

NORTH CADDO HOSPITAL SERVICE DISTRICT

COMBINED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
JUNE 30, 2017, 2016, AND 2015



LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
YEARS ENDED JUNE 30, 2017, 2016, AND 2015

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NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of North Caddo Hospital Service District's, d/b/a North Caddo Medical Center (the Hospital) financial performance provides an overview of the Hospital's financial activities during the fiscal year ended June 30, 2017. Because of the significance of operations and the financial relationship with the Hospital, the North Caddo Medical Center Foundation (the Foundation) is combined in the financial reports with the Hospital. Collectively, the Hospital and Foundation are hereafter referred to as the "Medical Center." Please read this analysis in conjunction with the Medical Center's financial statements, which begin on page 4.

Financial Highlights

- The Medical Center's total assets decreased by approximately \$184,000 (-0.6%) in 2017, and increased by \$2.5 million (8.4%) in 2016 and \$10.4 million (55.4%) in 2015.
- The Medical Center reported a decrease in operating income in 2017 of \$1,465,000 (-75%) compared to decreases of \$703,000 (-56.2%) and \$152,000 (-13.8%) in 2016 and 2015, respectively.
- Noncapital grants and contributions decreased \$22,000 or -2.8% in 2017, compared to decrease of \$662,000 or -46.3% in 2016 and decrease of \$103,000 (-6.7%) in 2015.
- A 25-year 1% sales tax was approved by voters in 2012 and the Medical Center received approximately \$1.1 million in sales taxes in 2017 compared to \$1.1 million in 2016 and \$1.4 million in 2015. This sales tax revenue is pledged as security for bond financing and is being used to fund construction of a new hospital building.

Using This Annual Report

The Medical Center's financial statements consist of three statements - a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. These financial statements and related notes provide information about the activities of the Medical Center, including resources held by the Medical Center but restricted for specific purposes by contributors, grantors, or enabling legislation.

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position

Our analysis of the Medical Center finances begins on page ii. One of the most important questions asked about the Medical Center's finances is, "Is the Medical Center as a whole better or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses, and changes in net position report information about the Medical Center's resources and about its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Medical Center's net position and changes in them. You can think of the Medical Center's net position - the difference between assets and liabilities - as a way to measure the Medical Center's financial health, or financial position. Over time, increases or decreases in the Medical Center's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Medical Center's patient base and measures of the quality of service it provides to the community, changes in Medicare and Medicaid regulations, and changes in managed care contracting as well as local economic factors to assess the overall health of the Medical Center.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
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MANAGEMENT'S DISCUSSION AND ANALYSIS

The Statement of Cash Flows

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

The Medical Center's Net Position

The Medical Center's net position is reported in the combined statements of net position on page 4. The Medical Center's net position decreased by approximately \$2,684 (-30.1%) in 2017, compared to changes of \$189,000 (-2.1%) in 2016 and \$751,000 (9.0%) in 2015, as you can see from Table 1.

Table 1: Net Position (In Thousands)

	June 30,			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total current assets	\$ 5,583	\$ 6,175	\$ 8,108	\$ 8,777
Capital assets, net	24,815	24,171	19,931	8,818
Other assets	1,101	1,337	1,194	1,220
Total assets	<u>31,499</u>	<u>31,683</u>	<u>29,233</u>	<u>18,815</u>
Deferred outflows of resources	<u>1,753</u>	<u>2,731</u>	<u>-0-</u>	<u>-0-</u>
Total assets and deferred outflows of resources	<u>\$ 33,252</u>	<u>\$ 34,414</u>	<u>\$ 29,233</u>	<u>\$ 18,815</u>
Total current liabilities	\$ 3,550	\$ 3,109	\$ 4,148	\$ 3,437
Long term liabilities	23,125	21,916	15,985	7,029
Total liabilities	<u>26,675</u>	<u>25,025</u>	<u>20,133</u>	<u>10,466</u>
Deferred inflows of resources	<u>350</u>	<u>478</u>	<u>-0-</u>	<u>-0-</u>
Net position:				
Invested in capital assets, net of related debt	2,150	2,839	3,033	1,132
Temporarily restricted net assets	1,476	1,647	2,251	2,116
Unrestricted net assets	<u>2,601</u>	<u>4,425</u>	<u>3,816</u>	<u>5,101</u>
Total net position	<u>6,227</u>	<u>8,911</u>	<u>9,100</u>	<u>8,349</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 33,252</u>	<u>\$ 34,414</u>	<u>\$ 29,233</u>	<u>\$ 18,815</u>

Cash and cash equivalents decreased by approximately \$520,000 in fiscal year 2017, decreased by \$2.1 million in 2016 and decreased by \$770,000 in 2015. A significant component of the change in the Medical Center's assets in 2016 was an increase in capital assets net of related debt. Deferred inflows and outflows of resources are related to the adoption of new accounting rules for the Medical Center's defined benefit pension plan.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Results and Changes in the Medical Center's Net Position

The following table presents a summary of the Medical Center's historical revenues and expenses for the fiscal years ended June 30, 2017, 2016, 2015 and 2014.

Table 2: Operating Results and Changes in Net Position (In Thousands)

	Years Ended June 30,			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net patient service revenue	\$ 18,566	\$ 18,743	\$ 16,816	\$ 15,503
Noncapital grants	745	767	1,429	1,532
Other revenue	336	77	39	88
Total operating revenues	<u>19,647</u>	<u>19,587</u>	<u>18,284</u>	<u>17,123</u>
Salaries	12,160	11,243	10,266	9,665
Benefits and payroll taxes	3,337	2,614	2,596	2,400
Medical supplies and drugs	1,425	1,609	1,491	1,236
Professional services	2,082	1,813	1,670	1,453
Insurance	443	399	418	380
Depreciation and amortization	1,442	1,492	1,085	1,005
Leases and rentals	214	241	159	148
Other expenses	1,963	2,130	1,850	1,935
Total operating expenses	<u>23,066</u>	<u>21,541</u>	<u>19,535</u>	<u>18,222</u>
Operating income (loss)	<u>(3,419)</u>	<u>(1,954)</u>	<u>(1,251)</u>	<u>(1,099)</u>
Property tax revenue	431	421	404	411
Sales tax revenue	1,095	1,120	1,365	1,300
Non-employer pension contribution	112	-0-	-0-	-0-
Interest income	3	7	12	21
Rent income	2	-0-	1	1
Interest expense	(542)	(559)	(65)	(78)
Gain (loss) on disposition	<u>(279)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess of revenues (expenses) before capital grants & contributions	<u>(2,597)</u>	<u>(965)</u>	<u>466</u>	<u>556</u>
Capital grants & contributions	<u>168</u>	<u>114</u>	<u>286</u>	<u>241</u>
Increase (decrease) in net position	<u>(2,429)</u>	<u>(851)</u>	<u>752</u>	<u>797</u>
Net position - beginning of year	8,911	9,100	8,349	7,552
Prior period adjustment	(255)	662	-0-	-0-
Net position - end of year	<u>\$ 6,227</u>	<u>\$ 8,911</u>	<u>\$ 9,100</u>	<u>\$ 8,349</u>

NORTH CADDO HOSPITAL SERVICE DISTRICT,
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MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Income and Losses

The first component of the overall change in the Medical Center's net position is its operating income (loss) – generally, the difference between net patient service revenue and other revenue and the expenses incurred to perform those services. In each of the past four years, the Medical Center has incurred losses from operations. This is consistent with the Medical Center's operating history. The Medical Center's hospital operations were begun in 1965 as a municipal hospital, when it was agreed that a portion of its costs would be subsidized by property tax revenues, making the facility more affordable for the parish's lower income residents. The Medical Center reported a decrease in operating income in 2017 of \$1,465,000 (-75.0%) compared to decreases of \$703,000 (-56.2%) and \$152,000 (-13.8%) in 2016 and 2015, respectively.

The primary components of the changes in operating income (loss) are:

- Decrease in noncapital grant revenue of \$22,000 (-2.8%) in 2017, decrease of \$662,000 (-46.3%) in 2016 and decrease of \$103,000 (-6.7%) in 2015. The Hospital received grant revenue of \$679,000, \$803,000 and \$1,051,000 in 2017, 2016 and 2015, respectively, to be used solely to provide adequate and essential medically necessary health care services to the citizens in its community who are low income and/or indigent patients. Included in noncapital grant revenue is \$814,000 and \$366,000 from Medicare in 2014 and 2015, respectively, and \$17,000 and \$26,000 from Medicaid in 2016 and 2017 for meaningful use of electronic health records.
- Net patient revenue decreased by \$177,000 (-0.95%) in 2017, compared to increases of \$1.9 million (11.5%) and \$1.3 million (8.5%) in 2016 and 2015, respectively.
- Total operating expenses increased by \$1.5 million (7.1%) in 2017, \$2.0 million (10.3%) in 2016, and \$1.3 million (7.2%) in 2015. Debt issuance cost of \$381,450 is included in 2014 operating expenses.
- Total salary and benefits expenses increased \$1.6 million (11.8%) in 2017, \$995,000 (7.7%) in 2016, and \$797,000 (6.6%) in 2015. As a percentage of net patient revenue, salary and benefit expenses were approximately 83.5%, 73.9%, and 76.5% for fiscal years 2017, 2016 and 2015, respectively.

The rate of health care inflation has a direct effect on the cost of services provided by the Medical Center. A component of the Medical Center's costs is expenses for medical and professional services. In 2017, professional services cost totaled \$2.1 million (9.0% of total operating expenses), an increase of \$269,000 over 2016 costs of \$1.8 million. Medical and professional services increased by \$143,000 (8.6%) in 2016 and increased by \$217,000 (14.9%) in 2015. The most prominent professional service fees are attributable to contract emergency room physician services.

Sources of Revenue

During fiscal years 2017, 2016, and 2015, the Medical Center derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs as well as payments from patients and other third-party payors. Reimbursement from Medicare, Medicaid, and most private insurance payors are based on contracted rates that are less than the Medical Center's

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MANAGEMENT'S DISCUSSION AND ANALYSIS

established rates. The difference between the established rates charged and the contracted rates collected are recorded as contractual discounts. The Medical Center's net patient revenues reported on the Statement of Revenues, Expenses and Changes in Net Position, are net of contractual discounts, bad debt and charity care charges.

Table 3 below presents the relative percentages of net patient revenues by payor for the fiscal years ended June 30, 2017, 2016, 2015, and 2014.

Table 3: Payor Mix by Percentage

	Year ended June 30			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Medicare	38.66%	44.31%	45.92%	42.96%
Medicaid	30.28%	12.28%	20.86%	26.95%
Commercial	27.90%	20.66%	22.37%	25.08%
Self-pay	3.16%	22.75%	10.85%	5.01%
Total patient revenue	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

The Louisiana Medicaid disproportionate share hospital program allowed for the reimbursement of uncompensated care costs to small rural hospitals serving a disproportionate number of low-income patients. The reimbursements were calculated based on cost reports filed by the small rural hospitals and were paid by the state from federal funding. Although federal appropriations had enabled the state to pay almost 100 percent of uncompensated costs to rural hospitals over the past several years, there was no assurance federal funding would continue and, therefore, no assurance that the Medical Center would receive any future payments. During the fiscal years ended 2017, 2016 and 2015, the Medical Center received no uncompensated care (UCC) reimbursement payments compared to \$924,000 in 2013. In addition to the loss of UCC reimbursement, the Medical Center incurred a recoupment of \$145,000 for 2011 during 2016 for changes to the Federal definition of UCC. In lieu of UCC, the Medical Center has entered into agreements with other entities and received grants providing access to care for low income and/or indigent patients in amounts of \$679,000, \$803,000, \$1,051,000 and \$717,000 for 2017, 2016, 2015 and 2014, respectively.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of sales and property tax revenue, interest income, and interest expense. In 2007, parish voters approved a ten year property tax to pay expenses related to the Medical Center's ambulance services in the North Caddo Parish Hospital Service District. In April, 2012, parish voters approved a 1% sales tax for twenty-five years beginning July 1, 2012 dedicated for use by the North Caddo Hospital Service District.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Grants and Contributions

The Medical Center receives both capital and operating grants from various state and local agencies for specific programs. These are discussed in detail in note 16 to the financial statements. Grants and contributions for operating purposes are included in total operating revenues. Capital grants and contributions are reported after nonoperating revenues and expenses. Capital grants and contributions include grants and other funds received by the Foundation which are restricted for future capital expenditures. Contributions and fund raising proceeds from the Foundation increased by \$41,000 (35.8%) in 2017, decreased by \$93,000 (-44.85) in 2016 and increased by \$10,000 (4.9%) in 2015. The Foundation's initial period of operation was 2009.

