

FINANCIAL STATEMENTS

HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
d/b/a Franklin Foundation Hospital
FRANKLIN, LOUISIANA

SEPTEMBER 30, 2022 AND 2021

FINANCIAL STATEMENTS

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FRANKLIN, LOUISIANA

SEPTEMBER 30, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To Board of Commissioners
Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Franklin Foundation Hospital
Franklin, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Hospital Service District No. 1 of the Parish of St. Mary d/b/a Franklin Foundation Hospital (Hospital), as of and for the year ended September 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise 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 Hospital, as of September 30, 2022, and the changes in financial position and its cash flows for the year 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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.

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules identified in the table of contents as supplemental information 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 30, 2023 on our consideration of 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 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 Hospital's internal control over financial reporting and compliance.

Langlinais Broussard & Kohlenberg

LANGLINAIS BROUSSARD & KOHLENBERG
 (A Corporation of Certified Public Accountants)
 Abbeville, Louisiana

March 30, 2023

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Franklin Foundation Hospital
Franklin, Louisiana

STATEMENT OF NET POSITION

FOR THE YEARS ENDED SEPTEMBER 30,

ASSETS

| | 2022 | 2021 |
|--|--------------------------|--------------------------|
| CURRENT ASSETS: | | |
| Cash and Cash Equivalents | \$ 5,075,211 | \$ 5,183,393 |
| Investments | 4,203,607 | 4,427,856 |
| Accounts Receivables, less Allowance For Doubtful Accounts of \$976,040 in 2022 and \$1,207,059 in 2021 | 1,856,660 | 2,063,195 |
| Due from Third Party Payors | 1,988,031 | 1,617,439 |
| Other Receivables | 7,620,786 | 4,267,724 |
| Inventories | 633,328 | 789,512 |
| Prepaid Expenses | 437,190 | 387,359 |
| Total Current Assets | 21,814,813 | 18,736,478 |
| ASSETS WHOSE USE IS LIMITED: | | |
| By Board | 16,043,381 | 21,039,314 |
| By Bond Indenture | | |
| Series 2005 Contingency Fund | 189,554 | 189,408 |
| Series 2005 Reserve Fund | 189,557 | 189,411 |
| Total Assets Whose Use is Limited by Bond Indenture | 379,111 | 378,819 |
| Total Assets Whose Use is Limited | 16,422,492 | 21,418,133 |
| PROPERTY, PLANT AND EQUIPMENT: | | |
| Property, Plant and Equipment Cost | 56,010,882 | 43,499,954 |
| Less: Accumulated Depreciation | (30,536,185) | (28,823,777) |
| Total Property, Plant and Equipment | 25,474,697 | 14,676,177 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred Financing Costs | 15,961 | 18,897 |
| Total Deferred Outflows of Resources | 15,961 | 18,897 |
| TOTAL ASSETS | \$ 63,727,963 | \$ 54,849,685 |

The accompanying notes are an integral part of these financial statements.

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Franklin Foundation Hospital
Franklin, Louisiana

STATEMENT OF NET POSITION

FOR THE YEARS ENDED SEPTEMBER 30,

LIABILITIES AND NET POSITION

| | <u>2022</u> | <u>2021</u> |
|---|---------------|---------------|
| CURRENT LIABILITIES: | | |
| Current Portion of Long-Term Debt | \$ 316,743 | \$ 265,671 |
| Accounts Payable | 3,415,761 | 1,075,359 |
| Due to Third Party Payors | 178,729 | 2,310,810 |
| Credit Balances | 38,807 | 88,794 |
| Interest Payable | 12,777 | 13,095 |
| Accrued Salaries and Related Withholdings | 790,261 | 740,725 |
| Accrued Vacation and Holiday Expense | 511,589 | 580,704 |
| | <hr/> | <hr/> |
| Total Current Liabilities | 5,264,667 | 5,075,158 |
| LONG-TERM LIABILITIES: | | |
| Revenue Bonds Series 2005 | 3,479,130 | 3,591,437 |
| Lease Payable | 332,836 | 358,725 |
| Provider Relief Funds | 542,285 | 1,181,555 |
| | <hr/> | <hr/> |
| Total Long-Term Liabilities | 4,354,251 | 5,131,717 |
| | <hr/> | <hr/> |
| TOTAL LIABILITIES | 9,618,918 | 10,206,875 |
| NET POSITION: | | |
| Invested in Capital Assets, Net of Related Debt | 21,345,988 | 10,460,344 |
| Restricted Net Position (Expendable) | 379,111 | 378,819 |
| Unrestricted | 32,383,946 | 33,803,647 |
| | <hr/> | <hr/> |
| TOTAL NET POSITION | 54,109,045 | 44,642,810 |
| | <hr/> | <hr/> |
| TOTAL LIABILITIES AND NET POSITION | \$ 63,727,963 | \$ 54,849,685 |

The accompanying notes are an integral part of these financial statements.

