

FRANKLIN MEDICAL CENTER
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
APRIL 30, 2022, 2021, AND 2020



LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF FRANKLIN, STATE OF LOUISIANA
d/b/a FRANKLIN MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
YEARS ENDED APRIL 30, 2022, 2021 AND 2020

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Hospital Service District No. 1
Of the Parish of Franklin, State of Louisiana
Franklin Medical Center

Management's Discussion and Analysis

This section of the annual financial report for Hospital Service District No. 1 of Franklin Parish, State of Louisiana d/b/a Franklin Medical Center (the "Hospital") provides background information and management's analysis of the Hospital's financial performance for the fiscal years that ended April 30, 2022, 2021, 2020 and 2019. Please read it in conjunction with the financial statements beginning on page 5 and notes to the financial statements beginning on page 9 in this report.

Financial Highlights

Current assets increased by \$1,172,691 or 4.4% for the year ending April 30, 2022 due to an increase in cash due to COVID-19 grant monies, third-party receivables and IGT receivable at year-end.

Current liabilities increased 15.1% to \$1,249,180, due to an increase in current portion of Medicare Advanced Payments due and COVID-19 grant Unearned Revenue at year-end. Long-term debt decreased by \$5,086,643 or 54.6% in FY 2022 to \$4,231,334 due to payments on long-term debt and forgiveness of PPP Loan.

The net position increased by \$8,095,471 or 44.0%, which is the excess of revenues over expenses for the year ending April 30, 2022. Net position as of April 30, 2022 was \$26,488,236, up from \$18,392,765 as of April 30, 2021.

Net patient revenue for FY 2022 increased by \$5,408,014 or 16.39%, from \$32,990,684 in FY 2021 due to an increase in Room and Board charges, outpatient charges in Laboratory, Respiratory Therapy and Pharmacy. Overall patient days increased by 178 days to 3,143 for the year ending April 30, 2022.

Expenses for the year ending April 30, 2022 increased by \$4,278,048 or 11.53%. Total expenses for the year ending April 30, 2022 were \$41,378,899, up from \$37,100,851 as of April 30, 2021. The increase was due to an increase in salaries and payroll related benefits and IGT expense during the fiscal year.

Using this Annual Report

The Hospital'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 statements provide information about the Hospital's activities including resources held by the Hospital.

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

Both statements report information about the Hospital's resources and its activities that describe the financial results of the fiscal year and the Hospital's financial position as of the end of the year. They report the Hospital's net position and changes in them.

Net position is the difference between assets and liabilities. Over time, increases or decreases in the Hospital's net position is 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 Hospital's patient base, measure of the quality of services provided, and local, state, and federal economic factors to assess the overall health of Franklin Medical Center.

Hospital Service District No. 1
Of the Parish of Franklin, State of Louisiana
Franklin Medical Center

Management's Discussion and Analysis (continued)

Using this Annual Report (Continued)

The Statement of Cash Flows

The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing and capital and non-capital financing activities. It describes sources of cash, uses of cash, and the change in cash balance during the fiscal year.

Franklin Medical Center's Net Position

The Hospital's net position is the difference between assets and liabilities reported in the balance sheet. As discussed under the financial highlights section, the Hospital's net position (inclusive of donated assets) increased by \$8,095,471. The financial highlights section also discusses the changes in assets and liabilities as are shown in the following table.

TABLE 1
Condensed Statements of Net Position

	Years Ended April 30,			
	2022	2021	2020	2019
Total current assets	\$ 27,593,909	\$ 26,421,218	\$ 8,357,264	\$ 7,707,939
Nondepreciable capital assets	3,054,419	706,815	692,500	753,000
Depreciable capital assets, net	8,835,706	8,152,576	9,090,519	9,096,767
Limited use assets	594,027	592,562	588,557	583,201
Other non-current assets	144,705	91,587	115,991	133,283
Total assets	<u>\$ 40,222,766</u>	<u>\$ 35,964,758</u>	<u>\$ 18,844,831</u>	<u>\$ 18,274,190</u>
Total current liabilities	\$ 9,503,196	\$ 8,254,016	\$ 3,726,474	\$ 4,174,756
Long-term debt, net of current maturities	4,231,334	9,317,977	5,207,824	5,201,209
Total liabilities	<u>13,734,530</u>	<u>17,571,993</u>	<u>8,934,298</u>	<u>9,375,965</u>
Net position				
Invested in capital assets, net of related debt	6,500,852	355,205	3,339,928	3,527,370
Restricted	200,490	200,490	200,490	200,490
Unrestricted	19,786,894	17,837,070	6,370,115	5,170,365
Total liabilities and net position	<u>\$ 40,222,766</u>	<u>\$ 35,964,758</u>	<u>\$ 18,844,831</u>	<u>\$ 18,274,190</u>

Required Financial Statements

The Basic Financial Statements of the Hospital report information about the Hospital using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities.

Hospital Service District No. 1
Of the Parish of Franklin, State of Louisiana
Franklin Medical Center

Management's Discussion and Analysis (continued)

Required Financial Statements (Continued)

The Statement of Net Position includes all of the Hospital's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Hospital and assessing the liquidity and financial flexibility of the Hospital. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures improvements in the Hospital's operations over the past three years and can be used to determine whether the Hospital has been able to recover all of its costs through its patient service revenue and other revenue sources. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Hospital's cash from operations, investing and financing activities, and to provide 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.

Financial Analysis of the Hospital

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Hospital's activities. These two statements report the net position of the Hospital and changes in them. Increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. However, other financial factors such as changes in the healthcare industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

Hospital Service District No. 1
Of the Parish of Franklin, State of Louisiana
Franklin Medical Center

Management's Discussion and Analysis (continued)

Summary of Revenues, Expenses and Changes in Net Position

TABLE 2
Condensed Statements of Revenues, Expenses and Changes in Net Position

	Years Ended April 30,			
	2022	2021	2020	2019
Net patient service revenue	\$ 38,398,698	\$ 32,990,684	\$ 29,444,015	\$ 28,581,735
Other revenue	5,260,567	3,188,942	3,176,013	3,542,038
Total operating revenue	43,659,265	36,179,626	32,620,028	32,123,773
Salaries and employee benefits	20,373,511	18,325,799	16,820,854	16,180,822
Supplies and other	3,589,953	3,184,546	2,800,901	2,772,265
Professional, mgt. and consulting fees	6,143,422	6,378,897	6,447,178	6,039,228
Other expense	9,171,342	7,415,658	5,301,182	5,358,206
Insurance	597,718	434,739	518,087	486,544
Depreciation and amortization	1,502,953	1,361,212	1,390,838	1,345,949
Total operating expenses	41,378,899	37,100,851	33,279,040	32,183,014
Operating income (loss)	2,280,366	(921,225)	(659,012)	(59,241)
Nonoperating income	5,815,105	9,403,457	1,671,320	1,137,236
Changes in net position	8,095,471	8,482,232	1,012,308	1,077,995
Net position - beginning of year	18,392,765	9,910,533	8,898,225	7,820,230
Net position - end of year	\$ 26,488,236	\$ 18,392,765	\$ 9,910,533	\$ 8,898,225

Sources of Revenue

Operating Revenue

During fiscal year 2022, the Hospital derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payors, who receive care in the Hospital's facilities. Reimbursement for the Medicare and Medicaid programs and the third-party payors is based upon established contracts.

A 13 mill property tax was approved for a period of twenty-five years, beginning with the year 2014 and ending with the year 2039, to be dedicated and used for operating, maintaining, renovating, and improving emergency medical services.

Hospital Service District No. 1
Of the Parish of Franklin, State of Louisiana
Franklin Medical Center

Management's Discussion and Analysis (continued)

Table 3 presents the relative percentages of gross charges billed for patient services for Medicare and Medicaid for the fiscal years ended April 30, 2022, 2021, 2020 and 2019.

TABLE 3
Medicare & Medicaid Patient Revenue

	Years ended April 30,			
	2022	2021	2020	2019
Medicare and Medicaid patient charges	\$ 61,408,171	\$ 57,937,778	\$ 58,948,548	\$ 62,108,618
Contractual adjustments	35,092,381	36,096,167	36,383,850	40,219,129
Net Medicare and Medicaid revenue	\$ 26,315,790	\$ 21,841,611	\$ 22,564,698	\$ 21,889,489
Percent of total patient gross charges	65%	67%	70%	73%
Percent of total net patient revenues	69%	66%	77%	77%

Operating and Financial Performance

TABLE 4
Patient Statistics

	Years ended April 30,			
	2022	2021	2020	2019
Number of patient days				
Medicare acute and rehab care	1,576	1,539	1,877	2,308
Swingbed	60	180	191	398
Medicaid acute and rehab care	652	667	398	455
Other acute and rehab care	855	579	637	606
Total	3,143	2,965	3,103	3,767
Number of patient discharges				
Medicare acute and rehab care	429	288	387	495
Swingbed	15	26	39	66
Medicaid acute and rehab care	136	149	98	117
Other acute and rehab care	87	99	144	102
Total	667	562	668	780
Average length of patient stay				
Medicare acute and rehab care	3.7	5.3	4.9	4.7
Swingbed	4.0	6.9	4.9	6.0
Medicaid acute and rehab care	4.8	4.5	4.1	3.9
Other acute and rehab care	9.8	5.8	4.4	5.9
Average length of stay for acute care	4.7	5.2	4.6	4.7

Hospital Service District No. 1
Of the Parish of Franklin, State of Louisiana
Franklin Medical Center

