

NORTH CADDO HOSPITAL SERVICE DISTRICT

COMBINED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
JUNE 30, 2020, 2019, AND 2018



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, 2020, 2019, AND 2018

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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, 2020. 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 \$8.5 million (23.3%) in 2020, increased by \$1 million (2.9%) in 2019 and increased by \$2.2 million (6.7%) in 2018.
- The Medical Center reported an increase of operating income in 2020 of \$1.06 million (160.9%) compared to decrease of \$1.81 million (-157.3%) in 2019 and an increase of \$4.57 million (133.7%) in 2018.
- Noncapital grants and contributions increased by \$1.2 million or (102.3%) in 2020, decreased by \$1.1 million (-48.2%) in 2019 and increased \$1.53 million (205.7%) in 2018.
- A 25-year 1% sales tax was approved by voters in 2012 and the Medical Center received approximately \$1.3 million in sales taxes in 2020, \$1.2 million in 2019 and \$1.1 million in 2018. 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 \$3.4 million (36.4%) in 2020, and increased by \$935,000 (11.1%) in 2019 and increased by \$2.23 million (35.7%) in 2018, as you can see from Table 1.

Table 1: Net Position (In Thousands)

	June 30,			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total current assets	\$ 18,578	\$ 9,452	\$ 7,881	\$ 5,583
Capital assets, net	23,402	22,859	23,270	24,815
Other assets	2,124	1,584	3,272	1,101
Total assets	<u>44,104</u>	<u>33,895</u>	<u>34,423</u>	<u>31,499</u>
Deferred outflows of resources	929	2,638	1,069	1,753
Total assets and deferred outflows of resources	<u>\$ 45,033</u>	<u>\$ 36,533</u>	<u>\$ 35,492</u>	<u>\$ 33,252</u>
Total current liabilities	\$ 6,588	\$ 3,130	\$ 3,326	\$ 3,550
Long-term liabilities	23,920	23,495	21,701	23,125
Total liabilities	<u>30,508</u>	<u>26,625</u>	<u>25,027</u>	<u>26,675</u>
Deferred inflows of resources	<u>1,719</u>	<u>521</u>	<u>2,013</u>	<u>350</u>
Net position:				
Invested in capital assets, net of related debt	249	793	711	2,150
Temporarily restricted net assets	1,589	1,702	2,102	1,476
Unrestricted net assets	<u>10,968</u>	<u>6,892</u>	<u>5,639</u>	<u>2,601</u>
Total net position	<u>12,806</u>	<u>9,387</u>	<u>8,452</u>	<u>6,227</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 45,033</u>	<u>\$ 36,533</u>	<u>\$ 35,492</u>	<u>\$ 33,252</u>

Cash and cash equivalents increased by \$9 million in fiscal year 2020, and increased by \$211,000 in 2019. A significant component of the change in the Medical Center's assets in 2020 was an increase in grants due to COVID-19.

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, 2020, 2019, 2018 and 2017.

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

	Years Ended June 30,			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net patient service revenue	\$ 21,614	\$ 20,468	\$ 20,238	\$ 18,566
Noncapital grants	2,385	1,179	2,277	745
Other revenue	1,807	1,679	1,213	356
Total operating revenues	25,806	23,326	23,728	19,667
Salaries	13,705	12,732	11,689	12,160
Benefits and payroll taxes	3,263	3,299	2,989	3,337
Medical supplies and drugs	1,656	1,553	1,538	1,425
Professional services	1,846	2,039	2,081	2,082
Insurance	418	355	371	443
Depreciation and amortization	1,928	1,642	1,668	1,442
Leases and rentals	168	135	171	214
Other expenses	2,420	2,230	2,070	1,963
Total operating expenses	25,404	23,985	22,577	23,066
Operating income (loss)	402	(659)	1,151	(3,399)
Property tax revenue	395	395	408	431
Sales tax revenue	1,267	1,205	1,150	1,095
Other financial assistance	1,650	-0-	-0-	-0-
Non-employer pension contribution	131	110	119	112
Interest income	106	77	14	3
Rent income	9	2	4	2
Interest expense	(621)	(668)	(715)	(542)
Gain (loss) on disposition	-0-	-0-	-0-	(279)
Excess of revenues (expenses) before capital grants & contributions	3,339	462	2,131	(2,577)
Capital grants & contributions	80	473	94	168
Increase (decrease) in net position	3,419	935	2,225	(2,409)
Net position - beginning of year	9,407	8,472	6,247	8,911
Prior period adjustment	-0-	-0-	-0-	(255)
Net position - end of year	\$ 12,826	\$ 9,407	\$ 8,472	\$ 6,247

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
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 reported positive net operating income in 2020 and 2018 and net losses in 2019 and 2017. 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 an increase in operating income in 2020 of \$1.06 million (160.92%), compared to a decrease of \$1.81 million (-157.3%) in 2019 and an increase of \$4.6 million (133.7%) in 2018.

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

- Increase in noncapital grant revenue of \$1.2 million (102.3%) in 2020, decrease of \$1.1 million (-48.2%) in 2019 and increase of \$1.5 million (205.7%) in 2018. The Hospital received grant revenue of \$2.2 million, \$1.2 million, and \$2.3 million in 2020, 2019 and 2018, 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 \$1.1 million (5.6%) in 2020, compared to an increase of \$230,000 (1.1%) in 2019, and an increase of \$1.7 million (9.0%) in 2018.
- Total operating expenses increased by \$1.4 million (5.9%) in 2020, compared to an increase of \$1.4 million (6.2%) in 2019, and a decrease of \$489,000 (-2.1%) in 2018.
- Total salary and benefits expenses increased \$937,000 (5.8%) in 2020, increased \$1.4 million (9.2%) in 2019, and decreased \$819,000 (-5.3%) in 2018. As a percentage of net patient revenue, salary and benefit expenses were approximately 78.5%, 78.3%, and 72.5% for fiscal years 2020, 2019 and 2018, 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 2020, professional services costs were \$1.8 million compared to \$2 million in 2019. 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 2020, 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, 2020, 2019, 2018, and 2017.

Table 3: Payor Mix by Percentage

	Year ended June 30			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Commercial	37.63%	37.66%	34.54%	37.99%
Medicaid	31.74%	31.93%	29.00%	27.28%
Medicare	27.92%	26.21%	29.73%	29.89%
Self-pay	2.71%	4.20%	6.73%	4.84%
Total patient revenue	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

The Louisiana Medicaid disproportionate share hospital program allowed for the reimbursement of uncompensated care costs to small rural hospitals serving a disproportionate number of low-income patients. The reimbursements were calculated based on cost reports filed by the small rural hospitals and were paid by the state from federal funding. Although federal appropriations had enabled the state to pay almost 100 percent of uncompensated costs to rural hospitals over the past several years, there was no assurance federal funding would continue and, therefore, no assurance that the Medical Center would receive any future payments. 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 \$2.2 million, \$1.2 million, \$2.3 million and \$679,000 for 2020, 2019, 2018 and 2017, 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. In 2020, the Medical Center reported \$1.65 million revenue as other financial assistance related to provider relief funds from the Department of Health and Human Services to prevent, prepare for, and respond to coronavirus.

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 14 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 decreased by \$20,700 (-19.9%) in 2020, increased by \$9,600 (10.1%) in 2019 and decreased by \$61,000 (-39.4%) in 2018.

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

Operating and Financial Performance

The following summarizes some of the Medical Center's patient statistical data from 2020, 2019, 2018 and 2017.

Overall, activity at the Medical Center, as measured by admissions for routine acute care, decreased in 2020, and 2019 after an increase in 2018. Acute inpatient admissions decreased by (-9.9%) in 2020 to 659 from 731, 784, and 705 in 2019, 2018, and 2017, respectively. Acute inpatient days decreased in 2020 to 2,245 from 2,472, 2,480, and 2,367 in 2019, 2018, and 2017, respectively. The average length of stay for 2020 acute care patients (excluding newborns) increased to 3.45 days from 3.36, 3.16, and 3.36 days in 2019, 2018, and 2017, respectively. In order to maintain critical access hospital status for Medicare patients, the Medical Center's average length of stay for acute patients must be below 96 hours or 4 days.

Swing bed admissions increased 18% to 132 admissions in 2020 from 112 admissions in 2019. Previous years had swing bed admissions of 135 and 165 in 2018 and 2017, respectively. Swing bed patient days increased 80% in 2020 to 1,992 from 1,107, 1,505 and 1,560 in 2019, 2018, and 2017, 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 was \$395,000 in both 2020 and 2019. Ambulance trips for 2020 increased to 2,601 from 1,852 in 2019, 1,788 in 2018, and 1,699 in 2017.

