

NORTH CADDO HOSPITAL SERVICE DISTRICT

COMBINED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
JUNE 30, 2023 AND 2022



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, 2023 AND 2022

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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, 2023. 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 5.

Financial Highlights

- The Medical Center's total assets and deferred outflows of resources decreased by approximately \$971,000 (-1.6%) in 2023, compared to an increase of \$2.4 million (4.2%) in 2022 and \$12.2 million (27.1%) in 2021.
- The Medical Center's total liabilities increased by approximately \$1.5 million (5.7%) in 2023, compared to a decrease of \$2.6 million (-9.0%) in 2022, and a decrease of \$1.0 million (-3.4%) in 2021. The most notable cause for the increase in 2023 was the pension liability.
- The Medical Center reported a decrease of operating income in 2023 of \$2.5 million (-337.0%), \$2.8 million (79.2%) in 2022 compared to an increase of \$3.1 million (812.8%) in 2021.
- A 25-year 1% sales tax was approved by voters in 2012 and the Medical Center received approximately \$1.9 million in sales taxes in 2023, \$1.6 million in 2022 and \$1.4 million in 2021. 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's finances begins on page ii. One of the most important questions asked about the Medical Center's finances is, "Is the Medical Center as a whole better or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses, and changes in net position report information about the Medical Center's resources and about its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

The Statement of Cash Flows

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

The Medical Center's Net Position

The Medical Center's net position is the difference between its assets and liabilities reported in the combined statements of net position on page 5. The Medical Center's net position increased by \$1.1 million (3.8%) in 2023, increased by \$3.9 million (15.8%) in 2022 and increased by \$11.7 million (91.5%) in 2021, as you can see from Table 1.

Table 1: Net Position (In Thousands)

	<u>2023</u>	June 30, <u>2022</u>	<u>2021</u>
Total current assets	\$ 19,447	\$ 21,398	\$ 27,323
Nondepreciable capital assets	3,889	2,491	2,275
Depreciable capital assets, net	23,299	24,720	21,141
Subscription assets, net	1,835	2,066	-0-
Other assets	5,345	8,083	5,404
Total assets	<u>53,815</u>	<u>58,758</u>	<u>56,143</u>
Deferred outflows of resources	4,877	905	1,095
Total assets and deferred outflows of resources	<u>\$ 58,692</u>	<u>\$ 59,663</u>	<u>\$ 57,238</u>
Total current liabilities	\$ 4,368	\$ 4,242	\$ 8,113
Long-term liabilities	24,150	22,747	21,550
Total liabilities	<u>28,518</u>	<u>26,989</u>	<u>29,663</u>
Deferred inflows of resources	740	4,319	3,079
Net position:			
Invested in capital assets, net of related debt	6,844	6,255	1,953
Restricted net assets	5,408	2,229	2,049
Unrestricted net assets	17,182	19,871	20,494
Total net position	<u>29,434</u>	<u>28,355</u>	<u>24,496</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 58,692</u>	<u>\$ 59,663</u>	<u>\$ 57,238</u>

Cash and cash equivalents decreased by approximately \$7.5 million in fiscal year 2023 and decreased by \$6 million in 2022. The decrease in cash in 2023 is due to NCMC investing \$7 million in treasuries and ongoing construction in progress projects. The decrease in cash in 2022 was due to construction costs associated with Vivian Dental, Blanchard Clinic and Benton Clinic.

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, 2023, 2022 and 2021.

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

	Years Ended June 30,		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Net patient service revenue	\$ 24,288	\$ 23,759	\$ 23,529
Noncapital grants	75	74	3,857
Other revenue	9,725	5,609	2,777
Total operating revenues	<u>34,088</u>	<u>29,442</u>	<u>30,163</u>
Salaries	16,947	16,124	14,744
Benefits and payroll taxes	4,806	2,033	2,489
Medical supplies and drugs	4,191	2,296	1,921
Professional services	2,645	1,871	2,280
Insurance	523	460	449
Depreciation and amortization	2,588	2,417	2,032
Leases and rentals	44	50	141
Other expenses	4,072	3,462	2,594
Total operating expenses	<u>35,816</u>	<u>28,713</u>	<u>26,650</u>
Operating income (loss)	(1,728)	729	3,513
Property tax revenue	458	425	396
Sales tax revenue	1,935	1,577	1,446
Other financial assistance	568	1,424	6,033
Non-employer pension contribution	174	146	145
Interest income	277	138	164
Rent income	3	12	15
Interest expense	(693)	(772)	(681)
Gain (loss) on disposition	-0-	12	533
Excess of revenues (expenses) before capital grants & contributions	993	3,691	11,563
Capital grants & contributions	150	168	143
Unrealized investments gains (loses)	(64)	-0-	-0-
Increase (decrease) in net position	<u>1,079</u>	<u>3,859</u>	<u>11,706</u>
Net position - beginning of year	28,355	24,496	12,806
Prior period adjustment	-0-	-0-	(16)
Net position - end of year	<u>\$ 29,434</u>	<u>\$ 28,355</u>	<u>\$ 24,496</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Income and Losses

The first component of the overall change in the Medical Center's net position is its operating income (loss) generally, the difference between net patient service revenue and other revenue and the expenses incurred to perform those services. The Medical Center has reported negative net operating income in 2023, compared to a positive net operating income in 2022 and 2021. The Medical Center's hospital operations were begun in 1965 as a municipal hospital, when it was agreed that a portion of its costs would be subsidized by property tax revenues, making the facility more affordable for the parish's lower income residents. The Medical Center reported a decrease in operating income in 2023 of \$2.5 million (-337.0%), a decrease of \$2.8 million (-79.3%) in 2022 compared to an increase of \$3.1 million (812.8%) in 2021.

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

- Net patient revenue increased by \$529,000 (2.2%) in 2023, compared to an increase of \$230,000 (0.9%) in 2022, and an increase of \$2.4 million (9.1%) in 2021.
- The Hospital received Medicaid supplemental payments and intergovernmental transfer grants of \$3.5 million, \$3.2 million, and \$3.8 million in 2023, 2022 and 2021, 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.
- Total operating expenses increased by \$7.1 million (24.7%) in 2023, compared to an increase of \$2.1 million (7.7%) in 2022, and an increase of \$1.2 million (4.8%) in 2021.
- Total salary and benefits expenses increased \$3.6 million (19.9%) in 2023, increased \$924,000 (5.4%) in 2022, and increased \$265,000 (1.6%) in 2021. As a percentage of net patient revenue, salary and benefit expenses were approximately 89.6%, 76.4%, and 73.2% for fiscal years 2023, 2022 and 2021, respectively. The most notable increase in salaries and benefits expense in 2023 is due to the actuarial adjustment to pension expense.

The rate of healthcare 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 supplies and drugs. In 2023, medical supply and drug costs were \$4.2 million compared to \$2.3 million in 2022. Aside from inflation driven increases, the most prominent increase is attributable to drug costs associated with the new retail pharmacy, Community Rx, which increased by \$1.9 million compared to 2022.

Sources of Revenue

During fiscal year 2023, 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.

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Table 3 below presents the relative percentages of gross patient revenues by payor for the fiscal years ended June 30, 2023, 2022 and 2021.

Table 3: Payor Mix by Percentage

	Year ended June 30		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Commercial	43.00%	40.42%	39.07%
Medicaid	36.04%	36.54%	33.15%
Medicare	17.57%	19.47%	24.54%
Self-pay	3.38%	3.57%	3.24%
Total patient revenue	<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 \$55,000, \$2.5 million, and \$3.7 million in 2023, 2022 and 2021, respectively.

For state fiscal year (SFY) 2023, the Louisiana Department of Health (LDH) obtained a Medicaid State Plan Amendment (SPA) approval from the Centers for Medicare and Medicaid Services (CMS) to make quarterly supplemental payments to hospitals based upon certain assumptions under a directed payment plan (DPP). The Hospital has recognized \$2.7 million under the directed payment plan during fiscal year 2023.

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. The Medical Center reported revenues of \$568,000 \$1.42 million, and \$3.33 million in 2023, 2022 and 2021, respectively, 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. The Medical Center recognized revenues of \$2.70 million as other financial assistance related to the forgiveness of the Paycheck Protection Program loan in fiscal year 2021.

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 19 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

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fundraising proceeds at the Foundation decreased by \$18,000 (-10.8%) in 2023, compared to an increase of \$24,600 (17.2%) in 2022, and an increase of \$62,900 (78.3%) in 2021.

Operating and Financial Performance

The following summarizes some of the Medical Center's patient statistical data from 2023, 2022 and 2021.

Overall, activity at the Medical Center, as measured by admissions for routine acute care, decreased in 2023, 2022 and 2021. Acute inpatient admissions decreased by 21.7% in 2023 to 414 from 529 in 2022, compared to 595 admissions in 2021. Acute inpatient days decreased in 2023 to 1,512 from 1,566 in 2022, compared to 1,788 in 2021. The average length of stay for 2023 acute care patients (excluding newborns) increased to 3.66 days from 2.96 in 2022, compared to 2.99 days in 2021. In order to maintain critical access hospital status for Medicare patients, the Medical Center's average length of stay for acute patients must be below 96 hours or 4 days.

Swing bed admissions decreased 6% to 90 admissions in 2023 from 96 admissions in 2022. Swing bed admissions were 103 in 2021. Swing bed patient days decreased 15% in 2023 to 1,150 from 1,353 in 2022. Swing bed patient days were 1,442 in 2021.

The Medical Center operates the district ambulance service that traditionally has had operating losses. The ambulance operation is supported by a 4.77 mill property tax approved by the residents of Caddo parish. The amount of property tax revenue received was \$458,000, \$425,000 and \$396,000 in 2023, 2022 and 2021, respectively. Ambulance trips for 2023 increased to 1,838 from 1,733 in 2022. Ambulance trips totaled 1,923 in 2021.

Emergency room patients decreased from 6,204 in 2022 to 5,907 in 2023. The emergency room had 5,502 patients in 2021.