Management's Discussion and Analysis (continued)

Capital Assets

TABLE 5
Land and Depreciable Capital Assets, net

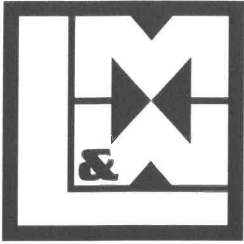
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
	April 30			
Nondepreciable Capital Assets				
Land	\$ 657,500	\$ 657,500	\$ 657,500	\$ 657,500
Construction in Progress	2,396,919	49,315	35,000	95,500
Total Nondepreciable Capital Assets	<u>\$ 3,054,419</u>	<u>\$ 706,815</u>	<u>\$ 692,500</u>	<u>\$ 753,000</u>
Depreciable Capital Assets				
Building & Equipment	\$ 25,220,274	\$ 23,093,912	\$ 23,126,275	\$ 21,953,292
Leasehold Improvements	2,714,431	2,714,431	2,714,431	2,714,431
Intangibles	1,239,591	1,239,591	1,239,591	1,239,591
Subtotal	29,174,296	27,047,934	27,080,297	25,907,314
Less Accumulated Depr. & Amort.	20,338,590	18,895,358	17,989,778	16,810,547
Total Depreciable Capital Assets, net	<u>\$ 8,835,706</u>	<u>\$ 8,152,576</u>	<u>\$ 9,090,519</u>	<u>\$ 9,096,767</u>

Long-Term Debt

Long-term debt at year end consists of one (1) revenue bond, six (6) capital leases and three (3) note payables. During FY 2022, the Hospital made payments of \$564,908 to pay down revenue bonds, capital leases, and note payables. Majority of the payments were due to Series 2020 Revenue bond. SBA granted a PPP loan forgiveness of \$2,550,005 on June 1, 2021. See Note 9 in the financial statements for additional detail. Long-term debt decreased by \$5,086,643 or 54.6% in 2022, due to payments on long-term debt, SBA PPP loan forgiveness, and Medicare Advanced Payments transferring to current liabilities.

Contacting the Hospital's Financial Manager

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Hospital administration.



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Independent Auditors' Report

To the Board of Commissioners
Hospital Service District No. 1
Parish of Franklin, State of Louisiana
Winnsboro, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Hospital Service District No. 1, Parish of Franklin, State of Louisiana, d/b/a Franklin Medical Center (the "Hospital"), a component unit of the Franklin Parish Police Jury, as of and for the years ended April 30, 2022, 2021, and 2020, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital, as of April 30, 2022, 2021, and 2020, 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 the 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 Hospital, 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 Hospital'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 auditors' 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 Hospital'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 Hospital'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 financial statements present only the financial information of the Hospital and do not purport to, and do not, present fairly the financial position of Franklin Parish Police Jury as of April 30, 2022, 2021, and 2020, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 "vi" be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our 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 is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole.



Board of Commissioners
Hospital Service District No. 1
Parish of Franklin, State of Louisiana
Winnsboro, 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 October 28, 2022, on our consideration of the Hospital'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 Hospital'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 Hospital's internal control over financial reporting and compliance.

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

October 28, 2022



FRANKLIN MEDICAL CENTER
STATEMENTS OF NET POSITION
APRIL 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>
ASSETS			
Current Assets			
Cash and cash equivalents (Note 3)	\$ 9,877,733	\$ 7,155,159	\$ 1,474,310
Certificates of deposit (Note 3)	8,431,645	10,596,186	1,359,530
Accounts receivable, net of allowances for uncollectibles (Note 4)	2,913,090	2,693,809	1,607,853
Estimated third-party payor settlements	3,077,258	4,013,196	2,739,558
Other receivables	1,937,872	631,718	26,952
Inventories	1,164,812	1,120,355	1,004,869
Prepaid expenses	191,499	210,795	144,192
Total Current Assets	<u>27,593,909</u>	<u>26,421,218</u>	<u>8,357,264</u>
Non-Current Assets			
Nondepreciable capital assets (Note 5)	3,054,419	706,815	692,500
Depreciable capital assets, net (Note 5 and 6)	8,835,706	8,152,576	9,090,519
Notes receivable	144,705	91,587	80,427
Physician practice acquisition	-0-	-0-	35,564
Limited use assets (Note 7)	594,027	592,562	588,557
Total Assets	<u>\$ 40,222,766</u>	<u>\$ 35,964,758</u>	<u>\$ 18,844,831</u>
LIABILITIES AND NET POSITION			
Current Liabilities			
Accounts payable	\$ 1,235,595	\$ 1,416,076	\$ 1,220,533
Accrued salary and payroll taxes	890,437	719,309	711,196
Accrued paid time off (Note 8)	599,892	545,142	477,210
Estimated third-party payor settlements	531,961	889,572	739,768
Unearned revenue	2,776,552	1,933,903	-0-
Medicare advance payments	2,968,320	1,236,305	-0-
Current portion of long-term debt (Note 9)	500,439	1,513,709	577,767
Total Current Liabilities	<u>9,503,196</u>	<u>8,254,016</u>	<u>3,726,474</u>
Long-term Liabilities			
Medicare advance payments	-0-	2,985,000	-0-
Long-term debt, net of current maturities (Note 9)	4,231,334	6,332,977	5,207,824
Total Liabilities	<u>13,734,530</u>	<u>17,571,993</u>	<u>8,934,298</u>
Net Position			
Invested in capital assets, net of related debt	6,500,852	355,205	3,339,928
Restricted	200,490	200,490	200,490
Unrestricted	19,786,894	17,837,070	6,370,115
Total Net Position	<u>26,488,236</u>	<u>18,392,765</u>	<u>9,910,533</u>
Total Liabilities and Net Position	<u>\$ 40,222,766</u>	<u>\$ 35,964,758</u>	<u>\$ 18,844,831</u>

See accompanying notes to financial statements.

FRANKLIN MEDICAL CENTER
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED APRIL 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenues			
Net patient service revenues (Note 10)	\$ 38,398,698	\$ 32,990,684	\$ 29,444,015
Non-restricted contributions	102	-0-	1,418
Operating grants	502,629	504,696	452,203
Intergovernmental transfer grants	2,264,827	590,573	739,628
Other operating revenues	<u>2,493,009</u>	<u>2,093,673</u>	<u>1,982,764</u>
Total Revenues	<u>43,659,265</u>	<u>36,179,626</u>	<u>32,620,028</u>
Expenses			
Salaries	16,568,563	14,997,926	14,143,803
Benefits and payroll taxes	3,804,948	3,327,873	2,677,051
Supplies and drugs	3,589,953	3,184,546	2,800,901
Professional fees	6,143,422	6,378,897	6,447,178
Other expenses	9,171,342	7,415,658	5,301,182
Insurance	597,718	434,739	518,087
Depreciation and amortization	<u>1,502,953</u>	<u>1,361,212</u>	<u>1,390,838</u>
Total Expenses	<u>41,378,899</u>	<u>37,100,851</u>	<u>33,279,040</u>
Operating Income (Loss)	<u>2,280,366</u>	<u>(921,225)</u>	<u>(659,012)</u>
Nonoperating Revenues (Expenses)			
COVID-19 grant awards	1,933,903	8,169,785	605,617
Loan forgiveness	2,550,005	-0-	-0-
Maintenance taxes	1,396,084	1,368,407	1,291,920
Gain (loss) on sale of assets	(16,633)	(69,041)	(27,646)
Interest income	67,417	76,652	29,460
Interest expense	<u>(115,671)</u>	<u>(142,346)</u>	<u>(228,031)</u>
Changes in Net Position	8,095,471	8,482,232	1,012,308
Beginning Net Position	<u>18,392,765</u>	<u>9,910,533</u>	<u>8,898,225</u>
Ending Net Position	\$ <u>26,488,236</u>	\$ <u>18,392,765</u>	\$ <u>9,910,533</u>

See accompanying notes to financial statements.

FRANKLIN MEDICAL CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED APRIL 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 37,504,759	\$ 35,002,179	\$ 28,193,901
Other receipts from operations	3,954,413	2,584,176	3,175,591
Cash payments to employees and for employee-related cost	(20,147,633)	(18,249,754)	(16,832,855)
Cash payments for other operating expenses	<u>(19,708,077)</u>	<u>(17,400,366)</u>	<u>(15,062,606)</u>
Net cash provided (used) by operating activities	<u>1,603,462</u>	<u>1,936,235</u>	<u>(525,969)</u>
Cash flows from investing activities:			
Purchase of certificates of deposit	-0-	(9,240,661)	(324,481)
Proceeds from certificates of deposit	2,163,076	-0-	-0-
Loan to physicians	(61,424)	(22,493)	(27,322)
Interest income	<u>67,417</u>	<u>76,652</u>	<u>29,460</u>
Net cash provided (used) by investing activities	<u>2,169,069</u>	<u>(9,186,502)</u>	<u>(322,343)</u>
Cash flows from non-capital financing activities:			
Proceeds from maintenance taxes	1,396,084	1,368,407	1,291,920
Proceeds from long-term debt	-0-	2,550,005	-0-
Proceeds from COVID-19 grant awards	<u>2,776,552</u>	<u>10,103,688</u>	<u>605,617</u>
Net cash provided (used) by non-capital financing activities	<u>4,172,636</u>	<u>14,022,100</u>	<u>1,897,537</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(4,542,014)	(549,512)	(649,885)
Proceeds from sales of equipment	-0-	89,784	-0-
Interest expense	(115,671)	(142,346)	(228,031)
Proceeds from revenue bonds	-0-	5,151,281	-0-
Principal payments on long-term debt	<u>(564,908)</u>	<u>(5,640,191)</u>	<u>(536,543)</u>
Net cash provided (used) by capital and related financing activities	<u>(5,222,593)</u>	<u>(1,090,984)</u>	<u>(1,414,459)</u>
Net increase (decrease) in cash and cash equivalents	2,722,574	5,680,849	(365,234)
Beginning cash and cash equivalents	<u>7,155,159</u>	<u>1,474,310</u>	<u>1,839,544</u>
Ending cash and cash equivalents	\$ <u>9,877,733</u>	\$ <u>7,155,159</u>	\$ <u>1,474,310</u>

See accompanying notes to financial statements.