Operating and Financial Performance

The following summarizes some of the Medical Center's patient statistical data from 2017, 2016, 2015 and 2014.

Overall, activity at the Medical Center, as measured by admissions for routine acute care decreased in 2017, after a decrease in 2016 and an increase in 2015. Acute inpatient admissions decreased by -2.4% in 2017 to 705 from 722, 772, and 669 in 2016, 2015, and 2014, respectively. Acute inpatient days decreased in 2017 to 2,367 from 2,851, 2,852, and 2,538 in 2016, 2015, and 2014, respectively. The average length of stay for acute care patients (excluding newborns) decreased to 3.36 days from 3.95, 3.66, and 3.81 days in 2016, 2015, and 2014, respectively. In order to maintain critical access hospital status for Medicare patients, the Medical Center's average length of stay for acute patients must be below 96 hours or 4 days.

Swing bed admissions increased 17.9% to 165 admissions in 2017 from 140 admissions in 2016. Previous years had swing bed admissions of 117 and 122 in 2015 and 2014, respectively. Swing bed patient days decreased 5.8% in 2017 to 1,560 from 1,656, 1,783 and 2,147 in 2016, 2015, and 2014, respectively.

The Medical Center operates the district ambulance service that traditionally has had operating losses. The ambulance operation is supported by a 4.61 mil property tax approved by the residents of Caddo parish. The amount of property tax revenue received during 2017 was \$431,000, an increase from \$421,000 in 2016. Ambulance trips have remained stable in the 1,700 to 1,800 range over the past four years.

Emergency room patients decreased slightly from 5,663 in 2016 to 5,621 in 2017. Previous years had emergency room patients of 5,969 in 2015 and 5,676 in 2014.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 4: Patient Statistical Data

	Year ended June 30			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Admissions:				
Acute (excluding newborn)	705	722	772	669
Newborn	77	78	97	86
Swing bed	165	140	117	122
Discharges:				
Acute	705	721	779	667
Swing bed	165	139	119	123
Patient days:				
Acute	2,367	2,851	2,852	2,538
Newborn	170	168	213	200
Swing bed	1,560	1,656	1,783	2,147
Total patient days	4,097	4,675	4,848	4,885
Average length of stay:				
Acute	3.36	3.95	3.66	3.81
Swing bed	9.45	11.91	14.98	17.46
Medical and Surgical Clinic visits	23,323	22,763	21,805	21,054
Plain Dealing Medical Clinic visits	7,772	6,906	7,781	7,259
Benton Clinic visits	1,411	512	-0-	-0-
Total clinic visits	32,506	30,181	29,586	28,313
Ambulance trips	1,699	1,788	1,754	1,739
Emergency room patients	5,621	5,663	5,969	5,676

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

Capital Assets

At the end of 2017, the Medical Center had \$24.8 million invested in capital assets, net of accumulated depreciation, as detailed in note 5 to the financial statements. In 2017, the Medical Center purchased capital assets costing \$2.4 million, while depreciation of \$1.4 million decreased net capital assets.

Also construction in progress in 2014 through 2016 is related to the Medical Center's new hospital building.

Table 5: Summary of Capital Assets

	June 30,			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Land	\$ 480,494	\$ 369,961	\$ 369,961	\$ 359,961
Land improvements	-0-	179,744	179,744	179,744
Buildings & building improvements	23,563,107	20,159,241	2,476,698	2,385,409
Equipment	6,972,444	8,079,380	6,803,131	6,489,937
Subtotal	<u>31,016,045</u>	<u>28,788,326</u>	<u>9,829,534</u>	<u>9,415,051</u>
Less: Accumulated depreciation	(6,200,914)	(9,003,172)	(7,518,771)	(6,461,143)
Construction in progress	-0-	4,386,087	17,620,334	5,864,067
	<u><u>\$ 24,815,131</u></u>	<u><u>\$ 24,171,241</u></u>	<u><u>\$ 19,931,097</u></u>	<u><u>\$ 8,817,975</u></u>

Table 6: Major Additions over \$20,000

New hospital building section 3	\$ 5,444,457
Treatment table	24,937
Exam lights	25,041
Gait trainer	25,182
Computer server	30,536
New hospital sign	30,699
Surveillance cameras	37,355
Water wall feature	42,854
Patient bed headwalls	71,959
Patient room beds	144,264
New hospital furniture	174,964
Fire alarm system	201,787
	<u><u>\$ 6,254,035</u></u>

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Debt

At year-end, the Medical Center had \$22.7 million in notes payable and capital leases outstanding as detailed in note 9 to the financial statements. The Medical Center issued \$13 million in notes payable to finance hospital construction during 2017. Total debt outstanding represents approximately 76.6% of the Medical Center's total assets at June 30, 2017 versus prior years of 72.1%, 56.9% and 40.5% for 2016, 2015, and 2014, respectively.

Other Economic Factors

Government spending on medical care continues to be a topic of discussion on both the federal and state levels. As a critical access hospital, the Medical Center receives cost based reimbursement for most services provided to Medicare beneficiaries who have traditional coverage. Two of the Medical Center's three physician clinics continue to be reimbursed based on a cost based reimbursement as rural health clinics. The Louisiana Medicaid program is in transition to a managed care payment model. Its effect on future Medicaid patient volume and Medicaid payments cannot be determined. As more fully explained in note 11 in the financial statements, Medicare and Medicaid patient revenues comprise approximately 68.9% of the Medical Center's net patient revenue.

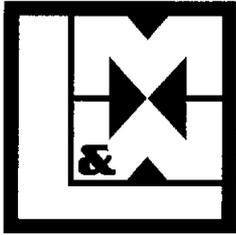
The American Recovery and Reinvestment Act of 2009 amended the Social Security Act to establish incentive payments under the Medicare and Medicaid programs for certain hospitals and professionals that meaningfully use certified Electronic Health Records (EHR) technology.

To qualify for the EHR incentive payments, hospitals and physicians must meet designated EHR meaningful use criteria. In addition, hospitals must attest that they have used certified EHR technology, satisfied the meaningful use objectives, and specify the EHR reporting period. This attestation is subject to audit by the federal government or its designee. The EHR incentive payment to hospitals for each payment year is calculated as a product of (1) allowable costs as defined by the Centers for Medicare & Medicaid Services (CMS) and (2) the Medicare share. Once the initial attestation of meaningful use is completed, critical access hospitals receive the entire EHR incentive payment for submitted allowable costs of the respective periods in a lump sum, subject to a final adjustment on the cost report.

The Medical Center recognizes EHR incentive payments as revenue when there is reasonable assurance that the Medical Center will comply with the conditions attached to the incentive payments. As the entire EHR incentive payment is received in a lump sum for critical access hospitals and the Hospital must annually attest to increasingly stringent meaningful use criteria, the EHR incentive payments recognized are based on management's best estimate and those amounts are subject to change with such changes impacting the period in which they occur.

Contacting the Medical Center's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Medical Center's finances and to show the Medical Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the administration of North Caddo Medical Center at 715 South Pine Street, Vivian, Louisiana.



LESTER, MILLER & WELLS

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
North Caddo Hospital Service District
Vivian, Louisiana

Report on the Financial Statements

We have audited the accompanying combined financial statements of North Caddo Hospital Service District d/b/a North Caddo Medical Center and its affiliate (collectively referred to as the "Medical Center"), a component unit of Caddo Parish Commission, Louisiana, as of and for the years ended June 30, 2017, 2016 and 2015, and related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' 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 opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Medical Center as of June 30, 2017, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the combined financial statements present only the financial information of North Caddo Hospital Service District and its affiliate and do not purport to, and do not, present fairly the financial position of the Caddo Parish Commission, Louisiana as of June 30, 2017, 2016 and 2015, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

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, the Schedule of Employer's Proportionate Share of the Net Pension Liability on page 42 and Schedule of Employer Pension Contributions on page 43 be presented to supplement the combined financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the combined 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 combined financial statements, and other knowledge we obtained during our audit of the combined financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the Medical Center's combined financial statements as a whole. The supplementary schedules of net patient service revenue, other operating revenue and operating expenses on pages 31 through 39, schedule of compensation, benefits, and other payments to agency head and schedule of per diem and other compensation paid to hospital board members are presented for purposes of additional analysis and are not a required part of the combined financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles,



and Audit Requirements for Federal Awards, and is also not a required part of the combined financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the combined financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 18, 2017, on our consideration of the Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Medical Center's internal control over financial reporting and compliance.

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

December 18, 2017



NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
COMBINED STATEMENTS OF NET POSITION
AS OF JUNE 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Assets and Deferred Outflows of Resources			
Current assets:			
Cash and cash equivalents (Note 3)	\$ 805,521	\$ 1,325,447	\$ 3,409,600
Limited use assets (Note 6)	394,047	329,786	1,079,539
Net accounts receivable (Note 4)	3,663,131	3,716,079	2,836,385
Other receivables	229,128	219,775	106,300
Inventories	360,514	393,616	330,169
Prepaid expenses	<u>131,030</u>	<u>190,067</u>	<u>345,773</u>
Total current assets	<u>5,583,371</u>	<u>6,174,770</u>	<u>8,107,766</u>
Capital assets, net (Note 5)	<u>24,815,131</u>	<u>24,171,241</u>	<u>19,931,097</u>
Other assets:			
Limited use assets (Note 6)	1,081,882	1,317,216	1,171,702
Unamortized election cost (Note 7)	<u>18,127</u>	<u>20,230</u>	<u>22,730</u>
Total assets	<u>31,498,511</u>	<u>31,683,457</u>	<u>29,233,295</u>
Deferred outflows related to net pension liability	<u>1,753,305</u>	<u>2,731,153</u>	<u>-0-</u>
Total assets and deferred outflows of resources	\$ <u>33,251,816</u>	\$ <u>34,414,610</u>	\$ <u>29,233,295</u>
Liabilities, Deferred Inflows of Resources, and Net Position			
Current liabilities:			
Accounts payable and accrued expenses	\$ 2,300,141	\$ 1,757,830	\$ 2,373,761
Accrued salaries and payroll withholdings	503,856	344,581	526,297
Estimated third-party payor settlements	-0-	-0-	334,504
Current portion of long-term debt (Note 9)	<u>746,208</u>	<u>1,007,061</u>	<u>912,967</u>
Total current liabilities	<u>3,550,205</u>	<u>3,109,472</u>	<u>4,147,529</u>
Long-term liabilities			
Pension liability	1,205,412	1,590,973	-0-
Long-term debt (Note 9)	<u>21,919,096</u>	<u>20,324,773</u>	<u>15,985,287</u>
Total long-term liabilities	<u>23,124,508</u>	<u>21,915,746</u>	<u>15,985,287</u>
Total liabilities	<u>26,674,713</u>	<u>25,025,218</u>	<u>20,132,816</u>
Deferred inflows related to net pension liability	<u>350,420</u>	<u>477,988</u>	<u>-0-</u>
Net position:			
Invested in capital assets (net of related debt)	2,149,827	2,839,407	3,032,843
Temporarily restricted net assets (Note 6)	1,475,929	1,647,002	2,251,241
Unrestricted net assets	<u>2,600,927</u>	<u>4,424,995</u>	<u>3,816,395</u>
Total net position	<u>6,226,683</u>	<u>8,911,404</u>	<u>9,100,479</u>
Total liabilities, deferred inflows of resources, and net position	\$ <u>33,251,816</u>	\$ <u>34,414,610</u>	\$ <u>29,233,295</u>

