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

Financial Report
December 31, 2022 and 2021

LAPORTE
CPAs & BUSINESS ADVISORS

Contents

This section of St. Tammany Parish Hospital Service District No. 1's (the System) annual financial report presents background information and our analysis of the System's financial performance during the fiscal year that ended on December 31, 2022. Please read it in conjunction with the financial statements in this report.

Overview of the Financial Statements

The financial statements contain the accounts of St. Tammany Parish Hospital Service District No. 1 of St. Tammany Parish, Louisiana (a nonprofit corporation organized by the St. Tammany Parish Police Jury under provisions of Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950). The governing authority of St. Tammany Parish Hospital Service District No. 1 is its Board of Commissioners. The St. Tammany Parish Council appoints members of the System's Board of Commissioners.

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

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

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

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

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

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

Financial Highlights

The System's change in net position was an increase of $28.7M in 2022 and $34.0M in 2021. Net Position showed an increase of 6.5% in 2022 compared to an increase of 8.4% in 2021. During 2021, the System effectively managed through COVID-19 and substantial labor shortages that impacted the industry.

The assets of the System exceeded liabilities at the close of the 2022 fiscal year by $469.1M. Of that amount, $315.8M (unrestricted net position) was available to meet ongoing obligations to the System's patients and creditors, $4.1M was restricted for debt service and self-insured funding arrangements, $28.6M was restricted for capital projects, and $120.0M was the System's net investment in capital assets.

The assets and deferred outflows of resources of the System exceeded liabilities at the close of the 2021 fiscal year by $440.5M. Of that amount, $279.3M (unrestricted net position) was available to meet ongoing obligations to the System's patients and creditors, $3.9M was restricted for debt service and self-insured funding arrangements, $43.4M was restricted for capital projects, and $113.2M was the System's net investment in capital assets.

In 2022, net patient service revenue increased by $38.4M, or 9.7%, from 2021. The increase was related to volume as well as an increase in supplemental payments received by the State of Louisiana related to the Medicaid program. Operating expenses increased by $31.1M, or 8.2%, in 2022. The increase in operating expenses was related to volume as well as an increase in personnel costs due to workforce shortages experienced by the System. The System also recognized $2.2M in non-operating revenues related to recoveries from COVID-19 related expenses and insurance recoveries of damage incurred during Hurricane Ida in 2021. In total, the System experienced a decrease in the excess of revenues over expenses before capital contributions by approximately $5.3M when compared to the fiscal year 2021 operations.

Financial Analysis of the System

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

Net Position

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

	December 31,		
	2022	2021	2020
	(Dollars in Thousands)		
Assets			
Current and other assets	**$ 457,298**	$ 451,501	$ 423,077
Capital assets	**230,299**	212,240	192,770
Total assets	**687,597**	663,741	615,847
Deferred outflows of resources	**-**	-	139
Total assets and deferred outflows of Resources	**$ 687,597**	$ 663,741	$ 615,986
Liabilities			
Long-term debt outstanding	**$ 161,519**	$ 165,366	$ 152,199
Other liabilities	**56,946**	57,921	57,293
Total liabilities	**218,465**	223,287	209,492
Net position			
Net investment in capital assets	**120,035**	113,232	119,883
Restricted	**33,318**	47,878	56,097
Unrestricted	**315,779**	279,344	230,514
Total net position	**469,132**	440,454	406,494
Total liabilities and net position	**$ 687,597**	$ 663,741	$ 615,986

Summary of Revenues, Expenses, and Changes in Net Position

The following table presents a summary version of the System's historical revenues and expenses for the years ended December 31, 2022, 2021, and 2020:

	Years Ended December 31,		
	2022	2021	2020
	(Dollars in Thousands)		
Operating revenue			
Net patient service revenue net of provision for bad debts of $21,195 in 2022, $23,722 in 2021, and $21,400 in 2020	**$ 434,589**	$ 396,218	$ 345,129
Other operating revenue	**16,191**	15,717	26,434
Total operating revenue	**450,780**	411,935	371,563
Operating expenses			
Maintenance and operation expenses	**385,120**	356,287	331,122
Depreciation and amortization	**24,177**	21,943	18,987
Total operating expenses	**409,297**	378,230	350,109
Operating net income	**41,483**	33,705	21,454
Federal grants	**1,102**	6,691	-
Provider relief funds	-	1,418	26,678
Insurance proceeds	**1,089**	-	-
Investment income and gains and losses, net	**(9,963)**	(1,839)	6,880
Interest expense	**(5,966)**	(5,693)	(5,704)
Equity in net loss of joint ventures	**325**	(384)	(425)
Gain (loss) on disposal of capital assets	**(40)**	(14)	3
Excess of revenues over expenses before capital contributions	**28,030**	33,884	48,886
Capital contributions	**648**	76	89
Change in net position	**28,678**	33,960	48,975
Total net position - beginning of year	**440,454**	406,494	357,519
Total net position - end of year	**$ 469,132**	$ 440,454	$ 406,494

The information below summarizes the System's basic Statements of Revenues, Expenses, and Changes in Net Position for 2022 and 2021:

Operating Revenue

During fiscal year 2022 and 2021, the System derived approximately 96.4% and 96.2%, respectively, of its total operating revenues from Net Patient Service Revenues. Net Patient Service Revenues include revenues from the Medicare and Medicaid programs, patients, or their third-party carriers who pay for care in the System's facilities.

The following table represents the relative percentage of gross charges billed for patient services by payor for the fiscal years ended December 31, 2022 and 2021:

	December 31,	
	2022	2021
Medicare	**21%**	22%
Medicaid	**15%**	15%
Commercial Insurance/Managed Care	**32%**	33%
Medicare Advantage	**31%**	29%
Self-Pay	**1%**	1%
Total gross charges	**100%**	100%

Operating and Financial Performance

The highlights of the System's Statements of Revenues, Expenses, and Changes in Net Position from 2021 to 2022 include:

- During 2022, the System had patient days and admissions of 59,942 and 12,158, respectively. During 2021, the System had patient days and admissions of 58,886 and 11,880, respectively. This is an increase in patient days of 1.8% and 2.3% in admissions from fiscal year 2021.
- Observation patient volume increased by 1,091 patients, or 22.8%, in 2022. Net "Bedded Patients" (inpatient plus observation) went from 16,655 in 2021 to 18,024 in 2022, or a "Bedded Patient" increase of 1,369 admissions, or 8.2%.
- Outpatient visits (including Home Health, Hospice, and Physicians) were 311,309. This is an increase of 7.8% from prior year.
- Emergency room visits were 60,609, an increase of 6.4% from fiscal year 2021.

- Physician Clinic visits were 146,526, an increase of 2.3% from fiscal year 2021. Primary Care (including pediatrics) decreased by 8.3%; Specialty Clinics (excluding Oncology) increased by 6.8%.
- Net patient service revenue increased $38.4, or 9.7%, in 2022. The System was able to recognize a full year of bed capacity on the new beds opened during 2021.
- Employee compensation increased $22.0M, an increase of 10.9%. The workforce shortages during 2022 contributed to the higher than normal increases realized. Market adjustments, retention payments, and premium shift pay were needed to ensure appropriate coverage was maintained.
- Supplies and other expenses increased by $3.1M, or 2.5%, and were related to increases in volume and contractual services directly related to the labor shortages.

The highlights of the System's Statements of Revenues, Expenses, and Changes in Net Position from 2020 to 2021 include:

- During 2021, the System had patient days and admissions of 58,886 and 11,880, respectively. During 2020, the System had patient days and admissions of 50,950 and 11,274, respectively. This is an increase in patient days of 15.6% and 5.4% in admissions from fiscal year 2020.
- Observation patient volume increased by 166 patients, or 3.6%, in 2021. Net "Bedded Patients" (inpatient plus observation) went from 15,883 in 2020 to 16,655 in 2021, or a "Bedded Patient" increase of 772 admissions, or 4.9%.
- Outpatient visits (including Home Health, Hospice, and Physicians) were 288,850. This is an increase of 10.6% from prior year.
- Emergency room visits were 56,979, an increase of 18.4% from fiscal year 2020.
- Physician Clinic visits were 143,193, an increase of 4.2% from fiscal year 2020. Primary Care (including pediatrics) increased by 16.1%; Specialty Clinics (excluding Oncology) increased by 8.6%; Oncology Clinic visits decreased by 57.2% as a result of the System no longer contracting with community Oncology practice.
- Net patient service revenue increased $51.1M, or 14.8%, in 2021. The System opened a new tower expanding its capacity by 56 (net new) beds.
- Employee compensation increased $16.0M, an increase of 8.6%. Increase was related to opening the new bed tower as well as addressing workforce shortages which resulted from COVID-19 impact across the nation.
- Supplies and other expenses increased by $3.8M, or 3.1%, and were related to increases in volume, supply costs, and professional services. COVID-19's impact across the nation and around the world caused supply chain shortages which resulted in price increases. Labor shortages contributed to the increase in the System's professional and contractual services.

2022 Budget to Actual Comparison (in Thousands)

In comparing actual results of operations versus budgeted 2022 results, the following is noted:

	For the Year Ended December 31,		Variance
	Budget 2022	Actual 2022	Positive (Negative)
Operating revenues			
Net patient service revenue net of provision for bad debts of $24,723 budget and $21,195 actual	$ 405,806	$ 434,589	$ 28,783
Other operating revenue	13,605	16,191	2,586
Total revenues	419,411	450,780	31,369
Operating expenses			
Salaries, wages, and benefits	222,202	223,777	(1,575)
Supplies and other	122,394	128,371	(5,977)
Professional and contractual services	33,386	32,972	414
Depreciation and amortization	24,455	24,177	278
Total operating expenses	402,437	409,297	(6,860)
Non-operating income (expenses), net	(3,175)	(13,453)	(10,278)
Excess of revenues over expenses	$ 13,799	$ 28,030	$ 14,231

Cash Flows

Changes in the System's cash flows as illustrated in the Statements of Cash Flows appearing on pages 6 and 7 are generally consistent with changes in operating gains and non-operating revenues and expenses, as discussed earlier. Overall, cash and cash equivalents decreased in 2022.

