

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

Financial Report

December 31, 2024 and 2023



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

Management's Discussion and Analysis

This section of St. Tammany Parish Hospital Service District No. 1's (the System) annual financial report presents background information and our analysis of the System's financial performance during the fiscal year that ended on December 31, 2024. Please read it in conjunction with the financial statements in this report.

Overview of the Financial Statements

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

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

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

The Statement of Net Position 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.

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
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Management's Discussion and Analysis

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 \$60.1M in 2024 and \$56.3M in 2023. Net Position showed an increase of 11.5% in 2024 compared to an increase of 12.0% in 2023.

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

The assets and deferred outflows of resources of the System exceeded liabilities at the close of the 2023 fiscal year by \$524.1M. Of that amount, \$436.8M (unrestricted net position) was available to meet ongoing obligations to the System's patients and creditors, \$4.8M was restricted for debt service and self-insured funding arrangements, \$4.4M was restricted for capital projects, and \$78.1M was the System's net investment in capital assets.

In 2024, net patient service revenue increased by \$37.4M, or 8.1%, from 2023. 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. In addition, the System also had a new ambulatory surgery center during the year. Operating expenses increased by \$33.9M, or 7.6%, in 2024. 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. In total, the System generated an increase in the excess of revenues over expenses before capital contributions by approximately \$4.3M when compared to the fiscal year 2023 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 business activities. These two statements report the net position of the System and changes in them. Increases or improvements, as well as decreases or declines in the net position, are indicators of the financial 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.

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

Management's Discussion and Analysis

Net Position

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

	December 31,		
	2024	2023	2022 (As restated)
	(Dollars in Thousands)		
Assets			
Current and other assets	\$ 662,109	\$ 567,428	\$ 492,843
Capital assets	265,652	242,893	230,299
Total assets	\$ 927,761	\$ 810,321	\$ 723,142
Liabilities			
Long-term debt outstanding	\$ 276,407	\$ 221,826	\$ 198,419
Other liabilities	67,165	64,421	56,946
Total liabilities	343,572	286,247	255,365
Net position			
Net investment in capital assets	108,516	78,136	117,378
Restricted	11,694	9,151	33,318
Unrestricted	463,979	436,787	317,081
Total net position	584,189	524,074	467,777
Total liabilities and net position	\$ 927,761	\$ 810,321	\$ 723,142

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

Management's Discussion and Analysis

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, 2024, 2023, and 2022 as restated:

	Years Ended December 31,		
	2024	2023	2022 (As restated)
	(Dollars in Thousands)		
Operating revenue			
Net patient service revenue net of provision for bad debts of \$27,882 in 2024, \$23,894 in 2023, and \$21,195 in 2022	\$ 500,255	\$ 462,886	\$ 434,589
Other operating revenue	32,788	26,235	16,191
Total operating revenue	533,043	489,121	450,780
Operating expenses			
Maintenance and operation expenses	451,078	419,630	380,037
Depreciation and amortization	29,994	27,552	27,790
Total operating expenses	481,072	447,182	407,827
Operating net income	51,971	41,939	42,953
Federal grants	1,251	6,359	1,102
Insurance proceeds	-	155	1,089
Investment income and gains and losses, net	15,785	14,980	(9,963)
Interest expense	(10,104)	(8,328)	(8,791)
Equity in net loss of joint ventures	1,007	480	325
(Loss) Gain on disposal of capital assets	(9)	44	(40)
Excess of revenues over expenses before capital contributions	59,901	55,629	26,675
Capital contributions	214	668	648
Change in net position	60,115	56,297	27,323
Total net position - beginning of year	524,074	467,777	440,454
Total net position - end of year	\$ 584,189	\$ 524,074	\$ 467,777

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
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Management's Discussion and Analysis

The information below summarizes the System's basic Statements of Revenues, Expenses, and Changes in Net Position for 2024 and 2023:

Operating Revenue

During fiscal year 2024 and 2023, the System derived approximately 93.8% and 94.6%, respectively, of its total operating revenues from Net Patient Service Revenues. Net Patient Service Revenues include revenues from the Medicare and Medicaid programs, patients, or their third-party carriers who pay for care in the System's facilities. Other operating revenues increased by approximately \$6.6M or 25.0% primarily based on additional pharmacy revenues.

The following table represents the relative percentage of gross charges billed for patient services by payor for the fiscal years ended December 31, 2024 and 2023:

	December 31,	
	2024	2023
Medicare	20%	20%
Medicaid	13%	15%
Commercial Insurance/Managed Care	31%	30%
Medicare Advantage	35%	34%
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 2023 to 2024 include:

- During 2024, the System had patient days and admissions of 57,524 and 13,280, respectively. During 2023, the System had patient days and admissions of 58,256 and 12,574, respectively. There was an increase of 5.6% in admission, while an effort to reduce patient length of stay resulted in a decrease in patient days of 1.3%.
- Observation patient volume increased by 378 patients, or 5.7%, in 2024. Net "Bedded Patients" (inpatient plus observation) went from 19,203 in 2023 to 20,287 in 2024, or a "Bedded Patient" increase of 1,084 admissions, or 5.6%.
- Outpatient visits (including Home Health, Hospice, and Physicians) were 281,576. This is an increase of 4.5% from prior year.
- Emergency room visits were 66,212, an increase of 1.5% from fiscal year 2023.

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Management's Discussion and Analysis

- Physician Clinic visits were 171,817, an increase of 10.6% from fiscal year 2023. Primary Care (including pediatrics) increased by 14.5% and Specialty Clinics increased by 6.4%. The increase is primarily due to the addition of primary care providers to support the opening of a new primary care clinic in North Covington. The North Covington Clinic was opened to serve patients North of Covington, as well as start a new Graduate Medical Education Program, which began in July 2024.
- Net patient service revenue increased \$37.4M, or 8.1%, in 2024. The System continued to see growth in both inpatient and outpatient services.
- Employee compensation increased \$15.2M, an increase of 6.1%. This increase is due to increased employment to address the increase in volume, market adjustments and retention payments for that area where labor shortages persisted. This increase was partially offset by a decrease in agency labor dollars of \$2.7M.
- Supplies and other expenses increased by \$16.4M, or 11.6%, and were related to increases in volume.

