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

Financial Report
December 31, 2020 and 2019

LAPORTE
CPAs & BUSINESS ADVISORS

Contents

Management's Discussion and Analysis i - ix

Independent Auditor's Report 1 - 2

Basic Financial Statements

Statements of Net Position - St. Tammany Health System 3 - 4

Statements of Revenues, Expenses, and Changes in Net Position - St. Tammany Health System 5

Statements of Cash Flows - St. Tammany Health System 6 - 7

Statements of Financial Position - St. Tammany Hospital Foundation 8

Statements of Activities - St. Tammany Hospital Foundation 9 - 10

Statements of Cash Flows - St. Tammany Hospital Foundation 11

Notes to Financial Statements 12 - 49

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* 50 - 51

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, 2020. Please read it in conjunction with the financial statements in this report.

Overview of the Financial Statements

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

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, St. Tammany Hospital Foundation (the Foundation) is presented as a discretely presented component unit on separate pages of the System's financial statements to emphasize that it is legally separate from the System. The Foundation is a not-for-profit organization supporting the System through fund raising. The Foundation is not included in the Management's Discussion and Analysis section but is included in greater detail in the financial statements and footnotes. In addition, St. Tammany Medical Services (STMS), Practice Management Consultants (PMC), St. Tammany Quality Network (STQN), and St. Tammany Physician Network (STPN) are presented as blended component units whose financial activity is included with the activities of the System. In 2017, the System created the St. Tammany Hospital Accountable Care Organization, L.L.C. (STH-ACO), of which the System is the sole member. Once there is activity, STH-ACO will be presented as a blended component unit.

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

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

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

Financial Highlights

The System's change in net position was approximately $49.0 million in 2020 and $36.1 million in 2019. Net Position showed an increase of 13.7% in 2020 and 11.2% in 2019.

The assets and deferred outflows of resources of the System exceeded liabilities at the close of the 2020 fiscal year by $406.5 million. Of that amount, $230.5 million (unrestricted net position) was available to meet ongoing obligations to the System District's patients and creditors, $3.3 million was restricted for debt service and self-insured funding arrangements, $52.8 million was restricted for capital projects and $119.9 million 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 2019 fiscal year by $357.5 million. Of that amount, $211.9 million (unrestricted net position) was available to meet ongoing obligations to the System District's patients and creditors, $3.3 million was restricted for debt service and self-insured funding arrangements, $57.5 million was restricted for capital projects and $84.8 million was the System's net investment in capital assets.

In 2020, as a result of COVID-19, net patient service revenue decreased by $11.7 million, or 3.3%, from 2019. In 2019, net patient service revenue increased by $22.2 million, or 6.6%, from 2018. Operating expenses increased by $20.9 million, or 6.4%, in 2020, and $26.2 million, or 8.7%, in 2019. Other operating revenue increased by $18.9 million from 2019 to 2020 and increased by $2.3 million from 2018 to 2019. In total, the System experienced an increase in the change in net position by approximately $12.9 million, in excess over the fiscal year 2019 operations.

Financial Analysis of the System

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

Net Position

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

	December 31,		
	2020	2019	2018
	(Dollars in Thousands)		
Assets			
Current and other assets	**$ 423,077**	$ 395,545	$ 356,495
Capital assets	**192,770**	159,669	134,118
Total assets	**615,847**	555,214	490,613
Deferred outflows of resources	**139**	315	522
Total assets and deferred outflows	**$ 615,986**	$ 555,529	$ 491,135
Liabilities			
Long-term debt outstanding	**$ 152,199**	$ 149,323	$ 132,294
Other liabilities	**57,293**	48,687	37,390
Total liabilities	**209,492**	198,010	169,684
Net position			
Net investment in capital assets	**119,883**	84,770	75,715
Restricted	**56,097**	60,824	75,926
Unrestricted	**230,514**	211,925	169,810
Total net position	**406,494**	357,519	321,451
Total liabilities and net position	**$ 615,986**	$ 555,529	$ 491,135

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, 2020, 2019, and 2018:

	Years Ended December 31,		
	2020	2019	2018
	(Dollars in Thousands)		
Operating revenue			
Net patient service revenue net of provision for bad debts of $21,400 in 2020, $24,441 in 2019, and $15,369 in 2018	**$ 345,129**	$ 356,827	$ 334,646
Other operating revenue	**26,434**	7,557	5,267
Total operating revenue	**371,563**	364,384	339,913
Operating expenses			
Maintenance and operation expenses	**331,122**	311,892	289,239
Depreciation and amortization	**18,987**	17,275	13,712
Total operating expenses	**350,109**	329,167	302,951
Operating net income	**21,454**	35,217	36,962
Provider relief funds	**26,678**	-	-
Investment income and gains and losses, net	**6,880**	7,634	3,504
Interest expense	**(5,704)**	(5,661)	(4,268)
Equity in net loss of joint ventures	**(425)**	(1,270)	-
Gain (loss) on disposal of capital assets	**3**	7	9
Excess of revenues over expenses before capital contributions	**48,886**	35,927	36,207
Capital contributions	**89**	141	133
Change in net position	**48,975**	36,068	36,340
Total net position - beginning of year	**357,519**	321,451	285,111
Total net position - end of year	**$ 406,494**	$ 357,519	$ 321,451

Management's Discussion and Analysis

The information below summarizes the System's basic Statements of Revenues, Expenses, and Changes in Net Position for 2020 and 2019:

Operating Revenue

During fiscal year 2020 and 2019, the System derived approximately 92.9% and 97.9%, respectively, of its total operating revenues from Net Patient Service Revenues. Net Patient Service Revenues include revenues from the Medicare and Medicaid programs, patients, or their third-party carriers who pay for care in the System's facilities.

The following table represents the relative percentage of gross charges billed for patient services by payor for the fiscal years ended December 31, 2020 and 2019:

	December 31,	
	2020	2019
Medicare	**25%**	26%
Medicaid	**15%**	14%
Managed Care and Commercial Insurance	**59%**	59%
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 2019 to 2020 include:

- During 2020, the System had patient days and admissions of 50,950 and 11,274, respectively. During 2019, the System had patient days and admissions of 52,263 and 11,784, respectively. This is a decrease in patient days of 2.5% and 4.3% in admissions from fiscal year 2019.
- Observation patient volume decreased 1,243 patients, or 21.2%, in 2020. Net "Bedded Patients" (inpatient plus observation) went from 17,636 in 2019 to 15,883 in 2020, or a "Bedded Patient" decrease of 1,753 admissions.
- Outpatient visits (including Home Health, Hospice, and Physicians) were 439,921. This is a decrease of 1.2% from prior year.
- Emergency room visits were 48,122, a decrease of 16.6% from fiscal year 2019.
- Net patient service revenue decreased $11.7 million, or 3.3%, in 2020.
- Employee compensation increased $12.2 million, an increase of 7.0%.
- Supplies and other professional services increased approximately $7.0 million or 5.1%.

Management's Discussion and Analysis

The highlights of the System's Statements of Revenues, Expenses, and Changes in Net Position from 2018 to 2019 include:

- During 2019, the System had patient days and admissions of 52,263 and 11,784, respectively. During 2018, the System had patient days and admissions of 53,653 and 12,075, respectively. This is a decrease in patient days of 2.6% and 2.4% in admissions from fiscal year 2018.
- Observation patient volume decreased 106 patients, or 1.8%, in 2019. Net "Bedded Patients" (inpatient plus observation) went from 18,033 in 2018 to 17,636 in 2019, or a "Bedded Patient" decrease of 397 admissions.
- Outpatient visits (including Home Health, Hospice, and Physicians) were 445,397. This is an increase of 7.1% from prior year.
- Emergency room visits were 57,721, an increase of 7.0% from fiscal year 2018.
- Net patient service revenue increased $22.2 million, or 6.6%, in 2019.
- Employee compensation increased $9.8 million, an increase of 6.0%.
- Supplies and other professional services increased approximately $12.9 million or 10.3%.