Capital Assets

The table below details the changes in the System's capital assets during the year ended December 31, 2022:

Capital Assets (in Thousands)

	December 31, 2022	December 31, 2021	Dollar Change	Percent Change
Land and improvements	**$ 20,026**	$ 18,842	$ 1,184	6%
Buildings	**217,046**	215,985	1,061	0%
Equipment	**166,027**	156,969	9,058	6%
Construction in progress	**26,468**	4,390	22,078	503%
Subtotal	**429,567**	396,186	33,381	8%
Less: accumulated depreciation and amortization	**(199,268)**	(183,946)	(15,322)	8%
Capital assets, net	**$ 230,299**	$ 212,240	$ 18,059	9%

- Net Capital Assets increased by approximately $18.1M during 2022. Expenditures of $24.3M are related to expansion and enhancement projects of the physical buildings. Expenditures of $9.1M are related to replacement of routine equipment and enhancement of information systems.
- Net Capital Assets increased by approximately $19.5M during 2021. Expenditures of $17.9M are related to expansion and enhancement projects of the physical buildings. Expenditures of $11M are related to purchase of land and buildings to support administrative functions of the System. Expenditures of $8.5M are related to replacement of routine equipment and enhancement of information systems.

Projected Capital Expenditures for FY 2023

The System projects spending of $48.4M on capital projects during FY 2023. Of this amount, $28.6M will be funded from the bonds issued in 2018, for a hospital expansion. The expansion includes Hospital renovations to dietary, sterile processing and other support related areas.

Debt Administration

Effective January 1, 2020, the System adopted Government Accounting Standards Board (GASB) 87, which requires all leases with a lease term of more than 12 months to be reflected on the statements of net position as a right-of-use asset and a corresponding capital lease liability. The financial statements include right-of-use assets of $21.0M and $21.5M and total capital lease liabilities of $22.6M and $22.9M for the years ending December 31, 2022 and 2021, respectively.

2022 Long-Term Debt and Capital Lease Liability

At December 31, 2022, the System had $161.5M in long-term debt. Total long-term debt represents 73.9% of the System's total liabilities as of year-end.

2021 Long-Term Debt and Capital Lease Liability

At December 31, 2021, the System had $165.4M in long-term debt. Total long-term debt represents 74.1% of the System's total liabilities as of year-end.

Economic Factors and Next Year's Budget

The System's Board and Management considered many factors when setting the fiscal year 2023 budget. Of primary importance in setting the 2023 budget is the status of the economy, which takes into account market forces and environmental factors such as:

- Medicare reimbursement changes and reductions
- Cost of supplies and drugs
- Workforce shortages

Contacting the System's Financial Manager

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

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Independent Auditor's Report

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

Report on Audits of Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of St. Tammany Parish Hospital Service District No. 1 of St. Tammany Parish, Louisiana (the System), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the System as of December 31, 2022 and 2021, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

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

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

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

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

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2023, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

A Professional Accounting Corporation

Metairie, LA
April 14, 2023

LaPorte

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
(d/b/a ST. TAMMANY HEALTH SYSTEM)
Statements of Net Position
December 31, 2022 and 2021 (In Thousands)

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	**$ 115,477**	$ 124,851
Investments	**206,579**	177,750
Patient accounts receivable, net of allowance for doubtful accounts of $17,666 in 2022 and $18,787 in 2021	**38,198**	37,732
Inventories	**8,294**	7,679
Prepaid expenses and other receivables	**8,254**	5,871
Total current assets	**376,802**	353,883
Noncurrent cash and investments		
Held by trustee under Construction Fund	**28,648**	43,356
Held by trustee under bond indenture	**4,095**	3,947
Designated by board for capital improvements and facility enhancements	**3,000**	3,000
Designated by board for Community ER Services	**-**	2,444
Held by others for self-insured funding arrangements	**575**	575
Total noncurrent cash and investments	**36,318**	53,322
Capital assets		
Land and improvements	**20,026**	18,842
Buildings	**217,046**	215,985
Equipment	**166,027**	156,969
Construction in progress	**26,468**	4,390
Less: accumulated depreciation	**(199,268)**	(183,946)
Total capital assets, net	**230,299**	212,240
Right-of-use assets, net	**21,016**	21,530
Other assets	**23,162**	22,766
Total assets	**$ 687,597**	$ 663,741

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

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
(d/b/a ST. TAMMANY HEALTH SYSTEM)
Statements of Net Position (Continued)
December 31, 2022 and 2021 (In Thousands)

		2022		2021
Liabilities and net position				
Current liabilities				
Accounts payable and accrued expenses	**$**	**30,034**	$	31,024
Accrued employee compensation		**13,636**		13,840
Accrued vacation		**5,940**		5,385
Settlements due to Medicare and Medicaid intermediaries		**7,336**		7,672
Lease liabilities - current		**3,722**		4,175
Amounts due within one year on long-term debt		**3,507**		3,452
Total current liabilities		**64,175**		65,548
Lease liabilities - long-term		**18,885**		18,827
Long-term debt, net of current maturities		**135,405**		138,912
Total liabilities		**218,465**		223,287
Net position				
Net investment in capital assets		**120,035**		113,232
Restricted for debt service		**4,095**		3,947
Restricted for capital projects		**28,648**		43,356
Restricted for self-insured funding arrangements		**575**		575
Unrestricted		**315,779**		279,344
Total net position		**469,132**		440,454
Total liabilities and net position	**$**	**687,597**	$	663,741

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

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
(d/b/a ST. TAMMANY HEALTH SYSTEM)
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2022 and 2021 (In Thousands)

	2022	2021
Operating revenues		
Net patient service revenue, net of provision for bad debts of $21,195 in 2022 and $23,722 in 2021	**$ 434,589**	$ 396,218
Other revenue	**16,191**	15,717
Total operating revenues	**450,780**	411,935
Operating expenses		
Salaries, wages, and benefits	**223,777**	201,825
Supplies and other	**128,371**	125,251
Professional and contractual services	**32,972**	29,211
Depreciation and amortization	**24,177**	21,943
Total operating expenses	**409,297**	378,230
Income from operations	**41,483**	33,705
Non-operating revenues (expenses)		
Provider relief funds	-	1,418
Federal grants	**1,102**	6,691
Insurance proceeds	**1,089**	-
Investment income or loss, net	**(9,963)**	(1,839)
Interest expense	**(5,966)**	(5,693)
Equity in net income or loss of joint ventures	**325**	(384)
Loss on disposal of capital assets	**(40)**	(14)
Total non-operating (expenses) revenues, net	**(13,453)**	179
Excess of revenues over expenses before capital contributions	**28,030**	33,884
Capital contributions	**648**	76
Change in net position	**28,678**	33,960
Net position, beginning of year	**440,454**	406,494
Net position, end of year	**$ 469,132**	$ 440,454

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

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
(d/b/a ST. TAMMANY HEALTH SYSTEM)
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021 (In Thousands)

	2022	2021
Cash flows from operating activities		
Cash received from patient services	$ 449,979	$ 413,869
Cash paid to or on behalf of employees	(223,427)	(202,075)
Cash paid for supplies and services	(165,402)	(156,248)
Net cash provided by operating activities	61,150	55,546
Cash flows from capital and related financing activities		
Capital contributions	648	76
Purchase of capital assets	(37,970)	(37,195)
Lease liability	(4,187)	(3,979)
Principal payments on long-term debt	(3,452)	(3,419)
Proceeds from long-term debt	-	20,000
Interest payments	(5,966)	(5,693)
Provider relief fund proceeds	-	1,418
Insurance proceeds	1,089	-
Federal grants	1,102	6,691
Net cash used in capital and related financing activities	(48,736)	(22,101)
Cash flows from investing activities		
Investment in Joint Ventures	-	(21,250)
Purchases of investments and noncurrent cash equivalents, net	(42,533)	(45,030)
Investment income received	3,741	2,193
Net cash used in investing activities	(38,792)	(64,087)
Decrease in cash and cash equivalents	(26,378)	(30,642)
Cash and cash equivalents, including noncurrent cash and cash equivalents		
Beginning of year	174,598	205,240
End of year	$ 148,220	$ 174,598
Reconciliation of current and noncurrent cash and cash equivalents		
Current cash and cash equivalents	$ 115,477	$ 124,851
Noncurrent cash and cash equivalents	32,743	49,747
Total current and noncurrent cash and cash equivalents	$ 148,220	$ 174,598

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

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
(d/b/a ST. TAMMANY HEALTH SYSTEM)
Statements of Cash Flows (Continued)
For the Years Ended December 31, 2022 and 2021 (In Thousands)

	2022	2021
Reconciliation of income from operations to net cash provided by operating activities		
Income from operations	**$ 41,483**	$ 33,705
Adjustments to reconcile income from operations to net cash provided by operating activities		
Provision for bad debts	**21,195**	23,722
Depreciation and amortization	**24,177**	21,943
Amortization of deferred loss on advance refunding	**-**	139
Changes in operating assets and liabilities		
Patient accounts receivable	**(21,661)**	(23,596)
Inventories, prepaid expenses, and other receivables	**(2,998)**	(818)
Other assets	**(71)**	(177)
Accounts payable and accrued expenses	**(990)**	(930)
Accrued employee compensation and vacation	**351**	(251)
Net settlements due to Medicare and Medicaid intermediaries	**(336)**	1,809
Net cash provided by operating activities	**$ 61,150**	$ 55,546