The highlights of the System's Statements of Revenues, Expenses, and Changes in Net Position from 2022 to 2023 include:

- During 2023, the System had patient days and admissions of 59,832 and 12,574, respectively. During 2022, the System had patient days and admissions of 59,942 and 12,158, respectively. There was an increase of 3.4% in admission, while an effort to reduce patient length of stay resulted in a decrease in patient days of 2.8%.
- Observation patient volume increased by 763 patients, or 13.0%, in 2023. Net "Bedded Patients" (inpatient plus observation) went from 18,024 in 2022 to 19,203 in 2023, or a "Bedded Patient" increase of 1,179 admissions, or 6.5%.
- Outpatient visits (including Home Health, Hospice, and Physicians) were 269,563. This is an increase of 7.0% from prior year.
- Emergency room visits were 65,210, an increase of 7.6% from fiscal year 2022.
- Physician Clinic visits were 155,332, an increase of 6.0% from fiscal year 2022. Primary Care (including pediatrics) increased by 2.8% and Specialty Clinics increased by 9.8%. The increase is primarily due to the addition of a new medical provider at the Covington Cardiovascular Clinic.
- Net patient service revenue increased \$28.3M, or 6.5%, in 2023. The System was able to recognize a full year of bed capacity on the new beds opened during 2021.
- Employee compensation increased \$24.2M, an increase of 10.8%. This increase is due to increased employment, market adjustments, retention payments, and premium shift pay were needed to ensure appropriate coverage was maintained. This increase was partially offset by a decrease in agency and contract labor dollars.
- Supplies and other expenses increased by \$18.1M, or 14.7%, and were related to increases in volume and contractual services.

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
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Management's Discussion and Analysis

2024 Budget to Actual Comparison (in Thousands)

In comparing actual results of operations versus budgeted 2024 results, the following is noted:

	For the Year Ended December 31,		Variance
	Budget 2024	Actual 2024	Positive (Negative)
Operating revenues			
Net patient service revenue net of provision for bad debts of \$30,837 budget and \$27,882 actual	\$ 476,053	\$ 500,255	\$ 24,202
Other operating revenue	23,891	32,788	8,897
Total revenues	499,944	533,043	33,099
Operating expenses			
Salaries, wages, and benefits	255,247	263,207	(7,960)
Supplies and other	153,961	157,806	(3,845)
Professional and contractual services	27,717	30,065	(2,348)
Depreciation and amortization	31,403	29,994	1,409
Total operating expenses	468,328	481,072	(12,744)
Non-operating income, net	1,554	7,930	6,376
Excess of revenues over expenses	\$ 33,170	\$ 59,901	\$ 26,731

Cash Flows

Changes in the System's cash flows as illustrated in the Statements of Cash Flows appearing on pages 7 and 8 are generally consistent with changes in operating gains and non-operating revenues and expenses, as discussed earlier. Overall, cash and cash equivalents decreased in 2024.

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Management's Discussion and Analysis

Capital Assets

The table below details the changes in the System's capital assets during the year ended December 31, 2024:

Capital Assets (in Thousands)				
	December 31,		Dollar	Percent
	2024	2023	Change	Change
Land and improvements	\$ 34,839	\$ 23,740	\$ 11,099	47%
Buildings	253,181	221,334	31,847	14%
Equipment	183,433	173,766	9,667	6%
Construction in progress	27,043	40,094	(13,051)	-33%
Subtotal	498,496	458,934	39,562	9%
Less: accumulated depreciation	(232,844)	(216,041)	(16,803)	8%
Capital assets, net	<u>\$ 265,652</u>	<u>\$ 242,893</u>	<u>\$ 22,759</u>	9%

- Net Capital Assets increased by approximately \$22.8M during 2024. Expenditures of \$11.1M are related to properties purchased to facilitate future campus growth. Expenditures of \$18.8M are related to expansion and enhancement projects of the physical buildings. Expenditures of \$9.7M are related to replacement of routine equipment and enhancement of information systems.
- Net Capital Assets increased by approximately \$12.6M during 2023. Expenditures of \$3.7M are related to properties purchased to facilitate future campus growth. Expenditures of \$17.9M are related to expansion and enhancement projects of the physical buildings. Expenditures of \$7.7M are related to replacement of routine equipment and enhancement of information systems.

**ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
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Management's Discussion and Analysis

Debt Administration

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

At December 31, 2024, the System had \$157.6M in long-term debt. Total long-term debt represents 45.9% of the System's total liabilities as of year-end. At December 31, 2023, the System had \$165.2M in long-term debt. Total long-term debt represents 57.7% of the System's total liabilities as of year-end.

Effective January 1, 2023, the System adopted Government Accounting Standards Board (GASB) 96, which requires all SBITA with a subscription term of more than 12 months to be reflected on the statements of net position as a right-of-use subscription asset and a corresponding subscription liability.

The financial statements include right-of-use assets of \$114.6M and \$52.7M and total lease and SBITA liabilities of \$118.8M and \$56.6M for the years ending December 31, 2024 and 2023 as restated, respectively. The increase of \$61.9M in right-of-use assets was a result of a long term lease of a new Ambulatory Surgery Center. The Ambulatory Surgery Center will have 12 operating rooms and 15 overnight beds. These services will help manage the growth noted in surgical services as well as provide more efficiency to allow more surgeries to move outpatient.

Economic Factors and Next Year's Budget

The System's Board and Management considered many factors when setting the fiscal year 2024 budget. Of primary importance in setting the 2024 budget is the status of the economy, which takes into account market forces and environmental factors such as:

- Medicare reimbursement changes and reductions
- Regulatory changes brought about by changes in political environment
- Workforce shortages
- Cost of supplies and drugs

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.

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, 2024 and 2023, 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, 2024 and 2023, 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audits. 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 16, 2025, 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 16, 2025

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
(d/b/a ST. TAMMANY HEALTH SYSTEM)
Statements of Net Position
December 31, 2024 and 2023 (In Thousands)

	2024	2023
Assets		
Current assets		
Cash and cash equivalents	\$ 112,766	\$ 130,743
Investments	194,243	288,470
Patient accounts receivable, net of allowance for doubtful accounts of \$28,937 in 2024 and \$18,279 in 2023	40,139	39,761
Inventories	10,112	7,591
Prepaid expenses and other receivables	14,415	12,485
Total current assets	371,675	479,050
Noncurrent cash and investments		
Held by trustee under Construction Fund	4,642	4,391
Held by trustee under bond indenture	6,477	4,185
Designated by board for capital improvements and facility enhancements	138,798	3,000
Held by others for self-insured funding arrangements	575	575
Total noncurrent cash and investments	150,492	12,151
Capital assets		
Land and improvements	34,839	23,740
Buildings	253,181	221,334
Equipment	183,433	173,766
Construction in progress	27,043	40,094
Less: accumulated depreciation	(232,844)	(216,041)
Total capital assets, net	265,652	242,893
Right-of-use assets, net	114,629	52,678
Other assets	25,313	23,549
Total assets	\$ 927,761	\$ 810,321

