

NORTH CADDO HOSPITAL SERVICE DISTRICT

COMBINED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
JUNE 30, 2019, 2018, AND 2017



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, 2019, 2018, AND 2017

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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, 2019. 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 increased by approximately \$1 million (2.9%) in 2019, increased by \$2.2 million (6.7%) in 2018 and decreased by \$1.2 million (-3.4%) in 2017.
- The Medical Center reported a decrease of operating income in 2019 of \$1.81 million (-157.3%) compared to increase of \$4.57 million (133.7%) in 2018 and a decrease of \$1.47 million (-75.0%) in 2017.
- Noncapital grants and contributions decreased by \$1.1 million or (-48.2%) in 2019, increased by \$1.53 million 205.7% in 2018 and decreased \$22,000 (-2.8%) in 2017.
- A 25-year 1% sales tax was approved by voters in 2012 and the Medical Center received approximately \$1.2 million in sales taxes in 2019, \$1.1 million in 2018 and \$1.1 million in 2017. This sales tax revenue is pledged as security for bond financing and is being used to retire debt on the 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,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
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 the difference between its assets and liabilities reported in the combined statements of net position on page 4. The Medical Center's net position increased by \$935,000 (11.1%) in 2019, and increased by \$2.23 million (35.7%) in 2018 and decreased by \$2.68 million (-30.1%) in 2017, as you can see from Table 1.

Table 1: Net Position (In Thousands)

	June 30,			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total current assets	\$ 8,730	\$ 7,881	\$ 5,583	\$ 6,175
Capital assets, net	22,859	23,270	24,815	24,171
Other assets	<u>2,306</u>	<u>3,272</u>	<u>1,101</u>	<u>1,337</u>
Total assets	33,895	34,423	31,499	31,683
Deferred outflows of resources	<u>2,638</u>	<u>1,069</u>	<u>1,753</u>	<u>2,731</u>
Total assets and deferred outflows of resources	<u>\$ 36,533</u>	<u>\$ 35,492</u>	<u>\$ 33,252</u>	<u>\$ 34,414</u>
Total current liabilities	\$ 3,130	\$ 3,326	\$ 3,550	\$ 3,109
Long term liabilities	<u>23,495</u>	<u>21,701</u>	<u>23,125</u>	<u>21,916</u>
Total liabilities	26,625	25,027	26,675	25,025
Deferred inflows of resources	<u>521</u>	<u>2,013</u>	<u>350</u>	<u>478</u>
Net position:				
Invested in capital assets, net of related debt	793	711	2,150	2,839
Temporarily restricted net assets	1,702	2,102	1,476	1,647
Unrestricted net assets	<u>6,892</u>	<u>5,639</u>	<u>2,601</u>	<u>4,425</u>
Total net position	<u>9,387</u>	<u>8,452</u>	<u>6,227</u>	<u>8,911</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 36,533</u>	<u>\$ 35,492</u>	<u>\$ 33,252</u>	<u>\$ 34,414</u>

Cash and cash equivalents increased by \$211,000 in fiscal year 2019, increased by \$2.4 million in 2018. A significant component of the change in the Medical Center's assets in 2019 was a decrease in pension asset. Deferred inflows and outflows of resources are related to the Medical Center's defined benefit pension plan.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
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, 2019, 2018, 2017 and 2016.

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

	Years Ended June 30,			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net patient service revenue	\$ 20,468	\$ 20,249	\$ 18,566	\$ 18,743
Noncapital grants	1,179	2,277	745	767
Other revenue	1,679	1,202	336	77
Total operating revenues	<u>23,326</u>	<u>23,728</u>	<u>19,647</u>	<u>19,587</u>
Salaries	12,732	11,689	12,160	11,243
Benefits and payroll taxes	3,299	2,989	3,337	2,614
Medical supplies and drugs	1,553	1,538	1,425	1,609
Professional services	2,039	2,081	2,082	1,813
Insurance	355	371	443	399
Depreciation and amortization	1,642	1,668	1,442	1,492
Leases and rentals	135	171	214	241
Other expenses	2,230	2,070	1,963	2,130
Total operating expenses	<u>23,985</u>	<u>22,577</u>	<u>23,066</u>	<u>21,541</u>
Operating income (loss)	(659)	1,151	(3,419)	(1,954)
Property tax revenue	395	408	431	421
Sales tax revenue	1,205	1,150	1,095	1,120
Non-employer pension contribution	110	119	112	-0-
Interest income	77	14	3	7
Rent income	2	4	2	-0-
Interest expense	(668)	(715)	(542)	(559)
Gain (loss) on disposition	-0-	-0-	(279)	-0-
Excess of revenues (expenses) before capital grants & contributions	462	2,131	(2,597)	(965)
Capital grants & contributions	473	94	168	114
Increase (decrease) in net position	935	2,225	(2,429)	(851)
Net position - beginning of year	8,452	6,227	8,911	9,100
Prior period adjustment	-0-	-0-	(255)	662
Net position - end of year	<u>\$ 9,387</u>	<u>\$ 8,452</u>	<u>\$ 6,227</u>	<u>\$ 8,911</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. The Medical Center has incurred a net loss in 2019, income in 2018 and losses in 2017 and 2016 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 2019 of \$1.81 million (-157.3%) having a loss, compared to an increase of \$4.6 million (133.7%) in 2018 and a decrease of \$1.5 million (-75%) in 2017.

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

- Decrease in noncapital grant revenue of \$1.1 million (-48.2%) in 2019, increase of 1.5 million (205.7%) in 2018 and decrease of \$22,000 (-2.8%) in 2017. The Hospital received grant revenue of \$1.2 million, \$2.26 million, and \$679,000 in 2019, 2018 and 2017, 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.
- Net patient revenue increased by \$219,000 (1.1%) in 2019, compared to an increase of \$1.7 million (9.1%) in 2018 and decrease of \$177,000 (-.9%) in 2017.
- Total operating expenses increased by \$1.4 million (6.2%) in 2019, decreased by \$489,000 (-2.1%) in 2018, and increased \$1.5 million (7.1%) in 2017.
- Total salary and benefits expenses increased \$1.4 million (9.2%) in 2019, decreased \$819,000 (-5.3%) in 2018, and increased \$1.64 million (11.8%) in 2017. As a percentage of net patient revenue, salary and benefit expenses were approximately 78.3%, 72.5%, and 83.5% for fiscal years 2019, 2018 and 2017, 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 2019, professional services cost remained similar to 2018 costs of \$2 million. The most prominent professional service fees are attributable to contract emergency room physicians and electronic health record software services.

Sources of Revenue

During fiscal year 2019, 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 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 revenue reported on the Statement of Revenues, Expenses and Changes in Net Position, is net of contractual discounts, bad debt and charity care charges.

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

Table 3 below presents the relative percentages of gross patient revenues by payor for the fiscal years ended June 30, 2019, 2018, 2017, and 2016.

Table 3: Payor Mix by Percentage

	Year ended June 30			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Commercial	37.66%	34.54%	38.00%	34.16%
Medicaid	31.93%	29.00%	27.28%	17.80%
Medicare	26.21%	29.73%	29.89%	34.48%
Self-pay	4.20%	6.73%	4.84%	13.56%
Total patient revenue	<u>100.00%</u>	<u>100.00%</u>	<u>100.01%</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. 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 \$1 million, \$2.3 million, \$679,000 and \$803,000 for 2019, 2018, 2017 and 2016, respectively.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of sales and property tax revenue, interest income, and interest expense. In 2017, parish voters approved the renewal of 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.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
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 at the Foundation increased by \$9,600 (10.1%) in 2019, decreased by \$61,000 (-39.4%) in 2018 and increased by \$41,000 (35.8%) in 2017. Included in capital grants in 2019 is the donation of a building valued at \$372,000.

Operating and Financial Performance

The following summarizes some of the Medical Center's patient statistical data from 2019, 2018, 2017 and 2016.

Overall, activity at the Medical Center, as measured by admissions for routine acute care decreased in 2019, after an increase in 2018 and a decrease in 2017. Acute inpatient admissions decreased by -6.8% in 2019 to 731 from 784, 705, and 722 in 2018, 2017, and 2016, respectively. Acute inpatient days decreased in 2019 to 2,472 from 2,480, 2,367, and 2,851 in 2018, 2017, and 2016, respectively. The average length of stay for acute care patients (excluding newborns) increased to 3.36 days from 3.16, 3.36, and 3.95 days in 2018, 2017, and 2016, 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 decreased 17% to 112 admissions in 2019 from 135 admissions in 2018. Previous years had swing bed admissions of 165 and 140 in 2017 and 2016, respectively. Swing bed patient days decreased -26.5% in 2019 to 1,107 from 1,505, 1,560 and 1,656 in 2018, 2017, and 2016, respectively.

