ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2

d/b/a SLIDELL MEMORIAL HOSPITAL

Financial Statements
December 31, 2019 and 2018

LAPORTE
CPAs & BUSINESS ADVISORS

Contents

Management's Discussion and Analysis

This section of St. Tammany Parish Hospital Service District No. 2's (Slidell Memorial Hospital, or SMH, or the Hospital) annual financial report presents background information and management's analysis of the Hospital's financial performance during the fiscal year that ended on December 31, 2019. This should be read in conjunction with the financial statements in this report.

Executive Summary

In 2019, Slidell Memorial Hospital continued to make strategic investments in physician alignment, service growth, and quality improvement to position the facility for the future. The SMH Physician Network has grown to a complement of 47 practitioners. Management and the Board are committed to a strategy of improving quality and cost through reducing variation in medical practice patterns and increasing access to primary care in the marketplace. Although they are hard to fund with only 5.1% EBIDA in 2019, these strategies are in keeping with the Mission: To Improve the Quality of Life in Our Community.

SMH signed a 20-year Joint Operating Agreement (JOA) with Ochsner Health System (OHS), effective January 1, 2016. The JOA creates collaboration between SMH and Ochsner to achieve more effective and efficient operations by maximizing the utility of our combined assets. The two organizations retain ownership and ultimate control of their assets, but contractual, clinical, and financial integration align incentives to become dispassionate about the location of services. The JOA is managed by a consolidated management team in order to establish a single culture and an enterprise mindset in decision making. The JOA creates a Strategy and Oversight Committee (SOC) with equal representation from SMH's Board of Commissioners and from OHS. The SOC represents the group through which the two organizations will collaborate on things like what services are delivered in the division, where those services are delivered, physician recruitment, and other strategic objectives. The JOA not only creates opportunity for significant cost reduction, but with critical mass in some services, the JOA becomes a quality improvement and growth strategy as well.

SMH Regional Cancer Center provides a comprehensive, disciplinary coordinated care model with services ranging from an appearance center, library, laboratory, pharmacy, outpatient chemotherapy and infusion service, and radiation oncology. The board-certified medical oncologists are providing care to the region. The provision of services allows patients to remain close to home with the support of family and the community. SMH's cancer program has been accredited by the American College of Surgeons Commission on Cancer since 1992. The Radiation Oncology Department has been accredited by the American College of Radiation Oncology since 2012.

Slidell Memorial Hospital is no different than most other community hospitals in the United States in struggling with the transformation of the healthcare delivery system from fee-for-service to fee-for-value. Without significant capital on the balance sheet, it is precarious to under-shoot or over-shoot the unknown glide-path of change. Moving too fast will erode revenues while increasing expenses associated with infrastructure to manage for value. Moving too slow will expose the organization on the backside of the conversion to risk of massive market share loss to early adopters of the transition to managing population utilization and cost. Here again, the JOA with OHS provides a partner with existing infrastructure and scale to be much more effective in this area as we align around the commitment to improving quality, improving access, lowering costs, and growing local services.

Financial Highlights

Net patient service revenue decreased by 1.3% from the prior year. Acute admissions were down 11.2% over prior year and observation admits were down 0.6%. Cardiac catheterization patients decreased 8.9% over prior year. Compared to prior year, emergency room visits declined 1.2%, surgeries were down 9.6%, infusion therapy visits were down 5.7% and physician clinic visits were up 25.2%. As volumes decreased over prior year, there was also a slight favorable shift in the Hospital's payer mix, Medicare and Medicare HMO population slightly increased, and Medicaid population slightly decreased.

In 2019, operating expenses before depreciation and amortization increased 1.8% from the prior year. This increase is primarily due to salary expense being up as a direct result of inflation. Management operates the facility on a daily productivity management system to flex variable labor by shift. Departmental Operating Statements are published monthly with flex budget reporting to guide management on budget variance action plans.

The Hospital's total net position increased by $2.6 million in 2019. The assets of the Hospital exceeded liabilities at the close of the 2019 fiscal year by $122.6 million. Of this amount, $66.1 million (unrestricted net position) may be used to meet ongoing obligations to the Hospital's patients and creditors, and $47.9 million is net investment in capital assets.

Overview of the Financial Statements

This annual report consists of four components - management's discussion and analysis (this section), the independent auditor's report, the financial statements, and supplementary information.

The financial statements of Slidell Memorial Hospital report the financial position of the Hospital 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 Hospital's activities.

The *statements of net position* include all the Hospital's assets, deferred outflows, and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the Hospital's creditors (liabilities) for both the current year and the prior year. They also provide the basis for evaluating the capital structure of the Hospital and assessing the liquidity and financial flexibility of the Hospital.

The current year's revenues and expenses are accounted for in the *statements of revenues, expenses, and changes in net position.* This statement measures the performance of the Hospital's operations over the past two years and can be used to determine whether the Hospital has been able to recover all 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 Hospital's cash from operations, investing, and financing activities. The cash flow statement outlines 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 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 Analysis of the Hospital

The *statements of net position* and the *statements of revenue, expenses, and changes in net position* report information about the Hospital's activities. These two statements report the net position of the Hospital and changes in them. Increases or improvements, as well as decreases or declines in net position, are one indicator of the financial state of the Hospital. Other non-financial factors that should also be considered include changes in economic conditions (including uninsured and working poor) and population growth.

Net Position

A summary of the Hospital's statements of net position is presented in the following table:

	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017
		(In Thousands)	
Current and Other Assets	**$ 102,246**	$ 103,771	$ 95,549
Capital Assets, Net	**99,088**	96,834	90,361
Deferred Outflows of Resources	**465**	240	286
Total Assets and Deferred Outflows of Resources	**$ 201,799**	$ 200,845	$ 186,196
Long-Term Debt Outstanding	**$ 47,130**	$ 51,830	$ 45,845
Other Liabilities	**32,021**	29,015	28,107
Total Liabilities	**$ 79,151**	$ 80,845	$ 73,952
Net Investment in Capital Assets	**$ 47,941**	$ 46,639	$ 40,408
Restricted	**8,568**	8,463	7,979
Unrestricted	**66,139**	64,898	63,857
Total Net Position	**$ 122,648**	$ 120,000	$ 112,244

<u>December 31, 2019</u>
Long-term debt decreased $4.7 million in 2019 reflecting the effect of scheduled payments.

<u>December 31, 2018</u>
Long-term debt increased $6.0 million in 2018 reflecting the effect of issuance of a new hospital indebtedness and scheduled payments.

<u>December 31, 2017</u>
Long-term debt decreased $4.4 million in 2017 reflecting the effect of scheduled payments.

Summary of Revenues, Expenses, and Changes in Net Position

The following table presents a summary of the Hospital's historical revenues and expenses for each of the fiscal years ended December 31, 2019, 2018, and 2017:

	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017
		(In Thousands)	
Net Patient Service Revenue	**$ 191,197**	$ 193,787	$ 184,384
Other Operating Revenue Excluding Interest Income	**6,685**	3,389	3,208
Total Operating Revenues	**197,882**	197,176	187,592
Operating Expenses before Depreciation/Amortization	**187,714**	184,281	175,179
Earnings before Interest, Depreciation, and Amortization and Non-Operating Revenues (Expenses) (EBIDA)	**10,168**	12,895	12,413
Depreciation and Amortization Expense	**10,457**	9,486	9,691
Operating Net (Loss) Income	**(289)**	3,409	2,722
Non-Operating Revenues (Expenses)			
Interest Income	**1,719**	1,492	992
Interest Expense	**(1,739)**	(1,780)	(1,687)
Bond Issuance Costs	**(259)**	-	-
Property Tax Revenue	**4,505**	4,636	4,607
Other Expenses, Net	**(1,289)**	-	-
Change in Net Position	**2,648**	7,757	6,634
Total Net Position - Beginning of Year	**120,000**	112,243	105,609
Total Net Position - End of Year	**$ 122,648**	$ 120,000	$ 112,243

The following table represents the relative percentage of gross charges billed for patient services by payer for the fiscal years ended December 31, 2019, 2018, and 2017:

	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017
Medicare and Medicare HMO	**56%**	55%	53%
Medicaid	**15%**	16%	16%
Managed Care and Commercial Insurance	**27%**	27%	29%
Uninsured Patients	**2%**	2%	2%
Total Gross Charges	**100%**	100%	100%

Operating and Financial Performance

The following summarizes the Hospital's statements of revenues, expenses, and changes in net position between 2019, 2018, and 2017:

- In 2019, the Hospital had 7,570 acute inpatient admissions. This is a decrease of 11.2% from fiscal year 2018. During 2018, the Hospital had 8,524 acute inpatient admissions. This was a decrease of 2.6% from fiscal year 2017.
- Emergency Room visits were 39,323 and 39,807 in 2019 and 2018, respectively, representing a decrease of 1.2% in 2019 over 2018. There was a decrease of 6.6% in 2018 compared to fiscal year 2017.
- Cardiac catheterization patient volume decreased 8.9% from fiscal year 2018. There was an increase of 14.8% from 2017 to 2018 as a result of consolidating service lines.
- During 2019, net patient service revenue decreased $2.6 million, or 1.3%, from 2018. This decrease is a result of a decrease in inpatient volumes from prior year. During 2018, net patient service revenue increased $9.4 million, or 5.1%, from 2017.
- In 2019, salaries, wages, and benefits increased 0.7% from prior year. During 2018, salaries, wages, and benefits increased 4.7% from prior year reflecting a change in the SMH benefit plan.
- In 2019, supplies and materials decreased 4.79%, primarily due to decreases in volumes. During 2018, supplies and materials increased approximately 8.9% compared to 2017, primarily due to inpatient and outpatient volume increases.
- Professional fees decreased 13.4% from prior year, as a result of a decrease in physician agreements. Professional fees increased 7.9% from 2017 to 2018, as a result of an increase in physician agreements.
- In 2019, other direct expenses increased 16.9% from prior year, as a result of an increase in physician agreements.