Emergency room patients decreased from 6,123 in 2019 to 5,564 in 2020. Previous years had emergency room patients of 6,670 in 2018 and 5,621 in 2017.

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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Admissions:				
Acute (excluding newborn)	659	731	784	705
Newborn	68	81	59	77
Swing bed	132	112	135	165
Discharges:				
Acute	651	736	784	705
Swing bed	132	112	139	165
Patient days:				
Acute	2,245	2,472	2,480	2,367
Newborn	175	176	137	170
Swing bed	1,992	1,107	1,505	1,560
Total patient days	4,412	3,755	4,122	4,097
Average length of stay:				
Acute	3.45	3.36	3.16	3.36
Swing bed	15.09	9.88	10.83	9.45
Medical and Surgical Clinic visits	24,154	24,597	22,047	23,323
Plain Dealing Medical Clinic visits	7,536	7,033	7,980	7,772
Benton Clinic visits	5,792	4,602	3,935	1,411
Total clinic visits	37,482	36,232	33,962	32,506
Ambulance trips	2,601	1,852	1,788	1,699
Emergency room patients	5,564	6,123	6,670	5,621

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 2020, the Medical Center had \$23 million invested in capital assets, net of accumulated depreciation, as detailed in note 4 to the financial statements. In 2020, the Medical Center acquired capital assets costing \$2.5 million, while depreciation of \$1.9 million decreased net capital assets.

Construction in progress in 2019 is related to emergency and radiology department expansion.

Table 5: Summary of Capital Assets

	June 30,			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Land	\$ 626,346	\$ 480,494	\$ 480,494	\$ 480,494
Buildings & building improvements	25,502,405	23,969,393	23,597,015	23,563,107
Equipment	8,669,289	7,203,277	7,060,060	6,972,444
Subtotal	<u>34,798,040</u>	<u>31,653,164</u>	<u>31,137,569</u>	<u>31,016,045</u>
Less: Accumulated depreciation	(11,396,383)	(9,508,879)	(7,868,066)	(6,200,914)
Construction in progress	-0-	715,063	-0-	-0-
	<u>\$ 23,401,657</u>	<u>\$ 22,859,348</u>	<u>\$ 23,269,503</u>	<u>\$ 24,815,131</u>

Table 6: Major Additions over \$20,000

Land	\$ 145,852
EGD scope	34,938
Surgical cauterizer	21,416
Power cot	29,424
MRI injector	38,448
Chemistry analyzer	100,500
Mobile X-Ray	124,007
X-Ray room	150,033
MRI	879,756
ER / radiology building addition	1,549,974
	<u>\$ 3,074,348</u>

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

Debt

At year-end, the Medical Center had \$25.8 million in bonds payable and capital leases outstanding as detailed in note 8 to the financial statements. The Medical Center added three capital leases totaling \$1.2 million and borrowed an additional \$1.2 million to finance construction projects during 2020. The Medical Center also borrowed \$2.7 million under the Payroll Protection Program during 2020. Total debt outstanding represents approximately 58.6% of the Medical Center's total assets at June 30, 2020 versus prior years of 65.1%, 65.5% and 72.0% for 2019, 2018, and 2017, respectively.

Other Economic Factors

Government spending on medical care continues to be a topic of discussion on both the federal and state levels. As a critical access hospital, the Medical Center receives cost based reimbursement for most services provided to Medicare beneficiaries who have traditional coverage. 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 10 in the financial statements, Medicare and Medicaid patient revenues comprise approximately 81% 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, 2020, 2019 and 2018, 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 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, 2020, 2019 and 2018, 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, 2020, 2019 and 2018, 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 32 and Schedule of Employer Pension Contributions on page 33 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 opinions 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, 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 on pages 35 through 47 are presented for purposes of additional analysis and are not a required part of the basic combined financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200,



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

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 and the schedule of expenditures of federal awards are 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 March 22, 2021, 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

March 22, 2021



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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets and Deferred Outflows of Resources			
Current assets:			
Cash and cash equivalents (Note 2)	\$ 12,390,795	\$ 3,397,831	\$ 3,186,770
Certificates of deposit	724,500	721,796	-0-
Limited use assets (Note 5)	159,590	134,808	23,913
Net accounts receivable (Note 3)	2,690,832	2,819,654	2,866,062
Estimated third-party payor settlements	1,529,285	1,001,166	448,443
Other receivables	397,135	682,085	645,737
Inventories	467,891	461,866	501,522
Prepaid expenses	<u>218,160</u>	<u>233,029</u>	<u>208,490</u>
Total current assets	18,578,188	9,452,235	7,880,937
Nondepreciable capital assets (Note 4)	626,346	1,195,557	480,494
Capital assets, net (Note 4)	22,775,311	21,663,791	22,789,009
Limited use assets (Note 5)	1,429,214	1,567,472	2,078,514
Pension asset	679,382	-0-	1,177,691
Unamortized election cost (Note 6)	<u>15,408</u>	<u>16,315</u>	<u>17,221</u>
Total assets	<u>44,103,849</u>	<u>33,895,370</u>	<u>34,423,866</u>
Deferred outflows related to pension liability	<u>929,500</u>	<u>2,638,126</u>	<u>1,068,798</u>
Total assets and deferred outflows of resources	<u>\$ 45,033,349</u>	<u>\$ 36,533,496</u>	<u>\$ 35,492,664</u>
Liabilities, Deferred Inflows of Resources, and Net Position			
Current liabilities:			
Accounts payable and accrued expenses	\$ 1,221,866	\$ 1,511,651	\$ 1,427,701
Accrued salaries and benefits	835,055	691,264	558,920
Estimated third-party payor settlements	125,887	90,576	482,290
Deferred revenue	2,504,913	-0-	-0-
Current portion of long-term debt (Note 8)	<u>1,900,741</u>	<u>836,854</u>	<u>857,511</u>
Total current liabilities	<u>6,588,462</u>	<u>3,130,345</u>	<u>3,326,422</u>
Long-term liabilities:			
Pension liability	-0-	2,265,513	-0-
Long-term debt (Note 8)	<u>23,920,479</u>	<u>21,229,741</u>	<u>21,701,073</u>
Total long-term liabilities	<u>23,920,479</u>	<u>23,495,254</u>	<u>21,701,073</u>
Total liabilities	<u>30,508,941</u>	<u>26,625,599</u>	<u>25,027,495</u>
Deferred inflows related to pension liability	<u>1,718,680</u>	<u>520,620</u>	<u>2,013,176</u>
Net position:			
Invested in capital assets (net of related debt)	248,951	792,753	710,919
Temporarily restricted net assets (Note 5)	1,588,804	1,702,280	2,102,427
Unrestricted net assets	<u>10,967,973</u>	<u>6,892,244</u>	<u>5,638,647</u>
Total net position	<u>12,805,728</u>	<u>9,387,277</u>	<u>8,451,993</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 45,033,349</u>	<u>\$ 36,533,496</u>	<u>\$ 35,492,664</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>2020</u>	<u>2019</u>	<u>2018</u>
Operating Revenues:			
Net patient service revenue (Note 10)	\$ 21,614,235	\$ 20,468,042	\$ 20,237,851
Noncapital grants and contributions (Note 14)	2,385,196	1,178,990	2,277,021
Other operating revenue	<u>1,806,810</u>	<u>1,679,334</u>	<u>1,213,313</u>
Total operating revenues	<u>25,806,241</u>	<u>23,326,366</u>	<u>23,728,185</u>
Operating Expenses:			
Salaries	13,705,211	12,732,547	11,689,101
Benefits and payroll taxes	3,262,586	3,299,355	2,988,748
Medical supplies and drugs	1,656,040	1,552,883	1,538,137
Professional services	1,846,222	2,039,476	2,081,252
Insurance	418,481	354,751	371,174
Depreciation and amortization	1,928,331	1,641,717	1,668,060
Leases and rentals	167,908	134,595	170,704
Other expenses	<u>2,419,988</u>	<u>2,230,048</u>	<u>2,070,349</u>
Total operating expenses	<u>25,404,767</u>	<u>23,985,372</u>	<u>22,577,525</u>
Operating income (loss)	<u>401,474</u>	<u>(659,006)</u>	<u>1,150,660</u>
Nonoperating Revenues (Expenses):			
Interest income	106,097	77,055	13,888
Sales tax revenue (Note 20)	1,266,858	1,205,113	1,149,817
Other financial assistance (Note 15)	1,650,000	-0-	-0-
Non-employer pension contribution revenue	130,952	110,014	118,861
Property tax revenue (Note 16)	395,083	395,273	408,467
Rent income	8,837	1,900	4,072
Interest expense	<u>(621,125)</u>	<u>(668,589)</u>	<u>(714,564)</u>
Excess of revenues (expenses) before capital grants and contributions	3,338,176	461,760	2,131,201
Capital grants and contributions	<u>80,275</u>	<u>473,524</u>	<u>94,109</u>
Increase (decrease) in net position	3,418,451	935,284	2,225,310
Net position at beginning of year	<u>9,387,277</u>	<u>8,451,993</u>	<u>6,226,683</u>
Net position at end of year	<u>\$ 12,805,728</u>	<u>\$ 9,387,277</u>	<u>\$ 8,451,993</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>2020</u>	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:			
Cash receipts from and on behalf of patients	\$ 21,250,249	\$ 19,570,013	\$ 21,068,767
Other receipts and payments, net	4,476,956	2,821,976	3,073,725
Payments to suppliers and contractors	(6,851,982)	(6,204,975)	(7,162,454)
Payments for employees and benefits	<u>(16,663,544)</u>	<u>(15,408,224)</u>	<u>(14,564,371)</u>
Net cash provided (used) by operating activities	<u>2,211,679</u>	<u>778,790</u>	<u>2,415,667</u>
Cash flows from investing activities:			
Interest on investments	106,097	77,055	13,888
Purchase of certificates of deposit	(2,704)	(724,044)	-0-
Rent income	<u>8,837</u>	<u>1,900</u>	<u>4,072</u>
Net cash provided (used) by investing activities	<u>112,230</u>	<u>(645,089)</u>	<u>17,960</u>
Cash flows from noncapital financing activities:			
Property tax revenues received	395,083	395,273	408,467
Sales tax revenues received	1,266,858	1,205,113	1,149,817
Non-operating financial assistance	4,154,913	-0-	-0-
Proceeds from issuance of long-term debt	<u>2,668,514</u>	<u>-0-</u>	<u>-0-</u>
Net cash provided by noncapital financing activities	<u>8,485,368</u>	<u>1,600,386</u>	<u>1,558,284</u>
Cash flows from capital and related financing activities:			
Proceeds from limited use assets	113,476	402,395	(626,498)
Purchase of property and equipment	(1,315,939)	(1,230,656)	(121,525)
Proceeds from issuance of long-term debt	5,189,196	413,169	670,794
Interest paid on long-term debt	(626,441)	(676,300)	(850,028)
Principal payments on long-term debt	(5,256,880)	(905,158)	(777,514)
Capital grants and contributions	<u>80,275</u>	<u>473,524</u>	<u>94,109</u>
Net cash provided (used) by capital and related financing activities	<u>(1,816,313)</u>	<u>(1,523,026)</u>	<u>(1,610,662)</u>
Net increase (decrease) in cash and cash equivalents	8,992,964	211,061	2,381,249
Beginning cash and cash equivalents	<u>3,397,831</u>	<u>3,186,770</u>	<u>805,521</u>
Ending cash and cash equivalents	\$ <u>12,390,795</u>	\$ <u>3,397,831</u>	\$ <u>3,186,770</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>2020</u>	<u>2019</u>	<u>2018</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	\$ <u>626,441</u>	\$ <u>676,300</u>	\$ <u>850,028</u>
Equipment acquisitions financed by capital lease	\$ <u>1,153,795</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 401,474	\$ (659,006)	\$ 1,150,660
Adjustments to reconcile operating income to net cash flows provided (used) in operating activities:			
Depreciation and amortization	1,928,332	1,641,717	1,668,060
Changes in:			
Net accounts receivable	128,822	46,408	348,626
Other receivables	284,950	(36,348)	(416,609)
Inventories	(6,025)	39,656	(141,008)
Prepaid expenses	14,869	(24,539)	(77,461)
Accounts payable and accrued expenses	(284,469)	91,661	(736,976)
Accrued salaries and payroll taxes	143,791	132,344	55,064
Estimated third-party payor settlements	(492,808)	(944,437)	482,290
Pension liability (asset)	<u>92,743</u>	<u>491,334</u>	<u>83,021</u>
Net cash provided (used) by operating activities	\$ <u>2,211,679</u>	\$ <u>778,790</u>	\$ <u>2,415,667</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, 2020, 2019 AND 2018