The Medical Center operates the district ambulance service that traditionally has had operating losses. The ambulance operation is supported by a 4.77 mil property tax approved by the residents of Caddo parish. The amount of property tax revenue received during 2019 was \$395,000, a decrease from \$408,000 in 2018. Ambulance trips have remained stable in the 1,700 to 1,800 range over the past four years.

Emergency room patients decreased from 6,670 in 2018 to 6,123 in 2019. Previous years had emergency room patients of 5,621 in 2017 and 5,663 in 2016.

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

Table 4: Patient Statistical Data

	Year ended June 30			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Admissions:				
Acute (excluding newborn)	731	784	705	722
Newborn	81	59	77	78
Swing bed	112	135	165	140
Discharges:				
Acute	736	784	705	721
Swing bed	112	139	165	139
Patient days:				
Acute	2,472	2,480	2,367	2,851
Newborn	176	137	170	168
Swing bed	1,107	1,505	1,560	1,656
Total patient days	3,755	4,122	4,097	4,675
Average length of stay:				
Acute	3.36	3.16	3.36	3.95
Swing bed	9.88	10.83	9.45	11.91
Medical and Surgical Clinic visits	24,597	22,047	23,323	22,763
Plain Dealing Medical Clinic visits	7,033	7,980	7,772	6,906
Benton Clinic visits	4,602	3,935	1,411	512
Total clinic visits	36,232	33,962	32,506	30,181
Ambulance trips	1,852	1,788	1,699	1,788
Emergency room patients	6,123	6,670	5,621	5,663

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

Capital Asset and Debt Administration

Capital Assets

At the end of 2019, the Medical Center had \$25 million invested in capital assets, net of accumulated depreciation, as detailed in note 5 to the financial statements. In 2019, the Medical Center acquired capital assets costing \$1.23 million, while depreciation of \$1.64 million decreased net capital assets.

Construction in progress in 2019 is related to emergency and radiology department expansion. Construction in progress in 2016 is related to the Medical Center's new hospital building.

Table 5: Summary of Capital Assets

	June 30,			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Land	\$ 480,494	\$ 480,494	\$ 480,494	\$ 369,961
Land improvements	-0-	-0-	-0-	179,744
Buildings & building improvements	23,969,393	23,597,015	23,563,107	20,159,241
Equipment	7,203,277	7,060,060	6,972,444	8,079,380
Subtotal	<u>31,653,164</u>	<u>31,137,569</u>	<u>31,016,045</u>	<u>28,788,326</u>
Less: Accumulated depreciation	(9,508,879)	(7,868,066)	(6,200,914)	(9,003,172)
Construction in progress	715,063	-0-	-0-	4,386,087
	<u>\$ 22,859,348</u>	<u>\$ 23,269,503</u>	<u>\$ 24,815,131</u>	<u>\$ 24,171,241</u>

Table 6: Major Additions over \$20,000

Extended Services Building	\$ 372,378
Storage Array-IT Storage Software	44,365
	<u>\$ 416,743</u>

Debt

At year-end, the Medical Center had \$22.1 million in bonds payable and capital leases outstanding as detailed in note 9 to the financial statements. The Medical Center borrowed \$413,000 to finance hospital expansion construction during 2019. Total debt outstanding represents approximately 65.1% of the Medical Center's total assets at June 30, 2019 versus prior years of 65.5%, 72% and 67.3% for 2018, 2017, and 2016, respectively.

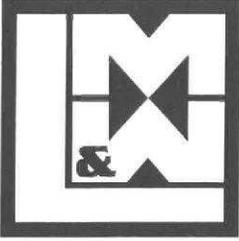
NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
MANAGEMENT'S DISCUSSION AND ANALYSIS

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% of the Medical Center's net patient revenue.

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, 2019, 2018 and 2017, 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 audit opinions.

Opinions

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, 2019, 2018 and 2017, 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, 2019, 2018 and 2017, 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 43 and Schedule of Employer Pension Contributions on page 44 be presented to supplement the basic 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 basic 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 basic combined financial statements, and other knowledge we obtained during our audit of the basic 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 an opinion on the Medical Center's basic combined financial statements as a whole. The supplementary schedules of net patient service revenue, other operating revenue and operating expenses on pages 32 through 40, schedule of compensation, benefits, and other payments to agency head, schedule of per diem and other compensation paid to hospital board members and schedule of insurance policies are presented for purposes of additional analysis and are not a required part of the basic combined financial statements.



The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 basic combined financial statements or to the basic 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 is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Medical Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Center's internal control over financial reporting and compliance.