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Table 4: Patient Statistical Data

	Year ended June 30		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Admissions:			
Acute (excluding newborn)	414	529	595
Newborn	42	61	75
Swing bed	90	96	103
Discharges:			
Acute	413	529	598
Swing bed	90	96	103
Patient days:			
Acute	1,512	1,566	1,788
Newborn	2	138	171
Swing bed	1,150	1,353	1,442
Total patient days	2,664	3,057	3,401
Average length of stay:			
Acute	3.66	2.96	2.99
Swing bed	12.78	14.09	14.00
Medical and Surgical Clinic visits	20,907	23,149	23,636
Plain Dealing Medical Clinic visits	7,387	7,988	7,869
Benton Clinic visits	6,660	6,669	6,126
Blanchard Clinic visits	12,568	8,961	1,581
Vivian Dental	2,126	669	-0-
Total clinic visits	49,648	47,436	39,212
Ambulance trips	1,838	1,733	1,923
Emergency room patients	5,907	6,204	5,502

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

Capital Asset and Debt Administration

Capital Assets

At the end of 2023, the Medical Center had \$27 million invested in capital assets, net of accumulated depreciation, as detailed in note 4 to the financial statements. In 2023, the Medical Center acquired capital assets costing \$2.0 million, while depreciation expense of \$1.9 million decreased net capital assets.

Construction in progress in 2023 is related to the building projects at Extended Services Building renovations, Blanchard Community Rx, Benton Clinic, and South Bossier Clinic. Construction in progress in 2022 is related to building projects at the Benton clinic.

Table 5: Summary of Capital Assets

	<u>2023</u>	<u>June 30,</u> <u>2022</u>	<u>2021</u>
Land	\$ 2,080,097	\$ 1,468,302	\$ 1,419,234
Buildings & building improvements	30,479,162	30,432,877	25,863,051
Equipment	8,831,708	8,251,404	7,337,962
Subtotal	<u>41,390,967</u>	<u>40,152,583</u>	<u>34,620,247</u>
Less: Accumulated depreciation	(16,011,477)	(13,964,487)	(12,059,828)
Construction in progress	1,808,784	1,023,106	856,058
	<u>\$ 27,188,274</u>	<u>\$ 27,211,202</u>	<u>\$ 23,416,477</u>

Table 6: Major Additions over \$50,000

Bone Density	\$ 64,155
C-Arm	85,000
Mobile X-ray Batteries	72,398
Ultrasound System	140,090
Powerload Cot	51,740
	<u>\$ 413,383</u>

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Debt

At year-end, the Medical Center had \$20.4 million in bonds payable outstanding as detailed in note 10 to the financial statements. In 2022, the Medical Center issued sales tax bonds of \$4,834,000 to refund outstanding revenue bonds of \$4,760,000. The Medical Center borrowed \$2.7 million under the Paycheck Protection Program during 2020, and the loan was forgiven during 2021. Included in short and long-term liabilities are amounts related to lease and subscription obligations. The Hospital's total short-term and long-term lease liabilities decreased 33.9% from \$713,000 to \$471,000 in 2023. The Hospital's short-term and long-term subscription liabilities decreased 8.4% from \$2,130,730 to \$1,952,523 in 2023. More detailed information about the Hospital's lease and subscription liabilities are presented in notes 11 and 12 in the financial statements. Total debt outstanding represents approximately 42.3% of the Medical Center's total assets at June 30, 2023 versus prior years of 40.7%, and 40.1% for 2022 and 2021, 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 four physician clinics continue to be reimbursed based on a cost based reimbursement as rural health clinics. The Louisiana Medicaid program has transitioned 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 13 in the financial statements, Medicare and Medicaid patient revenues comprise approximately 70% 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 Audit of the Financial Statements

Opinion

We have audited the accompanying 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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Medical Center's combined financial statements as listed in the table of contents.

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, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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



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 affiliates and do not purport to, and do not, present fairly the financial position of the Caddo Parish Commission, Louisiana as of June 30, 2023 and 2022, the changes in its financial position, or its cash flows for the years ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through ix, the Schedule of Employer's Proportionate Share of the Net Pension Liability on page 39 and Schedule of Employer Pension Contributions on page 40 be presented to supplement the combined financial statements. Such information is the responsibility of management and although not a part of the combined financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the combined financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the combined financial statements, and other knowledge we obtained during our audit of the combined financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the combined financial statements as a whole.



Board of Commissioners
North Caddo Hospital Service District
Vivian, Louisiana
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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2023, 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.

Loster, Miller & Willis

Certified Public Accountants
Alexandria, Louisiana

December 21, 2023



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

	<u>2023</u>	<u>2022</u>
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 4,288,169	\$ 11,809,449
Certificates of deposit	806,262	776,102
Investments	7,092,958	-0-
Limited use assets (Note 6)	776,095	705,206
Net accounts receivable (Note 3)	2,666,418	3,037,282
Estimated third-party payor settlements	1,619,600	2,027,304
Other receivables	643,774	1,773,340
Inventories	1,068,296	926,441
Prepaid expenses	<u>485,768</u>	<u>342,640</u>
Total current assets	19,447,340	21,397,764
Nondepreciable capital assets (Note 4)	3,888,881	2,491,408
Depreciable capital assets, net (Note 4)	23,299,393	24,719,794
Right-of-use capital assets, net (Note 4)	596,158	877,908
Subscription assets, net (Note 5)	1,835,452	2,066,191
Limited use assets (Note 6)	4,631,654	1,524,126
Pension asset	-0-	5,563,219
Other receivables	103,433	103,966
Unamortized election cost (Note 7)	<u>12,689</u>	<u>13,596</u>
Total assets	<u>53,815,000</u>	<u>58,757,972</u>
Deferred outflows of resources - pension expense	<u>4,876,307</u>	<u>904,712</u>
Total assets and deferred outflows of resources	<u>\$ 58,691,307</u>	<u>\$ 59,662,684</u>

See accompanying notes to financial statements.

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

	<u>2023</u>	<u>2022</u>
Liabilities, Deferred Inflows of Resources, and Net Position		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,128,309	\$ 1,092,082
Accrued salaries and benefits	1,229,297	1,106,834
Estimated third-party payor settlements	790,722	321,479
Deferred revenue	-0-	568,017
Current portion of lease liability (Note 11)	223,997	241,452
Current portion of subscription liability (Note 12)	219,569	206,856
Current portion of long-term debt (Note 10)	<u>776,095</u>	<u>705,206</u>
Total current liabilities	<u>4,367,989</u>	<u>4,241,926</u>
Long-term liabilities:		
Pension liability	2,593,500	-0-
Lease liability (Note 11)	247,140	471,136
Subscription liability (Note 12)	1,732,954	1,923,874
Long-term debt (Note 10)	<u>19,576,090</u>	<u>20,352,186</u>
Total long-term liabilities	<u>24,149,684</u>	<u>22,747,196</u>
Total liabilities	<u>28,517,673</u>	<u>26,989,122</u>
Deferred inflows of resources:		
Deferred inflows of resources - pension expense	640,947	4,218,807
Deferred inflows of resources - lease revenue	<u>98,605</u>	<u>99,854</u>
Total deferred inflows of resources	<u>739,552</u>	<u>4,318,661</u>
Net position:		
Invested in capital assets (net of related debt)	6,844,039	6,254,591
Restricted net assets (Note 6)	5,407,749	2,229,332
Unrestricted net assets	<u>17,182,294</u>	<u>19,870,978</u>
Total net position	<u>29,434,082</u>	<u>28,354,901</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 58,691,307</u>	<u>\$ 59,662,684</u>

See accompanying notes to financial statements.