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Franklin Foundation Hospital
Franklin, Louisiana

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION FOR THE YEARS ENDED SEPTEMBER 30,

| | 2022 | 2021 |
|--|----------------------|----------------------|
| OPERATING REVENUES: | | |
| Net Patient Service Revenue before Provision for Doubtful Accounts | \$ 26,858,001 | \$ 25,117,950 |
| Provision for Doubtful Accounts | (1,066,989) | (1,457,803) |
| Net Patient Service Revenue less Provision for Doubtful Accounts | 25,791,012 | 23,660,147 |
| Ad Valorem Taxes | 2,516,461 | 2,399,921 |
| Intergovernmental Transfers - Operating Grant | 2,004,079 | 2,556,967 |
| Other Operating Revenue | 458,465 | 309,732 |
| TOTAL OPERATING REVENUE | 30,770,017 | 28,926,767 |
| OPERATING EXPENSES: | | |
| Professional Services | 20,490,271 | 18,137,378 |
| General and Administrative | 11,424,110 | 9,702,811 |
| Depreciation and Amortization | 1,769,865 | 1,686,261 |
| TOTAL OPERATING EXPENSES | 33,684,246 | 29,526,450 |
| NET INCOME (LOSS) FROM OPERATIONS | (2,914,229) | (599,683) |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Full Medicaid Capacity Payment Program Funding | 3,578,446 | 3,985,200 |
| Other Non-Operating Revenues - Provider Relief Funds | 1,347,752 | 1,084,082 |
| Paycheck Protection Program Forgiveness | - | 2,588,278 |
| Grant Revenue | 7,817,128 | 789,860 |
| Net Increase (Decrease) in the Fair Value of Investments | (279,813) | (76,983) |
| Investment Income | 67,258 | 80,214 |
| Gain (Loss) on the Disposal of Fixed Assets | 1,100 | (56,476) |
| Interest Income | 28,526 | 59,055 |
| Interest Expense | (179,953) | (216,606) |
| Other Non-Operating Revenue | 20 | 6,244 |
| TOTAL NON-OPERATING REVENUES | 12,380,464 | 8,242,868 |
| CHANGE IN NET POSITION | 9,466,235 | 7,643,185 |
| TOTAL NET POSITION, BEGINNING | 44,642,810 | 36,999,625 |
| TOTAL NET POSITION, ENDING | \$ 54,109,045 | \$ 44,642,810 |

The accompanying notes are an integral part of these financial statements.

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Franklin Foundation Hospital
Franklin, Louisiana

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30,

| | 2022 | 2021 |
|--|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash Received from Patients | \$ 20,395,690 | \$ 21,381,392 |
| Ad Valorem Taxes | 2,381,183 | 2,359,403 |
| Intergovernmental Transfers-Operating Grant | 2,004,079 | 2,556,967 |
| Cash Received from Other Sources | 289,879 | 209,950 |
| Cash Payments to Suppliers for Goods and Services | (15,088,261) | (14,804,429) |
| Cash Payments to Employees for Services | (14,406,192) | (13,518,417) |
| Net Cash Provided By Operating Activities | (4,423,622) | (1,815,134) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES: | | |
| Acquisition of Property and Equipment | (12,510,928) | (4,044,067) |
| Proceeds from the Issuance of Long-Term Debt | 221,911 | 179,673 |
| Principal Payments on Long-term Debt | (265,671) | (584,616) |
| Interest Payments on Long-term Debt | (179,953) | (194,246) |
| Grant Income | 11,395,574 | 4,775,060 |
| Loss on Disposal of Assets | (1,100) | 56,476 |
| Other Non-Operating Income | 20 | 6,244 |
| Net Cash Provided By Capital and Related Financial Activities | (1,340,147) | 194,524 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | |
| Proceeds from Provider Relief Funds | 896,606 | - |
| Deferred Financing Costs | 2,936 | 2,937 |
| Net Cash Provided By Non-Capital Financing Activities | 899,542 | 2,937 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of Investments | (3,460,820) | (3,903,479) |
| Proceeds from the Sale of Investments | 3,405,253 | 3,829,222 |
| Investment Income | (212,555) | 3,231 |
| Interest Income | 28,526 | 25,911 |
| Net Cash Used In Investing Activities | (239,596) | (45,115) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (5,103,823) | (1,662,788) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR, INCLUDING \$21,418,133 AND \$21,317,446 LIMITED AS TO USE FOR 2022 AND 2021, RESPECTIVELY | 26,601,526 | 28,264,314 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR, INCLUDING \$16,422,492 AND \$21,418,133 LIMITED AS TO USE FOR 2022 AND 2021, RESPECTIVELY | \$ 21,497,703 | \$ 26,601,526 |

The accompanying notes are an integral part of these financial statements.

