, 2025	**Fair Value**	**Markets for Identical Assets/Liabilities (Level 1)**	**Significant Other Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
		(in thousands)		
Investments				
Certificate of deposit	**$ 4,943**	**$ -**	**$ 4,943**	**$ -**
United States Treasuries	**1,265**	**1,265**	**-**	**-**
Total	**$ 6,208**	**$ 1,265**	**$ 4,943**	**$ -**

		Fair Value Measurements at Reporting Date Using:		
December 31, 2024	Fair Value	Markets for Identical Assets/Liabilities (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(in thousands)		
Investments				
Certificate of deposit	$ 4,676	$ -	$ 4,676	$ -
United States Treasuries	1,248	1,248	-	-
Total	$ 5,924	$ 1,248	$ 4,676	$ -

Note 3. Third-Party Payor Arrangements

The System participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. During the years ended December 31, 2025 and 2024, approximately 27% of the System's net patient service charges were furnished to Medicare and Medicaid program beneficiaries. Revenue derived from the Medicare program is subject to audit and adjustment by the fiscal intermediary and must be accepted by the Louisiana Department of Health (LDH) before settlement amounts become final.

Revenue derived from the Medicaid program is subject to audit and adjustment by the fiscal intermediary and must be accepted by the Louisiana Department of Health (LDH) before those settlement amounts become final. The System's Medicare cost reports have been audited by the Medicare fiscal intermediary through December 31, 2023.

The System's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through December 31, 2019.

The following table summarizes the net third-party payor settlement revenue recognized during the years ended December 31, 2025 and 2024:

	2025	2024
Estimated settlements relating to current year services	**$ (367)**	$ (283)
Changes in estimates and settlements relating to prior years	**1,735**	1,353
Total net adjustment to net patient service revenue	**$ 1,368**	$ 1,070

The System has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Inpatient and outpatient services rendered to managed care subscribers are reimbursed at prospectively determined rates per discharge, discounts from established changes, and prospectively determined daily rates.

Note 4. Capital Assets

A summary of changes in the System's capital assets during 2025 is as follows (in thousands):

December 31, 2025	December 31, 2024	Additions	Transfers and Disposals	December 31, 2025
Capital assets, not being depreciated:				
Land	$ 22,835	$ -	$ -	$ 22,835
Construction in progress	27,043	16,080	(35,694)	7,429
Total capital assets not being depreciated	49,878	16,080	(35,694)	30,264
Capital assets, being depreciated:				
Land improvements	12,004	23	579	12,606
Buildings and improvements	253,181	29	17,929	271,139
Equipment	183,433	10,882	13,148	207,463
Total Capital assets, being depreciated	448,618	10,934	31,656	491,208
Less: accumulated depreciation	(232,844)	(23,634)	3,295	(253,183)
Total capital assets, being depreciated, net	215,774	(12,700)	34,951	238,025
Right-of-Use assets, being amortized:				
Leased medical equipment	3,513	7,299	(3,399)	7,413
Leased facilities	100,090	11,117	-	111,207
Subscriptions	43,683	5,816	(939)	48,560
Total Right-of-Use assets, being amortized	147,286	24,232	(4,338)	167,180
Less: accumulated amortization	(32,657)	(12,507)	4,337	(40,827)
Total Right-of-Use assets, being amortized, net	114,629	11,725	(1)	126,353
Total	$ 380,281	$ 15,105	$ (744)	$ 394,642

Note 4. Capital Assets (Continued)

A summary of changes in the System's capital assets during 2024 is as follows (in thousands):

	December 31, 2023	Additions	Transfers and Disposals	December 31, 2024
Capital assets, not being depreciated:				
Land	$ 16,925	$ 5,910	$ -	$ 22,835
Construction in progress	40,094	24,550	(37,601)	27,043
Total capital assets not being depreciated	57,019	30,460	(37,601)	49,878
Capital assets, being depreciated:				
Land improvements	6,814	5,230	(40)	12,004
Buildings and improvements	221,335	34,956	(3,110)	253,181
Equipment	173,767	13,492	(3,826)	183,433
Total Capital assets, being depreciated	401,916	53,678	(6,976)	448,618
Less: accumulated depreciation	(216,042)	(20,112)	3,310	(232,844)
Total capital assets, being depreciated, net	185,874	33,566	(3,666)	215,774
Right-of-Use assets, being amortized:				
Leased medical equipment	5,301	114	(1,902)	3,513
Leased facilities	31,851	68,239	-	100,090
Subscriptions	40,772	7,250	(4,339)	43,683
Total Right-of-Use assets, being amortized	77,924	75,603	(6,241)	147,286
Less: accumulated amortization	(25,246)	(10,146)	2,735	(32,657)
Total Right-of-Use assets, being amortized, net	52,678	65,457	(3,506)	114,629
Total	$ 295,571	$ 129,483	$ (44,773)	$ 380,281

Depreciation expense on capital assets reported during the fiscal years ended December 31, 2025 and 2024 was $23,634,000 and $20,112,000, respectively.

Amortization expense on right-of-use assets reported during the fiscal years ended December 31, 2025 and 2024 was $12,507,000 and $10,146,000, respectively.

Note 5. Leases and Subscriptions

Lease Liabilities

The System has lease agreements with several vendors for equipment and real estate. The System's real estate lease agreements typically have initial terms of 4 to 40 years. Equipment leases typically have initial terms of less than five years.