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

November 25, 2019



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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Assets and Deferred Outflows of Resources			
Current assets:			
Cash and cash equivalents (Note 3)	\$ 3,397,831	\$ 3,186,770	\$ 805,521
Limited use assets (Note 6)	134,808	23,913	394,047
Net accounts receivable (Note 4)	3,820,820	3,314,505	3,663,131
Other receivables	682,085	645,737	229,128
Inventories	461,866	501,522	360,514
Prepaid expenses	233,029	208,490	131,030
Total current assets	<u>8,730,439</u>	<u>7,880,937</u>	<u>5,583,371</u>
Capital assets, net (Note 5)	<u>22,859,348</u>	<u>23,269,503</u>	<u>24,815,131</u>
Other assets:			
Limited use assets (Note 6)	1,567,472	2,078,514	1,081,882
Investments	721,796	-0-	-0-
Pension asset	-0-	1,177,691	-0-
Unamortized election cost (Note 7)	16,315	17,221	18,127
Total assets	<u>33,895,370</u>	<u>34,423,866</u>	<u>31,498,511</u>
Deferred outflows related to pension liability	<u>2,638,126</u>	<u>1,068,798</u>	<u>1,753,305</u>
Total assets and deferred outflows of resources	<u>\$ 36,533,496</u>	<u>\$ 35,492,664</u>	<u>\$ 33,251,816</u>
Liabilities, Deferred Inflows of Resources, and Net Position			
Current liabilities:			
Accounts payable and accrued expenses	\$ 1,511,651	\$ 1,427,701	\$ 2,300,141
Accrued salaries and benefits	691,264	558,920	503,856
Estimated third-party payor settlements	90,576	482,290	-0-
Current portion of long-term debt (Note 9)	836,854	857,511	746,208
Total current liabilities	<u>3,130,345</u>	<u>3,326,422</u>	<u>3,550,205</u>
Long-term liabilities:			
Pension liability	2,265,513	-0-	1,205,412
Long-term debt (Note 9)	21,229,741	21,701,073	21,919,096
Total long-term liabilities	<u>23,495,254</u>	<u>21,701,073</u>	<u>23,124,508</u>
Total liabilities	<u>26,625,599</u>	<u>25,027,495</u>	<u>26,674,713</u>
Deferred inflows related to pension liability	<u>520,620</u>	<u>2,013,176</u>	<u>350,420</u>
Net position:			
Invested in capital assets (net of related debt)	792,753	710,919	2,149,827
Temporarily restricted net assets (Note 6)	1,702,280	2,102,427	1,475,929
Unrestricted net assets	6,892,244	5,638,647	2,600,927
Total net position	<u>9,387,277</u>	<u>8,451,993</u>	<u>6,226,683</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 36,533,496</u>	<u>\$ 35,492,664</u>	<u>\$ 33,251,816</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 POSITION
FOR THE YEARS ENDED JUNE 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating Revenues:			
Net patient service revenue (Note 11)	\$ 20,468,042	\$ 20,237,851	\$ 18,546,510
Noncapital grants and contributions	1,178,990	2,277,021	744,972
Other operating revenue	1,679,334	1,213,313	355,740
Total operating revenues	<u>23,326,366</u>	<u>23,728,185</u>	<u>19,647,222</u>
Operating Expenses:			
Salaries	12,732,547	11,689,101	12,159,795
Benefits and payroll taxes	3,299,355	2,988,748	3,336,801
Medical supplies and drugs	1,552,883	1,538,137	1,425,119
Professional services	2,039,476	2,081,252	2,081,633
Insurance	354,751	371,174	443,342
Depreciation and amortization	1,641,717	1,668,060	1,442,537
Leases and rentals	134,595	170,704	213,750
Other expenses	2,230,048	2,070,349	1,963,218
Total operating expenses	<u>23,985,372</u>	<u>22,577,525</u>	<u>23,066,195</u>
Operating income (loss)	<u>(659,006)</u>	<u>1,150,660</u>	<u>(3,418,973)</u>
Nonoperating Revenues (Expenses):			
Gain (loss) on disposition of assets	-0-	-0-	(279,295)
Interest income	77,055	13,888	3,061
Sales tax revenue (Note 21)	1,205,113	1,149,817	1,095,033
Non-employer pension contribution revenue	110,014	118,861	112,215
Property tax revenue (Note 17)	395,273	408,467	431,090
Rent income	1,900	4,072	1,558
Interest expense	<u>(668,589)</u>	<u>(714,564)</u>	<u>(541,743)</u>
Excess of revenues (expenses) before capital grants and contributions	461,760	2,131,201	(2,597,054)
Capital grants and contributions	<u>473,524</u>	<u>94,109</u>	<u>167,865</u>
Increase (decrease) in net position	<u>935,284</u>	<u>2,225,310</u>	<u>(2,429,189)</u>
Net position at beginning of year (previously reported)	8,451,993	6,226,683	8,911,404
Prior period adjustment (Note 2)	<u>-0-</u>	<u>-0-</u>	<u>(255,532)</u>
Net position at beginning of year (restated)	<u>8,451,993</u>	<u>6,226,683</u>	<u>8,655,872</u>
Net position at end of year	<u>\$ 9,387,277</u>	<u>\$ 8,451,993</u>	<u>\$ 6,226,683</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>2019</u>	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:			
Cash receipts from and on behalf of patients	\$ 19,570,013	\$ 21,068,767	\$ 18,599,458
Other receipts and payments, net	2,821,976	3,073,725	1,091,359
Payments to suppliers and contractors	(6,204,975)	(7,162,454)	(5,339,588)
Payments for employees and benefits	<u>(15,408,224)</u>	<u>(14,564,371)</u>	<u>(15,041,293)</u>
Net cash provided (used) by operating activities	<u>778,790</u>	<u>2,415,667</u>	<u>(690,064)</u>
Cash flows from investing activities:			
Interest on investments	77,055	13,888	3,061
Purchase of investments	(724,044)	-0-	-0-
Rent income	<u>1,900</u>	<u>4,072</u>	<u>1,558</u>
Net cash provided (used) by investing activities	<u>(645,089)</u>	<u>17,960</u>	<u>4,619</u>
Cash flows from noncapital financing activities:			
Property tax revenues received	395,273	408,467	431,090
Sales tax revenues received	<u>1,205,113</u>	<u>1,149,817</u>	<u>1,095,033</u>
Net cash provided by noncapital financing activities	<u>1,600,386</u>	<u>1,558,284</u>	<u>1,526,123</u>
Cash flows from capital and related financing activities:			
Proceeds from limited use assets	402,395	(626,498)	171,073
Purchase of property and equipment	(1,230,656)	(121,525)	(2,281,901)
Proceeds from issuance of long-term debt	413,169	670,794	12,984,458
Interest paid on long-term debt	(676,300)	(850,028)	(751,111)
Principal payments on long-term debt	(905,158)	(777,514)	(11,650,988)
Capital grants and contributions	<u>473,524</u>	<u>94,109</u>	<u>167,865</u>
Net cash provided (used) by capital and related financing activities	<u>(1,523,026)</u>	<u>(1,610,662)</u>	<u>(1,360,604)</u>
Net increase (decrease) in cash and cash equivalents	211,061	2,381,249	(519,926)
Beginning cash and cash equivalents	<u>3,186,770</u>	<u>805,521</u>	<u>1,325,447</u>
Ending cash and cash equivalents	<u>\$ 3,397,831</u>	<u>\$ 3,186,770</u>	<u>\$ 805,521</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>2019</u>	<u>2018</u>	<u>2017</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	\$ <u>676,300</u>	\$ <u>850,028</u>	\$ <u>751,111</u>
Interest capitalized during the period:	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>81,718</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (659,006)	\$ 1,150,660	\$ (3,418,973)
Adjustments to reconcile operating income to net cash flows provided (used) in operating activities:			
Depreciation and amortization	1,641,717	1,668,060	1,442,537
Changes in:			
Net accounts receivable	(506,315)	348,626	52,948
Other receivables	(36,348)	(416,609)	(9,353)
Inventories	39,656	(141,008)	33,102
Prepaid expenses	(24,539)	(77,461)	59,037
Accounts payable and accrued expenses	91,661	(736,976)	669,961
Accrued salaries and payroll taxes	132,344	55,064	159,274
Estimated third-party payor settlements	(391,714)	482,290	-0-
Pension liability (asset)	<u>491,334</u>	<u>83,021</u>	<u>321,403</u>
Net cash provided (used) by operating activities	\$ <u>778,790</u>	\$ <u>2,415,667</u>	\$ <u>(690,064)</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, 2019, 2018 AND 2017

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, 2019, 2018 AND 2017

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 2016 and beyond remain subject to examination by the Internal Revenue Service.

Cash and Cash Equivalents

Cash includes cash on hand, demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits with original maturities of 365 days or less. Certificates of deposit with original maturities over 365 days are classified as investments. Cash and cash equivalents and investments are stated at cost, which approximates market value. The caption "cash and cash equivalents" does not include amounts whose use is limited or 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

Limited use assets 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, 2019, 2018 AND 2017

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 net realizable value.

Capital Assets

Capital assets purchased with an original cost of \$5,000 or more are recorded at cost. Any donated capital assets are recorded at their estimated fair value at the date of 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. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. 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 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

Prior to fiscal year 2019, interest cost on borrowed funds during the period of construction of capital assets was capitalized as a component of the cost of acquiring those assets. During 2019, 2018 and 2017 the Hospital capitalized interest of \$-0-, \$-0-, and \$81,718, 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, 2019, 2018 AND 2017

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.

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.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019, 2018 AND 2017

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

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. The Hospital has one item that meets this criterion related to deferrals of pension expense. In addition to liabilities, the statements of financial position will sometimes report a separate section 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 the criterion for this category, deferrals of pension expense.

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 (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value within each plan.

Construction Period Interest

The Hospital implemented GASB Statement No. 89 – Accounting for Interest Cost Incurred before the End of a Construction Period during fiscal year 2019. The new guidance on construction period interest requires enterprise funds and business-type activities to expense interest incurred prior to and during a construction period. Construction period interest expensed during 2019 was \$3,198.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019, 2018 AND 2017

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

Future Accounting Pronouncements

In June 2017, GASB issued Statement No. 87 – Leases. The primary objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The Hospital is currently assessing the impact of GASB 87 on the financial statements for the year ending June 30, 2021.

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 2017 the following prior period adjustment was made during preparation of the June 30, 2017 financial statements related to the adoption of GASB 68 and 71.

	<u>2017</u>
Net position - previously reported	\$ 8,911,404
Prior period adjustments:	
GASB 68 - Pension Expense	<u>(255,532)</u>
Net position - as restated	<u>\$ 8,655,872</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. Except for \$471,796 at one bank in 2019, the Hospital’s deposits were entirely insured or collateralized by securities held by the pledging bank’s trust department in the Hospital’s name at June 30, 2019, 2018, and 2017. The Foundation’s deposits were entirely insured at June 30, 2019, 2018, and 2017.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019, 2018 AND 2017

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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.

