

**ST. TAMMANY HEALTH SYSTEM
DEFINED CONTRIBUTION PLAN**

(Formerly St. Tammany Parish Hospital Defined
Contribution Plan)

Management's Discussion and Analysis
and Financial Statements

December 31, 2023 and 2022



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Independent Auditor's Report

To the Pension Administrative Committee
St. Tammany Health System
Defined Contribution Plan
Covington, Louisiana

Opinion

We have audited the financial statements of the St. Tammany Health System Defined Contribution Plan (the Plan) as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective fiduciary financial position of the Plan as of December 31, 2023 and 2022, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Management's Responsibility for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Plan's basic financial statements. The 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 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits, and other payments to agency head is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2024, on our consideration of St. Tammany Health System Defined Contribution Plan'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 St. Tammany Health System Defined Contribution Plan'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 Plan's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Metairie, LA
June 17, 2024

ST. TAMMANY HEALTH SYSTEM DEFINED CONTRIBUTION PLAN COVINGTON, LOUISIANA

Management's Discussion and Analysis

This discussion of the St. Tammany Health System Defined Contribution Plan's (the Plan) financial statements provides an overview and analysis of the Plan's financial position and activities for the year ended December 31, 2023 and 2022. Please read it in conjunction with the Plan's financial statements and related notes.

Financial Highlights

The Plan's net position was \$107.8 million and \$98.2 million as of December 31, 2023 and 2022, respectively.

The net position increased by \$9.6 million (or 10%) from the reported December 31, 2022 balances, and decreased by \$18.2 million (or 16%) from December 31, 2021 to December 31, 2022. The net increase for the year ended December 31, 2023 is primarily due to continued employer contributions and positive investment market performance. The net decrease for the year ended December 31, 2022 is primarily due to negative market performance.

The average overall rate of return on investments for the year was a positive 12.2% on a fair value basis for the year ended December 31, 2023, compared to last year's negative 13.9%. Factors affecting the rate of return include changes in world equity markets during the last two years, and changes in the distribution of participant directed investments amongst the various fund options offered by the Plan. Overall rates of return are also affected by the amounts and timing of employer contributions and participant distributions throughout the Plan year.

The Plan's investments offered to participants consist of insurance company general accounts and pooled separate account funds maintained by Voya Retirement Insurance and Annuity Company (Voya).

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Plan's financial statements. The annual report is comprised of three components: 1) the Plan's financial statements, 2) the notes to the financial statements, and 3) the required supplementary information (management's discussion and analysis). The information available in each of the first two components is summarized as follows:

Financial Statements

The statement of fiduciary net position presents information on the Plan's assets, liabilities and the resulting net position held in trust for benefit of Plan participants. This statement reflects the Plan's investments at estimate fair value, along with cash and other assets and liabilities as applicable. This statement indicates the net position available to pay future benefits and gives a snapshot of the Plan's financial position at a particular point in time.

**ST. TAMMANY HEALTH SYSTEM DEFINED CONTRIBUTION PLAN
COVINGTON, LOUISIANA**

Management's Discussion and Analysis

The statement of changes in fiduciary net position presents information showing how the Plan's net position held in the trust changed during the years ended December 31, 2023 and 2022. It reflects contributions by the Plan Sponsor, St. Tammany Parish Hospital Service District No. 1 d/b/a St. Tammany Health System (the Hospital), along with deductions for benefits paid to participants upon retirement or other separation of employment.

Investment income (loss) is also presented showing income from the Plan's participant directed investment choices.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the Plan's financial statements.

Financial Analysis

Total assets of the Plan were \$107.8 million as of December 31, 2023, compared with \$98.2 million as of December 31, 2022 and \$116.4 million as of December 31, 2021. The Plan's invested assets consist principally of units of participation in *pooled separate accounts* and the Plan's *fixed general account investments*, which collectively comprise the Plan's investment contract with Voya Retirement Insurance and Annuity Company. Pooled separate accounts are similar to a common or commingled trust maintained by a bank, except that a pooled separate account is maintained by an insurance company rather than a bank. The assets underlying a pooled separate account are the insurance company's property, with each of two or more unrelated participating plan's units of participation representing rights to the assets underlying the separate account. The Plan has reported minimal liabilities during 2023, 2022, and 2021.