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Franklin Foundation Hospital
Franklin, Louisiana

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30,

| | 2022 | 2021 |
|--|------------------------------|------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Operating Income (Loss) | \$ (2,914,229) | \$ (599,683) |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | | |
| Depreciation and Amortization | 1,769,865 | 1,686,261 |
| Provision for Doubtful Accounts | 1,059,741 | 1,457,803 |
| Increase in Receivables and Due from/to Third Parties | (6,766,175) | (3,876,858) |
| Decrease (Increase) in Inventories and Prepaid Expenses | 106,353 | 113,832 |
| Increase (Decrease) in Accounts Payable and Accrued Expenses | <u>2,320,823</u> | <u>(596,489)</u> |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>\$ (4,423,622)</u> | <u>\$ (1,815,134)</u> |
| Non-Cash Investing Activity: | | |
| Decrease (Increase) in fair value of investments | \$ (279,813) | \$ (76,983) |

The accompanying notes are an integral part of these financial statements.

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a/ Franklin Foundation Hospital
Franklin, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. Hospital Service District No. 1 of the Parish of St. Mary, d/b/a Franklin Foundation Hospital (the Hospital) was created by Ordinance No. 559 of the Police Jury of St. Mary Parish on September 20, 1950, to operate, control, and manage matters concerning the health care of citizens west and northwest of the Wax Lake Outlet. The Hospital is governed by a board of seven commissioners who are appointed by the St. Mary Parish Council. For this reason, the Hospital is considered to be a component unit of the St. Mary Parish Government, St. Mary Parish, Louisiana.

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

Proprietary fund accounting. The Hospital utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized using the economic resources measurement focus and the accrual basis of accounting. Substantially all revenues and expenses are subject to accrual.

Inventories. Inventories of drugs and supplies are stated at the lower of cost (first-in, first-out) or market.

Property, Plant and Equipment. Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under lease is stated at the sum of the initial measurement of the lease liability plus any payments made to the lessor at or before the commencement of the lease term plus initial direct cost necessary to place the lease asset in service. Leased equipment is amortized on the straight-line method over the shorter of the lease term or estimated useful lives of the assets.

Gifts of long-lived assets such as land, building, or equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Cash and cash equivalents. Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less. Uses of restricted funds are determined by board resolution only.

Compensated Absences. Employees of the Hospital are entitled to paid time off depending on their length of service and other factors. Accrued compensated absences on the Hospital's Statement of Net Position were \$511,589 and \$580,704 for 2022 and 2021, respectively.

Ad valorem Taxes. The Hospital received approximately six percent (6%) in 2022 and six percent (6%) in 2021 of its financial support from ad valorem taxes. Current taxes are received beginning in December of each year and become delinquent after January 31 of the following year.

Risk Management. The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; 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.

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a/ Franklin Foundation Hospital
Franklin, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments in debt and equity securities. Investments in debt and equity securities are carried at fair value except for investments in debt securities with maturities of less than one year at the time of purchase. These investments are reported at approximated fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in non-operating income when earned.

Net Position. GASB 63 and GASB Codification Section P80, states that net position is equal to assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net position classifications are defined as follows:

Invested in Capital Assets, Net of Related Debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds.

Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets may be restricted when there are limitations imposed on their use either through external constraints 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 Net Position consists of net position that does not meet the definition of the two preceding categories.

Net patient service revenue. The Hospital has agreements with third-party payors that provide payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Operating and Non-operating Revenue. Operating revenue includes net patient revenue, ad valorem taxes, intergovernmental transfer grants, cafeteria and vendor sales, rental income, and other revenues determined by management to be derived from operations of the Hospital. Non-operating revenues include grant revenue, interest income and gains or losses not considered to be derived from operations of the Hospital.

Restricted Resources. Restricted funds may be designated by the board in order to comply with bond covenants, contracts, or other specific purposes. The Hospital first applies restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted net position are available.

Income Taxes. The Hospital is a political subdivision and exempt from taxes.

Advertising. The Hospital expenses advertising costs as incurred.

Environmental Matters. Due to the nature of the Hospital's operations, materials handled could lead to environmental concerns. However, at this time, management is not aware of any environmental matters which need to be considered.

Reclassifications. To be consistent with current year classifications, some items from the previous year have been reclassified with no effect on net assets.

NOTE 2: MAJOR SOURCE OF REVENUE

The Hospital participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Hospital derived approximately 58% and 59% of its gross patient service revenue in 2022 and 2021, respectively, from patients covered by the Medicare and Medicaid programs. The Hospital received total grant revenue, including operating and non-operating, of \$13,399,653 and \$7,332,027 for 2022 and 2021, respectively.

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a/ Franklin Foundation Hospital
Franklin, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

NOTE 3: NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in a future period as final settlements are determined.