See accompanying notes to financial statements.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
HOSPITAL ENTERPRISE FUND
COMBINED STATEMENTS OF REVENUES,
EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Revenues:			
Net patient service revenue (Note 11)	\$ 18,565,796	\$ 18,743,015	\$ 16,815,978
Noncapital grants and contributions	744,972	766,755	1,428,668
Other operating revenue	<u>336,454</u>	<u>77,435</u>	<u>39,192</u>
Total operating revenues	<u>19,647,222</u>	<u>19,587,205</u>	<u>18,283,838</u>
Operating Expenses:			
Salaries	12,159,795	11,242,643	10,265,935
Benefits and payroll taxes	3,336,801	2,614,418	2,596,272
Medical supplies and drugs	1,425,119	1,608,715	1,491,432
Professional services	2,081,633	1,813,146	1,669,918
Insurance	443,342	398,697	417,626
Depreciation and amortization	1,442,537	1,491,901	1,085,125
Leases and rentals	213,750	241,490	158,586
Other expenses	<u>1,963,218</u>	<u>2,129,968</u>	<u>1,850,035</u>
Total operating expenses	<u>23,066,195</u>	<u>21,540,978</u>	<u>19,534,929</u>
Operating income (loss)	<u>(3,418,973)</u>	<u>(1,953,773)</u>	<u>(1,251,091)</u>
Nonoperating Revenues (Expenses):			
Gain (loss) on disposition of assets	(279,295)	-0-	-0-
Interest income	3,061	7,066	11,911
Sales tax revenue (Note 21)	1,095,033	1,119,479	1,365,049
Non-employer pension contribution revenue	112,215	-0-	-0-
Property tax revenue (Note 17)	431,090	420,661	403,596
Rent income	1,558	-0-	1,200
Interest expense	<u>(541,743)</u>	<u>(558,978)</u>	<u>(65,208)</u>
Excess of revenues (expenses) before capital grants and contributions	(2,597,054)	(965,545)	465,457
Capital grants and contributions	<u>167,865</u>	<u>114,278</u>	<u>286,067</u>
Increase (decrease) in net position	<u>(2,429,189)</u>	<u>(851,267)</u>	<u>751,524</u>
Net position at beginning of year (previously reported)	8,911,404	9,100,479	8,348,955
Prior period adjustment (Note 2)	<u>(255,532)</u>	<u>662,192</u>	<u>-0-</u>
Net position at beginning of year (restated)	<u>8,655,872</u>	<u>9,762,671</u>	<u>8,348,955</u>
Net position at end of year	<u>\$ 6,226,683</u>	<u>\$ 8,911,404</u>	<u>\$ 9,100,479</u>

See accompanying notes to financial statements.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:			
Cash receipts from and on behalf of patients	\$ 18,618,744	\$ 17,522,829	\$ 16,633,575
Other receipts and payments, net	1,072,073	736,703	2,346,269
Payments to suppliers and contractors	(5,339,588)	(6,679,186)	(5,588,403)
Payments for employees and benefits	<u>(15,041,293)</u>	<u>(14,239,926)</u>	<u>(12,621,571)</u>
Net cash provided (used) by operating activities	<u>(690,064)</u>	<u>(2,659,580)</u>	<u>769,870</u>
Cash flows from investing activities:			
Interest on investments	3,061	7,066	11,911
Rent income	<u>1,558</u>	<u>-0-</u>	<u>1,200</u>
Net cash provided (used) by investing activities	<u>4,619</u>	<u>7,066</u>	<u>13,111</u>
Cash flows from noncapital financing activities:			
Property tax revenues received	431,090	420,661	403,596
Sales tax revenues received	<u>1,095,033</u>	<u>1,119,479</u>	<u>1,365,049</u>
Net cash provided by noncapital financing activities	<u>1,526,123</u>	<u>1,540,140</u>	<u>1,768,645</u>
Cash flows from capital and related financing activities:			
Proceeds from limited use assets	171,073	604,239	-0-
Purchase of property and equipment	(2,281,901)	(5,452,684)	(10,922,888)
Acquired assets limited as to use	-0-	-0-	(135,058)
Proceeds from disposal of assets	-0-	30,000	-0-
Proceeds from issuance of long-term debt	12,984,458	5,152,618	15,226,765
Interest paid on long-term debt	(751,111)	(547,177)	(297,975)
Principal payments on long-term debt	(11,650,988)	(873,053)	(6,900,263)
Capital grants and contributions	<u>167,865</u>	<u>114,278</u>	<u>286,067</u>
Net cash provided (used) by capital and related financing activities	<u>(1,360,604)</u>	<u>(971,779)</u>	<u>(2,743,352)</u>
Net increase (decrease) in cash and cash equivalents	(519,926)	(2,084,153)	(191,726)
Beginning cash and cash equivalents	<u>1,325,447</u>	<u>3,409,600</u>	<u>3,601,326</u>
Ending cash and cash equivalents	\$ <u>805,521</u>	\$ <u>1,325,447</u>	\$ <u>3,409,600</u>

See accompanying notes to financial statements.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
COMBINED STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	\$ <u>751,111</u>	\$ <u>547,177</u>	\$ <u>297,975</u>
Interest capitalized during the period:	\$ <u>81,718</u>	\$ <u>147,846</u>	\$ <u>361,789</u>
Noncash investing, capital, and financing activities:			
Capital lease obligations for equipment	\$ <u>-0-</u>	\$ <u>154,015</u>	\$ <u>886,070</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (3,418,973)	\$ (1,953,773)	\$ (1,251,091)
Adjustments to reconcile operating income to net cash flows provided (used) in operating activities:			
Depreciation and amortization	1,442,537	1,491,901	1,085,125
Changes in:			
Net accounts receivable	52,948	(879,694)	(102,907)
Other receivables	(9,353)	(113,475)	878,409
Inventories	33,102	(63,447)	(44,018)
Prepaid expenses	59,037	150,706	(120,335)
Accounts payable and accrued expenses	669,961	(775,578)	399,022
Accrued salaries and payroll taxes	159,274	(181,716)	5,161
Estimated third-party payor settlements	-0-	(334,504)	(79,496)
Pension liability	<u>321,403</u>	<u>-0-</u>	<u>-0-</u>
Net cash provided (used) by operating activities	\$ <u>(690,064)</u>	\$ <u>(2,659,580)</u>	\$ <u>769,870</u>

See accompanying notes to financial statements.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Legal Organizations

North Caddo Hospital Service District, d/b/a North Caddo Medical Center (the "Hospital"), was created by the board of commissioners of Caddo Parish, Louisiana, to operate, control, and manage all matters concerning the area's health care functions. The parish board of commissioners appoints nine voting members to the Hospital governing board, and they may not issue debt or levy taxes without the parish's approval. For this reason, the Hospital is considered to be a component unit of Caddo Parish and is included as a discretely presented component unit in the basic financial statements of the parish.

North Caddo Medical Center Foundation (the "Foundation") was incorporated March 2, 2009, as a Louisiana non-profit organization to aid, strengthen, and further the work and services of the Hospital. The Foundation is included in the Hospital's reporting entity because of the significance of its operations and financial relationship with the Hospital. Collectively, the Hospital and the Foundation are hereafter referred to as the "Medical Center".

Nature of Business

Located in Vivian, Louisiana, the Hospital provides inpatient, outpatient, emergency, and skilled nursing (through swing beds) services primarily for residents of the Vivian area. The Hospital also operates several physician clinics in the area. Admitting physicians are primarily practitioners in the local area.

The Foundation's purpose is to engage in the solicitation, receipt and administration of funds and property, and from time to time, to disburse such funds or property and the income there from, to or for the benefit of the Hospital.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The Medical Center uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic measurement focus.

Use of Estimates

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

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Principles of Combination

The accompanying financial statements include the accounts and transactions of the Hospital combined with its affiliate, the Foundation. All material intercompany accounts and transactions have been eliminated.

Income Taxes

The Hospital is a political subdivision and exempt from taxation. The Foundation is a not-for-profit corporation and has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded. The Foundation's federal income tax returns for the tax years 2012 and beyond remain subject to examination by the Internal Revenue Service.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposits in checking and money market accounts and certificates of deposit with original maturities of 365 days or less. Certificates of deposit with original maturities over 365 days are classified as short-term investments. Cash and cash equivalents and short-term investments are stated at cost, which approximates market value. The caption "cash and cash equivalents" does not include amounts whose use is limited or temporary cash investments.

Patient Accounts Receivable

Patient accounts receivable are carried at a net amount determined by the original charge for the services provided, less an estimate for contractual adjustments or discounts provided to the third-party payors, less any payments received and less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by utilizing historical experience applied to an aging of accounts. Patient accounts receivable are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off as bad debt expenses are recorded as a reduction of bad debt expense when received.

Donor-restricted Gifts

Conditional promises to give and intentions to give (pledges) are reported at fair market value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Assets Limited as to Use

Assets limited as to use primarily include assets held by trustees under indenture agreements, designated assets set aside by the Foundation Board, restricted by contributors' designations for capital projects and designated assets set aside by the Hospital Board, over which the Hospital Board retains control and may at its discretion subsequently use for other purposes.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventories are stated at the lower of cost determined by the first-in, first-out method, or market basis.

Capital Assets

Capital assets are recorded at cost for purchased assets or at fair market value on the date of any donation. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation for financial reporting and third-party reimbursement. The following estimated useful lives are generally used.

Building and Improvements	5 to 40 years
Machinery and Equipment	3 to 20 years
Furniture and Fixtures	8 to 20 years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations as incurred. The Medical Center capitalizes depreciable property and equipment valued at \$5,000 or more, with a useful life greater than two years. The cost of assets retired or otherwise disposed of and related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently.

Costs of Borrowing

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. During 2017, 2016 and 2015 the Hospital capitalized interest of \$81,718, \$147,846 and \$361,789, respectively.

Unamortized Election Cost

Unamortized election costs represent the capitalized costs of elections to levy taxes for the Medical Center's benefit and are being amortized over the life of the related levy.

Net Position

The Medical Center classifies net position into three components: invested in capital assets, net of related debt; restricted and unrestricted. Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted 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 are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

Restricted Resources

When the Medical Center has both restricted and unrestricted resources available for use, it is the Medical Center's policy to use restricted resources first, then unrestricted resources as they are needed.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenses

The Medical Center's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Medical Center's principal activity. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Non-exchange revenues, excluding grants and contributions received for purposes of capital asset acquisition, are reported as nonoperating revenues. Nonoperating revenue also includes sales and property taxes passed to provide the Medical Center with revenue to operate and provide medical services in north Caddo Parish.

Grants and Contributions

From time to time, the Medical Center receives grants and contributions from individuals or private and public organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as operating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Net Patient Service Revenue

The Hospital has entered into agreements with third-party payors, including government programs, health insurance companies, and managed care health plans, that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Settlements under reimbursement agreements with third-party payors are estimated and recorded in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Advertising Costs

The Medical Center expenses advertising costs as incurred.

Electronic Health Record Incentive Payments

The American Recovery and Reinvestment Act of 2009 (ARRA) amended the Social Security Act to establish incentive payments under the Medicare and Medicaid programs for certain hospitals and professionals that meaningfully use certified Electronic Health Records (EHR) technology.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

To qualify for the EHR incentive payments, hospitals and physicians must meet designated EHR meaningful use criteria. In addition, hospitals must attest that they have used certified EHR technology, satisfied the meaningful use objectives, and specify the EHR reporting period. This attestation is subject to audit by the federal government or its designee. The EHR incentive payment to hospitals for each payment year is calculated as a product of (1) allowable costs as defined by the Centers for Medicare and Medicaid Services (CMS) and (2) the Medicare share. Once the initial attestation of meaningful use is completed, critical access hospitals receive the entire EHR incentive payment for submitted allowable costs of the respective periods in a lump sum, subject to a final adjustment on the cost report.

The Hospital recognizes the EHR incentive payments as revenue when there is a reasonable assurance that the Hospital will comply with the conditions attached to the incentive payments. As the entire EHR incentive payment is received in a lump sum for critical access hospitals and the Hospital must annually attest to increasingly stringent meaningful use criteria, the EHR incentive payments are included in noncapital grants in the accompanying financial statements. The amount of EHR incentive payments recognized is based on management's estimate and those amounts are subject to change with such changes impacting the period in which they occur.

Credit Risk

The Hospital is located in Vivian, Louisiana. The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The Hospital's estimate of collectability is based on evaluation of historical collections compared to gross charges and an analysis of aged accounts receivable to establish an allowance for uncollectible accounts.

Significant Concentration of Economic Dependence

The Hospital has an economic dependence on a small number of staff physicians. These physicians admit over 90% of the Hospital's patients. The Hospital also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 11. Changes in federal or state legislation or interpretations of rules have a significant impact on the Hospital.

Risk Management

The Hospital is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illness; natural disasters, and medical malpractice. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year classifications.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense item until then. In addition to liabilities, the statements of financial position will sometimes report a separate section

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Hospital has one item that meets these criterion, pension related deferrals.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Parochial Employees' Retirement System of Louisiana (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLE AND ADJUSTMENT

During the preparation of the financial statements for the year ended June 30, 2015, the Hospital adopted GASB 68 and 71 related to pension liabilities. Due to changes in the calculation models used to determine pension liabilities in 2016 and 2017 the following prior period adjustments were made during preparation of the June 30, 2017 and 2016 financial statements related to the adoption of GASB 68 and 71.