Principal and interest payments due on lease liabilities over the next five years and thereafter are as follows (in thousands):

Year Ending December 31,	Principal	Interest
2026	$ 4,996	$ 6,396
2027	5,269	6,079
2028	4,531	5,763
2029	3,725	5,492
2030	3,248	5,256
2031-2035	11,049	24,041
2036-2040	13,544	20,625
2041-2045	10,793	16,210
2046-2050	4,182	13,979
2051-2055	8,150	11,902
2056-2060	13,985	8,154
2061-2064	15,516	2,222
Total	$ 98,988	$ 126,119

SBITA Liabilities

The System has SBITA with several vendors with subscription terms ranging from 3-14 years. The SBITA payable is measured at the present value of the SBITA payments expected to be made during the subscription term. Some arrangements have escalating payment clauses over the term of the agreement that are based on future events and are expensed as incurred. The System used an estimated borrowing rate of 7.5% in calculating the SBITA payable at implementation date.

Note 5. Leases and Subscriptions (Continued)

SBITA Liabilities (Continued)

Principal and interest payments due on SBITA obligations over the next five years and thereafter are as follows (in thousands):

Year Ending December 31,	Principal	Interest
2026	$ 4,666	$ 2,343
2027	4,396	1,981
2028	2,873	1,711
2029	2,861	1,503
2030	3,015	1,282
2031-2035	16,206	2,609
Total	$ 34,017	$ 11,429

The following is a summary of the changes in lease and SBITA obligations for the years ended December 31, 2025 and 2024:

	December 31, 2024	Additions/ Changes	Retirements/ Payments	December 31, 2025	Due Within One Year
Lease liabilities	**$ 85,361**	**$ 18,415**	**$ (4,788)**	**$ 98,988**	**$ 4,996**
SBITA liabilities	**33,415**	**5,180**	**(4,578)**	**34,017**	**4,666**
Total	**$ 118,776**	**$ 23,595**	**$ (9,366)**	**$ 133,005**	**$ 9,662**

	December 31, 2023	Additions/ Changes	Retirements/ Payments	December 31, 2024	Due Within One Year
Lease liabilities	$ 21,230	$ 67,831	$ (3,700)	$ 85,361	$ 3,929
SBITA liabilities	35,331	3,369	(5,285)	33,415	3,236
Total	$ 56,561	$ 71,200	$ (8,985)	$ 118,776	$ 7,165

Short-Term Leases

Lease expense for those leases that had lease terms of 12 months or less totaled $666,000 and $513,000 for the years ended December 31, 2025 and 2024, respectively.

Note 6. Long-Term Debt

The details and balances of long-term debt at December 31, 2025 and 2024 are presented below (in thousands):

	2025	2024
Hospital Revenue Bonds, Series 2016	**$ 21,390**	$ 24,725
Hospital Revenue Bonds, Series 2018A	**72,620**	72,620
Hospital Revenue Bonds, Series 2018B	**12,285**	12,285
Hospital Revenue Bonds, Series 2018 Premium	**2,076**	2,168
Hospital Revenue Bonds, Series 2020	**41,666**	45,833
Less: amounts due within one year	**(7,658)**	(7,593)
Total long-term debt, net	**$ 142,379**	$ 150,038

Hospital Revenue Bonds, Series 2016: On September 30, 2016, the System issued $34,000,000 of tax-exempt Revenue Bonds, Series 2016 (Series 2016), for the purpose of financing the purchase of building, land, capital equipment, and improvements, including, but not limited to, (a) renovation and expansion of pharmacy, laboratory, central sterile areas, surgery, and parking garages, and/or (b) making capital expenditures throughout the properties of the System. The Series 2016 Bonds and the interest thereon are limited obligations of the System payable solely from and secured by a pledge of the Trust Estate, as defined in the indenture, including the revenues, as defined.

Hospital Revenue and Refunding Bonds, Series 2018A: On July 1, 2018, the System issued $72,620,000 of Hospital Revenue and Refunding Bonds, Series 2018A Bonds (Series 2018A), for the purpose of (a) financing the purchase and/or construction of new buildings on the System's campus, (b) refund approximately $23,195,000 of the System's outstanding Hospital Revenue Bonds Series 2012, and (c) repayment of issuance costs associated with the issuance of Series 2018A Bonds. The Series 2018A Bonds and the interest thereon are limited obligations of the System payable solely from and secured by a pledge of the Trust Estate, as defined in the indenture, including the revenues, as defined.

The Series 2018A Bonds are subject to optional, extraordinary optional, extraordinary special and mandatory sinking fund redemption prior to maturity. The Series 2018A Bonds mature, unless sooner paid, on July 1, 2048, and bear interest ranging from a low of 4% to a high of 5%.

The Series 2018A Bonds were issued with a premium of $3,893,000. The premium is being amortized over the expected life of the bonds.

Taxable Hospital Refunding Revenue Bonds, Series 2018B: On July 1, 2018, the System issued $12,285,000 of Taxable Hospital Refunding Revenue Bonds, Series 2018B Bonds (Series 2018B Bonds), for the purpose of advance refunding approximately $18,830,000 of the System's outstanding Hospital Revenue Refunding Bonds, Series 2011, and to repay the costs of issuance of the Series 2018B Bonds.

Note 6. Long-Term Debt (Continued)

Taxable Hospital Refunding Revenue Bonds, Series 2018B (Continued):The Series 2018B Bonds and the interest thereon are limited obligations of the System payable solely from and secured by a pledge of the Trust Estate, as defined in the indenture, including the revenues, as defined.

The bond proceeds, along with other available moneys, were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. Series 2018B Bonds are subject to optional, extraordinary optional, extraordinary special, and mandatory sinking fund redemption prior to maturity. The Series 2018B Bonds mature, unless sooner paid, on July 1, 2048, and bear interest ranging from a low of 4.721% to a high of 4.921%.

Hospital Revenue and Refunding Bonds, Series 2020: On December 10, 2020, the System issued $50,000,000 of Hospital Revenue Bonds on a drawdown basis for the purpose of (i) financing the purchase and/or construction of one or more buildings, capital equipment, and improvements throughout the hospital, including, but not limited to, the construction of a four-story tower to add more private acute care rooms, expansion/renovation of existing operations in surgery, dietary, sterile processing, and other support areas, replacement/ upgrade of capital equipment needs, and the making of capital expenditures throughout properties of the hospital, currently owned or to be purchased by the hospital, including the development of real estate and acquisition of a membership interest, and (ii) paying the cost of issuance of the bonds. The bonds mature on December 1, 2035.