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, 2020, 2019 AND 2018

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 2017 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, 2020, 2019 AND 2018

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. The Hospital implemented GASB Statement No. 89 – Accounting for Interest Cost before the End of a Construction Period during fiscal year 2019. The new guidance of construction period interest requires enterprise fund and business-type activities to expense interest incurred prior to and during a construction period. Construction period interest expensed during June 30, 2020, 2019, and 2018, totaled \$30,759, \$3,198, and \$-0-, 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.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020, 2019 AND 2018

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

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.

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. Advertising expense for the years ended June 30, 2020, 2019, and 2018 totaled \$93,108, \$100,486, and \$50,116, respectively.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020, 2019 AND 2018

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

Credit Risk

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

Significant Concentration of Economic Dependence

The Hospital has an economic dependence on a small number of staff physicians. These physicians admit over 90% of the Hospital's patients. The Hospital also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 10. 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.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020, 2019 AND 2018

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

Environmental Matters

The hospital is subject to laws and regulations relating to the protection of the environment. The hospital's policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty, the potential financial impact of the Hospital's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the Hospital. At June 30, 2020, 2019, and 2018, management is not aware of any liability resulting from environmental matters.

Recently Issued 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 financing 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, 2022.

NOTE 2 - 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 \$14,019 and \$471,796 at one bank in 2020 and 2019, respectively, 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, 2020, 2019, and 2018. The Foundation's deposits were entirely insured at June 30, 2020, 2019, and 2018.

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 consists of certificates of deposit with maturity dates exceeding 365 days.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020, 2019 AND 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Carrying Amount			
Deposits	\$ <u>14,704,099</u>	\$ <u>5,821,907</u>	\$ <u>5,289,197</u>
Totals	\$ <u>14,704,099</u>	\$ <u>5,821,907</u>	\$ <u>5,289,197</u>
Included in the following balance sheet captions			
Cash and cash equivalents	\$ 12,390,795	\$ 3,397,831	\$ 3,186,770
Certificates of deposit	724,500	721,796	-0-
Current limited use assets	159,590	134,808	23,913
Other limited use assets	<u>1,429,214</u>	<u>1,567,472</u>	<u>2,078,514</u>
Totals	\$ <u>14,704,099</u>	\$ <u>5,821,907</u>	\$ <u>5,289,197</u>

NOTE 3 - ACCOUNTS RECEIVABLE, NET

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Hospital patients	\$ 4,665,902	\$ 4,990,853	\$ 5,151,756
Medical and Surgical Clinic	1,004,030	906,551	806,935
Plain Dealing Clinic	112,534	93,953	72,727
Benton Clinic	163,166	124,755	46,080
Anesthesiology	25,436	32,161	32,783
Estimated allowances for contractual adjustments	<u>(2,634,858)</u>	<u>(2,812,968)</u>	<u>(2,720,627)</u>
	3,336,210	3,335,305	3,389,654
Estimated uncollectibles	<u>(645,378)</u>	<u>(515,651)</u>	<u>(523,592)</u>
Net accounts receivable	\$ <u>2,690,832</u>	\$ <u>2,819,654</u>	\$ <u>2,866,062</u>

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NOTE 3 - 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>2020</u>	<u>2019</u>	<u>2018</u>
Medicare	24%	27%	25%
Medicaid	23%	19%	24%
Commercial and other third-party payors	40%	36%	34%
Patients	13%	18%	17%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

NOTE 4 - CAPITAL ASSETS

Capital asset additions, retirements, and balances for the years ended June 30, 2020, 2019 and 2018 were as follows:

	<u>2019</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>2020</u>
Nondepreciable capital assets					
Land	\$ 480,494	\$ 145,852	\$ -0-	\$ -0-	\$ 626,346
Construction in progress	715,063	867,517	44,141	(1,538,439)	-0-
Total nondepreciable capital assets	<u>\$ 1,195,557</u>	<u>\$ 1,013,369</u>	<u>\$ 44,141</u>	<u>\$ (1,538,439)</u>	<u>\$ 626,346</u>
Depreciable capital assets					
Buildings and improvements	\$ 23,969,393	\$ 12,720	\$ -0-	\$ 1,520,292	\$ 25,502,405
Furniture and equipment	7,203,277	1,487,787	39,921	18,146	8,669,289
Total depreciable capital assets	31,172,670	1,500,507	39,921	1,538,438	34,171,694
Accumulated depreciation and amortization	9,508,879	1,927,425	39,921	-0-	11,396,383
Total depreciable capital assets, net	<u>\$ 21,663,791</u>	<u>\$ (426,918)</u>	<u>\$ -0-</u>	<u>\$ 1,538,438</u>	<u>\$ 22,775,311</u>