2020 Budget to Actual Comparison (in Thousands)

In comparing actual results of operations versus budgeted 2020 results, the following is noted:

	For the Year Ended December 31,		Variance
	Budget 2020	Actual 2020	Positive (Negative)
Operating revenues			
Net patient service revenue net of provision for bad debts of $23,143 budget and $21,400 actual	$ 374,684	$ 345,129	$ (29,555)
Other operating revenue	6,950	26,434	19,484
Total revenues	381,634	371,563	(10,071)
Operating expenses			
Salaries, wages, and benefits	184,692	185,687	(995)
Supplies and other	119,621	121,493	(1,872)
Professional and contractual services	23,457	23,942	(485)
Depreciation and amortization	18,490	18,987	(497)
Total operating expenses	346,260	350,109	(3,849)
Non-operating income (expenses), net	(117)	27,432	27,549
Excess of revenues over expenses	$ 35,257	$ 48,886	$ 13,629

The System's Cash Flows

Changes in the System's cash flows as illustrated in the Statements of Cash Flows appearing on pages 6 and 7 are generally consistent with changes in operating gains and non-operating revenues and expenses, as discussed earlier. Overall, cash and cash equivalents increased in 2020.

Capital Assets

The table below details the changes in the System's capital assets during the year ended December 31, 2020:

Capital Assets (in Thousands)

	December 31, **2020**	December 31, 2019	Dollar Change	Percent Change
Land and improvements	**$ 15,153**	$ 14,939	$ 214	1%
Buildings	**145,368**	143,601	1,767	1%
Equipment	**136,480**	133,062	3,418	3%
Construction in progress	**65,358**	30,256	35,102	116%
Subtotal	**362,359**	321,858	40,501	13%
Less: accumulated depreciation and amortization	**(169,589)**	(162,189)	(7,400)	5%
Capital Assets, net	**$ 192,770**	$ 159,669	$ 33,101	21%

- Net Capital Assets increased by approximately $33.1 million during 2020. Expenditures of $1.8 million are related to expansion and enhancement projects of the physical buildings. Expenditures of $3.4 million are related to replacement of routine equipment and enhancement of information systems. Expenditures of $35.1 million are related to the master facility expansion, lab expansion, and the Covington clinic.
- Net Capital Assets increased by approximately $25.6 million during 2019. Expenditures of $7.1 million are related to expansion and enhancement projects of the physical buildings. Expenditures of $2.6 million are related to replacement of routine equipment and enhancement of information systems. Expenditures of $20.8 million are related to the parking lot expansion, the master facility expansion, the neuro ICU, and the pharmacy renovations.

Projected Capital Expenditures for FY 2021

The System projects spending $34.2 million on capital projects during FY 2021. Of this amount, $18.9 million will be funded from the bonds issued in 2018, for a hospital expansion. The expansion will include Hospital renovations to dietary, Sterile Processing and other support related areas.

Debt Administration

Effective January 1, 2020 the System adopted GASB 87, which requires all leases with a lease term of more than 12 months to be reflected on the statements of net position as a right of use asset and a corresponding capital lease liability. This standard also requires a restatement of 2019 financial statements to reflect corresponding right of use assets and capital lease liabilities for qualifying leases during that year. Therefore, the financial statements include right of use assets of $25.2 million and $19.6 million and total capital lease liabilities of $26.4 million and $20.3 million for the years ending December 31, 2020 and 2019, respectively. The addition of the right of use asset and capital lease liability did not result in additional cash outflows relative to pre-implementation of this standard.

The debt administration section below is adjusted for impacts from the implementation of this standard and numbers or ratios differ from prior years' presentation.

2020 Long-Term Debt

At year-end, the System had $152.2 million in long-term debt. Total long-term debt represents 72.7% of the System's total liabilities as of year-end.

2019 Long-Term Debt

At year-end, the System had $149.3 million in long-term debt. Total long-term debt represents 75.4% of the System's total liabilities as of year-end.

Economic Factors and Next Year's Budget

The System's Board and Management considered many factors when setting the fiscal year 2021 budget. Of primary importance in setting the 2021 budget is the status of the economy, which takes into account market forces and environmental factors such as:

- Medicare reimbursement changes and reductions
- Medicaid expansion
- Cost of supplies
- Cost of drugs
- Impact to organization expenses related to COVID-19

Contacting the System 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, LA 70433.

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Independent Auditor's Report

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

Report on the Financial Statements
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, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the St. Tammany Parish Hospital Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions
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, 2020 and 2019, 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.

Emphasis of a Matter
The 2019 financial statements have been restated for the adoption of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. The effects of the restatement are more fully disclosed in Note 2 to the audited financial statements. The auditor's opinion, presented above, is not modified with respect to the matter emphasized.

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

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2021, 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.

LaPorte

A Professional Accounting Corporation

Metairie, LA
April 26, 2021

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 1
(d/b/a ST. TAMMANY HEALTH SYSTEM)
Statements of Net Position
December 31, 2020 and 2019 (In Thousands)

	2020	Restated 2019
Assets and deferred outflows of resources		
Current assets		
Cash and cash equivalents	$ 148,753	$ 54,517
Investments	136,627	201,787
Noncurrent cash and investments required for current liabilities	19,514	21,717
Patient accounts receivable, net of allowance for doubtful accounts of $13,074 in 2020 and $9,925 in 2019	37,858	40,752
Inventories	7,509	6,969
Prepaid expenses and other receivables	5,223	5,916
Total current assets	355,484	331,658
Noncurrent cash and investments		
Held by trustee under Construction Fund	52,757	57,474
Held by trustee under bond indenture	2,631	2,642
Held by trustee under bond ordinances	9	9
Designated by board for capital improvements and facility enhancements	3,000	3,000
Designated by board for Community ER Services	1,090	1,086
Held by others for self-insured funding arrangements	700	700
	60,187	64,911
Less: noncurrent cash and investments required for current liabilities	(19,514)	(21,717)
Total noncurrent cash and investments	40,673	43,194
Capital assets		
Land and improvements	15,153	14,939
Buildings	145,368	143,601
Equipment	136,480	133,062
Construction in progress	65,358	30,256
Less: accumulated depreciation	(169,589)	(162,189)
Total capital assets, net	192,770	159,669
Right of use assets	25,198	19,615
Other assets	1,722	1,078
Total assets	615,847	555,214
Deferred outflows of resources		
Loss on advance refunding, net of accumulated amortization of $2,444 and $2,268, respectively	139	315
Total assets and deferred outflows of resources	$ 615,986	$ 555,529

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, 2020 and 2019 (In Thousands)

	2020	2019
Liabilities and net position		
Current liabilities		
Accounts payable and accrued expenses	$ 31,954	$ 28,629
Accrued employee compensation	14,307	11,821
Accrued vacation	5,169	4,685
Settlements due to Medicare and Medicaid intermediaries	5,863	3,552
Lease liability - current	3,682	3,264
Amounts due within one year on long-term debt	3,419	3,370
Total current liabilities	64,394	55,321
Lease liability - long-term	22,734	17,046
Long-term debt, net of current maturities	122,364	125,643
Total liabilities	209,492	198,010
Net position		
Net investment in capital assets	119,883	84,770
Restricted for debt service	2,640	2,650
Restricted for capital projects	52,757	57,474
Restricted for self-insured funding arrangements	700	700
Unrestricted	230,514	211,925
Total net position	406,494	357,519
Total liabilities and net position	$ 615,986	$ 555,529

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, 2020 and 2019 (In Thousands)

	2020	Restated 2019
Operating revenues		
Net patient service revenue, net of provision for bad debts of $21,400 in 2020 and $24,441 in 2019	$ 345,129	$ 356,827
Other revenue	26,434	7,557
Total operating revenues	371,563	364,384
Operating expenses		
Salaries, wages, and benefits	185,687	173,502
Supplies and other	121,493	115,269
Professional and contractual services	23,942	23,121
Depreciation and amortization	18,987	17,275
Total operating expenses	350,109	329,167
Income from operations	21,454	35,217
Non-operating revenues (expenses)		
Provider Relief Funds	26,678	-
Investment income and gains and losses, net	6,880	7,634
Interest expense	(5,704)	(5,661)
Equity in net loss of joint ventures	(425)	(1,270)
Gain on disposal of capital assets	3	7
Total non-operating revenues, net	27,432	710
Excess of revenues over expenses before capital contributions	48,886	35,927
Capital contributions	89	141
Change in net position	48,975	36,068
Net position, beginning of year	357,519	321,451
Net position, end of year	$ 406,494	$ 357,519