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

	<u>2023</u>	<u>2022</u>
Operating Revenues:		
Net patient service revenue (Note 13)	\$ 24,287,823	\$ 23,759,205
Medicaid supplemental payments	3,438,753	776,259
Intergovernmental transfer grants	54,811	2,506,137
Noncapital grants and contributions	74,820	74,206
Other operating revenue	<u>6,231,724</u>	<u>2,325,868</u>
Total operating revenues	<u>34,087,931</u>	<u>29,441,675</u>
Operating Expenses:		
Salaries	16,947,376	16,123,767
Benefits and payroll taxes	4,805,627	2,032,860
Medical supplies and drugs	4,191,312	2,296,526
Professional services	2,644,459	1,870,861
Insurance	523,297	460,079
Depreciation and amortization	2,588,255	2,416,911
Leases and rentals	43,755	50,113
Other expenses	<u>4,071,825</u>	<u>3,461,659</u>
Total operating expenses	<u>35,815,906</u>	<u>28,712,776</u>
Operating income (loss)	<u>(1,727,975)</u>	<u>728,899</u>
Nonoperating Revenues (Expenses):		
Gain (loss) on disposition of assets	-0-	11,653
Interest income	276,889	137,576
Sales tax revenue (Note 21)	1,935,525	1,577,375
Other financial assistance (Note 17)	568,017	1,423,751
Non-employer pension contribution revenue	173,605	146,087
Property tax revenue (Note 18)	457,997	425,280
Rent income	2,829	12,155
Interest expense	<u>(693,159)</u>	<u>(771,525)</u>
Excess of revenues (expenses) before capital grants and contributions	993,728	3,691,251
Capital grants and contributions	<u>149,655</u>	<u>167,752</u>
Excess of revenues (expenses)	1,143,383	3,859,003
Unrealized investments gains (losses)	<u>(64,202)</u>	<u>-0-</u>
Increase (decrease) in net position	1,079,181	3,859,003
Net position at beginning of year	<u>28,354,901</u>	<u>24,495,898</u>
Net position at end of year	<u>\$ 29,434,082</u>	<u>\$ 28,354,901</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>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash receipts from patients and third-party payors	\$ 25,535,634	\$ 24,459,949
Other receipts and payments, net	10,929,674	5,815,834
Payments to suppliers and contractors	(11,784,008)	(9,067,863)
Payments for employees and benefits	<u>(20,780,687)</u>	<u>(19,546,463)</u>
Net cash provided (used) by operating activities	<u>3,900,613</u>	<u>1,661,457</u>
Cash flows from investing activities:		
Interest on investments	276,889	137,576
Purchase of certificates of deposit	(30,160)	(26,222)
Purchase of investments	(7,157,160)	-0-
Invested in limited use assets	(3,178,417)	(180,100)
Rent income	<u>2,113</u>	<u>11,083</u>
Net cash provided (used) by investing activities	<u>(10,086,735)</u>	<u>(57,663)</u>
Cash flows from noncapital financing activities:		
Proceeds from property taxes	457,997	425,280
Proceeds from sales taxes	1,935,525	1,577,375
Non-operating financial assistance	<u>-0-</u>	<u>(2,365,448)</u>
Net cash provided by noncapital financing activities	<u>2,393,522</u>	<u>(362,793)</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(2,023,284)	(5,699,384)
Proceeds from insurance	-0-	19,258
Proceeds from issuance of long-term debt	-0-	4,834,000
Principal payments on long-term debt	(705,207)	(5,441,282)
Payments related to lease obligations	(241,451)	(234,384)
Payments related to subscriptions obligations	(206,854)	(184,318)
Interest paid on long-term debt	(701,539)	(744,774)
Capital grants and contributions	<u>149,655</u>	<u>167,752</u>
Net cash provided (used) by capital and related financing activities	<u>(3,728,680)</u>	<u>(7,283,132)</u>
Net increase (decrease) in cash and cash equivalents	(7,521,280)	(6,042,131)
Beginning cash and cash equivalents	<u>11,809,449</u>	<u>17,851,580</u>
Ending cash and cash equivalents	<u>\$ 4,288,169</u>	<u>\$ 11,809,449</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>2023</u>	<u>2022</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ <u>701,539</u>	\$ <u>596,238</u>
Noncash investing, capital, and financing activities:		
Right-of-use assets acquired under leases	\$ <u>-0-</u>	\$ <u>203,606</u>
Right-to-use assets acquired under subscriptions	\$ <u>28,647</u>	\$ <u>2,315,048</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (1,727,975)	\$ 728,899
Adjustments to reconcile operating income to net cash flows provided (used) in operating activities:		
Depreciation and amortization	2,588,255	2,416,911
Changes in:		
Patient accounts receivable, net	370,864	161,396
Estimated third-party payor settlements	407,704	450,108
Other receivables	1,129,566	133,364
Inventories	(141,855)	(337,381)
Prepaid expenses	(143,128)	(60,444)
Accounts payable and accrued expenses	44,607	(582,609)
Accrued salaries and payroll taxes	122,463	192,780
Estimated third-party payor settlements	469,243	89,240
Pension liability (asset)	<u>780,869</u>	<u>(1,530,807)</u>
Net cash provided (used) by operating activities	\$ <u>3,900,613</u>	\$ <u>1,661,457</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, 2023 AND 2022

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 combined 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, 2023 AND 2022

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 2020 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, 2023 AND 2022

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 acquisition value at the date of donation. All capital assets other than land are depreciated or amortized (in the case of 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.

Subscription Assets and Liabilities

The Hospital determines if an arrangement is a Subscription-Based Information Technology Arrangement ("SBITA") at inception. Subscription assets, net, current maturities of subscription liabilities, and subscription liabilities, net of current maturities are included in the statements of net position.

Subscription assets represent the Hospital's control of the right to use a subscription-based information technology for the arrangement term, as specified in the contract, in an exchange or exchange-like transaction. Subscription assets are recognized at the commencement date based on initial measurement of the subscription liability, adjusted for payments made to the vendor at or before the commencement of the SBITA term and certain initial direct costs. Subscription assets are amortized in a systematic and rational manner over the shorter of the arrangement term or the useful life of the underlying asset.

Subscription liabilities represent the Hospital's obligation to make payments arising from the SBITA. Subscription liabilities are initially recognized at the commencement date based on the present value of expected payments over the lease term, adjusted for SBITA incentives. Subsequently, the subscription liability is reduced by the principal portion of the payments made. Interest expense is recognized ratably over the term of the arrangement.

The Hospital has elected to recognize payments for short-term SBITAs with an arrangement term of 12 months or less as expenses as incurred, and these SBITAs are not included as subscription liabilities or right-to-use subscription assets on the statements of net position.

The individual SBITA contracts do not provide information about the discount rate implicit in the arrangement. Therefore, the District has elected to use their incremental borrowing rate to calculate the present value of expected lease payments.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

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

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. No construction period interest expense was incurred during June 30, 2023 and 2022.

Unamortized Election Cost

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

Net Position

The Medical Center classifies net position into three components: invested in capital assets, net of related debt; restricted and unrestricted. Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Unrestricted are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

Restricted Resources

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

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.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

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

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, 2023 and 2022 totaled \$84,478 and \$83,633 respectively.

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 13. 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.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

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

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 two items that meet the criterion for this category, deferrals of pension expense and deferrals of lease revenue.

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.

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, 2023 and 2022, management is not aware of any liability resulting from environmental matters.

Recently Adopted Accounting Pronouncements

The Hospital adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* ("SBITA"), in fiscal year 2023. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. As required, the audit standard was applied retroactively, effective July 1, 2021. The retroactive application resulted in a restatement of prior period net position.

Recently Issued Accounting Pronouncements

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. This Statement provides guidance on the accounting and financial reporting for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The standard is effective for fiscal years beginning after December 15, 2023. Management is evaluating the potential impact of adoption on the Hospital's financial statements.

NORTH CADDO HOSPITAL SERVICE DISTRICT,
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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. At June 30, 2023, the Hospital’s deposits were undercollateralized by \$471,014. At June 30, 2022, the Hospital’s deposits were entirely insured or collateralized. The Foundation’s deposits were undercollateralized by \$5,918 at June 30, 2023, and deposits were entirely insured at June 30, 2022.

Concentration of Credit Risk – The Hospital has 100.0% in US Treasury notes.

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. The Hospital does not have a formal investment policy that limits investment maturities as means of managing its exposure to fair value losses arising from changing interest rates.

Account balances according to banks’ records at June 30, for the Hospital are as follows:

	<u>2023</u>	<u>2022</u>
Cash in banks	\$ <u>10,866,294</u>	\$ <u>14,916,132</u>
Insured by FDIC	\$ <u>1,250,000</u>	\$ <u>1,096,888</u>
Collateralization by fair market value or letters of credit	\$ <u>9,139,362</u>	\$ <u>13,819,244</u>
Uncollateralized	\$ <u>476,932</u>	\$ <u>-0-</u>

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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>2023</u>	<u>2022</u>
Carrying Amount		
Deposits	\$ 10,502,180	\$ 14,814,883
Investments	<u>7,092,958</u>	<u>-0-</u>
 Totals	 <u>\$ 17,595,138</u>	 <u>\$ 14,814,883</u>
 Included in the following balance sheet captions		
Cash and cash equivalents	\$ 4,288,169	\$ 11,809,449
Certificates of deposit	806,262	776,102
Investments	7,092,958	-0-
Current limited use assets	776,095	705,206
Other limited use assets	<u>4,631,654</u>	<u>1,524,126</u>
 Totals	 <u>\$ 17,595,138</u>	 <u>\$ 14,814,883</u>

At June 30, 2023, the Hospital had the following investments and maturities, all of which were held in the Hospital's name by a custodial bank that is an agent of the Hospital. The table below is with the assumption that the investments are held until maturity.

<u>June 30, 2023</u>	<u>Investment Maturities (In Years)</u>				
<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Money Market	\$ 1,442	\$ 1,442	\$ -0-	\$ -0-	\$ -0-
U.S. Treasury Notes	<u>7,091,516</u>	<u>7,091,516</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
 Totals	 <u>\$ 7,092,958</u>	 <u>\$ 7,092,958</u>	 <u>\$ -0-</u>	 <u>\$ -0-</u>	 <u>\$ -0-</u>

The Hospital's investments are recorded at fair value as of June 30, 2023 in accordance with GASB Statement No. 72, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement establishes a three-level hierarchy of inputs to valuation techniques used to measure fair value. Level 1 inputs are accessible quoted prices in active markets for identical assets at the measurement date; Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset, either directly or indirectly; Level 3 inputs are unobservable inputs. The Hospital's investments for the year ended June 30, 2023 was measured using Level 1 inputs.

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NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2023, the Hospital's investments were rated as follows:

<u>Investment Type</u>	<u>Moody's</u>	<u>S&P</u>
Money Market	Not rated	Not rated
U.S. Treasury Notes	AAA	AA+

NOTE 3 - ACCOUNTS RECEIVABLE, NET

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

	<u>2023</u>	<u>2022</u>
Hospital patients	\$ 4,778,378	\$ 5,032,881
Medical and Surgical Clinic	572,389	636,606
Plain Dealing Clinic	115,989	168,798
Benton Clinic	89,849	118,727
Blanchard Clinic	232,493	379,654
Vivian Dental	81,794	47,238
Anesthesiology	8,694	13,905
Estimated allowances for contractual adjustments	<u>(2,712,107)</u>	<u>(2,810,697)</u>
	3,167,479	3,587,112
Estimated uncollectibles	<u>(501,061)</u>	<u>(549,830)</u>
Net accounts receivable	\$ <u>2,666,418</u>	\$ <u>3,037,282</u>

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

	<u>2023</u>	<u>2022</u>
Medicare	17%	18%
Medicaid	24%	22%
Commercial and other third-party payors	48%	37%
Patients	<u>11%</u>	<u>23%</u>
	<u>100%</u>	<u>100%</u>

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NOTE 4 - CAPITAL ASSETS

Capital asset additions, retirements, and balances for the years ended June 30, 2023 and 2022 were as follows:

	<u>2022</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>2023</u>
Nondepreciable capital assets					
Land	\$ 1,468,302	\$ 611,795	\$ -0-	\$ -0-	\$ 2,080,097
Construction in progress	<u>1,023,106</u>	<u>831,971</u>	<u>-0-</u>	<u>(46,293)</u>	<u>1,808,784</u>
Total nondepreciable capital assets	<u>\$ 2,491,408</u>	<u>\$ 1,443,766</u>	<u>\$ -0-</u>	<u>\$ (46,293)</u>	<u>\$ 3,888,881</u>
Depreciable capital assets					
Buildings and improvements	\$ 30,432,877	\$ -0-	\$ 8	\$ 46,293	\$ 30,479,162
Furniture and equipment	<u>8,251,404</u>	<u>580,304</u>	<u>-0-</u>	<u>-0-</u>	<u>8,831,708</u>
Total depreciable capital assets	38,684,281	580,304	8	46,293	39,310,870
Accumulated depreciation and amortization	<u>13,964,487</u>	<u>2,046,990</u>	<u>-0-</u>	<u>-0-</u>	<u>16,011,477</u>
Total depreciable capital assets, net	<u>\$ 24,719,794</u>	<u>\$ (1,466,686)</u>	<u>\$ 8</u>	<u>\$ 46,293</u>	<u>\$ 23,299,393</u>
Right-of-use capital assets					
Building	\$ 70,139	\$ -0-	\$ -0-	\$ -0-	\$ 70,139
Office equipment	82,073	-0-	-0-	-0-	82,073
Medical equipment	<u>1,489,233</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,489,233</u>
Total right-of-use capital assets	1,641,445	-0-	-0-	-0-	1,641,445
Accumulated amortization	<u>763,538</u>	<u>281,749</u>	<u>-0-</u>	<u>-0-</u>	<u>1,045,287</u>
Total right-of-use capital assets, net	<u>\$ 877,907</u>	<u>\$ (281,749)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 596,158</u>

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NOTE 4 - CAPITAL ASSETS (Continued)

	<u>2021</u>		<u>Additions</u>		<u>Dispositions</u>		<u>Transfers</u>		<u>2022</u>
Nondepreciable capital assets									
Land	\$ 1,419,234	\$	49,068	\$	-0-	\$	-0-	\$	1,468,302
Construction in progress	<u>856,058</u>		<u>4,189,556</u>		<u>-0-</u>		<u>(4,022,508)</u>		<u>1,023,106</u>
Total nondepreciable capital assets	<u>\$ 2,275,292</u>	\$	<u>\$ 4,238,624</u>	\$	<u>-0-</u>	\$	<u>(4,022,508)</u>	\$	<u>\$ 2,491,408</u>
Depreciable capital assets									
Buildings and improvements	\$ 25,863,051	\$	607,721	\$	-0-	\$	3,962,105	\$	30,432,877
Furniture and equipment	<u>7,337,962</u>		<u>853,039</u>		<u>-0-</u>		<u>60,403</u>		<u>8,251,404</u>
Total depreciable capital assets	33,201,013		1,460,760		-0-		4,022,508		38,684,281
Accumulated depreciation and amortization	<u>12,059,828</u>		<u>1,904,659</u>		<u>-0-</u>		<u>-0-</u>		<u>13,964,487</u>
Total depreciable capital assets, net	<u>\$ 21,141,185</u>	\$	<u>(443,899)</u>	\$	<u>-0-</u>	\$	<u>4,022,508</u>	\$	<u>\$ 24,719,794</u>
Right-of-use capital assets									
Building	\$ 70,139	\$	-0-	\$	-0-	\$	-0-	\$	70,139
Office equipment	82,073		-0-		-0-		-0-		82,073
Medical equipment	<u>1,489,233</u>		<u>203,606</u>		<u>203,606</u>		<u>-0-</u>		<u>1,489,233</u>
Total right-of-use capital assets	1,641,445		203,606		203,606		-0-		1,641,445
Accumulated amortization	<u>593,597</u>		<u>281,748</u>		<u>111,807</u>		<u>-0-</u>		<u>763,538</u>
Total right-of-use capital assets, net	<u>\$ 1,047,848</u>	\$	<u>(78,142)</u>	\$	<u>91,799</u>	\$	<u>-0-</u>	\$	<u>\$ 877,907</u>

NOTE 5 - SUBSCRIPTION ASSETS

The Hospital has subscription-based information technology arrangements for intangible assets such as their electronic health record software and various other software. As of June 30, 2023 and 2022, the Hospital had subscription assets of \$2,343,697 and \$2,315,048, respectively. The related accumulated amortization of the subscription assets as of June 30, 2023 and 2022 was \$508,245 and \$248,857, respectively.

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NOTE 6 - ASSETS LIMITED AS TO USE

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

	<u>2023</u>	<u>2022</u>
Funds designated for capital assets	\$ 2,899,981	\$ -0-
Funds designated for debt reduction	2,507,768	2,229,332
Less: limited use assets required for current liabilities	<u>(776,095)</u>	<u>(705,206)</u>
Non-current limited use assets	<u>\$ 4,631,654</u>	<u>\$ 1,524,126</u>

NOTE 7 - UNAMORTIZED ELECTION COST

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

	<u>2023</u>	<u>2022</u>
Cost of 2012 tax election	\$ 22,659	\$ 22,659
Less accumulated amortization	<u>(9,970)</u>	<u>(9,063)</u>
Unamortized cost of tax election	<u>\$ 12,689</u>	<u>\$ 13,596</u>

NOTE 8 - LEASE RECEIVABLE

The Hospital leases ground under a 15-year term lease with an option to extend for 35 years. The Hospital recorded a lease receivable totaling approximately \$104,000 and \$104,500 for the years ended June 30, 2023 and 2022, respectively. Deferred inflows related to lease revenue were \$98,605 and \$99,854 for the years ended June 30, 2023 and 2022, respectively. During the years ended June 30, 2023 and 2022, the Hospital recognized revenues of \$2,079 and \$2,079, respectively, under the terms of this lease.

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NOTE 9 - 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>2023</u>	<u>2022</u>
Beginning of the year	\$ 120,152	\$ 99,821
Plus: Claims incurred and changes in estimate	1,583,928	1,307,501
Less: Claims paid	<u>1,500,871</u>	<u>1,287,170</u>
End of the year	\$ <u>203,209</u>	\$ <u>120,152</u>

NOTE 10 - LONG-TERM DEBT

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

	June 30, <u>2022</u>	<u>Additions</u>	<u>Reductions</u>	June 30, <u>2023</u>	Due Within <u>One Year</u>
Revenue Bond, Series 2014 - #R1	\$ 8,738,588	\$ -0-	\$ 168,202	\$ 8,570,386	\$ 172,240
Revenue Bond, Series 2014 - #R2	3,915,804	-0-	77,005	3,838,799	78,855
Sales Tax Refunding Bond, Series 2019	3,569,000	-0-	243,000	3,326,000	251,000
Sales Tax Refunding Bond, Series 2022	<u>4,834,000</u>	<u>-0-</u>	<u>217,000</u>	<u>4,617,000</u>	<u>274,000</u>
Total	\$ <u>21,057,392</u>	\$ <u>-0-</u>	\$ <u>705,207</u>	\$ <u>20,352,185</u>	\$ <u>776,095</u>
	June 30, <u>2021</u>	<u>Additions</u>	<u>Reductions</u>	June 30, <u>2022</u>	Due Within <u>One Year</u>
Sales Tax Bond, Series 2014	\$ 4,967,405	\$ -0-	\$ 4,967,405	\$ -0-	\$ -0-
Revenue Bond, Series 2014 - #R1	8,903,267	-0-	164,679	8,738,588	168,201
Revenue Bond, Series 2014 - #R2	3,991,002	-0-	75,198	3,915,804	77,005
Sales Tax Refunding Bond, Series 2019	3,803,000	-0-	234,000	3,569,000	243,000
Sales Tax Refunding Bond, Series 2022	<u>-0-</u>	<u>4,834,000</u>	<u>-0-</u>	<u>4,834,000</u>	<u>217,000</u>
Total	\$ <u>21,664,674</u>	\$ <u>4,834,000</u>	\$ <u>5,441,282</u>	\$ <u>21,057,392</u>	\$ <u>705,206</u>

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NOTE 10 - LONG-TERM DEBT (Continued)

The terms and due dates of the Hospital's long-term debt, at June 30, 2023 follow:

- 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.
- Revenue Bonds Series 2014 at 2.375% interest with interest and principal of \$31,160 paid monthly beginning December 2017 with final maturity in December of 2056. Collateral is a pledge and dedication of Hospital revenue secured by a mortgage on the Hospital building.
- Revenue Bonds Series 2014 at 2.375% interest with interest and principal of \$14,104 paid monthly beginning December 2017 with final maturity in December of 2056. Collateral is a pledge and dedication of Hospital revenue secured by a mortgage on the Hospital building.
- Sales tax refunding 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 refunding bonds, series 2022, at 2.78% interest, maturing serially on September 1 of each year beginning in 2022, with interest payable March 1 and September 1 of each year beginning in 2022, with final maturity on September 1, 2036. Collateral is a pledge of 1% sales and use tax proceeds.

On April 14, 2022, the Hospital issued \$4,834,000 of revenue bonds for the purpose of refunding \$4,760,725 of then-outstanding 2014 revenue bond. The difference between cash flow required to service the old debt and that required to service the new debt and complete refunding was a savings of \$43,063. The economic loss resulting from the transaction was \$18,194.

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 "Sales Tax Bond Reserve Funds" with monthly deposits until said funds have accumulated up to stipulated level.
- Sales Tax Fund, Sinking Fund, 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.