FRANKLIN MEDICAL CENTER
STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED APRIL 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	\$ <u>95,981</u>	\$ <u>167,253</u>	\$ <u>220,588</u>
Equipment acquired through capital lease agreements	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>524,515</u>
Forgiveness of PPP loan	\$ <u>2,550,005</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Reconciliation of income from operations to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 2,280,366	\$ (921,225)	\$ (659,012)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,502,953	1,361,212	1,390,838
Changes in current assets (increase) decrease:			
Accounts receivable	(219,281)	(1,085,956)	1,030,584
Estimated third-party payor settlements	935,938	(1,273,638)	(1,572,754)
Other receivables	(1,306,154)	(604,766)	(422)
Inventories	(44,457)	(115,486)	(160,919)
Prepaid expenses	19,296	(66,603)	8,077
Changes in current liabilities increase (decrease):			
Accounts payable	(180,481)	195,543	157,584
Accrued salary and payroll taxes	171,128	8,113	(32,544)
Accrued paid time off	54,750	67,932	20,543
Estimated third-party payor settlements	(357,611)	149,804	(707,944)
Medicare advance payments	<u>(1,252,985)</u>	<u>4,221,305</u>	<u>-0-</u>
Net cash provided (used) by operating activities	\$ <u>1,603,462</u>	\$ <u>1,936,235</u>	\$ <u>(525,969)</u>

See accompanying notes to financial statements.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2022, 2021 AND 2020

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Franklin Parish Hospital Service District No. 1 (the Hospital or the District) was created by an ordinance of the Franklin Parish Police Jury on November 2, 1965.

The District is a political subdivision of the Franklin Parish Police Jury whose jurors are elected officials. The Hospital's commissioners are appointed by the Franklin Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Franklin Parish Police Jury is the financial reporting entity for the Hospital. Accordingly, the Hospital was determined to be a component unit of the Franklin Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

The hospital facility was originally built by the Franklin Parish Police Jury which issued ad valorem tax bonds to finance its construction. The District leases the hospital facility and some equipment from the Police Jury as explained further in Note 6. All transactions related to the original bonds sold to finance the facility, the related interest expense, and tax revenues for the payment of the bonds are reflected in the financial statements of Franklin Parish Police Jury. The final bond redemption was made during April 1986, thereby eliminating the Police Jury bond indebtedness related to the District.

Nature of Business

The District provides outpatient, skilled nursing (through "swing-beds"), emergency, inpatient acute hospital services, and four rural health clinics.

NOTE 2 - 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 Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic measurement focus.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposits in checking and money market accounts and certificates of deposit with original maturities of ninety (90) days or less. Certificates of deposit with original maturities over 90 days are classified as short-term. Cash and cash equivalents and short-term investments are stated at cost, which approximates market value. The caption "cash and cash equivalents" does not include amounts whose use is limited or temporary cash investments.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2022, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit Risk

The District provides medical care primarily to Franklin Parish residents and grants credit to patients, substantially all of whom are local residents.

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 District has an economic dependence on a small number of staff physicians. These physicians admit over 90% of the Hospital's patients. The Hospital also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 10. Changes in federal or state legislation or interpretations of rules have a significant impact on the Hospital.

Net Patient Service Revenues

The District has entered into agreements with third-party payors, including government programs, health insurance companies, and managed care health plans, under which the Hospital is paid based upon established charges, the cost of providing services, predetermined rates per diagnosis, fixed per diem rates, or discounts from established charges.

Revenues are recorded at estimated amounts due from patients and third-party payors for the Hospital services provided. 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.

Patient Accounts Receivable

Patient accounts receivable are carried at a net amount determined by the original charges for the services provided, less an estimate made 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 a 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 expense are recorded as a reduction of bad debt expense when received.

Inventories

Inventories are stated at the lower of cost determined by the first-in, first-out, or net realizable value.

Income Taxes

The District is a political subdivision and exempt from taxation.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2022, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are recorded at cost for purchased assets or at fair market value on the date of any donation. The Hospital uses straight-line method of determining depreciation for financial reporting and third-party reimbursement. The following estimated useful lives are generally used.

Buildings and Improvements	5 to 40 years
Machinery and Equipment	3 to 20 years
Furniture and Fixtures	3 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 the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposal are credited or charged to operations currently.

Net Position

The Hospital 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.

Revenue and Expenses

The Hospital's statement of revenues, expenses and changes in net assets distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Hospital's principal activity. Nonexchange revenues are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Restricted Revenues

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

Grants and Contributions

From time to time, the Hospital receives grants and contributions from the State of Louisiana, 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 a specific operating purpose or for capital purposes.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2022, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contributions (Continued)

Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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.

Risk Management

The District 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 illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. 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.

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 April 30, 2022, 2021, and 2020, management is not aware of any liability resulting from environmental matters.

Advertising

The Hospital expenses advertising cost as incurred. Advertising expense for the years ended April 30, 2022, 2021, and 2020 totaled \$46,570, \$85,808, and \$92,013, respectively.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2022, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Principles

In June 2018, the GASB issued Statement No. 87 (GASB 87). The objective of GASB Statement No. 87, Leases, is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments. This Statement increased the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Management is still evaluating the potential impact of adoption on the Hospital's financial statements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2021.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year classifications. In the previous years, income from maintenance taxes was reported as operating income. The financial statements have been restated to show this income as non-operating.

NOTE 3 - DEPOSITS AND INVESTMENTS

Investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in direct obligations of the United States Government and its agencies pledged by its full faith and credit, certificates of deposit and savings accounts which are secured by FDIC or pledge of securities, and government backed mutual or trust funds. Louisiana law requires banks and savings and loan associations to secure a government's deposits (cash in banks) by pledging qualifying securities as collateral. For this purpose, "cash in banks" is comprised of the account balances according to the bank's records.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the Hospital be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The Hospital's deposits were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the Hospital's name as of April 30, 2022, 2021, and 2020.

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

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2022, 2021 AND 2020

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Account balances according to banks' records at April 30, 2022, for the Hospital are as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cash in banks	\$ 19,351,635	\$ 18,347,207	\$ 3,716,011
Insured by FDIC	\$ 10,543,129	\$ 1,250,537	\$ 779,857
Collateralization by fair market value	\$ 8,808,506	\$ 17,096,670	\$ 2,936,154
Uncollateralized	\$ -0-	\$ -0-	\$ -0-

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Carrying amount			
Deposits	\$ 1,002,377	\$ 1,499,008	\$ 634,766
Certificates of deposit	17,901,028	16,844,899	2,787,631
	\$ 18,903,405	\$ 18,343,907	\$ 3,422,397
Included in the following balance sheet captions			
Cash and cash equivalents	\$ 9,877,733	\$ 7,155,159	\$ 1,474,310
Certificates of deposit	8,431,645	10,596,186	1,359,530
Assets whose use is limited	594,027	592,562	588,557
	\$ 18,903,405	\$ 18,343,907	\$ 3,422,397

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable at April 30 is presented below:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Patients	\$ 4,654,990	\$ 4,274,009	\$ 3,320,053
Estimated allowances for uncollectibles	(1,741,900)	(1,580,200)	(1,712,200)
Net accounts receivable	\$ 2,913,090	\$ 2,693,809	\$ 1,607,853

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2022, 2021 AND 2020

NOTE 4 - ACCOUNTS RECEIVABLE (Continued)

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Medicare	16%	38%	33%
Medicaid	21%	34%	32%
Commercial and other third-party payors	61%	24%	29%
Patients	<u>2%</u>	<u>4%</u>	<u>6%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

NOTE 5 - CAPITAL ASSETS

The following is a summary of capital assets and related accumulated depreciation at April 30:

	<u>2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>2022</u>
Nondepreciable capital assets					
Land	\$ 657,500	\$ -0-	\$ -0-	\$ -0-	\$ 657,500
Construction in progress	<u>49,315</u>	<u>2,347,604</u>	<u>-0-</u>	<u>-0-</u>	<u>2,396,919</u>
Total nondepreciable capital assets	\$ <u>706,815</u>	\$ <u>2,347,604</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>3,054,419</u>
Depreciable capital assets					
Buildings	\$ 11,082,820	\$ 9,445	\$ -0-	\$ -0-	\$ 11,092,265
Leasehold improvements	2,714,431	-0-	-0-	-0-	2,714,431
Furniture and equipment	9,891,543	2,180,130	63,213	78,053	12,086,513
Property held under capital lease	2,119,549	-0-	-0-	(78,053)	2,041,496
Intangibles	<u>1,239,591</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,239,591</u>
Total depreciable capital assets	27,047,934	2,189,575	63,213	-0-	29,174,296
Accumulated depreciation and amortization	<u>18,895,358</u>	<u>1,494,647</u>	<u>51,415</u>	<u>-0-</u>	<u>20,338,590</u>
Total depreciable capital assets, net	\$ <u>8,152,576</u>	\$ <u>694,928</u>	\$ <u>11,798</u>	\$ <u>-0-</u>	\$ <u>8,835,706</u>