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, 2020 and 2019 (In Thousands)

	2020	Restated 2019
Cash flows from operating activities		
Cash received from patient services	$ 376,768	$ 360,214
Cash paid to or on behalf of employees	(182,717)	(171,666)
Cash paid for supplies and services	(146,267)	(131,990)
Net cash provided by operating activities	47,784	56,558
Cash flows from capital and related financing activities		
Capital contributions	89	141
Purchase of capital assets	(48,145)	(39,424)
Principal payments on long-term debt	(3,370)	(3,281)
Proceeds from long-term debt	140	-
Interest payments	(5,704)	(5,661)
Provider Relief Fund Proceeds	26,678	-
Net cash used in capital and related financing activities	(30,312)	(48,225)
Cash flows from investing activities		
Proceeds (purchases) of investments and noncurrent cash equivalents, net	65,162	(50,766)
Investment interest received	6,880	7,634
Net cash provided by (used in) investing activities	72,042	(43,132)
Increase (decrease) in cash and cash equivalents	89,514	(34,799)
Cash and cash equivalents, including noncurrent cash and cash equivalents:		
Beginning of year	115,726	150,525
End of year	$ 205,240	$ 115,726
Reconciliation of current and noncurrent cash and cash equivalents		
Current cash and cash equivalents	$ 148,753	$ 54,517
Noncurrent cash and cash equivalents	56,487	61,209
Total current and noncurrent cash and cash equivalents	$ 205,240	$ 115,726

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, 2020 and 2019 (In Thousands)

	2020	Restated 2019
Reconciliation of income from operations to net cash provided by operating activities		
Income from operations	**$ 21,454**	$ 35,217
Adjustments to reconcile income from operations to net cash provided by operating activities		
Provision for bad debts	**21,400**	24,441
Depreciation and amortization	**18,987**	17,275
Amortization of deferred loss on advance refunding	**176**	207
Changes in operating assets and liabilities		
Patient accounts receivable	**(18,506)**	(26,779)
Inventories, prepaid expenses, and other receivables	**153**	(1,080)
Other assets	**(1,069)**	(1,320)
Accounts payable and accrued expenses	**3,325**	11,143
Accrued employee compensation and vacation	**2,970**	1,986
Net settlements due to Medicare and Medicaid intermediaries	**2,311**	(1,832)
Lease liability	**(3,417)**	(2,700)
Net cash provided by operating activities	**$ 47,784**	$ 56,558

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, 2020 and 2019

		2020		2019
Assets				
Cash and Cash Equivalents	$	1,163,428	$	1,386,330
Certificates of Deposit		5,643,884		5,033,182
Interest Receivable		10,112		19,821
Pledges Receivable, Net of Allowance of $5,586 and $5,402 as of December 31, 2020 and 2019, Respectively		366,786		354,729
Other Receivables		-		212
Other Assets		96,067		96,242
Restricted Cash - Donor Endowment Funds		254,502		249,152
Total Assets	$	7,534,779	$	7,139,668
Liabilities				
Annuities Payable	$	51,517	$	56,854
Other Payables		185		-
Total Liabilities		51,702		56,854
Net Assets				
Without Donor Restrictions				
Undesignated		449,661		247,778
Designated by the Board for Endowment		2,785,379		2,738,758
With Donor Restrictions				
Purpose Restrictions		4,005,427		3,858,026
Perpetual in Nature		242,610		238,252
Total Net Assets		7,483,077		7,082,814
Total Liabilities and Net Assets	$	7,534,779	$	7,139,668

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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Contributions	$ 21,100	$ 813,634	$ 834,734
Change in Provision for Uncollectible Pledges	(184)	-	(184)
Investment Return, Net	228,374	-	228,374
Change in Value of Split-Interest Agreements	(786)	(1,349)	(2,135)
Net Assets Released from Restrictions	660,526	(660,526)	-
Total Revenues, Gains, and Other Support	909,030	151,759	1,060,789
Expenses			
Program Services			
Contributions Awarded/Distributed	660,526	-	660,526
Total Expenses	660,526	-	660,526
Change in Net Assets	248,504	151,759	400,263
Net Assets, Beginning of Year	2,986,536	4,096,278	7,082,814
Net Assets, End of Year	$ 3,235,040	$ 4,248,037	$ 7,483,077

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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Contributions	$ 51,968	$ 823,449	$ 875,417
Change in Provision for Uncollectible Pledges	(261)	-	(261)
Investment Return, Net	260,966	-	260,966
Change in Value of Split-Interest Agreements	(2,667)	(3,142)	(5,809)
Net Assets Released from Restrictions	555,555	(555,555)	-
Total Revenues, Gains, and Other Support	865,561	264,752	1,130,313
Expenses			
Program Services			
Contributions Awarded/Distributed	682,162	-	682,162
Total Expenses	682,162	-	682,162
Change in Net Assets	183,399	264,752	448,151
Net Assets, Beginning of Year	2,803,137	3,831,526	6,634,663
Net Assets, End of Year	$ 2,986,536	$ 4,096,278	$ 7,082,814

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, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Changes in Net Assets	$ 400,263	$ 448,151
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities		
Provision for Uncollectible Pledges	184	261
Unrealized and Realized Gains Net	(129,885)	(126,440)
(Increase) Decrease in:		
Pledges Receivable	(12,241)	60,678
Interest Receivable	9,709	626
Other Receivables	212	1,740
Other Assets	175	(7,802)
Other Payables	185	-
Increase in:		
Change in Present Value of Gift Annuities	2,135	5,809
Net Cash Provided by Operating Activities	270,737	383,023
Cash Flows from Investing Activities		
Proceeds from the Sale of Marketable Securities	3,404,076	7,918
Purchases of Investment Securities	(3,884,893)	(7,865)
Net Cash (Used in) Provided by Investing Activities	(480,817)	53
Cash Flows from Financing Activities		
Beneficiary Distributions for Gift Annuities	(7,472)	(7,474)
Net Cash Used in Financing Activities	(7,472)	(7,474)
Net (Decrease) Increase in Cash and Cash Equivalents	(217,552)	375,602
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	1,635,482	1,259,880
Cash, Cash Equivalents, and Restricted Cash, End of Year	$ 1,417,930	$ 1,635,482
Reconciliation of Cash, Cash Equivalents, and Restricted Cash		
Cash and Cash Equivalents	$ 1,163,428	$ 1,386,330
Restricted Cash - Donor Endowment Funds	254,502	249,152
Total Cash, Cash Equivalents, and Restricted Cash	$ 1,417,930	$ 1,635,482

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

Note 1. Organization and 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 of the District is the St. Tammany Health System Board of Commissioners. The St. Tammany Parish Council appoints members of the System's Board of Commissioners.

The financial statements of the District include the System and the following blended component units: St. Tammany Medical Services (STMS), Practice Management Consultants (PMC), St. Tammany Quality Network (STQN), and St. Tammany Physician Network (STPN). STMS, PMC, STQN, and STPN are corporations, which are wholly- owned by the System. STMS, PMC, STQN, and STPN are not exempt from Federal taxation. No income taxes were paid or owed for the years ended December 31, 2020 and 2019, by STMS, PMC, STQN, or STPN. The System and its blended component units provide primary and secondary health care services through the operation of an acute care hospital, clinics, and other comprehensive health care programs. Patients are primarily from St. Tammany Parish.

STMS formed in 1986 to own and lease medical facilities and equipment. STMS was dissolved during the year 2020.

PMC was formed in 2010 to provide a variety of management services to physicians.

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 healthcare to the area and community that the Company 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 the STQN.

STPN was formed in 1993 to employ primary care physicians.