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NOTE 10 - LONG-TERM DEBT (Continued)

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

Year Ending June 30,	<u>Long-Term Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 776,095	\$ 533,435
2025	799,126	510,350
2026	823,301	486,552
2027	846,625	462,036
2028	872,100	436,780
2029 - 2033	4,761,209	1,777,304
2034 - 2038	3,535,081	1,137,439
2039 - 2043	1,880,497	835,343
2044 - 2048	2,117,424	598,416
2049 - 2053	2,384,201	331,639
2054 - 2058	<u>1,556,526</u>	<u>57,476</u>
Totals	\$ <u>20,352,185</u>	\$ <u>7,166,770</u>

NOTE 11 - LEASE LIABILITY

A summary of the Hospital's lease obligations at June 30 follows:

	<u>2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>2023</u>	<u>Due Within One Year</u>
Building	\$ 41,647	\$ -0-	\$ 3,291	\$ 38,356	\$ 3,821
Office equipment	52,892	-0-	16,227	36,665	17,100
Medical equipment	<u>618,050</u>	<u>-0-</u>	<u>221,934</u>	<u>396,116</u>	<u>203,076</u>
Total lease liabilities	\$ <u>712,589</u>	\$ <u>-0-</u>	\$ <u>241,452</u>	\$ <u>471,137</u>	\$ <u>223,997</u>
	<u>2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>2022</u>	<u>Due Within One Year</u>
Building	\$ 45,021	\$ -0-	\$ 3,374	\$ 41,647	\$ 3,291
Office equipment	68,291	-0-	15,399	52,892	16,227
Medical equipment	<u>733,506</u>	<u>203,606</u>	<u>319,062</u>	<u>618,050</u>	<u>221,934</u>
Total lease liabilities	\$ <u>846,818</u>	\$ <u>203,606</u>	\$ <u>337,835</u>	\$ <u>712,589</u>	\$ <u>241,452</u>

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NOTE 11 - LEASE LIABILITY (Continued)

The terms and due dates of the Hospital's long-term debt, at June 30, 2023 follow:

- Lease liability for clinic building, due in monthly installments of \$500 including interest, through July 2031, with an imputed interest rate of 6.00%
- Lease liability for copy machines, due in monthly installments of \$1,551 including interest, through August 2025, with an imputed interest rate of 5.25%
- Lease liability for various medical equipment, due in monthly installments including interest with varying rates of imputed interest from 1.91% to 7.00%

Principal and interest payments due on lease obligations are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>
2024	\$ 223,997	\$ 17,864
2025	74,746	10,636
2026	25,041	8,612
2027	24,793	7,307
2028	26,162	5,938
2029 - 2032	<u>96,398</u>	<u>8,911</u>
Totals	\$ <u>471,137</u>	\$ <u>59,268</u>

NOTE 12 - SUBSCRIPTION LIABILITY

The Hospital began recognizing subscription lease liabilities related to the adoption of GASB Statement No. 96 during fiscal year 2023. As of June 30, 2023 and 2022, the Hospital had subscription liabilities of \$1,952,523 and \$2,130,730, respectively. The subscription lease liabilities related to subscription-based IT arrangements, with maturity dates ranging from 2024 through 2031 and with varying rates of imputed interest from 5.25% to 9.50%.

Principal and interest payments due on lease obligations are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>
2024	\$ 219,569	\$ 122,169
2025	215,266	107,772
2026	229,178	93,360
2027	240,227	77,986
2028	256,227	61,986
2029 - 2031	<u>792,056</u>	<u>78,979</u>
Totals	\$ <u>1,952,523</u>	\$ <u>542,252</u>

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NOTE 13 - 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, 2018.

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, 2016.

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

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

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

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NOTE 13 - NET PATIENT SERVICE REVENUE (Continued)

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

	<u>2023</u>	<u>2022</u>
Gross charges	\$ 47,909,622	\$ 47,679,052
Less charges associated with charity care	<u>(448,773)</u>	<u>(575,585)</u>
Gross patient service revenue	47,460,849	47,103,467
Less deductions from revenue:		
Contractual adjustments	(21,961,757)	(21,929,299)
Provision for bad debts	<u>(1,211,269)</u>	<u>(1,414,963)</u>
Total deductions from patient charges	<u>(23,173,026)</u>	<u>(23,344,262)</u>
Net patient service revenue	\$ <u>24,287,823</u>	\$ <u>23,759,205</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>2023</u>	<u>2022</u>
Medicare and Medicaid gross patient charges	\$ 25,686,255	\$ 26,700,863
Contractual adjustments	<u>8,892,545</u>	<u>9,984,381</u>
Program patient service revenue	\$ <u>16,793,710</u>	\$ <u>16,716,482</u>
Percent of total gross patient charges	<u>54%</u>	<u>56%</u>
Percent of net patient revenue	<u>69%</u>	<u>70%</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 \$1,141 in 2023 and an increase of \$74,100 in 2022 in net patient service revenue.

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NOTE 14 - COMPENSATED ABSENCES

As of June 30, 2023 and 2022, the Hospital has accrued a compensated absence liability of \$517,545 and \$448,561, 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 15 - 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, 2023, was 7.5% of covered employees' compensation. Employer expense for each of the years ended June

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NOTE 15 - PENSION PLAN (Continued)

30, 2023 and 2022 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>2023</u>	<u>2022</u>
Total Hospital payroll	\$ 16,947,376	\$ 16,123,767
Total covered payroll	13,874,731	12,701,145
Employee contributions	415,036	379,851
Employer contributions	1,040,824	952,586

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

At June 30, 2023, the Hospital reported a liability of (\$2,593,500) for its proportionate share of the net pension asset. At June 30, 2022 the Hospital reported an asset of \$5,563,219, for its proportionate share of the net pension asset / liability. The net pension asset / liability was measured as of December 31, 2022 and 2021, 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, 2022 and 2021, the Hospital's proportion was 5.35% and 4.93% respectively.

At June 30, 2023, 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	\$ 53,946	\$ (520,281)
Net difference between projected and actual earnings on pension plan investments	4,079,042	-0-
Changes in assumptions	122,265	-0-
Changes in proportion and differences between employer contributions and proportion of shared contributions	58,602	(120,666)
Employer contributions subsequent to the measurement date	562,452	-0-
Total	<u>\$ 4,876,307</u>	<u>\$ (640,947)</u>

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NOTE 15 - PENSION PLAN (Continued)

Deferred outflows of resources of \$520,645 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	
2024	\$ (29,905)
2025	541,466
2026	1,305,909
2027	1,800,621

Actuarial Assumptions - Total pension liability in the Plan's December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	December 31, 2022
Inflation	2.30%
Salary Increases	4.25%
Investment Rate of Return	6.40% (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 2.10% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.70% for the year ended December 31, 2022.

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NOTE 15 - 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	33%	1.17%
Equity	51%	3.58%
Alternatives	14%	0.73%
Real assets	<u>2%</u>	<u>0.12%</u>
Totals	<u>100%</u>	5.60%
Inflation		<u>2.10%</u>
Expected arithmetic nominal return		<u>7.70%</u>

Discount Rate - The discount rate used to measure the total pension liability was 6.40%. 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 6.40%, 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 (5.40%) or one percentage-point higher (7.40%) than the current rate:

	1% Decrease (5.40%)	Current Discount Rate (6.40%)	1% Increase (7.40%)
Hospital's Proportionate Share of the Net Pension Liability (Asset)	\$ 8,392,137	\$ 2,593,500	\$ (2,260,492)

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, 2023 and 2022, the Hospital had payables due to the Plan of \$387,869 and \$387,495, representing April through June, 2023, and April through June, 2022, employee and employer legally required contributions, respectively. These amounts are included in salaries and benefits payable.

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NOTE 16 - 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 13) - 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 16 - 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 \$11,084 and \$3,482 for claims paid on behalf of the Hospital during the fiscal years ended June 30, 2023 and 2022, respectively.

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

NOTE 17 - OTHER FINANCIAL ASSISTANCE

The Hospital received approximately \$7.1 million in other financial assistance, via the Coronavirus Aid Relief and Economic Security (CARES) Act and the American Rescue Plan Act during the fiscal years ending June 30, 2022, 2021 and 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 approximately \$570,000, \$1.4 million, \$3.6 million and \$1.5 million as nonoperating financial assistance in the fiscal years ending June 30, 2023, 2022, 2021 and 2020, respectively. The unrecognized amount is reported in deferred revenue on the statements of net position. The Hospital submitted reports of healthcare related expenses and lost revenues attributable to coronavirus from inception through June 30, 2023. The Health Resources and Services Administrations (HRSA) reserves the right to audit the Provider Relief Funds, which accounts for a substantial portion of the other financial assistance, within a three-year period from the report date.

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NOTE 18 - 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, 2022. Total assessed value for the Hospital Service District was \$101,334,851 in 2022. 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 \$14,439,260 of the assessed value in 2022.

NOTE 19 - 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 \$149,655 and \$167,752, are included in capital grants and contributions for the years ended June 30, 2023 and 2022, respectively. Medical Center support of operational expenses for the Foundation were \$15,582 and \$135,951 during years ended June 30, 2023 and 2022, respectively.

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NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 19 - 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>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 255,918	\$ 151,120
Total assets	<u>\$ 255,918</u>	<u>\$ 151,120</u>
LIABILITIES AND NET ASSETS		
Net assets	\$ 255,918	\$ 151,120
Total liabilities and net assets	<u>\$ 255,918</u>	<u>\$ 151,120</u>
REVENUE		
Contribution revenue	\$ 149,655	\$ 167,752
Interest income	<u>601</u>	<u>481</u>
Total revenue	150,256	168,233
EXPENSES		
Grants to Hospital	28,101	79,500
Fundraising and administrative expense	<u>17,357</u>	<u>144,701</u>
Excess of revenue over expenses	104,798	(55,968)
Beginning net assets	<u>151,120</u>	<u>207,088</u>
Ending net assets	<u>\$ 255,918</u>	<u>\$ 151,120</u>

NOTE 20 - 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 \$319,000 and \$346,000, for the years ended June 30, 2023 and 2022, respectively. Funds received through grants, which pay part of the cost of charity and uninsured care, were approximately \$332,000 and \$335,000 for the years ended June 30, 2023 and 2022, 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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NOTE 21 - SALES TAX REVENUE

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

NOTE 22 - INTERGOVERNMENTAL TRANSFER GRANTS

The Hospital (Grantee) entered into a cooperative endeavor agreement with a regional public hospital (Grantor) whereby the Grantor awards an intergovernmental transfer grant (IGT) to be used solely to provide adequate and essential medically necessary and available healthcare services to the Hospital's service population subject to the availability of such grant funds. The IGT grant income is \$54,811 and \$2,506,137 for the years ended June 30, 2023 and 2022, respectively.