A summary of the Plan's fiduciary net position for each of the last three years is presented below:

	December 31,		
	2023	2022	2021
Assets			
Receivables	\$ 2,077,027	\$ 1,808,443	\$ 1,535,968
Investments at Estimated Fair Value	84,667,182	72,695,581	92,032,127
Investments at Contract Value	21,059,754	23,709,928	22,834,766
Total Assets	107,803,963	98,213,952	116,402,861
Liabilities			
Excess Contributions Payable	\$ 21,000	\$ -	\$ -
Total Liabilities	21,000	-	-
Net Position - Restricted for Pension Benefits	\$ 107,782,963	\$ 98,213,952	\$ 116,402,861

**ST. TAMMANY HEALTH SYSTEM DEFINED CONTRIBUTION PLAN
COVINGTON, LOUISIANA**

Management's Discussion and Analysis

A summary of the changes in fiduciary net position during the years ended December 31, 2023, 2022, and 2021 follows:

	December 31,		
	2023	2022	2021
Additions			
Employer's Contributions	\$ 5,256,422	\$ 4,952,849	\$ 4,765,415
Net Investment Income (Loss)	12,304,746	(14,697,740)	13,391,333
Total Additions, Net	17,561,168	(9,744,891)	18,156,748
Deductions			
Benefits Paid to Participants	7,985,607	8,443,693	6,334,363
Administrative Expenses	6,550	325	450
Total Deductions	7,992,157	8,444,018	6,334,813
Increase (Decrease) in Net Position	\$ 9,569,011	\$ (18,188,909)	\$ 11,821,935

The Plan's increase (decrease) in net position during the Plan years ended December 31, 2023, 2022, and 2021, reflect a net increase of \$9.6 million, a net decrease of \$18.2 million, and a net increase of \$11.8 million, respectively, which represent the Plan's net investment income (loss) for those years, contributions from the Plan Sponsor, net of distributions, and other benefits paid to plan participants. For the years ended December 31, 2023, 2022, and 2021, the Plan's investments earned income at rates comparable to those of the underlying securities and/or stated interest rates.

The Plan's changes in net position, as shown above, also reflect approximately \$5.3 and \$5.0 million of employer contributions in the Plan for the years ended December 31, 2023 and 2022, respectively. The employer contribution was calculated as a percentage of eligible salaries based on years of service as defined by the Plan. The Hospital experienced increases in both the number of employees and in overall salaries during the years 2023, 2022, and 2021. Employer contributions have remained fairly consistent with only minor fluctuations in the years ended December 31, 2023, 2022, and 2021. Benefits paid to participants primarily include payments and rollovers of the vested account balances of participants withdrawing from participation in the Plan upon termination of employment with the Hospital, and retirement benefits. The number of participants who received benefit payments has fluctuated slightly in each of the last three years. The average benefit paid to participants in 2023 decreased to \$76,053 as compared to \$80,416 in 2022.

**ST. TAMMANY HEALTH SYSTEM DEFINED CONTRIBUTION PLAN
COVINGTON, LOUISIANA**

Management's Discussion and Analysis

Requests for Additional Information

Questions concerning any of the information provided herein or requests for additional financial information should be addressed to St. Tammany Health System Defined Contribution Plan, Administration, 1202 S. Tyler Street, Covington, LA 70433.

**ST. TAMMANY HEALTH SYSTEM DEFINED CONTRIBUTION PLAN
COVINGTON, LOUISIANA
Statements of Fiduciary Net Position
December 31, 2023 and 2022**

	2023	2022
Assets		
Receivables		
Employer Contribution Receivable	<u>\$ 2,077,027</u>	<u>\$ 1,808,443</u>
Investments at Estimated Fair Value		
Pooled Separate Accounts	84,667,182	72,695,581
Investments at Contract Value		
Unallocated Group Annuity Contract	<u>21,059,754</u>	<u>23,709,928</u>
Total Investments	<u>105,726,936</u>	<u>96,405,509</u>
Total Assets	<u>107,803,963</u>	<u>98,213,952</u>
Liabilities		
Excess Contributions Payable	<u>21,000</u>	-
Total Liabilities	<u>21,000</u>	<u>-</u>
Net Position - Restricted for Pension Benefits	<u>\$ 107,782,963</u>	<u>\$ 98,213,952</u>

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

**ST. TAMMANY HEALTH SYSTEM DEFINED CONTRIBUTION PLAN
COVINGTON, LOUISIANA
Statements of Changes in Fiduciary Net Position
For the Years Ended December 31, 2023 and 2022**