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

On May 22, 2017, the St. Tammany Hospital Accountable Care Organization, L.L.C. (STH-ACO) was formed which is wholly-owned by the System. The object and purpose of STH-ACO shall be to promote evidence-based medicine, promote patient engagement, identify, and report on quality and cost measures, and provide clinically integrated services with select healthcare providers in order to provide and promote high quality, cost-effective, coordinated healthcare to the area and community. There was no activity during fiscal years ended December 31, 2020 and 2019. STH-ACO was dissolved as of December 31, 2020. Beginning on January 1, 2021 the System will be participating in the Ochsner Accountable Care Network (OACN).

Note 1. Organization and Significant Accounting Policies (Continued)

St. Tammany Parish 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, LA 70433. See Note 15 for further details.

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

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.*

Note 1. Organization and Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

Note 1. Organization and Significant Accounting Policies (Continued)

Deferred Outflow of Resources - Unamortized Loss on Advance Refunding: In prior years, the System incurred losses in connection with the advance refunding of the System's revenue bonds which have been deferred and are being amortized over the life of the refunded bond issue. Accumulated amortization on this deferred loss was approximately $2,444,000 and $2,268,000 at December 31, 2020 and 2019, respectively. Amortization expense of $176,000 and $207,000 for the years ended December 31, 2020 and 2019, respectively, is included in interest expense on the statement of revenues, expenses, and changes in net position.

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

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

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

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

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

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

Note 1. Organization and Significant Accounting Policies (Continued)

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 troubled accounts and by historical experience applied to an aging of accounts. The System does not charge interest on patient receivables. Patient receivables are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received. Provision for bad debts was approximately $21,400,000 and $24,441,000 for the years ended December 31, 2020 and 2019, respectively.

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

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

During 2013, the State 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 (decrease) increase to net patient service revenue of approximately $(681,000) and $2,157,000 in 2020 and 2019, respectively.

Note 1. Organization and Significant Accounting Policies (Continued)

Participation in Medicare's BPCIA Program: During 2018, the System began its participation in CMS Bundled Payments for Care Improvement Advanced Model (BPCIA). CMS established the BPCIA with the objective to improve the quality of care through better care management, eliminating unnecessary care, and reducing post-discharge Emergency Department visits and readmissions, as well as to reduce costs by providing a single bundled payment to healthcare providers for items and services furnished during an episode of care. The System received $1,051,000 in 2020 under this program, which is included in net patient service revenue.

Participation in Medicare'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 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 $2,382,000 and $1,283,000 in 2020 and 2019, 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 statement 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 statement of activities as net assets released from restrictions.

Donated Assets: Donated marketable securities and other noncash 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.

Note 1. Organization and 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 $5,096,000 and $5,359,000 for the years ended December 31, 2020 and 2019, respectively, based upon charges foregone using established rates.

Coronavirus Aid, Relief, and Economic Security Act (CARES Act): In response to the economic impact of COVID-19, the Coronavirus Aid, Relief, and Economic Security Act was enacted by Congress and was subsequently signed into law on March 27, 2020. The CARES Act included a variety of economic assistance provisions for businesses and individuals. The System suspended non-emergent or non-critical surgeries, procedures and appointments beginning in mid-March through early-May in 2020 due to COVID-19. The CARES Act established a Provider Relief Fund to be used for economic support of healthcare entities in connection with health care-related expenses or lost revenues attributable to COVID-19 and treatment of uninsured COVID-19 patients. Health care entities such as the System would recognize these funds as subsidies that are subject to eligibility requirements. For the year ended December 31, 2020, the System received approximately $26,678,000 through the Provider Relief Fund program. Based on the terms of the Provider Relief Fund program and the guidance provided by the United States Department of Health and Human Services (HHS), the System recognized this funding as revenue for the year ended December 31, 2020. In accordance with GASB Technical Bulletin 2020-1, this amount is recognized as non-operating revenue in the statement of revenues, expenses and changes in net position. HHS continues to issue new reporting requirements for the Provider Relief Fund program, which may impact the recognition of these funds in future periods.

The System also received funds through the Coronavirus Relief Fund program, which was funded through United States Department of Treasury to states and eligible local governments. These funds are considered voluntary nonexchange transactions that are subject to eligibility requirements and recognized when expended for its intended purpose. For the year ended December 31, 2020, the System received approximately $17,362,000 through the Coronavirus Relief Fund program, which is included in other operating revenue on the statement of revenues, expenses and changes in net position.

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

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

Note 1. Organization and Significant Accounting Policies (Continued)

Recently Issued Accounting Principles Not Yet Adopted
In May 2020, the GASB issued Statement 96 (GASB 96), *Subscription-Based Information Technology Arrangements*. The objective of GASB 96 is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The requirements of GASB 96 are effective for fiscal years beginning after June 15, 2022. Management is evaluating the potential impact of adoption on the Hospital's financial statements.

Note 2. Change in Accounting Principles and Restatement

For 2020, the System implemented GASB Statement No. 87 (GASB 87), *Leases*. GASB 87 enhances the relevance and consistency of information of the System's leasing activities. It establishes requirements for lease accounting 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. GASB 87 requires that changes adopted to conform to the provisions of this Statement should be applied retroactively by restating financial statements for all prior periods presented. The System has restated its 2019 financial statements. The impact of the adoption of GASB 87 to the 2019 financial statements is presented in the following table (in thousands):

Statement of Net Position:

Description	As Previously Reported	As Restated	Increase (Decrease)
Right of use lease assets	$ -	$ 19,615	$ 19,615
Lease liability - current	$ -	$ 3,264	$ 3,264
Lease liability - long-term	$ -	$ 17,046	$ 17,046
Total net position	$ 358,214	$ 357,519	$ (695)

Statement of Revenues, Expenses and Changes in Net Position:

Description	As Previously Reported	As Restated	Increase (Decrease)
Supplies and other	$ 119,002	$ 115,269	$ (3,733)
Depreciation and amortization	$ 13,880	$ 17,275	$ 3,395
Income from operations	$ 34,879	$ 35,217	$ 338
Interest expense	$ 4,628	$ 5,661	$ 1,033
Change in net position	$ 36,763	$ 36,068	$ (695)

Note 2. Change in Accounting Principles and Restatement (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 20 years. Equipment leases typically have initial terms of less than five years. In accordance with GASB 87, the System does not record right-of-use assets and lease liabilities on leases with an initial term of 12 months or less.

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

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

Note 3. Cash, 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, 2020 and 2019, the System's bank balances (including cash and certificates of deposit) were entirely insured or collateralized by investments held by the System's third-party agent in the System's name. The System's investments generally are reported at fair value, as discussed in Note 1.

Note 3. Cash, Cash Equivalents, and Investments (Continued)

A. System (Continued)

At December 31, 2020 and 2019, 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, 2020	**Carrying**	**Investment Maturities (in Years)**		
Investment Type	**Amount**	**Less Than 1**	**1 - 5**	**>5**
		(in thousands)		
U.S. government security	**$ 27,450**	**$ 4,361**	**$ 18,854**	**$ 4,235**
U.S. agency obligation	**95,782**	**13,834**	**59,303**	**22,645**
Municipal obligation	**3,235**	**618**	**2,617**	**-**
Corporate security	**156**	**-**	**156**	**-**
Certificates of deposit	**13,704**	**13,704**	**-**	**-**
Total	**$ 140,327**	**$ 32,517**	**$ 80,930**	**$ 26,880**

December 31, 2019	Carrying	Investment Maturities (in Years)		
Investment Type	Amount	Less Than 1	1 - 5	>5
		(in thousands)		
U.S. government security	$ 15,596	$ 2,234	$ 13,086	$ 276
U.S. agency obligation	143,754	24,673	86,713	32,368
Municipal obligation	2,435	432	2,003	-
Certificates of deposit	43,704	43,704	-	-
Total	$ 205,489	$ 71,043	$ 101,802	$ 32,644

Note 3. Cash, Cash Equivalents, and Investments (Continued)

A. System (Continued)

Credit Risk: The System may invest idle funds as authorized by Louisiana 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, 2020, the System 's investments were rated A or higher by Standard and Poor's and Fitch Ratings and by Moody's Investor Services with the exception of the System's investments in Federal Agricultural Mortgage Corporation (FAMCA) securities which are unrated.