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, 2024 and 2023 (In Thousands)

	2024	2023
Liabilities and net position		
Current liabilities		
Accounts payable and accrued expenses	\$ 43,115	\$ 32,584
Accrued employee compensation	11,530	18,142
Accrued vacation	5,483	5,917
Settlements due to Medicare and Medicaid intermediaries	7,037	7,778
Lease liabilities - current	3,929	3,826
SBITA liabilities - current	3,236	3,080
Amounts due within one year on long-term debt	7,593	7,634
Total current liabilities	81,923	78,961
Lease liabilities - long-term	81,432	17,404
SBITA liabilities - long-term	30,179	32,251
Long-term debt, net of current maturities	150,038	157,631
Total liabilities	343,572	286,247
Net position		
Net investment in capital assets	108,516	78,136
Restricted for debt service	6,477	4,185
Restricted for capital projects	4,642	4,391
Restricted for self-insured funding arrangements	575	575
Unrestricted	463,979	436,787
Total net position	584,189	524,074
Total liabilities and net position	\$ 927,761	\$ 810,321

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, 2024 and 2023 (In Thousands)

	2024	2023
Operating revenues		
Net patient service revenue, net of provision for bad debts of \$27,882 in 2024 and \$23,894 in 2023	\$ 500,255	\$ 462,886
Other revenue	32,788	26,235
Total operating revenues	533,043	489,121
Operating expenses		
Salaries, wages, and benefits	263,207	248,019
Supplies and other	157,806	141,376
Professional and contractual services	30,065	30,235
Depreciation and amortization	29,994	27,552
Total operating expenses	481,072	447,182
Income from operations	51,971	41,939
Non-operating revenues (expenses)		
Federal grants	1,251	6,359
Insurance proceeds	-	155
Investment income or loss, net	15,785	14,980
Interest expense	(10,104)	(8,328)
Equity in net income from joint ventures	1,007	480
(Loss) Gain on disposal of capital assets	(9)	44
Total non-operating revenues, net	7,930	13,690
Excess of revenues over expenses before capital contributions	59,901	55,629
Capital contributions	214	668
Change in net position	60,115	56,297
Net position, beginning of year	524,074	467,777
Net position, end of year	\$ 584,189	\$ 524,074

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, 2024 and 2023 (In Thousands)

	2024	2023
Cash flows from operating activities		
Cash received from patient services	\$ 531,924	\$ 488,000
Cash paid to or on behalf of employees	(270,253)	(243,536)
Cash paid for supplies and services	(184,175)	(172,377)
Net cash provided by operating activities	77,496	72,087
Cash flows from capital and related financing activities		
Capital contributions	214	668
Purchase of capital assets	(42,881)	(30,052)
Lease liability	(4,275)	(3,785)
SBITA liability	(5,079)	(2,919)
Principal payments on long-term debt	(7,634)	(3,507)
Proceeds from long-term debt	-	29,860
Interest payments	(10,104)	(8,328)
Insurance proceeds	-	155
Federal grants	1,251	6,359
Net cash used in capital and related financing activities	(68,508)	(11,549)
Cash flows from investing activities		
Net distribution from joint ventures	1,363	1,490
Investment in business combinations	-	(4,018)
Purchases of investments and noncurrent cash equivalents, net	(41,570)	(75,482)
Investment income received	15,785	8,571
Net cash used in investing activities	(24,422)	(69,439)
Decrease in cash and cash equivalents	(15,434)	(8,901)
Cash and cash equivalents, including noncurrent cash and cash equivalents		
Beginning of year	139,319	148,220
End of year	\$ 123,885	\$ 139,319
Reconciliation of current and noncurrent cash and cash equivalents		
Current cash and cash equivalents	\$ 112,766	\$ 130,743
Noncurrent cash and cash equivalents	11,119	8,576
Total current and noncurrent cash and cash equivalents	\$ 123,885	\$ 139,319

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, 2024 and 2023 (In Thousands)

	2024	2023
Reconciliation of income from operations to net cash provided by operating activities		
Income from operations	\$ 51,971	\$ 41,939
Adjustments to reconcile income from operations to net cash provided by operating activities		
Provision for bad debts	27,882	23,894
Depreciation and amortization	29,994	27,552
Changes in operating assets and liabilities		
Patient accounts receivable	(28,260)	(25,457)
Inventories, prepaid expenses, and other receivables	(4,451)	(3,182)
Other assets	(2,384)	(134)
Accounts payable and accrued expenses	10,531	2,550
Accrued employee compensation and vacation	(7,046)	4,483
Net settlements due to Medicare and Medicaid intermediaries	(741)	442
Net cash provided by operating activities	\$ 77,496	\$ 72,087

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, 2024 and 2023

	2024	2023
Assets		
Cash and Cash Equivalents	\$ 1,431,331	\$ 1,739,776
Certificates of Deposit	5,923,668	5,330,129
Interest Receivable	23,491	20,320
Pledges Receivable, Net of Allowance of \$5,796 as of December 31, 2024 and 2023	70,342	83,913
Other Receivables	40	87
Other Assets	358,340	358,440
Restricted Cash - Donor Endowment Funds	278,735	272,768
Total Assets	\$ 8,085,947	\$ 7,805,433
Liabilities and Net Assets		
Liabilities		
Annuities Payable	\$ 16,698	\$ 21,932
Total Liabilities	16,698	21,932
Net Assets		
Without Donor Restrictions		
Undesignated	454,459	236,424
Designated by the Board for Endowment	2,816,803	2,699,247
With Donor Restrictions		
Purpose Restrictions	4,531,339	4,587,043
Perpetual in Nature	266,648	260,787
Total Net Assets	8,069,249	7,783,501
Total Liabilities and Net Assets	\$ 8,085,947	\$ 7,805,433