	2023	2022
Additions		
Contributions		
Employer's	\$ 5,256,422	\$ 4,952,849
	<u>5,256,422</u>	<u>4,952,849</u>
Total Contributions		
	<u>5,256,422</u>	<u>4,952,849</u>
Investment Income		
Net Appreciation (Depreciation) in Fair Value of Investments	11,828,339	(15,250,583)
Interest on Guaranteed Accounts	476,407	552,843
	<u>12,304,746</u>	<u>(14,697,740)</u>
Total Investment Income (Loss), Net		
	<u>12,304,746</u>	<u>(14,697,740)</u>
Total Additions, Net	<u>17,561,168</u>	<u>(9,744,891)</u>
Deductions		
Benefits Paid to Participants	7,985,607	8,443,693
Administrative Expenses	6,550	325
	<u>7,992,157</u>	<u>8,444,018</u>
Total Deductions		
	<u>7,992,157</u>	<u>8,444,018</u>
Net Increase (Decrease) in Fiduciary Net Position	9,569,011	(18,188,909)
Net Position - Restricted for Pension Benefits		
Beginning	98,213,952	116,402,861
	<u>98,213,952</u>	<u>116,402,861</u>
Ending	<u>\$ 107,782,963</u>	<u>\$ 98,213,952</u>

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

ST. TAMMANY HEALTH SYSTEM DEFINED CONTRIBUTION PLAN COVINGTON, LOUISIANA

Notes to Financial Statements

Note 1. Description of the Plan

The following description of the St. Tammany Health System Defined Contribution Plan (the Plan) provides only general information. Participants should refer to the Plan adoption agreement and the relevant Summary Plan Descriptions of the Plan, which are made available to all participants, for a complete description of the Plan's provisions.

General

The Plan is a noncontributory, defined contribution pension plan covering all eligible full-time and part-time employees of St. Tammany Parish Hospital Service District No. 1 d/b/a St. Tammany Health System (the Hospital). The Plan and Trust of which it is a part are intended to satisfy all of the requirements for a qualified retirement plan under the appropriate provisions of the Internal Revenue Code (IRC) and similar state tax laws.

Hospital service districts in Louisiana are authorized under Louisiana Revised Statute (R.S.) 46:1068 to establish and maintain actuarially sound pension and retirement systems making contributions from hospital service district funds. They may make contracts of insurance with any insurance company legally authorized to do business in Louisiana and may enter into other contracts and trust agreements with banks, which are incidental to creating and maintaining an actuarially sound pension and retirement system.

The Plan is classified as a governmental plan and is not subject to Title I of the Employee Retirement Income Security Act of 1974 (ERISA). The Plan, accordingly, does not file Form 5500, which was developed by the Internal Revenue Service (IRS), Department of Labor, and the Pension Benefit Guaranty Corporation to satisfy the reporting requirements of the IRS and ERISA.

Eligibility

Employees of the Hospital who have completed the minimum requirement of one year of service are eligible to participate in the Plan. Prior to January 1, 2023, an employee is credited with one year of service for each twelve consecutive months in which the participant has completed 1,000 or more hours of service with the employer. After January 1, 2023, an employee is credited with one year of service on the anniversary of the employee's hire date.

Employees hired, or who have a change in employee status date, on or after January 1, 2013, are eligible to receive contributions if they are employed on the last day of the Plan year. Exceptions to this are those whose employment has been terminated due to death, total or permanent disability, or early or normal retirement. This condition of eligibility is not in place for those hired before January 1, 2013, and who did not terminate employment or change to an ineligible status after December 31, 2012.

**ST. TAMMANY HEALTH SYSTEM DEFINED CONTRIBUTION PLAN
COVINGTON, LOUISIANA**

Notes to Financial Statements

Note 1. Description of the Plan (Continued)

Plan Membership

At December 31, 2023 and 2022, plan membership consisted of 2,081 and 1,869 participants with invested account balances, respectively.

Contributions

For eligible employees hired before January 1, 2013, and who did not terminate employment or change to an ineligible status after December 31, 2012, the Plan's participating employers contribute funds equal to 6% of the aggregate compensation of those participants and 5.7% of compensation in excess of the social security wage base.