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

ST. TAMMANY HOSPITAL FOUNDATION
A Discretely Presented Component Unit of
St. Tammany Parish Hospital Service District No. 1
Statements of Financial Position
December 31, 2022 and 2021

		2022		2021
Assets				
Cash and Cash Equivalents	**$**	**1,650,233**	$	1,583,762
Certificates of Deposit		**5,253,552**		5,517,737
Interest Receivable		**16,889**		6,187
Pledges Receivable, Net of Allowance of $22,796 and $141,736 as of December 31, 2022 and 2021, Respectively		**79,802**		164,594
Other Receivables		**494**		1,215
Other Assets		**223,440**		92,482
Restricted Cash - Donor Endowment Funds		**267,101**		260,841
Total Assets	**$**	**7,491,511**	$	7,626,818
Liabilities				
Annuities Payable	**$**	**29,862**	$	33,696
Total Liabilities		**29,862**		33,696
Net Assets				
Without Donor Restrictions				
Undesignated		**45,184**		249,686
Designated by the Board for Endowment		**2,606,331**		2,767,908
With Donor Restrictions				
Purpose Restrictions		**4,554,895**		4,327,158
Perpetual in Nature		**255,239**		248,370
Total Net Assets		**7,461,649**		7,593,122
Total Liabilities and Net Assets	**$**	**7,491,511**	$	7,626,818

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

ST. TAMMANY HOSPITAL FOUNDATION
A Discretely Presented Component Unit of
St. Tammany Parish Hospital Service District No. 1
Statement of Activities
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Contributions	$ 90,928	$ 736,890	$ 827,818
Contributions - Nonfinancial	-	139,276	139,276
Investment Return, Net	(130,946)	-	(130,946)
Change in Value of Split-Interest Agreements	(2,540)	1,031	(1,509)
Net Assets Released from Restrictions	642,591	(642,591)	-
Total Revenues, Gains, and Other Support	600,033	234,606	834,639
Expenses			
Program Services			
Contributions Awarded/Distributed	966,112	-	966,112
Total Expenses	966,112	-	966,112
Change in Net Assets	(366,079)	234,606	(131,473)
Net Assets, Beginning of Year	3,017,594	4,575,528	7,593,122
Net Assets, End of Year	$ 2,651,515	$ 4,810,134	$ 7,461,649

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

ST. TAMMANY HOSPITAL FOUNDATION
A Discretely Presented Component Unit of
St. Tammany Parish Hospital Service District No. 1
Statement of Activities
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Contributions	$ 33,603	$ 836,131	$ 869,734
Change in Provision for Uncollectible Pledges	(140,151)	-	(140,151)
Investment Return, Net	(35,476)	-	(35,476)
Change in Value of Split-Interest Agreements	1,598	(791)	807
Net Assets Released from Restrictions	507,849	(507,849)	-
Total Revenues, Gains, and Other Support	367,423	327,491	694,914
Expenses			
Program Services			
Contributions Awarded/Distributed	584,869	-	584,869
Total Expenses	584,869	-	584,869
Change in Net Assets	(217,446)	327,491	110,045
Net Assets, Beginning of Year	3,235,040	4,248,037	7,483,077
Net Assets, End of Year	$ 3,017,594	$ 4,575,528	$ 7,593,122

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

ST. TAMMANY HOSPITAL FOUNDATION
A Discretely Presented Component Unit of
St. Tammany Parish Hospital Service District No. 1
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Changes in Net Assets	$ (131,473)	$ 110,045
Adjustments to Reconcile Changes in Net Assets to		
Net Cash Provided by Operating Activities		
Provision for Uncollectible Pledges	-	140,151
Unrealized and Realized Gains Net	225,548	131,032
(Increase) Decrease in:		
Pledges Receivable	84,792	62,041
Interest Receivable	(10,702)	3,925
Other Receivables	721	(1,215)
Other Assets	(130,958)	3,585
Other Payables	-	(185)
Increase (Decrease) in:		
Annuities Payable	1,509	(12,480)
Net Cash Provided by Operating Activities	39,437	436,899
Cash Flows from Investing Activities		
Proceeds (Purchases) from the Sale of Marketable Securities	38,637	(4,885)
Net Cash Provided by (Used in) Investing Activities	38,637	(4,885)
Cash Flows from Financing Activities		
Beneficiary Distributions for Gift Annuities	(5,343)	(5,341)
Net Cash Used in Financing Activities	(5,343)	(5,341)
Net Increase in Cash and Cash Equivalents and Restricted Cash	72,731	426,673
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	1,844,603	1,417,930
Cash and Cash Equivalents and Restricted Cash, End of Year	$ 1,917,334	$ 1,844,603
Reconciliation of Cash and Cash Equivalents and Restricted Cash		
Cash and Cash Equivalents	$ 1,650,233	$ 1,583,762
Restricted Cash - Donor Endowment Funds	267,101	260,841
Total Cash, Cash Equivalents, and Restricted Cash	$ 1,917,334	$ 1,844,603

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

Note 1. Organization and Summary of Significant Accounting Policies

Nature of Business:

St. Tammany Health System (the System) is owned and operated by St. Tammany Parish Hospital Service District No. 1 (the District) of St. Tammany Parish, Louisiana (a nonprofit corporation organized by the St. Tammany Parish Police Jury under provisions of Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950). The System is exempt from federal income taxes under Section 115 of the Internal Revenue Code. The governing authority is the System's Board of Commissioners. The St. Tammany Parish Council appoints members of the System's Board of Commissioners.

The financial statements of the District include the System and the following blended component units: Practice Management Consultants (PMC), St. Tammany Quality Network (STQN), and St. Tammany Physician Network (STPN). PMC, STQN, and STPN are corporations, which are wholly-owned by the System. PMC, STQN, and STPN are not exempt from federal taxation. No income taxes were paid or owed for the years ended December 31, 2022 and 2021, by PMC, STQN, or STPN. The System and its blended component units provide primary and secondary health care services through the operation of an acute care hospital, clinics, and other comprehensive health care programs. Patients are primarily from St. Tammany Parish.

PMC was formed in 2010 to provide a variety of management services to physicians. PMC is in the process of liquidation as of December 31, 2022.

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

STPN was formed in 1993 to employ primary care physicians. This entity had no activity in 2022.

See Note 19 for further discussion on the financials of each blended component unit.

On May 22, 2017, the St. Tammany Hospital Accountable Care Organization, L.L.C. (STH-ACO) was formed which is wholly-owned by the System. The object and purpose of STH-ACO shall be to promote evidence-based medicine, promote patient engagement, identify, and report on quality and cost measures, and provide clinically integrated services with select health care providers in order to provide and promote high quality, cost-effective, coordinated health care to the area and community. There was no activity during fiscal years ended December 31, 2022 and 2021. STH-ACO was dissolved as of March 2022. Beginning on January 1, 2022, the System started participating in the Ochsner Accountable Care Network (OACN).

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

Nature of Business (Continued):

St. Tammany Hospital Foundation (the Foundation) is a legally separate, tax exempt, discretely presented component unit of the District. The Foundation was formed to, among other things, sustain the healing work of the physicians and staff of the System. The Board of the Foundation is self-perpetuating and consists primarily of citizens of St. Tammany Parish. Although the System does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds are contributed to the System. Because these resources held by the Foundation have historically been for the benefit of the System and these resources have grown in significance, the Foundation is considered a component unit of the District and is discretely presented in these financial statements. Individual financial statements can be obtained from the Foundation's office at 1202 South Tyler Street Covington, Louisiana 70433. See Note 14 for further details.

During May 2019, the System entered into an agreement with Labtrust, LLC to establish a new entity, St. Tammany Toxicology Laboratory Services, LLC (Lab Services), that provides toxicology laboratory services at a facility in Covington, Louisiana. The System obtained 51% ownership in exchange for an initial investment of $51,000. The System does not appoint the voting majority of Lab Services' Board of Directors and Lab Services does not have a specific financial benefit or burden to the System. The investment in this venture was divested in 2021.

Summary of Significant Accounting Policies:

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

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

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

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

Summary of Significant Accounting Policies (Continued):

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

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

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

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

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

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

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

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

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

Summary of Significant Accounting Policies (Continued):

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

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

The System determines if an arrangement is a lease at inception of the contract. Right-of-use assets represent the right to use the underlying assets for the lease term, and lease liabilities represent the obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The System uses its estimated incremental borrowing rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments. The System's real estate lease agreements typically have initial terms of 4 to 20 years. Equipment leases typically have initial terms of less than five years. In accordance with GASB 87, the System does not record right-of-use assets and lease liabilities on leases with an initial term of 12 months or less.

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

Certain of the System's lease agreements for real estate include rental payments adjusted periodically for inflation. These variable lease payments are recognized in supplies and other expenses, but are not included in the right-of-use asset or liability balances. The System's lease agreements do not contain any material residual value guarantees, restrictions, or covenants.

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

Summary of Significant Accounting Policies (Continued):

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

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

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

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

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

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

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

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

Summary of Significant Accounting Policies (Continued):

Patient Receivables (Continued): Patient receivables due directly from the patients, net of any third-party payor responsibility, are carried at the original charge for the service provided less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. The System does not charge interest on patient receivables. Patient receivables are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received. Provision for bad debts was approximately $21,195,000 and $23,722,000 for the years ended December 31, 2022 and 2021, respectively.