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2022, 2021 AND 2020

NOTE 5 - CAPITAL ASSETS (Continued)

	<u>2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>2021</u>
Nondepreciable capital assets					
Land	\$ 657,500	\$ -0-	\$ -0-	\$ -0-	\$ 657,500
Construction in progress	<u>35,000</u>	<u>14,315</u>	<u>-0-</u>	<u>-0-</u>	<u>49,315</u>
Total nondepreciable capital assets	\$ <u>692,500</u>	\$ <u>14,315</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>706,815</u>
Depreciable capital assets					
Buildings	\$ 11,082,820	\$ -0-	\$ -0-	\$ -0-	\$ 11,082,820
Leasehold improvements	2,714,431	-0-	-0-	-0-	2,714,431
Furniture and equipment	9,923,906	535,197	567,560	-0-	9,891,543
Property held under capital lease	2,119,549	-0-	-0-	-0-	2,119,549
Intangibles	<u>1,239,591</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,239,591</u>
Total depreciable capital assets	27,080,297	535,197	567,560	-0-	27,047,934
Accumulated depreciation and amortization	<u>17,989,778</u>	<u>1,314,315</u>	<u>408,735</u>	<u>-0-</u>	<u>18,895,358</u>
Total depreciable capital assets, net	\$ <u>9,090,519</u>	\$ <u>(779,118)</u>	\$ <u>158,825</u>	\$ <u>-0-</u>	\$ <u>8,152,576</u>

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2022, 2021 AND 2020

NOTE 5 - CAPITAL ASSETS (Continued)

	<u>2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>2020</u>
Nondepreciable capital assets					
Land	\$ 657,500	\$ -0-	\$ -0-	\$ -0-	\$ 657,500
Construction in progress	<u>95,500</u>	<u>-0-</u>	<u>-0-</u>	<u>(60,500)</u>	<u>35,000</u>
Total nondepreciable capital assets	\$ <u>753,000</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>(60,500)</u>	\$ <u>692,500</u>
Depreciable capital assets					
Buildings	\$ 11,079,757	\$ 197,702	\$ 194,639	\$ -0-	\$ 11,082,820
Leasehold improvements	2,714,431	-0-	-0-	-0-	2,714,431
Furniture and equipment	9,341,252	522,154	-0-	60,500	9,923,906
Property held under capital lease	1,532,283	587,266	-0-	-0-	2,119,549
Intangibles	<u>1,239,591</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,239,591</u>
Total depreciable capital assets	25,907,314	1,307,122	194,639	60,500	27,080,297
Accumulated depreciation and amortization	<u>16,810,547</u>	<u>1,346,224</u>	<u>166,993</u>	<u>-0-</u>	<u>17,989,778</u>
Total depreciable capital assets, net	\$ <u>9,096,767</u>	\$ <u>(39,102)</u>	\$ <u>27,646</u>	\$ <u>60,500</u>	\$ <u>9,090,519</u>

A summary of assets held under capital leases, which are included in capital assets at April 30 follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Equipment under capital lease	\$ 2,041,496	\$ 2,041,496	\$ 2,119,549
Accumulated depreciation	<u>1,767,460</u>	<u>1,532,000</u>	<u>1,376,390</u>
Net	\$ <u>274,036</u>	\$ <u>509,496</u>	\$ <u>743,159</u>

NOTE 6 - HOSPITAL FACILITY AND EQUIPMENT

As discussed in Note 1, the hospital facility and original equipment were acquired with the proceeds of ad valorem tax bonds issued by the Franklin Parish Police Jury.

Effective September 29, 1992, the Police Jury renewed its lease to the District. The lease has a term of 30 years and may be terminated at any time by mutual consent of both entities. The lease does not call for the District to pay consideration to the Police Jury.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2022, 2021 AND 2020

NOTE 6 - HOSPITAL FACILITY AND EQUIPMENT (Continued)

The following property, plant and equipment was acquired by the Police Jury and is reported in the District's financial statements.

Cost or Fair Market Value on the Date of Donation	<u>2022</u>	<u>2021</u>	<u>2020</u>
Land	\$ 27,500	\$ 27,500	\$ 27,500
Buildings	1,842,500	1,842,500	1,842,500
Furniture and equipment	<u>188,716</u>	<u>188,716</u>	<u>188,716</u>
Total	<u>2,058,716</u>	<u>2,058,716</u>	<u>2,058,716</u>
 <u>Accumulated Depreciation</u>			
Buildings	1,842,500	1,842,500	1,842,500
Furniture and equipment	<u>188,716</u>	<u>188,716</u>	<u>188,716</u>
Total	<u>2,031,216</u>	<u>2,031,216</u>	<u>2,031,216</u>
Book value of property, plant and equipment	\$ <u>27,500</u>	\$ <u>27,500</u>	\$ <u>27,500</u>

These assets were obtained in part with funds from a Hill-Burton grant of \$763,844. The Hill-Burton program has the ability to recapture a portion of the depreciated replacement cost of these assets should the facility be closed or not used by a qualified recipient.

NOTE 7 - LIMITED USE ASSETS

The following assets are restricted as to use as designated below:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<u>By Third Parties</u>			
LHA Trust deposits	\$ 200,490	\$ 200,490	\$ 200,490
 <u>By Board</u>			
For capital improvements	<u>393,537</u>	<u>392,072</u>	<u>388,067</u>
	\$ <u>594,027</u>	\$ <u>592,562</u>	\$ <u>588,557</u>

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2022, 2021 AND 2020

NOTE 8 - PAID TIME OFF

Employees of the District are entitled to paid days off and sick days depending on length of service. The District accrued \$599,892, \$545,142 and \$477,210 of vacation pay at April 30, 2022, 2021 and 2020. It is impracticable to estimate the amount of compensation for future unvested sick pay and, accordingly, no liability has been recorded in the accompanying financial statements. The District's policy is to recognize the cost of unvested sick pay when actually paid to employees.

NOTE 9 - LONG-TERM DEBT

A summary of long-term debt, including capital leases, at April 30, follows:

	<u>2021</u>	<u>Additions</u>	<u>Payments</u>	<u>2022</u>	<u>Due Within One Year</u>
Capital lease obligations	\$ 488,985	\$ -0-	\$ 188,690	\$ 300,295	\$ 113,529
Note payable	66,415	-0-	11,218	55,197	12,532
SBA PPP Loan	2,550,005	-0-	2,550,005	-0-	-0-
Revenue bonds, Series 2020	<u>4,741,281</u>	<u>-0-</u>	<u>365,000</u>	<u>4,376,281</u>	<u>374,378</u>
Total	\$ <u>7,846,686</u>	\$ <u>-0-</u>	\$ <u>3,114,913</u>	\$ <u>4,731,773</u>	\$ <u>500,439</u>

	<u>2020</u>	<u>Additions</u>	<u>Payments</u>	<u>2021</u>	<u>Due Within One Year</u>
Capital lease obligations	\$ 765,137	\$ -0-	\$ 276,152	\$ 488,985	\$ 170,361
Note payable	102,761	-0-	36,346	66,415	11,226
SBA PPP Loan	-0-	2,550,005	-0-	2,550,005	957,744
Revenue bonds, Series 2020	-0-	5,151,281	410,000	4,741,281	374,378
Revenue bonds, Series 2014	2,801,584	-0-	2,801,584	-0-	-0-
Revenue bonds, Series 2015	<u>2,116,109</u>	<u>-0-</u>	<u>2,116,109</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>5,785,591</u>	\$ <u>7,701,286</u>	\$ <u>5,640,191</u>	\$ <u>7,846,686</u>	\$ <u>1,513,709</u>

	<u>2019</u>	<u>Additions</u>	<u>Payments</u>	<u>2020</u>	<u>Due Within One Year</u>
Capital lease obligations	\$ 425,380	\$ 524,515	\$ 184,758	\$ 765,137	\$ 214,266
Note payable	-0-	132,722	29,961	102,761	37,047
Revenue bonds, Series 2014	3,002,167	-0-	200,583	2,801,584	200,000
Revenue bonds, Series 2015	<u>2,237,350</u>	<u>-0-</u>	<u>121,241</u>	<u>2,116,109</u>	<u>126,454</u>
Total	\$ <u>5,664,897</u>	\$ <u>657,237</u>	\$ <u>536,543</u>	\$ <u>5,785,591</u>	\$ <u>577,767</u>

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2022, 2021 AND 2020

NOTE 9 - LONG-TERM DEBT (Continued)

The following are the terms and due dates of the Hospital's long-term debt at April 30, 2022:

- \$4,000,000 Revenue Bond, Series 2014 at 3.5% secured and payable solely from a pledge and dedication of Hospital levy and collection of 13 mills ad valorem tax revenue, with principal payable in annual installments of \$200,000 plus interest, starting March 1, 2015 through March 1, 2034.
- \$3,000,000 Revenue Bond, Series 2015 at 3.9% secured and payable solely from a pledge and dedication of Hospital levy and collection of 13 mills ad valorem tax revenue, with principal payable in annual installments plus interest, starting March 1, 2017 through March 31, 2035.
- Stryker Flex Finance capital lease for Orthopedic equipment at rate of imputed interest of 2.3%, with 60 monthly payments of \$1,731 until September 2022, collateralized by leased equipment with a cost of \$98,020 and a book value of \$8,168 at April 30, 2022.
- Stryker Flex Equipment capital lease for Orthopedic equipment at rate of imputed interest of 3.584%, with 60 monthly payments of \$1,535 until September 2022, collateralized by leased equipment with a cost of \$84,183 and a book value of \$5,612 at April 30, 2022.
- Given Imaging capital lease for Gastrointestinal equipment at rate of imputed interest of 8.23%, with 6 monthly payments of \$1,103 followed by 48 monthly payments of \$2,616 until November 2021, collateralized by leased equipment with a cost of \$110,319 and a book value of \$-0- at April 30, 2022.
- Olympus Financial Services capital lease for Gastro & Colon equipment at a rate of imputed interest of 4%, with 42 monthly payments of \$4,216 until August 2022, collateralized by leased equipment with a cost of \$165,519 and a book value of \$-0- at April 30, 2022.
- Stryker Flex Equipment capital lease for Orthopedic equipment at rate of imputed interest of 5.5%, with 60 monthly payments of \$2,300 until March 2024, collateralized by leased equipment with a cost of \$98,916 and a book value of \$39,566 at April 30, 2022.
- Marlin Capital Solutions note payable, for purchase of a Viora Cosmetic Laser, at rate of imputed interest of 5.25%, with 84 monthly payments of \$1,202 until April 2026, collateralized by the equipment with a cost of \$84,733 and a book value of \$39,542 at April 30, 2022.
- Zoll Worldwide note payable, for purchase of Defibrillators, at rate of imputed interest of 8.19%, with 17 monthly payments of \$2,399 until April 2021, collateralized by the equipment with a cost of \$47,989 and a book value of \$24,794 at April 30, 2022.
- Small Business Administration (SBA) Paycheck Protection Program (PPP) loan for employee expenses in the amount of \$2,550,005. The loan repayment originally commenced six months after the loan date of May 1, 2020; however, a 10-month deferment was granted, commencing after the Hospital's 24-week covered period. The Hospital has applied for loan forgiveness through the Small Business Administration, which was granted on June 1, 2021.
- \$5,020,000 Revenue Bond, Series 2020 at 2% for the purpose of refunding the Series 2014 and 2015 bonds. The Series 2020 bond is secured and payable solely from a pledge and dedication of Hospital levy and collection of 13 mills ad valorem tax revenue, with principal payable in annual installments plus interest, starting April 1, 2021 through April 1, 2034.

On August 27, 2020 the Hospital issued \$5,020,000 of revenue bonds for the purpose of refunding \$5,000,000 of then-outstanding 2014 and 2015 revenue bonds. 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 \$577,266. The economic gain resulting from the transaction was \$423,956.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2022, 2021 AND 2020

NOTE 9 - LONG-TERM DEBT (Continued)

Scheduled principal and interest payments on long-term debt follows:

<u>Year Ending April 30,</u>	<u>Long-Term Debt</u>		<u>Capital Lease Obligation</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 386,910	\$ 87,498	\$ 113,529	\$ 12,104
2024	394,324	79,466	51,445	8,007
2025	392,648	71,358	48,775	4,661
2026	393,827	63,244	51,455	1,981
2027	379,378	55,400	35,091	59
2028-2032	1,901,890	48,000	-0-	-0-
2033-2036	<u>582,501</u>	<u>10,900</u>	<u>-0-</u>	<u>-0-</u>
Totals	\$ <u>4,431,478</u>	\$ <u>415,866</u>	\$ <u>300,295</u>	\$ <u>26,812</u>

The assets and liabilities under capital leases are recorded at the fair value of the asset. The assets are depreciated over their estimated useful lives. Depreciation of assets under capital leases is included in depreciation expense.

NOTE 10 - NET PATIENT SERVICE REVENUES

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

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Hospital qualified for a Medicare low volume add-on for inpatient payments. These payments are effective for discharges occurring October 1, 2010 until September 30, 2022, if not extended by Congress. The additional payment received under the Medicare low volume add-on was \$664,232, \$509,134, and \$561,392 for the years ended April 30, 2022, 2021 and 2020, respectively. Because the Hospital qualifies as a Medicare Dependent Hospital (MDH), it receives additional reimbursement. The additional payments received under MDH status were \$34,608, \$49,569, and \$21,681, for the years ended April 30, 2022, 2021 and 2020, respectively. The benefits related to MDH designation expire on September 30, 2022. Outpatient services related to Medicare beneficiaries were paid based on a set fee per diagnosis. Swing bed services are reimbursed based on a prospectively determined rate per patient day. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary.

The District's Medicare cost reports have been examined by the Medicare fiscal intermediary through April 30, 2017.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2022, 2021 AND 2020

NOTE 10 - NET PATIENT SERVICE REVENUES (Continued)

Medicaid - Inpatient services are reimbursed based on a prospectively determined per diem rate. Some outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid prospectively based on a fee schedule. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary.

The District's Medicaid cost reports have been examined by the Medicaid fiscal intermediary through April 30, 2014.

Commercial - The Hospital also has 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 per diem rates. Blue Cross Blue Shield (BCBS) is the largest commercial provider. BCBS charges were 7.7%, 7.8%, and 7.7% of the total gross charges for the years ended April 30, 2022, 2021 and 2020, respectively.

The following is a summary of the Hospital's net patient revenues for the years ended April 30:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Gross charges	\$ 94,264,581	\$ 86,562,063	\$ 84,365,514
Less charges associated with charity patients	<u>75,533</u>	<u>113,296</u>	<u>81,832</u>
Gross patient service revenues	94,189,048	86,448,767	84,283,682
Less deductions from revenue:			
Contractual adjustments	56,340,287	52,263,293	51,881,504
Policy and other discounts	178,553	207,367	166,647
Physician supplement revenue	<u>(3,289,263)</u>	<u>(2,053,001)</u>	<u>(288,612)</u>
Patient service revenue (net of contractual adjustments and discounts)	40,959,471	36,031,108	32,524,143
Less provision for bad debts	<u>(2,560,773)</u>	<u>(3,040,424)</u>	<u>(3,080,128)</u>
Net patient service revenue less provision for bad debts	\$ <u>38,398,698</u>	\$ <u>32,990,684</u>	\$ <u>29,444,015</u>

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2022, 2021 AND 2020

NOTE 10 - NET PATIENT SERVICE REVENUES (Continued)

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Medicare and Medicaid patient charges	\$ 61,408,171	\$ 57,937,778	\$ 58,948,548
Contractual adjustments	<u>(35,092,381)</u>	<u>(36,096,167)</u>	<u>(36,383,850)</u>
Program patient service revenue	\$ <u>26,315,790</u>	\$ <u>21,841,611</u>	\$ <u>22,564,698</u>
Percent of total gross patient charges	<u>65%</u>	<u>67%</u>	<u>70%</u>
Percent of total net patient revenues	<u>69%</u>	<u>66%</u>	<u>77%</u>

The Hospital experienced differences between the amounts initially recorded on its cost report settlements with Medicare and Medicaid and the finalized amounts. The adjustments resulted in an increase of \$110,158 in net patient service revenue in 2022 and a decrease of \$219,854 and \$9,271 in net patient service revenue for 2021 and 2020, respectively.

NOTE 11 - PROFESSIONAL LIABILITY RISK

The Hospital participates in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to healthcare providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the Hospital is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the PCF, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limited the PCF's exposure to \$400,000 per occurrence.

NOTE 12 - CONTINGENCIES

The District evaluates contingencies based upon the best available evidence. The District believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the District's estimates, future earnings will be charged or credited. The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 10) - The Hospital is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2022, 2021 AND 2020

NOTE 12 - CONTINGENCIES (Continued)

Further, in order to continue receiving reimbursement from the Medicare program, 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 determinations. 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 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 fraud and abuse statutes as well as other 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 Liability Risk (Note 11) - The Hospital participates in the Louisiana Hospital Association's Self-Insurance Professional Liability Trust Fund. Should the Fund's assets not be adequate to cover claims made against it, the Hospital may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of assessments, if any, under this program. The portion of the fund that is refundable to the Hospital is included in other assets.

Worker's Compensation - The Hospital participates in the Louisiana Hospital Association's Self-Insurance Worker's Compensation Trust Fund. Should the Fund's assets not be adequate to cover claims made against it, the Hospital may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of assessments, if any, under this program. The portion of the fund that is refundable to the Hospital is included in other assets.

NOTE 13 - EMPLOYEE MEDICAL BENEFIT PLAN

The Hospital is self-insured to provide group medical coverage for its employees. A third-party administers the group medical coverage for the Hospital. The Hospital funds its losses based on actual claims. A stop-loss insurance contract executed with an insurance carrier covers individual claims in excess of \$80,000 or aggregate claims exceeding \$2,352,277 per plan year. There were no significant changes in insurance coverage from the prior year. 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.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2022, 2021 AND 2020

NOTE 13 - EMPLOYEE MEDICAL BENEFIT PLAN (Continued)

The following is a summary of the changes in the Hospital's claims liability for the years ended April 30:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Beginning of the year	\$ 200,000	\$ 341,050	\$ 396,300
Plus: Claims incurred and changes in estimate	2,284,393	1,936,288	1,462,713
Less: Claims paid	<u>2,183,063</u>	<u>2,077,338</u>	<u>1,517,963</u>
End of the year	\$ <u>301,330</u>	\$ <u>200,000</u>	\$ <u>341,050</u>

NOTE 14 - PENSION PLAN

The Hospital has a defined contribution pension plan. The plan is administered by Lincoln Financial Group who holds all plan assets. All of the employees over the age of 21 are eligible to participate in the plan. Employees can elect to contribute up to the IRS allowable amount and the Hospital matches the first 3% of the employees' contributions. Employees are vested after 5 years, if they are disabled, or when they reach retirement age (65). Actual contributions made by the Hospital for the years ended April 30, 2022, 2021 and 2020 were \$316,027, \$267,145, and \$201,393. The employees of the Hospital contributed \$524,186, \$433,747, and \$431,588 for the years ended April 30, 2022, 2021 and 2020, respectively.