Performance Against Budget

	FY 2019 Budget	FY 2019 Actual	Favorable (Unfavorable) Variance
		(In Thousands)	
Revenues			
Net Patient Service Revenue	$ 198,779	$ 191,197	$ (7,582)
Other Operating Revenue	3,139	6,685	3,546
Total Revenues	201,918	197,882	(4,036)
Operating Expenses			
Salaries, Wages, and Benefits	101,358	99,220	2,138
Supplies and Other	76,185	76,147	38
Professional and Contractual Services	12,883	12,347	536
Total Operating Expenses before Depreciation/Amortization and Non-Operating Revenues (Expenses)	190,426	187,714	2,712
EBIDA	11,492	10,168	(1,324)
Interest Income	1,500	1,719	219
Interest Expense	(1,839)	(1,739)	100
Bond Issuance Costs	-	(259)	(259)
Depreciation and Amortization	(9,968)	(10,457)	(489)
Property Tax Revenue	4,518	4,505	(13)
Other Expenses, Net	-	(1,289)	(1,289)
Excess of Revenues Over Expenses	5,703	2,648	(3,055)
Increase in Net Position	$ 5,703	$ 2,648	$ (3,055)

- Net patient service revenue was under budget for 2019 by 3.9% as a result of a decrease in admissions as well as several service lines including surgical, cardiac catherization, infusion center, and emergency room.
- Salaries, wages, and benefits were under budget 2.2% for 2019 as a result of the patient volume decreases.
- Professional fees were under budget for 2019 as a result of physician contracts being under budget due to volume decreases.

Capital Assets

	Fiscal Year 2019	Fiscal Year 2018	Dollar Change	Percent Change
		(In Thousands)		
Land and Land Improvements	**$ 9,081**	$ 9,081	$ -	0%
Building and Leasehold Improvements	**136,575**	136,593	(18)	0%
Equipment	**100,307**	88,277	12,030	14%
Construction in Progress	**360**	-	360	100%
Subtotal	**246,323**	233,951	12,372	5%
Less: Accumulated Depreciation	**(147,235)**	(137,117)	(10,118)	7%
Net Capital Assets	**$ 99,088**	$ 96,834	$ 2,254	2%

Economic Factors and Next Year's Budget

The Hospital's Board and Management considered many factors when setting the fiscal year 2020 budget. Management will continue to focus on recruiting employed physicians in the primary care and specialty areas. In addition, the broad economy is significantly important in setting the 2020 budget, which takes into account market forces and environmental factors such as:

- The effect of general weakness in the broad economy signaling changes in employment, employment-related benefits, and ultimately managed care tightness on utilization and rates.
- Continuing federal budget deficit related cuts threatening critical programs that ensure services in the local community such as the 340B drug program.
- The State of Louisiana continues to face deficits that place Medicaid rates and other reimbursement methods at risk.
- SMH will continue investment in physician alignment and information systems that will be a key part of long-term success, if not survivability of hospitals, in an era of pay for performance, bundled payment, and/or accountable care organizations.
- The industry will continue to face growing utilization of costly technology without adequate reimbursement.
- The industry will continue to face the growing number of high cost drugs, such as chemotherapy agents and new genetic custom specialty drugs, without adequate reimbursement.
- The industry will continue to face increased compliance costs due to pay for performance, HIPAA, and other regulations.

Contacting the Hospital's Financial Manager

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Hospital's finances. If you have any questions about this report or need additional financial information, please contact the Chief Financial Officer, Slidell Memorial Hospital, 1001 Gause Blvd., Slidell, LA 70458.

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Independent Auditor's Report

To the Board of Commissioners
St. Tammany Parish Hospital Service District No. 2
d/b/a Slidell Memorial Hospital
Slidell, Louisiana

Report on Financial Statements
We have audited the accompanying financial statements of the St. Tammany Parish Hospital Service District No. 2 d/b/a Slidell Memorial Hospital (the Organization) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the St. Tammany Parish Hospital Service District No. 2 d/b/a Slidell Memorial Hospital, as of December 31, 2019 and 2018, and the changes in financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

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

Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Organization's basic financial statements. The schedule of compensation paid to board of commissioners is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of compensation paid to board of commissioners is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation paid to board of commissioners is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2020 on our consideration of the Organization'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 Organization'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 Organization's internal control over financial reporting and compliance.

LaPorte

A Professional Accounting Corporation

Metairie, LA
June 24, 2020

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL
Statements of Net Position
December 31, 2019 and 2018

	2019	2018
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and Cash Equivalents	$ 64,407,021	$ 66,922,678
Patient Accounts Receivable, Net of Allowances for Uncollectible Accounts of $8,408,320 and $12,894,450 in 2019 and 2018, Respectively	16,531,488	13,609,110
Assets Whose Use is Limited, Required for Current Liabilities	4,986,534	4,838,871
Inventories	4,326,406	4,325,190
Prepaid Expenses and Other Receivables	6,713,842	3,602,658
Total Current Assets	96,965,291	93,298,507
Assets Whose Use is Limited or Restricted		
Under Agreements for Capital Improvements and Debt Service	3,690,096	9,334,123
By State Department of Workers' Compensation	700,000	700,000
By Board Direction	143,300	200,922
Total Assets Whose Use is Limited or Restricted	4,533,396	10,235,045
Capital Assets		
Land and Improvements	9,081,292	9,081,292
Buildings and Improvements	136,575,373	136,593,293
Equipment	100,306,816	88,277,215
Construction in Progress	359,789	-
	246,323,270	233,951,800
Less: Accumulated Depreciation	(147,235,463)	(137,116,955)
Capital Assets, Net	99,087,807	96,834,845
Other Assets, Net	747,904	237,000
Total Assets	201,334,398	200,605,397
Deferred Outflows of Resources	465,206	239,655
Total Assets and Deferred Outflows of Resources	$ 201,799,604	$ 200,845,052

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

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL
Statements of Net Position (Continued)
December 31, 2019 and 2018

	2019	2018
Liabilities and Net Position		
Current Liabilities		
Trade Accounts Payable	$ 2,845,197	$ 2,974,259
Salaries, Wages, and Benefits Payable	5,108,350	4,263,365
Accrued Paid Time Off Payable	3,628,803	3,532,658
Accrued Interest and Other Expenses	15,148,910	13,229,553
Amounts Due Within One Year on Bonds Payable	3,545,000	3,320,000
Amounts Due Within One Year on Hospital Indebtedness	1,745,000	1,695,000
Total Current Liabilities	32,021,260	29,014,835
Hospital Indebtedness, Less Amounts Due Within One Year	14,020,000	15,765,000
Bonds Payable, Less Amounts Due Within One Year	33,110,000	36,065,000
Total Liabilities	79,151,260	80,844,835
Net Position		
Net Investment in Capital Assets	47,941,532	46,638,971
Restricted for:		
Debt Service	7,868,109	7,763,523
Workers' Compensation	700,000	700,000
Unrestricted	66,138,703	64,897,723
Total Net Position	122,648,344	120,000,217
Total Liabilities and Net Position	$ 201,799,604	$ 200,845,052

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

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2019 and 2018

	2019	2018
Revenues		
Net Patient Service Revenue	$ 191,197,318	$ 193,786,400
Other Revenue	6,684,944	3,388,689
Total Revenues	197,882,262	197,175,089
Operating Expenses		
Salaries and Wages	85,416,388	80,725,409
Employee Benefits	13,803,722	17,756,407
Supplies and Materials	43,815,695	45,990,498
Other Direct Expenses	34,244,813	29,277,770
Professional Fees	3,379,914	3,905,510
Purchased Services	7,053,731	6,624,937
Depreciation and Amortization	10,456,862	9,486,383
Total Operating Expenses	198,171,125	193,766,914
Operating (Loss) Income	(288,863)	3,408,175
Non-Operating Revenues (Expenses)		
Interest Income	1,718,867	1,492,776
Interest Expense	(1,738,538)	(1,779,882)
Bond Issuance Costs	(259,365)	-
Property Tax Revenue	4,504,597	4,635,924
Other Expenses, Net	(1,288,571)	-
Total Non-Operating Revenues, Net	2,936,990	4,348,818
Change in Net Position	2,648,127	7,756,993
Net Position, Beginning of Year	120,000,217	112,243,224
Net Position, End of Year	$ 122,648,344	$ 120,000,217

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

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL
Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Cash Received from Patient Services	$ 179,245,175	$ 190,808,653
Cash Paid to or On Behalf of Employees	(96,576,953)	(99,986,451)
Cash Paid for Supplies and Services	(88,360,258)	(84,780,989)
Cash Received from Federal and State Programs	12,556,682	7,124,220
Net Cash Provided by Operating Activities	6,864,646	13,165,433
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(12,709,824)	(15,202,924)
Proceeds from Issuance of Bonds	16,895,000	11,000,000
Principal Payments on Long-Term Debt	(5,170,000)	(4,395,000)
Payments to Refund Bonds	(16,150,000)	-
Costs of Bond Issuance	(259,365)	-
Dedicated Property Tax Revenue Received	4,396,478	3,506,010
Interest Payments	(1,964,089)	(1,733,497)
Net Cash Used in Capital and Related Financing Activities	(14,961,800)	(6,825,411)
Cash Flows from Investing Activities		
Investment in Joint Venture	(1,799,475)	(237,000)
Interest Earned on Investments	1,718,867	1,492,776
Net Cash (Used in) Provided by Investing Activities	(80,608)	1,255,776
(Decrease) Increase in Cash and Cash Equivalents	(8,177,762)	7,595,798
Cash and Cash Equivalents, Beginning of Year	76,887,097	69,291,299
Cash and Cash Equivalents, End of Year	$ 68,709,335	$ 76,887,097
Reconciliation to Statement of Net Position		
Cash and Cash Equivalents	$ 64,407,021	$ 66,922,678
Cash and Cash Equivalents included in Assets Whose Use is Limited, Required for Current Liabilities	3,350,493	3,354,026
Cash and Cash Equivalents included in Assets Whose Whose Use is Limited or Restricted	951,821	6,610,393
Total Cash and Cash Equivalents	$ 68,709,335	$ 76,887,097