Investments consist of certificates of deposit with maturity dates exceeding 365 days.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Carrying Amount			
Deposits	\$ 5,821,907	\$ 5,289,197	\$ 2,281,450
Totals	\$ <u>5,821,907</u>	\$ <u>5,289,197</u>	\$ <u>2,281,450</u>
Included in the following balance sheet captions			
Cash and cash equivalents	\$ 3,397,831	\$ 3,186,770	\$ 805,521
Current limited use assets	134,808	23,913	394,047
Other limited use assets	1,567,472	2,078,514	1,081,882
Investments	<u>721,796</u>	<u>-0-</u>	<u>-0-</u>
Totals	\$ <u>5,821,907</u>	\$ <u>5,289,197</u>	\$ <u>2,281,450</u>

NOTE 4 - ACCOUNTS RECEIVABLE, NET

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Hospital patients	\$ 4,990,853	\$ 5,151,756	\$ 4,654,228
Medical and Surgical Clinic	906,551	806,935	864,893
Plain Dealing Clinic	93,953	72,727	131,120
Benton Clinic	124,755	46,080	37,477
Anesthesiology	32,161	32,783	40,327
Estimated allowances for contractual adjustments	<u>(2,812,968)</u>	<u>(2,720,627)</u>	<u>(2,500,061)</u>
Patient accounts receivable	3,335,305	3,389,654	3,227,984
Estimated third-party settlement	<u>1,001,166</u>	<u>448,443</u>	<u>1,076,176</u>
	4,336,471	3,838,097	4,304,160
Estimated uncollectibles	<u>(515,651)</u>	<u>(523,592)</u>	<u>(641,029)</u>
Net accounts receivable	\$ <u>3,820,820</u>	\$ <u>3,314,505</u>	\$ <u>3,663,131</u>

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019, 2018 AND 2017

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>2019</u>	<u>2018</u>	<u>2017</u>
Medicare	27%	25%	24%
Medicaid	19%	24%	14%
Commercial and other third-party payors	36%	31%	38%
Patients	<u>18%</u>	<u>17%</u>	<u>24%</u>
	<u>100%</u>	<u>97%</u>	<u>100%</u>

NOTE 5 - CAPITAL ASSETS

Capital asset additions, retirements, and balances for the years ended June 30, 2019, 2018 and 2017 were as follows:

	<u>2018</u>	<u>Additions</u>	<u>Dispositions</u>	<u>2019</u>
Land	\$ 480,494	\$ -0-	\$ -0-	\$ 480,494
Buildings and improvements	23,597,015	372,378	-0-	23,969,393
Furniture and equipment	7,060,060	143,217	-0-	7,203,277
Construction in progress	<u>-0-</u>	<u>715,063</u>	<u>-0-</u>	<u>715,063</u>
Totals	31,137,569	1,230,658	-0-	32,368,227
Less accumulated depreciation and amortization	<u>7,868,066</u>	<u>1,640,813</u>	<u>-0-</u>	<u>9,508,879</u>
Capital assets, net	<u>\$ 23,269,503</u>	<u>\$ (410,155)</u>	<u>\$ -0-</u>	<u>\$ 22,859,348</u>
	<u>2017</u>	<u>Additions</u>	<u>Dispositions</u>	<u>2018</u>
Land	\$ 480,494	\$ -0-	\$ -0-	\$ 480,494
Buildings and improvements	23,563,107	33,908	-0-	23,597,015
Furniture and equipment	<u>6,972,444</u>	<u>87,616</u>	<u>-0-</u>	<u>7,060,060</u>
Totals	31,016,045	121,524	-0-	31,137,569
Less accumulated depreciation and amortization	<u>6,200,914</u>	<u>1,667,153</u>	<u>1</u>	<u>7,868,066</u>
Capital assets, net	<u>\$ 24,815,131</u>	<u>\$ (1,545,629)</u>	<u>\$ (1)</u>	<u>\$ 23,269,503</u>

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NOTE 5 - CAPITAL ASSETS (Continued)

	<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>

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>2019</u>	<u>2018</u>	<u>2017</u>
Funds designated for capital assets	\$ 114,742	\$ 612,897	\$ 148,008
Funds designated for debt reduction	1,587,538	1,489,530	1,327,921
Less: limited use assets required for current liabilities	<u>(134,808)</u>	<u>(23,913)</u>	<u>(394,047)</u>
Non-current limited use assets	\$ <u>1,567,472</u>	\$ <u>2,078,514</u>	\$ <u>1,081,882</u>

NOTE 7 - UNAMORTIZED ELECTION COST

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cost of 2012 tax election	\$ 22,659	\$ 22,659	\$ 22,659
Cost of 2008 tax election	-0-	-0-	15,943
Less accumulated amortization	<u>(6,344)</u>	<u>(5,438)</u>	<u>(20,475)</u>
Unamortized cost of tax election	\$ <u>16,315</u>	\$ <u>17,221</u>	\$ <u>18,127</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 \$60,000 per year per person and \$1,710,000 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>2019</u>	<u>2018</u>	<u>2017</u>
Beginning of the year	\$ 200,059	\$ 107,693	\$ 111,889
Plus: Claims incurred and changes in estimate	986,366	1,214,159	1,288,160
Less: Claims paid	<u>1,011,324</u>	<u>1,121,793</u>	<u>1,292,356</u>
End of the year	<u>\$ 175,101</u>	<u>\$ 200,059</u>	<u>\$ 107,693</u>

NOTE 9 - LONG-TERM DEBT

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

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2019</u>	<u>Due Within One Year</u>
Capital lease obligations	\$ 465,732	\$ -0-	\$ 229,566	\$ 236,166	\$ 177,415
Bonds payable	<u>22,092,852</u>	<u>413,169</u>	<u>675,592</u>	<u>21,830,429</u>	<u>659,439</u>
Total	\$ <u>22,558,584</u>	\$ <u>413,169</u>	\$ <u>905,158</u>	\$ <u>22,066,595</u>	\$ <u>836,854</u>
	<u>June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2018</u>	<u>Due Within One Year</u>
Capital lease obligations	\$ 692,285	\$ -0-	\$ 226,553	\$ 465,732	\$ 218,629
Bonds payable	21,953,352	670,794	531,294	22,092,852	638,882
Notes payable	<u>19,667</u>	<u>-0-</u>	<u>19,667</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>22,665,304</u>	\$ <u>670,794</u>	\$ <u>777,514</u>	\$ <u>22,558,584</u>	\$ <u>857,511</u>

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NOTE 9 - LONG-TERM DEBT (Continued)

	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>

The terms and due dates of the Hospital's long-term debt, including capital lease obligations, at June 30, 2019 follow:

- Sales tax bonds, series 2013, at 4% 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 \$309,321 and accumulated depreciation of \$85,459.
- Capital lease obligations, at varying rates of imputed interest from 1.91% to 3.41% collateralized by equipment with a cost of \$750,850 and accumulated depreciation of \$206,410.
- 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. Collateral is a pledge and dedication of Hospital revenue secured by a mortgage on the Hospital building.
- 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. Collateral is a pledge and dedication of Hospital revenue secured by a mortgage on the Hospital building.

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.
- Purchase property insurance coverage and flood insurance, if available.
- Maintain complete and accurate records and have an annual audit.
- Provide quarterly reports to the bond purchaser.
- Maintain debt service coverage ratio of 1.25 or higher.
- Maintain an aggregate operating margin greater than zero.

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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,	Long-Term Debt		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2020	\$ 659,439	\$ 646,137	\$ 177,415	\$ 5,611
2021	682,354	625,102	13,958	2,871
2022	704,638	603,318	3,390	2,610
2023	728,300	580,776	3,599	2,401
2024	752,353	557,443	3,821	2,179
2025 - 2029	4,156,015	2,407,665	22,945	7,055
2030 - 2034	4,905,768	1,688,012	11,038	719
2035 - 2039	2,685,912	1,069,724	-0-	-0-
2040 - 2044	1,901,240	814,600	-0-	-0-
2045 - 2049	2,088,090	574,917	-0-	-0-
2050 - 2054	1,659,624	209,976	-0-	-0-
2055 - 2059	906,696	28,104	-0-	-0-
Totals	\$ <u>21,830,429</u>	\$ <u>9,805,774</u>	\$ <u>236,166</u>	\$ <u>23,446</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 2024. Future minimum operating lease payments are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2020	\$ 180,031
2021	60,208
2022	31,143
2023	31,143
2024	<u>5,191</u>
Total	\$ <u>307,716</u>

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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, 2016.

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, 2015.