	<u>2017</u>	<u>2016</u>
Net position - previously reported	\$ 8,911,404	\$ 9,100,479
Prior period adjustments:		
GASB 68 - Pension Expense	<u>(255,532)</u>	<u>662,192</u>
Net position - as restated	\$ <u>8,655,872</u>	\$ <u>9,762,671</u>

NOTE 3 - DEPOSITS AND INVESTMENTS

Investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in direct obligations of the United States government and its agencies pledged by its full faith and credit, certificates of deposit and savings accounts which are secured by FDIC or pledge of securities, and government backed mutual or trust funds.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the Medical Center's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the Hospital be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The Hospital's deposits were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the Hospital's name at June 30, 2017, 2016, and 2015. The Foundation's deposits were entirely insured at June 30, 2017, 2016, and 2015.

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 an investment takes to mature, the greater the sensitivity of its fair value is to changes in market interest rates.

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NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The carrying amounts of deposits and investments are included in the Medical Center's balance sheets as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Carrying Amount			
Deposits	\$ <u>2,281,450</u>	\$ <u>2,972,449</u>	\$ <u>5,660,841</u>
Totals	\$ <u>2,281,450</u>	\$ <u>2,972,449</u>	\$ <u>5,660,841</u>
Included in the following balance sheet captions			
Cash and cash equivalents	\$ 805,521	\$ 1,325,447	\$ 3,409,600
Current limited use assets	394,047	329,786	1,079,539
Other limited use assets	<u>1,081,882</u>	<u>1,317,216</u>	<u>1,171,702</u>
Totals	\$ <u>2,281,450</u>	\$ <u>2,972,449</u>	\$ <u>5,660,841</u>

NOTE 4 - ACCOUNTS RECEIVABLE, NET

A summary of net accounts receivable at June 30 is presented below:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Hospital patients	\$ 4,654,228	\$ 5,046,772	\$ 5,084,221
Medical and Surgical Clinic	864,893	643,379	545,700
Plain Dealing Clinic	131,120	118,814	83,743
Benton Clinic	37,477	23,233	-0-
Anesthesiology	40,327	30,888	31,304
Estimated allowances for contractual adjustments	<u>(2,500,061)</u>	<u>(2,453,740)</u>	<u>(2,287,432)</u>
Patient accounts receivable	3,227,984	3,409,346	3,457,536
Estimated third-party settlement	<u>1,076,176</u>	<u>1,208,361</u>	<u>452,682</u>
	4,304,160	4,617,707	3,910,218
Estimated uncollectibles	<u>(641,029)</u>	<u>(901,628)</u>	<u>(1,073,833)</u>
Net accounts receivable	\$ <u>3,663,131</u>	\$ <u>3,716,079</u>	\$ <u>2,836,385</u>

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NOTE 4 - ACCOUNTS RECEIVABLE, NET (Continued)

The following is a summary of the mix of gross receivables from patients and third-party payors at June 30:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Medicare	24%	28%	26%
Medicaid	14%	9%	6%
Commercial and other third-party payors	38%	36%	28%
Patients	<u>24%</u>	<u>27%</u>	<u>40%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

NOTE 5 - CAPITAL ASSETS

Capital asset additions, retirements, and balances for the years ended June 30, 2017, 2016 and 2015 were as follows:

	<u>2016</u>	<u>Additions</u>	<u>Dispositions</u>	<u>2017</u>
Land	\$ 369,961	\$ 110,533	\$ -0-	\$ 480,494
Land improvements	179,744	-0-	179,744	-0-
Buildings and improvements	20,159,241	5,444,456	2,040,590	23,563,107
Furniture and equipment	8,079,380	1,191,916	2,298,852	6,972,444
Construction in progress	<u>4,386,087</u>	<u>2,857,368</u>	<u>7,243,455</u>	<u>-0-</u>
Totals	33,174,413	9,604,273	11,762,641	31,016,045
Less accumulated depreciation and amortization	<u>9,003,172</u>	<u>1,440,434</u>	<u>4,242,692</u>	<u>6,200,914</u>
Capital assets, net	<u>\$ 24,171,241</u>	<u>\$ 8,163,839</u>	<u>\$ 7,519,949</u>	<u>\$ 24,815,131</u>
	<u>2015</u>	<u>Additions</u>	<u>Dispositions</u>	<u>2016</u>
Land	\$ 369,961	\$ -0-	\$ -0-	\$ 369,961
Land improvements	179,744	-0-	-0-	179,744
Buildings and improvements	2,476,698	17,682,543	-0-	20,159,241
Furniture and equipment	6,803,131	1,306,249	30,000	8,079,380
Construction in progress	<u>17,620,334</u>	<u>5,163,983</u>	<u>18,398,230</u>	<u>4,386,087</u>
Totals	27,449,868	24,152,775	18,428,230	33,174,413
Less accumulated depreciation and amortization	<u>7,518,771</u>	<u>1,484,401</u>	<u>-0-</u>	<u>9,003,172</u>
Capital assets, net	<u>\$ 19,931,097</u>	<u>\$ 22,668,374</u>	<u>\$ 18,428,230</u>	<u>\$ 24,171,241</u>

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NOTE 5 - CAPITAL ASSETS (Continued)

	<u>2014</u>	<u>Additions</u>	<u>Dispositions</u>	<u>2015</u>
Land	\$ 359,961	\$ 10,000	\$ -0-	\$ 369,961
Land improvements	179,744	-0-	-0-	179,744
Buildings and improvements	2,385,409	91,289	-0-	2,476,698
Furniture and equipment	6,489,937	313,194	-0-	6,803,131
Construction in progress	<u>5,864,067</u>	<u>11,756,267</u>	-0-	<u>17,620,334</u>
Totals	15,279,118	12,170,750	-0-	27,449,868
Less accumulated depreciation and amortization	<u>6,461,143</u>	<u>1,057,628</u>	-0-	<u>7,518,771</u>
Capital assets, net	\$ <u>8,817,975</u>	\$ <u>11,113,122</u>	\$ <u>-0-</u>	\$ <u>19,931,097</u>

NOTE 6 - ASSETS LIMITED AS TO USE

The component of assets limited as to use at June 30, is set forth in the following table.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Funds designated for capital assets	\$ 1,475,929	\$ 1,647,002	\$ 2,251,241
Less: limited use assets required for current liabilities	<u>(394,047)</u>	<u>(329,786)</u>	<u>(1,079,539)</u>
Non-current limited use assets	\$ <u>1,081,882</u>	\$ <u>1,317,216</u>	\$ <u>1,171,702</u>

NOTE 7 - UNAMORTIZED ELECTION COST

The following is a summary of unamortized election cost and related amortization, at June 30:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cost of 2008 tax election	\$ 22,659	\$ 22,659	\$ 22,659
Cost of 2012 tax election	15,943	15,943	15,943
Less accumulated amortization	<u>(20,475)</u>	<u>(18,372)</u>	<u>(15,872)</u>
Unamortized cost of tax election	\$ <u>18,127</u>	\$ <u>20,230</u>	\$ <u>22,730</u>

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NOTE 8 - EMPLOYEE MEDICAL BENEFIT PLAN

The Hospital became self-insured to provide group medical benefits for its employees beginning October 1, 2015. A third-party, Blue Cross Blue Shield of Louisiana, administers the employee medical benefit plan for the Hospital. The Hospital funds its losses based on actual claims. A stop-loss insurance contract executed with an insurance carrier provides for payment of 100% of claims in excess of \$50,000 per year per person and \$1,000,000 in aggregate. A liability is accrued for self-insured employee health claims, including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims' experience, recently settled claims, and frequency of claims. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term. The following is a summary of changes in the Hospital's claims liability for the year ended June 30:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Beginning of the year	\$ 111,889	\$ -0-	\$ -0-
Plus: Claims incurred and changes in estimate	1,288,160	1,285,267	-0-
Less: Claims paid	<u>1,292,356</u>	<u>1,173,378</u>	<u>-0-</u>
End of the year	\$ <u>107,693</u>	\$ <u>111,889</u>	\$ <u>-0-</u>

NOTE 9 - LONG-TERM DEBT

A summary of long-term debt and capital lease obligations at June 30 follows:

	June 30, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	June 30, <u>2017</u>	Due Within <u>One Year</u>
Capital lease obligations	\$ 1,274,368	\$ -0-	\$ 582,083	\$ 692,285	\$ 214,699
Bonds payable	10,786,420	11,555,841	388,909	21,953,352	531,509
Notes payable	<u>9,271,046</u>	<u>1,428,615</u>	<u>10,679,994</u>	<u>19,667</u>	<u>-0-</u>
Total	\$ <u>21,331,834</u>	\$ <u>12,984,456</u>	\$ <u>11,650,986</u>	\$ <u>22,665,304</u>	\$ <u>746,208</u>
	June 30, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	June 30, <u>2016</u>	Due Within <u>One Year</u>
Capital lease obligations	\$ 1,719,581	\$ 154,015	\$ 599,228	\$ 1,274,368	\$ 597,269
Bonds payable	11,040,000	-0-	253,580	10,786,420	409,792
Notes payable	<u>4,138,673</u>	<u>5,152,618</u>	<u>20,245</u>	<u>9,271,046</u>	<u>-0-</u>
Total	\$ <u>16,898,254</u>	\$ <u>5,306,633</u>	\$ <u>873,053</u>	\$ <u>21,331,834</u>	\$ <u>1,007,061</u>

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NOTE 9 - LONG-TERM DEBT (Continued)

	June 30, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	June 30, <u>2015</u>	Due Within <u>One Year</u>
Capital lease obligations	\$ 1,354,164	\$ 886,070	\$ 520,653	\$ 1,719,581	\$ 639,171
Bonds payable	5,000,000	6,200,000	160,000	11,040,000	253,580
Notes payable	<u>1,331,518</u>	<u>9,026,765</u>	<u>6,219,610</u>	<u>4,138,673</u>	<u>20,216</u>
Total	\$ <u>7,685,682</u>	\$ <u>16,112,835</u>	\$ <u>6,900,263</u>	\$ <u>16,898,254</u>	\$ <u>912,967</u>

The terms and due dates of the Hospital's long-term debt, including capital lease obligations, at June 30, 2017 follow:

- Sales tax bonds, series 2013, at 4.5% interest, maturing serially on September 1 of each year beginning in 2014, with interest payable March 1 and September 1 of each year beginning in 2014, with final maturity on September 1, 2033. Collateral is a pledge of 1% sales and use tax proceeds.
- Sales tax bonds, series 2014, at 3.125% interest, with one interest only payment on January 1, 2016 and principal and interest payable in monthly installments of \$33,604, starting February 1, 2016, through January 1, 2037. Collateral is a pledge of 1% sales and use tax proceeds.
- Capital lease obligation, at imputed interest rate of 6% collateralized by a building with cost of \$70,139 and accumulated depreciation of \$17,535.
- Capital lease obligations, at varying rates of imputed interest from 0.72% to 3.98% collateralized by equipment with a cost of \$3,065,265 and accumulated depreciation of \$2,770,785.
- 3.25% note payable, principal and interest payable in monthly payments of \$1,837, collateralized by a Hospital savings account with approximate value of \$150,000.
- Revenue Bonds Series 2014 at 2.375% interest with interest and principal of \$31,160 paid monthly beginning December 2017 with final maturity in December of 2056.
- Revenue Bonds Series 2014 at 2.375% interest with interest and principal of \$14,104 paid monthly beginning December 2017 with final maturity in December of 2056.

Bond covenants include the following:

- Maintain sales tax fund in a separate and special bank account for all sales tax revenue.
- Maintain hospital revenue fund in a separate bank account for bond payments.
- Make monthly deposits equal to the pro-rata portion of the next principal and/or interest payment into a sales tax bond sinking fund.
- Establish and maintain "Series 2013 and 2014 Sales Tax Bond Reserve Funds" with monthly deposits until said funds have accumulated up to stipulated level.
- Sales Tax Fund, Sinking Fund, 2013 and 2014 Reserve Funds are to be invested in the manner provided by Louisiana law in obligations maturing in five years or less.
- Maintain complete and accurate records and have an annual audit.