At the earlier of (a) December 8, 2023, (b) the date upon which the aggregate outstanding principal of the bonds outstanding is $50,000,000, and (c) the date of the final drawing under the bonds is advanced to the purchaser, the bonds automatically commence to amortize over a twelve-year schedule. Principal payments are due with annual installments of principal due on each July 1 during this period and prepayment of the bonds is allowable.

In 2023, the System drew $29,860,000 under the existing bond issuance. As of December 31, 2025 and 2024, $50,000,000 of available funds was drawn and $41,666,000 and $45,833,000 was outstanding, respectively. Interest payments are July 1 and January 1, at an interest rate of 1.70%.

Debt Covenants: For all of its Bond Series, the System is required to maintain a debt service coverage ratio of 110%, together with debt service reserve requirements, both of which are defined in the Trust Indentures. As of December 31, 2025, the System was in compliance with the provisions of the Trust Indentures.

Note 6. Long-Term Debt (Continued)

Events of Default: The System's outstanding bonds contain provisions specifying significant events of default, which generally include the failure to make timely debt service payments, voluntary or involuntary bankruptcy and insolvency proceedings, material uncured covenant violations, and cross-defaults on other significant indebtedness. In the event of an uncured default, the Trustee or a majority of the bondholders may declare the principal of all outstanding bonds immediately due and payable (acceleration), and the Trustee may pursue other legal or equitable remedies to enforce its rights and collect amounts due under the Indenture.

Pledged Revenues: The District has pledged 100% of its future net revenues to secure its Hospital Revenue Bonds (Series 2016, 2018A, 2018B, and 2020), which were issued to finance various capital improvements. The pledge remains in effect through the final maturity of the parity debt in July 2048. As of December 31, 2025, the remaining principal and interest required to be paid on the bonds is $218,522,000. For the year ended December 31, 2025 and 2024, recognized pledged net revenues were $100,211,000 and $99,999,000, respectively, and total debt service payments were $21,452,000 and $17,738,000, respectively.

A summary of changes in long-term debt during 2025 is as follows (in thousands):

	December 31, 2024	Additions/ Changes	Retirements/ Payments	December 31, 2025	Due Within One Year
Hospital Revenue Bonds, Series 2016	**$ 24,725**	**$ -**	**$ (3,335)**	**$ 21,390**	**$ 3,400**
Hospital Revenue Bonds, Series 2018A	**72,620**	**-**	**-**	**72,620**	**-**
Hospital Revenue Bonds, Series 2018B	**12,285**	**-**	**-**	**12,285**	**-**
Hospital Revenue Bonds, Series 2018 Amortized Premium	**2,168**	**-**	**(92)**	**2,076**	**91**
Hospital Revenue Bonds, Series 2020	**45,833**	**-**	**(4,167)**	**41,666**	**4,167**
	$ 157,631	**$ -**	**$ (7,594)**	**$ 150,037**	**$ 7,658**

Note 6. Long-Term Debt (Continued)

A summary of changes in long-term debt during 2024 is as follows (in thousands):

	December 31, 2023	Additions/ Changes	Retirements/ Payments	December 31, 2024	Due Within One Year
Hospital Revenue Bonds, Series 2016	$ 28,000	$ -	$ (3,275)	$ 24,725	$ 3,335
Hospital Revenue Bonds, Series 2018A	72,620	-	-	72,620	-
Hospital Revenue Bonds, Series 2018B	12,285	-	-	12,285	-
Hospital Revenue Bonds, Series 2018 Amortized Premium	2,360	-	(192)	2,168	91
Hospital Revenue Bonds, Series 2020	50,000	-	(4,167)	45,833	4,167
	$ 165,265	$ -	$ (7,634)	$ 157,631	$ 7,593

Principal and interest payments due on long-term debt over the next five years and thereafter are as follows (in thousands):

Year Ending December 31,	Principal	Interest
2026	$ 7,567	$ 5,051
2027	7,632	4,914
2028	7,697	4,777
2029	7,762	4,636
2030	7,832	4,495
2031-2035	39,126	19,863
2036-2040	22,605	14,078
2041-2045	27,850	8,716
2046-2050	19,890	1,955
Total	$ 147,961	$ 68,485

During the years ended December 31, 2025 and 2024, interest cost on borrowed funds held by the Trustee under the Hospital Revenue and Refunding Bonds charged to non-operating expenses was $5,065,000 and $5,104,000, respectively. Interest income during the same time period on these funds credited to non-operating income was $390,000 and $399,000, respectively.

Note 7. Commitments

Ochsner Joint Operating Agreement: On September 30, 2014, the System signed a Joint Operating Agreement (JOA) with Ochsner Clinic Foundation (OCF) and Ochsner Health Systems (OHS). Under this agreement, the entities collaborate to integrate their operations. This integration enables the System to improve the quality of care it delivers at a more affordable cost. It also allows OHS to create a larger, complimentary system of integrated hospitals to provide health care more efficiently.

The System and OCF desire to jointly manage and operate their respective complimentary assets, located in West St. Tammany Parish, as well as their respective affiliated physician quality networks, St. Tammany Quality Network and Ochsner Health Network, on a coordinated, integrated, and exclusive basis which will enhance and improve the delivery of cost-effective, quality health care services, provide health care services to the indigent, promote the education, learning, and skill of physicians, scientists, and allied health professionals, and offer more services to an increased population more efficiently and cost effectively.