Effective December 16, 2019, the Hospital began contributing to a qualified defined contribution plan, Franklin Medical Center 401(a) Plan, as authorized under Internal Revenue Code of 1986, Section 401(a). The Plan is intended to be a Social Security replacement plan. All employees who were employed prior to December 16, 2019 were given a one-time option to continue contributing to the Social Security System or enroll in the District's 401(a) Plan. All employees who are hired after December 16, 2019 are required to enroll into the District's 401(a) Plan. Employees are 100% invested upon entry into the Plan with a retirement age being 70 ½. The Hospital's mandatory contribution is 1.3% of employee salaries earned during each pay period. The Hospital under its sole discretion may contribute a discretionary contribution subject to limitations under this Plan. Employee mandatory contributions are equal to 6.2% of salaries earned during each pay period. Actual contributions made by the Hospital for years ended April 30, 2022, 2021, and 2020 were \$565,511, \$496,645, and \$128,769, respectively. The employees of the Hospital contributed \$700,939, \$582,098, and \$192,012 for the years ended April 30, 2022, 2021 and 2020, respectively.

NOTE 15 - COMMISSIONERS

The following commissioners served Franklin Medical Center without compensation during the year ended April 30, 2022:

Paul Price Jr.
Greg Kincaid
Nick Poulos
Dr. Jan Hicks
Jessi Young

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2022, 2021 AND 2020

NOTE 16 - GRANT REVENUE

In 2015 the Hospital (Grantee) entered into a cooperative endeavor agreement (CEA) with a regional public rural 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 Grantee's service population subject to the availability of such grant funds. The aggregate IGT grant income is \$2,264,827, \$590,573 and \$739,628 for fiscal years 2022, 2021 and 2020, respectively. Various other grants were received during the year for other uses.

NOTE 17 - OPERATING LEASES

Leases that do not meet the criteria for capitalization are classified as operation leases with related rental charged to operations as incurred. The following is a schedule by year of future minimum lease payments under operating leases as of April 30, 2022, that have initial or remaining lease terms in excess of one year:

<u>Year Ending April 30,</u>	<u>Amount</u>
2023	\$ 536,686
2024	462,818
2025	321,136
2026	54,635
2027	<u>11,220</u>
Total minimum lease payments	\$ <u>1,386,495</u>

Total lease expense under noncancelable operating leases for the years ended April 30, 2022, 2021 and 2020, was \$546,917, \$510,535, and \$299,729, respectively.

NOTE 18 - CHARITY CARE

The Hospital provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% of the charity care or owe a reduced "sliding scale" amount based on the patient's level of income in comparison to the Federal Poverty Guidelines based on a 200% scale. Accordingly, the Hospital does not report the amount 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 \$33,000, \$49,000, and \$32,000 for the years ended April 30, 2022, 2021 and 2020, respectively. Funds received through UCC and grants, which pay part of the cost of charity and uninsured care, were approximately \$42,000, \$29,000, and \$24,000 for the years ended April 30, 2022, 2021 and 2020, respectively.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2022, 2021 AND 2020

NOTE 19 - AD VALOREM TAXES

The Hospital levies a property tax on all property subject to taxation in the service district. A 13 mill tax is approved for a period of twenty-five years, beginning with the year 2014 and ending with the year 2039, to be dedicated and used for operating, maintaining, renovating, and improving emergency medical services. Property taxes are collected through the local sheriff's office and remitted, net of collection fees, to the District. Property tax notices are mailed by November 15 each year, are due by December 31, and become delinquent on January 31.

NOTE 20 - COMMITMENTS

The Hospital has a software commitment for computer licenses and fees. The payments are as follows:

2023	\$	423,312
2024		423,312
2025		423,312
2026		423,312
2027		<u>423,312</u>
Total future commitment payments		\$ <u>2,116,560</u>

The Hospital entered into various construction contracts, which totaled \$7,802,883, including change orders as of April 30, 2022. The Hospital paid \$1,702,144 towards these commitments as of April 30, 2022.

NOTE 21 - INTANGIBLES

The Hospital entered into a cloud-based software agreement for electronic health records. The Hospital incurred expenses of approximately \$1,240,000 before the software was implemented. This amount was capitalized as an intangible asset and will be amortized over the remaining life of the software agreement. The remaining payments will be expensed as incurred since the Hospital did not take possession of the asset.

NOTE 22 - UNEARNED REVENUE

The Hospital received \$2,776,552, \$10,103,688 and \$605,617 in Provider Relief Funds (the funds) via the Coronavirus Aid Relief and Economic Security (CARES) Act during the fiscal years ending April 30, 2022, 2021 and 2020, respectively. The funds were issued by the U.S. Department of Health & Human Services (HHS) in response to the Coronavirus pandemic to be utilized for healthcare related expenses and lost revenues attributable to coronavirus. The Hospital recognized \$1,933,903, \$8,169,785 and \$605,617 as non-operating grant revenue during fiscal years April 30, 2022, 2021 and 2020, respectively. The unrecognized amount of \$2,776,552 is reported in unearned revenue in the accompanying statement of net position. The Hospital will submit a report of healthcare related expenses and lost revenues attributed to coronavirus from inception through June 30, 2021 for Phase 1 distributions and July 1, 2021 through December 31, 2021 for Phase 2 distributions. Funds received in excess of the reported expenses and lost revenue, if any, will be owed to

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2022, 2021 AND 2020

NOTE 22 - UNEARNED REVENUE (Continued)

HHS. As a result, the amount recorded in the financial statements compared to the Hospital's Provider Relief Fund reporting could differ. The difference could be materially different from current estimates.

NOTE 23 - MEDICARE ADVANCED PAYMENTS

The Hospital applied and received \$4,221,305 in Medicare Advanced Payments during September 2020. The advanced payments are to assist the Hospital due to the coronavirus pandemic. The advanced payments will be collected through future Medicare claims, with \$2,968,320 expected to be collected within one year.

NOTE 24 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 28, 2022, and determined that no material events occurred that require disclosure, except those noted below. No subsequent events occurring after that date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

FRANKLIN MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUES
YEARS ENDED APRIL 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Routine Services:			
Adults and pediatric	\$ 2,379,338	\$ 1,752,683	\$ 1,966,534
Intensive care unit	68,750	(580)	8,380
Rehab unit	907,623	1,090,222	1,077,262
Swing bed	<u>71,800</u>	<u>155,525</u>	<u>164,034</u>
Total	<u>3,427,511</u>	<u>2,997,850</u>	<u>3,216,210</u>
Other Professional Services:			
Operating room			
Inpatient	397,079	511,824	170,859
Outpatient	<u>2,558,325</u>	<u>2,429,276</u>	<u>2,814,133</u>
Total	<u>2,955,404</u>	<u>2,941,100</u>	<u>2,984,992</u>
Recovery room			
Inpatient	26,775	37,950	12,450
Outpatient	<u>202,425</u>	<u>208,500</u>	<u>271,275</u>
Total	<u>229,200</u>	<u>246,450</u>	<u>283,725</u>
Anesthesia			
Inpatient	2,280	3,380	1,040
Outpatient	<u>16,780</u>	<u>15,500</u>	<u>16,600</u>
Total	<u>19,060</u>	<u>18,880</u>	<u>17,640</u>
Radiology			
Inpatient	1,009,241	962,558	951,847
Outpatient	<u>14,570,372</u>	<u>14,563,463</u>	<u>14,310,099</u>
Total	<u>15,579,613</u>	<u>15,526,021</u>	<u>15,261,946</u>
Laboratory			
Inpatient	971,816	703,734	656,582
Outpatient	<u>12,652,548</u>	<u>11,952,025</u>	<u>9,252,885</u>
Total	<u>\$ 13,624,364</u>	<u>\$ 12,655,759</u>	<u>\$ 9,909,467</u>