NOTE 23 - MEDICAID SUPPLEMENTAL PAYMENTS

The Hospital participates in the state's Medicaid Managed Care Incentive Program (MCIP). The program is designed to provide incentive payments to Medicaid Managed Care Plans for achieving quality reforms that increase access to health care and improve the quality of care. The Hospital reported income of \$401,531 and \$598,469 related to this program for the years ended June 30, 2023 and 2022, respectively.

For state fiscal year (SFY) 2023, the Louisiana Department of Health (LDH) obtained a Medicaid State Plan Amendment (SPA) approval from the Centers for Medicare and Medicaid Services (CMS) to make quarterly supplemental payments to hospitals based upon certain assumptions under a directed payment plan (DPP). Annually thereafter, LDH must submit the assumptions to CMS for approval in future years. The basis for interim supplemental payments is the Hospital's historical paid claims and other factors. In future state fiscal amounts, LDH anticipates increasing or decreasing future DPP payments by the reconciliation amounts. The Hospital has recognized \$2,695,116 as Medicaid supplemental income after consideration was given for future adjustments which the Hospital determined necessary. To the extent income recognized in the current period differs from actual results, Medicaid supplemental income will be adjusted.

The Hospital entered into an Intergovernmental Transfer Agreement (IGT) with the Louisiana Department of Health (LDH) as part of Louisiana Physician IPA, Inc. which is a physician supplemental program. In fiscal year 2023, the Hospital received approximately \$342,174 in Medicaid supplemental payments of which approximately \$135,622 was submitted to LDH as an IGT.

NOTE 24 - COMMITMENTS

The Hospital entered into various construction contracts, which totaled \$5,136,786, including change orders as of June 30, 2023. The Hospital paid \$155,588 towards these commitments as of June 30, 2023.

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NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 25 - CHANGE IN METHOD OF ACCOUNTING FOR SBITAs

As discussed in Note 2, the Hospital adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* on July 1, 2022. This statement is applied retroactively by restating balances in the financial statements as of June 30, 2022 as follows:

	<u>As Previously Reported</u>	<u>As Restated</u>
Subscription assets, net	-0-	2,066,191
Subscription liability	-0-	2,130,730
Increase in net position	3,914,530	3,859,003

NOTE 26 - SUBSEQUENT EVENTS

The Hospital entered into various construction contracts, which totaled \$1,910,921, including change orders, subsequent to the year ended June 30, 2023.

Events have been evaluated through December 21, 2023, 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 NINE 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%
2020	9.56254%	\$ (2,454,951)	\$ 10,925,324	-22%	106.8%
2021	9.95546%	\$ (5,563,219)	\$ 11,922,252	-47%	114.2%
2022	10.89298%	\$ 2,593,500	\$ 13,317,309	19%	94.3%

* 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 seven plan years ended December 31, 2021.

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%
2020	6.40%	6.40%	2.3%	4	4.25%
2021	6.40%	6.40%	2.3%	4	4.25%
2022	6.40%	6.40%	2.3%	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 through 2021

NORTH CADDO HOSPITAL SERVICE DISTRICT,
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SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
FOR THE LAST NINE 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%
2021	\$ 850,043	\$ 850,043	\$ -0-	\$ 11,333,906	7.5%
2022	\$ 952,586	\$ 952,586	\$ -0-	\$ 12,704,145	7.5%
2023	\$ 1,040,824	\$ 1,040,824	\$ -0-	\$ 13,874,731	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,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Daily patient services:		
Routine services	\$ 1,308,708	\$ 1,296,816
Swing bed	362,459	429,925
Obstetrics	<u>124,462</u>	<u>194,258</u>
 Total daily patient services	 <u>1,795,629</u>	 <u>1,920,999</u>
Other professional services:		
Cardiac monitor		
Outpatient	<u>-0-</u>	<u>909</u>
 Total cardiac monitor	 <u>-0-</u>	 <u>909</u>
Operating room		
Inpatient	55,651	109,533
Outpatient	<u>2,085,507</u>	<u>2,169,106</u>
 Total operating room	 <u>2,141,158</u>	 <u>2,278,639</u>
Anesthesia		
Inpatient	60,840	90,760
Outpatient	<u>145,100</u>	<u>138,827</u>
 Total anesthesia	 <u>205,940</u>	 <u>229,587</u>
Radiology		
Inpatient	109,238	108,690
Outpatient	<u>1,383,392</u>	<u>1,559,352</u>
 Total radiology	 <u>1,492,630</u>	 <u>1,668,042</u>
Ultrasound		
Inpatient	46,442	49,867
Outpatient	<u>606,148</u>	<u>636,235</u>
 Total ultrasound	 \$ <u>652,590</u>	 \$ <u>686,102</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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CT scans & nuclear medicine		
Inpatient	\$ 531,334	\$ 552,114
Outpatient	<u>3,230,502</u>	<u>3,594,175</u>
Total CT scans & nuclear medicine	<u>3,761,836</u>	<u>4,146,289</u>
 MRI		
Inpatient	41,821	34,302
Outpatient	<u>732,165</u>	<u>708,423</u>
Total MRI	<u>773,986</u>	<u>742,725</u>
 Laboratory & blood		
Inpatient	1,337,059	1,471,820
Outpatient	<u>4,238,119</u>	<u>3,847,821</u>
Total laboratory & blood	<u>5,575,178</u>	<u>5,319,641</u>
 Respiratory care		
Inpatient	722,844	649,571
Outpatient	<u>2,355,680</u>	<u>1,714,060</u>
Total respiratory care	<u>3,078,524</u>	<u>2,363,631</u>
 Physical, occupational and speech therapy		
Inpatient	391,924	481,599
Outpatient	<u>2,353,983</u>	<u>1,321,682</u>
Total physical, occupational and speech therapy	<u>2,745,907</u>	<u>1,803,281</u>
 EKG and EEG		
Inpatient	178,990	200,385
Outpatient	<u>526,555</u>	<u>652,160</u>
Total EKG and EEG	\$ <u>705,545</u>	\$ <u>852,545</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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Central supply		
Inpatient	\$ 548,657	\$ 683,387
Outpatient	<u>202,891</u>	<u>117,558</u>
Total central supply	<u>751,548</u>	<u>800,945</u>
Pharmacy		
Inpatient	1,522,980	1,980,094
Outpatient	<u>3,019,868</u>	<u>3,308,268</u>
Total pharmacy	<u>4,542,848</u>	<u>5,288,362</u>
Emergency and treatment room		
Inpatient	303,173	344,498
Outpatient	<u>4,752,786</u>	<u>4,974,781</u>
Total emergency and treatment room	<u>5,055,959</u>	<u>5,319,279</u>
Other outpatient services		
Ambulance	1,528,774	1,565,388
Physicians and surgeons clinic	5,950,370	6,503,216
Plain Dealing clinic	2,042,091	2,092,707
Benton clinic	1,527,080	1,533,566
Blanchard clinic	3,027,095	2,297,397
HealthPlex & Kidmed	52,993	84,725
Fitness center	53,583	58,301
Vivian Dental	<u>448,358</u>	<u>122,776</u>
Total other outpatient services	<u>14,630,344</u>	<u>14,258,076</u>
Total other professional services	<u>46,113,993</u>	<u>45,758,053</u>
Gross charges	\$ <u>47,909,622</u>	\$ <u>47,679,052</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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Gross charges	\$ 47,909,622	\$ 47,679,052
Less charges associated with charity patients	<u>448,773</u>	<u>575,585</u>
Gross patient service revenue	47,460,849	47,103,467
Deductions from patient revenue:		
Contractual adjustments	21,961,757	21,929,299
Provision for bad debts	<u>1,211,269</u>	<u>1,414,963</u>
Total deductions from patient charges	<u>23,173,026</u>	<u>23,344,262</u>
Net patient service revenue	\$ <u>24,287,823</u>	\$ <u>23,759,205</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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cafeteria	\$ 53,188	\$ 48,894
Medical records fees	10,036	7,003
340B pharmaceutical program	2,737,458	1,889,679
Vending	1,305	1,590
Gift shop sales	57,744	58,410
Education center	4,000	3,760
Miscellaneous	22,707	5,915
Access to care payments	898,213	-0-
Community RX	<u>2,447,073</u>	<u>310,617</u>
 Total other operating revenue	 \$ <u>6,231,724</u>	 \$ <u>2,325,868</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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Salaries:		
Routine nursing	\$ 1,904,711	\$ 1,899,153
Obstetrics	63,273	36,525
Nursing administration	169,135	163,693
Operating room	352,346	388,119
Anesthesiology	435,044	390,295
Radiology	443,461	437,166
Ultrasound	88,558	85,450
MRI	34,809	19,442
CT scan	5,501	63,119
Laboratory	654,070	581,142
Respiratory therapy	432,495	342,284
Physical therapy	468,759	354,668
Cardiology	6,127	16,351
Central supply	131,966	153,105
Pharmacy	255,990	264,474
Physicians and surgeons clinic	2,124,048	2,414,319
Plain Dealing clinic	693,579	693,108
Benton clinic	562,398	539,155
Blanchard clinic	1,040,664	737,273
Emergency room	1,759,246	1,923,179
Treatment room	2,829	2,717
Community Rx	277,488	124,987
Vivian Dental	372,300	254,947
Ambulance	797,872	754,421
HealthPlex	73,593	66,971
Fitness center	44,154	44,194
Medical records	221,635	217,360
Maintenance	205,287	211,065
Housekeeping	555,556	557,745
Dietary	411,251	422,968
Education center	430	2,909
Administration	<u>2,358,801</u>	<u>1,961,463</u>
Total salaries	<u>16,947,376</u>	<u>16,123,767</u>
Benefits and payroll taxes:		
Retirement	1,820,710	(578,221)
Payroll taxes	1,112,921	1,027,009
Health, life and disability insurance	1,742,593	1,456,760
Workers compensation	118,319	123,830
Unemployment benefits	<u>11,084</u>	<u>3,482</u>
Total benefits and payroll taxes	<u>4,805,627</u>	<u>2,032,860</u>
 Total salaries and benefits	 <u>\$ 21,753,003</u>	 <u>\$ 18,156,627</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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Routine nursing	\$ 88,201	\$ 75,906
Obstetrics	13,435	18,782
Cardiac care	390	3,120
Operating room	84,375	76,043
Anesthesiology	13,741	9,916
Radiology	25,449	20,496
Ultrasound	10,201	37,323
MRI	-0-	6,979
CT scan	18,917	16,332
Laboratory	289,151	275,532
Respiratory therapy	50,584	33,114
Physical therapy	18,729	7,218
Central supply	290,967	399,589
Pharmacy	477,651	565,242
Cardiology	259	-0-
Physicians and surgeons clinic	138,902	131,053
HealthPlex	5,267	4,629
Plain Dealing clinic	79,144	106,144
Benton clinic	84,805	38,850
Blanchard clinic	119,308	71,970
Ambulance	54,537	66,050
Emergency room	47,214	27,394
Treatment room	6,358	7,991
Fitness center	15,803	8,270
Community Rx	2,180,703	250,945
Vivian Dental	<u>77,221</u>	<u>37,638</u>
 Total medical supplies and drugs	 \$ <u>4,191,312</u>	 \$ <u>2,296,526</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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Administrative and computer	\$ 171,460	\$ 85,312
Legal and professional fees	164,934	135,921
Laundry purchased services	56,218	68,611
Dietary	371	90
Routine nursing & obstetrics	67,091	89,870
Residents	70,300	66,578
Anesthesiology	20,300	45,450
Radiology	11,036	-0-
MRI	229	12,350
Laboratory	100,253	105,348
Respiratory therapy	667,050	311,167
Physical therapy	108,333	100,113
Pharmacy	599,984	363,717
Emergency room	<u>606,900</u>	<u>486,334</u>
 Total professional services	 \$ <u>2,644,459</u>	 \$ <u>1,870,861</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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Miscellaneous purchased services	\$ 528,155	\$ 459,713
Marketing	84,478	83,633
Non-medical supplies	1,505,015	1,023,073
Dietary food expense	306,792	275,014
Maintenance and repairs	352,048	358,560
Utilities	557,178	525,005
Telephone	158,988	109,655
Travel and education	155,639	93,514
Dues and subscriptions	46,065	55,085
Postage	15,546	18,231
Sales and property taxes	50,490	23,177
Debt issuance cost	-0-	70,020
Foundation fundraising and special events	21,056	146,710
Intergovernmental transfer	154,076	58,734
Miscellaneous expense	<u>136,299</u>	<u>161,535</u>
 Total other expenses	 \$ <u>4,071,825</u>	 \$ <u>3,461,659</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, 2023