Financial integration pursuant to the JOA is accomplished based on allocations of combined adjusted operating income of the System and OHS from West St. Tammany Parish. Amounts earned up to a predetermined threshold of the combined adjusted operating income are shared by both parties at a predetermined rate. Any amounts earned in excess of the predetermined threshold of combined adjusted operating income are shared by the parties equally. The JOA commenced on September 30, 2014, and continues for a term of twenty years, and will automatically renew for ten-year terms thereafter. For the years ended December 31, 2025 and 2024, the System accrued $4,329,000 and $8,270,000, respectively, for the estimated amounts owed to OHS for the sharing of amounts earned for the periods of operations, which is included within trade accounts payable on the statements of net position.

Note 8. Compensated Absences

Employees of the System are entitled to paid time off depending on their length of service and other factors. Accrued compensated absences included as accrued vacation on the System's statements of net position were $6,227,000 and $5,483,000 as of December 31, 2025 and 2024, respectively.

Note 9. Employee Benefit Plans

Noncontributory Defined Contribution Plan: The System has a noncontributory defined contribution plan (the Plan) that covers substantially all of its employees. The Plan allows for employees age 21 or older with one year of service (defined as 1,000 hours of service in any one year) to participate. Participants enrolled in the Plan prior to December 31, 2012, receive contributions equal to 6% of their aggregate compensation. Participants with an enrollment date of January 1, 2013 and later receive a contribution ranging up to 6%, based on their years of service. Participating employees become fully vested in the employer contributions upon completing five years of service. Employees terminating their employment prior to five years forfeit the employer contributions made.

For the years ended December 31, 2025 and 2024, contributions required under the Plan were $6,346,000 and $5,868,000, respectively. Forfeitures were not significant.

Retirement expense included in salaries, wages, and benefits related to the Plan described above were $5,880,000 and $5,162,000 for the years ended December 31, 2025 and 2024, respectively.

Community Emergency Services Plans: The System also provides a Community Emergency Services Plan (CESP) to certain independent contractor physicians. The purpose of the CESP is to assist the System in attracting and retaining highly qualified individuals to provide services to the System under the System's Community Emergency Services Program. The CESP is a deferred compensation plan taxed under IRC Section 457(f) and provides independent contractor physician compensation on a deferred basis for providing emergency department call coverage. For the years ended December 31, 2025 and 2024, contributions made to the CESP were $2,000,000 and $1,865,000, respectively. Forfeitures were not significant.

Other Voluntary Retirement Plans: The System offers two voluntary retirement plans to all employees. Contributions into the two plans are made by the employee only and are tax-sheltered from federal and state taxes.

Note 10. Foundation Net Assets

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated a portion of these net assets to board established (designated) funds that are detailed in Note 11.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Net assets with donor restrictions consist of the following as of December 31, 2025 and 2024:

	2025	2024
	(in thousands)	
Subject to Restriction in Perpetuity		
Endowment Funds	**$ 266**	$ 267
Total Subject to Restriction in Perpetuity	**266**	267
Purpose Restrictions		
Pediatrics	**1,161**	1,189
Cancer Center	**1,081**	1,335
Hospice	**629**	665
Healing Arts	**472**	497
Miscellaneous Directed Gifts	**258**	269
Parenting Center	**208**	210
STPH Employee Benevolent Fund	**96**	121
Education	**82**	104
Oncology	**40**	36
Employee Education	**31**	33
Facility and Technology Expansion	**22**	52
Women's Pavilion	**20**	20
Total Purpose Restrictions	**4,100**	4,531
Total Net Assets With Donor Restrictions	**$ 4,366**	$ 4,798

Note 10. Foundation Net Assets (Continued)

Foundation net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the expiration of time during the years ended December 31, 2025 and 2024, as follows:

	2025	2024
	(in thousands)	
Net Assets Released from Restrictions		
Cancer Center	**$ 304**	$ 273
STPH Employee Benevolent Fund	**70**	65
Pediatrics	**40**	48
Hospice	**39**	41
Facility and Technology Expansion	**32**	26
Healing Arts	**31**	25
Miscellaneous Directed Gifts	**25**	24
Education	**13**	6
Employee Education	**5**	-
Parenting Center	**1**	90
Women's Pavilion	**-**	70
Oncology	**-**	10
Building Expansion Initiative	**-**	2
Total Net Assets Released from Restrictions	**$ 560**	$ 680

Note 11. Foundation Endowment Composition

The State of Louisiana enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective August 15, 2010, the provisions of which apply to endowment funds existing on or established after that date. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation's endowment includes donor-restricted funds. The Board of Directors has determined that the Foundation's permanently restricted net assets meet the definition of endowment funds under UPMIFA.

Note 11. Foundation Endowment Composition (Continued)

The Foundation has interpreted the State of Louisiana's UPMIFA as requiring the preservation of the fair value of the original gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions - board designated (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Net Assets Classification - The Board of Trustee's has designated a portion of net assets without donor restrictions as a board-designated endowment. The Board's current policy is to designate 75% of contributions without donor restrictions each year to the board-designated endowment to support the mission of the Foundation. Since these amounts result from an internal designation and are not donor-restricted, it is classified and reported as net assets without donor restrictions. In accordance with U.S. GAAP, contributions restricted by donors for endowment purposes are classified and reported as net assets with donor restrictions.

Endowment Investment Spending Policies - The Foundation's investment spending policy is that all income earned on the board-designated endowment fund is to be reinvested and used for purposes stipulated by the Board. Absent donor stipulations, income from donor-restricted endowments is reinvested in the board-designated endowment fund.

Endowment Investment Policies - The Foundation's investment policy is that all endowed funds will be maintained and managed by Management within its cash and investment pool and in accordance with its investment policies. Each endowment fund participates in the income and return of the pool on a per share basis commensurate with its contribution to the pool.