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>2019</u>	<u>2018</u>	<u>2017</u>
Gross patient service charges	\$ 43,483,185	\$ 42,345,903	\$ 37,344,500
Deductions from patient charges:			
Contractual adjustments	20,901,652	20,339,870	16,483,823
Provision for bad debts	1,530,721	1,266,382	1,776,017
Charity care	<u>582,770</u>	<u>501,800</u>	<u>538,150</u>
Total deductions from patient charges	<u>23,015,143</u>	<u>22,108,052</u>	<u>18,797,990</u>
Net patient service revenue	\$ <u>20,468,042</u>	\$ <u>20,237,851</u>	\$ <u>18,546,510</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>2019</u>	<u>2018</u>	<u>2017</u>
Medicare and Medicaid gross patient charges	\$ 25,282,274	\$ 24,870,122	\$ 21,348,755
Contractual adjustments	<u>9,020,564</u>	<u>9,315,629</u>	<u>6,820,548</u>
Program patient service revenue	\$ <u>16,261,710</u>	\$ <u>15,554,493</u>	\$ <u>14,528,207</u>
Percent of total gross patient charges	<u>58%</u>	<u>59%</u>	<u>57%</u>
Percent of net patient revenue	<u>79%</u>	<u>77%</u>	<u>78%</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 of \$141,000 in 2019, no change in 2018 and a decrease of \$73,000 in 2017 in net patient service revenue.

NOTE 12 - COMPENSATED ABSENCES

As of June 30, 2019, 2018, and 2017, the Hospital has accrued a compensated absence liability of \$332,250, \$332,250, and \$348,295, 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. Act 765 of the year 1979, established by the Legislature of the State of Louisiana, revised the Plan to create Plan A and Plan B to replace the "regular plan" and the "supplemental plan". Plan A was designated for employers out of Social Security. Plan B was designated for those employers that remained in Social Security on the revision date. The Hospital participates in Plan B. The Plan provides retirement benefits to employees of taxing districts of a parish or any branch or section of a parish within the state which does not have their own retirement system and which elects to become members of the Plan. All permanent parish government employees (except those employed by Orleans, Lafourche and East Baton Rouge parishes) who work at least 28 hours a week shall become members on the date of employment. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate. As of January 1997, elected officials, except coroners, justices of the peace, and parish presidents may no longer join the Plan.

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, 2019, was 7.5% of covered employees' compensation. Employer expense for each of the years ended June 30, 2019, 2018, and 2017 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 Plan also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the members' compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities.

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NOTE 13 - PENSION PLAN (Continued)

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>2019</u>	<u>2018</u>	<u>2017</u>
Total Hospital payroll	\$ 12,732,547	\$ 11,689,101	\$ 12,159,795
Total covered payroll	10,024,849	9,225,807	10,238,558
Employee contributions	297,845	276,138	299,931
Employer contributions	\$ 751,864	\$ 713,018	\$ 799,814

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

At June 30, 2019, the Hospital reported a liability of \$2,265,513 for its proportionate share of the net pension liability. At June 30, 2018 and 2017, the Hospital reported an asset of \$1,177,691 and a liability of \$1,205,412 respectively, for its proportionate share of the net pension asset / liability. The net pension asset / liability was measured as of December 31, 2018, 2017 and 2016, respectively, and the total pension asset / liability used to calculate the net pension asset / liability was determined by an actuarial valuation as of that date. The Hospital's proportion of the net pension asset or 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 December 31, 2018, 2017 and 2016, the Hospital's proportion was 8.386%, 9.36% and 9.279%, respectively.

At June 30, 2019, 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-	\$ (504,190)
Net difference between projected and actual earnings on pension plan investments	1,551,337	-0-
Changes in assumptions	629,501	-0-
Changes in proportion	36,122	(16,430)
Differences between employer contributions and proportion of shared contributions	-0-	-0-
Employer contributions subsequent to the measurement date	421,166	-0-
Total	\$ <u>2,638,126</u>	\$ <u>(520,620)</u>

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NOTE 13 - PENSION PLAN (Continued)

Deferred outflows of resources of \$421,166 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, 2020. 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 June 30,		
2020	\$	535,881
2021		250,356
2022		230,508
2023	\$	679,012

Actuarial Assumptions - Total pension liability in the Plan's December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	December 31, 2018
Inflation	2.40%
Salary increases	4.25% (1.85% merit / 2.4% inflation)
Investment rate of return	6.50% (net of investment expense)

The present value of future retirement benefits is based on benefits currently being paid by the Plan and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Plan's Board of Trustees.

Mortality rates were based on the Pub-2010 Public Retirement Plans Mortality Table for General Employees for active employees, the Pub-2010 Public Retirement Plans Mortality Table for Healthy Retirees for healthy annuitants and beneficiaries, and the Pub-2010 Public Retirement Plan Mortality Table for General Disabled Retirees for disabled annuitants, as appropriate.

The mortality rate assumption used was set based on an experience study performed on plan data for the period January 1, 2013 through December 31, 2017. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. The mortality was then projected forward to a period equivalent to the estimated duration of the Plan's liabilities. Annuity values calculated based on this mortality were compared to those produced using a setback of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the capital asset pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward-looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates 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 2.4% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.43% for the year ended December 31, 2018.

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NOTE 13 - PENSION PLAN (Continued)

Best estimates of the arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Fixed income	35%	1.22%
Equity	52%	3.45%
Alternatives	11%	0.65%
Real assets	2%	0.11%
Totals	<u>100%</u>	<u>5.43%</u>
Inflation		2.00%
Expected arithmetic nominal return		7.43%

Discount Rate - The discount rate used to measure the total pension liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members 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 (PR SAC) 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 (Asset) 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 6.5%, as well as what the Hospital's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage-point lower (5.5%) or one percentage-point higher (7.5%) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Hospital's Proportionate Share of the Net Pension Liability (Asset)	\$ 5,960,375	\$ 2,265,513	\$ (821,347)

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

Payables to the Pension Plan - At June 30, 2019, 2018 and 2017, the Hospital had payables to the Plan totaling \$310,552, \$112,093 and \$180,938 representing April through June, 2019, June, 2018 and June, 2017 employee and employer legally required contributions, respectively. These amounts are included in salaries and benefits payable.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019, 2018 AND 2017

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. 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. 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.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
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NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019, 2018 AND 2017

NOTE 14 - CONTINGENCIES (Continued)

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' Unemployment 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 \$-0-, \$1,483, and \$2,501 for claims paid on behalf of the Hospital during the fiscal years ended June 30, 2019, 2018, and 2017, respectively.

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

NOTE 15 - COMMITMENTS

On September 25, 2018, the Hospital board of commissioners approved a construction contract for \$1,330,000 for radiology and emergency department expansion. As of June 30, 2019, the Hospital's expansion project was approximately 50% complete.

NOTE 16 - GRANT REVENUE

The Hospital received grant revenue of \$1,164,586, \$2,263,750 and \$678,900 in 2019, 2018 and 2017, 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 \$-0-, \$8,563 and \$51,190 from Medicare and Medicaid during the years ended June 30, 2019, 2018 and 2017, 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
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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 4.77 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 \$103,677,112 in 2018. 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 \$14,329,525 of the assessed value in 2018.

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 \$101,146, \$94,114, and \$155,425 are included in capital grants and contributions for the years ended June 30, 2019, 2018, and 2017, respectively. Medical Center support of operational expenses for the Foundation were \$23,710, \$18,479 and \$27,598 during years ended June 30, 2019, 2018 and 2017, respectively.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019, 2018 AND 2017

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>2019</u>	<u>2018</u>	<u>2017</u>
ASSETS			
Cash and cash equivalents	\$ 249,205	\$ 171,278	\$ 216,820
Limited use assets	<u>114,628</u>	<u>112,380</u>	<u>26,718</u>
Total assets	<u>\$ 363,833</u>	<u>\$ 283,658</u>	<u>\$ 243,538</u>
LIABILITIES AND NET ASSETS			
Net assets	<u>\$ 363,833</u>	<u>\$ 283,658</u>	<u>\$ 243,538</u>
Total liabilities and net assets	<u>\$ 363,833</u>	<u>\$ 283,658</u>	<u>\$ 243,538</u>
REVENUE			
Contribution revenue	\$ 101,146	\$ 94,114	\$ 155,425
Interest income	<u>2,739</u>	<u>208</u>	<u>187</u>
Total revenue	103,885	94,322	155,612
EXPENSES			
Grants to Hospital	-0-	34,823	95,363
Fundraising and administrative expense	<u>23,710</u>	<u>19,379</u>	<u>19,298</u>
Excess of revenue over expenses	80,175	40,120	40,951
Beginning net assets	<u>283,658</u>	<u>243,538</u>	<u>202,587</u>
Ending net assets	<u>\$ 363,833</u>	<u>\$ 283,658</u>	<u>\$ 243,538</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 \$318,000, \$271,000, and \$338,000 for the years ended June 30, 2019, 2018, and 2017, respectively. Funds received through grants, which pay part of the cost of charity and uninsured care, were approximately \$1,164,586, \$2,263,750 and \$678,900 for the years ended June 30, 2019, 2018 and 2017, 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, 2019, 2018 AND 2017

NOTE 20 - RELATED PARTY TRANSACTIONS

Until December 31, 2018, the Hospital was a party to 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 agreed to manage the operations of the Hospital and to provide the Hospital with a qualified administrator. The administrator was an employee of WKMC and acted on behalf of WKMC in the Hospital's best interest. The contract was on a monthly basis and required that the Hospital reimburse WKMC for the salary and benefits of the Hospital's administrator.