For eligible employees hired, or who have a change in employee status date, on or after January 1, 2013, the Plan's participating employers contribute funds equal to a percentage of aggregate compensation for those participants based on the following table:

Years of Service	Contribution Percentage
Less than 1	0.0%
1 - 4	2.0%
5 - 9	3.5%
10 - 14	5.0%
15 or more	6.0%

Contributions are remitted to the trustee and are invested in accordance with the provisions of the Plan. For eligible employees hired before January 1, 2013, and who did not terminate employment or change to an ineligible status after December 31, 2012, contributions are remitted in conjunction with the bi-weekly payroll periods. For eligible employees hired, or who have a change in employee status date, on or after January 1, 2013, contributions are remitted annually following the end of the plan-year.

Participants direct the investment of contributions on their behalf into various investment options offered by the Plan.

Participants' Investment Options

Investment options available to participants include a guaranteed interest account included as an unallocated group annuity option, and numerous variable equity and fixed income fund options provided through a pooled separate account arrangement.

**ST. TAMMANY HEALTH SYSTEM DEFINED CONTRIBUTION PLAN
COVINGTON, LOUISIANA**

Notes to Financial Statements

Note 1. Description of the Plan (Continued)

Vesting

Employer contributions on behalf of participants are 100% vested after five years of credited service.

Participant Accounts

Income earned on investments and the net realized and unrealized appreciation in estimated fair value of investments are allocated to participants' accounts in the ratio of each participant's adjusted beginning balance to the adjusted beginning balance for all participants. The adjusted beginning balance is defined as the account balance at the beginning of the period less withdrawals, distributions, forfeitures, and other payments made during the period.

Note 2. Summary of Significant Accounting Policies

Upon retirement, death, or disability, the participant is entitled to receive the value of his or her account within 60 days after the close of the plan year in which the event occurred. The participant may elect to receive the vested portion of the account in a lump-sum distribution or in periodic payments. Terminated employees under the age of 59.5 have a 12-month waiting period and must complete a distribution request through Voya.

Forfeitures

Forfeitures of terminated employees' non-vested account balances are applied as a reduction of employer contributions. During 2023 and 2022, employer contributions were reduced by \$-0- and \$191,376, respectively, from forfeited non-vested accounts.

The balance of forfeited non-vested accounts may be used to reduce future employer contributions. As of the years ended December 31, 2023 and 2022, there were \$-0- and \$475 of remaining forfeited non-vested accounts, respectively.

Use of Estimates and Basis of Accounting

The financial statements are prepared in accordance with standards established by the Governmental Accounting Standards Board (GASB). These financial statements include the provisions of GASB Statement No. 34, *Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments* and related standards.

The financial statements of the Plan have been prepared on the accrual basis of accounting. Employer contributions are recognized in the period in which the employee is compensated for services performed. Benefits are recognized when due and payable in accordance with the terms of the Plan. Interest and dividend income are recognized when earned. Under the GASB Accounting Standards Codification (ASC) the Plan's investment contract is required to be reported at fair value.

**ST. TAMMANY HEALTH SYSTEM DEFINED CONTRIBUTION PLAN
COVINGTON, LOUISIANA**

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Investments

The Plan's investments are held by the Plan's trustee, Voya Retirement Insurance and Annuity Company (Voya). Under the terms of the trust agreement, the trustee administered the investment transactions of the Plan on behalf of the participants and has discretionary authority over the Plan's assets, which can include investing in the trustee's administered accounts. The investments and changes therein are reported at fair value as determined by the trustee.

All investments in 2023 and 2022 consisted of either unallocated fully benefit-responsive annuity contracts general account investments or pooled separate accounts. The accounts are managed and administered by the custodians and related entities. The custodian is responsible for calculating the per unit fair value of the respective funds' net position. Under the terms of the prospectuses, the Plan can divest itself of the investments by reselling them to the respective fund daily at a unit price equal to the per unit interest of the fair value of the funds' net position. The investments in these funds are stated at the Plan's pro rata interest in the fair value of the funds' net position.

Investment Valuation and Income Recognition

The Plan's pooled separate account investments are stated at fair value based upon the daily Net Asset Value (NAV) per units of the accounts as the practical expedient. The Plan's unallocated fully benefit-responsive nonparticipating group annuity contracts are reported at the contract value reported by the insurance company. See Note 3 for discussion of fair value measurements.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends, when present, are recorded on the ex-dividend date. Net appreciation includes the plan's gains and losses on investments bought and sold as well as held during the year.

Payment of Benefits

Benefits are recorded when paid.

Administrative Expenses

The Plan Sponsor bears most of the administrative costs of the Plan. The trustee fees that are borne by the Plan are treated as an investment expense and are deducted from investment earnings allocated to the participants' accounts.