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

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

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

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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Contributions	\$ 107,834	\$ 965,958	\$ 1,073,792
Contributions - Nonfinancial	-	143,400	143,400
Investment Return, Net	301,990	-	301,990
Change in Value of Split-Interest Agreements	(3,573)	(290)	(3,863)
Net Assets Released from Restrictions	1,071,372	(1,071,372)	-
Total Revenues, Gains, and Other Support	1,477,623	37,696	1,515,319
Expenses			
Program Services			
Contributions Awarded/Distributed	1,193,467	-	1,193,467
Total Expenses	1,193,467	-	1,193,467
Change in Net Assets	284,156	37,696	321,852
Net Assets, Beginning of Year	2,651,515	4,810,134	7,461,649
Net Assets, End of Year	\$ 2,935,671	\$ 4,847,830	\$ 7,783,501

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, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Change in Net Assets	\$ 285,748	\$ 321,852
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities		
Unrealized and Realized (Gains) Losses, Net	(158,305)	(60,577)
(Increase) Decrease in:		
Pledges Receivable	13,571	(4,111)
Interest Receivable	(3,171)	(3,431)
Other Receivables	47	407
Other Assets	100	(135,000)
Increase (Decrease) in:		
Annuities Payable	(2,109)	(2,588)
Net Cash Provided by Operating Activities	135,881	116,552
Cash Flows from Investing Activities		
Purchases of Marketable Securities	(435,234)	(16,000)
Net Cash Used in Investing Activities	(435,234)	(16,000)
Cash Flows from Financing Activities		
Beneficiary Distributions for Gift Annuities	(3,125)	(5,342)
Net Cash Used in Financing Activities	(3,125)	(5,342)
Net Change in Cash and Cash Equivalents and		
Restricted Cash	(302,478)	95,210
Cash and Cash Equivalents and Restricted Cash,		
Beginning of Year	2,012,544	1,917,334
Cash and Cash Equivalents and Restricted Cash,		
End of Year	\$ 1,710,066	\$ 2,012,544
Reconciliation of Cash and Cash Equivalents and		
Restricted Cash		
Cash and Cash Equivalents	\$ 1,431,331	\$ 1,739,776
Restricted Cash - Donor Endowment Funds	278,735	272,768
Total Cash and Cash Equivalents and Restricted Cash	\$ 1,710,066	\$ 2,012,544

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)

Notes to 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 blended component units, which are St. Tammany Quality Network (STQN) and St. Tammany Physician Network (STPN). STQN and STPN are wholly-owned by the System and not exempt from federal taxation. No income taxes were owed or paid for the years ended December 31, 2024 and 2023. The System and its blended component units provide primary and secondary health care services through the operation of an acute care hospital, clinics, and other comprehensive health care programs. Patients are primarily from St. Tammany Parish.

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

STPN was formed in 1993 to employ primary care physicians. STPN had no activity in 2024 and 2023.

See Note 17 for further discussion on the financials of each blended component unit.

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

St. Tammany Hospital Foundation (the Foundation) is a legally separate, tax exempt, discretely presented component unit of the District. The Foundation was formed to, among other things, sustain the healing work of the physicians and staff of the System. The Board of the Foundation is self-perpetuating and consists primarily of citizens of St. Tammany Parish. Although the System does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds are contributed to the System. Because these resources held by the Foundation have historically been for the benefit of the System and these resources have grown in significance, the Foundation is considered a component unit of the District and is discretely presented in these financial statements. Individual financial statements can be obtained from the Foundation's office at 1202 South Tyler Street, Covington, Louisiana 70433. See Note 10 for further details.

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

Notes to Financial Statements

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

Summary of Significant Accounting Policies

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

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

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

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

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

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

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

Notes to Financial Statements

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

Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Goodwill: The System acquired a business, which resulted in goodwill of \$1,322,000, which is included in other assets on the Statements of Financial Position. The System is amortizing the asset over its useful life, which is five years. Annual amortization expense of \$264,000 is included in Depreciation and Amortization in the Statements of Revenues, Expenses, and Changes in Net Position. Goodwill is assessed for impairment if triggering events of a potential impairment are identified. No triggering events were identified in 2024 and 2023.

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.

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

Notes to Financial Statements

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

Summary of Significant Accounting Policies (Continued)

Leases (Continued): 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 40 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 adjustments 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.

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

A SBITA asset is amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets. The amortization of the SBITA asset is reported as an outflow of resources (for example, amortization expense), which may be combined with depreciation expense related to other capital assets for financial reporting purposes. Amortization should begin at the commencement of the subscription term. The System's SBITA arrangements have initial terms of 4 to 40 years.

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.

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

Notes to Financial Statements

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

Summary of Significant Accounting Policies (Continued)

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

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

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

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

Operating Revenues and Expenses: The System's statements of revenues, expenses, and changes in net position distinguish between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the System's principal activity. Non-exchange revenues, 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.

Patient receivables due directly from the patients, net of any third-party payor responsibility, are carried at the original charge for the service provided less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by identifying delinquent accounts and applying a reserve percentage based on historical experiences and current expectation of the collectability of aged accounts. The System does not charge interest on patient receivables. Patient receivables are written off as bad debt expense, a component of net patient service revenue, when deemed uncollectible.

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

Notes to Financial Statements

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

Summary of Significant Accounting Policies (Continued)

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 an increase (decrease) to net patient service revenue of approximately \$871,000 and (\$148,000) in 2024 and 2023, respectively.

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 \$50,000 and \$660,000, respectively, in 2024 and 2023 under this program, which is included in net patient service revenue.

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

Notes to Financial Statements

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

Summary of Significant Accounting Policies (Continued)

Participation in Medicaid's Managed Care Incentive Program (MCIP): During 2019, the System began participation in the State's MCIP program. The MCIP program is designed to provide incentive payments to Medicaid Managed Care Organizations (MCOs) for achieving quality reforms that increase access to health care, improve the quality of care, and/or enhance the health of members the MCOs serve. The System received \$2,128,000 and \$5,368,000 in 2024 and 2023, 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.

Federal Grants: Non-exchange grants are recognized as non-operating revenue in the statements of revenues, expenses, and changes in net position. For the years ended December 31, 2024 and 2023, the System received funding from government agencies in the amount of approximately \$1,251,000 and \$6,359,000, respectively.

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.

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

Notes to Financial Statements

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

Summary of Significant Accounting Policies (Continued)

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 \$6,798,000 and \$5,582,000 for the years ended December 31, 2024 and 2023, respectively, based upon charges foregone using established rates.

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

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

Recently Issued Accounting Principles - Adopted:

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. The requirements of this statement are effective for fiscal years beginning after June 15, 2023. The System implemented GASB 100, effective January 1, 2024, with no impact on the financial statements.