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

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL
Statements of Cash Flows (Continued)
For the Years Ended December 31, 2019 and 2018

	2019	2018
Reconciliation of Operating (Loss) Income to Net Cash Provided by Operating Activities		
Operating (Loss) Income	$ **(288,863)**	$ 3,408,175
Adjustments to Reconcile Operating (Loss) Income to Net Cash Provided by Operating Activities		
Depreciation and Amortization	**10,456,862**	9,486,383
Provisions for Bad Debts	**20,689,594**	21,747,323
Changes in Operating Assets and Liabilities		
Patient Accounts Receivable	**(23,611,972)**	(21,623,214)
Inventories and Other Operating Assets	**(3,112,400)**	(140,683)
Accounts Payable and Accrued Expenses	**2,731,425**	287,449
Net Cash Provided by Operating Activities	$ **6,864,646**	$ 13,165,433

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

Note 1. Organization and Summary of Significant Accounting Policies

Organization and Nature of Operations

Slidell Memorial Hospital (the Hospital) is a non-profit corporation organized as St. Tammany Parish Hospital Service District No. 2 (the District), a political subdivision of the State of Louisiana as established in Act 180 of the 1984 Regular Session of the Legislature, as amended, and is exempt from federal and state income taxes. The governing authority of the District is the St. Tammany Parish Hospital Service District No. 2 Board of Commissioners (the Board), which are appointed by a cross-section of representatives of city, parish, and state government bodies. The Board is authorized to oversee the assets and govern the operations of the District. The Hospital operates a full service acute care community hospital located in Slidell, Louisiana.

Reporting Entity

The basic financial statements present the Hospital and its component units, entities for which the Hospital is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

Blended Component Units:

Slidell Memorial Hospital Foundation, Inc. (the Foundation) is a Louisiana non-profit corporation exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Foundation's sole member is the District. The Foundation is operated by the District.

SMH Physician Practice Services, Inc. (PPS) is a Louisiana non-profit corporation originally organized to assist the Hospital in providing medical services to the community in a cost effective and efficient manner by assuring the availability of competent health care personnel. PPS is owned by the District and is a taxable non-profit corporation. PPS was dissolved during the fiscal year ended December 31, 2018.

The Hospital, the Foundation, and PPS are collectively referred to as the Organization. There are no other organizations or agencies whose financial statements should be included and presented with these financial statements.

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

Basis of Accounting

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

Use of Estimates

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

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

Cash and Cash Equivalents

Cash and cash equivalents are recorded at fair value. The Organization reports short-term, highly liquid investments whose use is not limited (that are both readily convertible to known amounts of cash and mature within three months or less from date of purchase) as cash equivalents.

Inventories

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

Capital Assets

Land, buildings, and equipment acquisitions are recorded at historical cost except for assets donated to the Organization. Donated assets are recorded at fair value on the date of donation. Depreciation of buildings and equipment is computed using the straight-line method in amounts sufficient to amortize the cost of these assets over their estimated useful lives.

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

Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted consist of cash and investments reported at fair value with gains and losses included in the statements of revenues, expenses, and changes in net position.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, consisting of property and equipment and cost in excess of net assets acquired, for impairment and determines whether an event or change in facts and circumstances indicates that their carrying amount may not be recoverable. The Organization determines recoverability of the assets by comparing the carrying value of the asset to net future undiscounted cash flows that the asset is expected to generate. The impairment recognized is the amount by which the carrying amount exceeds the fair market value of the asset. There were no asset impairments recorded during 2019 and 2018.

Joint Venture Agreement

During August of 2018, the Organization entered into a joint venture agreement with St. Tammany Parish Hospital, Ochsner Clinic Foundation, and Hospital Holdings Corporation to join a newly established entity, NSR Louisiana, LLC, that will provide inpatient rehabilitation services at a facility located in Lacombe, Louisiana. Under the terms of the agreement, the Organization will have a 30% ownership interest in NSR Louisiana, LLC. The initial cash contribution to capital of the Organization was $237,000. The Organization's ownership interest of $724,883 and $237,000 as of December 31, 2019 and 2018, respectively, is included in other assets, net on the statements of net position.

During July of 2019, the Organization entered into a joint venture agreement with St. Tammany Parish 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 Organization was required to fund an initial capital contribution of $317,400 which resulted in a 16% ownership interest. The Organization's ownership interest of $23,021 as of December 31, 2019, is included in other assets, net on the statements of net position.

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 Organization 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 Organization is exposed to certain credit risks. The Organization manages such risk by regularly reviewing its accounts and contracts, and by providing appropriate allowances. Provisions for bad debts are reported as offsets to net patient service revenues consistent with reporting practices for governmental entities.

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

Medicare and Medicaid Reimbursement Programs

The Hospital is reimbursed under the Medicare Prospective Payment System 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 Diagnosis Related Group (DRG) assigned to the patient. In addition, the Hospital is paid prospectively for Medicare inpatient capital costs based on the federal specific rate. The Hospital qualifies as a disproportionate share provider under the Medicare regulations. As such, the Hospital receives an additional payment for Medicare inpatients served. Except for Medicare disproportionate share reimbursement and Medicare bad debts, there is no retroactive settlement for inpatient costs under the Medicare inpatient prospective payment methodology.

The Hospital is paid a prospective per diem rate for 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.

Medicare outpatient services (excluding clinical lab and outpatient therapy) are reimbursed by the Outpatient Prospective Payment System (OPPS), which establishes a number of Ambulatory Payment Classifications (APC) for outpatient procedures in which the Hospital is paid a predetermined amount per procedure. Medicaid outpatient services (excluding ambulatory surgery, therapy, and clinical lab) were reimbursed at 83.18% and 74.56% of the lower of cost or charges as of December 31, 2019 and 2018, respectively. Medicare and Medicaid outpatient clinical lab and Medicaid ambulatory surgery and outpatient therapy services are reimbursed based upon the respective fee schedules.

Effective January 1, 2019, the Organization entered in an agreement with the Quality and Outcome Improvement Network (QOIN) to facilitate payments to these entities under the State of Louisiana's Medicaid Managed Care Quality Incentive Program (Program). The Louisiana Department of Health (LDH) amended its agreements with its contracted Managed Care Organizations (MCOs) to include quality-based performance measures and quality-based outcomes. With the expected achievement of the defined quality measures, LDH will fund the MCOs, who in turn will fund the network that the hospitals contract with for this Managed Care Incentive Payment (MCIP). For each measurement year, LDH will evaluate the performance relative to the specific quality measures. In the event LDH finds a deficiency in the accomplishment of those performance measures, there is the potential for recoupment of the MCIPs. Under the terms of the agreement with the QOIN, the Organization recognized approximately $2.7 million of estimated incentive payments for the year ended December 31, 2019, which is included within other revenue.

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

Medicare and Medicaid Reimbursement Programs (Continued)

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. The difference between a final settlement and an estimated settlement in any year is reported as an adjustment of net patient service revenue in the year the final settlement is made. Adjustments to estimated settlements resulted in a decrease to net patient service revenue of approximately $94,000 in 2019 and a decrease to net patient service revenue of approximately $358,000 in 2018. See Note 3 for further information.

Grants and Contributions

From time to time, the Hospital and its Foundation receive grants from the state of Louisiana, 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. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

Restricted Resources

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

Net Position

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

Net Investment in Capital Assets

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

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

Net Position (Continued)

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.

Employee Health and Workers' Compensation Insurance
The Organization 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 interest and other expenses on the statements of net position.

Statements of Revenues, Expenses, and Changes in Net Position
All revenues and expenses directly related to the delivery of health care services are included in operating revenues and expenses in the statements of revenues, expenses, and changes in net position. Non-operating revenues and expenses consist of revenues and expenses related to financing and investing type activities and result from non-exchange transactions or investment income.

Property Tax Revenues
The Hospital receives dedicated property tax revenues in amounts sufficient to fund annual debt maturities of the general obligation bonds and related interest costs (see Note 7). Such revenues are considered non-operating in the accompanying statements of revenues, expenses, and changes in net position. Unexpended property tax revenues are accumulated in a restricted fund held in trust and are exclusive of governmental debt service.

Compensated Absences
The Organization's employees earn paid time off at varying rates depending on years of service. The estimated amount of paid time off as termination payments is reported as a component of the current liability for salaries, wages, and benefits payable in both 2019 and 2018.

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

Recently Issued Accounting Principles

Subsequent to year end, in May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.* GASB 95 extends the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods after June 15, 2018. Statements which are relevant to the Organization which have had effective dates postponed are: GASB 84, GASB 87, GASB 88, and GASB 89. The new effective dates are reflected in the descriptions of the statements below.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities.* The objective of GASB 84 is to enhance the consistency and comparability of fiduciary activity reporting in state and local governments. The Statement establishes standards of accounting and financial reporting for fiduciary activities. Management is evaluating the potential impact of adoption on the Organization's financial statements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In June 2017, the GASB issued Statement No. 87, *Leases.* The objective of GASB 87 is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Management is evaluating the potential impact of adoption on the Organization's financial statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* The objective of GASB 88 is to improve consistency in information that is disclosed in notes to government financial statements related to debt and to provide financial statement users with additional essential information about debt. Management is evaluating the potential impact of adoption on the Organization's financial statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2019.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* The objective of GASB 89 is to establish accounting requirements for interest cost incurred before the end of a construction period. Management is evaluating the potential impact of adoption on the Organization's financial statements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Note 2. Cash and Assets Whose Use is Limited or Restricted

Custodial Credit Risk - Deposits: Statutes authorize the Organization to invest in direct obligations of the U.S. Government, certificates of deposit of state banks and national banks having their principal office in the State of Louisiana, and any other federally insured investments, guaranteed investment contracts issued by a financial institution having one of the two highest rating categories published by Standard & Poor's or Moody's, and mutual or trust fund institutions registered with the Securities and Exchange Commission (provided the underlying investments of these funds meet certain restrictions). The Organization's cash, cash equivalents, and certificates of deposit included in cash and cash equivalents and assets whose use is limited on its statements of net position, as of December 31, 2019 and 2018, were entirely covered by federal depository insurance or collateralized with securities held by the pledging financial institution's trust department or agent in the Organization's name.