**ST. TAMMANY HEALTH SYSTEM DEFINED CONTRIBUTION PLAN
COVINGTON, LOUISIANA**

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Note 3. Investments

The table below presents the fair value of the participant-directed investments in this Plan.

Plan participants may direct contributions into any of the investment options offered by the Plan, which include various Voya pooled separate accounts and a Voya general account investment. It is the Plan's policy to permit participants to establish different investment strategies, which have varying return and volatility characteristics to meet each participant's long-term retirement savings strategy.

	December 31,	
	2023	2022
<u>Voya Retirement Insurance and Annuity Company Contract</u> <u>No.81N241 (2023) and PH9188 (2022)</u>		
Participant-Directed Investment Options Within Voya Retirement Insurance and Annuity Company Separate Account D	\$ 84,667,182	\$ 72,695,581
Voya Fixed Accounts - Guaranteed Interest Accounts	21,059,754 *	23,709,928 *
Total Investments	\$ 105,726,936	\$ 96,405,509

* Represents investments at contract value

For the years ended December 31, 2023 and 2022, the Plan's pooled separate account investment options reported at fair value appreciated by \$11,828,339 and depreciated by \$15,250,583, respectively.

The Plan categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America.

**ST. TAMMANY HEALTH SYSTEM DEFINED CONTRIBUTION PLAN
COVINGTON, LOUISIANA**

Notes to Financial Statements

Note 3. Investments (Continued)

The following levels indicate the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- Level 1 - Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.
- Level 2 - Investments with inputs - other than quoted prices included within Level 1 - that are observable for an asset, either directly or indirectly.
- Level 3 - Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment.

Pooled Separate Account Investments are stated at NAV per unit of the account. The estimated fair value of pooled separate accounts is based on the fair value of the underlying assets owned by the pooled separate account and are generally based on observable inputs. Assets within the pooled separate accounts may include: mutual funds, fixed maturity securities, equity securities, and cash and cash equivalents. Descriptions for each fund types are listed on the following pages.

The method described above may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table reflects the plans investments by fair value level as of December 31, 2023:

	December 31, 2023	Fair Value Measurements Using		
		Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments by Fair Value Level</u>	\$ -	\$ -	\$ -	\$ -
Total Investments by Fair Value Level	-	\$ -	\$ -	\$ -
<u>Investments Measured at Net Asset Value (NAV)</u>				
Pooled Separate Accounts	84,667,182			
Total Investments Measured at NAV	84,667,182			
Total Investments Measured at Fair Value	\$ 84,667,182			

**ST. TAMMANY HEALTH SYSTEM DEFINED CONTRIBUTION PLAN
COVINGTON, LOUISIANA**

Notes to Financial Statements

Note 3. Investments (Continued)

The following table reflects the plans investments by fair value level as of December 31, 2022:

	December 31,	Fair Value Measurements Using		
		Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level	\$ -	\$ -	\$ -	\$ -
Total Investment by Fair Value Level	-	-	-	-
Investments Measured at Net Asset Value (NAV)				
Pooled Separate Accounts	72,695,581			
Total Investments Measured at NAV	72,695,581			
Total Investments Measured at Fair Value	\$ 72,695,581			

Details of the Plan's investment options with fair value measured at NAV are as follows as of December 31, 2023:

December 31, 2023	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Pooled Separate Account Investment Options				
Large Cap Equity Funds ⁽¹⁾	\$ 4,774,466	\$ -	Daily	None
Mid Cap Equity Funds ⁽²⁾	515,438	-	Daily	None
Small Cap Equity Funds ⁽³⁾	703,322	-	Daily	None
High Yield Bond Funds ⁽⁴⁾	137,498	-	Daily	None
Intermediate Term Bond Funds ⁽⁵⁾	655,983	-	Daily	None
Asset Allocation Funds ⁽⁶⁾	75,870,479	-	Daily	None
Multisector Bond Funds ⁽⁷⁾	170,025	-	Daily	None
Global Stock Funds ⁽⁸⁾	949,775	-	Daily	None
Global Bond Funds ⁽⁹⁾	84,799	-	Daily	None
Inflation-Protected Bond Funds ⁽¹⁰⁾	338,711	-	Daily	None
Money Market Funds ⁽¹¹⁾	203,652	-	Daily	None
Moderate Allocation Funds ⁽¹²⁾	203,400	-	Daily	None
Real Estate Funds ⁽¹³⁾	59,634	-	Daily	None
Total Investments Measured at NAV	\$ 84,667,182			