Note 11. Foundation Endowment Composition (Continued)

Funds with Deficiencies - From time to time, the fair value of assets associated with the individual donor endowment funds may fall below the level that the donor or state statutes require the Foundation to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature that are reported in unrestricted net assets were approximately $12,000 as of December 31, 2025 and 2024. The deficiencies resulted from change in estimated life expectancies for the beneficiaries of the gift annuities included in the endowment.

The Foundation maintains both board-designated and donor-restricted endowment funds. Endowment net assets composition by fund type as of December 31, 2025 and 2024 is as follows (in thousands):

December 31, 2025	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Board Designated Endowment	**$ 2,908**	**$ -**	**$ 2,908**
Donor Restricted Endowments	**-**	**278**	**278**
Deficiency of Fair Value	**-**	**(12)**	**(12)**
Total	**$ 2,908**	**$ 266**	**$ 3,174**

December 31, 2024	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated Endowment	$ 2,817	$ -	$ 2,817
Donor Restricted Endowments	-	279	279
Deficiency of Fair Value	-	(12)	(12)
Total	$ 2,817	$ 267	$ 3,084

Note 11. Foundation Endowment Composition (Continued)

A summary of the changes in the Foundation's endowment net assets for the years ended December 31, 2025 and 2024 is as follows (in thousands):

December 31, 2025	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Net Assets, Beginning of Year	**$ 2,817**	**$ 267**	**$ 3,084**
Investment Return, Net	**59**	**-**	**59**
Change in Split-Interest Agreements	**-**	**(1)**	**(1)**
Contributions and Designations	**32**	**-**	**32**
Net Assets, End of Year	**$ 2,908**	**$ 266**	**$ 3,174**

December 31, 2024	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets, Beginning of Year	$ 2,699	$ 261	$ 2,960
Investment Return, Net	57	-	57
Change in Split-Interest Agreements	-	-	-
Contributions and Designations	61	6	67
Net Assets, End of Year	$ 2,817	$ 267	$ 3,084

Note 12. Risk Management, Self-insurance, and Contingencies

Professional Liability: The System participates in the Louisiana Patients' Compensation Fund (the Fund) for medical malpractice claims. As a participant, the System has a statutory limitation of liability, which provides that no award can be rendered against it in excess of $500,000, plus interest and costs. The Fund provides coverage on an occurrence basis for claims over $100,000 and up to $500,000.

The System is involved in litigation arising in the ordinary course of business. Claims alleging malpractice have been asserted against the System and are currently in various stages of litigation. It is the opinion of management that estimated malpractice costs resulting from pending or threatened litigation are adequately accrued at December 31, 2025 and 2024. Losses from asserted claims and from unasserted claims identified under the System's incident reporting system are accrued based on estimates that incorporate the System's past experience as well as other considerations including the nature of each claim or incident and relevant trend factors.

Note 12. Risk Management, Self-insurance, and Contingencies (Continued)

Professional Liability: (Continued):Additional claims may be asserted against the System arising from service provided to patients through December 31, 2025, that have not been identified under the incident reporting system. The System is unable to determine the ultimate cost of the resolution of such potential claims; however, management believes it has adequately provided for them.

Self-Insurance: The System self-insures against losses related to workers' compensation and employee health claims. Excess loss coverage is purchased for workers' compensation in amounts of $750,000 and excess loss coverage for individual employee health claims is purchased in amounts of $1,000,000.

The following is a summary of the activity in the liability for workers' compensation and employee health claims for the years ended December 31, 2025 and 2024 (in thousands):

	Beginning Balance	Expense and Changes in Estimates	Payments	Ending Balance
2025	**$ 4,023**	**$ 21,646**	**$ 22,012**	**$ 3,657**
2024	$ 5,032	$ 20,549	$ 21,558	$ 4,023

Laws and Regulations: The healthcare industry is subject to extensive federal, state, and local laws and regulations, including those related to licensure, accreditation, government program participation, and fraud and abuse. Compliance with these laws is subject to ongoing government review and interpretation. Noncompliance can result in significant financial penalties, repayment of past reimbursements, and exclusion from government healthcare programs. Management believes the System is in compliance with all applicable laws and regulations and is not currently the subject of any material regulatory investigations. Accordingly, management does not expect the outcome of any pending or future regulatory reviews to have a material adverse effect on the System's financial position.

The System is subject to ongoing retroactive audits by Recovery Audit Contractors (RAC) and Medicaid Integrity Contractors (MIC) to identify potentially improper Medicare and Medicaid payments. The System evaluates its exposure to these audits continuously. As of December 31, 2025, and 2024, no specific reserve for future RAC and MIC audits has been recorded, as management has determined that no specific liabilities are currently probable and reasonably estimable. Any future deductions or assessments under these programs will be recorded when the net amounts due can be reasonably determined.

Note 12. Risk Management, Self-insurance, and Contingencies (Continued)

Laws and Regulations: (Continued): The System will deduct from revenue, amounts assessed under the RAC and MIC audits at the time a notice is received until such time that estimates of net amounts due can be reasonably estimated. The System is subject to ongoing audits. Accordingly, the System has recorded estimated third-party settlements and reserves for prior-year Medicare and Medicaid cost reports totaling $5,021,000 and $5,382,000 as of December 31, 2025 and 2024, respectively. For 2025 and 2024, this balance consists of estimated net Medicare payables of $1,880,000 and $2,033,000, respectively, and Medicaid cost report reserves of $3,141,000 and $3,349,000, respectively.

The net Medicare payable portion of these settlements is reported as a current liability within 'Settlements due to Medicare and Medicaid intermediaries'. The Medicaid cost report reserves, including reserves for current-year Medicaid Direct Payment programs, are treated as valuation allowances and are netted against the gross Medicaid receivables within the 'Settlements due from Medicare and Medicaid intermediaries' asset line item. It is reasonably possible that the recorded estimate could change materially in the near-term.