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NOTE 9 - LONG-TERM DEBT (Continued)

Scheduled principal and interest repayments on long-term debt and payments on capital lease obligations are as follows:

Year Ending June 30,	<u>Long-Term Debt</u>		<u>Capital Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 531,509	\$ 871,468	\$ 214,699	\$ 19,317
2019	638,882	687,569	218,634	12,645
2020	659,439	666,282	197,340	7,879
2021	682,354	644,232	16,575	2,871
2022	704,638	621,386	3,390	2,610
2023 - 2027	3,891,098	2,734,967	20,357	9,643
2028 - 2032	4,589,974	2,028,993	21,290	2,710
2033 - 2037	4,049,704	1,267,116	-0-	-0-
2038 - 2042	1,643,031	902,784	-0-	-0-
2043 - 2047	1,405,464	464,135	-0-	-0-
2048 - 2052	1,582,647	286,953	-0-	-0-
2053 - 2057	<u>1,594,279</u>	<u>88,362</u>	<u>-0-</u>	<u>-0-</u>
Totals	\$ <u>21,973,019</u>	\$ <u>11,264,247</u>	\$ <u>692,285</u>	\$ <u>57,675</u>

NOTE 10 - COMMITMENTS UNDER NONCANCELABLE OPERATING LEASES

The Hospital is committed under various noncancelable operating leases, all of which are for real estate and equipment. These expire in various years through 2021. Future minimum operating lease payments are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2018	\$ 149,861
2019	111,178
2020	102,275
2021	5,250
2022	<u>-0-</u>
Total	\$ <u>368,564</u>

NORTH CADDO HOSPITAL SERVICE DISTRICT,
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NOTE 11 - NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare – Effective July 1, 2001, the Hospital became a “Critical Access Hospital” (CAH). This designation enables the Hospital to receive cost based reimbursement for most services provided to Medicare beneficiaries who have traditional coverage. Rural health clinic services primarily continue to be reimbursed based on a cost based methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital’s classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. The Hospital’s cost reports have been audited by the Medicare fiscal intermediary through June 30, 2015.

Medicaid – Medicaid inpatient acute services are reimbursed based on a prospectively determined per diem rate. Some Medicaid outpatient services are reimbursed under a cost reimbursement methodology, while others are paid on a prospectively determined fee schedule. The Hospital is reimbursed at a tentative rate for cost based services with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital’s cost reports have been audited by the Medicaid fiscal intermediary through June 30, 2013.

Commercial – The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Payment methods under these agreements include prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

The Hospital’s previous reimbursements are also subject to review by Medicare and Medicaid representatives. These representatives have several initiatives in progress. No material liabilities have been identified to date under these review programs; however, the potential exists for future claims. These will be recognized in the year the amounts are determined, if any.

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics.

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NOTE 11 - NET PATIENT SERVICE REVENUE (Continued)

Additionally, the Hospital foregoes charges relating to Medicare, Medicaid and other third-party payors. Following is a schedule of patient service revenue at established rates and charges foregone for the years ended June 30:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Gross patient service charges	\$ 37,363,786	\$ 37,747,816	\$ 33,353,934
Deductions from patient charges:			
Contractual adjustments	16,483,823	15,579,816	12,883,391
Uncompensated care reimbursement, net of recoveries	-0-	-0-	(16,242)
Provision for bad debts	1,776,017	2,589,404	3,118,984
Charity care	<u>538,150</u>	<u>835,581</u>	<u>551,823</u>
Total deductions from patient charges	<u>18,797,990</u>	<u>19,004,801</u>	<u>16,537,956</u>
Net patient service revenue	\$ <u>18,565,796</u>	\$ <u>18,743,015</u>	\$ <u>16,815,978</u>

The Hospital receives a substantial portion of its revenue from the Medicare and Medicaid programs at discounted rates. The following is a summary of Medicare and Medicaid patient revenues for the years ended June 30:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Medicare and Medicaid gross patient charges	\$ 19,620,826	\$ 17,123,892	\$ 17,719,208
Contractual adjustments	<u>6,820,548</u>	<u>6,516,316</u>	<u>6,500,146</u>
Program patient service revenue without UCC	\$ <u>12,800,278</u>	\$ <u>10,607,576</u>	\$ <u>11,219,062</u>
Percent of total gross patient charges	<u>53%</u>	<u>45%</u>	<u>53%</u>
Percent of net patient revenue	<u>69%</u>	<u>57%</u>	<u>67%</u>

The Hospital experienced differences between the amounts initially recorded on its cost settlements with Medicare and Medicaid and the finalized amounts. These adjustments resulted in a decrease in 2017 of \$72,780, an increase of \$54,000 in 2016 and an increase of \$152,000 in 2015 in net patient service revenue.

NOTE 12 - COMPENSATED ABSENCES

As of June 30, 2017, 2016, and 2015, the Hospital has accrued a compensated absence liability of \$348,295, \$347,978, and \$387,923, respectively. The Hospital pays accrued vacation absences upon termination, if proper notice and termination procedures are followed.

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NOTE 13 - PENSION PLAN

Plan description - Substantially all Hospital employees are eligible for participation in the Parochial Employees' Retirement System of Louisiana (the "Plan"), a cost-sharing multiple-employer defined benefit pension plan administered by a Board of Trustees and established by Act 205 of the 1952 Regular Session of the Louisiana Legislature. The Plan is governed by Louisiana Revised Statutes, Title 11, Sections 1901 through 2025, specifically, and other general laws of the State of Louisiana. The Plan issues a publicly available financial statement report that includes financial statements and required supplementary information. That report may be obtained at www.PERSLA.com or by writing to the board of trustees of the Parochial Employees' Retirement System of Louisiana, 7905 Wrenwood Boulevard, Baton Rouge, Louisiana, 70809, or by calling (225) 928-1361.

Benefits Provided - The Plan provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the employee's final compensation multiplied by the employee's years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. Employees with 30 years of service are eligible to retire at age 55. Employees with a minimum of 10 years of service are eligible to retire at age 60 or 62 depending on their hire date. Employees with a minimum of 7 years of service are eligible to retire at age 65 or 67 depending on their hire date. Employees are eligible for disability benefits if they are not eligible for normal retirement after 5 or 7 years of service depending on their hire date. Survivor's benefits are available upon the death of a member who has credit for ten or more years of service who is not eligible for normal retirement benefits. Under state law, cost of living increases to benefits are allowable only if sufficient funds are available from investment income in excess of normal requirements. Cost of living increases cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement.

Contributions - Employee contribution rates are established by state law and employer contribution rates are actuarially determined each year by the Plan's Board of Trustees. Covered employees are required to contribute 3% of their compensation. The Hospital's contractually required contribution rate as of June 30, 2017, was 8% of covered employees' compensation. Employer expense for each of the years ended June 30, 2017, 2016, and 2015 equals the required contributions for each year. In addition to the aforementioned contributions the tax collectors of various parishes contribute one fourth of one percent of ad valorem taxes collected. The following is a schedule that summarizes information regarding the multiple employer defined benefit retirement plan in effect for the years ended June 30:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Hospital payroll	\$ 12,159,795	\$ 11,242,643	\$ 10,265,935
Total covered payroll	10,238,558	8,816,641	7,740,318
Employee contributions	299,931	262,799	230,417
Employer contributions	\$ 799,814	\$ 733,646	\$ 705,804

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, 2016 and 2015, the Hospital reported a liability of \$1,205,412, \$1,590,973 and \$0-, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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NOTE 13 - PENSION PLAN (Continued)

The Hospital's proportion of the net pension liability was based on a projection of the Hospital's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, 2016 and 2015, the Hospital's proportion was 9.279%, 8.936% and 8.545%, respectively.

At June 30, 2017, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -0-	\$ (344,062)
Net difference between projected and actual earnings on pension plan investments	1,203,439	-0-
Changes in assumptions	143,765	-0-
Changes in proportion	1,426	(6,358)
Differences between employer contributions and proportion of shared contributions	-0-	-0-
Employer contributions subsequent to the measurement date	404,675	-0-
Total	\$ <u>1,753,305</u>	\$ <u>(350,420)</u>

Deferred outflows of resources of \$799,814 related to employer contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>		
2018	\$	321,807
2019		352,590
2020		482,304
2021	\$	362,818

Actuarial Assumptions - Total pension liability in the Plan's December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	5.25%
Investment Rate of Return	7.00% (Net of Investment Expense)

Mortality rates were based on the RP-2000 Employee Mortality Table for active members, the RP-2000 Healthy Annuitant Table for health annuitants, and the RP-2000 Disabled Lives Mortality Tables for disabled annuitants for Males or Females, as appropriate.

The data collected for this study covered the period January 1, 2010 through December 31, 2014.

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NOTE 13 - PENSION PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). The expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rate ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2% and an adjustment for the effect of rebalancing/diversification.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	35%	1.24%
Equity	52%	3.63%
Alternatives	11%	0.67%
Real assets	2%	0.12%
Totals	<u>100%</u>	5.66%
Inflation		2.00%
Expected Arithmetic Nominal Return		7.66%

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at the actuarially determined rates approved by the Louisiana Public Retirement Systems' Actuarial Committee (PRSAC) taking into consideration the recommendation of the Plan's actuary. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Hospital's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate -

The following presents the Hospital's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Hospital's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.00%) or one percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Hospital's Proportionate Share of the Net Pension Liability	\$ 4,582,667	\$ 1,205,412	\$ (1,645,459)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial report.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
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NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 13 - PENSION PLAN (Continued)

Payables to the Pension Plan - As of June 30, 2017, 2016 and 2015, the Hospital had payables due to the Plan of \$180,938, \$74,211 and \$77,250, respectively. These amounts represent one month's contributions paid in the month following accrual.

NOTE 14 - CONTINGENCIES

The Medical Center evaluates contingencies based upon the best available evidence. To the extent that resolution of contingencies results in amounts which vary from the Medical Center's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 11) - The Hospital is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

Further, in order to continue receiving reimbursement from the Medicare programs, the Hospital entered into an agreement with a government agent allowing the agent access to the Hospital's Medicare patient medical records for purposes of making medical necessity and appropriate level of care determination. The agent has the ability to deny reimbursement for Medicare patient claims which have already been paid to the Hospital.

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as privacy, licensure, accreditation, government healthcare program participating 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 expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with applicable government laws and regulations; however, in June 2015, the United States Department of Justice notified the Medical Center regarding alleged False Claims Act violations which may have occurred from January 2006 to May 2014. Medicare and Medicaid claim payments in question total approximately \$69,000. The Medical Center's management intends to offer a vigorous defense against the allegation. The cost of defense and any recoveries or penalties, if the defense is unsuccessful, cannot be determined at this time. 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.

Professional and General Liability Risk - Under current Louisiana law, the Hospital's liability for medical malpractice is statutorily limited to \$500,000 per claim. To cover this exposure, the Hospital has obtained insurance coverage of \$100,000 per claim with the Louisiana Hospital Association Malpractice and General Liability Trust and an additional \$400,000 per claim with the State of Louisiana Patient's Compensation Fund.

The Hospital is a participant of the Louisiana Hospital Association Malpractice and General Liability Trust (the Trust) and Workers' Compensation Interlocal Risk Management Agency (the Agency). These trust funds retrospectively set premiums for members based on the loss history of each entire group. The Hospital expenses premiums paid to these multi-provider captive insurance companies over the policy periods covered.

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NOTE 14 - CONTINGENCIES (Continued)

According to the trust document for the Trust, participants are jointly and severally liable for the obligations of the Trust with the right of indemnity among the participants for each participant's pro rata share of the obligation as formulated in the trust document. Each participant has this contingent assessment liability for the payment of actual losses and expenses incurred while a participant in the Trust. This contingent liability is not to exceed the amount necessary to make up trust fund deficiencies in the trust fund year in which the obligations were incurred, and such liability is not to exceed an amount equal to the charges otherwise due by such participant during such plan year.

According to the trust documents for the Agency, participants are liable jointly and in solido for claims not paid pursuant to Subpart J of Part I of Chapter 10 of Title 23 of the Louisiana Revised Statutes of 1950, with the right of indemnity among the participants for each participant's pro rata share of the obligation as formulated in the trust document. Each participant has this contingent assessment liability for the payment of actual losses and expenses incurred while a participant in the Fund, but only to the extent that such losses and expenses are not paid by the excess coverage secured by the Fund.

Management does not believe that any significant contingent liabilities exist under these insurance arrangements.

Workers' Compensation Liability Risk - The Hospital became self-funded with respect to unemployment claims effective October 1, 1998. As a self-funded employer, the Hospital must reimburse the Louisiana Department of Labor on a dollar-for-dollar basis for unemployment benefits paid to former employees. The Hospital reimbursed the Louisiana Department of Labor \$2,501, \$5,515, and \$16,591 for claims paid on behalf of the Hospital during the fiscal years ended June 30, 2017, 2016, and 2015, respectively.

Management does not believe that any significant contingent liabilities exist under this arrangement.

NOTE 15 - COMMITMENTS

The Hospital entered into a construction contract for approximately \$20,461,000, including change orders as of June 30, 2017. Change orders resulting in additional commitments after June 30, 2017, total \$23,913. The Hospital paid \$20,092,715 towards that commitment as of June 30, 2017. Payments toward this commitment after June 30, 2017 total \$193,939.