Concentration of Credit Risk: As required under GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, an Amendment of GASB Statement No. 3, concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. GASB 40 further defines an at-risk investment to be one that represents more than five percent (5%) of the fair value of the total investment portfolio and requires disclosure of such at-risk investments. GASB 40 specifically excludes investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments from the disclosure requirement. At December 31, 2019 and 2018, the Organization had no investments requiring concentration of credit risk disclosure.

Assets Whose Use is Limited or Restricted: The terms of the Organization's bond issues require certain funds to be maintained on deposit with the trustee. The funds on deposit with the trustee, funds designated by the Board for capital improvements, and donated funds restricted by donor stipulations, as of December 31, 2019 and 2018, were as follows:

	2019	2018
Current Assets		
Dedicated Property Tax Revenue, Under Bond Indenture	**$ 4,986,534**	$ 4,838,871
Total	**$ 4,986,534**	$ 4,838,871
Non-Current Assets		
Dedicated Property Tax Revenue and Amounts Under Bond Indenture	**$ 2,881,575**	$ 2,924,652
Under Agreement for Capital Improvements	**808,521**	6,409,471
By State Department of Workers' Compensation	**700,000**	700,000
By Board Direction	**143,300**	200,922
Total	**$ 4,533,396**	$ 10,235,045

Note 3. Third-Party Payor Arrangements

The Hospital participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. During the years ended December 31, 2019 and 2018, approximately 70% and 71%, respectively, of the Hospital's gross patient service charges were derived from services provided to Medicare and Medicaid program beneficiaries. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Revenue derived from the Medicare program is subject to audit and adjustment by the fiscal intermediary and must be accepted by the United States Department of Health and Human Services before settlement amounts become final. Revenue derived from the Medicaid program is subject to audit and adjustment and must be accepted by the State of Louisiana, Department of Health before the settlement amount becomes final. The fiscal intermediary has completed its review of estimated Medicare settlements for fiscal years ended through December 31, 2015. The fiscal intermediary has completed its review of estimated Medicaid settlements for fiscal years ended through December 31, 2014. Annually, management evaluates the recorded estimated settlements and adjusts these balances based upon the results of the intermediary's audit of filed cost reports and additional information becoming available. Although the fiscal intermediary has not completed its audits (or reopened the review) of the estimated settlements for the years ended December 31, 2016 through 2019 for Medicare and for the years ended December 31, 2015 through 2019 for Medicaid, the Hospital does not anticipate significant adverse adjustments to the recorded settlements for those years.

The Hospital has also entered into payment agreements with certain commercial insurance carriers and managed care organizations. The basis for payment to the Hospital under these arrangements includes prospectively determined daily rates and discounts from established charges.

Estimated settlements due to third-party payors are approximately $2,200,000 and $1,900,000 for the years ended December 31, 2019 and 2018, respectively, and are included in accrued interest and other expenses on the statements of net position.

Note 4. Net Patient Service Revenue

Net patient service revenue for the years ended December 31, 2019 and 2018, was as follows:

	2019	2018
Gross Patient Service Revenue		
Medicare	$ **363,712,224**	$ 376,478,811
Medicaid	**193,942,148**	208,287,824
Medicare HMO	**347,780,165**	339,140,478
Managed Care/Commercial	**348,707,121**	359,687,659
Self Pay/Uninsured	**29,553,795**	26,294,465
Total	**1,283,695,453**	1,309,889,237
Contractual Adjustments	**(1,060,414,544)**	(1,083,764,175)
Charity Care	**(11,393,997)**	(10,591,339)
Provisions for Bad Debts	**(20,689,594)**	(21,747,323)
Total	$ **191,197,318**	$ 193,786,400

Note 5. Community Benefits

As a community health care provider, the Hospital's stated mission is "To Improve the Quality of Life in our Community". As such, total revenue includes that revenue generated from direct patient care, rentals from various medical office buildings, and sundry revenue related to the operation of the Hospital and its member organizations.

The Hospital 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 Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. As shown in Note 4, charity care provided during the years ended December 31, 2019 and 2018 measured at established rates, totaled $11,393,997 and $10,591,339, respectively.

The Hospital has also entered into a series of agreements related to funding healthcare for low income populations which are detailed in Note 12.

The Hospital also sponsors or participates in numerous activities to benefit the community. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable. Annually, the Hospital sponsors several health fairs and programs regarding such issues as diabetes, breast cancer, smoking cessation, nutrition, exercise, cardiology, women's health, parenting skills, development topics, etc., to provide the community access to health-related information. Also, the Hospital provides health screenings at no cost, or a reduced cost, to the community. These include prostate cancer, cholesterol, colorectal, skin cancer, glucose, and thyroid screenings.

Note 5. Community Benefits (Continued)

During 2019, the SMH Community Outreach Center held 130 free or low cost health education programs with 3,450 attendees. Also, during 2019, SMH performed free or low cost health screens for 2,006 people. The total lives touched through community outreach programs, classes, and events was 70,875.

During 2018, the SMH Community Outreach Center held 209 free or low cost health education programs with 12,079 attendees. Also, during 2018, SMH performed free or low cost health screens for 1,436 people. The total lives touched through community outreach programs, classes, and events was 49,813.

The Hospital encourages its employees to volunteer for charitable organizations and to participate in fundraising activities and, in some cases, pays employees to perform public services such as health screenings.

Note 6. Leases

Operating Commitments
The future minimum lease payments at December 31, 2019, for noncancelable operating leases are as follows:

Year Ending December 31,	Operating Leases
2020	$ 608,705
2021	425,820
2022	250,050
2023	178,075
2024	143,784
Total	$ 1,606,434

The Hospital also leases medical and administrative equipment under operating leases with terms that vary from month-to-month to five years. Total rental expense included in other direct expenses on the statements of revenues, expenses, and changes in net position was $902,526 and $911,444 for the years ended December 31, 2019 and 2018, respectively.

Rental Income
The Hospital leases space to physicians through a combination of cancelable and noncancelable lease agreements accounted for as operating leases. Rental income earned under these agreements was $1,365,294 and $1,503,439 for the years ended December 31, 2019 and 2018, respectively.

Note 6. Leases (Continued)

Rental Income (Continued)
The future minimum lease payments to be received on noncancelable leases are summarized as follows:

Year Ending December 31,	Amount
2020	$ 1,341,012
2021	778,088
2022	596,098
2023	342,093
2024	218,929
Total	$ 3,276,220

Note 7. Long-Term Debt

A summary of the Hospital's long-term debt outstanding is as follows:

	2019	2018
General Obligation Bonds	**$ 36,655,000**	$ 39,385,000
Hospital Indebtedness	**15,765,000**	17,460,000
Total Long-Term Debt	**$ 52,420,000**	$ 56,845,000

The following table, for the years ended December 31, 2019 and 2018, summarizes the changes in long-term debt:

	2019	2018
Balance of Long-Term Debt at January 1,	**$ 56,845,000**	$ 50,240,000
Less: Refunding of Bonds	**(16,150,000)**	-
Less: Repayment of Bonds and Notes Payable	**(5,170,000)**	(4,395,000)
Plus: Issuance of Hospital Indebtedness, Series 2018	**-**	11,000,000
Plus: General Obligation Refunding Bonds, Series 2019	**16,895,000**	-
Balance of Long-Term Debt at December 31,	**$ 52,420,000**	$ 56,845,000

Note 7. Long-Term Debt (Continued)

The details and balances of long-term debt at December 31, 2019 and 2018, are presented in the following table:

	2019	2018
General Obligation Bonds, Series 2009	**$ -**	$ 9,625,000
General Obligation Bonds, Series 2011	**630,000**	8,320,000
General Obligation Bonds, Series 2012	**11,985,000**	12,680,000
General Obligation Refunding Bonds, Series 2012	**3,115,000**	3,695,000
Hospital Indebtedness, Series 2013	**5,265,000**	6,460,000
Refunding Taxable Bonds, Series 2014	**435,000**	515,000
Refunding Tax Exempt Bonds, Series 2014	**3,750,000**	4,550,000
Hospital Indebtedness, Series 2018	**10,500,000**	11,000,000
General Obligation Refunding Bonds, Series 2019 #1	**8,830,000**	-
General Obligation Refunding Bonds, Series 2019 #2	**7,910,000**	-
Total Long-Term Debt	**52,420,000**	56,845,000
Less: Amounts Due Within One Year	**5,290,000**	5,015,000
Total, Net of Amounts Due Within One Year	**$ 47,130,000**	$ 51,830,000

General Obligation Bonds

The Hospital's general obligation bonds are payable from the annual levy and collection of unlimited ad valorem taxes on all the taxable property located within the boundaries of St. Tammany Hospital Service District No. 2 sufficient to pay such bonds in principal and interest as they mature.

Series 2009

On June 1, 2009, the Hospital issued $17.5 million in general obligation bonds with interest rates ranging from 4% to 6%, for the purpose of financing construction of its $20 million full service Cancer Center and related health care facilities project. The bonds were authorized by the voters of the District in a special election held on November 17, 2007.