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NOTE 4 - CAPITAL ASSETS (Continued)

	<u>2018</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>2019</u>
Nondepreciable capital assets					
Land	\$ 480,494	\$ -0-	\$ -0-	\$ -0-	\$ 480,494
Construction in progress	<u>-0-</u>	<u>715,063</u>	<u>-0-</u>	<u>-0-</u>	<u>715,063</u>
Total nondepreciable capital assets	<u>\$ 480,494</u>	<u>\$ 715,063</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,195,557</u>
Depreciable capital assets					
Buildings and improvements	\$ 23,597,015	\$ 372,378	\$ -0-	\$ -0-	\$ 23,969,393
Furniture and equipment	<u>7,060,060</u>	<u>143,217</u>	<u>-0-</u>	<u>-0-</u>	<u>7,203,277</u>
Total depreciable capital assets	30,657,075	515,595	-0-	-0-	31,172,670
Accumulated depreciation and amortization	<u>7,868,066</u>	<u>1,640,813</u>	<u>-0-</u>	<u>-0-</u>	<u>9,508,879</u>
Total depreciable capital assets, net	<u>\$ 22,789,009</u>	<u>\$ (1,125,218)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 21,663,791</u>
	<u>2017</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>2018</u>
Nondepreciable capital assets					
Land	\$ 480,494	\$ -0-	\$ -0-	\$ -0-	\$ 480,494
Construction in progress	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total nondepreciable capital assets	<u>\$ 480,494</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 480,494</u>
Depreciable capital assets					
Buildings and improvements	\$ 23,563,107	\$ 33,908	\$ -0-	\$ -0-	\$ 23,597,015
Furniture and equipment	<u>6,972,444</u>	<u>87,616</u>	<u>-0-</u>	<u>-0-</u>	<u>7,060,060</u>
Total depreciable capital assets	30,535,551	121,524	-0-	-0-	30,657,075
Accumulated depreciation and amortization	<u>6,200,914</u>	<u>1,667,153</u>	<u>1</u>	<u>-0-</u>	<u>7,868,066</u>
Total depreciable capital assets, net	<u>\$ 24,334,637</u>	<u>\$ (1,545,629)</u>	<u>\$ (1)</u>	<u>\$ -0-</u>	<u>\$ 22,789,009</u>

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NOTE 5 - ASSETS LIMITED AS TO USE

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Funds designated for capital assets	\$ 117	\$ 114,742	\$ 612,897
Funds designated for debt reduction	1,588,687	1,587,538	1,489,530
Less: limited use assets required for current liabilities	<u>(159,590)</u>	<u>(134,808)</u>	<u>(23,913)</u>
Non-current limited use assets	<u>\$ 1,429,214</u>	<u>\$ 1,567,472</u>	<u>\$ 2,078,514</u>

NOTE 6 - UNAMORTIZED ELECTION COST

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cost of 2012 tax election	\$ 22,659	\$ 22,659	\$ 22,659
Less accumulated amortization	<u>(7,251)</u>	<u>(6,344)</u>	<u>(5,438)</u>
Unamortized cost of tax election	<u>\$ 15,408</u>	<u>\$ 16,315</u>	<u>\$ 17,221</u>

NOTE 7 - 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 \$1,000,000 in aggregate. A liability is accrued for self-insured employee health claims, including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims' experience, recently settled claims, and frequency of claims. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term. The following is a summary of changes in the Hospital's claims liability for the year ended June 30:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning of the year	\$ 175,101	\$ 200,059	\$ 107,693
Plus: Claims incurred and changes in estimate	1,262,293	986,366	1,214,159
Less: Claims paid	<u>1,238,379</u>	<u>1,011,324</u>	<u>1,121,793</u>
End of the year	<u>\$ 199,015</u>	<u>\$ 175,101</u>	<u>\$ 200,059</u>

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NOTE 8 - LONG-TERM DEBT

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

	June 30, <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	June 30, <u>2020</u>	Due Within <u>One Year</u>
Capital lease obligations \$	236,166	\$ 1,153,795	\$ 605,312	\$ 784,649	\$ 175,578
Bonds payable	21,830,429	5,189,196	4,651,568	22,368,057	700,354
Notes payable	<u>-0-</u>	<u>2,668,514</u>	<u>-0-</u>	<u>2,668,514</u>	<u>1,024,809</u>
Total	\$ <u>22,066,595</u>	\$ <u>9,011,505</u>	\$ <u>5,256,880</u>	\$ <u>25,821,220</u>	\$ <u>1,900,741</u>
	June 30, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	June 30, <u>2019</u>	Due Within <u>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>
	June 30, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	June 30, <u>2018</u>	Due Within <u>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	531,509
Notes payable	<u>19,667</u>	<u>-0-</u>	<u>19,667</u>	<u>-0-</u>	<u>107,373</u>
Total	\$ <u>22,665,304</u>	\$ <u>670,794</u>	\$ <u>777,514</u>	\$ <u>22,558,584</u>	\$ <u>857,511</u>

The terms and due dates of the Hospital's long-term debt, including capital lease obligations, at June 30, 2020 follow:

- Sales tax bonds, series 2019, at 3.65% interest, maturing serially on September 1 of each year beginning in 2019, with interest payable March 1 and September 1 of each year beginning in 2019, 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 \$98,534.
- Capital lease obligations, at varying rates of imputed interest from 1.91% to 3.97% collateralized by equipment with a cost of \$1,904,646 and accumulated depreciation of \$457,117.
- 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.

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NOTE 8 - LONG-TERM DEBT (Continued)

- 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.
- Paycheck Protection Program loan used to pay for employee payroll expenses. Loan has a six month deferment period from original issue date of May 1, 2020, at which time any principal or interest that has not been forgiven will be paid in 18 monthly installments. If not forgiven, the loan calls for monthly payments of \$150,176 for 60 months at an interest rate of 1%.

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 annual reports to the bond purchaser.
- Maintain debt service coverage ratio of 1.25 or higher.
- Maintain an aggregate operating margin greater than zero.

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
2021	\$ 1,725,163	\$ 641,418	\$ 175,578	\$ 28,721
2022	2,365,343	601,547	173,650	21,904
2023	744,300	570,950	179,696	14,852
2024	766,353	547,882	187,038	7,511
2025	789,806	524,102	38,518	2,147
2026 - 2030	4,330,727	2,236,538	24,360	5,640
2031 - 2035	4,674,420	1,524,550	5,809	191
2036 - 2040	2,351,077	1,003,239	-0-	-0-
2041 - 2045	1,946,927	768,913	-0-	-0-
2046 - 2050	2,192,370	523,470	-0-	-0-
2051 - 2055	2,468,756	247,084	-0-	-0-
2056 - 2060	681,329	15,131	-0-	-0-
Totals	\$ <u>25,036,571</u>	\$ <u>9,204,824</u>	\$ <u>784,649</u>	\$ <u>80,966</u>

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NOTE 9 - 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>
2021	\$ 60,208
2022	31,143
2023	31,143
2024	<u>5,191</u>
Total	<u>\$ 127,685</u>

NOTE 10 - 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.

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NOTE 10 - NET PATIENT SERVICE REVENUE (Continued)

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.

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>2020</u>	<u>2019</u>	<u>2018</u>
Gross charges	\$ 41,870,053	\$ 43,483,185	\$ 42,345,903
Less charges associated with charity care	<u>(620,387)</u>	<u>(582,770)</u>	<u>(501,800)</u>
Gross patient service revenue	41,249,666	42,900,415	41,844,103
Less deductions from revenue:			
Contractual adjustments	(18,269,073)	(20,901,652)	(20,339,870)
Provision for bad debts	<u>(1,366,358)</u>	<u>(1,530,721)</u>	<u>(1,266,382)</u>
Total deductions from patient charges	<u>(19,635,431)</u>	<u>(22,432,373)</u>	<u>(21,606,252)</u>
Net patient service revenue	\$ <u>21,614,235</u>	\$ <u>20,468,042</u>	\$ <u>20,237,851</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>2020</u>	<u>2019</u>	<u>2018</u>
Medicare and Medicaid gross patient charges	\$ 24,977,285	\$ 25,282,274	\$ 24,870,122
Contractual adjustments	<u>7,551,258</u>	<u>9,020,564</u>	<u>9,315,629</u>
Program patient service revenue	\$ <u>17,426,027</u>	\$ <u>16,261,710</u>	\$ <u>15,554,493</u>
Percent of total gross patient charges	<u>60%</u>	<u>58%</u>	<u>59%</u>
Percent of net patient revenue	<u>81%</u>	<u>79%</u>	<u>77%</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 an increase of \$36,000 in 2020, a decrease of \$141,000 in 2019 and no change in 2018 in net patient service revenue.