Concentration of Credit Risk: The System places no limit on the amount it may invest in any one issuer. Issuers comprising five percent or more of the System's investments at December 31, 2020 and 2019 were as follows:

Issuer	**2020**	2019
Federal Farm Credit Bureau	**28%**	43%
Federated Hermes Government Obligation Fund	**26%**	3%
U.S. Treasury	**16%**	8%
Federal National Mortgage Association	**12%**	10%
Federal Home Loan Bank	**8%**	24%
Federal Home Loan Mortgage Corporation	**5%**	6%

Note 3. Cash, 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, 2020 and 2019 are as follows (in thousands):

	2020	2019
Carrying amount		
Deposits	$ 205,240	$ 115,726
Investments	140,327	205,489
Total deposits and investments	$ 345,567	$ 321,215
Included in the following captions		
Current assets		
Cash and cash equivalents	$ 148,753	$ 54,517
Investments	136,627	201,787
Noncurrent cash and investments required for current liabilities	19,514	21,717
Noncurrent cash and investments		
Held by trustee under Construction Fund	52,757	57,474
Held by trustee under bond indenture held by trustee	2,631	2,642
Held by trustee under bond ordinances held by trustee	9	9
Designated by board for capital improvements and facility enhancements	3,000	3,000
Designated by board for Community ER Services	1,090	1,086
Held by others for professional and other liability claims	700	700
Less: noncurrent cash and investments required for current liabilities	(19,514)	(21,717)
Total deposits and investments	$ 345,567	$ 321,215

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, Series 2011 Hospital Revenue and Refunding Bonds and the Series 2012 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.

Note 3. Cash, Cash Equivalents, and Investments (Continued)

A. System (Continued)

At December 31, 2020 and 2019, the System had a $575,000 certificate of deposit held as collateral against its self-insured portion of workers' compensation claims. At December 31, 2020 and 2019, the System had a $125,000 certificate of deposit held as collateral for its self-insured portion of professional liability claims, under the Louisiana Patients' Compensation Fund.

Approximately $3,000,000 of the unrestricted net position at December 31, 2020 and 2019, has been designated by the System's board of commissioners for capital improvements and facility enhancements. The designated funds are reflected as a component of noncurrent cash and investments on the statements of net position.

Interest income, gains, and losses, combined, produced an approximate gain of $6,880,000 and $7,634,000 for the years ended December 31, 2020 and 2019, respectively. Fluctuations in investment income are related to changes in investment levels and changes in market valuations.

B. Foundation

At December 31, 2020 and 2019, 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 in as much as the Foundation's investment portfolio is adequately diversified among issuers, industries, and geographic regions.

The Foundation's split-interest agreements at December 31, 2020 and 2019 consists of seven charitable gift annuities. The donors of the charitable gift annuities contributed those assets directly to the Foundation.

Under each of the Foundation's charitable gift annuity agreements, the Foundation accepted a donation and, in return, agreed to pay a fixed amount per year until the annuitant's death. The annual payments are expected to be approximately $7,472 during the coming year. The present value of the estimated future payments, based on life expectancies, of approximately $51,517 and $56,854 as of December 31, 2020 and 2019, respectively, are included in annuities payable in the Foundation's statement of financial position.

Note 3. Cash, Cash Equivalents, and Investments (Continued)

C. Fair Value Measurement

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

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

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

The following table sets forth by level, within the fair value hierarchy, the System's assets at fair value as of December 31, 2020:

		Fair Value Measurements Using:		
	December 31, 2020	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(in thousands)		
Investments by fair value level				
Debt securities				
Certificates of deposit	$ 13,704	$ 13,704	$ -	$ -
U.S. Government Security	27,450	27,450	-	-
U.S. Agency Obligation	95,782	21,464	74,318	-
Corporate Security	156	156	-	-
Municipal obligations	3,235	-	3,235	-
Total investments by fair value level	$ 140,327	$ 62,774	$ 77,553	$ -

Note 3. Cash, Cash Equivalents, and Investments (Continued)

C. Fair Value Measurement (Continued)

The following table sets forth by level, within the fair value hierarchy, the System's assets at fair value as of December 31, 2019:

	December 31, 2019	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				
Certificates of deposit	$ 43,704	$ 43,704	$ -	$ -
U.S. Government Security	15,596	15,596	-	-
U.S. Agency Obligation	143,754	19,072	124,682	-
Municipal obligations	2,435	-	2,435	-
Total investments by fair value level	$ 205,489	$ 78,372	$ 127,117	$ -

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2020:

	December 31, 2020	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				
Certificates of deposit	$ 5,644	$ 5,644	$ -	$ -
Total investments by fair value level	$ 5,644	$ 5,644	$ -	$ -

Note 3. Cash, Cash Equivalents, and Investments (Continued)

C. Fair Value Measurement (Continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2020 and 2019:

		Fair Value Measurements Using		
	December 31, 2019	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(in thousands)		
Investments by fair value level				
Debt Securities				
Certificates of deposit	$ 5,033	$ 5,033	$ -	$ -
Total investments by fair value level	$ 5,033	$ 5,033	$ -	$ -

Note 4. 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, 2020 and 2019, approximately 28% 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, 2017. The System's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through December 31, 2015.

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

Note 5. Capital Assets

A summary of changes in the System's capital assets during 2020, is as follows (in thousands):

	December 31, 2019	Additions	Transfers and Disposals	December 31, 2020
Capital assets, not being depreciated:				
Land	$ 10,845	$ 214	$ -	$ 11,059
Construction in progress	30,256	36,895	(1,793)	65,358
Total capital assets not being depreciated	41,101	37,109	(1,793)	76,417
Capital assets, being depreciated:				
Land improvements	4,094	-	-	4,094
Buildings and improvements	143,601	1,767	-	145,368
Equipment	133,062	11,003	(7,585)	136,480
Total capital assets being depreciated	280,757	12,770	(7,585)	285,942
Less: total accumulated depreciation	(162,189)	(15,047)	7,647	(169,589)
Total capital assets, being depreciated, net	118,568	(2,277)	62	116,353
Total	$ 159,669	$ 34,832	$ (1,731)	$ 192,770

Note 5. Capital Assets (Continued)

A summary of changes in the System's capital assets during 2019 is as follows (in thousands):

	December 31, 2018	Additions	Transfers and Disposals	December 31, 2019
Capital assets, not being depreciated:				
Land	$ 6,619	$ 4,226	$ -	$ 10,845
Construction in progress	9,472	27,958	(7,174)	30,256
Total capital assets not being depreciated	16,091	32,184	(7,174)	41,101
Capital assets, being depreciated:				
Land improvements	4,094	-	-	4,094
Buildings and improvements	136,450	7,151	-	143,601
Equipment	130,425	7,514	(4,877)	133,062
Total capital assets being depreciated	270,969	14,665	(4,877)	280,757
Less: total accumulated depreciation	(152,942)	(13,880)	4,633	(162,189)
Total capital assets, being depreciated, net	118,027	785	(244)	118,568
Total	$ 134,118	$ 32,969	$ (7,418)	$ 159,669

Depreciation expense on capital assets reported during the fiscal year ended December 31, 2020 and 2019 was approximately $15,047,000 and $13,880,000, respectively.

The System has entered into contracts for construction totaling $56.3 million at December 31, 2020. The amount expended through December 31, 2020 on these contracts is approximately $49.6 million, with a remaining commitment of approximately $6.7 million.