Until December 31, 2018, the Hospital was a party to an operating lease with WKMC for the Vivian Medical and Surgical Clinic building. The lease terms provided for monthly rentals of \$6,420 for five years through January 31, 2013 with automatic one year renewals. Rental expense on this lease during the years ended June 30, 2019, 2018 and 2017 was \$-0-, \$38,519 and \$77,038, respectively. On January 1, 2019, WKMC donated this building to the Hospital. The fair market value of the building on the date of donation is included as capital grant revenue.

During the years ended June 30, 2019, 2018, and 2017, the Hospital incurred, \$240,400, \$292,300 and \$400,900, respectively, for the administrator's salary and benefits, laundry services and various patient services with WKMC.

At June 30, 2019, 2018, and 2017, the Hospital owed WKMC \$72,436, \$141,538 and \$298,229, 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

On July 2, 2019, the Hospital re-financed \$4,029,000 sales tax bonds at 3.65% interest. Principal payments plus interest are payable through 2033. On July 5, 2019, the Hospital entered into agreements to lease new MRI and radiology equipment. The lease terms are for 5 years and provide for monthly rental payments of \$13,430 after an initial rental payment of \$300,000 on August 20, 2019.

Events have been evaluated through November 25, 2019, for subsequent event disclosure. This date is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED JUNE 30, 2019, 2018 AND 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Daily patient services:			
Routine services	\$ 1,888,930	\$ 1,775,970	\$ 1,490,937
Swing bed	343,207	486,569	508,463
Obstetrics	<u>187,419</u>	<u>195,712</u>	<u>261,742</u>
 Total daily patient services	 <u>2,419,556</u>	 <u>2,458,251</u>	 <u>2,261,142</u>
Other professional services:			
Cardiac monitor			
Inpatient	-0-	-0-	237
Outpatient	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
 Total cardiac monitor	 <u>-0-</u>	 <u>-0-</u>	 <u>237</u>
Operating room			
Inpatient	66,680	45,070	16,486
Outpatient	<u>1,337,424</u>	<u>348,466</u>	<u>107,952</u>
 Total operating room	 <u>1,404,104</u>	 <u>393,536</u>	 <u>124,438</u>
Anesthesia			
Inpatient	113,300	79,820	114,468
Outpatient	<u>150,066</u>	<u>122,081</u>	<u>113,650</u>
 Total anesthesia	 <u>263,366</u>	 <u>201,901</u>	 <u>228,118</u>
Radiology			
Inpatient	168,989	241,272	191,667
Outpatient	<u>1,518,623</u>	<u>1,436,060</u>	<u>1,213,541</u>
 Total radiology	 <u>1,687,612</u>	 <u>1,677,332</u>	 <u>1,405,208</u>
Ultrasound			
Inpatient	83,856	110,758	65,276
Outpatient	<u>636,119</u>	<u>548,889</u>	<u>383,731</u>
 Total ultrasound	 <u>\$ 719,975</u>	 <u>\$ 659,647</u>	 <u>\$ 449,007</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, 2019, 2018 AND 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
CT scans & nuclear medicine			
Inpatient	\$ 614,056	\$ 734,989	\$ 633,158
Outpatient	<u>3,346,443</u>	<u>3,884,623</u>	<u>3,216,152</u>
Total CT scans & nuclear medicine	<u>3,960,499</u>	<u>4,619,612</u>	<u>3,849,310</u>
MRI			
Inpatient	54,337	39,349	94,870
Outpatient	<u>571,525</u>	<u>589,762</u>	<u>518,880</u>
Total MRI	<u>625,862</u>	<u>629,111</u>	<u>613,750</u>
Laboratory & blood			
Inpatient	1,981,905	2,226,084	1,987,852
Outpatient	<u>3,828,272</u>	<u>2,851,077</u>	<u>2,516,957</u>
Total laboratory & blood	<u>5,810,177</u>	<u>5,077,161</u>	<u>4,504,809</u>
Respiratory care			
Inpatient	1,271,691	1,621,504	1,475,898
Outpatient	<u>1,660,842</u>	<u>602,731</u>	<u>450,270</u>
Total respiratory care	<u>2,932,533</u>	<u>2,224,235</u>	<u>1,926,168</u>
Physical, occupational and speech therapy			
Inpatient	268,888	291,555	367,741
Outpatient	<u>481,934</u>	<u>536,581</u>	<u>80,442</u>
Total physical, occupational and speech therapy	<u>750,822</u>	<u>828,136</u>	<u>448,183</u>
EKG and EEG			
Inpatient	349,080	261,232	284,410
Outpatient	<u>675,614</u>	<u>629,538</u>	<u>554,376</u>
Total EKG and EEG	<u>\$ 1,024,694</u>	<u>\$ 890,770</u>	<u>\$ 838,786</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, 2019, 2018 AND 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Central supply			
Inpatient	\$ 851,867	\$ 1,181,612	\$ 897,284
Outpatient	<u>223,630</u>	<u>128,783</u>	<u>132,409</u>
Total central supply	<u>1,075,497</u>	<u>1,310,395</u>	<u>1,029,693</u>
Pharmacy			
Inpatient	1,776,257	2,134,794	2,182,700
Outpatient	<u>2,482,807</u>	<u>2,174,176</u>	<u>1,680,375</u>
Total pharmacy	<u>4,259,064</u>	<u>4,308,970</u>	<u>3,863,075</u>
Emergency and treatment room			
Inpatient	420,624	566,619	487,203
Outpatient	<u>5,302,617</u>	<u>6,218,140</u>	<u>6,036,578</u>
Total emergency and treatment room	<u>5,723,241</u>	<u>6,784,759</u>	<u>6,523,781</u>
Other outpatient services			
Ambulance	1,428,538	1,494,133	1,335,038
Physicians and surgeons clinic	6,616,249	6,021,435	5,880,754
Plain Dealing clinic	1,665,767	1,762,794	1,599,426
Benton clinic	1,007,556	877,043	351,653
HealthPlex & Kidmed	57,543	73,758	46,039
Fitness center	<u>50,530</u>	<u>52,924</u>	<u>65,885</u>
Total other outpatient services	<u>10,826,183</u>	<u>10,282,087</u>	<u>9,278,795</u>
Total other professional services	<u>41,063,629</u>	<u>39,887,652</u>	<u>35,083,358</u>
Gross patient service charges	\$ <u>43,483,185</u>	\$ <u>42,345,903</u>	\$ <u>37,344,500</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, 2019, 2018 AND 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Gross patient service charges	\$ <u>43,483,185</u>	\$ <u>42,345,903</u>	\$ <u>37,344,500</u>
Deductions from patient charges:			
Contractual adjustments	20,901,652	20,339,870	16,483,823
Provision for bad debts	1,530,721	1,266,382	1,776,017
Charity care	<u>582,770</u>	<u>501,800</u>	<u>538,150</u>
Total deductions from patient charges	<u>23,015,143</u>	<u>22,108,052</u>	<u>18,797,990</u>
Net patient service revenue	\$ <u>20,468,042</u>	\$ <u>20,237,851</u>	\$ <u>18,546,510</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, 2019, 2018 AND 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cafeteria	\$ 129,406	\$ 106,064	\$ 137,858
Medical records fees	5,522	8,025	5,948
340B pharmaceutical program	1,429,435	1,064,949	168,852
Vending	1,911	2,004	2,038
Miscellaneous	<u>113,060</u>	<u>32,271</u>	<u>41,044</u>
Total other operating revenue	\$ <u>1,679,334</u>	\$ <u>1,213,313</u>	\$ <u>355,740</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, 2019, 2018 AND 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Salaries:			
Routine nursing	\$ 2,271,324	\$ 2,170,302	\$ 2,518,769
Obstetrics	1,079	2,626	2,846
Nursing administration	-0-	(4,198)	53,736
Education	-0-	-0-	220
Operating room	130,850	1,923	105
Anesthesiology	381,326	380,990	353,162
Radiology	405,247	317,887	332,773
Ultrasound	19,210	5,004	22,022
CT scan	57,531	59,859	50,081
Laboratory	525,849	507,890	563,158
Respiratory therapy	363,289	357,410	406,033
Physical therapy	257,678	270,333	261,770
Cardiology	11,404	11,417	6,608
Central supply	184,384	177,269	178,200
Pharmacy	212,328	205,761	213,272
Physicians and surgeons clinic	2,384,441	2,310,628	2,478,556
Plain Dealing clinic	664,316	650,143	690,151
Benton clinic	322,774	277,037	180,333
Emergency room	1,266,846	895,850	771,944
Treatment room	-0-	-0-	1,332
Ambulance	620,900	612,830	627,996
HealthPlex	70,003	67,166	75,491
Fitness center	57,565	55,101	73,914
Medical records	203,453	209,443	216,451
Maintenance	180,958	130,414	172,880
Housekeeping	398,895	392,386	384,875
Dietary	370,924	369,382	383,770
Administration	<u>1,369,973</u>	<u>1,254,248</u>	<u>1,139,347</u>
Total salaries	<u>12,732,547</u>	<u>11,689,101</u>	<u>12,159,795</u>
Benefits and payroll taxes:			
Retirement	1,243,198	797,386	1,113,663
Payroll taxes	812,174	730,397	783,905
Health, life and disability insurance	1,139,234	1,346,380	1,319,867
Workers compensation	104,749	113,102	116,865
Unemployment benefits	-0-	1,483	2,501
Total benefits and payroll taxes	<u>3,299,355</u>	<u>2,988,748</u>	<u>3,336,801</u>
 Total salaries and benefits	 <u>\$ 16,031,902</u>	 <u>\$ 14,677,849</u>	 <u>\$ 15,496,596</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, 2019, 2018 AND 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Routine nursing	\$ 187,984	\$ 236,897	\$ 226,094
Obstetrics	17,184	17,317	22,195
Cardiac care	6,577	8,768	8,473
Operating room	227,772	63,776	82,994
Anesthesiology	5,531	4,857	1,955
Radiology	20,241	16,429	21,017
Ultrasound	3,261	5,734	(246)
MRI	4,179	4,213	1,707
CT scan	12,090	22,627	17,713
Laboratory	236,627	278,145	224,001
Respiratory therapy	20,332	111,833	62,101
Physical therapy	5,215	6,152	2,074
Central supply	11,091	8,181	8,293
Pharmacy	489,197	416,976	484,628
Physicians and surgeons clinic	115,516	142,433	120,329
HealthPlex	5,040	6,061	5,538
Plain Dealing clinic	60,441	59,867	46,809
Benton clinic	27,402	19,189	15,527
School nurse	164	-0-	221
Ambulance	31,988	17,475	11,429
Emergency room	38,438	48,057	40,545
Treatment room	15,149	22,905	9,850
Fitness center	<u>11,464</u>	<u>20,245</u>	<u>11,872</u>
 Total medical supplies and drugs	 \$ <u>1,552,883</u>	 \$ <u>1,538,137</u>	 \$ <u>1,425,119</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, 2019, 2018 AND 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Administrative and computer	\$ 681,164	\$ 750,929	\$ 788,105
Legal and professional fees	139,545	171,626	167,364
Board member fees	-0-	-0-	89
Laundry purchased services	80,559	116,611	71,217
Dietary	450	-0-	533
Routine nursing & obstetrics	-0-	-0-	202
Residents	67,918	59,343	54,949
Anesthesiology	-0-	8,000	-0-
Radiology	(341)	4,708	27,947
MRI	99,932	110,962	98,561
Ultrasound	-0-	-0-	42,937
Laboratory	97,386	94,275	67,295
Respiratory therapy	312,750	-0-	-0-
Physical therapy	6,674	-0-	-0-
Pharmacy	250,909	198,170	39,726
Emergency room	302,530	573,133	722,708
Treatment room	<u>-0-</u>	<u>(6,505)</u>	<u>-0-</u>
 Total professional services	 \$ <u>2,039,476</u>	 \$ <u>2,081,252</u>	 \$ <u>2,081,633</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, 2019, 2018 AND 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Miscellaneous purchased services	\$ 318,187	\$ 289,578	\$ 401,476
Marketing	100,486	50,116	59,179
Non-medical supplies	596,327	562,313	427,276
Dietary food expense	240,096	230,952	208,949
Maintenance and repairs	296,953	209,574	183,048
Utilities	337,636	339,937	351,701
Telephone	125,930	109,506	96,106
Travel and education	118,462	115,022	133,095
Dues and subscriptions	37,772	49,796	38,806
Postage	16,176	16,994	15,552
Sales and property taxes	13,197	21,841	11,572
Debt issuance cost	1,416	5,012	2,625
Foundation fundraising and special events	24,785	25,717	32,562
Miscellaneous expense	<u>2,625</u>	<u>43,991</u>	<u>1,271</u>
 Total other expenses	 \$ <u><u>2,230,048</u></u>	 \$ <u><u>2,070,349</u></u>	 \$ <u><u>1,963,218</u></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, 2019