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NOTE 11 - COMPENSATED ABSENCES

As of June 30, 2020, 2019, and 2018, the Hospital has accrued a compensated absence liability of \$399,969, \$332,250, and \$332,250, respectively. It is impractical to estimate the amount of compensation for future unvested sick pay and, accordingly, no liability has been recorded in the accompanying financial statements.

The Hospital pays accrued vacation absences upon termination, if proper notice and termination procedures are followed.

NOTE 12 - 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, 2020, was 7.5% of covered employees' compensation. Employer expense for each of the years ended June

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NOTE 12 - PENSION PLAN (Continued)

30, 2020, 2019, and 2018 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.

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>2020</u>	<u>2019</u>	<u>2018</u>
Total Hospital payroll	\$ 13,705,211	\$ 12,732,547	\$ 11,689,101
Total covered payroll	10,577,937	10,024,849	9,225,807
Employee contributions	314,081	297,845	276,138
Employer contributions	\$ 793,342	\$ 751,864	\$ 713,018

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

At June 30, 2020, the Hospital reported an asset of \$679,382 for its proportionate share of the net pension asset. At June 30, 2019 the Hospital reported a liability of \$2,265,513 and an asset of \$1,177,691 respectively, for its proportionate share of the net pension asset / liability. The net pension asset / liability was measured as of December 31, 2019, 2018 and 2017, 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, 2019, 2018 and 2017, the Hospital's proportion was 7.500%, 7.720% and 7.810%, respectively.

At June 30, 2020, 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	\$ 20,106	\$ (289,746)
Net difference between projected and actual earnings on pension plan investments	-0-	(1,418,622)
Changes in assumptions	400,804	-0-
Changes in proportion	77,009	(10,312)
Differences between employer contributions and proportion of shared contributions	-0-	-0-
Employer contributions subsequent to the measurement date	431,581	-0-
Total	\$ <u>929,500</u>	\$ <u>(1,718,680)</u>

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NOTE 12 - PENSION PLAN (Continued)

Deferred outflows of resources of \$431,581 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, 2021. 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,	
2021	\$ (346,664)
2022	(365,225)
2023	138,013
2024	(646,885)

Actuarial Assumptions - Total pension liability in the Plan's December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	December 31, 2019
Inflation	2.40%
Salary Increases	4.25%
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 7.18 % for the year ended December 31, 2019.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
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NOTE 12 - PENSION PLAN (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Fixed income	35%	1.05%
Equity	52%	3.41%
Alternatives	11%	0.61%
Real assets	2%	0.11%
Totals	<u>100%</u>	5.18%
Inflation		2.00%
Expected arithmetic nominal return		7.18%

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 (PRSAC) taking into consideration the recommendation of the Plan's actuary. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Hospital's Proportionate Share of the Net Pension Liability (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 6.50%, 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 (5.50%) or one percentage-point higher (7.50%) 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)	\$ 3,649,651	\$ (679,382)	\$ (4,297,670)

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 - As of June 30, 2020, 2019 and 2018, the Hospital had payables due to the Plan of \$334,478, \$310,552 and \$112,093, representing April through June, 2020, April through June, 2019, and June 2018 employee and employer legally required contributions, respectively. These amounts are included in salaries and benefits payable.

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NOTE 13 - 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 10) - 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.

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NOTE 13 - 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 \$1,500, \$-0-, and \$1,483 for claims paid on behalf of the Hospital during the fiscal years ended June 30, 2020, 2019, and 2018, respectively.

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

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a global pandemic. As a result, uncertainties have arisen that may have a significant impact on the operating activities and results of the Hospital. The occurrence and the extent of such an impact will depend on future developments, including the duration and spread of the virus, government quarantine measures, voluntary and precautionary restriction on travel or meetings, the effects on the financial markets, and the effects on economy overall, all of which are uncertain. As of June 30, 2020, the Hospital received \$4,154,913 in Provider Relief Funds to prevent, prepare for and respond to the coronavirus and as reimbursement to the Hospital for eligible expenses and lost revenues. Also, the Hospital applied for and received a Payroll Protection Program (PPP) loan, described in Note 8, in order to continue paying employee salaries and wages during the COVID-19 pandemic.

NOTE 14 - GRANT REVENUE

The Hospital received grant revenue of \$2,223,877, \$1,164,586 and \$2,263,750 in 2020, 2019 and 2018, 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. Below is a summary of noncapital grant and contributions revenue for the year ended June 30:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Uncompensated care grant	\$ 2,223,877	\$ 1,164,586	\$ 2,263,750
Other grants and contributions	<u>161,319</u>	<u>14,404</u>	<u>13,271</u>
Total noncapital grant and contributions revenue	<u>\$ 2,385,196</u>	<u>\$ 1,178,990</u>	<u>\$ 2,277,021</u>

NORTH CADDO HOSPITAL SERVICE DISTRICT,
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NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 15 - OTHER FINANCIAL ASSISTANCE

The Hospital received \$4,154,913 in Provider Relief Funds (PRF or funds) via the Coronavirus Aid Relief and Economic Security (CARES) Act during the fiscal year ending June 30, 2020. The funds were issued by the U.S. Department of Health & Human Services (HHS) in response to the coronavirus pandemic to be utilized for healthcare related expenses and lost revenues attributable to coronavirus. The Hospital recognized \$1,650,000 of PRF as non-operating financial assistance in the fiscal year ending June 30, 2020, based on the information available as of that date. The unrecognized amount is reported in deferred revenue on the statements of net position. The Hospital will submit an initial report of healthcare related expenses and lost revenues attributable to coronavirus from inception through December 31, 2020, and a final report from January 1, 2021 through June 30, 2021. Funds received in excess of the reported expenses and lost revenues, if any, may be owed to HHS. As a result, the amount recorded in the financial statements compared to the Hospital's Provider Relief Fund reporting could differ. This difference could be materially different from current estimates.

NOTE 16 - 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, 2019. Total assessed value for the Hospital Service District was \$102,290,151 in 2019. 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 \$14,429,023 of the assessed value in 2019.

NOTE 17 - 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 \$80,275, \$101,146, and \$94,114 are included in capital grants and contributions for the years ended June 30, 2020, 2019, and 2018, respectively. Medical Center support of operational expenses for the Foundation were \$21,051, \$23,710 and \$18,479 during years ended June 30, 2020, 2019 and 2018, respectively.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
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NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020, 2019 AND 2018

NOTE 17 - 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>2020</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Cash and cash equivalents	\$ 223,505	\$ 249,205	\$ 171,278
Limited use assets	-0-	114,628	112,380
Total assets	<u>\$ 223,505</u>	<u>\$ 363,833</u>	<u>\$ 283,658</u>
LIABILITIES AND NET ASSETS			
Net assets	<u>\$ 223,505</u>	<u>\$ 363,833</u>	<u>\$ 283,658</u>
Total liabilities and net assets	<u>\$ 223,505</u>	<u>\$ 363,833</u>	<u>\$ 283,658</u>
REVENUE			
Contribution revenue	\$ 80,275	\$ 101,146	\$ 94,114
Interest income	2,898	2,739	208
Total revenue	83,173	103,885	94,322
EXPENSES			
Grants to Hospital	201,000	-0-	34,823
Fundraising and administrative expense	22,501	23,710	19,379
Excess of revenue over expenses	(140,328)	80,175	40,120
Beginning net assets	<u>363,833</u>	<u>283,658</u>	<u>243,538</u>
Ending net assets	<u>\$ 223,505</u>	<u>\$ 363,833</u>	<u>\$ 283,658</u>

NOTE 18 - 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 \$368,000, \$318,000, and \$271,000 for the years ended June 30, 2020, 2019, and 2018, respectively. Funds received through grants, which pay part of the cost of charity and uninsured care, were approximately \$2,223,877, \$1,164,586 and \$2,263,750 for the years ended June 30, 2020, 2019 and 2018, 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,
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NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020, 2019 AND 2018

NOTE 19 - 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 provide 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, 2020, 2019 and 2018 was \$-0-, \$-0-, and \$38,519, 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, 2020, 2019, and 2018, the Hospital incurred, \$-0-, \$240,400 and \$292,000, respectively, for the administrator's salary and benefits, laundry services and various patient services with WKMC.