Series 2011 and 2012

On April 30, 2011, the voters of St. Tammany Parish approved a referendum authorizing the Hospital to issue up to $25 million of general obligation bonds for the purpose of constructing, improving, and expanding its facilities, including new emergency room services, cardiology services, and the conversion of existing semi-private rooms into private rooms.

The Hospital issued the first of this series of general obligation bonds on August 4, 2011, in the amount of $9.8 million. Scheduled interest rates over the term of the 2011 bonds range from 2% to 4.75%.

Note 7. Long-Term Debt (Continued)

General Obligation Bonds

Series 2011 and 2012 (Continued)

The Hospital issued Series 2012 general obligation bonds in the amount of $15.2 million on March 1, 2012. Scheduled interest rates over the term of the 2012 bonds range from 2% to 3.125%.

All of the Hospital's general obligation bonds are secured by a pledge of dedicated property tax millages described in Note 1.

Interest on the general obligation bonds is payable semi-annually on March 1st and September 1st each year. The Series 2004 bonds mature in annual installments on March 1st each year until 2024 and can be called for early redemption after March 1, 2014. The Series 2009 bonds mature in annual installments on March 1st each year until 2029 and can be called for early redemption after March 1, 2019. The Series 2011 bonds also mature in annual installments due on March 1st each year from 2013 until 2036 and can be called for redemption in full or in part on or after March 1, 2021. The Series 2012 bonds mature in annual installments due on March 1st each year from 2015 until 2032 and can be called for redemption in full or in part on or after March 1, 2022.

General Obligation Refunding Bonds

Series 2012

On May 30, 2012, the Hospital issued $5,980,000 of general obligation refunding bonds, Series 2012. The bonds were issued for the purpose of refunding a portion of the Hospital's outstanding Series 2004B general obligation bonds. The refunding bonds bear interest at a rate of 2.20%. Interest is payable semi-annually on March 1st and September 1st each year. The bonds mature in annual installments on March 1st of each year until 2024. The bonds are not callable for early redemption.

The loss incurred in connection with the advanced refunding of the Hospital's Series 2004B general obligation bonds has been deferred and is being amortized over the life of the refunding bond issue. Amortization of this deferred loss was $41,815 at December 31, 2019 and 2018. Amortization is included in interest expense.

Series 2014

In January 2014, the Hospital issued $815,000 of general obligation refunding taxable bonds, Series 2014. The bonds were issued for the purpose of refunding the Hospital's outstanding Series 2004C taxable general obligation bonds. The refunding taxable bonds bear interest at a rate of 3.06%. Interest is payable semi-annually on March 1st and September 1st each year. The bonds mature in annual installments on March 1st of each year until 2024. The bonds are not callable for early redemption.

In January 2014, the Hospital issued $7,650,000 of general obligation refunding tax-exempt bonds, Series 2014. The bonds were issued for the purpose of refunding the Hospital's outstanding Series 2004A and 2004B general obligation bonds. The refunding tax-exempt bonds bear interest at a rate of 1.86%. Interest is payable semi-annually on March 1st and September 1st each year. The bonds mature in annual installments on March 1st of each year until 2024. The bonds are not callable for early redemption.

Note 7. Long-Term Debt (Continued)

General Obligation Refunding Bonds (Continued)

Series 2014 (Continued)

The loss incurred in connection with the advanced refunding of the Hospital's Series 2004A, 2004B, and 2004C general obligation bonds has been deferred and is being amortized over the life of the refunding bond issue. Amortization of this deferred loss was $4,570 at December 31, 2019 and 2018. Amortization is included in interest expense.

Series 2019

In January 2019, the Hospital issued $8,985,000 of general obligation refunding bonds, Series 2019. The bonds were issued for the purpose of advance refunding $8,750,000 of the Hospital's outstanding Series 2009 general obligation bonds with maturities from 2020 through 2029. The refunding tax-exempt bonds bear interest at a rate of 3.05%. Interest is payable semi-annually on March 1st and September 1st each year. The bonds mature in annual installments on March 1st of each year until 2029. The bonds are not callable for early redemption.

The resources provided by the issuance of the bonds were placed in escrow and the bonds were called for redemption effective March 1, 2019, at which time the refunded bonds were considered defeased and the liability removed from long-term debt. The advanced refunding was undertaken to reduce total debt service payments over 10 years by approximately $580,000 with an economic gain of approximately $500,000.

The loss incurred in connection with the advanced refunding of the Series 2009 general obligation bonds has been deferred and is being amortized over the life of the refunding bond issue. Amortization of this deferred loss was $2,085 at December 31, 2019. Amortization is included in interest expense.

Series 2019, Taxable

In October 2019, the Hospital issued $7,910,000 of taxable general obligation refunding bonds, Series 2019. The bonds were issued for the purpose of advance refunding $7,400,000 of the Hospital's outstanding Series 2011 general obligation bonds with maturities from 2022 through 2036. The refunding bonds bear interest at a rate between 2.00% and 3.44%. Interest is payable semi-annually on March 1st and September 1st each year. The bonds mature in annual installments on March 1st of each year until 2036. The bonds maturing in March 2030 and after are callable for early redemption.

The resources provided by the issuance of the bonds were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The refunded bonds are considered defeased and the liability removed from long-term debt. The advanced refunding was undertaken to reduce total debt service payments over 16 years by approximately $480,000 with an economic gain of approximately $370,000.

The loss incurred in connection with the advanced refunding of the Series 2011 general obligation bonds has been deferred and is being amortized over the life of the refunding bond issue. Amortization of this deferred loss was $1,304 at December 31, 2019. Amortization is included in interest expense.

Note 7. Long-Term Debt (Continued)

Hospital Indebtedness Obligations

On November 1, 2013, the Hospital issued $10 million of hospital indebtedness obligations to finance the cost of constructing, acquiring, and/or improving hospital facilities and equipment for the Hospital. The obligations bear interest at a rate of 2.99% and are payable in annual installments through July 1, 2023. The obligations are not callable for redemption prior to their stated maturity dates. The obligations are secured by a pledge of the net income, revenues, and receipts of the Hospital.

On August 9, 2018, the Hospital issued $11 million of hospital indebtedness obligations to finance the cost of constructing, acquiring, and/or improving hospital facilities, equipment, and furnishings, including, but not limited to, computer hardware and software upgrades for the Hospital. The obligations bear interest at a rate of 3.7% and are payable in annual installments through July 1, 2028. The obligations are secured by a pledge of the net income, revenues, and receipts of the Hospital.

Combined Existing Debt Service Commitments

Principal and interest payments due on general obligation bonds and notes payable outstanding as of December 31, 2019, are as follows:

Year Ending December 31,	Principal	Interest
2020	$ 5,290,000	$ 1,488,828
2021	5,375,000	1,409,893
2022	5,505,000	1,270,264
2023	5,630,000	1,120,012
2024	3,200,000	971,778
2025-2029	19,940,000	2,641,094
2030-2034	6,185,000	614,375
2035-2036	1,295,000	44,978
Total	$ 52,420,000	$ 9,561,222

Note 8. Employee Benefits

The Hospital and its member organizations maintain qualified defined contribution retirement and deferred compensation plans which provide benefits for eligible employees. Beginning in April 2002, the Hospital initiated a combined deferred compensation and contributory employee savings plan for full-time employees. Each employee's interest in a previous plan was fully vested and was transferred over to the new plan.

Note 8. Employee Benefits (Continued)

The retirement plan provides a discretionary employer match of participant elective deferrals up to 4%, beginning January 1, 2006, rather than contributions based on salaries. Plan participants who attained age 50 as of September 26, 2005, and were contributing 8% at that time, continue to receive the employer match up to 8% of their elective deferral. Employees are eligible to participate at their date of hire. Participants are immediately vested in their contributions plus actual earnings thereon.

Vesting in the Hospital's contribution is based on years of service. After three years of eligible service, the employee is 100% vested. Prior to that time, the employee is 0.0% vested.

The total eligible payroll for the years ended December 31, 2019 and 2018 was $80,833,936 and $77,088,382, respectively. During the years ended December 31, 2019 and 2018, the Hospital and member organizations made required contributions to the plan of $2,145,237 and $1,982,946, respectively.

Note 9. Risk Management and Regulatory Matters

Risk Management

The Hospital participates in the Louisiana Patients' Compensation Trust Fund (PCF) for insurance coverage on professional liability (medical malpractice) claims. As a participant, the Hospital 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 PCF provides coverage on a claims occurrence basis for claims over $100,000 and up to the $500,000 statutory limitation. The Hospital is self-insured with respect to the first $100,000 of each claim.

The Hospital also participates in the Louisiana Hospital Association Trust Fund (LHA Trust Fund), which provides general liability coverage up to $1,000,000 per claim. The LHA Trust Fund also insures excess general liability claims in excess of $1,000,000, but limited to $9,500,000 per claim. The Hospital's insurance coverage under the LHA Trust Fund is subject to a deductible of $100,000 on a claims-made basis.

The Hospital is involved in litigation arising in the ordinary course of business. Claims alleging malpractice have been asserted against the Hospital and are currently in various stages of litigation. As of December 31, 2019 and 2018, the Hospital has recorded professional and general liability accruals totaling $1,285,437 and $1,533,378, respectively, as an estimated provision for both asserted claims and for claims incurred but not reported.

These provisions are included as a component of accrued interest and other expenses on its statements of net position. Additional claims may be asserted against the Hospital arising from services provided to patients through December 31, 2019, exceeding these coverage limits; however, management believes it has adequately provided for them.