GASB Statement No. 101 - *Compensated Absences*. The objective of the Statement is to provide a unified model for recognition and measurement for all types of compensated absences and eliminates certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023. The System implemented GASB 101, effective January 1, 2024, with no impact on the financial statements.

Recently Issued Accounting Principles - Not Yet Adopted:

GASB Statement No. 102 - *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints and enhance transparency by requiring disclosures about these risks. The requirements of this statement are effective for reporting periods beginning after June 15, 2024. Management is evaluating the potential impact of adoption on the System's financial statements.

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

Notes to Financial Statements

Note 2. Cash and Cash Equivalents and Investments

A. System

Louisiana statutes require that all of the System's deposits be protected by insurance or collateral. The market value of collateral pledged must equal at least 100% of the deposits not covered by insurance. As of December 31, 2024 and 2023, the System's bank balances (including cash and certificates of deposit) were entirely insured or collateralized by investments held by the System's third-party agent in the System's name. The System's investments are generally reported at fair value, as discussed in Note 1.

At December 31, 2024 and 2023, 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:

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

December 31, 2023 Investment Type	Carrying Amount	Investment Maturities (in Years)		
		Less Than 1	1 - 5	>5
		<i>(in thousands)</i>		
U.S. government security	\$ 73,419	\$ 22,983	\$ 39,532	\$ 10,904
U.S. agency obligation	192,670	33,384	146,153	13,133
Municipal obligation	2,102	824	1,278	-
Corporate security	266	-	266	-
Certificates of deposit	23,588	23,588	-	-
Total	\$ 292,045	\$ 80,779	\$ 187,229	\$ 24,037

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

Notes to Financial Statements

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, 2024, the System's investments were rated A or higher by Standard and Poor's and Fitch Ratings and by Moody's Investor Services with the exception of the System's investments in Federal Agricultural Mortgage Corporation (FAMC) securities which are unrated.

Concentration of Credit Risk: The System places no limit on the amount it may invest in any one issuer. Issuers comprising five percent or more of the System's investments at December 31, 2024 and 2023 were as follows:

Issuer	2024	2023
Federal Home Loan Bank	27%	29%
U.S. Treasury	25%	24%
Federal Farm Credit Bureau	22%	23%
Federal National Mortgage Association	12%	12%

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

Notes to Financial Statements

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, 2024 and 2023 are as follows (in thousands):

	2024	2023
Carrying amount		
Deposits	\$ 123,885	\$ 139,319
Investments	333,616	292,045
Total deposits and investments	<u>\$ 457,501</u>	<u>\$ 431,364</u>
Included in the following captions		
Current assets		
Cash and cash equivalents	\$ 112,766	\$ 130,743
Investments	194,243	288,470
Noncurrent cash and investments		
Held by trustee under Construction Fund	4,642	4,391
Held by trustee under bond indenture	6,477	4,185
Designated by board for capital improvements and facility enhancements	138,798	3,000
Held by others for professional and other liability claims	575	575
Total deposits and investments	<u>\$ 457,501</u>	<u>\$ 431,364</u>

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, 2024 and 2023, the System had a \$575,000 certificate of deposit held as collateral against its self-insured portion of workers' compensation claims.

Approximately \$138,798,000 and \$3,000,000 of the unrestricted net position at December 31, 2024 and 2023, respectively, 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.

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
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Notes to Financial Statements

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

A. System (Continued)

Interest income, gains, and losses, net, produced an approximate gain of \$15,785,000 and \$14,980,000 for the years ended December 31, 2024 and 2023, respectively. Fluctuations in investment income are related to changes in investment levels and changes in market valuations.

B. Foundation

At December 31, 2024 and 2023, the Foundation's investments consisted of certificates of deposit. Market risk is dependent on the future changes in market prices of the various investments held.

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

C. Fair Value Measurement

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

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

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

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
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Notes to Financial Statements

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

C. Fair Value Measurement (Continued)

The following tables set forth by level, within the fair value hierarchy, the System's assets at fair value as of December 31, 2024 and 2023:

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

		Fair Value Measurements Using:		
	December 31, 2023	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(in thousands)		
Investments by fair value level				
Debt securities				
U.S. government security	\$ 73,419	\$ 73,419	\$ -	\$ -
U.S. agency obligation	192,670	48,940	143,730	-
Corporate security	266	122	144	-
Municipal obligations	2,102	-	2,102	-
Total investments by fair value level	\$ 268,457	\$ 122,481	\$ 145,976	\$ -
Certificates of deposit (Measured at Amortized Cost)	23,588			
Total Investments at Fair Value	\$ 292,045			

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
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Notes to Financial Statements

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

C. Fair Value Measurement (Continued)

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2024 and 2023:

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

		Fair Value Measurements at Reporting Date Using:			
		Markets for Identical Assets/Liabilities (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
December 31, 2023	Fair Value				
<i>(in thousands)</i>					
Investments					
Certificate of deposit	\$ 5,330	\$ 5,330	\$ -	\$ -	
Total	\$ 5,330	\$ 5,330	\$ -	\$ -	

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, 2024 and 2023, approximately 27% of the System's net patient service charges were furnished to Medicare and Medicaid program beneficiaries. Revenue derived from the Medicare program is subject to audit and adjustment by the fiscal intermediary and must be accepted by the 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, 2019. The System's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through December 31, 2018.

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

Notes to Financial Statements

Note 3. Third-Party Payor Arrangements (Continued)

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 charges, and prospectively determined daily rates.

Note 4. Capital Assets

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

	December 31, 2023	Additions	Transfers and Disposals	December 31, 2024
Capital assets, not being depreciated:				
Land	\$ 19,645	\$ 11,140	\$ (40)	\$ 30,745
Construction in progress	40,094	24,550	(37,601)	27,043
Total capital assets not being depreciated	59,739	35,690	(37,641)	57,788
Capital assets, being depreciated:				
Land improvements	4,094	-	-	4,094
Buildings and improvements	221,335	34,956	(3,110)	253,181
Equipment	173,767	13,492	(3,826)	183,433
Total capital assets being depreciated	399,196	48,448	(6,936)	440,708
Less: total accumulated depreciation	(216,042)	(20,112)	3,310	(232,844)
Total capital assets, being depreciated, net	183,154	28,336	(3,626)	207,864
Total	\$ 242,893	\$ 64,026	\$ (41,267)	\$ 265,652

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
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Notes to Financial Statements

Note 4. Capital Assets (Continued)