At June 30, 2020, 2019, and 2018, the Hospital owed WKMC \$-0-, \$72,436 and \$141,538, respectively, for various services and supplies, which is included in accounts payable.

NOTE 20 - 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 21 - SUBSEQUENT EVENTS

On July 20, 2020, the Hospital received an additional \$1,550,000 in Provider Relief Funds from the U.S. Department of Health & Human Services.

Events have been evaluated through March 22, 2021, for subsequent event disclosure. This date is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH CADDO HOSPITAL SERVICE DISTRICT,
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SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET)
FOR THE LAST SIX 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%
2019	9.39069%	\$ (679,382)	\$ 10,439,020	7%	102.0%

* 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 in benefit terms for the six plan years ended December 31, 2019.

Changes of Assumptions

Year Ended 12/31	Discount Rate	Investment Rate of Return	Inflation Rate	Expected Remaining Service Lives	Projected Salary Increase
2014	7.25%	7.25%	3.0%	4	5.75%
2015	7.00%	7.00%	2.5%	4	5.25%
2016	7.00%	7.00%	2.5%	4	5.25%
2017	6.75%	6.75%	2.5%	4	5.25%
2018	6.50%	6.50%	2.4%	4	4.25%
2019	6.50%	6.50%	2.4%	4	4.25%

Mortality rates were based on RP-2000 Sex Distinct Tables in 2014 through 2017.

Mortality rates were based on Pub-2010 Public Retirement Plans Mortality Tables in 2018 and 2019.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
FOR THE LAST SIX 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%
2020	\$ 793,342	\$ 793,342	\$ -0-	\$ 10,577,937	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.

SUPPLEMENTARY INFORMATION

NORTH CADDO HOSPITAL SERVICE DISTRICT,
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COMBINED SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED JUNE 30, 2020, 2019 AND 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Daily patient services:			
Routine services	\$ 1,607,120	\$ 1,888,930	\$ 1,775,970
Swing bed	618,388	343,207	486,569
Obstetrics	<u>248,830</u>	<u>187,419</u>	<u>195,712</u>
 Total daily patient services	 <u>2,474,338</u>	 <u>2,419,556</u>	 <u>2,458,251</u>
Other professional services:			
Cardiac monitor			
Inpatient	-0-	-0-	-0-
Outpatient	<u>909</u>	<u>-0-</u>	<u>-0-</u>
 Total cardiac monitor	 <u>909</u>	 <u>-0-</u>	 <u>-0-</u>
Operating room			
Inpatient	46,021	66,680	45,070
Outpatient	<u>1,252,027</u>	<u>1,337,424</u>	<u>348,466</u>
 Total operating room	 <u>1,298,048</u>	 <u>1,404,104</u>	 <u>393,536</u>
Anesthesia			
Inpatient	112,520	113,300	79,820
Outpatient	<u>162,506</u>	<u>150,066</u>	<u>122,081</u>
 Total anesthesia	 <u>275,026</u>	 <u>263,366</u>	 <u>201,901</u>
Radiology			
Inpatient	103,550	168,989	241,272
Outpatient	<u>1,374,594</u>	<u>1,518,623</u>	<u>1,436,060</u>
 Total radiology	 <u>1,478,144</u>	 <u>1,687,612</u>	 <u>1,677,332</u>
Ultrasound			
Inpatient	60,948	83,856	110,758
Outpatient	<u>616,547</u>	<u>636,119</u>	<u>548,889</u>
 Total ultrasound	 <u>\$ 677,495</u>	 <u>\$ 719,975</u>	 <u>\$ 659,647</u>

NORTH CADDO HOSPITAL SERVICE DISTRICT,
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COMBINED SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED JUNE 30, 2020, 2019 AND 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
CT scans & nuclear medicine			
Inpatient	\$ 324,322	\$ 614,056	\$ 734,989
Outpatient	<u>2,985,293</u>	<u>3,346,443</u>	<u>3,884,623</u>
Total CT scans & nuclear medicine	<u>3,309,615</u>	<u>3,960,499</u>	<u>4,619,612</u>
 MRI			
Inpatient	45,529	54,337	39,349
Outpatient	<u>564,835</u>	<u>571,525</u>	<u>589,762</u>
Total MRI	<u>610,364</u>	<u>625,862</u>	<u>629,111</u>
 Laboratory & blood			
Inpatient	1,382,968	1,981,905	2,226,084
Outpatient	<u>4,329,789</u>	<u>3,828,272</u>	<u>2,851,077</u>
Total laboratory & blood	<u>5,712,757</u>	<u>5,810,177</u>	<u>5,077,161</u>
 Respiratory care			
Inpatient	1,058,012	1,271,691	1,621,504
Outpatient	<u>2,007,689</u>	<u>1,660,842</u>	<u>602,731</u>
Total respiratory care	<u>3,065,701</u>	<u>2,932,533</u>	<u>2,224,235</u>
 Physical, occupational and speech therapy			
Inpatient	437,119	268,888	291,555
Outpatient	<u>742,613</u>	<u>481,934</u>	<u>536,581</u>
Total physical, occupational and speech therapy	<u>1,179,732</u>	<u>750,822</u>	<u>828,136</u>
 EKG and EEG			
Inpatient	147,805	349,080	261,232
Outpatient	<u>653,255</u>	<u>675,614</u>	<u>629,538</u>
Total EKG and EEG	\$ <u>801,060</u>	\$ <u>1,024,694</u>	\$ <u>890,770</u>