Note 6. Leases

Right of Use Assets and Lease Liabilities

The following table presents the components of the System's right of use assets and accumulated amortization at December 31, 2020 and 2019 (in thousands):

December 31, 2020	**Asset Amount**	**Accumulated Amortization**	**Net Value**
Medical Equipment	**$ 26,636**	**$ (6,242)**	**$ 20,394**
Facilities	**5,896**	**(1,092)**	**4,804**
Total	**$ 32,532**	**$ (7,334)**	**$ 25,198**

December 31, 2019	Asset Amount	Accumulated Amortization	Net Value
Medical Equipment	$ 21,133	$ (3,130)	$ 18,003
Facilities	1,876	(264)	1,612
Total	$ 23,009	$ (3,394)	$ 19,615

A summary of changes in the Systems lease liabilities during 2020 and 2019 is as follows (in thousands):

	December 31, 2019	**Additions/ Changes**	**Retirements/ Payments**	**December 31, 2020**	**Due Within One Year**
Lease Liabilities	**$ 20,310**	**$ 9,523**	**$ (3,417)**	**$ 26,416**	**$ 3,682**
	$ 20,310	**$ 9,523**	**$ (3,417)**	**$ 26,416**	**$ 3,682**

	December 31, 2018	Additions/ Changes	Retirements/ Payments	December 31, 2019	Due Within One Year
Lease Liabilities	$ 23,010	$ -	$ (2,700)	$ 20,310	$ 3,264
	$ 23,010	$ -	$ (2,700)	$ 20,310	$ 3,264

Note 6. Leases (Continued)

Right of Use Assets and Lease Liabilities (Continued)

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

Year Ending December 31,	Principal	Interest
2021	$ 3,682	$ 1,163
2022	3,758	981
2023	3,266	812
2024	2,911	665
2025	2,432	532
2026-2030	8,129	1,258
2031-2036	2,238	184
	$ 26,416	$ 5,595

Short-Term Leases

Lease expense for those leases that had lease terms of 12 months or less totaled approximately $6,834,000 and $6,880,000 for the years ended December 31, 2020 and 2019, respectively.

Note 7. Long-Term Debt

The details and balances of long-term debt at December 31, 2020 and 2019 are presented below (in thousands):

	2020	2019
Hospital Revenue Bonds, Series 2015	**$ 3,742**	$ 6,680
Hospital Revenue Bonds, Series 2016	**33,760**	33,900
Hospital Revenue Bonds, Series 2018A	**72,620**	72,620
Hospital Revenue Bonds, Series 2018B	**12,285**	12,285
Hospital Revenue Bonds, Series 2018 Premium	**3,236**	3,528
Hospital Revenue Bonds, Series 2020	**140**	-
Less: amounts due within one year	**(3,419)**	(3,370)
Total long-term debt	**$ 122,364**	$ 125,643

Note 7. Long-Term Debt (Continued)

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

The Series 2015 bonds mature, unless sooner paid, on March 1, 2022, and bear interest at the rate of 1.67% per annum. The Series 2015 Bonds are subject to extraordinary optional and special redemption on any date prior to maturity. Those Series 2015 Bonds are subject to optional redemption after April 1, 2015, in whole at any time, at redemption prices ranging from a high of 103.00% through March 31, 2016 to a low of 100.00% on April 1, 2020 and thereafter. At December 31, 2020 and 2019, the principal outstanding on the Series 2015 bonds was approximately $3,742,000 and $6,680,000, respectively.

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

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

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

The Series 2018A Bonds were issued with a premium of $3,893,093. The premium is being amortized over the expected life of the bonds.

Note 7. 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. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net position as of December 31, 2018.

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

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

Interest payments are July 1 and January 1, at an interest rate of 1.70%.

Debt Covenants: For all of its Bond Series, the System is required to maintain a debt service coverage ratio of 110%, together with debt service reserve requirements, both of which are defined in the Trust Indentures. As of December 31, 2020, the System was in compliance with the provisions of the Trust Indentures.

Note 7. Long-Term Debt (Continued)

A summary of changes in long-term debt during 2020 and 2019 is as follows (in thousands):

	December 31, 2019	Additions/ Changes	Retirements/ Payments	December 31, 2020	Due Within One Year
Hospital Revenue Bonds, Series 2015	$ 6,680	$ -	$ (2,938)	$ 3,742	$ 2,987
Hospital Revenue Bonds, Series 2016	33,900	-	(140)	33,760	140
Hospital Revenue Bonds, Series 2018A	72,620	-	-	72,620	-
Hospital Revenue Bonds, Series 2018B	12,285	-	-	12,285	-
Hospital Revenue Bonds, Series 2018 Amortized Premium	3,528	-	(292)	3,236	292
Hospital Revenue Bonds, Series 2020	-	140	-	140	-
	$ 129,013	$ 140	$ (3,370)	$ 125,783	$ 3,419

	December 31, 2018	Additions/ Changes	Retirements/ Payments	December 31, 2019	Due Within One Year
Hospital Revenue Bonds, Series 2015	$ 9,569	$ -	$ (2,889)	$ 6,680	$ 2,938
Hospital Revenue Bonds, Series 2016	34,000	-	(100)	33,900	140
Hospital Revenue Bonds, Series 2018A	72,620	-	-	72,620	-
Hospital Revenue Bonds, Series 2018B	12,285	-	-	12,285	-
Hospital Revenue Bonds, Series 2018 Amortized Premium	3,820	-	(292)	3,528	292
	$ 132,294	$ -	$ (3,281)	$ 129,013	$ 3,370

Note 7. 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
2021	$ 3,127	$ 4,637
2022	3,160	4,554
2023	3,355	4,491
2024	3,275	4,428
2025	3,335	4,365
2026-2030	17,655	20,832
2031-2036	18,295	18,388
2037-2041	22,605	13,558
2042-2046	27,850	8,100
2047-2050	19,890	1,474
	$ 122,547	$ 84,827

The maturity schedule above excludes unamortized bond premium and issuance costs of $3,236,000 as of December 31, 2020.

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 2020 and 2019 is as follows (in thousands):

	2020	2019
Interest cost:	**$ 5,704**	$ 4,628
Charged to non-operating expenses	**$ 5,704**	$ 4,628
Interest income:	**$ 2,313**	$ 2,354
Credited to non-operating income	**$ 2,313**	$ 2,354

Note 8. 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 healthcare more efficiently than it does so today.

The System and OCF desire to jointly manage and operate their respective complimentary assets, located in West St. Tammany Parish, as well as their respective affiliated physician quality networks, St. Tammany Quality Network and Ochsner Health Network, on a coordinated, integrated, and exclusive basis which will enhance and improve the delivery of cost-effective, quality healthcare services, provide healthcare 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, 2020 and 2019, the System accrued $15,124,000 and $11,346,000, 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 9. 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 $5,169,000 and $4,685,000 as of December 31, 2020 and 2019, respectively.

Note 10. 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 of up to 6%, based on their years of service. Participating employees become fully invested 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, 2020 and 2019, contributions required under the Plan were approximately $6,076,000 and $5,466,000, respectively, which represents approximately 5.1% and 5.3% of covered payroll for each year, respectively. The total covered payroll for the years ended December 31, 2020 and 2019 was $115,711,000 and $102,331,000, respectively. After applying the effects of forfeitures of non-vested accounts, contributions paid by the System were approximately $5,911,000 and $5,430,000, respectively, for the years ended December 31, 2020 and 2019.

Retirement expense included in salaries, wages, and benefits related to the Plan described above approximated $4,678,000 and $4,904,000 for the years ended December 31, 2020 and 2019, 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 Code section 457(f) and provides independent contractor physician compensation on a deferred basis for providing emergency department call coverage.

During 2019, the System established a non-qualified deferred compensation plan taxed under Code section 457(f), for the benefit of its Chief Executive Officer (CEO).

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 11. 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 12.