Note 9. Risk Management and Regulatory Matters (Continued)

Risk Management (Continued)

The Hospital is self-insured for workers' compensation up to $525,000 per claim, and employee health up to $250,000 per claim. A liability is recorded when it is probable that a loss has been incurred and the amount of that loss can be reasonably estimated. Liabilities for claims incurred are re-evaluated periodically to take into consideration claims incurred but not reported, recently settled claims, frequency of claims, and other economic and social factors. The Hospital carries commercial insurance which provides coverage for workers' compensation and employee health claims in excess of the self-insured limits.

As of December 31, 2019, the Hospital has recorded workers' compensation and employee health accruals totaling $1,091,437 and $594,000, respectively, as an estimated provision for both asserted claims and for claims incurred but not reported. These provisions are included as a component of accrued interest and other expenses on its statements of net position.

As of December 31, 2018, the Hospital has recorded workers' compensation and employee health accruals totaling $779,190 and $586,695, respectively, as an estimated provision for both asserted claims and for claims incurred but not reported. These provisions are included as a component of accrued interest and other expenses on its statements of net position.

Changes in the Hospital's aggregate claims liability for professional, general liability, workers' compensation, and employee health, which are included in accrued interest and other expenses on the accompanying statements of net position, were as follows for the years ended December 31, 2019 and 2018:

Year Ended December 31,	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Year End
2019	$ 2,899,263	$ 7,367,511	$ 7,295,900	$ 2,970,874
2018	$ 3,091,550	$ 13,208,260	$ 13,400,547	$ 2,899,263

Regulatory Matters

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

Note 9. Risk Management and Regulatory Matters (Continued)

Regulatory Matters (Continued)

Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Organization is in compliance with fraud and abuse, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

To ensure accurate payments to providers, the Tax Relief and Healthcare Act of 2006 mandated the Centers for Medicare & Medicaid Services (CMS) to implement a so-called Recovery Audit Contractor (RAC) program on a permanent and nationwide basis. The program uses RACs to search for potentially improper Medicare payments that may have been made to health care providers that were not detected through existing CMS program integrity efforts, on payments that have occurred at least one year ago but not longer than three years ago. Once a RAC identifies a claim it believes to be improper, it makes a deduction from the provider's Medicare reimbursement in an amount estimated to equal the overpayment.

A five-state pilot program concluded in March 2008, with a nationwide rollout of the RAC effort done in phases beginning in 2009. The experiences during the pilot found far more overpayments than underpayments.

Similarly, the CMS created new entities titled Audit Medicaid Integrity Contractors (MIC) in order to continue its efforts to ensure the highest integrity of its healthcare programs. The goal of the provider audits is to identify overpayments and to ultimately decrease the payment of inappropriate Medicaid claims. The MIC is to review claims submitted by all types of Medicaid providers, including all settings of care and types of services, with most audits taking place at staff headquarters and on occasion on-site at a provider's place of business.

The Organization was the subject of ongoing RAC and MIC audits during 2019 and 2018, and deducts from revenue amounts assessed under the RAC audits at the time a notice is received, until such time that estimates of net amounts due can be reasonably estimated. Annual net assessments against the Organization have not been significant through December 31, 2019.

In March 2010, the Patient Protection and Affordable Care Act (PPACA) was signed into law. The PPACA has created sweeping changes across the healthcare industry, including how care is provided and paid for. A primary goal of this comprehensive reform legislation is to extend health coverage to uninsured legal U.S. residents through a combination of public program expansion and private sector health insurance reforms. To fund the expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in health care delivery and to generate budgetary savings in the Medicare and Medicaid programs. Management of the Hospital is studying and evaluating the anticipated effects and developing strategies needed to prepare for implementation, and is preparing to work cooperatively with other consultants to optimize available reimbursement.

Note 10. Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of who are local residents and are often insured under third-party payor agreements. The mix of receivables from patients and third-party payors, net of contractual allowances and discounts, at December 31, 2019 and 2018, was as follows:

	2019	2018
Medicare	11%	7%
Medicaid	7%	6%
Medicare HMO	16%	12%
Managed Care and Other Payors	33%	28%
Patients	33%	47%
Total	100%	100%

Note 11. Changes in Capital Assets

Capital asset activity for the fiscal year ended December 31, 2019, was as follows:

	Balance December 31, 2018	Additions	Transfers/ Deletions	Balance December 31, 2019
Capital Assets Not Being Depreciated				
Land	$ 6,504,181	$ -	$ -	$ 6,504,181
Construction in Process	-	359,789	-	359,789
Total Capital Assets Not Being Depreciated	6,504,181	359,789	-	6,863,970
Capital Assets Being Depreciated				
Land Improvements	2,577,111	-	-	2,577,111
Buildings	136,593,293	-	(17,920)	136,575,373
Equipment	88,277,215	12,371,825	(342,224)	100,306,816
Total Capital Assets Being Depreciated	227,447,619	12,371,825	(360,144)	239,459,300
Less Accumulated Depreciation for:				
Land Improvements	1,736,806	88,988	-	1,825,794
Buildings	74,638,201	3,756,120	-	78,394,321
Equipment	60,741,948	6,611,754	(338,354)	67,015,348
Total Accumulated Depreciation	137,116,955	10,456,862	(338,354)	147,235,463
Capital Assets Being Depreciated, Net	90,330,664	1,914,963	(21,790)	92,223,837
Total Capital Assets, Net	$ 96,834,845	$ 2,274,752	$ (21,790)	$ 99,087,807

Note 11. Changes in Capital Assets (Continued)

Capital asset activity for the fiscal year ended December 31, 2018, was as follows:

	Balance December 31, 2017	Additions	Transfers/ Deletions	Balance December 31, 2018
Capital Assets Not Being Depreciated				
Land	$ 6,504,181	$ -	$ -	$ 6,504,181
Total Capital Assets Not Being Depreciated	6,504,181	-	-	6,504,181
Capital Assets Being Depreciated				
Land Improvements	2,577,111	-	-	2,577,111
Buildings	132,745,668	3,847,625	-	136,593,293
Equipment	79,315,414	12,201,709	(3,239,908)	88,277,215
Total Capital Assets Being Depreciated	214,638,193	16,049,334	(3,239,908)	227,447,619
Less Accumulated Depreciation for:				
Land Improvements	1,647,702	89,104	-	1,736,806
Buildings	70,970,707	3,667,494	-	74,638,201
Equipment	58,162,401	5,757,233	(3,177,686)	60,741,948
Total Accumulated Depreciation	130,780,810	9,513,831	(3,177,686)	137,116,955
Capital Assets Being Depreciated, Net	83,857,383	6,535,503	(62,222)	90,330,664
Total Capital Assets, Net	$ 90,361,564	$ 6,535,503	$ (62,222)	$ 96,834,845

Note 12. Louisiana Medicaid Collaboration and Cooperative Endeavor Agreements

The Organization routinely provides a substantial amount of uncompensated care to patients in its service area. For the years ended December 31, 2019 and 2018, management estimated that the total costs associated with providing uncompensated care were in excess of $11.3 and $10.5 million, respectively.

To improve or expand allowable healthcare services for Medicaid beneficiaries or low income, uninsured patients, during 2019 and 2018, the Organization entered into a series of collaborative agreements and cooperative endeavors designed to allow additional Medicaid funds for providing these services in the community.

Note 12. Louisiana Medicaid Collaboration and Cooperative Endeavor Agreements (Continued)

These agreements are detailed below:

East Jefferson General Hospital Cooperative Endeavor Agreement. The Organization entered into a cooperative endeavor agreement, which became effective January 12, 2016, with East Jefferson General Hospital (EJGH) (a Louisiana hospital service district) and other participating hospital service districts (HSDs). The Centers for Medicare & Medicaid Services (CMS) have previously approved Medicaid State Plan Amendments (SPAs), submitted by the Louisiana Department of Health (LDH), which provides for reimbursement to non-rural, non-state public hospitals up to the Medicare inpatient upper payment limits.

Under this agreement, EJGH has agreed to cooperate in the establishment of a funding program by contributing a portion of the upper payment limit (UPL) payments that result from SPAs to the other HSDs, including Slidell Memorial Hospital, for the purpose of ensuring that adequate and essential healthcare services are accessible and available to low income and/or indigent citizens and medically underserved non-rural populations in Louisiana in a manner defined in the agreement. Funding for each participating hospital service district is based upon a formula utilizing each districts' reported Medicaid patient days. The term of this agreement is one year with automatic renewals for additional terms of one year unless earlier terminated.

Physicians' UPL Agreement with the Louisiana Department of Health (LDH). On December 8, 2011, the Organization entered into an agreement with LDH which was approved by CMS. Under the program, LDH began making payments under the Physician's Supplemental Payment Program for non-state owned public hospitals for dates of service effective July 1, 2010. The purpose of this program is to enhance payments to physicians employed or contracted by the public hospitals. Slidell Memorial Hospital agreed to transfer funds to LDH to be used as Medicaid matching funds for the purpose of making physician supplemental payments and providing the state with additional resources to assist in the medical costs to the state.

Note 12. Louisiana Medicaid Collaboration and Cooperative Endeavor Agreements (Continued)

Physicians' UPL Agreement with the Louisiana Department of Health (LDH) (Continued). These matching funds are comprised of (1) an amount to be utilized as the "Non-Federal share" of the supplemental payments for services provided by the identified physician and other healthcare professionals, and (2) the "state retention amount," which is 22.5%, effective September 2016, of the "Non-Federal share", for the state to utilize in delivering healthcare services. In turn, LDH agrees to make supplemental Medicaid payments to the Hospital. The supplemental payments include the "Non-Federal share" and the "Federal funds" generated by the "Non-Federal share" payments. The total amount of the supplemental payments is intended to represent the difference between the Medicaid payments otherwise made to these qualifying providers and the Average Community Rate for these services.