NOTE 16 - GRANT REVENUE

The Hospital received grant revenue of \$678,903, \$803,128 and \$1,050,854 in 2017, 2016 and 2015, respectively, to be used solely to provide adequate and essential medically necessary health care services to the citizens in its community who are low income and/or indigent patients. As a condition of the grant agreement, the Hospital, along with the other participating hospitals, has agreed to indemnify the grantors for claims that may arise out of this grant agreement.

The Hospital recognized operating grant revenue of \$51,190, \$(80,515) and \$365,654 from Medicare and Medicaid during the years ended June 30, 2017, 2016 and 2015, respectively, as an incentive for implementing electronic health records (EHR). The key component of receiving the EHR incentive payments is "demonstrating meaningful use," which is meeting a series of objectives that make use of an EHR's potential related to the improvement of quality, efficiency, and patient safety.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
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NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 16 - GRANT REVENUE (Continued)

The Centers for Medicare and Medicaid Services has indicated that demonstrating meaningful use will be phased in during the next few years in three stages, with each progressive stage incorporating more stringent measures. The EHR revenues each year are based on management's best estimate. The EHR incentive payments are reimbursed at a tentative rate with final settlement determined after submittal of the annual cost reports and audits thereof by the fiscal intermediaries.

Nonoperating grants received during 2015 were from Department of Health and Human Services for emergency preparedness.

NOTE 17 - AD VALOREM TAXES

The Caddo Parish Commission levies taxes on real and business personal property located within Caddo Parish's boundaries. Property taxes are levied by the Commission on property values assessed by the Caddo Parish Tax Assessor and approved by the State of Louisiana Tax Commission.

The Caddo Parish Sheriff's Office bills and collects property taxes of 4.61 mills for the North Caddo Hospital Service District. Collections are remitted to the Hospital monthly. The Hospital property tax revenues are recognized when levied to the extent that they are collected within 30 days after year-end.

	Property Tax Calendar
Assessment date	January 1
Levy date	No later than June 1
Tax bills mailed	On or about November 25
Due date	December 31
Lien date	January 1

Assessed values are established by the Caddo Parish Tax Assessor each year on a uniform basis at 10%, 15%, or 25% ratio to fair value, depending on the type of property. A revaluation of all property is required to be completed no less than every four years. The last revaluation was completed for the roll of January 1, 2015. Total assessed value for the Hospital Service District was \$95,243,644 in 2016. Louisiana state law exempts the first \$7,500 of assessed value of a taxpayer's primary residence from Parish property taxes. This homestead exemption was \$14,151,539 of the assessed value in 2016.

NOTE 18 - NORTH CADDO MEDICAL CENTER FOUNDATION (AFFILIATE)

The accompanying combined financial statements include the accounts of the Foundation, with intercompany accounts eliminated. Foundation contributions received of \$155,425, \$114,078, and \$205,930 are included in capital grants and contributions for the years ended June 30, 2017, 2016, and 2015, respectively. Medical Center support of operational expenses for the Foundation were \$27,598, \$17,829 and \$28,431 during years ended June 30, 2017, 2016 and 2015, respectively.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
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NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 18 - NORTH CADDO MEDICAL CENTER FOUNDATION (AFFILIATE) (Continued)

Following is a summary of net assets and results of operations of the Foundation as of June 30:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
ASSETS			
Cash and cash equivalents	\$ 216,820	\$ 133,246	\$ 49,828
Prepaid expenses	-0-	-0-	1,500
Limited use assets	<u>26,718</u>	<u>69,341</u>	<u>342,272</u>
Total assets	<u>\$ 243,538</u>	<u>\$ 202,587</u>	<u>\$ 393,600</u>
LIABILITIES AND NET ASSETS			
Net assets	<u>\$ 243,538</u>	<u>\$ 202,587</u>	<u>\$ 393,600</u>
Total liabilities and net assets	<u>\$ 243,538</u>	<u>\$ 202,587</u>	<u>\$ 393,600</u>
REVENUE			
Contribution revenue	\$ 155,425	\$ 114,078	\$ 205,930
Interest income	<u>187</u>	<u>513</u>	<u>1,838</u>
Total revenue	155,612	114,591	207,768
EXPENSES			
Grants to Hospital	95,363	286,825	209,203
Fundraising and administrative expense	<u>19,298</u>	<u>18,779</u>	<u>29,281</u>
Excess of revenue over expenses	40,951	(191,013)	(30,716)
Beginning net assets	<u>202,587</u>	<u>393,600</u>	<u>424,316</u>
Ending net assets	<u>\$ 243,538</u>	<u>\$ 202,587</u>	<u>\$ 393,600</u>

NOTE 19 - CHARITY CARE

The Hospital provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% charity care or owe a portion based on the patient's level of income. Accordingly, the Hospital does not report the amounts it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The Hospital determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including wages and related benefits, supplies and other operating expenses. The costs of caring for charity care patients were approximately \$338,000, \$478,800, and \$311,600 for the years ended June 30, 2017, 2016, and 2015, respectively. Funds received (net of recoupment for prior years) through UCC and grants, which pay part of the cost of charity and uninsured care, were approximately \$678,900, \$803,100 and \$1,050,800 for the years ended June 30, 2017, 2016 and 2015, respectively. Charges for services and supplies furnished to patients who may qualify for charity care but are not documented according to Hospital policy are included in bad debt expense.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 20 - RELATED PARTY TRANSACTIONS

The Hospital has entered into a management contract with Willis-Knighton Medical Center (WKMC), a large metropolitan health care provider operating in Shreveport and Bossier City, Louisiana. Under this contract, WKMC has agreed to manage the operations of the Hospital and to provide the Hospital with a qualified administrator. The administrator is an employee of WKMC and acts on behalf of WKMC in the Hospital's best interest. The contract is on a monthly basis and requires that the Hospital reimburse WKMC for the salary and benefits of the Hospital's administrator.

The Hospital entered into an operating lease with WKMC for the Vivian Medical and Surgical Clinic building. The lease terms provide for monthly rentals of \$6,420 for five years through January 31, 2013 with an automatic one year renewal. Rental expense on this lease during the years ended June 30, 2017, 2016 and 2015 was \$77,038 for each year.

During the years ended June 30, 2017, 2016, and 2015, the Hospital incurred, \$400,871, \$460,407 and \$324,749, respectively, for the administrator's salary and benefits, laundry services and various patient services with WKMC.

At June 30, 2017, 2016, and 2015, the Hospital owed WKMC \$298,229, \$295,837 and \$229,747, respectively, for various services and supplies, which is included in accounts payable.

NOTE 21 - SALES TAX REVENUE

Effective July 1, 2012, the North Caddo Hospital Service District began collecting a one percent (1%) sales tax dedicated for use by the Hospital. The sales tax was approved for 25 years and the Hospital intends to use the sales tax proceeds to fund debt service associated with construction of a new hospital facility. Any remaining sales tax levy amounts received may be used for Hospital operations.

NOTE 22 - SUBSEQUENT EVENTS

Events have been evaluated through December 18, 2017, for subsequent event disclosure. This date is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

NORTH CADDO HOSPITAL SERVICE DISTRICT,
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COMBINED SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Daily patient services:			
Routine services	\$ 1,510,223	\$ 1,634,094	\$ 1,510,920
Swing bed	508,463	497,348	544,935
Obstetrics	<u>261,742</u>	<u>290,745</u>	<u>286,567</u>
 Total daily patient services	 <u>2,280,428</u>	 <u>2,422,187</u>	 <u>2,342,422</u>
Other professional services:			
Cardiac monitor			
Inpatient	237	1,818	883
Outpatient	<u>-0-</u>	<u>1,818</u>	<u>-0-</u>
 Total cardiac monitor	 <u>237</u>	 <u>3,636</u>	 <u>883</u>
Operating room			
Inpatient	16,486	6,854	1,675
Outpatient	<u>107,952</u>	<u>104,851</u>	<u>65,535</u>
 Total operating room	 <u>124,438</u>	 <u>111,705</u>	 <u>67,210</u>
Anesthesia			
Inpatient	114,468	115,444	123,230
Outpatient	<u>113,650</u>	<u>109,099</u>	<u>94,977</u>
 Total anesthesia	 <u>228,118</u>	 <u>224,543</u>	 <u>218,207</u>
Radiology			
Inpatient	191,667	194,398	150,935
Outpatient	<u>1,213,541</u>	<u>1,023,500</u>	<u>820,001</u>
 Total radiology	 <u>1,405,208</u>	 <u>1,217,898</u>	 <u>970,936</u>
Ultrasound			
Inpatient	65,276	82,072	55,411
Outpatient	<u>383,731</u>	<u>352,588</u>	<u>271,534</u>
 Total ultrasound	 <u>\$ 449,007</u>	 <u>\$ 434,660</u>	 <u>\$ 326,945</u>

NORTH CADDO HOSPITAL SERVICE DISTRICT,
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COMBINED SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CT scans & nuclear medicine			
Inpatient	\$ 633,158	\$ 592,523	\$ 501,338
Outpatient	<u>3,216,152</u>	<u>2,869,475</u>	<u>2,543,067</u>
Total CT scans & nuclear medicine	<u>3,849,310</u>	<u>3,461,998</u>	<u>3,044,405</u>
MRI			
Inpatient	94,870	56,036	58,150
Outpatient	<u>518,880</u>	<u>581,725</u>	<u>537,350</u>
Total MRI	<u>613,750</u>	<u>637,761</u>	<u>595,500</u>
Laboratory & blood			
Inpatient	1,987,852	2,364,182	2,062,213
Outpatient	<u>2,516,957</u>	<u>2,559,354</u>	<u>2,198,608</u>
Total laboratory & blood	<u>4,504,809</u>	<u>4,923,536</u>	<u>4,260,821</u>
Respiratory care			
Inpatient	1,475,898	1,931,111	957,224
Outpatient	<u>450,270</u>	<u>390,530</u>	<u>214,194</u>
Total respiratory care	<u>1,926,168</u>	<u>2,321,641</u>	<u>1,171,418</u>
Physical, occupational and speech therapy			
Inpatient	367,741	700,316	588,276
Outpatient	<u>80,442</u>	<u>43,195</u>	<u>16,335</u>
Total physical, occupational and speech therapy	<u>448,183</u>	<u>743,511</u>	<u>604,611</u>
EKG and EEG			
Inpatient	284,410	317,840	262,295
Outpatient	<u>554,376</u>	<u>583,936</u>	<u>465,620</u>
Total EKG and EEG	\$ <u>838,786</u>	\$ <u>901,776</u>	\$ <u>727,915</u>

NORTH CADDO HOSPITAL SERVICE DISTRICT,
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COMBINED SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Central supply			
Inpatient	\$ 897,284	\$ 1,233,635	\$ 1,316,462
Outpatient	<u>132,409</u>	<u>175,864</u>	<u>104,106</u>
Total central supply	<u>1,029,693</u>	<u>1,409,499</u>	<u>1,420,568</u>
Pharmacy			
Inpatient	2,182,700	2,764,491	2,760,453
Outpatient	<u>1,680,375</u>	<u>1,389,276</u>	<u>1,189,843</u>
Total pharmacy	<u>3,863,075</u>	<u>4,153,767</u>	<u>3,950,296</u>
Emergency and treatment room			
Inpatient	487,203	383,069	347,740
Outpatient	<u>6,036,578</u>	<u>6,619,177</u>	<u>5,706,110</u>
Total emergency and treatment room	<u>6,523,781</u>	<u>7,002,246</u>	<u>6,053,850</u>
Other outpatient services			
Ambulance	1,335,038	1,165,335	1,055,737
Physicians and surgeons clinic	5,880,754	5,046,762	4,856,759
Plain Dealing clinic	1,599,426	1,372,902	1,495,314
Benton clinic	351,653	104,533	-0-
HealthPlex & Kidmed	46,039	14,863	113,750
Fitness center	<u>65,885</u>	<u>73,057</u>	<u>76,387</u>
Total other outpatient services	<u>9,278,795</u>	<u>7,777,452</u>	<u>7,597,947</u>
Total other professional services	<u>35,083,358</u>	<u>35,325,629</u>	<u>31,011,512</u>
Gross patient service charges	\$ <u>37,363,786</u>	\$ <u>37,747,816</u>	\$ <u>33,353,934</u>

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Gross patient service charges	\$ <u>37,363,786</u>	\$ <u>37,747,816</u>	\$ <u>33,353,934</u>
Deductions from patient charges:			
Contractual adjustments	16,483,823	15,579,816	12,883,391
Uncompensated care reimbursement, net of recoveries	-0-	-0-	(16,242)
Provision for bad debts	1,776,017	2,589,404	3,118,984
Charity care	<u>538,150</u>	<u>835,581</u>	<u>551,823</u>
Total deductions from patient charges	<u>18,797,990</u>	<u>19,004,801</u>	<u>16,537,956</u>
Net patient service revenue	\$ <u>18,565,796</u>	\$ <u>18,743,015</u>	\$ <u>16,815,978</u>