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

Net assets with donor restrictions consist of the following as of December 31, 2020 and 2019:

	2020	2019
Subject to Restriction in Perpetuity		
Endowment funds	**$ 242,610**	$ 238,252
Total Subject to Restriction in Perpetuity	**242,610**	238,252
Purpose Restrictions:		
Pediatrics	**1,316,669**	1,286,903
Hospice	**618,783**	605,822
Miscellaneous Directed Gifts	**434,352**	321,181
Building Expansion Initiative	**351,109**	374,612
Cancer Center	**301,929**	319,459
Parenting Center	**258,426**	277,780
Healing Arts	**216,530**	182,889
STPH Employee Benevolent Fund	**191,196**	161,415
Facility and Technology Expansion	**120,572**	120,099
Education	**62,737**	67,175
Women's Pavilion	**59,391**	71,966
Oncology	**51,733**	48,665
Employee Education	**22,000**	20,059
Total Purpose Restrictions	**4,005,427**	3,858,025
Total Net Assets with Donor Restrictions	**$ 4,248,037**	$ 4,096,277

Note 11. 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, 2020 and 2019, as follows:

	2020	2019
Net Assets Released from Restrictions		
Cancer Center	$ 277,988	$ 323,278
Parenting Center	123,574	82,978
Miscellaneous Directed Gifts	80,185	28,665
Healing Arts	63,307	36,796
Hospice	32,631	11,905
Building Expansion Initiative	28,920	-
Pediatrics	23,248	15,490
Women's Pavillion	13,125	-
STPH Employee Benevolent Fund	9,228	12,155
Education	5,704	12,448
Oncology	2,616	25,512
Facility and Technology Expansion	-	5,000
Employee Education	-	1,328
Total Net Assets Released from Restrictions	$ 660,526	$ 555,555

Note 12. 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.

Note 12. 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. generally accepted accounting principles, contributions restricted by donors for endowment purposes are classified and reported as net assets with donor restrictions.

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

Endowment Investment Policies - The Foundation's investment policy is that all endowed funds will be maintained and managed by Management within their cash and investment pool and in accordance with their 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 $11,380 and $10,388 as of December 31, 2020 and 2019, respectively. The deficiencies resulted from change in estimated life expectancies for the beneficiaries of the gift annuities included in the endowment.

Note 12. 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, 2020 and 2019 is as follows:

December 31, 2020	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Board Designated Endowment	**$ 2,785,379**	**$ -**	**$ 2,785,379**
Donor Restricted Endowments	**-**	**253,990**	**253,990**
Deficiency of Fair Value	**-**	**(11,380)**	**(11,380)**
Total	**$ 2,785,379**	**$ 242,610**	**$ 3,027,989**

December 31, 2019	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated Endowment	$ 2,738,758	$ -	$ 2,738,758
Donor Restricted Endowments	-	248,640	248,640
Deficiency of Fair Value	-	(10,388)	(10,388)
Total	$ 2,738,758	$ 238,252	$ 2,977,010

A summary of the changes in the Foundation's endowment net assets for the years ended December 31, 2020 and 2019 is as follows:

2020	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Net Assets, Beginning of Year	**$ 2,738,758**	**$ 238,252**	**$ 2,977,010**
Investment Return, Net	**33,148**	**-**	**33,148**
Change in Split-Interest Agreements	**-**	**(992)**	**(992)**
Contributions and Designations	**13,473**	**5,350**	**18,823**
Net Assets, End of Year	**$ 2,785,379**	**$ 242,610**	**$ 3,027,989**

2019	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets, Beginning of Year	$ 2,675,788	$ 233,130	$ 2,908,918
Investment Return, Net	44,204	-	44,204
Change in Split-Interest Agreements	-	(1,001)	(1,001)
Contributions and Designations	18,766	6,123	24,889
Net Assets, End of Year	$ 2,738,758	$ 238,252	$ 2,977,010

Note 13. 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. Through March 30, 2013, the System was self-insured for costs up to $100,000 per claim. Effective for any claims over matters occurring beginning April 1, 2013, the System has purchased an insurance policy to cover the first $100,000 of any claim, subject to certain deductibles.

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, 2020 and 2019, 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, 2020, that have not been identified under the incident reporting system. The System is unable to determine the ultimate cost of the resolution of such potential claims; however, management believes it has adequately provided for them.

The System self-insures against losses related to workers' compensation and employee health claims. Excess loss coverage is purchased for workers' compensation in amounts of $600,000 and excess loss coverage for individual employee health claims is purchased in amounts of $250,000.

The following is a summary of the activity in the liability for medical malpractice, workers' compensation and employee health claims for the years ended December 31, 2020 and 2019 (in thousands):

	Beginning Balance	Expense and Changes in Estimates	Payments	Ending Balance
2020	**$ 3,141**	**$ 15,766**	**$ 14,329**	**$ 4,578**
2019	$ 3,129	$ 15,701	$ 15,689	$ 3,141

Note 13. Risk Management, Self-insurance, and Contingencies (Continued)

Laws and Regulations: The healthcare 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 healthcare 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 healthcare providers. Violations of these laws and regulations could result in exclusion from government healthcare 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 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 $520,000 and $472,000 as a component of Settlements due to Medicare and Medicaid intermediaries on the statements of net position as of December 31, 2020 and 2019, 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) were signed into law. The PPACA is creating sweeping changes across the healthcare industry, including how care is provided and paid for. A primary goal of this comprehensive reform legislation is to extend health coverage to uninsured legal U.S. residents through a combination of public program expansion and private sector health insurance reforms. To fund the expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in health care delivery and to generate budgetary savings in the Medicare and Medicaid programs.

Note 14. 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:

	2020	2019
Medicare	**20 %**	20 %
Medicaid	**11**	10
Insurance/Managed Care	**63**	55
Patients	**6**	15
	100 %	100 %

Note 15. St. Tammany Hospital Foundation Cooperative Endeavor Agreement

As disclosed in Note 1, the System receives support from the St. Tammany Parish Hospital Foundation. The Foundation was formed in February 2003 and is a legally separate 501(c)(3) non-profit organization governed by a separate Board of Trustees. Under the criteria established by Governmental Accounting Standards Board 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 $88,000 and $141,000 in 2020 and 2019, 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 healthcare 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 Foundation. The executive director reports to and works in partnership with the CEO of the System and the Foundation's board of trustees.

The total amount of expenditures recognized in the System's December 31, 2020 and 2019 financial statements in connection with the agreement were approximately $457,000 and $393,000, respectively.

Note 16. Medicaid Disproportionate Share Hospital Reimbursement Cooperative Endeavor Agreement

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

East Jefferson General Hospital Cooperative Endeavor Agreement: The System entered into a cooperative endeavor agreement, which became effective January 16, 2016, with East Jefferson General Hospital (EJGH) (a Louisiana hospital service district) and other participating hospital service districts (HSDs). The Centers for Medicare and Medicaid Services (CMS) have previously approved Medicaid State Plan Amendments (SPA), submitted by the Louisiana Department of Health (LDH), which provides for reimbursement to non-rural, non-state public hospitals up to the Medicare inpatient upper payment limits.

Under this agreement, EJGH has agreed to cooperate in the establishment of a funding program by contributing a portion of the upper payment limit (UPL) payments that result from SPAs to the other HSDs, including the System, for the purpose of ensuring that adequate and essential healthcare services are accessible and available to low-income and/or indigent citizens and medically underserved non-rural populations in Louisiana in a manner defined in the agreement. Funding for each participating hospital service district is based upon a formula utilizing each district's reported Medicaid patient days. This agreement was terminated as part of the sale of EJGH to Louisiana Children's Medical Center effective October 1, 2020.

The System received funds under this grant program in the amount of approximately $10,766,000 and $8,267,000 in 2020 and 2019, respectively. The funds are included in net patient service revenue in the statements of revenue, expenses, and changes in net position.

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

These matching funds are comprised of (1) an amount to be utilized as the "non-federal share" of the supplemental payments for services provided by the identified physician; and other healthcare professionals and (2) the "state retention amount," which is fifteen percent of the "non-federal share", for the State to utilize in delivering healthcare services. In turn, LDH agrees to make supplemental Medicaid payments to the System. The supplemental payments include the "non-federal share" and the "federal funds" generated by the "non-federal share" payments. The total amount of the supplemental payment is intended to represent the difference between the Medicaid payments otherwise made to these qualifying providers and the Average Community Rate for these services.

Note 16. Medicaid Disproportionate Share Hospital Reimbursement Cooperative Endeavor Agreement (Continued)

Physicians' UPL Agreement with the Louisiana Department of Health (LDH) (Continued): Funds received under this program are included in net patient service revenue on the statements of revenue, 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 healthcare 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. 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 $2,768,000 and $4,282,000 in 2020 and 2019, respectively. The funds are included in net patient service revenue on the statements of revenue, expenses, and changes in net position.