Agency Head Name: David Jones

Purpose	Amount
Salary	\$ 201,397
Health insurance	-0-
Retirement	13,965
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	1,164
Travel	-0-
Registration fees	-0-
Conference travel	2,569
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-
Professional dues	-0-
Cell phone	1,068
Other	
Bonus	31,950

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, 2019

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</u> <u>Reimb.</u>	<u>Total</u> <u>Compensation</u>	<u>Office Held</u>	<u>Expiration</u> <u>of Term</u>
Kenneth Clay	\$ 1,000	\$ -0-	\$ 1,000	Member	07/10/21
Kenneth Cochran	1,200	-0-	1,200	Member	07/18/24
Ron Festavan	800	-0-	800	Member	07/03/20
Helen Godfrey-Smith	1,200	-0-	1,200	Member	07/18/24
Robert Green, Jr.	1,200	600	1,800	Board Chair	07/01/23
Mary Irvin	1,100	-0-	1,100	Vice Chair	07/01/22
David Norman	1,100	-0-	1,100	Member	07/03/20
Brenda Smith	1,200	-0-	1,200	Member	07/01/21
Patricia White	<u>1,100</u>	<u>-0-</u>	<u>1,100</u>	Member	08/18/22
	\$ <u>9,900</u>	\$ <u>600</u>	\$ <u>10,500</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 (ASSET)
FOR THE LAST FIVE YEARS

For the Year Ended December 31,	Hospital's proportion of the net pension liability (asset)	Hospital's proportionate share of net pension liability (asset)	Hospital's covered payroll	Hospital's proportionate share of net pension liability (asset) as a % of its covered payroll	Plan fiduciary net position as a % of the total pension liability
2014	8.54486%	\$ 23,731	\$ 7,510,099	0%	99.9%
2015	8.93578%	\$ 1,590,973	\$ 8,588,368	19%	93.5%
2016	9.27902%	\$ 1,205,412	\$ 9,237,639	13%	95.5%
2017	9.36010%	\$ (1,177,691)	\$ 9,533,399	-12%	104.0%
2018	8.38567%	\$ 2,265,513	\$ 9,401,037	24%	91.9%

* 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.

Changes in Benefit Terms

There were no changes of benefit terms for the five plan years ended December 31, 2018.

Changes in Assumptions

The net investment rate of return was 7.25% in 2014, 7% in 2015 and 2016, 6.75% in 2017 and 6.5% in 2018.

Projected salary increases decreased from 5.75% in 2014 to 5.25% for 2015, 2016 and 2017, then decreased to 4.25% in 2018.

The inflation interest rate was 3% in 2014, 2.5% in 2015, 2016 and 2017, and 2.4% in 2018.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
FOR THE LAST FIVE YEARS

For the Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a) - (b) Contribution deficiency (excess)	Hospital's covered payroll	Contributions as a % of covered payroll
2015	\$ 724,228	\$ 724,228	\$ -0-	\$ 7,740,318	9.4%
2016	\$ 733,646	\$ 733,646	\$ -0-	\$ 8,816,641	8.3%
2017	\$ 799,814	\$ 799,814	\$ -0-	\$ 10,238,558	7.8%
2018	\$ 712,333	\$ 712,333	\$ -0-	\$ 9,225,807	7.7%
2019	\$ 751,864	\$ 751,864	\$ -0-	\$ 10,024,849	7.5%

*Amounts presented were determined as of the end of the fiscal year.