NORTH CADDO HOSPITAL SERVICE DISTRICT,
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COMBINED SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED JUNE 30, 2020, 2019 AND 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Central supply			
Inpatient	\$ 729,264	\$ 851,867	\$ 1,181,612
Outpatient	<u>408,719</u>	<u>223,630</u>	<u>128,783</u>
Total central supply	<u>1,137,983</u>	<u>1,075,497</u>	<u>1,310,395</u>
Pharmacy			
Inpatient	1,500,049	1,776,257	2,134,794
Outpatient	<u>2,289,474</u>	<u>2,482,807</u>	<u>2,174,176</u>
Total pharmacy	<u>3,789,523</u>	<u>4,259,064</u>	<u>4,308,970</u>
Emergency and treatment room			
Inpatient	236,237	420,624	566,619
Outpatient	<u>4,951,382</u>	<u>5,302,617</u>	<u>6,218,140</u>
Total emergency and treatment room	<u>5,187,619</u>	<u>5,723,241</u>	<u>6,784,759</u>
Other outpatient services			
Ambulance	1,403,240	1,428,538	1,494,133
Physicians and surgeons clinic	6,548,507	6,616,249	6,021,435
Plain Dealing clinic	1,782,419	1,665,767	1,762,794
Benton clinic	1,090,693	1,007,556	877,043
HealthPlex & Kidmed	11,610	57,543	73,758
Fitness center	<u>35,270</u>	<u>50,530</u>	<u>52,924</u>
Total other outpatient services	<u>10,871,739</u>	<u>10,826,183</u>	<u>10,282,087</u>
Total other professional services	<u>39,395,715</u>	<u>41,063,629</u>	<u>39,887,652</u>
Gross charges	\$ <u>41,870,053</u>	\$ <u>43,483,185</u>	\$ <u>42,345,903</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, 2020, 2019 AND 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Gross charges	\$ 41,870,053	\$ 43,483,185	\$ 42,345,903
Less charges associated with charity patients	<u>620,387</u>	<u>582,770</u>	<u>501,800</u>
Gross patient service revenue	41,249,666	42,900,415	41,844,103
Deductions from patient revenue:			
Contractual adjustments	18,269,073	20,901,652	20,339,870
Provision for bad debts	<u>1,366,358</u>	<u>1,530,721</u>	<u>1,266,382</u>
Total deductions from patient charges	<u>19,635,431</u>	<u>22,432,373</u>	<u>21,606,252</u>
Net patient service revenue	\$ <u>21,614,235</u>	\$ <u>20,468,042</u>	\$ <u>20,237,851</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, 2020, 2019 AND 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cafeteria	\$ 125,598	\$ 129,406	\$ 106,064
Medical records fees	5,559	5,522	8,025
340B pharmaceutical program	1,601,649	1,429,435	1,064,949
Vending	1,646	1,911	2,004
Gift shop sales	35,404	-0-	-0-
Education center	34,000	-0-	-0-
Miscellaneous	<u>2,954</u>	<u>113,060</u>	<u>32,271</u>
Total other operating revenue	\$ <u>1,806,810</u>	\$ <u>1,679,334</u>	\$ <u>1,213,313</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, 2020, 2019 AND 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Salaries:			
Routine nursing	\$ 2,581,231	\$ 2,271,324	\$ 2,170,302
Obstetrics	717	1,079	2,626
Nursing administration	-0-	-0-	(4,198)
Operating room	197,192	130,850	1,923
Anesthesiology	369,610	381,326	380,990
Radiology	449,121	405,247	317,887
Ultrasound	80,476	19,210	5,004
MRI	12,626	-0-	-0-
CT scan	50,068	57,531	59,859
Laboratory	574,298	525,849	507,890
Respiratory therapy	405,790	363,289	357,410
Physical therapy	303,417	257,678	270,333
Cardiology	12,710	11,404	11,417
Central supply	191,253	184,384	177,269
Pharmacy	218,929	212,328	205,761
Physicians and surgeons clinic	2,292,140	2,384,441	2,310,628
Plain Dealing clinic	667,077	664,316	650,143
Benton clinic	379,869	322,774	277,037
Emergency room	1,283,359	1,266,846	895,850
Treatment room	928	-0-	-0-
Ambulance	657,005	620,900	612,830
HealthPlex	70,361	70,003	67,166
Fitness center	53,463	57,565	55,101
Medical records	206,469	203,453	209,443
Maintenance	187,511	180,958	130,414
Housekeeping	435,636	398,895	392,386
Dietary	382,439	370,924	369,382
Education center	37,292	-0-	-0-
Administration	<u>1,604,224</u>	<u>1,369,973</u>	<u>1,254,248</u>
Total salaries	<u>13,705,211</u>	<u>12,732,547</u>	<u>11,689,101</u>
Benefits and payroll taxes:			
Retirement	886,193	1,243,198	797,386
Payroll taxes	860,203	812,174	730,397
Health, life and disability insurance	1,439,564	1,139,234	1,346,380
Workers compensation	75,126	104,749	113,102
Unemployment benefits	<u>1,500</u>	<u>-0-</u>	<u>1,483</u>
Total benefits and payroll taxes	<u>3,262,586</u>	<u>3,299,355</u>	<u>2,988,748</u>
 Total salaries and benefits	 <u>\$ 16,967,797</u>	 <u>\$ 16,031,902</u>	 <u>\$ 14,677,849</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, 2020, 2019 AND 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Routine nursing	\$ 90,161	\$ 187,984	\$ 236,897
Obstetrics	14,926	17,184	17,317
Cardiac care	3,795	6,577	8,768
Operating room	80,637	227,772	63,776
Anesthesiology	20,706	5,531	4,857
Radiology	35,409	20,241	16,429
Ultrasound	2,661	3,261	5,734
MRI	12,486	4,179	4,213
CT scan	21,626	12,090	22,627
Laboratory	262,437	236,627	278,145
Respiratory therapy	35,449	20,332	111,833
Physical therapy	5,013	5,215	6,152
Central supply	288,519	11,091	8,181
Pharmacy	401,376	489,197	416,976
Physicians and surgeons clinic	174,818	115,516	142,433
HealthPlex	5,564	5,040	6,061
Plain Dealing clinic	65,778	60,441	59,867
Benton clinic	53,554	27,402	19,189
School nurse	1,092	164	-0-
Ambulance	19,848	31,988	17,475
Emergency room	38,398	38,438	48,057
Treatment room	6,836	15,149	22,905
Fitness center	<u>14,951</u>	<u>11,464</u>	<u>20,245</u>
 Total medical supplies and drugs	 \$ <u>1,656,040</u>	 \$ <u>1,552,883</u>	 \$ <u>1,538,137</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, 2020, 2019 AND 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Administrative and computer	\$ 426,034	\$ 681,164	\$ 750,929
Legal and professional fees	129,419	139,545	171,626
Laundry purchased services	67,507	80,559	116,611
Dietary	-0-	450	-0-
Residents	52,130	67,918	59,343
Anesthesiology	1,000	-0-	8,000
Radiology	-0-	(341)	4,708
MRI	54,996	99,932	110,962
Laboratory	91,431	97,386	94,275
Respiratory therapy	252,750	312,750	-0-
Physical therapy	66,667	6,674	-0-
Pharmacy	340,473	250,909	198,170
Emergency room	363,815	302,530	573,133
Treatment room	<u>-0-</u>	<u>-0-</u>	<u>(6,505)</u>
 Total professional services	 \$ <u>1,846,222</u>	 \$ <u>2,039,476</u>	 \$ <u>2,081,252</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, 2020, 2019 AND 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Miscellaneous purchased services	\$ 367,488	\$ 318,187	\$ 289,578
Marketing	93,108	100,486	50,116
Non-medical supplies	682,653	596,327	562,313
Dietary food expense	254,533	240,096	230,952
Maintenance and repairs	280,641	296,953	209,574
Utilities	346,911	337,636	339,937
Telephone	180,597	125,930	109,506
Travel and education	100,530	118,462	115,022
Dues and subscriptions	33,721	37,772	49,796
Postage	16,688	16,176	16,994
Sales and property taxes	13,283	13,197	21,841
Debt issuance cost	25,354	1,416	5,012
Foundation fundraising and special events	22,391	24,785	25,717
Miscellaneous expense	<u>2,090</u>	<u>2,625</u>	<u>43,991</u>
 Total other expenses	 \$ <u>2,419,988</u>	 \$ <u>2,230,048</u>	 \$ <u>2,070,349</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, 2020

Agency Head Name: David Jones

Purpose	Amount
Salary	\$ 213,349
Health insurance	-0-
Retirement	16,001
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	1,144
Travel	-0-
Registration fees	-0-
Conference travel	964
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-
Professional dues	-0-
Cell phone	877
Other	
Life / disability insurance	\$ 270

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, 2020

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)					Office Held	Expiration of Term
	<u>Per Diem</u>	<u>Mileage</u> <u>Reimb.</u>	<u>Total</u> <u>Compensation</u>			
Kenneth Clay	\$ 900	\$ -0-	\$ 900		Member	07/10/21
Kenneth Cochran	1,000	-0-	1,000		Member	07/18/24
Ron Festavan	1,100	-0-	1,100		Member	07/03/20
Helen Godfrey-Smith	1,100	-0-	1,100		Member	07/18/24
Robert Green, Jr.	800	300	1,100		Member	07/01/23
Mary Irvin	1,000	250	1,250		Board Chair	07/01/22
David Norman	1,000	-0-	1,000		Vice Chair	07/03/20
Brenda Smith	1,100	-0-	1,100		Member	07/01/21
Patricia White	1,100	-0-	1,100		Member	08/18/22
	<u>\$ 9,100</u>	<u>\$ 550</u>	<u>\$ 9,650</u>			

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
SCHEDULE OF INSURANCE POLICIES
IN FORCE ON JUNE 30, 2020

Risk Covered	Coverage	Beginning	Ending
Ambulance Liability	\$ 1,000,000	07/23/19	07/22/20
Business Auto Liability	1,000,000	07/23/19	07/22/20
Cyber Protection	100,000	11/01/19	10/31/20
Directors and Officers Liability	1,000,000	07/23/19	07/22/20
Employment Practices Liability	1,000,000	07/23/19	07/22/20
Antitrust Claim	1,000,000	07/23/19	07/22/20
EMTALA Coverage	250,000	07/23/19	07/22/20
Excess Benefit Transaction	50,000	07/23/19	07/22/20
HIPAA Violation	50,000	07/23/19	07/22/20
Internal Revenue Code Violation	100,000	07/23/19	07/22/20
Third Party Wrongful Act	1,000,000	07/23/19	07/22/20
Malpractice and General Liability	4,500,000	11/01/19	10/31/20
Health Care Claims Made Umbrella			
Commercial General Liability Occurrence, Excess of Bodily Injury, Property Damage, Personal Injury and Employment Benefits Liability	4,500,000	11/01/19	10/31/20
Health Care Professional Liability per Occurrence (Annual Aggregate - \$2,000,000)	100,000	11/01/19	10/31/20
Louisiana Patients Compensation Fund			
Excess Healthcare Professional Liability Coverage	400,000	11/01/19	10/31/20
Bodily Injury, Property Damage, Personal Injury, Employee Benefits Liability	500,000	11/01/19	10/31/20
Medical Expense	1,000	11/01/19	10/31/20
Pollution / Wrongful Termination	250,000	11/01/19	10/31/20
Damage to Rental Property	100,000	11/01/19	10/31/20
Damage to Patient Property	5,000	11/01/19	10/31/20
Employed Physicians			
Claims Made Liability Per Occurrence	100,000	07/01/19	06/30/20
Aggregate	300,000	07/01/19	06/30/20
Property Insurance			
Real Property	54,625,149	07/23/19	07/22/20
Extra Expense	10,000,000	07/23/19	07/22/20
Flood	54,625,149	07/23/19	07/22/20
Earthquake	54,625,149	07/23/19	07/22/20
Perishable Stock	10,000,000	07/23/19	07/22/20
Hazardous Substance	250,000	07/23/19	07/22/20
Data Restoration	\$ 250,000	07/23/19	07/22/20