Summary. During 2019, in accordance with the funding provisions of the above agreements, the Organization recognized $12,919,036 as an offset to Medicaid contractual adjustments resulting in a corresponding increase in net patient service revenue. Payments to LDH in conjunction with the Low Income and Needy Care Collaboration Agreement totaled $7,000,000, which is being amortized monthly over the effective term of the agreement. A total of $7,000,000 was recognized as other direct expenses during 2019. The Organization also recognized $3,440,741 as other direct expenses, funds paid or payable to LDH under the terms of the Physicians' UPL agreement during 2019 as income was recognized from the Medicaid Supplemental Payments.

During 2018, in accordance with the funding provisions of the above agreements, the Organization recognized $7,062,649 as an offset to Medicaid contractual adjustments resulting in a corresponding increase in net patient service revenue. Payments to LDH in conjunction with the Low Income and Needy Care Collaboration Agreement totaled $6,500,000, which is being amortized monthly over the effective term of the agreement. A total of $6,500,000 was recognized as other direct expenses during 2018. The Organization also recognized $1,439,160 as other direct expenses, funds paid or payable to LDH under the terms of the Physicians' UPL agreement during 2018 as income was recognized from the Medicaid Supplemental Payments.

Note 12. Louisiana Medicaid Collaboration and Cooperative Endeavor Agreements (Continued)

Physician Rate Enhancement Program. LDH has implemented a supplemental payment program for non-state owned public hospitals, such as the Organization, to enhance Medicaid fee for service payments to physicians employed by or contracted to provide 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 of Louisiana, Community Care Health Plan of Louisiana, Inc. (Healthy Blue), AmeriHealth Caritas Louisiana, Inc., Louisiana Healthcare Connections, Inc., and UnitedHealthcare 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 Organization, that elects to provide the state match for the federal funding associated with these Physician Rate Enhancement Funds, if an assignment agreement is in place between the hospital and a physician group that has contracted with the hospital to provide inpatient and outpatient physician services and is eligible to receive Physician Rate Enhancement Funds as a result of such services. The Organization obtained assignments from several physician groups that have contracted with the Organization to provide inpatient and outpatient services to the Organization's patients. As a result of these assignments, the Organization received Physician Rate Enhancement Funds from the five managed care organizations participating in the Healthy Louisiana Program, totaling $5,218,428 and $3,120,378, which is included in other revenue, for the years ended December 31, 2019 and 2018, respectively.

Note 13. Combining Blended Component Unit Information

The following tables include condensed combining statements of net position information for the Hospital and its component units as of December 31, 2019 and 2018:

	December 31, 2019			
	Slidell Memorial Hospital	Slidell Memorial Hospital Foundation, Inc.	Eliminations	Total
Current Assets	$ 96,911,444	$ 55,786	$ (1,939)	$ 96,965,291
Assets Whose Use is Limited	4,505,610	27,786	-	4,533,396
Capital Assets, Net	99,087,807	-	-	99,087,807
Other Assets, Net	747,904	-	-	747,904
Deferred Outflows of Resources	465,206	-	-	465,206
Total Assets and Deferred Outflows of Resources	$ 201,717,971	$ 83,572	$ (1,939)	$ 201,799,604
Liabilities and Net Position				
Current Liabilities	$ 32,023,199	$ -	$ (1,939)	$ 32,021,260
Long-Term Debt - Less Amounts Due Within One Year	47,130,000	-	-	47,130,000
Net Position	122,564,772	83,572	-	122,648,344
Total Liabilities and Net Position	$ 201,717,971	$ 83,572	$ (1,939)	$ 201,799,604

	December 31, 2018				
	Slidell Memorial Hospital	Slidell Memorial Hospital Foundation, Inc.	SMH Physician Practice Services, Inc.	Eliminations	Total
Current Assets	$ 93,097,083	$ 201,424	$ -	$ -	$ 93,298,507
Assets Whose Use is Limited	10,146,324	88,721	-	-	10,235,045
Capital Assets, Net	96,834,845	-	-	-	96,834,845
Other Assets, Net	237,000	-	-	-	237,000
Deferred Outflows of Resources	239,655	-	-	-	239,655
Total Assets and Deferred Outflows of Resources	$ 200,554,907	$ 290,145	$ -	$ -	$ 200,845,052
Liabilities and Net Position					
Current Liabilities	$ 29,014,835	$ -	$ -	$ -	$ 29,014,835
Long-Term Debt - Less Amounts Due Within One Year	51,830,000	-	-	-	51,830,000
Net Position	119,710,072	290,145	-	-	120,000,217
Total Liabilities and Net Position	$ 200,554,907	$ 290,145	$ -	$ -	$ 200,845,052

Note 13. Combining Blended Component Unit Information (Continued)

The following table includes condensed combining statement of revenues, expenses, and changes in net position information for the Hospital and its component units for the year ended December 31, 2019:

	Year Ended December 31, 2019			
	Slidell Memorial Hospital	Slidell Memorial Hospital Foundation, Inc.	Eliminations	Total
Revenues				
Net Patient Service Revenue	$ 191,197,318	$ -	$ -	$ 191,197,318
Other Revenue	6,831,802	-	(146,858)	6,684,944
Total Revenues	198,029,120	-	(146,858)	197,882,262
Operating Expenses				
Salaries and Wages	85,416,388	-	-	85,416,388
Employee Benefits	13,803,722	-	-	13,803,722
Supplies and Materials	43,814,548	-	1,147	43,815,695
Other Direct Expenses	34,182,851	209,967	(148,005)	34,244,813
Professional Fees	3,379,914	-	-	3,379,914
Purchased Services	7,053,731	-	-	7,053,731
Depreciation and Amortization	10,456,862	-	-	10,456,862
Total Operating Expenses	198,108,016	209,967	(146,858)	198,171,125
Operating (Loss) Income	(78,896)	(209,967)	-	(288,863)
Non-Operating Revenues (Expenses)				
Interest Income	1,715,473	3,394	-	1,718,867
Interest Expense	(1,738,538)	-	-	(1,738,538)
Bond Issuance Costs	(259,365)	-	-	(259,365)
Property Tax Revenue	4,504,597	-	-	4,504,597
Other Income (Expense)	(1,288,571)	-	-	(1,288,571)
Total Non-Operating Revenues, Net	2,933,596	3,394	-	2,936,990
Change in Net Position	2,854,700	(206,573)	-	2,648,127
Net Position, Beginning of Year	119,710,072	290,145	-	120,000,217
Net Position, End of Year	$ 122,564,772	$ 83,572	$ -	$ 122,648,344

Note 13. Combining Blended Component Unit Information (Continued)

The following table includes condensed combining statement of revenues, expenses, and changes in net position information for the Hospital and its component units for the year ended December 31, 2018:

	Year Ended December 31, 2018				
	Slidell Memorial Hospital	Slidell Memorial Hospital Foundation, Inc.	SMH Physician Practice Services, Inc.	Eliminations	Total
Revenues					
Net Patient Service Revenue	$ 193,786,969	$ -	$ -	$ (569)	$ 193,786,400
Other Revenue	3,493,523	-	-	(104,834)	3,388,689
Total Revenues	197,280,492	-	-	(105,403)	197,175,089
Operating Expenses					
Salaries and Wages	80,725,409	-	-	-	80,725,409
Employee Benefits	17,756,407	-	-	-	17,756,407
Supplies and Materials	45,989,441	-	-	1,057	45,990,498
Other Direct Expenses	29,224,803	159,427	-	(106,460)	29,277,770
Professional Fees	3,905,510	-	-	-	3,905,510
Purchased Services	6,624,937	-	-	-	6,624,937
Depreciation and Amortization	9,486,383	-	-	-	9,486,383
Total Operating Expenses	193,712,890	159,427	-	(105,403)	193,766,914
Operating Income (Loss)	3,567,602	(159,427)	-	-	3,408,175
Non-Operating Revenues (Expenses)					
Interest Income	1,488,255	4,521	-	-	1,492,776
Interest Expense	(1,779,882)	-	-	-	(1,779,882)
Other Income (Expense)	(5,268,965)	-	5,268,965	-	-
Property Tax Revenue	4,635,924	-	-	-	4,635,924
Total Non-Operating Revenues, Net	(924,668)	4,521	5,268,965	-	4,348,818
Change in Net Position	2,642,934	(154,906)	5,268,965	-	7,756,993
Net Position, Beginning of Year	117,067,138	445,051	(5,268,965)	-	112,243,224
Net Position, End of Year	$ 119,710,072	$ 290,145	$ -	$ -	$ 120,000,217

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

Note 14. Deferred Outflows of Resources

The Hospital has recorded deferred outflows of resources of $465,206 and $239,655 at December 31, 2019 and 2018, respectively, related to deferred bond losses resulting from refunding bond issuances.

Note 15. Current Economic Conditions

The current economic conditions continue to present hospitals with difficult circumstances and challenges, which in some cases have resulted in large declines and unanticipated declines in the fair value of investments and other assets, constraints on liquidity, and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Hospital.

Unemployment rates have made it difficult for certain patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Hospital's future operating results. Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in asset values, including allowances for accounts receivable that could negatively impact the Hospital's ability to meet debt covenants or maintain sufficient liquidity.

Note 16. Joint Operating Agreement

On July 2, 2015, the Organization signed a Joint Operating Agreement (JOA) with Ochsner Clinic Foundation (owners and operators of Ochsner Medical Center - Northshore) and Ochsner Health Systems (collectively, OHS) in order to accomplish over time the following clinical integration and healthcare delivery goals: continuing the charitable and public service missions; optimizing delivery of healthcare beyond what any of the parties can do alone so that community based primary and secondary services can be efficiently performed; reducing costs and improving quality and operational efficiencies beyond what any of the parties can do alone by integrating SMH and OHS clinical and administrative systems; pooling complementary clinical resources to improve quality outcomes and keeping care local and reducing outmigration of care from the community beyond what any of the parties can do alone; and accessing and efficiently utilizing capital.