Agency Head Name: David Jones

Purpose	Amount
Salary	\$ 294,753
Health insurance	-0-
Retirement	22,475
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	510
Registration fees	445
Conference travel	3,271
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	456
Professional dues	-0-
Cell phone	639
Other	
Life / disability insurance	1,234
Bonus	42,670
Sick Time Buyback	4,923

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, 2023

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.

	<u>Per Diem</u>	<u>Mileage</u> <u>Reimb.</u>	<u>Total</u> <u>Compensation</u>	<u>Office Held</u>	<u>Expiration</u> <u>of Term</u>
Kenneth Cochran	\$ 900	\$ -0-	\$ 900	Vice Chair	07/18/24
Ronnie Festavan	925	-0-	925	Member	07/18/26
Jennifer Fant	1,000	-0-	1,000	Member	07/18/24
Robert Green, Jr.	1,100	-0-	1,100	Member	07/01/23
Mary Irvin	700	-0-	700	Member	07/01/28
Michael Nation	800	-0-	800	Member	08/01/27
David Norman	1,200	600	1,800	Board Chair	07/18/26
Brenda Smith	1,200	-0-	1,200	Member	07/01/26
Patricia White	1,200	-0-	1,200	Member	08/18/28
	<u>\$ 9,025</u>	<u>\$ 600</u>	<u>\$ 9,625</u>		

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
SCHEDULE OF INSURANCE POLICIES
IN FORCE ON JUNE 30, 2023

Risk Covered	Coverage	Beginning	Ending
Ambulance Liability	\$ 1,000,000	07/23/22	07/23/23
Business Auto Liability	1,000,000	07/23/22	07/23/23
Cyber Protection	100,000	11/01/22	11/01/23
Directors and Officers Liability	1,000,000	07/23/22	07/23/23
Employment Practices Liability	1,000,000	07/23/22	07/23/23
Antitrust Claim	1,000,000	07/23/22	07/23/23
EMTALA Coverage	250,000	07/23/22	07/23/23
Excess Benefit Transaction	50,000	07/23/22	07/23/23
HIPAA Violation	50,000	07/23/22	07/23/23
Internal Revenue Code Violation	100,000	07/23/22	07/23/23
Third Party Wrongful Act	1,000,000	07/23/22	07/23/23
Malpractice and General Liability	4,500,000	11/01/22	11/01/23
Health Care Claims Made Umbrella			
Commercial General Liability Occurrence, Excess of Bodily Injury, Property Damage, Personal Injury and Employment Benefits Liability	4,500,000	11/01/22	11/01/23
Excess Follow Form Liability Umbrella	4,500,000	11/01/22	11/01/23
Health Care Professional Liability per Occurrence (Annual Aggregate - \$2,000,000)	100,000	11/01/22	11/01/23
Louisiana Patients Compensation Fund			
Excess Healthcare Professional Liability Coverage	400,000	11/01/22	11/01/23
Bodily Injury, Property Damage, Personal Injury, Employee Benefits Liability	500,000	11/01/22	11/01/23
Medical Expense	1,000	11/01/22	11/01/23
Pollution / Wrongful Termination	250,000	11/01/22	11/01/23
Fire Legal Liability	100,000	11/01/22	11/01/23
Damage to Property	100,000	11/01/22	11/01/23
Damage to Patient Property	5,000	11/01/22	11/01/23
Employed Physicians			
Claims Made Liability Per Occurrence	100,000	07/01/22	07/01/23
Aggregate	\$ 300,000	07/01/22	07/01/23

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
SCHEDULE OF INSURANCE POLICIES (Continued)
IN FORCE ON JUNE 30, 2023

Risk Covered	Coverage	Beginning	Ending
Property Insurance			
Real Property	\$ 76,019,409	07/23/22	07/23/23
Extra Expense	10,000,000	07/23/22	07/23/23
Flood	50,000,000	07/23/22	07/23/23
Earthquake	50,000,000	07/23/22	07/23/23
Perishable Stock	10,000,000	07/23/22	07/23/23
Service Interruption	10,000,000	07/23/22	07/23/23
Hazardous Substance	250,000	07/23/22	07/23/23
Fungus Remediation	100,000	07/23/22	07/23/23
Data Restoration	250,000	07/23/22	07/23/23
Employee Theft			
ERISA	1,000,000	07/23/22	07/23/23
Forgery or Alteration	1,000,000	07/23/22	07/23/23
On Premises	1,000,000	07/23/22	07/23/23
In - Transit	1,000,000	07/23/22	07/23/23
Money Orders & Counterfeit Money	1,000,000	07/23/22	07/23/23
Computer Crime	1,000,000	07/23/22	07/23/23
Funds Transfer Fraud	1,000,000	07/23/22	07/23/23
Personal Accounts Protection	250,000	07/23/22	07/23/23
Claim Expense	5,000	07/23/22	07/23/23
Workers' Compensation			
Employers' Liability	\$ Statutory	01/01/22	01/01/23
	\$ 1,000,000	01/02/23	01/02/24



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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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Medical Center's combined financial statements as listed in the table of contents, and have issued our report thereon dated December 21, 2023.

Report on 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.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-002 and 2023-003 that we consider to be material weaknesses.

Report on 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2023-001.

Medical Center Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Medical Center’s response to the findings identified in our audit as 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.

Lester, Miller & Warr

Certified Public Accountants
Alexandria, Louisiana

December 21, 2023





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

Board of Commissioners
North Caddo Hospital Service District
Vivian, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each 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 identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Hospital's major federal programs for the year ended June 30, 2023. The Hospital's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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 each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Hospital's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Hospital's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Hospital's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Hospital's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Hospital's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Hospital's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Hospital's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 by WMS

Certified Public Accountants
Alexandria, Louisiana

December 21, 2023



NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER AND AFFILIATE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

<u>Grantor/Program Title/ Pass-Through Grantor's Name</u>	<u>Assistance Number</u>	<u>Pass-through Identifying No.</u>	<u>Federal Expenditures</u>
United States Department of Agriculture Community Facilities Loans and Grants	10.766		\$ 12,654,392
U.S. Department of Health and Human Services COVID-19 Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution	93.498		<u>569,100</u>
Total Expenditures of Federal Awards			<u>\$ 13,223,492</u>

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, 2023

NOTE A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) 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, 2023. 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 – Basis of Accounting

Expenditures reported on the SEFA 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 outstanding loan balance due to the United States Department of Agriculture at June 30, 2023 was \$12,409,185.

NOTE E – Subrecipients

North Caddo Medical Center had no subrecipients in 2023.

NOTE F – Provider Relief Fund

During fiscal year 2020, the U.S. Department of Health and Human Services (HHS) began providing COVID-19 related funding under Assistance Listing Number 93.498. The funds are to be utilized to offset eligible COVID-19 expenditures and lost revenues related to COVID-19 as defined in the program regulations. The Medical Center recognized amounts received as the program requirements were met as shown in the table below. The amounts received and expended are reported in the SEFA according to HHS periods of availability (also known as the “period of performance”). Accordingly, the \$4,022,530 expended in “Period 1” was reported on the June 30, 2021 SEFA and the \$1,579,377 expended in “Period 2” was reported on the June 30, 2022 SEFA. Amounts of \$569,100 received in “Period 4” and “Period 5” are reported on the June 30, 2023 SEFA.