FRANKLIN MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUES (Continued)
YEARS ENDED APRIL 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Blood			
Inpatient	\$ 86,132	\$ 76,579	\$ 80,597
Outpatient	<u>395,157</u>	<u>306,109</u>	<u>322,994</u>
Total	<u>481,289</u>	<u>382,688</u>	<u>403,591</u>
Respiratory care			
Inpatient	2,930,967	2,081,968	2,421,528
Outpatient	<u>2,330,813</u>	<u>2,381,951</u>	<u>2,231,845</u>
Total	<u>5,261,780</u>	<u>4,463,919</u>	<u>4,653,373</u>
Physical therapy			
Inpatient	853,855	996,306	795,295
Outpatient	<u>760,667</u>	<u>767,049</u>	<u>597,397</u>
Total	<u>1,614,522</u>	<u>1,763,355</u>	<u>1,392,692</u>
EKG			
Inpatient	78,988	64,855	81,690
Outpatient	<u>607,093</u>	<u>637,817</u>	<u>578,625</u>
Total	<u>686,081</u>	<u>702,672</u>	<u>660,315</u>
Central supply			
Inpatient	892,166	1,046,327	404,243
Outpatient	<u>2,786,897</u>	<u>2,587,820</u>	<u>2,157,167</u>
Total	<u>3,679,063</u>	<u>3,634,147</u>	<u>2,561,410</u>
Pharmacy			
Inpatient	2,491,095	1,717,249	1,819,086
Outpatient	<u>11,369,686</u>	<u>9,828,437</u>	<u>9,815,014</u>
Total	<u>13,860,781</u>	<u>11,545,686</u>	<u>11,634,100</u>
Intensive outpatient program	<u>983,278</u>	<u>775,489</u>	<u>1,644,163</u>
Emergency room			
Inpatient	1,376,994	967,381	1,095,367
Outpatient	<u>16,042,471</u>	<u>15,153,145</u>	<u>14,798,889</u>
Total	<u>\$ 17,419,465</u>	<u>\$ 16,120,526</u>	<u>\$ 15,894,256</u>

FRANKLIN MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUES (Continued)
YEARS ENDED APRIL 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Observation room			
Inpatient	\$ 86,352	\$ 49,532	\$ 56,204
Outpatient	<u>1,086,733</u>	<u>978,332</u>	<u>1,044,977</u>
Total	<u>1,173,085</u>	<u>1,027,864</u>	<u>1,101,181</u>
Rural health clinic - outpatient	<u>9,960,661</u>	<u>8,593,862</u>	<u>9,473,692</u>
Ambulance - outpatient	<u>23,067</u>	<u>19,050</u>	<u>28,024</u>
Wound care - outpatient	<u>412,625</u>	<u>580,052</u>	<u>439,755</u>
Orthopedic clinic - outpatient	<u>1,968,404</u>	<u>1,831,321</u>	<u>784,439</u>
Urology clinic	<u>12,830</u>	<u>10,037</u>	<u>1,283,996</u>
Surgery clinic - outpatient	<u>690,357</u>	<u>642,484</u>	<u>714,657</u>
Spa - outpatient	<u>202,141</u>	<u>82,851</u>	<u>21,890</u>
Total Other Professional Services	<u>90,837,070</u>	<u>83,564,213</u>	<u>81,149,304</u>
Gross charges	<u>94,264,581</u>	<u>86,562,063</u>	<u>84,365,514</u>
Less charges associated with charity patients	<u>(75,533)</u>	<u>(113,296)</u>	<u>(81,832)</u>
Gross patient service revenue	94,189,048	86,448,767	84,283,682
Less deductions from revenue:			
Contractual adjustments	56,340,287	52,263,293	51,881,504
Policy and other discounts	178,553	207,367	166,647
Physician supplement revenue	<u>(3,289,263)</u>	<u>(2,053,001)</u>	<u>(288,612)</u>
Patient service revenue (net of contractual adjustments and discounts)	<u>40,959,471</u>	<u>36,031,108</u>	<u>32,524,143</u>
Less provision for bad debts	<u>(2,560,773)</u>	<u>(3,040,424)</u>	<u>(3,080,128)</u>
Net Patient Service Revenue	\$ <u>38,398,698</u>	\$ <u>32,990,684</u>	\$ <u>29,444,015</u>

FRANKLIN MEDICAL CENTER
SCHEDULES OF OTHER OPERATING REVENUES
YEARS ENDED APRIL 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Vending machine commission	\$ 2,846	\$ 1,875	\$ 3,601
Physician office rentals	32,532	51,405	28,697
Medical records abstract fees	26,024	23,525	27,533
340B pharmacy program	2,372,591	1,987,822	1,921,972
Miscellaneous revenue	<u>59,016</u>	<u>29,046</u>	<u>961</u>
 Total other operating revenues	 \$ <u>2,493,009</u>	 \$ <u>2,093,673</u>	 \$ <u>1,982,764</u>

FRANKLIN MEDICAL CENTER
SCHEDULES OF OPERATING EXPENSES – SALARIES AND BENEFITS
YEARS ENDED APRIL 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Personnel	\$ 56,481	\$ 49,947	\$ 51,618
Administration	1,539,331	1,385,108	1,428,287
Plant operations and maintenance	234,473	221,575	223,559
Housekeeping	2,950	-0-	-0-
Purchasing	81,321	79,633	79,670
Pharmacy	403,752	384,546	381,483
Nursing administration	273,958	259,372	275,931
Medical records	309,127	315,030	413,220
Nursing services, acute care	1,790,017	1,638,630	1,583,570
Nursing services, intensive care unit	109,497	9,204	8,231
Nursing services, rehab unit	498,373	473,233	490,681
Operating room	574,311	531,416	520,778
Radiology	657,590	588,233	579,433
Laboratory	703,232	662,956	636,382
Respiratory care	613,179	562,945	558,955
Physical therapy	372,273	80,216	21,732
Intensive outpatient program	318,488	299,124	411,114
Wound care	145,161	124,468	110,506
Oncology	7,885	58,305	-0-
Orthopedic clinic	931,673	934,191	317,849
Emergency room	2,344,377	2,048,190	1,584,267
Rural health clinic	3,264,091	3,100,868	2,669,546
Nurse family partnership	327,982	323,887	320,057
Spa	63,192	25,241	12,249
Transportation	134,319	119,898	153,532
Urology clinic	12,902	7,684	601,326
Surgery clinic	<u>798,628</u>	<u>714,026</u>	<u>709,827</u>
 Total salaries	 <u>16,568,563</u>	 <u>14,997,926</u>	 <u>14,143,803</u>
 Payroll taxes	 477,806	 458,455	 761,355
Health insurance	2,284,393	1,936,288	1,462,713
Pension plan	881,538	763,790	330,162
Other	<u>161,211</u>	<u>169,340</u>	<u>122,821</u>
 Total benefits	 <u>3,804,948</u>	 <u>3,327,873</u>	 <u>2,677,051</u>
 Total salaries and benefits	 \$ <u>20,373,511</u>	 \$ <u>18,325,799</u>	 \$ <u>16,820,854</u>

FRANKLIN MEDICAL CENTER
SCHEDULES OF OPERATING EXPENSES – PROFESSIONAL FEES
YEARS ENDED APRIL 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Nursing service	\$ 10,220	\$ 34,130	\$ 6,689
Anesthesiology	152,009	147,046	106,462
Radiology	691,566	642,977	611,663
Laboratory	408,429	708,431	368,777
Respiratory therapy	38,500	48,775	90,965
Physical therapy	-0-	349,501	466,130
EKG	30,250	30,677	30,098
IOP	335	871	778
Pharmacy	68,995	55,726	52,859
Orthopedic clinic	-0-	-0-	469,536
Emergency room	1,153,986	1,387,075	1,353,260
Rural health clinic	3,540,998	2,969,104	2,886,290
Urology clinic	2,446	1,845	1,137
Dialysis	42,425	-0-	-0-
Surgery clinic	<u>3,263</u>	<u>2,739</u>	<u>2,534</u>
 Total professional fees	 \$ <u>6,143,422</u>	 \$ <u>6,378,897</u>	 \$ <u>6,447,178</u>

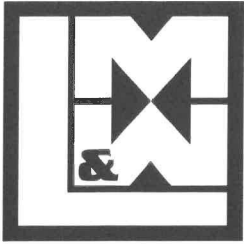
FRANKLIN MEDICAL CENTER
SCHEDULES OF OPERATING EXPENSES – OTHER EXPENSES
YEARS ENDED APRIL 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Miscellaneous service fees	\$ 3,216,262	\$ 2,705,578	\$ 2,721,872
Legal and accounting	28,744	22,909	42,662
Supplies	925,552	754,028	228,433
Minor equipment	65,450	66,501	46,633
Repairs and maintenance	140,001	103,960	128,990
Utilities	466,933	388,202	371,799
Telephone	96,345	48,760	55,766
Travel	77,171	24,343	50,453
Rentals	706,018	560,912	326,667
Education	49,069	37,190	32,484
Dues and subscriptions	659,968	992,825	982,509
Recruitment and advertising	156,933	252,054	132,310
Intergovernmental transfer	2,462,866	1,221,410	122,250
Miscellaneous	<u>120,030</u>	<u>236,986</u>	<u>58,354</u>
 Total other expenses	 \$ <u>9,171,342</u>	 \$ <u>7,415,658</u>	 \$ <u>5,301,182</u>

FRANKLIN MEDICAL CENTER
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO ADMINISTRATOR
YEAR ENDED APRIL 30, 2022

Agency Head Name:	Blake Kramer
Position:	Administrator
Time Period:	May 1, 2021 to April 30, 2022

<u>Purpose</u>	<u>Amount</u>
Salary	219,048
Health insurance	6,571
Retirement	23,435
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	2,905
Registration fees	100
Conference travel	392
Continuing professional education fees	2,697
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-
Professional dues	1,983
Cell phone	1,408



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Retired 2015

Bobby G. Lester, CPA

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

To the Board of Commissioners
Hospital Service District No. 1
Parish of Franklin
Winnsboro, 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 financial statements of Hospital Service District No. 1, Parish of Franklin ("the Hospital"), a component unit of the Franklin Parish Police Jury, as of and for the years ended April 30, 2022, 2021, and 2020, and the related notes to the financial statements, which collectively comprise Franklin Medical Center's basic financial statements as listed in the table of contents, and have issued our report thereon dated October 28, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital'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 Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital'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 responses as item 2022-001 that we consider to be a material weakness.