The primary third-party programs include Medicare and Medicaid, which account for a significant amount of the Hospital's revenue. The laws and regulations under which Medicare and Medicaid programs operate are complex, and subject to interpretation and frequent changes. As part of operating under these programs, there is a possibility that government authorities may review the Hospital's compliance with these laws and regulations. Such review may result in adjustments to program reimbursement previously received and subject the Hospital to fines and penalties. Although no assurance can be given, management believes it has complied with the requirements of these programs.

A summary of the payment arrangements with major third-party payors follows.

Medicare Inpatient services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare Administrative Contractor (MAC). The Hospital's Medicare cost reports have been settled by the MAC through September 30, 2018.

Medicaid Inpatient services rendered to Medicaid and Medicaid Managed Care Organizations ("MCOs") program beneficiaries are reimbursed at a fixed rate per day for medical/surgical patients. Outpatient services for traditional Medicaid and MCO program beneficiaries are reimbursed under a cost reimbursement methodology, with certain limitations and exceptions. The Hospital is reimbursed at an interim rate with final settlement determined after submission of annual cost reports filed by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through September 30, 2015.

Commercial The Hospital has entered into payment agreements with certain commercial insurance carriers and preferred-provider organizations. The basis for payment to the Hospital under some of these agreements includes prospectively determined daily rates.

For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant estimated provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts, recognized in the period from these major payor sources, is as follows.

Net Patient Service Revenue by Payor before Provision for Doubtful Accounts:

| | 2022 | 2021 |
|---|---------------|---------------|
| Medicare | \$ 6,259,526 | \$ 6,966,890 |
| Medicaid | 14,494,802 | 13,360,275 |
| All Other Payors | 6,103,673 | 4,790,785 |
| Total Net Patient Service Revenue Before Provision for Doubtful Accounts | \$ 26,858,001 | \$ 25,117,950 |

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a/ Franklin Foundation Hospital
Franklin, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

NOTE 3: NET PATIENT SERVICE REVENUE, CONTINUED

The following schedule represents Total Net Patient Service Revenue:

| | 2022 | 2021 |
|---|---------------|---------------|
| Gross Patient Service Revenue | \$ 42,856,166 | \$ 44,865,231 |
| LESS: Contractual Adjustments | (19,117,882) | (22,077,645) |
| ADD: Physician Full Medicaid Payment | 3,119,717 | 2,330,364 |
| Net Patient Service Revenue Before Provision for Doubtful Accounts | 26,858,001 | 25,117,950 |
| Provision for Doubtful Accounts | (1,066,989) | (1,457,803) |
| Net Patient Service Revenue after Provision for Doubtful Accounts | \$ 25,791,012 | \$ 23,660,147 |

During the fiscal years ended September 30, 2022 and 2021, the Hospital received funding based on provider services provided to the MCOs through the Louisiana Department of Health and Hospital's Bayou Health Program referred to as "Physician Full Medicaid Payment" above. Under this program, the Hospital was required to make intergovernmental transfers ("IGT") totaling \$2,361,555 and \$2,187,248 to the Louisiana DHH for the years ended September 30, 2022 and 2021, respectively. The Hospital later received matching dollars for the transfer in addition to the FMP payment. Before administrative fees paid to the MCOs and a third-party representative organization, the Hospital recognized a gross benefit of approximately \$3,119,717 and \$2,330,364 for the years ended September 30, 2022 and 2021, respectively. The Hospital has included this amount in the "Physician Full Medicaid Payment" shown above as a part of Net Patient Service Revenue.

NOTE 4: ACCOUNTS RECEIVABLE - PATIENTS

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with Medicaid, Commercial, and Self-Pay patients, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience and on the age of the receivable balance. The aged balance indicates that third-party claims have reached an age where the probability of payment is low and that self-pay patients are unable or unlikely to pay the portion of their bill for which they are financially responsible. The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Patient's Accounts Receivable consists of the following:

| | 2022 | 2021 |
|--|--------------|--------------|
| Total Patient Accounts Receivable | \$ 4,407,337 | \$ 5,324,808 |
| LESS: Allowances for Doubtful Accounts and Contractual Allowances | (2,550,678) | (3,261,613) |
| Net Patient Accounts Receivable | \$ 1,856,659 | \$ 2,063,195 |

NOTE 5: ACCOUNTS RECEIVABLE - OTHER

Other Accounts Receivable consists of the following:

| | 2022 | 2021 |
|---|--------------|--------------|
| Accrued Ad Valorem Tax Revenue | \$ 1,917,996 | \$ 1,782,718 |
| Accrued Investment Income | 18,457 | 18,535 |
| Medicaid Physician Rate Enhancement Program | 570,314 | 216,609 |
| Medicaid DSH Funds Receivable | 302,518 | 306,410 |
| Full Medicaid Capacity Grant | 1,134,837 | 1,876,585 |
| All Other | 3,676,664 | 66,867 |
| Total Accounts Receivable - Other | \$ 7,620,786 | \$ 4,267,724 |

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SEPTEMBER 30, 2022 AND 2021

NOTE 6: PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment, by major category, are as follows:

September 30, 2022

| | Asset life in years | Beginning Balance | Additions | Deletions | Ending Balance |
|---|------------------------|----------------------|---------------|------------|-------------------|
| Capital Assets not depreciated: | | | | | |
| Land | | \$ 1,308,702 | \$ 65,423 | \$ - | \$ 1,374,125 |
| Construction in Progress | | \$ 2,106,911 | 11,609,083 | | 13,715,994 |
| Total assets not being depreciated | | 3,415,613 | 11,674,506 | - | 15,090,119 |
| Other Capital Assets: | | | | | |
| Buildings | 10-40 | 18,562,781 | 672,778 | | 19,235,559 |
| Fixed Equipment | 5-25 | 571,164 | | | 571,164 |
| Movable Equipment | 5-25 | 19,703,359 | 426,291 | 484,559 | 19,645,091 |
| Land Improvements | 5-25 | 1,012,485 | | | 1,012,485 |
| Right of Use Assets | 5-25 | 234,552 | 221,912 | | 456,464 |
| Total other assets | | 40,084,341 | 1,320,981 | 484,559 | 40,920,763 |
| Less accumulated depreciation for: | | | | | |
| Buildings | | 12,138,829 | 718,258 | | 12,857,087 |
| Equipment and Furniture Improvements | | 15,777,428 | 904,181 | 57,455 | 16,624,154 |
| Right of Use Assets | | 848,504 | 44,026 | - | 892,530 |
| Right of Use Assets | | 59,016 | 103,398 | | 162,414 |
| Total Accumulated Depreciation | | 28,823,777 | 1,769,863 | 57,455 | 30,536,185 |
| Net Property, Plant, and Equipment | | \$ 14,676,178 | \$ 11,225,624 | \$ 427,104 | \$ 25,474,697 |

September 30, 2021

| | Asset life in years | Beginning Balance | Additions | Deletions | Ending Balance |
|---|------------------------|----------------------|--------------|------------|-------------------|
| Capital Assets not depreciated: | | | | | |
| Land | | \$ 1,308,702 | | \$ - | \$ 1,308,702 |
| Construction in Progress | | 262,035 | 2,321,785 | 476,909 | 2,106,911 |
| Total assets not being depreciated | | 1,570,737 | 2,321,785 | 476,909 | 3,415,613 |
| Other Capital Assets: | | | | | |
| Buildings | 10-40 | 18,690,081 | 35,127 | 162,427 | 18,562,781 |
| Fixed Equipment | 5-25 | 571,164 | - | - | 571,164 |
| Movable Equipment | 5-25 | 17,863,091 | 1,949,792 | 109,524 | 19,703,359 |
| Land Improvements | 5-25 | 1,012,485 | - | - | 1,012,485 |
| Right of Use Assets | 5-25 | - | 234,552 | | 234,552 |
| Total other assets | | 38,136,821 | 2,219,471 | 271,951 | 40,084,341 |
| Less accumulated depreciation for: | | | | | |
| Buildings | | 11,538,571 | 703,469 | 103,211 | 12,138,829 |
| Equipment and Furniture Improvements | | 15,012,791 | 877,242 | 112,605 | 15,777,428 |
| Right of Use Assets | | 801,970 | 46,534 | - | 848,504 |
| Right of Use Assets | | - | 59,016 | - | 59,016 |
| Total Accumulated Depreciation | | 27,353,332 | 1,686,261 | 215,816 | 28,823,777 |
| Net Property, Plant, and Equipment | | \$ 12,354,226 | \$ 2,854,995 | \$ 533,044 | \$ 14,676,177 |

Total depreciation expense for the years ended September 30, 2022 and 2021 is \$1,769,865 and \$1,686,261, respectively.

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NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

NOTE 7: LONG TERM DEBT

Long-term debt at September 30, 2022 and 2021, consists of the following:

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Revenue Bonds - face value \$5,000,000, dated September 5, 2007, bearing interest at 4.25%, collateralized by hospital revenue, maturing monthly with the final maturity October 5, 2047. | \$ 3,591,469 | \$ 3,699,110 |
| Right of Use Obligation, of the Lab Immunoassay Integrated System, payable in 60 monthly installments at a 1.31% interest rate, maturity in 2026 | 178,684 | - |
| Right of Use Obligation, of the Pitney Bowes Equipment, payable in 60 monthly installments at a 2.29% interest rate, maturity in 2023 | 2,179 | 4,635 |
| Right of Use Obligation, of the Rochon Ultrasound, payable in 60 monthly installments at a 1.91% interest rate, maturity in 2024 | 72,229 | 112,432 |
| Right of Use Obligation, of Ricoh Copiers, payable in 60 monthly installments at a 0.89% interest rate, maturity in 2025 | 47,898 | 62,606 |
| Lease Payable, dated July 19, 2018, bearing interest of 2.63%, maturing July 19, 2023, with principal due monthly, collateralized by lab equipment | 8,371 | 20,392 |
| Lease Payable, dated February 1, 2019, bearing interest of 2.44%, maturing March 10, 2025, with principal due monthly | 227,879 | 316,658 |
| HHS Provider Relief Funds, bearing no interest, no repayment plan established | 542,285 | 1,181,555 |
| Total Long-term Debt | 4,670,994 | 5,397,388 |
| Less: Current Portion | (316,743) | (265,671) |
| Long-term Portion | \$ 4,354,251 | \$ 5,131,717 |