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF OTHER OPERATING REVENUE
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cafeteria	\$ 118,572	\$ 46,119	\$ 20,665
Medical records fees	5,948	2,384	4,243
340B pharmaceutical program	168,852	-0-	-0-
Vending	2,038	2,773	3,311
Miscellaneous	<u>41,044</u>	<u>26,159</u>	<u>10,973</u>
Total other operating revenue	\$ <u><u>336,454</u></u>	\$ <u><u>77,435</u></u>	\$ <u><u>39,192</u></u>

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF OPERATING EXPENSES – SALARIES AND BENEFITS
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Salaries:			
Routine nursing	\$ 2,518,769	\$ 2,325,324	\$ 1,911,029
Obstetrics	2,846	9,992	13,185
Cardiac care	-0-	7,513	8,672
Nursing administration	53,736	134,324	173,291
Education	220	-0-	80
Operating room	105	3,234	5,465
Anesthesiology	353,162	327,860	303,324
Radiology	332,773	192,994	174,556
Ultrasound	22,022	12,502	6,229
CT scan	50,081	75,671	72,445
Laboratory	563,158	527,520	484,381
Respiratory therapy	406,033	393,374	360,443
Physical therapy	261,770	326,211	269,077
Cardiology	6,608	-0-	-0-
Central supply	178,200	101,035	85,703
Pharmacy	213,272	196,844	190,598
Physicians and surgeons clinic	2,478,556	2,410,342	2,373,721
Plain Dealing clinic	690,151	616,397	747,704
Benton clinic	180,333	61,692	-0-
Emergency room	771,944	595,038	433,479
Treatment room	1,332	-0-	690
Ambulance	627,996	625,411	600,548
HealthPlex	75,491	86,182	82,141
School nurse	-0-	49,769	37,196
Fitness center	73,914	78,405	78,348
Medical records	216,451	192,086	180,764
Maintenance	172,880	135,301	152,404
Housekeeping	384,875	393,642	296,899
Dietary	383,770	379,181	309,218
Administration	1,139,347	984,799	914,345
Total salaries	<u>12,159,795</u>	<u>11,242,643</u>	<u>10,265,935</u>
Benefits and payroll taxes:			
Retirement	1,113,663	733,646	724,228
Payroll taxes	783,905	717,245	657,469
Health, life and disability insurance	1,319,867	1,032,861	1,064,224
Workers compensation	116,865	125,151	133,760
Unemployment benefits	2,501	5,515	16,591
Total benefits and payroll taxes	<u>3,336,801</u>	<u>2,614,418</u>	<u>2,596,272</u>
Total salaries and benefits	<u>\$ 15,496,596</u>	<u>\$ 13,857,061</u>	<u>\$ 12,862,207</u>

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF OPERATING EXPENSES – MEDICAL SUPPLIES AND DRUGS
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Routine nursing	\$ 226,094	\$ 243,800	\$ 158,424
Obstetrics	22,195	23,756	34,382
Cardiac care	8,473	8,561	5,310
Operating room	82,994	58,407	33,483
Anesthesiology	1,955	2,619	139
Radiology	21,017	18,790	7,022
Ultrasound	(246)	617	1,144
MRI	1,707	2,449	4,823
CT scan	17,713	36,010	33,186
Laboratory	224,001	220,033	230,444
Respiratory therapy	62,101	86,274	109,877
Physical therapy	2,074	5,453	3,542
Central supply	8,293	12,652	8,737
Pharmacy	484,628	544,702	521,337
Cardiology	-0-	-0-	2
Physicians and surgeons clinic	120,329	128,272	141,519
HealthPlex	5,538	4,586	8,700
Plain Dealing clinic	46,809	53,655	63,182
Benton clinic	15,527	33,811	-0-
School nurse	221	187	66
Ambulance	11,429	27,775	38,758
Emergency room	40,545	56,799	52,070
Treatment room	9,850	22,621	13,351
Fitness center	11,872	16,886	21,934
	<u>11,872</u>	<u>16,886</u>	<u>21,934</u>
 Total medical supplies and drugs	 \$ <u>1,425,119</u>	 \$ <u>1,608,715</u>	 \$ <u>1,491,432</u>

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF OPERATING EXPENSES – PROFESSIONAL SERVICES
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Administrative and computer	\$ 788,105	\$ 469,627	\$ 399,961
Legal and professional fees	167,364	147,584	140,954
Board member fees	89	-0-	-0-
Laundry purchased services	71,217	85,024	51,189
Dietary	533	214	208
Routine nursing & obstetrics	202	-0-	-0-
Residents	54,949	59,792	72,449
Anesthesiology	-0-	1,957	48,520
Radiology	27,947	18,690	5,679
MRI	98,561	101,996	89,899
Ultrasound	42,937	70,105	59,355
Laboratory	67,295	39,582	93,993
Physical therapy	-0-	393	26,289
Pharmacy	39,726	-0-	-0-
Emergency room	722,708	803,483	677,483
Treatment room	-0-	14,664	-0-
Ambulance	-0-	-0-	1,255
Fitness center	-0-	35	2,684
	<u> </u>	<u> </u>	<u> </u>
Total professional services	\$ <u>2,081,633</u>	\$ <u>1,813,146</u>	\$ <u>1,669,918</u>

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF OPERATING EXPENSES – OTHER EXPENSES
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Miscellaneous purchased services	\$ 401,476	\$ 330,115	\$ 249,850
Marketing	59,179	61,087	51,729
Non-medical supplies	427,276	643,427	644,286
Dietary food expense	208,949	231,181	177,341
Maintenance and repairs	183,048	180,856	183,521
Utilities	351,701	317,532	160,458
Telephone	96,106	117,520	105,894
Travel and education	133,095	140,443	88,008
Dues and subscriptions	38,806	46,314	41,434
Postage	15,552	16,489	17,988
Sales and property taxes	11,572	14,858	21,471
Debt issuance cost	2,625	470	65,907
Grant expenses	-0-	3,023	7,000
Foundation fundraising and special events	32,562	23,624	29,820
Miscellaneous expense	<u>1,271</u>	<u>3,029</u>	<u>5,328</u>
 Total other expenses	 \$ <u>1,963,218</u>	 \$ <u>2,129,968</u>	 \$ <u>1,850,035</u>

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD
YEAR ENDED JUNE 30, 2017

Agency Head Name: David Jones

Purpose	Amount
Salary	\$ 209,164
Health insurance	-0-
Retirement	15,571
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	-0-
Registration fees	-0-
Conference travel	-0-
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-
Professional dues	-0-
Cell phone	795
Other	\$ 4,615

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
SCHEDULE OF PER DIEM AND
OTHER COMPENSATION PAID TO HOSPITAL BOARD MEMBERS
YEAR ENDED JUNE 30, 2017

North Caddo Medical Center Board Members can be contacted by calling the Hospital switch board at 318-375-3235 or by mail at P.O. Box 792, Vivian LA 71082.

Compensation (including per diem)	<u>Per Diem</u>	<u>Mileage Reimb.</u>	<u>Total Compensation</u>	<u>Office Held</u>	<u>Expiration of Term</u>
Helen Adger	\$ 1,000	\$ -0-	\$ 1,000	Member	07/03/20
Kenneth Clay	1,200	-0-	1,200	Member	07/10/21
Helen Godfrey-Smith	800	-0-	800	Member	06/18/18
Robert Green, Jr.	1,650	550	2,200	Board Chair	07/01/17
Mary Irvin	1,000	-0-	1,000	Member	07/01/22
David Norman	1,200	-0-	1,200	Member	07/03/20
Brenda Smith	1,100	-0-	1,100	Member	07/01/21
Bruce Walker	1,000	-0-	1,000	Member	07/18/18
Patricia White	<u>1,200</u>	<u>-0-</u>	<u>1,200</u>	Vice Chair	08/18/22
	<u>\$ 10,150</u>	<u>\$ 550</u>	<u>\$ 10,700</u>		

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
YEAR ENDED JUNE 30, 2017

Fiscal Year*	Hospital's proportion of the net pension liability (asset)	Hospital's proportionate share of net pension liability (asset)	Hospital's covered - employee payroll	Hospital's proportionate share of net pension liability as a % of its covered-employee payroll	Plan fiduciary net position as a % of the total pension liability
2015	8.54486%	\$ 23,731	\$ 7,740,318	0%	99.9%
2016	8.93578%	\$ 1,590,973	\$ 8,816,641	21%	93.5%
2017	9.27902%	\$ 1,205,412	\$ 10,238,558	12%	95.5%

* Amounts presented were determined as of the measurement date (previous calendar year).

This schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
YEAR ENDED JUNE 30, 2017

Fiscal Year	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a) - (b) Contribution deficiency (excess)	Hospital's covered - employee payroll	Contributions as a % of covered - employee payroll
2015	\$ 663,282	\$ 724,228	\$ (60,946)	\$ 7,740,318	9.4%
2016	\$ 956,585	\$ 733,646	\$ 222,939	\$ 8,816,641	8.3%
2017	\$ 1,121,216	\$ 799,814	\$ 321,402	\$ 10,238,558	8.3%

This schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
United States Department of Agriculture Community Facilities Loans and Grants	10.766	\$ 17,668,261

See accompanying notes to schedule of expenditures of federal awards.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

NOTE A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of North Caddo Medical Center under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of North Caddo Medical Center, it is not intended to and does not present the financial position, changes in net position, or cash flows of North Caddo Medical Center.

NOTE B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – Indirect Cost Rate

North Caddo Medical Center has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – Loans and Loan Guarantees (Loans)

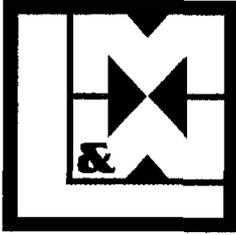
Because the Federal government is at risk for loans until the debt is repaid, federal awards amount expended includes (1) the value of new loans made and received during the audit period; plus (2) the beginning of the audit period balance of loans from previous years for which the Federal government imposes continuing compliance requirements; plus (3) any interest subsidy, cash, or administrative cost allowance received in accordance with the Uniform Guidance described in 2 CFR section 200.502.

NOTE E – Subrecipients

North Caddo Medical Center had no subrecipients in 2017.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
SCHEDULE OF INSURANCE POLICIES
YEAR ENDED JUNE 30, 2017

Risk Covered	Coverage	Beginning	Ending
Ambulance Liability	\$ 1,000,000	07/23/16	07/23/17
Business Vehicle Liability	1,000,000	07/23/16	07/23/17
Cyber Protection	100,000	11/01/16	11/01/17
Officers and Directors Liability	1,000,000	08/16/16	08/16/17
Malpractice and General Liability	4,500,000	11/01/16	11/01/17
Health Care Claims Made Umbrella			
Commercial General Liability Occurrence,	4,500,000	11/01/16	11/01/17
Excess of Bodily Injury, Property Damage,			
Personal Injury and Employment Benefits Liability			
Health Care Professional Liability Occurrence	100,000	11/01/16	11/01/17
(Annual Aggregate - \$2,000,000)			
Louisiana Patients Compensation Fund	400,000	11/01/16	11/01/17
in Excess of Healthcare Professional Liability Coverage			
Bodily Injury, Property Damage, Personal Injury,	500,000	11/01/16	11/01/17
Employee Benefits Liability			
Medical Expense	1,000	11/01/16	11/01/17
Pollution / Wrongful Termination	250,000	11/01/16	11/01/17
Damage to Rental Property	100,000	11/01/16	11/01/17
Damage to Patient Property	5,000	11/01/16	11/01/17
Property Insurance			
Real Property	49,737,879	07/25/16	07/25/17
Extra Expense	10,000,000	07/25/16	07/25/17
Flood	49,610,251	07/25/16	07/25/17
Earthquake	49,737,879	07/25/16	07/25/17
Perishable Stock	10,000,000	07/25/16	07/25/17
Hazardous Substance	250,000	07/25/16	07/25/17
Data Restoration	250,000	07/25/16	07/25/17
Employee Theft	\$ 250,000	02/24/15	02/24/18



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INDEPENDENT AUDITORS' 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

Board of Commissioners
North Caddo Hospital Service District
Vivian, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the combined financial statements of North Caddo Hospital Service District d/b/a North Caddo Medical Center and its affiliate (the "Medical Center"), a component unit of Caddo Parish Commission, Louisiana, as of and for the years ended June 30, 2017, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements and have issued our report thereon dated December 18, 2017.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Medical Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Medical Center's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. 2017-002.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency: 2017-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Medical Center's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as item 2017-003.