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

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

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

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

Retroactive cost settlements based upon annual cost reports are estimated for those programs subject to retroactive settlement and recorded in the financial statements. Final determination of retroactive cost settlements to be received under the Medicare and Medicaid regulations is subject to review by program representatives. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered, and adjusted in a future period as final settlements are determined or determinable. Adjustments to estimated settlements resulted in a (decrease) increase to net patient service revenue of approximately $(123,000) and $372,000 in 2022 and 2021, respectively.

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

Summary of Significant Accounting Policies (Continued):

Participation in Medicare's BPCIA Program: During 2018, the System began its participation in CMS Bundled Payments for Care Improvement Advanced Model (BPCIA). CMS established the BPCIA with the objective to improve the quality of care through better care management, eliminating unnecessary care, and reducing post-discharge Emergency Department visits and readmissions, as well as to reduce costs by providing a single bundled payment to health care providers for items and services furnished during an episode of care. The System received approximately $219,000 and $1,434,000, respectively, in 2022 and 2021 under this program, which is included in net patient service revenue.

Participation in Medicaid's Managed Care Incentive Program (MCIP): During 2019, the System began participation in the State's MCIP program. The MCIP program is designed to provide incentive payments to Medicaid Managed Care Organizations (MCOs) for achieving quality reforms that increase access to health care, improve the quality of care, and/or enhance the health of members the MCOs serve. The System received $3,084,000 and $3,050,000 in 2022 and 2021, respectively, under this program, which is included in other operating revenue.

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

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

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

When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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

Summary of Significant Accounting Policies (Continued):

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

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

Charity Care: The System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The System maintains records to identify and monitor the level of charity care it provides to all of its qualifying patients. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. The System provided charity care of approximately $5,873,000 and $5,618,000 for the years ended December 31, 2022 and 2021, respectively, based upon charges foregone using established rates.

Coronavirus Aid, Relief, and Economic Security (CARES) Act: In response to the economic impact of COVID-19, the Coronavirus Aid, Relief, and Economic Security Act was enacted by Congress and was subsequently signed into law on March 27, 2020. The CARES Act included a variety of economic assistance provisions for businesses and individuals. For the year ended December 31, 2022 and 2021, the System received approximately $-0- and $1,418,000, respectively, through the Provider Relief Fund program. Also for the year ended December 31, 2022 and 2021, the System received funding from the Federal Emergency Management Agency (FEMA) related to expenses for the System's coronavirus response in the amount of approximately $1,102,000 and $6,691,000, respectively. In accordance with GASB Technical Bulletin 2020-1, these amounts are recognized as non-operating revenue in the statements of revenues, expenses, and changes in net position.

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

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

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

Summary of Significant Accounting Policies (Continued):

Recently Adopted Accounting Principles:
GASB Statement No. 97: The GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, in June 2020. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement related to the accounting and financial reporting for IRC Section 457 plans are effective for fiscal years beginning after June 15, 2021. The adoption of GASB 97 did not have a material effect on the financial statements of the System.

Recently Issued Accounting Principles Not Yet Adopted:
GASB Statement No. 96: The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in GASB 87, *Leases*, as amended. Management is still evaluating the potential impact of adoption on the System's financial statements. The Statement is effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 100: The GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. The primary objective of the Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections. Management is still evaluating the potential impact of adoption on the System's financial statements. The Statement is effective for fiscal years beginning after June 15, 2023.

Note 2. Cash and Cash Equivalents and Investments

A. System

Louisiana statutes require that all of the System's deposits be protected by insurance or collateral. The market value of collateral pledged must equal at least 100% of the deposits not covered by insurance. As of December 31, 2022 and 2021, the System's bank balances (including cash and certificates of deposit) were entirely insured or collateralized by investments held by the System's third-party agent in the System's name. The System's investments generally are reported at fair value, as discussed in Note 1.

At December 31, 2022 and 2021, the System had the following investments and maturities, all of which were held in the System's name by a custodial bank or trust that is an agent of the System:

		Investment Maturities (in Years)		
December 31, 2022 Investment Type	**Carrying Amount**	**Less Than 1**	**1 - 5**	**>5**
		(in thousands)		
U.S. government security	**$ 35,199**	**$ 15,654**	**$ 19,545**	**$ -**
U.S. agency obligation	**148,857**	**22,946**	**107,809**	**18,102**
Municipal obligation	**1,800**	**-**	**1,800**	**-**
Corporate security	**454**	**-**	**454**	**-**
Certificates of deposit	**23,844**	**23,844**	**-**	**-**
Total	**$ 210,154**	**$ 62,444**	**$ 129,608**	**$ 18,102**

		Investment Maturities (in Years)		
December 31, 2021 Investment Type	Carrying Amount	Less Than 1	1 - 5	>5
		(in thousands)		
U.S. government security	$ 34,589	$ 7,036	$ 27,553	$ -
U.S. agency obligation	134,680	3,968	101,758	28,954
Municipal obligation	2,866	935	1,931	-
Corporate security	315	-	315	-
Certificates of deposit	8,875	8,875	-	-
Total	$ 181,325	$ 20,814	$ 131,557	$ 28,954

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

A. System (Continued)

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

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

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

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

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

Disclosures Relating to Credit Risk: As of December 31, 2022, the System 's investments were rated A or higher by Standard and Poor's and Fitch Ratings and by Moody's Investor Services with the exception of the System’s investments in Federal Agricultural Mortgage Corporation (FAMCA) securities which are unrated.

Concentration of Credit Risk: The System places no limit on the amount it may invest in any one issuer. Issuers comprising five percent or more of the System's investments at December 31, 2022 and 2021 were as follows:

Issuer	**2022**	2021
Federal Home Loan Bank	**31%**	23%
Federal Farm Credit Bureau	**29%**	33%
U.S. Treasury	**18%**	19%
Federal National Mortgage Association	**13%**	16%

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

A. System (Continued)

The fair values of deposits and investments included in the System's statements of net position as of December 31, 2022 and 2021 are as follows (in thousands):

	2022	2021
Carrying amount		
Deposits	**$ 148,220**	$ 174,598
Investments	**210,154**	181,325
Total deposits and investments	**$ 358,374**	$ 355,923
Included in the following captions		
Current assets		
Cash and cash equivalents	**$ 115,477**	$ 124,851
Investments	**206,579**	177,750
Noncurrent cash and investments		
Held by trustee under Construction Fund	**28,648**	43,356
Held by trustee under bond indenture	**4,095**	3,947
Designated by board for capital improvements and facility enhancements	**3,000**	3,000
Designated by board for Community ER Services	**-**	2,444
Held by others for professional and other liability claims	**575**	575
Total deposits and investments	**$ 358,374**	$ 355,923

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

The terms of the System’s revenue bonds require funds to be maintained on deposit in certain accounts with the Trustee. In connection with the issuance of the Series 2018A and 2018B Revenue Bonds, the System established a Debt Service Reserve Fund for the purpose of making payments of principal and interest on the bonds if funds available for payment of principal and interest were insufficient. The funds held by the Trustee in this account are subject to a prior lien in favor of the owners of the bonds.

At December 31, 2022 and 2021, the System had a $575,000 certificate of deposit held as collateral against its self-insured portion of workers’ compensation claims.

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

A. System (Continued)

Approximately $3,000,000 of the unrestricted net position at December 31, 2022 and 2021, has been designated by the System's Board of Commissioners for capital improvements and facility enhancements. The designated funds are reflected as a component of noncurrent cash and investments on the statements of net position.

Interest income, gains, and losses, net, produced an approximate loss of $9,963,000 and $1,840,000 for the years ended December 31, 2022 and 2021, respectively. Fluctuations in investment income are related to changes in investment levels and changes in market valuations.

B. Foundation

At December 31, 2022 and 2021, the Foundation's investments consisted of certificates of deposit. Market risk is dependent on the future changes in market prices of the various investments held.

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

The Foundation's split-interest agreements at December 31, 2022 and 2021 consist of seven charitable gift annuities. The donors of the charitable gift annuities contributed those assets directly to the Foundation.

Under each of the Foundation's charitable gift annuity agreements, the Foundation accepted a donation and, in return, agreed to pay a fixed amount per year until the annuitant's death. The annual payments are expected to be approximately $5,300 during the coming year. The present value of the estimated future payments, based on life expectancies, of approximately $30,000 and $34,000 as of December 31, 2022 and 2021, respectively, is included in annuities payable in the Foundation's statements of financial position.

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

C. Fair Value Measurement

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

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

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

The following table sets forth by level, within the fair value hierarchy, the System's assets at fair value as of December 31, 2022:

		Fair Value Measurements Using:		
	December 31, 2022	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(in thousands)		
Investments by fair value level				
Debt securities				
Certificates of deposit	$ 23,844	$ 23,844	$ -	$ -
U.S. government security	102,777	35,199	67,578	-
U.S. agency obligation	81,279	34,848	46,431	-
Corporate security	454	454	-	-
Municipal obligations	1,800	-	1,800	-
Total investments by fair value level	$ 210,154	$ 94,345	$ 115,809	$ -

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

C. Fair Value Measurement (Continued)

The following table sets forth by level, within the fair value hierarchy, the System's assets at fair value as of December 31, 2021:

		Fair Value Measurements Using:		
	December 31, 2021	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(in thousands)		
Investments by fair value level				
Debt securities				
Certificates of deposit	$ 8,875	$ 8,875	$ -	$ -
U.S. government security	34,589	34,589	-	-
U.S. agency obligation	134,680	10,996	123,684	-
Corporate security	315	164	151	-
Municipal obligations	2,866	299	2,567	-
Total investments by fair value level	$ 181,325	$ 54,923	$ 126,402	$ -

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2022:

		Fair Value Measurements at Reporting Date Using:		
December 31, 2022	Fair Value	Markets for Identical Assets/Liabilities (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(in thousands)		
Investments				
Certificate of deposit	$ 5,254	$ 5,254	$ -	$ -
Total	$ 5,254	$ 5,254	$ -	$ -

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

C. Fair Value Measurement (Continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2021:

		Fair Value Measurements at Reporting Date Using:		
December 31, 2021	Fair Value	Markets for Identical Assets/Liabilities (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(in thousands)		
Investments				
Certificate of deposit	$ 5,518	$ 5,518	$ -	$ -
Total	$ 5,518	$ 5,518	$ -	$ -

Note 3. Third-Party Payor Arrangements

The System participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. During the years ended December 31, 2022 and 2021, approximately 29% of the System's net patient service charges were furnished to Medicare and Medicaid program beneficiaries. Revenue derived from the Medicare program is subject to audit and adjustment by the fiscal intermediary and must be accepted by the United States Department of Human Services before settlement amounts become final.