A summary of long-term debt activity for the years ended September 30, 2022 and 2021, consists of the following:

| September 30, 2022 | | | | |
|----------------------------------|----------------------|--------------|--------------|-------------------|
| | Beginning Balance | Additions | Reductions | Ending Balance |
| Revenue Bonds Series 2005 | \$ 3,699,110 | \$ - | \$ 107,641 | \$ 3,591,469 |
| Lease Obligations | 516,723 | 221,912 | 201,395 | 537,240 |
| Provider Relief Funds | 1,181,555 | 896,605 | 1,535,875 | 542,285 |
| Total | \$ 5,397,388 | \$ 1,118,517 | \$ 1,844,911 | \$ 4,670,994 |
| September 30, 2021 | | | | |
| | Beginning Balance | Additions | Reductions | Ending Balance |
| Revenue Bonds Series 2005 | \$ 3,802,279 | \$ - | \$ 103,169 | \$ 3,699,110 |
| Revenue Bonds Series 2010 | 364,262 | - | 364,262 | - |
| Lease Obligations | 454,235 | 179,673 | 117,185 | 516,723 |
| Paycheck Protection Program Loan | 2,588,278 | - | 2,588,278 | - |
| Provider Relief Funds | 2,265,637 | - | 1,084,082 | 1,181,555 |
| Total | \$ 9,474,691 | \$ 179,673 | \$ 4,256,976 | \$ 5,397,388 |

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NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

NOTE 7: LONG TERM DEBT, CONTINUED

Balance due within one year:

| | 2022 | 2021 |
|---------------------------|------------|------------|
| Revenue Bonds Series 2005 | \$ 112,339 | \$ 107,641 |
| Lease Obligations | 204,404 | 158,030 |
| Total | \$ 316,743 | \$ 265,671 |

Scheduled repayments on long-term debt are as follows:

September 30, 2022

| | Principal | Interest | Total |
|---|--------------|--------------|--------------|
| 2023 | 316,744 | 165,383 | 482,127 |
| 2024 | 307,818 | 153,090 | 460,908 |
| 2025 | 217,614 | 142,106 | 359,720 |
| 2026 | 174,607 | 135,540 | 310,147 |
| 2027 | 133,116 | 129,684 | 262,800 |
| 2028 - 2032 | 757,281 | 556,719 | 1,314,000 |
| 2033 - 2037 | 936,229 | 377,771 | 1,314,000 |
| 2038 - 2042 | 1,157,461 | 156,539 | 1,314,000 |
| 2043 - 2044 | 127,839 | 1,572 | 129,411 |
| Total | \$ 4,128,709 | \$ 1,818,404 | \$ 5,947,113 |
| | | | |
| Provider Relief Funds (No Repayment Plan Established by the Program) | 542,285 | - | 542,285 |
| Total Debt | \$ 4,670,994 | \$ 1,818,404 | \$ 6,489,398 |

September 30, 2021

| | Principal | Interest | Total |
|---|--------------|--------------|--------------|
| 2022 | 265,671 | 174,823 | 440,494 |
| 2023 | 273,204 | 163,305 | 436,509 |
| 2024 | 263,444 | 151,588 | 415,032 |
| 2025 | 172,654 | 141,190 | 313,844 |
| 2026 | 128,934 | 135,216 | 264,150 |
| 2027 - 2031 | 725,826 | 588,174 | 1,314,000 |
| 2032 - 2036 | 897,340 | 416,660 | 1,314,000 |
| 2037 - 2041 | 1,109,383 | 204,617 | 1,314,000 |
| 2042 - 2043 | 379,378 | 12,833 | 392,211 |
| Total | \$ 4,215,833 | \$ 1,988,407 | \$ 6,204,240 |
| | | | |
| Provider Relief Funds (No Repayment Plan Established by the Program) | 1,181,555 | - | 1,181,555 |
| Total Debt | \$ 5,397,388 | \$ 1,988,407 | \$ 7,385,795 |

NOTE 8: BOND DEFEASANCE

On April 30, 2010, the Hospital issued \$6,295,462 in Revenue Bonds (Refunding Bonds, Series 2010) with an interest rate of 4.45% and annual debt service payments from \$515,052 to \$519,545. These bonds were issued through a current refunding totaling \$6,295,457 of outstanding 2005A Revenue Bonds (R-1 and R-2) bearing interest rates of 7.83% and 6.50%, respectively. The net proceeds were used to immediately refund the Series 2005A Revenue Bonds.