Note 17. Mary Bird Perkins Cancer Center Cooperative Endeavor Agreement

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

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

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

The primary term of the amended and restated CEA will expire June 30, 2021.

Note 18. Joint Ventures

Rehab Facility: During August of 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, 2020, a loss of $235,000, is included in equity in net loss of joint ventures in the statement of revenues, expenses, and changes in net position.

Long-term Acute Care Hospital: During 2019, the System entered into an agreement with Slidell Memorial Hospital, Ochsner Clinic Foundation, and Louisiana Health Care Group, LLC to establish a new entity, Northshore Extended Care Hospital, LLC, that will provide skilled nursing services at a facility in Lacombe, Louisiana. The System was required to fund an initial capital contribution of $430,000, which resulted in a 16% ownership interest. The system's share of Northshore Extended Care Hospital, LLC's operating activities for the year ended December 31, 2020, a loss of $190,000 is included in equity in net loss of joint ventures in the statement of revenues, expenses, and changes in net position.

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

Note 19. Risks and Uncertainties

Management continues to monitor the potential impact of COVID-19 and the coronavirus on its operations and financial results. Actions taken by local, state, and federal governments have helped to mitigate the spread of the coronavirus. However, potential surges in COVID-19 cases could negatively impact future financial results of the System.

Note 20. Blended Component Unit Condensed Financial Information

In the financial statements for the System, STMS, PMC, STQN, STPN, and STPH are presented in a blended format. The table below individually disclose the net position and changes in net position for each blended entity as of and for the year ended December 31, 2020. Material inter-entity transactions are eliminated in the presentation below (in thousands):

	2020					
	System	STMS	PMC	STQN	STPN	Total
Current assets	$ 354,038	$ -	$ -	$ 562	$ 884	$ 355,484
Capital assets, net	192,435	335	-	-	-	192,770
Other assets	66,331	1,262	-	-	-	67,593
Deferred outflows	139	-	-	-	-	139
Total assets and deferred outflows	$ 612,943	$ 1,597	$ -	$ 562	$ 884	$ 615,986
Current liabilities	$ 39,188	$ 801	$ 14	$ 4,399	$ 19,992	$ 64,394
Long-term liabilities	145,098	-	-	-	-	145,098
Net position	428,657	796	(14)	(3,837)	(19,108)	406,494
Total liabilities and net position	$ 612,943	$ 1,597	$ -	$ 562	$ 884	$ 615,986
Operating revenues	$ 370,829	$ -	$ 2	$ 732	$ -	$ 371,563
Depreciation	18,987	-	-	-	-	18,987
Other operating expenses	329,929	-	1	1,192	-	331,122
Operating income (loss)	21,913	-	1	(460)	-	21,454
Nonoperating revenues	27,432	-	-	-	-	27,432
Excess of revenues over expenses	49,345	-	1	(460)	-	48,886
Capital contributions	89	-	-	-	-	89
Change in net position	49,434	-	1	(460)	-	48,975
Net position, beginning of year	379,223	796	(15)	(3,377)	(19,108)	357,519
Net position, end of year	$ 428,657	$ 796	$ (14)	$ (3,837)	$ (19,108)	$ 406,494

Note 20. Blended Component Unit Condensed Financial Information (Continued)

In the financial statements for the System, STMS, PMC, STQN, STPN, and STPH are presented in a blended format. The table below individually disclose the net position and changes in net position for each blended entity as of and for the year ended December 31, 2019. Material inter-entity transactions are eliminated in the presentation below (in thousands):

	2019 (Restated)					
	System	STMS	PMC	STQN	STPN	Total
Current assets	$ 330,260	$ -	$ -	$ 514	$ 884	$ 331,658
Capital assets, net	159,334	335	-	-	-	159,669
Other assets	62,625	1,262	-	-	-	63,887
Deferred outflows	315	-	-	-	-	315
Total assets and deferred outflows	$ 552,534	$ 1,597	$ -	$ 514	$ 884	$ 555,529
Current liabilities	$ 30,622	$ 801	$ 15	$ 3,891	$ 19,992	$ 55,321
Long-term liabilities	142,689	-	-	-	-	142,689
Net position	379,223	796	(15)	(3,377)	(19,108)	357,519
Total liabilities and net position	$ 552,534	$ 1,597	$ -	$ 514	$ 884	$ 555,529
Operating revenues	$ 355,724	$ 66	$ 9	$ 261	$ 8,324	$ 364,384
Depreciation	17,243	32	-	-	-	17,275
Other operating expenses	300,646	35	12	1,117	10,082	311,892
Operating income (loss)	37,835	(1)	(3)	(856)	(1,758)	35,217
Nonoperating revenues	710	-	-	-	-	710
Excess of revenues over expenses	38,545	(1)	(3)	(856)	(1,758)	35,927
Capital contributions	141	-	-	-	-	141
Change in net position	38,686	(1)	(3)	(856)	(1,758)	36,068
Net position, beginning of year	340,537	797	(12)	(2,521)	(17,350)	321,451
Net position, end of year	$ 379,223	$ 796	$ (15)	$ (3,377)	$ (19,108)	$ 357,519

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

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

Independent Auditor's Report

To 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 *Governmental 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, 2020, 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 26, 2021. The financial statements of the St. Tammany Parish Hospital Foundation were not audited in accordance with *Governmental Auditing Standards.*

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.

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 statement. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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

LaPorte

A Professional Accounting Corporation

Metairie, LA
April 26, 2021

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Independent Auditor's Report on the Supplementary Information

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

We have audited the financial statements of the business-type activities and the discreetly presented component unit of St. Tammany Parish Hospital Service District No. 1 of St. Tammany Parish, Louisiana (St. Tammany Parish Hospital) as of and for the years ended December 31, 2020 and 2019, and have issued our report thereon, dated April 26, 2021, 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 26, 2021.

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

LaPorte

A Professional Accounting Corporation

Metairie, LA
April 26, 2021

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, 2020

Agency Head
Joan Coffman, President and Chief Executive Officer

Purpose	Amount
Salary	$713,833
Benefits - Insurance	$10,039
Benefits - Retirement	$200,700
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	$1,198
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, 2020

LAPORTE
CPAs & BUSINESS ADVISORS

Contents

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal AwardsRequired by the Uniform Guidance	1 - 3
Schedule of Expenditures of Federal Awards	4
Notes to Schedule of Expenditures of Federal Awards	5
Schedule of Findings and Questioned Costs	6
Summary Schedule of Prior Audit Findings	7

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited St. Tammany Parish Hospital Service District No. 1 of St. Tammany Parish, Louisiana (the System) compliance with the types of compliance requirements described 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, 2020. The System's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the System's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the System's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the System's compliance.

Opinion on Each Major Federal Program

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, 2020.

Report on Internal Control Over Compliance

Management of the System is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the System's internal control over compliance with types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the System's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified

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 26, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

LaPorte

A Professional Accounting Corporation

Metairie, LA
September 13, 2021

ST. TAMMANY HEALTH SYSTEM
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Federal Revenue Recognized	Federal Expenditures
U.S. Department of the Treasury				
Passed through Louisiana Governor's Office of Homeland Security				
Disaster Grants - Coronavirus Relief Fund	21.019		$ 17,393,020	$ 17,393,020
Total - U.S. Department of the Treasury			17,393,020	17,393,020
Total Expenditures and Federal Awards			$ 17,393,020	$ 17,393,020

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of St. Tammany Health System under programs of the federal government for the year ended December 31, 2020. 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* (the 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. Sub-Recipients

There were no payments to sub-recipients for the fiscal year ended December 31, 2020.

Note 4. Indirect Cost Rate

The Company did not apply indirect costs to this program.

ST. TAMMANY HEALTH SYSTEM
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2020

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None Reported
• Noncompliance material to the financial statements noted?	No
Management letter comment provided?	None

Federal Awards

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

Identification of major programs:

CFDA Numbers	Name of Federal Program
21.019	Disaster Grants - Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and B programs:	$750,000
Auditee qualified as low-risk auditee?	No

Section II. Financial Statement Findings

None.

Section III. Federal Award Findings & Questioned Costs

None.

None.