A summary of changes in the System's capital assets during 2023 is as follows (in thousands):

	December 31, 2022	Additions	Transfers and Disposals	December 31, 2023
Capital assets, not being depreciated:				
Land	\$ 15,932	\$ 3,713	\$ -	\$ 19,645
Construction in progress	26,468	16,517	(2,891)	40,094
Total capital assets not being depreciated	42,400	20,230	(2,891)	59,739
Capital assets, being depreciated:				
Land improvements	4,094	-	-	4,094
Buildings and improvements	217,046	4,349	(60)	221,335
Equipment	166,027	10,462	(2,722)	173,767
Total capital assets being depreciated	387,167	14,811	(2,782)	399,196
Less: total accumulated depreciation	(199,268)	(19,534)	2,760	(216,042)
Total capital assets, being depreciated, net	187,899	(4,723)	(22)	183,154
Total	\$ 230,299	\$ 15,507	\$ (2,913)	\$ 242,893

Depreciation expense on capital assets reported during the fiscal year ended December 31, 2024 and 2023 was approximately \$20,112,000 and \$19,534,000, respectively.

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
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Notes to Financial Statements

Note 5. Leases and Subscriptions

Right-of-Use Assets and Corresponding Liabilities

The following table presents the components of the System's right-of-use assets, including SBITA assets, and accumulated amortization at December 31, 2024 and 2023 (in thousands):

December 31, 2024	Asset Amount	Accumulated Amortization	Net Value
Medical equipment	\$ 3,513	\$ (3,046)	\$ 467
Facilities	100,090	(17,812)	82,278
Subscriptions	43,683	(11,799)	31,884
Total	\$ 147,286	\$ (32,657)	\$ 114,629

December 31, 2023	Asset Amount	Accumulated Amortization	Net Value
Medical equipment	\$ 5,301	\$ (4,010)	\$ 1,291
Facilities	31,851	(13,762)	18,089
Subscriptions	40,772	(7,474)	33,298
Total	\$ 77,924	\$ (25,246)	\$ 52,678

The following table presents a summary of changes in the System's lease liabilities during 2024 and 2023 (in thousands):

	December 31, 2023	Additions/ Changes	Retirements/ Payments	December 31, 2024	Due Within One Year
Lease liabilities	\$ 21,230	\$ 67,831	\$ (3,700)	\$ 85,361	3,929

	December 31, 2022	Additions/ Changes	Retirements/ Payments	December 31, 2023	Due Within One Year
Lease liabilities	\$ 22,519	\$ 2,471	\$ (3,760)	\$ 21,230	\$ 3,826

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
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Notes to Financial Statements

Note 5. Leases and Subscriptions (Continued)

Right-of-Use Assets and Corresponding 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
2025	\$ 3,929	\$ 5,533
2026	3,793	5,327
2027	3,838	5,114
2028	3,187	4,908
2029	2,248	4,747
2030 - 2035	68,366	98,886
Total	\$ 85,361	\$ 124,515

Short-Term Leases

Lease expense for those leases that had lease terms of 12 months or less totaled approximately \$3,486,000 and \$2,341,000 for the years ended December 31, 2024 and 2023, respectively.

Subscription Liabilities

The System has SBITA with several vendors with subscription terms ranging from 3-14 years. Subscription payable is measured at the present value of the subscription payments expected to be made during the subscription term. Some arrangements have escalating payment clauses over the term of the agreement that are based on future events and are expensed as incurred. The System used an estimated borrowing rate of 7.5% in calculating the subscription payable at implementation date. The System reported a total payment of \$5,285,000 and \$5,605,000 on IT software subscription for the fiscal years ended December 31, 2024 and 2023, respectively. The subscription payable as of December 31, 2024 and 2023 amount to \$33,415,000 and \$35,331,000, respectively.

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

Notes to Financial Statements

Note 5. Leases and Subscriptions (Continued)

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

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

	December 31, 2023	Additions/ Changes	Retirements/ Payments	December 31, 2024	Due Within One Year
SBITA liabilities	\$ 35,331	\$ 3,369	\$ (5,285)	\$ 33,415	\$ 3,236

	December 31, 2022	Additions/ Changes	Retirements/ Payments	December 31, 2023	Due Within One Year
SBITA liabilities	\$ 36,831	\$ 1,876	\$ (3,376)	\$ 35,331	\$ 3,080

The future minimum SBITA obligations as of December 31, 2024, are as follows:

Year Ending December 31,	Principal	Interest
2025	\$ 3,236	\$ 2,362
2026	3,061	2,115
2027	3,050	1,875
2028	2,558	1,676
2029	2,756	1,477
2030 - 2035	18,754	3,832
Total	\$ 33,415	\$ 13,337

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
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Notes to Financial Statements

Note 6. Long-Term Debt

The details and balances of long-term debt at December 31, 2024 and 2023 are presented below (in thousands):

	2024	2023
Hospital Revenue Bonds, Series 2016	24,725	28,000
Hospital Revenue Bonds, Series 2018A	72,620	72,620
Hospital Revenue Bonds, Series 2018B	12,285	12,285
Hospital Revenue Bonds, Series 2018 Premium	2,168	2,360
Hospital Revenue Bonds, Series 2020	45,833	50,000
Less: amounts due within one year	(7,593)	(7,634)
Total long-term debt, Net	\$ 150,038	\$ 157,631

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

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

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

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

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
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Notes to Financial Statements

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

In 2023, the System drew \$29,860,000 under the existing bond issuance. As of December 31, 2024 and 2023, \$50,000,000 of available funds was drawn and \$45,833,000 and \$50,000,000 was outstanding, respectively. 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, 2024, the System was in compliance with the provisions of the Trust Indentures.