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NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

NOTE 8: BOND DEFEASANCE, CONTINUED

As a result, the 2005A Revenue Bonds are considered to be defeased and the liability has been removed from the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$51,687. This amount has been amortized and has a net carrying value of \$15,961 and \$18,897 for September 30, 2022 and 2021, respectively, and is reflected on the Statement of Net Position as Deferred Outflows of Resources. It is being amortized over the remaining life of the refunded debt, which has a shorter life than the original bonds. At the time of the refunding, aggregate debt service payments were reduced by \$1,048,787, and the Hospital obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,313,547. The effective interest rate on the new issue is 4.49%.

NOTE 9: CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors is as follows:

| | 2022 | 2021 |
|---|------|------|
| Medicare | 13% | 16% |
| Medicaid | 26% | 23% |
| Commercial and other third-party payors, and patients | 61% | 61% |
| | 100% | 100% |

NOTE 10: ASSETS WHOSE USE IS LIMITED

Pursuant to a resolution by the Board of Commissioners of the Hospital made in February of 2008, a board-designated plant fund was established to be utilized for replacement of existing capital assets and the purchase of new capital assets.

In relation to the revenue bonds issued on September 7, 2005 with a face value of \$5,000,000, the Hospital entered into an agreement with the United States Department of Agriculture to reserve cash funds as follows:

"Borrowers issuing bonds or other evidences of debt pledging facility revenues as a security will plan their reserve to provide for at least an annual reserve payment equal to one-tenth of an average annual loan installment, with payments made monthly and evenly divided between a reserve fund and a depreciation and contingency fund, until an amount equal to the highest annual debt service in any future year is accumulated in the reserve fund..."

In relation to the revenue bonds issued April 30, 2010 with a face value of \$6,295,462, the Hospital entered into an agreement with Capital One, N. A., to reserve cash funds as follows:

Debt Service (Sinking) Fund:

"The maintenance of the 'Hospital Revenue Bond Sinking Fund' sufficient in amount to pay promptly and fully the principal of and the interest on the Outstanding Parity Bonds and Bonds, including any pari passu bonds issued hereafter in accordance with Outstanding Parity Bond resolution, as said bonds severally become due and payable by transferring from the Operating fund to the paying agent, monthly in advance ... a monthly amount of moneys sufficient to provide payment of principal and/or interest and premium, if any, on the Outstanding Parity Bonds and Bonds at the time such payment is due...It is not expected that any amounts will remain in the Debt Service Fund after all payments in a Bond Year have been made therefrom."

Reserve Fund:

"The maintenance of the 'Hospital Service District No. 1 of the Parish of St. Mary Reserve Fund', by transferring...monthly in advance...a sum at least equal to five percent (5%) of the amount to be paid into the Sinking Fund..."

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NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

NOTE 10: ASSETS WHOSE USE IS LIMITED, CONTINUED

Contingency Fund:

"The maintenance of the 'St. Mary Parish Hospital District Depreciation and Contingency Fund'...by transferring..monthly in advance...a sum at least equal to five percent (5%) of the amount to be paid into the Sinking Fund..When a sum equal to the Debt Service Reserve Requirement has been accumulated in the Reserve Fund, the monthly payments into the Contingency Fund shall be increased to an amount equal to 10% of the amount being paid monthly into the Sinking Fund said payments to continue over the life of the bonds."

On April 22, 2015 the board restricted use of grant funds received from the Full Medicaid Capacity Program to be used for purposes connected to establishing Franklin Foundation Hospital as a Center of Excellence. These funds will be used for non-operating expenses.

In August of 2014, the Hospital settled a litigation for interior repairs and remediation work resulting from deficiencies in the initial construction of the Hospital. The Hospital received a lump sum of \$250,000, in October of 2014, which the board has reserved in order to fund the necessary remediation. In May of 2022, the board made the decision to release the funds from restricted cash.

| | 2022 | 2021 |
|--|---------------|---------------|
| Internally designated for capital acquisitions | \$ 593,294 | \$ 592,896 |
| By Bond Indenture - Series 2005 Contingency Fund | 189,554 | 189,408 |
| By Bond Indenture - Series 2005 Reserve Fund | 189,557 | 189,411 |
| Building Litigation Settlement | - | 250,000 |
| By Board - Series 2010 | - | 585,818 |
| Medicare Accelerated and Advanced Payments | - | 1,789,404 |
| By Board - PPP and Stimulus Funds | 639,043 | 5,139,972 |
| Full Medicaid Capacity Funding Grant | 14,811,044 | 12,681,224 |
| Total Assets Whose Use is Limited | \$ 16,422,492 | \$ 21,418,133 |