Revenue derived from the Medicaid program is subject to audit and adjustment by the fiscal intermediary and must be accepted by the Department of Health and Hospitals of the State of Louisiana before those settlement amounts become final. The System's Medicare cost reports have been audited by the Medicare fiscal intermediary through December 31, 2018. The System's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through December 31, 2016.

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

Note 4. Capital Assets

A summary of changes in the System's capital assets during 2022 is as follows (in thousands):

	December 31, 2021	Additions	Transfers and Disposals	December 31, 2022
Capital assets, not being depreciated:				
Land	$ 14,748	$ 1,184	$ -	$ 15,932
Construction in progress	4,390	27,032	(4,954)	26,468
Total capital assets not being depreciated	19,138	28,216	(4,954)	42,400
Capital assets, being depreciated:				
Land improvements	4,094	-	-	4,094
Buildings and improvements	215,985	1,357	(296)	217,046
Equipment	156,969	13,650	(4,592)	166,027
Total capital assets being depreciated	377,048	15,007	(4,888)	387,167
Less: total accumulated depreciation	(183,946)	(19,871)	4,549	(199,268)
Total capital assets, being depreciated, net	193,102	(4,864)	(339)	187,899
Total	$ 212,240	$ 23,352	$ (5,293)	230,299

Note 4. Capital Assets (Continued)

A summary of changes in the System's capital assets during 2021 is as follows (in thousands):

	December 31, 2020	Additions	Transfers and Disposals	December 31, 2021
Capital assets, not being depreciated:				
Land	$ 11,059	$ 3,775	$ (86)	$ 14,748
Construction in progress	65,358	17,920	(78,888)	4,390
Total capital assets not being depreciated	76,417	21,695	(78,974)	19,138
Capital assets, being depreciated:				
Land improvements	4,094	-	-	4,094
Buildings and improvements	145,368	71,296	(679)	215,985
Equipment	136,480	23,330	(2,841)	156,969
Total capital assets being depreciated	285,942	94,626	(3,520)	377,048
Less: total accumulated depreciation	(169,589)	(17,710)	3,353	(183,946)
Total capital assets, being depreciated, net	116,353	76,916	(167)	193,102
Total	$ 192,770	$ 98,611	$ (79,141)	$ 212,240

Depreciation expense on capital assets reported during the fiscal year ended December 31, 2022 and 2021 was approximately $19,871,000 and $17,710,000, respectively.

The System has entered into contracts for construction totaling $30.6 million at December 31, 2022. The amount expended through December 31, 2022 on these contracts is approximately $19.1 million, with a remaining commitment of approximately $11.0 million.

Note 5. Leases

Right-of-Use Assets and Lease Liabilities

The following tables present the components of the System's right of use assets and accumulated amortization at December 31, 2022 and 2021 (in thousands):

December 31, 2022		Asset Amount		Accumulated Amortization		Net Value
Medical equipment	**$**	**5,115**	**$**	**(2,968)**	**$**	**2,147**
Facilities		**30,610**		**(11,741)**		**18,869**
Total	**$**	**35,725**	**$**	**(14,709)**	**$**	**21,016**

December 31, 2021		Asset Amount		Accumulated Amortization		Net Value
Medical equipment	$	6,550	$	(2,218)	$	4,332
Facilities		25,957		(8,758)		17,199
Total	$	32,507	$	(10,976)	$	21,531

A summary of changes in the System's lease liabilities during 2022 and 2021 (excluding accrued interest of approximately $89,000 and $91,000, respectively) is as follows (in thousands):

		December 31, 2021		Additions/ Changes		Retirements/ Payments		December 31, 2022		Due Within One Year
Lease liabilities	**$**	**22,911**	**$**	**4,406**	**$**	**(4,798)**	**$**	**22,519**	**$**	**3,722**
	$	**22,911**	**$**	**4,406**	**$**	**(4,798)**	**$**	**22,519**	**$**	**3,722**

		December 31, 2020		Additions/ Changes		Retirements/ Payments		December 31, 2021		Due Within One Year
Lease liabilities	$	26,416	$	497	$	(4,002)	$	22,911	$	4,175
	$	26,416	$	497	$	(4,002)	$	22,911	$	4,175

Note 5. Leases (Continued)

Right-of-Use Assets and Lease Liabilities (Continued)

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

Year Ending December 31,	Principal	Interest
2023	$ 3,722	$ 987
2024	3,476	819
2025	3,101	661
2026	2,801	525
2027	2,704	393
2028 - 2032	5,793	729
2033 - 2035	922	61
Total	$ 22,519	$ 4,175

Short-Term Leases

Lease expense for those leases that had lease terms of 12 months or less totaled approximately $6,439,000 and $6,387,000 for the years ended December 31, 2022 and 2021, respectively.

Note 6. Long-Term Debt

The details and balances of long-term debt at December 31, 2022 and 2021 are presented below (in thousands):

	2022	2021
Hospital Revenue Bonds, Series 2015	**$ -**	$ 755
Hospital Revenue Bonds, Series 2016	**31,215**	33,620
Hospital Revenue Bonds, Series 2018A	**72,620**	72,620
Hospital Revenue Bonds, Series 2018B	**12,285**	12,285
Hospital Revenue Bonds, Series 2018 Premium	**2,652**	2,944
Hospital Revenue Bonds, Series 2020	**20,140**	20,140
Less: amounts due within one year	**(3,507)**	(3,452)
Total long-term debt	**$ 135,405**	$ 138,912

Note 6. Long-Term Debt (Continued)

Hospital Revenue Bonds, Series 2015: On March 1, 2015, the System issued $20,000,000 of tax-exempt Revenue Bonds, Series 2015 (Series 2015), for the purpose of financing the cost of acquisition and construction of capital improvements and equipment for the System, or any of its other facilities, including, but not limited to, imaging equipment, computer hardware and software, medical equipment, and patient furniture, and for paying the costs of issuing the Series 2015 bonds. The Series 2015 Bonds and the interest thereon are limited obligations of the System payable solely from and secured by a pledge of the Trust Estate, as defined in the indenture, including the revenues, as defined. The Series 2015 Bonds are issued on a complete parity with the outstanding Series 2011 Bonds and Series 2012 Bonds. The Series 2015 Bonds matured on March 1, 2022.

Hospital Revenue Bonds, Series 2016: On September 30, 2016, the System issued $34,000,000 of tax-exempt Revenue Bonds, Series 2016 (Series 2016), for the purpose of financing the purchase of building, land, capital equipment, and improvements, including, but not limited to, (a) renovation and expansion of pharmacy, laboratory, central sterile areas, surgery, and parking garages, and/or (b) making capital expenditures throughout the properties of the System. The Series 2016 Bonds and the interest thereon are limited obligations of the System payable solely from and secured by a pledge of the Trust Estate, as defined in the indenture, including the revenues, as defined. The Series 2016 Bonds are issued on a complete parity with the outstanding Series 2011 Bonds, Series 2012 Bonds, and Series 2015 Bonds.

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

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

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

Note 6. Long-Term Debt (Continued)

Taxable Hospital Refunding Revenue Bonds, Series 2018B: On July 1, 2018, the System issued $12,285,000 of Taxable Hospital Refunding Revenue Bonds, Series 2018B Bonds (Series 2018B Bonds), for the purpose of advance refunding approximately $18,830,000 of the System's outstanding Hospital Revenue Refunding Bonds, Series 2011, and to repay the costs of issuance of the Series 2018B Bonds. The Series 2018B Bonds and the interest thereon are limited obligations of the System payable solely from and secured by a pledge of the Trust Estate, as defined in the indenture, including the revenues, as defined.

The bond proceeds, along with other available moneys, were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt.

The Series 2018B Bonds are subject to optional, extraordinary optional, extraordinary special, and mandatory sinking fund redemption prior to maturity. The Series 2018B Bonds mature, unless sooner paid, on July 1, 2048, and bear interest ranging from a low of 4.721% to a high of 4.921%.

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

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

As of December 31, 2022 and 2021, $20,140,000 of the available facility was drawn and outstanding. Interest payments are July 1st and January 1st, at an interest rate of 1.70%.

Debt Covenants: For all of its Bond Series, the System is required to maintain a debt service coverage ratio of 110%, together with debt service reserve requirements, both of which are defined in the Trust Indentures. As of December 31, 2022, the System was in compliance with the provisions of the Trust Indentures.