**ST. TAMMANY HEALTH SYSTEM DEFINED CONTRIBUTION PLAN
COVINGTON, LOUISIANA**

Notes to Financial Statements

Note 3. Investments (Continued)

Details of the Plan's investment options with fair value measured at NAV are as follows as of December 31, 2022:

December 31, 2022	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Pooled Separate Account Investment Options				
Large Cap Equity Funds ⁽¹⁾	\$ 21,565,936	\$ -	Daily	none
Mid Cap Equity Funds ⁽²⁾	8,592,749	\$ -	Daily	none
Small Cap Equity Funds ⁽³⁾	1,793,230	\$ -	Daily	none
High Yield Bond Funds ⁽⁴⁾	449,338	\$ -	Daily	none
Intermediate Term Bond Funds ⁽⁵⁾	4,269,162	\$ -	Daily	none
Asset Allocation Funds ⁽⁶⁾	5,135,500	\$ -	Daily	none
Multisector Bond Funds ⁽⁷⁾	10,286,837	\$ -	Daily	none
Global Stock Funds ⁽⁸⁾	4,296,295	\$ -	Daily	none
Emerging Markets Equity Funds ⁽¹⁴⁾	1,327,116	\$ -	Daily	none
Growth Funds ⁽¹⁵⁾	12,224,199	\$ -	Daily	none
Growth and Income Funds ⁽¹⁶⁾	1,749,786	\$ -	Daily	none
Income Funds ⁽¹⁷⁾	1,005,413	\$ -	Daily	none
Total Investments Measured at NAV	\$ 72,695,581			

- (1) Large Cap Equity Funds - This category invests in large U.S. companies that are projected to grow faster than other large-cap stocks. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large-cap. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields). Most of these portfolios focus on companies in rapidly expanding industries.
- (2) Mid Cap Equity Funds - This Category seeks capital appreciation through long-term investments primarily in securities of companies with undervalued assets or favorable growth prospects. The Fund invests for the long term primarily in equity securities in the form of common stock of medium-sized growth companies.
- (3) Small Cap Equity Funds - This category seeks capital appreciation by investing primarily in common stocks. It invests at least 80% of its assets in securities of companies with small market capitalizations.
- (4) High Yield Bond Funds - This category invests in a diversified portfolio of high-yield (high risk) bonds commonly known as "junk bonds." High-yield bonds are debt securities that, at the time of purchase, are not rated by a nationally recognized statistical rating organization (NRSRO) or are rated below investment-grade or have an equivalent rating by a NRSRO.
- (5) Intermediate Term Bond Funds - This category seeks to invest in basket of intermediate or medium term bonds, often diversifying the holdings in different types of bonds: government, corporate, high-yield, muni bonds, asset-backed securities, mortgage-backed securities.

**ST. TAMMANY HEALTH SYSTEM DEFINED CONTRIBUTION PLAN
COVINGTON, LOUISIANA**

Notes to Financial Statements

Note 3. Investments (Continued)

- (6) Asset Allocation Funds - Investment funds in this category feature an asset mix determined by the level of risk and return that is appropriate for an individual investor. Factors that determine this mix include an investor's age, level of risk aversion, the investment's purpose, and the length of time until the principal will be withdrawn. Asset allocation funds can feature conservative, moderate or aggressive growth strategies. Aggressive growth asset allocation funds are targeted to investors in their late 20s, while conservative growth asset allocation funds are targeted to investors in their late 50s. Asset allocation funds are designed to be the main investment in a person's portfolio.
- (7) Multisector Bond Funds - This category seeks income by diversifying assets among several fixed-income sectors, usually U.S. government obligations, U.S. corporate bonds, foreign bonds, and high-yield U.S. debt securities. These portfolios typically hold 35% to 65% of bond assets in securities that are not rated or are rated by a major agency such as Standard & Poor's or Moody's at the level of BB (considered speculative for taxable bonds) and below.
- (8) Global Stock Funds - This category invests in securities from several different countries, including the United States. Global stock funds typically have a significant portion of their capital invested in U.S. listed securities, but also spread their investment capital among securities from several other countries. This structure limits exposure to any specific country and limits exchange rate risks.
- (9) Global Bond Funds - This category seeks to maximize total return consisting of income and capital appreciation by objective by investing primarily in fixed income securities of issuers located in developed market countries.
- (10) Inflation-Protected Bond Funds - This category seeks to maximize current income with long term capital appreciation a secondary objective by investing primarily in fixed income securities of varying maturities, which may be represented by forwards or derivatives such as options, futures contracts or swap agreements.
- (11) Money Market Funds - This category seeks to maintain principal by investing primarily in money market accounts.
- (12) Moderate Allocation Funds - This category seeks over the long term, a high total investment return consistent with the preservation of capital and with prudent investment risk by investing in a mix of equity securities, fixed income securities, and money market accounts.
- (13) Real Estate Funds - This category seeks total return through investments in real estate securities.
- (14) Emerging Markets Equity Funds - This category invests the majority of its assets in the financial markets of a single developing country or a group of developing countries. For the most part, these countries are in Eastern Europe, Africa, the Middle East, Latin America, the Far East, and Asia.