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
SCHEDULE OF INSURANCE POLICIES (Continued)
IN FORCE ON JUNE 30, 2020

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	01/01/20	12/31/20
Employers' Liability	\$ 1,000,000	01/01/20	12/31/20



LESTER, MILLER & WELLS

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Andrew J. Wynn, CPA

Retired 2015
Bobby G. Lester, CPA

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, 2020, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Medical Center's basic combined financial statements as listed in the table of contents, and have issued our report thereon dated March 22, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 2020-002 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 in the accompanying schedule of findings and responses as item 2020-001 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2020-003.

Medical Center Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

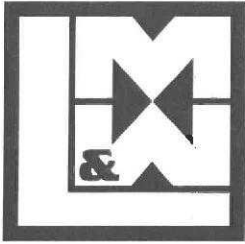
This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and the office of the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana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

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

March 22, 2021





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

Board of Commissioners
North Caddo Hospital Service District
Vivian, Louisiana

Report on Compliance for the Major Federal Program

We have audited the North Caddo Hospital Service District's, Caddo Parish, Louisiana d/b/a North Caddo Medical Center ("Hospital"), a component unit of Caddo Parish Commission, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Hospital's major federal program for the year ended June 30, 2020. The Hospital's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Hospital's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Hospital's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the Hospital is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Hospital's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

March 22, 2021



NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

<u>Federal Grantor</u>	<u>CFDA Number</u>	<u>Agency Pass-through</u>	<u>Federal Expenditures</u>
United States Department of Agriculture Community Facilities Loans and Grants	10.766	Not Applicable	\$ 18,339,057

See accompanying notes to schedule of expenditures of federal awards.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

NOTE A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of North Caddo Hospital Service District, d/b/a North Caddo Medical Center (Medical Center) under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Medical Center, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Medical Center.

NOTE B – Summary of Significant Accounting Policies

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

NOTE C – Indirect Cost Rate

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

NOTE D – Loans and Loan Guarantees (Loans)

Because the Federal government is at risk for loans until the debt is repaid, federal awards amount expended includes (1) the value of new loans made and received during the audit period; plus (2) the beginning of the audit period balance of loans from previous years for which the Federal government imposes continuing compliance requirements; plus (3) any interest subsidy, cash, or administrative cost allowance received in accordance with the Uniform Guidance described in 2 CFR section 200.502. Total expenditures as reported on the schedule of expenditures of federal awards under the Community Facilities Loans and Grants Program represents the outstanding loan balance of \$18,339,057 at June 30, 2020.

NOTE E – Subrecipients

North Caddo Medical Center had no subrecipients in 2020.

NORTH CADDO HOSPITAL SERVICE DISTRICT
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

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 –

- Material weaknesses identified - No
- Significant deficiencies identified - No
- Type of auditor's report issued on compliance for major program: unmodified
- Any audit findings which are required to be reported under Uniform Guidance - No
- Any instances of material noncompliance in major programs disclosed during the audit - No
- Identification of Major Program:
CFDA # 10.766 United States Department of Agriculture
Community Facilities Loans and Grants (Loan)
- Dollar threshold to distinguish between Type A and Type B Programs - \$750,000
- Auditee qualified as a low-risk auditee - No

Section II. Financial Statement Findings

2020-001 – Segregation of Duties

Criteria: Hospital staff should maintain segregation of duties for effective internal control.

Condition: There is not a complete segregation of duties in all accounting, recording and custody functions.

Cause: Due to a limited number of available employees, segregation of duties is not feasible.

Effect: A weakness in internal controls exists over job duties and functions, allowing an opportunity for fraud.

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.

NORTH CADDO HOSPITAL SERVICE DISTRICT
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

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

2020-002 – Financial Reporting

Criteria: U.S. generally accepted accounting principles require that revenues be reported in the period earned.

Condition: Monthly financial statements do not reflect accrual basis operating results of the Hospital because estimated Provider Relief Fund earnings were not recorded until fiscal year end.

Cause: Guidance for Provider Relief Fund reporting has changed several times and uncertainty regarding revenue recognition remains.

Effect: Provider Relief Fund grant revenue was understated by approximately \$1,650,000.

Recommendation: Management should review Provider Relief Fund updated Q&A's and calculate estimates of Funds earned on an interim basis using all available information at the time.

Response: The flow of information regarding Provider Relief Funds has been sporadic. Management will continue to monitor Provider Relief Fund reporting instructions as they are released.

2020-003 – Uninsured Bank Balances

Criteria: Louisiana Revised Statute 39:1225 requires that all Louisiana governmental bank balances be secured by either FDIC or pledged securities.

Condition: The Hospital had deposits with a financial institution of \$14,019 that were neither insured by the FDIC nor covered by the bank's assigned pledged securities in the Hospital's name at year end.

Cause: Several certificates of deposit matured and the re-invested interest exceeded the pledged securities and FDIC limit for funds on deposit at one bank.

Effect: The Hospital was in violation of fiscal agency and cash management laws.

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 an increase in pledged securities from the bank when certificates of deposit mature and earned interest is rolled into a new certificate of deposit.

NORTH CADDO HOSPITAL SERVICE DISTRICT
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

Section III. Federal Awards Findings and Questioned Costs

None reported

Section IV. Management Letter

Not applicable

NORTH CADDO HOSPITAL SERVICE DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

Section I. Financial Statement Findings

2019-001 – 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 2020-001.

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.

Current Status: Not resolved. See Finding 2020-002.

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.

Current Status: Not resolved. See Finding 2020-003.

Section II. Federal Award Findings and Questioned Costs

Not applicable

Section III. Management Letter

Not applicable



March 22, 2021

Legislative Audit Advisory Council
PO Box 94397
Baton Rouge, LA 70804-9397

Re: North Caddo Medical Center
FYE 6/30/2020 Financial Audit
Management Corrective Action Plan

Dear Council Members,

The Medical Center has taken the following actions in response to the findings of our auditors, Lester, Miller and Wells, CPAs for the fiscal year ending 6/30/2020.

Finding 2020-001 – Segregation of Duties: There is not a complete segregation of duties in all accounting, recording and custody functions.

Due to a limited number of available employees, management believes this condition to be "with cause". Management will continue to segregate duties as much as possible and will closely supervise and review duties to prevent errors and misappropriations.

Finding 2020-002 – Financial Reporting: Monthly financial statements do not reflect accrual basis operating results.

Management believes that the expense outweighs the benefit for estimating cost report settlements and provider relief fund earnings on an interim basis. This finding is believed to be "with cause".

Finding 2020-003 – Uninsured Bank Balances: The Hospital had deposits with a financial institution of \$14,019 that were neither insured by the FDIC nor covered by the bank's assigned pledged securities in the Hospital's name at year end.

Position of agency personnel taking corrective action: Chief Financial Officer

Corrective action: Additional pledged securities were requested as soon as the lapse was discovered. The Hospital's investment policy was modified to require documentation of an increase in pledged securities from the bank when certificates of deposit mature and the interest earned is rolled over into a new certificate of deposit.

Date corrective action complete: October 15, 2020

715 S. Pine Street * P. O. Box 792 * Vivian, LA 71082 * 318-375-3235 * Fax 318*375-2537

"North Caddo Medical Center is an Equal Opportunity Provider and Employer."

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410 or call (800) 795-3272 (voice) or (202) 720-6382 (TDD).

Legislative Audit Advisory Council
March 22, 2021
Page Two

Hopefully, the above provides adequate explanation of the remedial actions taken as a result of the auditor's comments. If you require additional information or need further clarification, please do not hesitate to contact me at (318) 375-3235 extension 4001.

Sincerely,

A handwritten signature in black ink, appearing to read 'DJ', with a stylized flourish extending to the right.

David Jones
Chief Executive Officer