Note 6. Long-Term Debt (Continued)

A summary of changes in long-term debt during 2022 and 2021 is as follows (in thousands):

	December 31, 2021	Additions/ Changes	Retirements/ Payments	December 31, 2022	Due Within One Year
Hospital Revenue Bonds, Series 2015	**$ 755**	**$ -**	**$ (755)**	**$ -**	**$ -**
Hospital Revenue Bonds, Series 2016	**33,620**	**-**	**(2,405)**	**31,215**	**3,215**
Hospital Revenue Bonds, Series 2018A	**72,620**	**-**	**-**	**72,620**	**-**
Hospital Revenue Bonds, Series 2018B	**12,285**	**-**	**-**	**12,285**	**-**
Hospital Revenue Bonds, Series 2018 Amortized Premium	**2,944**	**-**	**(292)**	**2,652**	**292**
Hospital Revenue Bonds, Series 2020	**20,140**	**-**	**-**	**20,140**	**-**
	$ 142,364	**$ -**	**$ (3,452)**	**$ 138,912**	**$ 3,507**

	December 31, 2020	Additions/ Changes	Retirements/ Payments	December 31, 2021	Due Within One Year
Hospital Revenue Bonds, Series 2015	$ 3,742	$ -	$ (2,987)	$ 755	$ 755
Hospital Revenue Bonds, Series 2016	33,760	-	(140)	33,620	2,405
Hospital Revenue Bonds, Series 2018A	72,620	-	-	72,620	-
Hospital Revenue Bonds, Series 2018B	12,285	-	-	12,285	-
Hospital Revenue Bonds, Series 2018 Amortized Premium	3,236	-	(292)	2,944	292
Hospital Revenue Bonds, Series 2020	140	20,000	-	20,140	-
	$ 125,783	$ 20,000	$ (3,419)	$ 142,364	$ 3,452

Note 6. Long-Term Debt (Continued)

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

Year Ending December 31,	Principal	Interest
2023	$ 3,215	$ 4,864
2024	4,973	4,802
2025	5,048	4,710
2026	5,127	4,617
2027	5,207	4,523
2028 - 2032	26,840	21,178
2033 - 2037	23,910	17,227
2038 - 2042	24,695	11,987
2043 - 2047	30,295	6,160
2048 - 2050	6,950	337
Total	$ 136,260	$ 80,405

The maturity schedule above excludes unamortized bond premiums of $2,652,000 as of December 31, 2022.

A summary of interest cost and interest income on borrowed funds held by the Trustee under the Hospital Revenue and Refunding Bonds during the years ended 2022 and 2021 is as follows (in thousands):

	2022	2021
Interest cost:	**$ 4,815**	$ 5,693
Charged to non-operating expenses	**$ 4,815**	$ 5,693
Interest income:	**$ 2,477**	$ 2,480
Credited to non-operating income	**$ 2,477**	$ 2,480

Note 7. Commitments

Ochsner Joint Operating Agreement: On September 30, 2014, the System signed a Joint Operating Agreement (JOA) with Ochsner Clinic Foundation (OCF) and Ochsner Health Systems (OHS), whereby the System and OHS enter into and collaborate with OCF and OHS for the integration of their operations in a manner to enable the System to improve the quality of care it delivers at a more affordable cost than it does so today and to allow OHS to create a larger, complimentary system of integrated hospitals to enable it to provide health care more efficiently than it does so today.

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

Financial integration pursuant to the JOA is accomplished based on allocations of combined adjusted operating income of the System and OHS from West St. Tammany Parish. Amounts earned up to a predetermined threshold of the combined adjusted operating income are shared by both parties at a predetermined rate. Any amounts earned in excess of the predetermined threshold of combined adjusted operating income are shared by the parties equally. The JOA commenced on September 30, 2014, and continues for a term of twenty years, and will automatically renew for ten-year terms thereafter. For the years ended December 31, 2022 and 2021, the System accrued $9,285,000 and $10,805,000, respectively, for the estimated amounts owed to OHS for the sharing of amounts earned for the periods of operations, which is included within trade accounts payable on the statements of net position.

Note 8. Compensated Absences

Employees of the System are entitled to paid time off depending on their length of service and other factors. Accrued compensated absences included as accrued vacation on the System's statements of net position were approximately $5,940,000 and $5,385,000 as of December 31, 2022 and 2021, respectively.

Note 9. Employee Benefit Plans

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

For the years ended December 31, 2022 and 2021, contributions required under the Plan were approximately $5,139,000 and $5,393,000, respectively. Forfeitures were approximately $191,000 and $289,000, respectively, for the years ended December 31, 2022 and 2021.

Retirement expense included in salaries, wages, and benefits related to the Plan described above approximated $5,170,000 and $4,748,000 for the years ended December 31, 2022 and 2021, respectively.

Community Emergency Services Plans: The System also provides a Community Emergency Services Plan (CESP) to certain independent contractor physicians. The purpose of the CESP is to assist the System in attracting and retaining highly qualified individuals to provide services to the System under the System's Community Emergency Services Program. The CESP is a deferred compensation plan taxed under IRC Section 457(f) and provides independent contractor physician compensation on a deferred basis for providing emergency department call coverage. For the years ended December 31, 2022 and 2021, contributions made to the CESP were approximately $1,540,000 and $1,439,000, respectively. Forfeitures were not significant.

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

Note 10. Foundation Net Assets

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

Note 10. Foundation Net Assets (Continued)

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

Net assets with donor restrictions consist of the following as of December 31, 2022 and 2021:

	2022	2021
Subject to Restriction in Perpetuity		
Endowment Funds	**$ 255,239**	$ 248,370
Total Subject to Restriction in Perpetuity	**255,239**	248,370
Purpose Restrictions		
Pediatrics	**1,250,096**	1,308,976
Healing Arts	**963,386**	240,814
Cancer Center	**685,461**	643,848
Hospice	**384,009**	680,742
Parenting Center	**356,859**	229,028
Miscellaneous Directed Gifts	**276,740**	378,583
Building Expansion Initiative	**242,506**	423,015
STPH Employee Benevolent Fund	**116,926**	113,596
Women's Pavilion	**85,097**	55,899
Facility and Technology Expansion	**72,795**	74,823
Education	**57,676**	99,073
Oncology	**40,138**	55,670
Employee Education	**23,206**	23,091
Total Purpose Restrictions	**4,554,895**	4,327,158
Total Net Assets With Donor Restrictions	**$ 4,810,134**	$ 4,575,528

Note 10. Foundation Net Assets (Continued)

Foundation net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the expiration of time during the years ended December 31, 2022 and 2021, as follows:

	2022	2021
Net Assets Released from Restrictions		
Building Expansion Initiative	**$ 150,000**	$ -
Pediatrics	**135,562**	40,076
Parenting Center	**85,890**	99,741
Cancer Center	**81,073**	66,589
Miscellaneous Directed Gifts	**73,088**	57,052
Facility and Technology Expansion	**43,298**	8,375
Healing Arts	**21,855**	79,270
STPH Employee Benevolent Fund	**18,107**	132,218
Education	**15,077**	1,186
Hospice	**12,016**	18,619
Women's Pavilion	**5,946**	3,742
Employee Education	**711**	981
Oncology	**(32)**	-
Total Net Assets Released from Restrictions	**$ 642,591**	$ 507,849

Note 11. Foundation Endowment Composition

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

Note 11. Foundation Endowment Composition (Continued)

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

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

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

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

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

Funds with Deficiencies - From time to time, the fair value of assets associated with the individual donor endowment funds may fall below the level that the donor or state statutes require the Foundation to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature that are reported in unrestricted net assets were approximately $12,000 as of December 31, 2022 and 2021. The deficiencies resulted from change in estimated life expectancies for the beneficiaries of the gift annuities included in the endowment.

Note 11. Foundation Endowment Composition (Continued)

The Foundation maintains both board-designated and donor-restricted endowment funds. Endowment net assets composition by fund type as of December 31, 2022 and 2021 is as follows:

December 31, 2022	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Board Designated Endowment	**$ 2,606,331**	**$ -**	**$ 2,606,331**
Donor Restricted Endowments	**-**	**267,101**	**267,101**
Deficiency of Fair Value	**-**	**(11,862)**	**(11,862)**
Total	**$ 2,606,331**	**$ 255,239**	**$ 2,861,570**

December 31, 2021	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated Endowment	$ 2,767,908	$ -	$ 2,767,908
Donor Restricted Endowments	-	260,541	260,541
Deficiency of Fair Value	-	(12,171)	(12,171)
Total	$ 2,767,908	$ 248,370	$ 3,016,278

A summary of the changes in the Foundation’s endowment net assets for the years ended December 31, 2022 and 2021 is as follows:

2022	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Net Assets, Beginning of Year	**$ 2,767,908**	**$ 248,370**	**$ 3,016,278**
Investment Return, Net	**(187,667)**	**-**	**(187,667)**
Change in Split-Interest Agreements	**(2,540)**	**1,031**	**(1,509)**
Contributions and Designations	**28,630**	**5,838**	**34,468**
Net Assets, End of Year	**$ 2,606,331**	**$ 255,239**	**$ 2,861,570**

2021	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets, Beginning of Year	$ 2,785,379	$ 242,610	$ 3,027,989
Investment Return, Net	(35,476)	-	(35,476)
Change in Split-Interest Agreements	-	(791)	(791)
Contributions and Designations	18,005	6,551	24,556
Net Assets, End of Year	$ 2,767,908	$ 248,370	$ 3,016,278

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

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

The System is involved in litigation arising in the ordinary course of business. Claims alleging malpractice have been asserted against the System and are currently in various stages of litigation. It is the opinion of management that estimated malpractice costs resulting from pending or threatened litigation are adequately accrued at December 31, 2022 and 2021, respectively. Losses from asserted claims and from unasserted claims identified under the System's incident reporting system are accrued based on estimates that incorporate the System's past experience as well as other considerations including the nature of each claim or incident and relevant trend factors.