The health care industry is subject to ongoing legislative and regulatory reforms, including the Patient Protection and Affordable Care Act (PPACA). These reforms continue to impact healthcare delivery models, insurance coverage, and Medicare and Medicaid reimbursement. Management continuously monitors these legislative developments to assess their potential impact on the System's future financial position and operations.

Note 13. Concentrations of Credit Risk

The System grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors at December 31 was as follows:

	2025	2024
Medicare	**13 %**	13 %
Medicaid	**8**	9
Managed Care	**36**	36
Insurance	**25**	24
Patients (Self-Pay)	**18**	18
Total	**100 %**	100 %

Note 14. St. Tammany Hospital Foundation Cooperative Endeavor Agreement

As disclosed in Note 1, the System receives support from the St. Tammany Hospital Foundation. The Foundation was formed in February 2003 and is a legally separate 501(c)(3) nonprofit organization governed by a separate Board of Trustees. Under the criteria established by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units an Amendment of GASB Statement No.14*, the Foundation is recognized as a component unit of the System.

Contributions recognized by the System in the form of monetary and non-monetary contributions and donations from the Foundation were approximately $686,000 and $743,000 in 2025 and 2024, respectively.

The Foundation and the System have entered into a cooperative endeavor agreement to assist the Foundation in achieving its purpose of benefitting the System by comprehensive fund development programs to support, develop, and expand the System's services, functions, purpose, and mission of providing quality community health care to western St. Tammany Parish.

Under the terms of the agreement the System assumes the obligation to provide administrative services, use of office space, equipment, and supplies utilized in the Foundation's day-to-day operations. The Foundation's executive director is selected and employed by the System, subject to the concurrence of the executive committee of the Board of Trustees of the Foundation. The executive director reports to and works in partnership with the CEO of the System and the Foundation's Board of Trustees.

Note 15. Medicaid Supplemental Payment Programs

Hospital State Directed Payment Program: In July 2022, to provide additional reimbursement to support the Medicaid population, the State entered into arrangements to provide a uniform percentage increase directed fee schedule. The uniform percentage increase for payments to qualifying hospitals within specific tiered provider classes for contracted inpatient and outpatient services provided to Medicaid enrolled individuals. Qualifying hospitals receive interim lump-sum quarterly directed payments from managed care organizations (MCOs), as directed by Louisiana Department of Health (LDH) with a final reconciliation process based upon actual utilization occurring within twelve months after the end of the fiscal period.

In 2025 and 2024, the System recognized a total of $49,383,000 and $44,520,000 in net proceeds under this program. The funds are included in net patient service revenue in the statements of revenues, expenses, and changes in net position. As of December 31, 2025 and 2024, receivables of $13,368,000 and $-0-, respectively, related to this program are included in Settlements due from Medicare and Medicaid intermediaries on the statements of net position.

Note 15. Medicaid Supplemental Payment Programs (Continued)

Participation in Medicaid's Managed Care Incentive Program (MCIP): During 2019, the System began participation in the State's MCIP program. The MCIP program is designed to provide incentive payments to Medicaid Managed Care Organizations (MCOs) for achieving quality reforms that increase access to health care, improve the quality of care, and/or enhance the health of members the MCOs serve. The System received $5,050,000 and $2,128,000 in 2025 and 2024, respectively, under this program, which is included in other operating revenue.

Physician Rate Enhancement Program: LDH has implemented a supplemental payment program for non-state-owned public hospitals, such as the System, to enhance Medicaid fee-for-service payments to physicians employed by or contracted to provide such services at such hospitals. LDH contracts with the Healthy Louisiana Program (formerly known as Bayou Health Program) managed care organizations, including those currently under contract with LDH, specifically, Aetna Better Health Louisiana, Amerigroup Louisiana, Inc., AmeriHealth Caritas Louisiana, Inc., Louisiana Healthcare Connections, Inc., and United Healthcare of Louisiana, Inc., to provide core benefits and services for individuals enrolled in the Healthy Louisiana Program (Medicaid enrollees) that are compensated by specified monthly capitation rates on a per member per month (PMPM) basis.

To ensure uniform reimbursement in the Medicaid program for physician services, provide greater opportunity and incentives for managed care organizations contracted with LDH to provide services to Medicaid beneficiaries to improve recipient health outcomes, add benefits for Medicaid enrollees, and support the health care safety-net for low-income and needy patients, LDH increased the PMPM rate for reimbursement of physician services to include the Full Medicaid Pricing (FMP) component of the Mercer Rate Methodology (enhanced PMPM rate) for safety-net physicians to receive rates more consistent with their fee-for-service payments (referred to herein as Physician Rate Enhancement Funds and the Physician Rate Enhancement Program).

Physician Rate Enhancement Funds can be paid to a hospital political subdivision, such as the System, that elects to provide the state match for the federal funding associated with these Physician Rate Enhancement Payments, if an assignment agreement is in place between the System and a physician group that has contracted with the System to provide inpatient and outpatient physician services and it is eligible to receive Physician Rate Enhancement Funds as a result of such services. The System obtained assignments from several physician groups that have contracted with the System to provide inpatient and outpatient services to the System's patients.

As a result of these assignments, the System recognized Physician Rate Enhancement Funds from the five managed care organizations participating in the Healthy Louisiana Program totaling $10,569,000 and $1,163,000 in 2025 and 2024, respectively. The funds are included in net patient service revenue on the statements of revenues, expenses, and changes in net position. As of December 31, 2025 and 2024, receivables of $3,798,000 and $647,000, respectively, related to this program are included in Settlements due from Medicare and Medicaid intermediaries on the statements of net position.