Board of Commissioners
Hospital Service District No. 1
Parish of Franklin
Winnsboro, Louisiana
Page Two

Report on Compliance and Other Matters

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

The Hospital's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Hospital's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Hospital's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

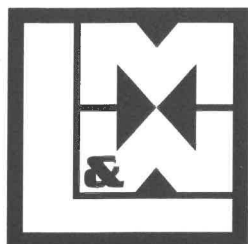
This report is intended solely for the information and the use of the Board of Commissioners, management, and the office of the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

October 28, 2022





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

To the Board of Commissioners
Hospital Service District No. 1
Parish of Franklin
Winnsboro, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hospital Service District No. 1, Parish of Franklin ("the Hospital"), a component unit of the Franklin Parish Police Jury's, 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 April 30, 2022. 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 April 30, 2022.

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 a 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 may exist that were not identified.

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

Purpose of this Report

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

Lester Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

October 28, 2022



FRANKLIN MEDICAL CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED APRIL 30, 2022

<u>Federal Grantor/Program Name/ Pass-Through Grantor</u>	<u>Assistance Listing Number</u>	<u>Pass-through Identifying No.</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services COVID-19 Provider Relief Fund	93.498		\$ 10,560,412
U.S. Department of Health and Human Services COVID-19 Testing for Rural Health Clinics	93.697		197,846
U.S. Department of Health and Human Services Maternal and Child Health Services Block Grant Passed-through Louisiana Department of Health	93.994		<u>429,188</u>
Total Expenditures of Federal Awards			\$ <u>11,187,446</u>

See accompanying notes to schedule of expenditures of federal awards.

FRANKLIN MEDICAL CENTER
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED APRIL 30, 2022

NOTE A – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Hospital Service District No. 1, Parish of Franklin ("Franklin Medical Center"), a component unit of the Franklin Parish Police Jury, under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Hospital, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Hospital.

NOTE B – Summary of Significant Accounting Policies

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

NOTE C – Indirect Cost Rate

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

NOTE D – Reconciliation of Provider Relief Fund Grant Revenue in the Financial Statements to the SEFA

During the fiscal year ended April 30, 2022, the Hospital received Provider Relief Funds from the U.S. Department of Health and Human Services (HHS) under Assistance Listing Number 93.498. The funds are to be utilized for expenditures to prevent, prepare for, and respond to coronavirus. Additionally, the funds are for lost revenues attributable to the coronavirus pandemic. The Hospital recognized the amounts in the financial statements in the table below based on meeting the requirements of the program. The amounts received and expended are reported in the SEFA according to HHS's periods of availability. Accordingly, the \$10,560,412 expended in "Period 1" is reported on the April 30, 2022 SEFA.

Fiscal Year	Provider Relief Funding Received	Amount Recognized as Revenue	Amount Reported as Unearned Revenue	Amount Reported on the SEFA *
2020	\$ 605,617	\$ 605,617	\$ -0-	\$ -0-
2021	\$ 9,905,842	\$ 8,169,785	\$ 1,736,057	\$ -0-
2022	\$ 2,276,552	\$ 1,736,057	\$ 2,276,552	\$ 10,560,412

* - includes \$48,953 of interest income earned on Provider Relief Fund deposits. The interest income is reported as interest income on the financial statements.

FRANKLIN MEDICAL CENTER
AUDITORS' SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2022

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified – Yes
- Significant deficiencies identified – No

Compliance:

- Noncompliance issues noted – No

Management letter issued – No

Federal Awards

- Material weaknesses identified – No
- Significant deficiencies identified – No
- Type of auditors' report issued on compliance for major programs – Unmodified
- Any audit findings which are required to be reported under Uniform Guidance – No
- Any instances of material noncompliance in major programs disclosed during the audit – No
- Identification of Major Programs:
 - Assistance Listing #93.498 U.S. 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

Finding 2022-001 – Grant Revenues

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

Condition: Management did not record all of the earned income from grants.

Cause: Grant funds were delayed and paid at a reduced percentage.

Effect: Grant revenues were understated by approximately \$1.5 million.

Recommendation: Management should review grant documents and funds received and to be received to determine the amount earned for the fiscal period.

Management Response: The flow of information regarding the COVID-19 grant funds has been sporadic. Management will continue to monitor grant funds reporting instructions as they are released.

FRANKLIN MEDICAL CENTER
AUDITORS' SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2022

Section III. Federal Awards, Findings and Questioned Costs

Not Applicable

Section IV. Management Letter

Not Applicable

FRANKLIN MEDICAL CENTER
AUDITORS' SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2022

Section I. Financial Statement Findings

Finding 2021-001 – Third Party Cost Report Settlements

Fiscal Year Initially Reported: April 30, 2020

Criteria: An estimate for Medicare and Medicaid cost report settlements should be estimated and recorded as either an asset or liability.

Condition: The Hospital did not record an estimate for the current year Medicare and Medicaid cost report settlements.

Cause: Management elected not to record an estimate.

Effect: Third party receivables and patient service revenues were understated by approximately \$1.2 million.

Recommendation: We recommend making interim estimates and recording a receivable or payable for the current year Medicare and Medicaid cost report settlements.

Management Response: The CFO compares the estimated effect of current year cost reports on a quarterly basis. Medicare and Medicaid payment amounts were impacted by several changes during the fiscal year, including provider-based billing for some physician clinics and the pandemic shutdown (making RHC cost/visit and outpatient cost to charge ratio go up). Due to these changes, the result of the Hospital's normal cost report calculation for the fourth quarter did not appear reasonable, and the decision was made to wait for the cost report to be completed. Internal financial statements were stamped "preliminary," and potential changes were discussed with the governing body over the course of multiple board meetings in the presence of news media.

Resolution: This matter has been resolved.

Finding 2021-002 – Financial Close and Reporting

Fiscal Year Initially Reported: April 30, 2021

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

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

Cause: Guidance for Provider Relief Fund reporting has changed several times and uncertainty regarding revenue recognition was not clarified until after year-end.

Effect: Provider Relief Funds grant revenue was understated approximately \$8.2 million.

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

FRANKLIN MEDICAL CENTER
AUDITORS' SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2022

Finding 2021-002 – Financial Close and Reporting (Continued)

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

Resolution: This matter has not been resolved. See Finding 2022-001.

Section II. Federal Award Findings and Questioned Costs

Not Applicable

Section III. Management Letter

Not Applicable

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

FOR THE YEAR ENDED
APRIL 30, 2022



LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners
of Franklin Parish Hospital Service District No. 1
d/b/a Franklin Medical Center
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Board of Commissioners of Franklin Parish Hospital Service District No. 1 d/b/a Franklin 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 May 1, 2021 through April 30, 2022. 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 May 1, 2021 through April 30, 2022. 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:

Written Policies and Procedures

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

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pa rate schedules.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (*e.g., determining the reasonableness of fuel card purchases*)
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy, 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.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **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.
- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Exceptions: There were two exceptions, both of which pertain to the Hospital's Sexual Harassment policy. The policy does not explicitly state or cover the requirements for annual employee training and annual reporting.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.



- c) For governmental entities, obtain the prior year audit report and observe the 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.

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

Bank Reconciliations

- 3. 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:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (*e.g., initialed and dated, electronically logged*);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (*e.g., initialed and dated, electronically logged*); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

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

Collections (excluding electronic funds transfers)

- 4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (*cash*) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (*or all deposit sites if less than 5*).
- 5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (*i.e., 5 collection locations for 5 deposit sites*), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (*e.g., pre-numbered receipts*) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.



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

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

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

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (*or all locations if less than 5*).
- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.



10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
- a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
 - b) Observe that the disbursement documentation included evidence (*e.g., initial/date, electronic logging*) of segregation of duties tested under #9, as applicable.

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

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
- a) Observe 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*) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. (*Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.*)
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (*i.e., each card should have 10 transactions subject to testing*). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

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

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly



select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, observe 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).
- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

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

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Alternately, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (*e.g., solicited quotes or bids, advertised*), if required by law.
- b) Observe that the contract was approved by the governing body/board, if required by policy or law (*e.g., Lawrason Act, Home Rule Charter*).
- c) If the contract was amended (*e.g., change order*), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (*e.g., if approval is required for any amendment, was approval documented*).
- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

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

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:



- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). *(Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)*
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials authorized pay rates in the employee/officials' personnel files.
19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

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

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b) Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

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

Debt Service

21. 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.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants *(including contingency funds, short-lived asset funds, or other funds required by the debt covenants)*.



Exceptions: No exceptions were found as a result of this procedure.

Fraud Notice

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

Exception: No exceptions were found as a result of this procedure.

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**
- a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (*e.g., tapes, CDs*), observe evidence that backups are encrypted before being transported.
 - b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - c) 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.

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

Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.
27. Observe 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).
28. 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 it includes the applicable requirements of R.S. 42:344:



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- a) Number and percentage of public servants in the agency who have completed the training requirements;
- b) Number of sexual harassment complaints received by the agency;
- c) Number of complaints which resulted in a finding that sexual harassment occurred;
- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- e) Amount of time it took to resolve each complaint.

Exceptions: No exceptions were found as a result of this procedure.

We were engaged by the Hospital and LLA 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.



Certified Public Accountants
Alexandria, Louisiana

October 28, 2022