Additional claims may be asserted against the System arising from service provided to patients through December 31, 2022, that have not been identified under the incident reporting system. The System is unable to determine the ultimate cost of the resolution of such potential claims; however, management believes it has adequately provided for them.

The System self-insures against losses related to workers' compensation and employee health claims. Excess loss coverage is purchased for workers' compensation in amounts of $600,000 and excess loss coverage for individual employee health claims is purchased in amounts of $850,000.

The following is a summary of the activity in the liability for workers' compensation and employee health claims for the years ended December 31, 2022 and 2021 (in thousands):

	Beginning Balance	Expense and Changes in Estimates	Payments	Ending Balance
2022	**$ 4,077**	**$ 17,426**	**$ 18,029**	**$ 3,474**
2021	$ 4,578	$ 17,396	$ 17,897	$ 4,077

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

Laws and Regulations: The health care industry is subject to numerous laws and regulations of federal, state, and local governments; 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. These laws and regulations include, but are not limited to, accreditation, licensure, and government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the System is subject to similar regulatory reviews, management believes the System is not the subject of any investigation at this time, and the outcome of any such regulatory review will not have a material adverse effect on the System's financial position.

In 2006, Congress passed the Tax Relief and Healthcare Act of 2006 which mandated the Centers for Medicare & Medicaid Services (CMS) to expand the Recovery Audit Contractor (RAC) to a permanent and nationwide basis. Soon thereafter, the Medicaid Integrity Contractor (MIC) program was implemented. The programs use RACs and MICs to search for potentially improper Medicare or Medicaid 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 or MIC identifies a claim it believes to be improper, it makes a deduction from the provider's Medicare or Medicaid reimbursement in an amount estimated to equal the overpayment.

The System will deduct from revenue, amounts assessed under the RAC and MIC audits at the time a notice is received until such time that estimates of net amounts due can be reasonably estimated. The System has been subject to audits and will continue to be subject to additional audits in the future. The System has recorded an estimated liability of approximately $6,762,000 and $7,115,000 as a component of Settlements due to Medicare and Medicaid intermediaries on the statements of net position as of December 31, 2022 and 2021, respectively, for future audits. It is reasonably possible that the recorded estimate could change materially in the near-term.

In March 2010, the Patient Protection and Affordable Care Act (PPACA) was signed into law. The PPACA is creating sweeping changes across the health care 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.

Note 13. Concentrations of Credit Risk

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

	2022	2021
Medicare	**16 %**	14 %
Medicaid	**11**	12
Managed Care	**36**	34
Insurance	**26**	27
Patients	**11**	13
Total	100 %	100 %

Note 14. St. Tammany Hospital Foundation Cooperative Endeavor Agreement

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

Contributions recognized by the System in the form of monetary and non-monetary contributions and donations from the Foundation were approximately $648,000 and $76,000 in 2022 and 2021, respectively.

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

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

Note 15. Medicaid Disproportionate Share Hospital Reimbursement Cooperative Endeavor Agreement

The total amount of expenditures recognized in the System's December 31, 2022 and 2021 financial statements in connection with the agreement were approximately $680,000 and $599,000, respectively.

To improve or expand allowable health care services for Medicaid beneficiaries or low-income, uninsured patients, the System is involved in a series of collaborative agreements and cooperative endeavors designed to allow additional Medicaid funds for providing these services in the community. These agreements are detailed below:

<u>Upper Payment Limit (UPL) Collaborations</u>: The System is collaborating with participating hospital service districts (HSDs) to invoice and receive UPL payments. The Centers for Medicare & Medicaid Services (CMS) have previously approved Medicaid State Plan Amendments (SPA), 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.

A funding program is established by contributing a portion of the UPL payments that result from SPAs to the other HSDs, including the System, for the purpose of ensuring that adequate and essential health care 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 district's reported Medicaid patient days.

The System received funds under this grant program in the amount of approximately $11,340,000 and $10,400,000 in 2022 and 2021, respectively. The funds are included in net patient service revenue in the statements of revenues, expenses, and changes in net position.

Effective July 1, 2022, the UPL program was replaced with the Full Directed Payment program (also Money Follows the Person or MFP). The System accrues MFP payments based on annual estimates provided by the Louisiana Department of Health. Payments received are subject to a reconciliation process based on actual utilization during the contract rating period and will make payment adjustments, as necessary. In 2022, the System received a total of $14,394,000 in net proceeds under this program. The funds are included in net patient service revenue in the statements of revenues, expenses, and changes in net position.

Note 15. Medicaid Disproportionate Share Hospital Reimbursement Cooperative Endeavor Agreement (Continued)

Physicians' UPL Agreement with the Louisiana Department of Health (LDH): On December 8, 2011, the System entered in to 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. The System 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.

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 health care professionals and (2) the "state retention amount," which is fifteen percent of the "non-federal share", for the State to utilize in delivering health care services. In turn, LDH agrees to make supplemental Medicaid payments to the System. 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 payment is intended to represent the difference between the Medicaid payments otherwise made to these qualifying providers and the Average Community Rate for these services.

Funds received under this program are included in net patient service revenue on the statements of revenues, expenses, and changes in net position.

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

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

Note 15. Medicaid Disproportionate Share Hospital Reimbursement Cooperative Endeavor Agreement (Continued)

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

As a result of these assignments, the System received Physician Rate Enhancement Funds from the five managed care organizations participating in the Healthy Louisiana Program totaling approximately $9,436,000 and $8,200,000 in 2022 and 2021, respectively. The funds are included in net patient service revenue on the statements of revenues, expenses, and changes in net position.

Note 16. Mary Bird Perkins Cancer Center Cooperative Endeavor Agreement

On April 4, 2011, the System entered into a cooperative endeavor agreement (CEA) with Mary Bird Perkins Cancer Center (MBPCC). The purpose of this CEA is to enhance the effectiveness and quality of both parties' cancer-related programs and establish a premier cancer center for patients of western St. Tammany Parish and the surrounding areas. To achieve this purpose, both parties agreed to operate their respective cancer-related activities as a comprehensive cancer center as directed by the Cancer Center Leadership Team which is made up of members from both parties.

Under this CEA, MBPCC agreed to use program funds obtained from unrestricted grants and contracts to fund activities where the System and MBPCC have agreed to share responsibility via an approved cancer center budget. MBPCC also agreed to transfer 75% of unrestricted community philanthropy it receives from donors for the Cancer Center to the Foundation for deposit to the Mary Bird Perkins Cancer Center at St. Tammany Parish Hospital Fund.

This CEA was amended and restated as of May 16, 2016 which altered terms and conditions under the original CEA. Under the amended and restated CEA, MBPCC agreed to transfer 100% of unrestricted community philanthropy it receives from donors for the Cancer Center to the Foundation for deposit to the Mary Bird Perkins Cancer Center at St. Tammany Parish Hospital Fund.

The primary term of the amended and restated CEA expired June 30, 2021 and was not renewed.

Note 17. Joint Ventures

Rehab Facility: During August 2018, the System entered into an agreement with Slidell Memorial Hospital, Ochsner Clinic Foundation, and Hospital Holdings Corporation to establish a new entity, NSR Louisiana, LLC, that will provide inpatient rehabilitation services at a facility located in Lacombe, Louisiana. Under the terms of the agreement, the System was required to fund $237,000, which resulted in a 30% ownership interest in NSR Louisiana, LLC. The System's share of NSR Louisiana, LLC's operating activities for the year ended December 31, 2022 and 2021, a gain (loss) of $151,000 and $(310,000), respectively, is included in equity in net loss of joint ventures in the statements of revenues, expenses, and changes in net position.

Long-Term Acute Care Hospital: During 2019, the System entered into an agreement with Slidell Memorial Hospital, Ochsner Clinic Foundation, and Louisiana Health Care Group, LLC to establish a new entity, Northshore Extended Care Hospital, LLC, that will provide skilled nursing services at a facility in Lacombe, Louisiana. The System was required to fund an initial capital contribution of $430,000, which resulted in a 16% ownership interest. The System's share of Northshore Extended Care Hospital, LLC's operating activities for the year ended December 31, 2022 and 2021, a loss of $218,000 and $120,000, respectively, is included in equity in net loss of joint ventures in the statements of revenues, expenses, and changes in net position.

Cancer Center (2112 Holdings, Inc.): In June 2021, STHS and Ochsner Clinic Foundation (OHS) entered into a Capital Contribution Agreement, where OHS and STHS both own 50% of the available shares in 2112 Holdings, Inc. As of December 31, 2022 and 2021, the System's equity investment is $21,650,000 and $21,542,000, respectively. The principal purpose of 2112 Holdings, Inc. is to own and lease out an oncology facility at the corner of Ochsner Boulevard and Highway 21 in Covington. The oncology center is operated by OHS, which is the principal tenant. The System's share of 2112 Holdings, Inc.'s operating activities for the year ended December 31, 2022 and 2021, a gain of approximately $392,000 and $292,000, respectively, is included in equity in net loss of joint ventures in the statements of revenues, expenses, and changes in net position.