The parties intend to operate the JOA coordinated operations as a coordinated delivery system, a clinically integrated system, and a financially integrated collaboration. The parties will integrate financially by sharing all financial risk as well as the rewards of their collaboration in accordance with the JOA.

Financial consideration as a result of this agreement is based on a pre-established and pre-defined combined adjusted operating income (SMH and OHS) for the area of service as defined by the agreement.

Note 16. Joint Operating Agreement (Continued)

Beginning January 1, 2016 and for each year thereafter during the term of the agreement, the parties will share all combined adjusted operating income or loss based on pre-established percentages. For the years ended December 31, 2019 and 2018, the Organization recognized expenses of approximately $4.5 million and $2.8 million, respectively, as a result of the JOA, which is included in other direct expenses on the statements of revenues, expenses, and changes in net position.

The agreement will continue for a term of twenty years, and will automatically renew for one-year terms thereafter.

Note 17. Subsequent Events

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern", and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. The Organization is currently evaluating the impact on the financial statements.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near-term as a result of these conditions.

In response to this pandemic, the United Stated Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law on March 27, 2020 in an effort to provide relief to the American people and businesses resulting from the public health and economic impacts of COVID19.

Several initial provisions of the CARES Act were specifically related to the healthcare industry. The CARES Act provided for an initial $100 billion of funding for the healthcare industry in the form of stimulus money, treated as grants, to be released in tranches. In addition, the CARES Act provided for accelerated payments to hospitals and healthcare systems under the Medicare Accelerated Advanced Payment Program. The payments under the Medicare Accelerated Advance Payment Program will be recouped over time from hospitals and healthcare systems and, ultimately, are treated as loans.

Immediately following the enactment of the CARES Act, the government began releasing funds both in the form of stimulus monies and Medicare Advanced Payments. To date, the Organization has received approximately $16 million in stimulus monies and approximately $16 million under the Medicare Advanced Payments Program.

The remaining cash flow impact and impact on operations from the COVID19 pandemic and any Federal or State funding sources remains unknown at this time.

OTHER SUPPLEMENTARY INFORMATION

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL
Schedule of Compensation Paid to Board of Commissioners
For the Year Ended December 31, 2019

Commissioner		Current Term	Compensation	
Bruce R. Anzalone		7/1/18 - 6/30/22	$	4,800
Joseph DiGiovanni, Jr., CPA	Secretary/Treasurer	7/1/19 - 6/30/23		5,500
Larry P. Englande, Sr.	Vice-Chairman	12/19/18 - 6/30/21		5,100
Daniel J. Ferrari, Sr.	Chairman	7/1/17 - 6/30/21		7,400
Michael E. Isabelle, MD		7/1/15 - 2/17/19		100
Georgia M. Johnson, RN		7/1/18 - 6/30/22		4,800
Walter J. Lane, PhD		7/1/15 - 6/30/19		3,000
Robert C. Mercadel, MD		12/14/18 - 6/30/22		2,600
Shawn M. Paretti, CPCU		7/31/19 - 6/30/23		1,400
Jeff S. Redmond, MD		1/1/19 - 12/31/19		2,600
Kirsten R. Stanley-Wallace, JD		7/31/19 - 6/30/23		1,500
Total			$	38,800

See independent auditor's report

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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*

Independent Auditor's Report

To the Board of Commissioners
d/b/a Slidell Memorial Hospital
St. Tammany Parish Hospital Service District No. 2
Slidell, 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 *Governmental Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of St. Tammany Parish Hospital Service District No. 2 d/b/a Slidell Memorial Hospital (the Organization) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated June 24, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Organization'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 determination of financial statement amounts. 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 *Governmental Auditing Standards* in considering the Organization'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.

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Metairie, LA
June 24, 2020

Part I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to the financial statements?	No

Part II - Financial Statement Findings

None.

Schedule of the Prior Year's Audit Findings
For the Year Ended December 31, 2019

Financial Statement Findings

None.

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AGREED-UPON PROCEDURES REPORT

St. Tammany Parish Hospital Service District No. 2
d/b/a Slidell Memorial Hospital

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Year Ended December 31, 2019

To the Board of Commissioners of
St. Tammany Parish Hospital Service District No. 2
d/b/a Slidell Memorial Hospital

We have performed the procedures enumerated below as they are a required part of the engagement. We are required to perform each procedure and report the results, including any exceptions. Management is required to provide a corrective action plan that addresses all exceptions noted. For any procedures that do not apply, we have marked "not applicable."

Management of St. Tammany Parish Hospital Service District No. 2 d/b/a Slidell Memorial Hospital (the Hospital) is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. These procedures were agreed to by management of the Hospital and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about the Hospital's compliance with certain laws and regulations during the year ended December 31, 2019, in accordance with Act 774 of 2014 Regular Legislative Session. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and results are as follows:

Debt Service

1. Obtain and inspect the entity's written policies and procedures over debt service and observe that they address (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

2. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

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3. 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: There were no exceptions to the procedures above.

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

1. Obtain and inspect the entity's written policies and procedures over purchasing and non-payroll disbursements and observe that they address (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, (5) documentation required to be maintained for all bids and price quotes, and (6) the processing, reviewing, and approving of disbursements.

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

3. For each location selected under #2 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, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

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

   b) At least two employees are involved in processing and approving payments to vendors.

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

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

4. For each location selected under #2 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 five disbursements for each location, obtain supporting documentation for each transaction, and:

   a) Observe that the disbursement matched the related original invoice/billing statement.

   b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #3, as applicable.

   Results: There were no exceptions to the procedures above.

Public Bid Law

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

2. For each location selected under #1 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.

3. Aggregate the disbursements by vendor and select the five vendors that were paid the most money during the fiscal period (exclude vendor payments for professional service contracts and purchases on state contract).

4. Compare total payments for each vendor to the thresholds set in the Louisiana Public Bid Law (R.S. 38:2211-2296) or Procurement Code (R.S. 39:1551-39:1755), if adopted.

5. For each vendor that met the legal thresholds in #4 above, obtain supporting vendor and entity documentation, and observe that purchases were bid in accordance with the Louisiana Public Bid Law or Procurement Code, if adopted.

   Results: There were no exceptions to the procedures above.

Information Technology Disaster Recovery/Business Continuity

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

   a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

   b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, 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 active antivirus software and that the antivirus, operating system, and accounting system software are the most recent versions available (i.e. up-to-date).

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

Sexual Harassment

1. Obtain and inspect the entity's written sexual harassment policies and procedures and observe that they address all requirements of Louisiana Revised Statutes (R.S.) 42:342-344, including agency responsibilities and prohibitions; annual employee training; and annual reporting requirements.

2. Obtain a listing of employees/elected officials/board members employed during the fiscal period and management's representation that the listing is complete. Randomly select five employees/elected officials/board members, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/elected official/board member completed at least one hour of sexual harassment training during the calendar year.

3. 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).

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

   Results: There were no exceptions to procedures 1, 3, and 4 above. One employee selected during the performance of procedure 2 did not complete at least one hour of sexual harassment training during the calendar year.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to perform, and did not perform, an examination or review, the objective of which would be the expression of an opinion or conclusion. 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.

This report is intended solely for the use of management St. Tammany Parish Hospital Service District No. 2 d/b/a Slidell Memorial Hospital and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

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Metairie, LA
June 22, 2020

SMH
Your Hospital for Life.

June 11, 2020

Lester J. Richoux, CPA
Audit Senior Manager
LaPorte | CPAs & Business Advisors
5100 Village Walk, Suite 300
Covington, LA 70433

Dear Lester:

This is in response to the agreed upon audit procedures, specifically item No 2 Sexual Harassment – Obtain sexual harassment training documentation for 5 randomly selected employees/officials/board members, and observe that the documentation demonstrates each employee/official/board member completed at least one hour of sexual harassment training during the calendar year.

- SMH Human Resources Division will ensure the employee selected during the performance of procedure 2 completes at least one hour of sexual harassment training by July 1, 2020. Additionally, SMH HR will audit training records of any other employee who has not completed the training and communicate the requirement to both the employee and their leader.

Respectively submitted,

Sandy Badinger

Sandy Badinger
Chief Executive Officer

STB/jc

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Independent Auditor's Report on Supplementary Information

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

We have audited the financial statements of the St. Tammany Parish Hospital Service District No. 2 (d/b/a Slidell Memorial Hospital) as of and for the years ended December 31, 2019 and 2018, and have issued our report thereon dated, June 24, 2020, which expressed an unmodified opinion on those financial statements. Our audits were 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 June 24, 2020.

The accompanying supplementary information is presented for the purpose of additional analysis, as required by Louisiana Revised Statutes, 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 audits 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 and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the comptroller General of the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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Metairie, LA
June 24, 2020

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ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the Year Ended December 31, 2019

Agency Head
Kerry Tirman, CEO

Purpose	**Amount**
Salary	$416,825
Benefits - Insurance	$15,882
Benefits - Retirement	$11,200
Benefits - Other	$27,414
Car Allowance	$0
Vehicle Provided by Government	$0
Cell Phone Stipend	$150
Reimbursements	$10,702
Travel	$0
Registration Fees - Conference	$345
Conference Travel	$0
Continuing Professional Education Fees	$0
Housing	$2,660
Relocation Expense	$504
Other	$0

Louisiana Revised Statute (LRS) 24:513(A)(3) as amended by Act 706 of the 2014 Regular Legislative Session requires that the total compensation, reimbursements, and benefits of an agency head or political subdivision head or chief executive officer related to the position, including but not limited to travel, housing, unvouchered expense, per diem, and registration fees be reported as a supplemental report within the financial statements of local government and quasi-public auditees. In 2015, Act 462 of the 2015 Regular Session of the Louisiana Legislature further amended LRS 24:513(A)(3) to clarify that nongovernmental entities or not-for-profit entities that received public funds shall report only the use of public funds for the expenditures itemized in the supplemental report.