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
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Notes to Financial Statements

Note 6. Long-Term Debt (Continued)

A summary of changes in long-term debt during 2024 and 2023 is as follows (in thousands):

	December 31, 2023	Additions/ Changes	Retirements/ Payments	December 31, 2024	Due Within One Year
Hospital Revenue Bonds, Series 2016	\$ 28,000	\$ -	\$ (3,275)	\$ 24,725	\$ 3,335
Hospital Revenue Bonds, Series 2018A	72,620	-	-	72,620	-
Hospital Revenue Bonds, Series 2018B	12,285	-	-	12,285	-
Hospital Revenue Bonds, Series 2018 Amortized Premium	2,360	-	(192)	2,168	91
Hospital Revenue Bonds, Series 2020	50,000	-	(4,167)	45,833	4,167
	<u>\$ 165,265</u>	<u>\$ -</u>	<u>\$ (7,634)</u>	<u>\$ 157,631</u>	<u>\$ 7,593</u>
	December 31, 2022	Additions/ Changes	Retirements/ Payments	December 31, 2023	Due Within One Year
Hospital Revenue Bonds, Series 2016	\$ 31,215	\$ -	\$ (3,215)	\$ 28,000	\$ 3,275
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	2,652	-	(292)	2,360	192
Hospital Revenue Bonds, Series 2020	20,140	29,860	-	50,000	4,167
	<u>\$ 138,912</u>	<u>\$ 29,860</u>	<u>\$ (3,507)</u>	<u>\$ 165,265</u>	<u>\$ 7,634</u>

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
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Notes to Financial Statements

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
2025	\$ 7,593	\$ 5,187
2026	7,658	5,051
2027	7,723	4,914
2028	7,788	4,777
2029	7,853	4,636
2030-2034	39,341	20,858
2035-2039	26,194	15,181
2040-2044	27,216	9,862
2045-2048	26,265	3,207
Total	\$ 157,631	\$ 73,673

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 2024 and 2023 is as follows (in thousands):

	2024	2023
Interest cost:	\$ 5,104	\$ 4,642
Charged to non-operating expenses	\$ 5,104	\$ 4,642
Interest income:	\$ 2,639	\$ 2,505
Credited to non-operating income	\$ 2,639	\$ 2,505

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.

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
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Notes to Financial Statements

Note 7. Commitments (Continued)

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, 2024 and 2023, the System accrued \$8,270,000 and \$11,608,000, 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 \$5,483,000 and \$5,917,000 as of December 31, 2024 and 2023, 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, 2024 and 2023, contributions required under the Plan were approximately \$5,868,000 and \$5,277,000, respectively. Forfeitures were not significant.

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Notes to Financial Statements

Note 9. Employee Benefit Plans (Continued)

Noncontributory Defined Contribution Plan (Continued): Retirement expense included in salaries, wages, and benefits related to the Plan described above approximated \$5,162,000 and \$6,122,000 for the years ended December 31, 2024 and 2023, 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, 2024 and 2023, contributions made to the CESP were approximately \$1,865,000 and \$1,500,000, respectively. Forfeitures were not significant.

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

Note 10. Foundation Net Assets

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

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

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Notes to Financial Statements

Note 10. Foundation Net Assets (Continued)

Net assets with donor restrictions consist of the following as of December 31, 2024 and 2023:

	2024	2023
	<i>(in thousands)</i>	
Subject to Restriction in Perpetuity		
Endowment Funds	\$ 267	\$ 261
Total Subject to Restriction in Perpetuity	267	261
Purpose Restrictions		
Cancer Center	1,335	1,314
Pediatrics	1,189	1,188
Hospice	665	619
Healing Arts	497	498
Miscellaneous Directed Gifts	269	273
Parenting Center	210	214
STPH Employee Benevolent Fund	121	141
Education	104	105
Facility and Technology Expansion	52	90
Oncology	36	74
Employee Education	33	43
Women's Pavilion	20	27
Building Expansion Initiative	-	1
Total Purpose Restrictions	4,531	4,587
Total Net Assets With Donor Restrictions	\$ 4,798	\$ 4,848

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

Notes to Financial Statements

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, 2024 and 2023, as follows:

	2024	2023
	<i>(in thousands)</i>	
Net Assets Released from Restrictions		
Cancer Center	273	208
Parenting Center	90	106
Women's Pavilion	70	1
STPH Employee Benevolent Fund	65	16
Pediatrics	48	167
Hospice	41	22
Facility and Technology Expansion	26	13
Healing Arts	25	33
Miscellaneous Directed Gifts	24	129
Oncology	10	-
Education	6	14
Building Expansion Initiative	\$ 2	\$ 363
Total Net Assets Released from Restrictions	\$ 680	\$ 1,072

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.

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.

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

Notes to Financial Statements

Note 11. Foundation Endowment Composition (Continued)

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

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

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

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

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, 2024 and 2023. The deficiencies resulted from change in estimated life expectancies for the beneficiaries of the gift annuities included in the endowment.

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

Notes to Financial Statements

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, 2024 and 2023 is as follows (in thousands):

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

December 31, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated Endowment	\$ 2,699	\$ -	\$ 2,699
Donor Restricted Endowments	-	273	273
Deficiency of Fair Value	-	(12)	(12)
Total	\$ 2,699	\$ 261	\$ 2,960

A summary of the changes in the Foundation's endowment net assets for the years ended December 31, 2024 and 2023 is as follows (in thousands):

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

December 31, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets, Beginning of Year	\$ 2,606	\$ 255	\$ 2,861
Investment Return, Net	45	-	45
Change in Split-Interest Agreements	-	-	-
Contributions and Designations	48	6	54
Net Assets, End of Year	\$ 2,699	\$ 261	\$ 2,960

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

Notes to Financial Statements

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, 2024 and 2023, 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, 2024, 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 \$750,000 and excess loss coverage for individual employee health claims is purchased in amounts of \$1,000,000.

The following is a summary of the activity in the liability for workers' compensation and employee health claims for the years ended December 31, 2024 and 2023 (in thousands):

	Beginning Balance	Expense and Changes in Estimates	Payments	Ending Balance
2024	\$ 5,032	\$ 20,549	\$ 21,558	\$ 4,023
2023	\$ 3,474	\$ 20,584	\$ 19,026	\$ 5,032

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

Notes to Financial Statements

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 \$5,382,000 and \$5,234,000 as a component of Settlements due to Medicare and Medicaid intermediaries on the statements of net position as of December 31, 2024 and 2023, 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.

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

Notes to Financial Statements

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:

	2024	2023
Medicare	13 %	14 %
Medicaid	9	10
Managed Care	36	37
Insurance	24	26
Patients (Self-Pay)	18	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 \$214,000 and \$668,000 in 2024 and 2023, 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.

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

Notes to Financial Statements

Note 15. Medicaid Supplemental Payment Programs

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

In 2024 and 2023, the System received a total of \$44,520,000 and \$35,108,000 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.

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

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

Physician Rate Enhancement Funds can be paid to a hospital political subdivision, such as the System, that elects to provide the state match for the federal funding associated with these Physician Rate Enhancement Payments, if an assignment agreement is in place between the System and a physician group that has contracted with the System to provide inpatient and outpatient physician services and 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.