Medical Center Response to Findings

The Medical Center's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Medical Center's response was not subjected to the auditing procedures applied in the audit of the combined financial statements and, accordingly, we express no opinion on it.

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 Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

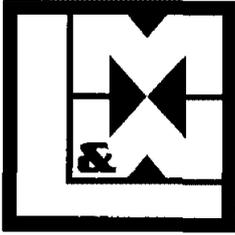
This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and the office of the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

December 18, 2017





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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners
North Caddo Hospital Service District
Vivian, Louisiana

Report on Compliance for the Major Federal Program

We have audited the North Caddo Hospital Service District's, Caddo Parish, Louisiana d/b/a North Caddo Medical Center ("Hospital"), a component unit of Caddo Parish Commission, compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Hospital's major federal program for the year ended June 30, 2017. The Hospital's major federal program is 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 the federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Hospital's major federal program 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 that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Hospital'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 the major federal program. However, our audit does not provide a legal determination of the Hospital's compliance.

Opinion on the Major Federal Program

In our opinion, the Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the Hospital 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 Hospital's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 Hospital'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 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.



Board of Commissioners
North Caddo Hospital Service District
Vivian, Louisiana
Page Three

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

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

December 18, 2017



NORTH CADDO HOSPITAL SERVICE DISTRICT
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

Section II. Financial Statement Findings (Continued)

FINDING 2017-002 – Account Reconciliations

Finding: Routine monthly reconciliation of several general ledger accounts are incomplete.

Recommendation: We recommend that reconciliations during month end close procedures are performed regularly as well as reviewed and approved by another member of management. Variances should be investigated and resolved rather than passed as “immaterial.”

Response: Accountants will begin to scrutinize all balance sheet accounts for reconciliation of the general ledger balances to underlying source documents. Management will engage accounting consultant to assist with reconciliation process. Management will provide the Board of Commissioners with monthly updates to the Finance Committee chairperson until this is resolved.

FINDING 2017-003 – Public Bid Law

Finding: The Hospital purchased a capital asset in the amount of \$42,854 before the expenditure was properly advertised and accepted in accordance with provision of R.S. 38:2211-2296.

Recommendation: We suggest that management adopt and implement policies and procedures to avoid noncompliance issues.

Response: Management contracted for a self-contained sanitary water feature that is trademarked technology and only available from one company.

Section III. Federal Awards Findings and Questioned Costs

None reported

Section IV. Management Letter

Not applicable



NORTH CADDO HOSPITAL SERVICE DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2017

Section I. Financial Statement Findings

FINDING 2016-001 – Segregation of Duties

Condition: This finding was a significant deficiency stating that due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording and custody functions.

Recommendation: The auditors recommended that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Where these segregations are not possible, the auditors recommended written procedures for added close supervision and review.

Current Status: This matter has not been resolved. Management continues to segregate duties as much as possible. Management believes that this condition is "with cause" due to the limited staff available. See Finding 2017-001

FINDING 2016-002 – Account Reconciliations

Condition: This finding was a significant deficiency stating that routine monthly reconciliation of several general ledger accounts including general checking did not detect posting errors.

Recommendation: The auditors recommended that reconciliations during month end close procedures be performed regularly as well as reviewed and approved by another member of management.

Current Status: This matter has not been resolved. See Finding 2017-002

Section II. Federal Award Findings and Questioned Costs

Not applicable

Section III. Management Letter

Not applicable



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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Commissioners of
North Caddo Hospital Service District
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Board of Commissioners of North Caddo Hospital Service District d/b/a North Caddo Medical Center (Medical Center) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The Medical Center's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose of which this report has been requested or for any other purpose.

The procedures and findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving
 - d) **Receipts**, including receiving, recording, and preparing deposits
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
 - g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Findings: North Caddo Medical Center did not have written policies and procedures for the following areas:

- Budgeting
 - Amending the budget
- Purchasing
 - Approval of requisitions and purchase orders
 - Compliance with bid law
- Receipts including receiving, recording and preparing deposits
- Payroll processing
- Travel and expense dollar thresholds by expense category for all categories except mileage
- Ethics
 - Action to be taken if an ethics violation takes place
 - System to monitor possible ethics violations
 - Annual attestation that all employees have read the entity's ethics policy
- Debt Service

Management's Response: Management is in the process of drafting policies and procedures to address the control and compliance areas identified in the SAUPs. Management will present the policies and procedures to the board for approval by March 2018.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
 - c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.



Findings: Per the governing board's by-laws, the board is to meet monthly. The board met all twelve months of the fiscal year with a quorum. A budget was approved during the fiscal year; however, North Caddo Medical Center is a hospital service district and is not required to comply with the Local Government Budget Act. The minutes included non-budgetary financial information, such as approval of buyback of sick time for eligible employees.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Findings: We obtained a list of bank accounts, and management provided representation that the list was complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
- Bank reconciliations have been prepared;
 - Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
 - If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than six months as of the end of the fiscal period.

Findings: Of the fifteen bank accounts maintained by the Medical Center, we selected five for testing. Of these five accounts bank reconciliations were prepared monthly and approved by a member of management ten out of twelve months. Bank reconciliations for the months of July and September 2017 were not prepared and approved according to policy. No reconciling items older than six months were noted on four of the five accounts. Management had documentation reflecting that reconciling items outstanding for six months had been researched.

Management's Response: The CFO will review bank reconciliations on a monthly basis starting January, 2018. Their signature and date on the bank reconciliation will be evidence of timely review.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Findings: We obtained a list of collection locations, and management provided representation that the list was complete.



6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:
- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
 - b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
 - c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
 - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Findings: Due to the small size of the Medical Center, significant segregation of duties issues exist in the cash collections process at two out of four selected locations. There are no compensating controls performed by an outside party. At three cash collection locations employees share one cash drawer with other employees. The entity has a formal process to reconcile cash collections to the general ledger as evidenced by their daily deposit batch sheets. Three out of four locations had deposits that were not made within one day of collection. The largest time lag was four days from collection to deposit. Daily cash collections were completely supported by documentation.

Management's Response: Management will change written policy regarding cash collections to require additional oversight of collections at locations noted with segregation of duties issues. Management will present revised policies and procedures to the board for approval by March 2018.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Findings: The Medical Center did not provide written documentation describing a process to determine completeness of all collections.



Management's Response: See management's response in procedure #1.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

Findings: We obtained a list of disbursements, and management provided representation that the list was complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
- Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Findings: Of 25 disbursements tested one disbursement was required to be initiated using a requisition and did not have one, four were missing approval by an independent employee, and all were supported by the appropriate payment documentation.

Management's Response: Management will review current purchasing processes and determine how to segregate the initiating, recording and approval functions. Management will present revised written policies and procedures to the board for approval by March 2018.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

Findings: Based on entity documentation, the person responsible for processing payments is not prohibited from adding vendors to the system.

Management's Response: See management's response in procedure #9.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.



Findings: According to Dynamics user security documentation persons with signatory authority who make the final authorization for disbursements have computer access for initiating or recording purchases.

Management's Response: See management's response in procedure #9.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Findings: Authorized signers do not have access to check stock which is maintained in a locked location.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Findings: No signature stamp or signature machine is used. Once a check is signed, the check is not returned to the person who records the transaction.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

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

Findings: We obtained a list of all active credit cards, and management provided representation that the list was complete. During the course of applying agreed upon procedures we discovered an Amazon account used by the Medical Center that was not disclosed on the original listing.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:
- Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - Report whether finance charges and/or late fees were assessed on the selected statements.

Findings: We obtained monthly statements for three of the credit cards maintained by the Medical Center. Two account statements selected lacked evidence that the statements and supporting documentation were



reviewed and approved, in writing, by someone independent of the authorized card holder. No finance charges or late fees were noted on the three selected statements.

Management's Response: Management will review credit card statements and supporting documentation monthly. Signature of the CEO or CFO will serve as evidence of review. Credit card statements will be reviewed starting February 2018.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the cards selected (i.e. each of the cards should have one month of transactions subject to testing).
- a) For each transaction, report whether the transaction is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
 - b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
 - c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Findings: We obtained original receipts for all transactions for each of the three cards in the month tested with two exceptions. One receipt for a Walmart purchase was missing and one original receipt for a sign purchase was missing but a Missing Receipt Form was in its place. All receipts included business purpose documentation. All transactions were in compliance with the Medical Center's written purchasing/disbursement policy and Louisiana Public Bid law. None of the transactions were loans, pledges, or donations of funds, credit, property, or things of value.

Management's Response: Management will review current credit card purchasing policies and procedures and implement changes to improve accumulation of receipts. Management will present revised written policies and procedures to the board for approval by March 2018.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.



Findings: We obtained the general ledger for travel reimbursements, and management provided representation that the listing is complete.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Findings: Management provided a written policy for travel and expense reimbursements. Meals, hotel, and mileage rates did not exceed GSA rates.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.
 - b) Report whether each expense is supported by:
 - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
 - c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
 - d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Findings: All travel expense reimbursements examined were approved by the Medical Center administrator. One travel reimbursement exceeded the hotel limit specified in the Medical Center's policies and procedures. All travel reimbursements were supported by original receipts, had a documented business purpose and were in compliance with Article 7 Section 14.

Management's Response: Management will review current expense reimbursement policies and procedures and implement changes to improve documentation when reimbursement amounts exceed the Medical Center's policy. Management will present revised written policies and procedures to the board for approval by March 2018.

Contracts



20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Findings: We obtained a list of contract vendors for the period, and management provided representation that the list was complete.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:
- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
 - b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
 - c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
 - d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
 - e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Findings: For the five vendors selected for testing, all were supported by a written contract except for Aflac which is a vendor to salary-reduction cafeteria plans and employee voluntary insurance payroll withholdings. This contract exists between the employees and Aflac, not between Aflac and the Medical Center. Of the five contracts, three were subject to and in compliance with Louisiana Public Bid Law. The Medical Center did not solicit quotes as a best practice when vendor contracts were not subject to Louisiana Public Bid Law. None of the contracts were amended during the fiscal year. Each of the five invoices tested and related payments complied with the terms and conditions of the contract. Four of the five contracts had documentation of board approval. There is no contract between Aflac and the Medical Center for the Board to approve.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
 - b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.



Findings: We obtained a listing of employees and their related salaries, and management provided representation that the list was complete. The five employees were paid in strict accordance with the terms and conditions of their pay rate structure. All five employees experienced compensation changes during the period, and the changes were approved in writing.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
- Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
 - Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Findings: All 25 employees selected documented their daily attendance and leave, if applicable, and their timesheets were approved by a supervisor. The Medical Center provided a report displaying hours earned, hours used and the available balance.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Findings: We obtained a list of employees terminated during the period, and management provided representation that the list was complete. The two largest termination payments were made in accordance with Medical Center policy and/or contract and approved by management.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Findings: All employee and employer portions of payroll taxes and retirement contributions were submitted to the appropriate agencies by the required deadlines.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.



Findings: Of five employees selected for testing, three personnel files contained documentation that the employees had completed required ethics training. One employee terminated during the testing period. One employee was a non-salaried employee of the hospital service district with no supervision or contracting duties, and therefore not required to complete the ethics training mandated by the state.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Findings: Per inquiry of management, one ethics violation was reported to the entity during the fiscal year. It was investigated by management and resolved by the ethics board.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

Findings: The Medical Center issued two bonds during the fiscal year. Both bond issues received approval by the State Bond Commission.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Findings: The Medical Center did have outstanding debt during the fiscal period, and the Medical Center made payments in accordance with debt service schedules. The Medical Center also maintained debt reserves and sinking funds as required by bond indentures.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Findings: The Medical Center did not have tax millages related to debt service.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Findings: Per inquiry of management, the Medical Center had no misappropriations of public funds or assets.



Board of Commissioners of
North Caddo Hospital Service District
and the Louisiana Legislative Auditor

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.lla.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Findings: The notice required by R.S. 24:523.1 concerning the reporting of misappropriations, fraud, waste, or abuse is posted on the premises of the Medical Center. The Medical Center's website contains the "Fight Fraud" button, which redirects visitors to the LLA website where an online fraud report form can be completed.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

Findings: We found no exceptions regarding management's representations in the procedures above except for the Amazon account that was not reported on the list of credit cards.

Management's Response: Management does not consider the Amazon account to be a credit card but rather an account with a vendor because no physical card exists.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Lester, Mills & Wells

Certified Public Accountants
Alexandria, Louisiana

December 28, 2017