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

Note 18. Blended Component Unit Condensed Financial Information

The financial statements for the System, PMC, STQN, and STPN are presented in a blended format. The table below individually discloses the net position and changes in net position for each blended entity as of and for the year ended December 31, 2022. Material inter-entity transactions are eliminated in the presentation below (in thousands):

2022	System	PMC	STQN	STPN	Total
Current assets	$ 375,386	$ -	$ 532	$ 884	$ 376,802
Capital assets, net	230,299	-	-	-	230,299
Other assets	80,496	-	-	-	80,496
Total assets	$ 686,181	$ -	$ 532	$ 884	$ 687,597
Current liabilities	$ 38,800	$ 20	$ 5,363	$ 19,992	$ 64,175
Long-term liabilities	154,290	-	-	-	154,290
Net position	493,091	(20)	(4,831)	(19,108)	469,132
Total liabilities and net position	$ 686,181	$ -	$ 532	$ 884	$ 687,597
Operating revenues	$ 449,566	$ -	$ 1,214	$ -	$ 450,780
Depreciation	24,177	-	-	-	24,177
Other operating expenses	383,661	-	1,459	-	385,120
Operating income (loss)	41,728	-	(245)	-	41,483
Non-operating revenues	(13,453)	-	-	-	(13,453)
Excess of revenues over expenses	28,275	-	(245)	-	28,030
Capital contributions	648	-	-	-	648
Change in net position	28,923	-	(245)	-	28,678
Net position, beginning of year	464,168	(20)	(4,586)	(19,108)	440,454
Net position, end of year	$ 493,091	$ (20)	$ (4,831)	$ (19,108)	$ 469,132

Note 19. Blended Component Unit Condensed Financial Information (Continued)

The financial statements for the System, PMC, STQN, and STPN are presented in a blended format. The table below individually discloses the net position and changes in net position for each blended entity as of and for the year ended December 31, 2021. Material inter-entity transactions are eliminated in the presentation below (in thousands):

2021	System	PMC	STQN	STPN	Total
Current assets	$ 352,710	$ -	$ 289	$ 884	$ 353,883
Capital assets, net	212,240	-	-	-	212,240
Other assets	97,618	-	-	-	97,618
Total assets	$ 662,568	$ -	$ 289	$ 884	$ 663,741
Current liabilities	$ 40,661	$ 20	$ 4,875	$ 19,992	$ 65,548
Long-term liabilities	157,739	-	-	-	157,739
Net position	464,168	(20)	(4,586)	(19,108)	440,454
Total liabilities and net position	$ 662,568	$ -	$ 289	$ 884	$ 663,741
Operating revenues	$ 410,706	$ 2	$ 1,227	$ -	$ 411,935
Depreciation	21,943	-	-	-	21,943
Other operating expenses	354,303	8	1,976	-	356,287
Operating income (loss)	34,460	(6)	(749)	-	33,705
Non-operating revenues	179	-	-	-	179
Excess of revenues over expenses	34,639	(6)	(749)	-	33,884
Capital contributions	76	-	-	-	76
Change in net position	34,715	(6)	(749)	-	33,960
Net position, beginning of year	429,453	(14)	(3,837)	(19,108)	406,494
Net position, end of year	$ 464,168	$ (20)	$ (4,586)	$ (19,108)	$ 440,454

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component unit of St. Tammany Parish Hospital Service District No. 1 of St. Tammany Parish, Louisiana (the System), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated April 14, 2023. The financial statements of St. Tammany Hospital Foundation were not audited in accordance with *Governmental Auditing Standards.*

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

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

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

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

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity'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.

LaPorte

A Professional Accounting Corporation

Metairie, LA
April 14, 2023

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Independent Auditor's Report on the Supplementary Information

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

We have audited the financial statements of the business-type activities and the discreetly presented component unit of St. Tammany Parish Hospital Service District No. 1 of St. Tammany Parish, Louisiana (St. Tammany Parish Hospital) as of and for the years ended December 31, 2022 and 2021, and have issued our report thereon, dated April 14, 2023, which contained 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 April 14, 2023.

The accompanying schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

LaPorte

A Professional Accounting Corporation

Metairie, LA
April 14, 2023

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

Schedule of Compensation, Benefits, and Other Payments
For the Year Ended December 31, 2022

Agency Head
Joan Coffman, President and Chief Executive Officer

Purpose	Amount
Salary	$802,091
Benefits - Insurance	$21,174
Benefits - Retirement	$195,000
Benefits - Other	$0
Car Allowance	$9,000
Vehicle Provided by Government	$0
Per Diem	$0
Reimbursements	$0
Travel	$0
Registration Fees	$0
Conference Travel	$0
Continuing Professional Education Fees	$0
Housing	$0
Unvouchered Expenses	$0
Special Meals	$0

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1

d/b/a ST. TAMMANY HEALTH SYSTEM

Single Audit Report

For the Year Ended December 31, 2022

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Contents

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on the Major Federal Program

We have audited St. Tammany Parish Hospital Service District No. 1 d/b/a St. Tammany Health System's (the System) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the System's major federal programs for the year ended December 31, 2022. The System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the System complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on the Major Federal Program

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

We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the System's compliance with the compliance requirements referred to above.

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the System's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the System's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the business-type activities and the aggregate discretely presented component unit of the System, and the related notes to the financial statements, which collectively comprise the System's basic financial statements. We issued our report thereon dated April 14, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

LaPorte

A Professional Accounting Corporation

Metairie, LA
June 9, 2023

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
(d/b/a ST. TAMMANY HEALTH SYSTEM)
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Contract Period	Federal Revenue Recognized	Federal Expenditures
U.S. Department of Health and Human Services				
COVID-19 - Provider Relief Fund - General Distribution- Period 4	93.498	1/01/2021 - 12/31/2021	$ 1,325,454	$ 1,325,454
Department of Homeland Security				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	01/01/2022 - 12/31/2022	1,102,079	1,102,079
Total Expenditures and Federal Awards			$ 2,427,533	$ 2,427,533

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule or SEFA) includes the federal award activity of System under programs of the federal government for the year ended December 31, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the System, it is not intended to and does not present the net position, changes in net position, or cash flows of the System.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The System did not apply indirect costs to this program.

Note 4. Reconciliation of Provider Relief Fund Grant Revenue Recognized in the Financial Statements to Federal Award Expended on the SEFA

During the prior fiscal year the U. S. Department of Health and Human Services (HHS) began providing COVID-19 related Funding under Assistance Listing Number 93.498. The funds are to be utilized to offset eligible COVID-19 expenditures and lost revenues related to COVID-19 as defined in the program regulations. The System recognized amounts received as the programs requirements were met as shown in the table below. The amounts received and expended are reported in the SEFA according HHS periods of availability (also known as the "period of performance"). Accordingly, the $1,325,454 is recognized in the Statement of Activities for the year ended December 31, 2021 and reported on the December 31, 2022 SEFA.

Reporting Period	Total Funding Received	Amount Recognized as Revenue in the Statement of Activities	Amount Recognized as Deferred Revenue	Amount Reported as Federal Expenditure on SEFA
FYE December 31, 2021	$ 1,325,454	$ 1,325,454	$ -	$ -
FYE December 31, 2022	$ -	$ -	$ -	$ 1,325,454

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
(d/b/a ST. TAMMANY HEALTH SYSTEM)
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2022

Section I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None Reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None Reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major federal programs:

Federal Assistance Listing Number	Name of Federal Program
93.498	COVID-19 - Provider Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II. Financial Statement Findings

None.

Section III. Federal Award Findings and Questioned Costs

None.

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
(d/b/a ST. TAMMANY HEALTH SYSTEM)
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2022

None reported.

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AGREED-UPON PROCEDURES REPORT

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

Independent Accountant's Report
On Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified by the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the period from January 1, 2022 through December 31, 2022. Management of St. Tammany Parish Hospital Service District No. 1, d/b/a St. Tammany Health System (the System) is responsible for those C/C areas identified in the SAUPs.

The System has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified by the LLA's SAUPs for the period January 1, 2022 to December 31, 2022. Additionally, the LLA has agreed to and acknowledged that the procedures performed are appropriate to meet its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

Our procedures and results are as follows:

1) Written Policies and Procedures

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Results</u>: No exceptions were identified as a result of performing these procedures.

2) Board or Finance Committee

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

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

   ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget- to-actual, at a minimum, on all special revenue funds. Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

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

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

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

3) Bank Reconciliations

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

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

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

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

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

4) Collections (excluding electronic fund transfers)

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

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

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

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

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

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

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

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

   i. Observe that receipts are sequentially pre-numbered.

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

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

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

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

Results: Exception noted for one deposit was identified, where the time between cash receipt at the collection location and the date of deposit were in excess of the time requirement stated in step 4D. iv.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8) Contracts

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

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

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

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

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

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

9) Payroll and Personnel

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

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

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

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

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

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

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

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

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

10) Ethics

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

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

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

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

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

11) Debt Service

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

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

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

12) Fraud Notice

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

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

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

13) Information Technology Disaster Recovery/Business Continuity

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

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

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

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

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

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

14) Prevention of Sexual Harassment

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

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

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

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

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

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

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

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

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

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

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

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

LaPorte

A Professional Accounting Corporation

Metairie, Louisiana
June 9, 2023

President/Chief Executive Officer
Joan M. Coffman, FACHE

St. Tammany[SM]
HEALTH SYSTEM

June 15, 2023

Mr. Michael J. Waguespack
Louisiana Legislative Auditor
1600 N. 3rd Street
Baton Rouge, LA 70804-9397

RE: Management's Response: Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures

Issue Identified Collections Review:

"Exception noted for one deposit was identified, where the time between cash and receipt at the collection location and the date of deposit were in excess of the time requirements of "one business day of receipt at the collection location".

Management Response:

COVID imposed staffing shortages contributed to the delayed deposit of funds. Because of these shortages, a deposit was held by department in a locked safe and not delivered timely to the cashier. We have addressed this matter with the department and re-educated all areas throughout the organization on Policies and Procedures regarding cash collections and deposits.

Please let me know if you have any additional questions.

Sincerely,

Sandra DiPietro

Sandra Dipietro
Sr. Vice President/CFO

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Covington, LA 70433

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