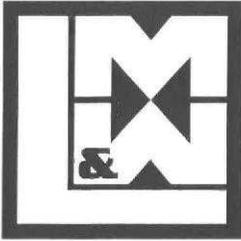
This schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
SCHEDULE OF INSURANCE POLICIES
IN FORCE ON JUNE 30, 2019

Risk Covered	Coverage	Beginning	Ending
Ambulance Liability	\$ 1,000,000	07/23/18	07/23/19
Business Auto Liability	1,000,000	07/23/18	07/23/19
Cyber Protection	100,000	11/01/18	11/01/19
Directors and Officers Liability	1,000,000	07/23/18	07/23/19
Employment Practices Liability	1,000,000	07/23/18	07/23/19
Antitrust Claim	1,000,000	07/23/18	07/23/19
EMTALA Coverage	250,000	07/23/18	07/23/19
Excess Benefit Transaction	50,000	07/23/18	07/23/19
HIPAA Violation	50,000	07/23/18	07/23/19
Internal Revenue Code Violation	100,000	07/23/18	07/23/19
Third Party Wrongful Act	1,000,000	07/23/18	07/23/19
Malpractice and General Liability	4,500,000	11/01/18	11/01/19
Health Care Claims Made Umbrella			
Commercial General Liability Occurrence,	4,500,000	11/01/18	11/01/19
Excess of Bodily Injury, Property Damage,			
Personal Injury and Employment Benefits Liability			
Health Care Professional Liability per Occurrence	100,000	11/01/18	11/01/19
(Annual Aggregate - \$2,000,000)			
Louisiana Patients Compensation Fund			
Excess Healthcare Professional Liability Coverage	400,000	11/01/18	11/01/19
Bodily Injury, Property Damage, Personal Injury,	500,000	11/01/18	11/01/19
Employee Benefits Liability			
Medical Expense	1,000	11/01/18	11/01/19
Pollution / Wrongful Termination	250,000	11/01/18	11/01/19
Damage to Rental Property	100,000	11/01/18	11/01/19
Damage to Patient Property	5,000	11/01/18	11/01/19
Employed Physicians			
Claims Made Liability Per Occurrence	100,000	07/01/18	07/01/19
Aggregate	300,000	07/01/18	07/01/19
Property Insurance			
Real Property	54,625,149	07/23/18	07/23/19
Extra Expense	10,000,000	07/23/18	07/23/19
Flood	54,625,149	07/23/18	07/23/19
Earthquake	54,625,149	07/23/18	07/23/19
Perishable Stock	10,000,000	07/23/18	07/23/19
Hazardous Substance	250,000	07/23/18	07/23/19
Data Restoration	\$ 250,000	07/23/18	07/23/19

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
SCHEDULE OF INSURANCE POLICIES (Continued)
YEAR ENDED JUNE 30, 2019

Risk Covered	Coverage	Beginning	Ending
Employee Theft			
ERISA	\$ 1,000,000	02/17/18	02/17/21
Forgery or Alteration	1,000,000	02/17/18	02/17/21
On Premises	1,000,000	02/17/18	02/17/21
In - Transit	1,000,000	02/17/18	02/17/21
Money Orders & Counterfeit Money	1,000,000	02/17/18	02/17/21
Computer Crime	1,000,000	02/17/18	02/17/21
Funds Transfer Fraud	1,000,000	02/17/18	02/17/21
Personal Accounts Protection	250,000	02/17/18	02/17/21
Claim Expense	5,000	02/17/18	02/17/21
Workers' Compensation	Statutory	01/01/19	01/01/20
Employers' Liability	\$ 1,000,000	01/01/19	01/01/20



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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, 2019, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 25, 2019.

Internal Control over Financial Reporting

In planning and performing our audit 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 opinion 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 have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify 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 responses as item 2019-002 to be a material weakness.

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 responses as item 2019-001 to be a significant deficiency.

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 responses as item 2019-003.

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 responses. 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

November 25, 2019



NORTH CADDO HOSPITAL SERVICE DISTRICT
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified opinion on financial statements prepared in accordance with generally accepted accounting principles (GAAP)

Internal control over financial reporting:

- Material weaknesses identified - Yes
- Significant deficiencies identified - Yes

Compliance

- Noncompliance issue noted - Yes

Management letter issued - No

Federal Awards –

- Not applicable

Section II. Financial Statement Findings

FINDING 2019-001 – Segregation of Duties

Finding: Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording and custody functions.

Recommendation: We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes: 1) separating transaction authorization from custody of related assets; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend written procedures for added close supervision and review.

Response: Management will continue to segregate duties as much as possible and will closely supervise and review duties to prevent errors and misappropriations.



NORTH CADDO HOSPITAL SERVICE DISTRICT
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES (Continued)
YEAR ENDED JUNE 30, 2019

FINDING 2019-002 – Financial Reporting

Finding: Monthly financial statements do not reflect actual operating results of the Hospital because estimates for Medicare and Medicaid cost report settlements are not being recorded on an interim basis and financial close procedures did not detect inconsistencies between financial reports and supporting data.

Recommendation: We recommend that the financial close procedures include additional steps to ensure that accurate and timely information is reported on monthly financial statements.

Response: The CFO has already implemented additional financial close procedures to prevent reporting issues in the future. It was determined by management that there was an expected receivable from the annual cost report that did not warrant the expense and allocated resources associated with an interim report. The final report did result in a receivable thus backing up management's expectations.

FINDING 2019-003 – Uninsured Bank Balances

Finding: The Hospital had deposits with a financial institution of \$471,796 that were neither insured by the FDIC nor covered by the bank's assigned pledged securities in the Hospital's name at year end.

Recommendation: We recommend closer monitoring of the bank balances, FDIC coverage and pledged securities' market value by management to ensure all deposits are in compliance with state law.

Response: The Hospital has acquired pledged securities and is now in compliance. The Hospital will modify its investment policy to require documentation of pledged securities from the bank simultaneously when investing funds that are known to be greater than the FDIC limit.

Section III. Federal Awards Findings and Questioned Costs

Not applicable

Section IV. Management Letter

Not applicable



NORTH CADDO HOSPITAL SERVICE DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2019

Section I. Financial Statement Findings

FINDING 2018-001 – 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 2019-001.

Section II. Federal Award Findings and Questioned Costs

Not applicable

Section III. Management Letter

Not applicable

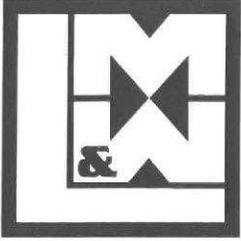


NORTH CADDO MEDICAL CENTER
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON
PROCEDURES

FOR THE YEAR ENDED
JUNE 30, 2019



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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Commissioners
of North Caddo Hospital Service District
d/b/a North Caddo Medical Center
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, 2018 through June 30, 2019. 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 and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - 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/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - 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 of

statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

- 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.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event

Exceptions: No exceptions noted in applying the above procedures

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Exceptions: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2019, since fiscal year 2018 did not contain any exceptions.

Bank Reconciliations

- 3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);



- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Exceptions: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2019, since fiscal year 2018 did not contain any exceptions.

Collections

- 4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- 5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
- 6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
- 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day).
Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).



- e) Trace the actual deposit per the bank statement to the general ledger.

Exceptions: No exceptions noted in applying the above procedures

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Exceptions: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2019, since fiscal year 2018 did not contain any exceptions.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) 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.]

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

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Exceptions: No exceptions noted in applying the above procedures.

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Exceptions: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2019, since fiscal year 2018 did not contain any exceptions.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).



- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Exception: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2019, since fiscal year 2018 did not contain any exceptions.

Payroll and Personnel

- 16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- 17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that 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.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
- 18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
- 19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Exceptions: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2019, since fiscal year 2018 did not contain any exceptions.

Ethics

- 20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
 - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Exceptions: No exceptions noted in applying the above procedures.



Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Exceptions: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2019, since fiscal year 2018 did not contain any exceptions.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds

Exceptions: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2019, since fiscal year 2018 did not contain any exceptions.

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, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

November 25, 2019