**ST. TAMMANY HEALTH SYSTEM DEFINED CONTRIBUTION PLAN
COVINGTON, LOUISIANA**

Notes to Financial Statements

Note 3. Investments (Continued)

- (15) Growth Funds - This category invests in a diversified portfolio of stocks that has capital appreciation as its primary goal, with little or no dividend payouts.
- (16) Growth and Income Funds - This category has a dual strategy of capital appreciation and current income generation through dividends or interest payments. A growth and income fund may invest only in equities or in a combination of stocks, bonds, real estate investment trusts and other securities.
- (17) Income Funds - This category emphasizes current income, either on a monthly or quarterly basis, as opposed to capital appreciation. Such funds usually hold a variety of government, municipal and corporate debt obligations, preferred stock, money market instruments, and dividend-paying stocks.

Authorized Investments

Hospital service districts are authorized under R.S. 46:1068 to establish and maintain actuarially sound pension and retirement plans making contributions from hospital service district funds. They may make contracts of insurance with any insurance company legally authorized to do business in Louisiana and may enter into other contracts and Trust Agreements with banks, which are incidental to creating and maintaining an actuarially sound pension and retirement system. At December 31, 2023 and 2022, the Plan's investments were held by Voya. The state statutes authorize the Plan to invest in direct obligations of the U.S. Treasury and other federal agencies, time deposit with state and national banks having their principal office in the State of Louisiana, guaranteed investment contracts issued by highly rated financial institutions, and certain investments with qualifying mutual or trust fund institutions. Louisiana statutes also require that all of the deposits of the Plan, when present, be protected by insurance or collateral. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance. The Plan's carrying amount of cash deposits was \$-0- as of December 31, 2023 and 2022.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Plan's pooled separate account investments have no maturity date. The Plan's insurance company general account investment (Voya Fixed Account) similarly, has no specific maturity dates. The Voya Fixed Account guarantees principal and a minimum guaranteed interest rate for the life of the investment and features two declared interest rates: a current rate, determined at least monthly, and a guaranteed minimum floor rate declared for a defined period - currently one calendar year. The guaranteed minimum floor rate may change after the end of the defined period, but it will never be lower than the minimum guaranteed rate. The current rate, the guaranteed minimum floor rate, and the minimum guaranteed interest rate are expressed as annual effective yields.

**ST. TAMMANY HEALTH SYSTEM DEFINED CONTRIBUTION PLAN
COVINGTON, LOUISIANA**

Notes to Financial Statements

Note 3. Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of December 31, 2023, the Plan's investments in Voya were rated A+ by Standard & Poor's and A2 by Moody's Investors Service.

Concentration of Credit Risk

The Plan's investment policy seeks to maximize participant diversification opportunities to reduce overall portfolio risk while generating growth of asset value. The Plan places no limit on the amount that may be invested with one issuer. The amount of the Plan's funds allocated to the Voya Fixed Account discussed above is held in Voya's general account which supports insurance and annuity obligations. The safety of the interest rate guaranteed under the contract is dependent on Voya's claims paying ability.

The Plan's funds allocated to the Voya Retirement Insurance and Annuity Company Separate Account D will not be charged with liabilities arising out of any other business Voya may conduct, but obligations of the account, including the promise to make benefit payments, are obligations of Voya. As of December 31, 2023, the Plan's investments consisted solely of the aforementioned Voya general account and Voya pooled separate account investments. As of December 31, 2023, the Plans total investment composition was as follows:

Voya Retirement Insurance and Annuity Company, Pooled Separate Account D Funds	\$ 84,667,182	80%
Insurance Company General Account Funds	<u>21,059,754</u>	<u>20%</u>
Total Invested Assets	<u>\$ 105,726,936</u>	<u>100%</u>

Custodial Credit Risk

Custodial credit risk is the risk that in the event of financial institution failure, the Plan's deposits may not be returned to it. The Plan's invested funds represent direct contractual investments and are not considered securities exposed to custodial credit risk.