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, 2023

NOTE F – Provider Relief Fund (Continued)

<u>Reporting Period</u>	<u>Total PRF Funding Received</u>	<u>Amount Recognized as Revenue</u>	<u>Amount Recognized as Deferred Revenue</u>	<u>Amount Reported as Federal Expenditure on SEFA</u>
FYE June 30, 2020	\$ 4,022,530	\$ 1,517,617	\$ 2,504,913	\$ -0-
FYE June 30, 2021	\$ 1,579,377	\$ 3,364,323	\$ 719,967	\$ 4,022,530
FYE June 30, 2022	\$ 569,100	\$ 719,967	\$ 569,100	\$ 1,579,377
FYE June 30, 2023	\$ -0-	\$ 569,100	\$ -0-	\$ 569,100

Federal tax identification numbers for provider relief funds included in the Medical Center's SEFA are listed below:

72-0594537
47-4659707

NORTH CADDO HOSPITAL SERVICE DISTRICT
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

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 – None reported

Compliance

- Noncompliance issue noted - Yes

Management letter issued - No

Federal Awards –

- Material weaknesses identified - No
- Significant deficiencies identified - None reported
- Type of auditor's report issued on compliance for major programs: Unmodified
- Any audit findings which are required to be reported under Uniform Guidance - No
- Identification of Major Programs:
 - Assistance Listing # 10.766 United States Department of Agriculture
Community Facilities Loans and Grants (Loan)
 - Assistance Listing # 93.498 Department of Health and Human Services
COVID-19 Provider Relief Fund
- 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

2023-001 – Uninsured Bank Deposits

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 \$471,014 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: The Hospital opened a new bank account that was not designated as a public fund account by the financial institution; and therefore, pledged securities were not assigned to the account.

Effect: The Hospital was not in compliance with fiscal agency and cash management laws.

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

NORTH CADDO HOSPITAL SERVICE DISTRICT
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

2023-001 – Uninsured Bank Deposits (Continued)

Response: The Hospital has acquired pledged securities and is now in compliance. Management will monitor bank balances on a monthly basis to ensure all deposits are insured by the FDIC or pledged securities.

2023-002 – Third-Party Payor Settlements

Criteria: Management is responsible for calculating and recording estimates of interim Medicare and Medicaid cost settlements.

Condition: Patient service revenue and receivables were understated by approximately \$724,000.

Cause: Management lacks the resources and staff to prepare interim cost reports. Due to the cost outweighing the benefit, management elected not to prepare an estimate as of year-end.

Effect: A weakness in internal controls over interim financial reporting may materially overstate or understate interim net income.

Recommendation: Management should calculate and record settlements based on interim cost report calculations, if the cost does not exceed the benefit.

Response: Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from preparing interim cost reports. It is more efficient and cost effective for external cost report preparers to prepare the cost reports at year-end. Differences between interim payments and actual cost report settlements will be charged to or against income in future periods when determinable.

2023-003 – Subscription-based Information Technology Arrangements

Criteria: Subscription assets and liabilities should be recorded in accordance with the new accounting standard, GASB Statement No. 96.

Condition: The Hospital did not implement GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

Cause: Management lacks the resources to implement the new accounting standard. Due to the cost outweighing the benefit, management elected not to implement the new standard as of year-end.

Effect: Subscription assets were understated by approximately \$1,835,452 and subscription liabilities were understated by \$1,952,523.

Recommendation: We recommend implementing GASB Statement No. 96 and recording the effects on a monthly basis.

Response: Management will adjust subscription assets and liabilities on a monthly basis to ensure interim financial information is presented accurately.

NORTH CADDO HOSPITAL SERVICE DISTRICT
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

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, 2023

Section I. Financial Statement Findings

2022-001 – Account Reconciliations

Condition: Reconciliation of several general ledger accounts are incomplete and did not detect posting errors.

Recommendation: Reconciliations during month end close procedures should be performed regularly. Reconciliations should be reviewed and approved by a member of management.

Current Status: Resolved.

2022-002 – Third-Party Payor Settlements

Condition: Patient service revenue was understated by approximately \$230,000 and receivables were understated by approximately \$642,000

Recommendation: Management should calculate and record settlement based on interim cost report calculations, if the cost does not exceed the benefit.

Current Status: Not Resolved. See Finding 2023-002.

Section II. Federal Awards Findings and Questioned Costs

None reported

Section III. Management Letter

Not applicable



December 21, 2023

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

Re: North Caddo Medical Center
FYE 6/30/2023 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 June 30, 2023.

Finding 2023-001 – Uninsured Bank Deposits: The Hospital had deposits with a financial institution of \$471,014 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: The Hospital has acquired pledged securities and is now in compliance. Management will monitor bank balances on a monthly basis to ensure all deposits are insured by the FDIC or pledged securities.

Finding 2023-002 – Third-Party Payer Settlements: Management lacks the resources and staff to prepare interim cost reports. Due to the cost outweighing the benefit, management elected not to prepare an estimate as of year-end.

Position of agency personnel taking corrective action: Chief Financial Officer

Corrective action: Management will consider the recommendation to have an interim cost report calculated. If the implementation cost is greater than the benefit derived from preparing interim cost reports, the external cost report preparers will prepare the cost report at year-end.

Finding 2023-002 – Subscription-Based Information Technology Arrangements: Management lacks the resources to implement the new accounting standard. Due to the cost outweighing the benefit, management elected not to implement the new standard as of year-end.

Position of agency personnel taking corrective action: Chief Financial Officer

Corrective action: Management will adjust subscription assets and liabilities on a monthly basis to ensure interim financial information is presented accurately.

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,

David Jones
Chief Executive Officer

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).

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

FOR THE YEAR ENDED
JUNE 30, 2023



LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS



LESTER, MILLER & WELLS

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Karlie P. Brister, CPA
P. Trae' O'Pry, CPA, CVA

Brenda J. Lloyd, CPA
Timothy J. Deshotel, CPA
Andrew J. Wynn, CPA

Retired 2015
Bobby G. Lester, CPA

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners
of North Caddo Hospital Service District
d/b/a North Caddo Medical Center
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Board of Commissioners of North Caddo Hospital Service District d/b/a North Caddo Medical Center (the Hospital) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2022 through June 30, 2023. The Hospital's management is responsible for those C/C areas identified in the SAUPs.

The Hospital has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period July 1, 2022 through June 30, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1) *Written Policies and Procedures*

- A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
- i. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - ii. **Purchasing**, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, (4) controls to ensure compliance with the Public Bid Law, and (5) documentation required to be maintained for all bids and price quotes.
 - iii. **Disbursements**, including processing, reviewing, and approving.
 - iv. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

- v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.
- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- viii. **Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- xi. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Exceptions: No exceptions were found as a result of these procedures.

2) Board or Finance Committee

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and
 - i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*



- iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
- iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Exceptions: The board did not receive written updates of the progress of resolving prior year audit findings.

Management Response: Management will provide written updates on the progress of resolving future audit findings to the board.

3) *Bank Reconciliations*

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Exceptions: No exceptions were found as a result of these procedures.

4) *Collections (excluding electronic funds transfers)*

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that
 - i. Employees responsible for cash collections do not share cash drawers/registers;



- ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;
 - iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and
 - iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.
- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.
- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
- i. Observe that receipts are sequentially pre-numbered.
 - ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - iii. Trace the deposit slip total to the actual deposit per the bank statement.
 - iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - v. Trace the actual deposit per the bank statement to the general ledger.

Exceptions: No exceptions were found as a result of these procedures.

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

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- B. For each location selected under procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that
 - i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
 - ii. At least two employees are involved in processing and approving payments to vendors;



- iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;
 - iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and
 - v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.
- C. For each location selected under procedure #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and
- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.
- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

Exceptions: Four (4) of the five (5) electronic disbursements tested did not include approval by those authorized to disburse funds and the required number of authorized signers was not present.

Management Response: Electronic disbursements will be approved in writing by authorized signers.

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and
 - i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder and
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.



- C. Using the monthly statements or combined statements selected under procedure #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Exceptions: One (1) of the five (5) credit card statements selected had finance charges.

Management Response: Management will monitor credit card statements and pay balances in a timely manner.

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

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected
- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);
 - ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;
 - iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and
 - iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Exceptions: No exceptions were found as a result of these procedures.

8) Contracts

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



- ii. Observe whether the contract was approved by the governing body/board, if required by policy or law;
- iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and
- iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Exceptions: No exceptions were found as a result of these procedures.

9) *Payroll and Personnel*

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and
 - i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;
 - iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
 - iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.
- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Exceptions: No exceptions were found as a result of these procedures.



10) Ethics

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and
 - i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
 - ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Exceptions: No exceptions were found as a result of these procedures.

11) Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.
- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Exceptions: No exceptions were found as a result of these procedures.

12) Fraud Notice

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.
- B. Observe that the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Exceptions: No exceptions were found as a result of these procedures.



13) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures, **verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”**
- i. Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government’s local server or network, and (c) was encrypted.
 - ii. Obtain and inspect the entity’s most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - iii. Obtain a listing of the entity’s computers currently in use and their related locations, and management’s representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Exceptions: We performed the procedures and discussed the results with management.

14) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity’s premises if the entity does not have a website).
- C. Obtain the entity’s annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:
- i. Number and percentage of public servants in the agency who have completed the training requirements;
 - ii. Number of sexual harassment complaints received by the agency;
 - iii. Number of complaints which resulted in a finding that sexual harassment occurred;
 - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - v. Amount of time it took to resolve each complaint.

Exceptions: No exceptions were found as a result of these procedures.



Board of Commissioners
of North Caddo Hospital Service District
d/b/a North Caddo Medical Center
and the Louisiana Legislative Auditor

We were engaged by the Hospital to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

Lester William M. Wells

Certified Public Accountants
Alexandria, Louisiana

October 9, 2023