Note 16. Joint Ventures

Rehab Facility: During August 2018, the System entered into an agreement with Slidell Memorial Hospital, Ochsner Clinic Foundation, and Hospital Holdings Corporation to establish a new entity, NSR Louisiana, LLC, that will provide inpatient rehabilitation services at a facility located in Lacombe, Louisiana. Under the terms of the agreement, the System was required to fund $237,000, which resulted in a 30% ownership interest in NSR Louisiana, LLC. As of December 31, 2025 and 2024, the System's equity investment is $1,380,000 and $767,000, respectively. The System's share of NSR Louisiana, LLC's operating activities for the years ended December 31, 2025 and 2024, a gain of $613,000 and $527,000, respectively, is included in equity in net income of joint ventures in the statements of revenues, expenses, and changes in net position.

Long-Term Acute Care Hospital: During 2019, the System entered into an agreement with Slidell Memorial Hospital, Ochsner Clinic Foundation, and Louisiana Health Care Group, LLC to establish a new entity, Northshore Extended Care Hospital, LLC, that will provide skilled nursing services at a facility in Lacombe, Louisiana. The System was required to fund an initial capital contribution of $430,000, which resulted in a 16% ownership interest. This entity was dissolved in 2024. There was no activity in 2025 and 2024, respectively.

Cancer Center (2112 Holdings, Inc.): In June 2021, STHS and OCF entered into a Capital Contribution Agreement, where OCF and STHS both own 50% of the available shares in 2112 Holdings, Inc. As of December 31, 2025 and 2024, the System's equity investment is $18,893,000 and $19,777,000, respectively. The principal purpose of 2112 Holdings, Inc. is to own and lease out an oncology facility at the corner of Ochsner Boulevard and Highway 21 in Covington. The oncology center is operated by OCF, which is the principal tenant. The System's share of 2112 Holdings, Inc.'s operating activities for the years ended December 31, 2025 and 2024, a gain of $480,000, is included in equity in net income of joint ventures in the statements of revenues, expenses, and changes in net position.

The System's ownership interests in the above entities is included in other assets on the statements of net position and are accounted for by the equity method of accounting.

Note 17. Blended Component Unit Condensed Financial Information

The financial statements for the System, STQN, and STPN are presented in a blended format. The table below individually discloses the net position and changes in net position for each blended entity as of and for the year ended December 31, 2025. Material inter-entity transactions are eliminated in the presentation below (in thousands):

December 31, 2025	System	STQN	STPN	Total
Assets				
Current assets	$ 397,400	$ 720	$ -	$ 398,120
Capital assets, net	394,642	-	-	394,642
Other assets	190,010	-	-	190,010
Total assets	$ 982,052	$ 720	$ -	$ 982,772
Liabilities				
Current liabilities	$ 55,348	$ 7,839	$ 19,108	$ 82,295
Long-term liabilities	265,722	-	-	265,722
Net position	660,982	(7,119)	(19,108)	634,755
Total liabilities and net position	$ 982,052	$ 720	$ -	$ 982,772
Operating revenues	$ 594,859	$ 15	$ -	$ 594,874
Depreciation	36,405	-	-	36,405
Other operating expenses	516,772	792	-	517,564
Operating income (loss)	41,682	(777)	-	40,905
Non-operating revenues	9,043	-	-	9,043
Excess of revenues over expenses	50,725	(777)	-	49,948
Capital contributions	618	-	-	618
Change in net position	51,343	(777)	-	50,566
Net position, beginning of year	609,639	(6,342)	(19,108)	584,189
Net position, end of year	$ 660,982	$ (7,119)	$ (19,108)	$ 634,755

Note 17. Blended Component Unit Condensed Financial Information (Continued)

The financial statements for the System, STQN, and STPN are presented in a blended format. The table below individually discloses the net position and changes in net position for each blended entity as of and for the year ended December 31, 2024. Material inter-entity transactions are eliminated in the presentation below (in thousands):

December 31, 2024	System	STQN	STPN	Total
Assets				
Current assets	$ 370,969	$ 706	$ -	$ 371,675
Capital assets, net	380,281	-	-	380,281
Other assets	175,805	-	-	175,805
Total assets	$ 927,055	$ 706	$ -	$ 927,761
Liabilities				
Current liabilities	$ 55,767	$ 7,048	$ 19,108	$ 81,923
Long-term liabilities	261,649	-	-	261,649
Net position	609,639	(6,342)	(19,108)	584,189
Total liabilities and net position	$ 927,055	$ 706	$ -	$ 927,761
Operating revenues	$ 533,025	$ 18	$ -	$ 533,043
Depreciation	29,994	-	-	29,994
Other operating expenses	450,081	997	-	451,078
Operating income (loss)	52,950	(979)	-	51,971
Non-operating revenues	7,930	-	-	7,930
Excess of revenues over expenses	60,880	(979)	-	59,901
Capital contributions	214	-	-	214
Change in net position	61,094	(979)	-	60,115
Net position, beginning of year	548,545	(5,363)	(19,108)	524,074
Net position, end of year	$ 609,639	$ (6,342)	$ (19,108)	$ 584,189

Cash flows generated by the aggregate blended components separately from the System have not been material and are not presented.