Note 4. Investment Contracts with Insurance Company

The Plan's unallocated nonparticipating investment contracts with Voya are fully benefit-responsive. Voya maintains the contributions in a general account. The accounts are credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The guaranteed investment contract issuer is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan.

**ST. TAMMANY HEALTH SYSTEM DEFINED CONTRIBUTION PLAN
COVINGTON, LOUISIANA**

Notes to Financial Statements

Note 4. Investment Contracts with Insurance Company (Continued)

Because the guaranteed investment contracts are fully benefit-responsive, participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. Contract value, as reported to the Plan by Voya, represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses.

There are no reserves against the reported value for credit risk of the contract issuer or otherwise. The crediting interest rate and average yield for the Plan's Voya Fixed Account investment was 2.2% and 2.0% for the years ended December 31, 2023 and 2022, respectively, while the Plan's Voya Fixed Account A investment was 2.0% for the years ended December 31, 2023 and 2022. The crediting interest rate is based on a formula agreed upon with the issuer but may not be less than 1.0% for the Plan's Voya Fixed Account and the Plan's Voya Fixed Account A investment as of December 31, 2023. Such interest rates are reviewed on a periodic basis for resetting.

Certain events limit the ability of the Plan to transact at contract value with the issuer. Such events include the following: (1) amendments to the plan documents (including complete or partial plan termination or merger with another plan), (2) changes to plan's prohibition on competing investment options or deletion of equity wash provisions, (3) bankruptcy of the plan sponsor or other plan sponsor events (for example, divestitures or spin-offs of a subsidiary) that cause a significant withdrawal from the plan, or (4) the failure of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under Employee Retirement Income Security Act of 1974. The Plan Administrator does not believe that occurrence of any such value event, which would limit the Plan's ability to transact at contract value with participants, is probable.

The guaranteed investment contracts do not permit the insurance company to terminate the agreement prior to the scheduled maturity date.

Note 5. Plan Termination

Although the Plan Sponsor has not expressed any intent to do so, the Plan Sponsor has the right to modify, suspend, or discontinue contributions to the Plan at any time, and such action shall not be deemed to be a termination of the Plan.

In the event the Plan terminates, the balance in each participant's or retired participant's account shall immediately become fully vested and non-forfeitable. Each participant, retired participant, or beneficiary shall be entitled to receive any amounts then credited to his or her account.

**ST. TAMMANY HEALTH SYSTEM DEFINED CONTRIBUTION PLAN
COVINGTON, LOUISIANA**

Notes to Financial Statements

Note 6. Income Tax Status

The IRS has ruled that the Plan qualifies under Section 401(a) of the IRC and is, therefore, not subject to tax under present income tax law. Once qualified, the Plan is required to operate in conformity with the IRC to maintain its qualification. The Pension Administrative Committee is not aware of any course of action or series of events that have occurred that might adversely affect the Plan's qualified status.

Note 7. Related-Party Transactions

Plan investments include units of funds managed by Voya. Voya is the trustee as defined by the Plan.

OTHER SUPPLEMENTARY INFORMATION

**ST. TAMMANY HEALTH SYSTEM DEFINED CONTRIBUTION PLAN
COVINGTON, LOUISIANA
Schedule of Compensation, Benefits, and Other Payments
to Agency Head
For the Year Ended December 31, 2023**

The St. Tammany Health System Defined Contribution Plan (the Plan) is sponsored by St. Tammany Parish Hospital Service District No. 1 d/b/a St. Tammany Health System. During the year ended December 31, 2023, the Plan had no employees and accordingly there was no compensation, benefits, or other such payment that met the reporting requirement for purposes of the Schedule of Compensation, Benefits, and Other Payments.

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

Independent Auditor's Report

To the Pension Administrative Committee
St. Tammany Health System
Defined Contribution Plan
Covington, Louisiana

We have audited, 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, the financial statements of St. Tammany Health System Defined Contribution Plan (the Plan) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated June 17, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan'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 Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan'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 a 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 over financial reporting 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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



A Professional Accounting Corporation

Metairie, LA
June 17, 2024