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

Notes to Financial Statements

Note 15. Medicaid Supplemental Payment Programs (Continued)

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 \$1,163,000 and \$3,046,000 in 2024 and 2023, respectively. The funds are included in net patient service revenue on the statements of revenues, expenses, and changes in net position.

Note 16. Joint Ventures

Rehab Facility: During August 2018, the System entered into an agreement with Slidell Memorial Hospital, Ochsner Clinic Foundation, and Hospital Holdings Corporation to establish a new entity, NSR Louisiana, LLC, that will provide inpatient rehabilitation services at a facility located in Lacombe, Louisiana. Under the terms of the agreement, the System was required to fund \$237,000, which resulted in a 30% ownership interest in NSR Louisiana, LLC. The System's share of NSR Louisiana, LLC's operating activities for the year ended December 31, 2024 and 2023, a gain (loss) of \$527,000 and \$(270,000), 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 years ended December 31, 2024 and 2023, gain of \$-0- and \$250,000, respectively, is included in equity in net loss of joint ventures in the statements of revenues, expenses, and changes in net position. This entity was dissolved in 2024.

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, 2024 and 2023, the System's equity investment is \$19,777,000 and \$20,660,000, 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 years ended December 31, 2024 and 2023, a gain of approximately \$480,000 and \$500,000, 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.

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

Notes to Financial Statements

Note 17. Blended Component Unit Condensed Financial Information

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

December 31, 2024	System	STQN	STPN	Total
Current assets	\$ 370,969	\$ 706	\$ -	\$ 371,675
Capital assets, net	265,652	-	-	265,652
Other assets	290,434	-	-	290,434
Total assets	<u>\$ 927,055</u>	<u>\$ 706</u>	<u>\$ -</u>	<u>\$ 927,761</u>
Current liabilities	\$ 55,767	\$ 7,048	\$ 19,108	\$ 81,923
Long-term liabilities	261,649	-	-	261,649
Net position	609,639	(6,342)	(19,108)	584,189
Total liabilities and net position	<u>\$ 927,055</u>	<u>\$ 706</u>	<u>\$ -</u>	<u>\$ 927,761</u>
Operating revenues	\$ 533,025	\$ 18	\$ -	\$ 533,043
Depreciation	29,994	-	-	29,994
Other operating expenses	450,081	997	-	451,078
Operating income (loss)	52,950	(979)	-	51,971
Non-operating revenues	7,930	-	-	7,930
Excess of revenues over expenses	60,880	(979)	-	59,901
Capital contributions	214	-	-	214
Change in net position	61,094	(979)	-	60,115
Net position, beginning of year	548,545	(5,363)	(19,108)	524,074
Net position, end of year	<u>\$ 609,639</u>	<u>\$ (6,342)</u>	<u>\$ (19,108)</u>	<u>\$ 584,189</u>

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

Notes to Financial Statements

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

The financial statements for the System, STQN, and STPN are presented in a blended format. The table below individually discloses the net position and changes in net position for each blended entity as of and for the year ended December 31, 2023. Material inter-entity transactions are eliminated in the presentation below (in thousands):

December 31, 2023	System	STQN	STPN	Total
Current assets	\$ 478,362	\$ 688	\$ -	\$ 479,050
Capital assets, net	242,893	-	-	242,893
Other assets	88,378	-	-	88,378
Total assets	<u>\$ 809,633</u>	<u>\$ 688</u>	<u>\$ -</u>	<u>\$ 810,321</u>
Current liabilities	\$ 53,802	\$ 6,051	\$ 19,108	\$ 78,961
Long-term liabilities	207,286	-	-	207,286
Net position	548,545	(5,363)	(19,108)	524,074
Total liabilities and net position	<u>\$ 809,633</u>	<u>\$ 688</u>	<u>\$ -</u>	<u>\$ 810,321</u>
Operating revenues	\$ 485,950	\$ 3,171	\$ -	\$ 489,121
Depreciation	27,552	-	-	27,552
Other operating expenses	415,927	3,703	-	419,630
Operating income (loss)	42,471	(532)	-	41,939
Non-operating revenues	13,690	-	-	13,690
Excess of revenues over expenses	56,161	(532)	-	55,629
Capital contributions	668	-	-	668
Change in net position	56,829	(532)	-	56,297
Net position, beginning of year	491,716	(4,831)	(19,108)	467,777
Net position, end of year	<u>\$ 548,545</u>	<u>\$ (5,363)</u>	<u>\$ (19,108)</u>	<u>\$ 524,074</u>

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

**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, 2024, 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 16, 2025. 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.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Metairie, LA
April 16, 2025

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, 2024 and 2023, and have issued our report thereon, dated April 16, 2025, 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 16, 2025.

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.



A Professional Accounting Corporation

Metairie, LA
April 16, 2025

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, 2024

Agency Head

Joan Coffman, President and Chief Executive Officer

Purpose	Amount
Salary	\$935,209
Benefits - Insurance	\$21,943
Benefits - Retirement	\$205,675
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, 2024



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND 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 Each 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, 2024. 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 each of its major federal programs for the year ended December 31, 2024.

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 16, 2025, 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.



A Professional Accounting Corporation

Metairie, LA
April 16, 2025

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, 2024

Federal Grantor/Pass- Through Grantor/ Program Title	Federal ALN Number	Program Number	Federal Revenue Recognized	Federal Expenditures
<u>Department of Homeland Security</u>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)				
Louisiana COVID-19 Pandemic	97.036	DR-4484-LA	\$ 760,547	\$ 760,547
Louisiana Hurricane Ida	97.036	4611-DR-LA	490,321	490,321
Total Department of Homeland Security			1,250,868	1,250,868
Total Expenditures and Federal Awards			\$ 1,250,868	\$ 1,250,868

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
(d/b/a ST. TAMMANY HEALTH SYSTEM)
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

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, 2024. 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.

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, 2024

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:

<u>Federal Assistance Listing Number</u>	<u>Name of Federal Program</u>
97.036	Disaster Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? No

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, 2024

None reported.

AGREED-UPON PROCEDURES REPORT

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

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period January 1, 2024 - December 31, 2024

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

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified by the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the period from January 1, 2024 through December 31, 2024. 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, 2024 to December 31, 2024. 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:

10) *Ethics*

- A. Using the 5 randomly selected employees/officials, 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 noted as a result of the procedures performed.

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.



A Professional Accounting Corporation

Metairie, Louisiana
April 16, 2025