OTHER SUPPLEMENTARY INFORMATION

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a ST. TAMMANY HEALTH SYSTEM
Schedule of Compensation Paid to Board of Commissioners
For the Year Ended December 31, 2025

Commissioner	Current Term	Compensation
John A. Evans, Chairman	1994-2030	$ 11,170
Thomas D. Davis, Vice Chairman	2006-2031	5,100
Sue Osbon, Secretary/Treasurer	2005-2029	5,500
Merrill Laurent, MD, Medical Staff Representative	2017-2026	3,900
Wilson D. Bulloch III	2017-2029	4,700
Dale Jenkins	2024-2030	4,600
Ed Dillard	2020-2027	3,500
Kasey Hosch	2021-2027	4,100
Total		$ 42,570

MAULDIN & JENKINS
CPAs & ADVISORS

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*

To Members of the Board of Commissioners
St. Tammany Parish Hospital Service District No. 1
St. Tammany Parish, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component unit of St. Tammany Parish Hospital Service District No. 1 of St. Tammany Parish, Louisiana (the System), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated April 21, 2026. The financial statements of St. Tammany Hospital Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with St. Tammany Hospital Foundation.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the System's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Mauldin & Jenkins, LLC

Metairie, LA
April 21, 2026

MAULDIN & JENKINS
CPAs & ADVISORS

Independent Auditor's Report on the Supplementary Information

To the Board of Commissioners
St. Tammany Parish Hospital Service District No. 1
St. Tammany Parish, Louisiana

We have audited the financial statements of the business-type activities and the discreetly presented component unit of St. Tammany Parish Hospital Service District No. 1 of St. Tammany Parish, Louisiana dba St. Tammany Health System as of and for the year ended December 31, 2025, and have issued our report thereon, dated April 21, 2026, which contained an unmodified opinion on those financial statements. Our report also included an Other Matter paragraph stating that the financial statements of St. Tammany Health System as of and for the year ended December 31, 2024, were audited by a predecessor auditor whose report dated April 16, 2025 expressed an unmodified opinion on those statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to April 21, 2026.

The accompanying schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Mauldin & Jenkins, LLC

Metairie, LA
April 21, 2026

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
(d/b/a ST. TAMMANY PARISH HOSPITAL)

Schedule of Compensation, Benefits, and Other Payments
For the Year Ended December 31, 2025

Agency Head
Joan Coffman, President and Chief Executive Officer

Purpose	Amount
Salary	$1,050,312
Benefits - Insurance	$23,706
Benefits - Retirement	$10,675
Benefits - Other	$0
Car Allowance	$10,100
Vehicle Provided by Government	$0
Per Diem	$0
Reimbursements	$0
Travel	$0
Registration Fees	$0
Conference Travel	$0
Continuing Professional Education Fees	$0
Housing	$0
Unvouchered Expenses	$0
Special Meals	$0

MAULDIN & JENKINS
CPAs & ADVISORS

AGREED-UPON PROCEDURES REPORT

St. Tammany Parish Hospital Service District No. 1
d/b/a St. Tammany Health System

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period January 1, 2025 - December 31, 2025

St. Tammany Parish Hospital Service District No. 1
d/b/a St. Tammany Health System
the Louisiana Legislative Auditor

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified by the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the period from January 1, 2025 through December 31, 2025. Management of St. Tammany Parish Hospital Service District No. 1, d/b/a St. Tammany Health System (the System) is responsible for those C/C areas identified in the SAUPs.

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

Our procedures and results are as follows:

1) Written Policies and Procedures

A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and entity's operations:

   i. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

   ii. ***Purchasing***, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, (4) controls to ensure compliance with the Public Bid Law, and (5) documentation required to be maintained for all bids and price quotes.

iii. ***Disbursements***, including processing, reviewing, and approving.

iv. ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

v. ***Payroll/Personnel***, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.

vi. ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

vii. ***Travel and Expense Reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

viii. ***Credit Cards* (and debit cards, fuel cards, purchase cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

ix. ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

x. ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

xi. ***Information Technology Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

xii. ***Prevention of Sexual Harassment***, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

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

2) Board or Finance Committee

A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

   i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

   ii. For those entities reporting on the governmental accounting model, review the minutes from all regularly scheduled board/finance committee meetings held during the fiscal year and observe whether the minutes from at least one meeting each month referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual comparisons, at a minimum, on all proprietary funds, and semi-annual budget-to-actual comparisons, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds[1] if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

   iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

   iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

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

3) Bank Reconciliations

A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

   i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

   ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated, electronically logged); and

[1] R.S. 24:513 (A)(1)(b)(iv) defines public funds.

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

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

4) Collections (excluding electronic fund transfers)

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

B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

   i. Employees responsible for cash collections do not share cash drawers/registers;

   ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;

   iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and

   iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or custodial fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.

C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.

D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits, and:

   i. Observe that receipts are sequentially pre-numbered.

   ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

   iii. Trace the deposit slip total to the actual deposit per the bank statement.

iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than $100 and the cash is stored securely in a locked safe or drawer).

v. Trace the actual deposit per the bank statement to the general ledger.

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

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

A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

B. For each location selected under procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that:

i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;

ii. At least two employees are involved in processing and approving payments to vendors;

iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;

iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and

v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

C. For each location selected under procedure #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:

i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and

ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.

D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. *Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.*

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

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

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

B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and

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

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

C. Using the monthly statements or combined statements selected under procedure #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

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

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

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

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

i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);

ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;

iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and

iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

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

8) Contracts

A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and

i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;

ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);

iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and

iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

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

9) Payroll and Personnel

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

B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and:

i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);

ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;

iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and

iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.

C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.

D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums) have been paid, and any associated forms have been filed, by required deadlines.

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

10) Ethics

A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and:

   i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and

   ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

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

11) Debt Service

A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

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

12) Fraud Notice

A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.

B. Observe that the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

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

13) Information Technology Disaster Recovery/Business Continuity

A. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

B. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

C. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

D. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in Payroll and Personnel procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

E. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:

   i. Hired before June 9, 2020 - completed the training; and

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

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

14) Prevention of Sexual Harassment

A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that it includes the applicable requirements of R.S. 42:344:

   i. Number and percentage of public servants in the agency who have completed the training requirements;

   ii. Number of sexual harassment complaints received by the agency;

   iii. Number of complaints which resulted in a finding that sexual harassment occurred;

   iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

   v. Amount of time it took to resolve each complaint.

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

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

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

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

Mauldin & Jenkins, LLC

Metairie, Louisiana
April 22, 2026