NOTE 11: BANK DEPOSITS AND INVESTMENTS

Louisiana state statutes require that all of the deposits of the Hospital must 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 had bank balances as follows:

| | 2022 | 2021 |
|---|---------------|---------------|
| Insured (FDIC) | \$ 554,411 | \$ 346,707 |
| Collateralized by securities held by the pledging financial institution's trust department in the Hospital's name | 21,687,906 | 26,408,038 |
| Total | \$ 22,242,317 | \$ 26,754,745 |
| Carrying Value | \$ 23,317,106 | \$ 26,754,745 |

At year end, deposits were not fully collateralized. The Hospital's investment policy states that it must at all times conform to Louisiana R.S. 33:2955, as amended from time to time, which is the main statute that governs investments that local political subdivisions are allowed to make in Louisiana. In addition, Act 264 of the 2012 Regular Session enacted R.S. 46:1073 which allows hospital service districts (as defined in R.S. 46:1072) to invest its funds in the same manner as provided by law for investment of funds of the Louisiana Employees Retirement System (LASERS) including but not limited to R.S. 11:263 (the "prudent man rule"). However, any such investment may be made only in compliance with rules and regulations established by the Hospital's Board of Commissioners and in compliance with the provisions of R.S. 11:263 and any other law which provides for the investment of funds in which the funds of LASERS may be invested.

The Hospital's investment policy also states that all investment decisions shall be the responsibility of the Board and that all investment decisions are to be made using reasonable efforts to control risk.

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NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

NOTE 11: BANK DEPOSITS AND INVESTMENTS, CONTINUED

Investments are reported at their fair values in the statement of net position. Unrealized gains and losses are included in the change in net position in the statement of revenues, expenses, and changes in net position. Investments consisted of the following as of September 30, 2022 and 2021:

| | 2022 | |
|---|---------------------|----------------------|
| | Cost | Market |
| Apple, Inc. 2.45% Maturity 08/04/2026 (Aaa Moody) (AA+ S&P) | \$ 133,606 | \$ 115,311 |
| Chevron Corporation 1.554% Maturity 05/11/2025-2025 (Aa2 Moody) (AA-S&P) | 99,888 | 92,406 |
| Exxon Mobil Corp 1.571% Maturity 4/15/2023 (Aa2 Moody) (AA- S&P) | 153,714 | 147,857 |
| Federal Natl Mtg Assn Ser 18-91 Cl Pa 4% Maturity 12/25/2046 | 35,336 | 33,739 |
| Fhlmc .375% Maturity 09/23/2025 (Aaa Moody) (AA+ S&P) | 149,636 | 133,878 |
| Fhlmc Series 4120 Class Qb 1.5% Maturity 10/15/2042 | 60,503 | 57,612 |
| Florida St Taxable Bds 2020A 1.258% Maturity 07/01/2025 (Aa3 Moody) (AA S&P) | 101,513 | 90,535 |
| Fnma Pool #Ma4404 2.5% Maturity 8/1/2036 | 89,134 | 77,668 |
| Fnma Pool #Ma4443 2.5% Maturity 10/1/2036 | 86,625 | 75,458 |
| Fnma Series 2012-100 Class Eo 2% Maturity 06/25/2027 | 3,995 | 3,920 |
| Fnma Series 2013-98 Class Ea 3% Maturity 02/25/2032 | 41,492 | 39,794 |
| Gnma Ser 2013-169 Cl Jc 2.5% Maturity 6/20/2043 | 4,456 | 4,321 |
| Gnma Series 2011-85 Class Lc 4% Maturity 10/20/2040 | 6,787 | 6,579 |
| Goldman Sachs Government | 68,351 | 68,351 |
| Government Natl Mtg Assn Series 18-138 & Class Ba 3.5% Maturity 5/20/2045 | 167 | 164 |
| Jefferson La Sales Tax Dist Spl Sales Tax Rev Sef-Ser A 5% Maturity 12/1/2025 (A1 Moody) (AA S&P) | 60,531 | 52,319 |
| Lafayette La Taxable Ltd Tax Ref Bds 2020 .8% Maturity 03/01/2025 (AA S&P) | 100,000 | 90,960 |
| New Orleans La Txbl 2.1 % Maturity 12/1/2022 (A2 Moody) (AA S&P) | 235,040 | 234,521 ¹ |
| St Charles Parish La Txbl Ref 2% Maturity 03/01/2026 (AA- S&P) | 103,553 | 91,601 |
| St Tammany Ltd Tax Ref Bos 20203% Maturity 03/01/2025 (AA S&P) | 217,816 | 197,192 |
| U S Treasury Bond 2% Maturity 8/15/2025 (Aaa Moody) | 181,232 | 164,432 |
| United States Treasury Notes .125% Maturity 03/31/2023 (Aaa Moody) | 124,980 | 122,710 |
| United States Treasury Notes .125% Maturity 07/31/2023 (Aaa Moody) | 99,828 | 96,699 |
| United States Treasury Notes .125% Maturity 08/15/2023 (Aaa Moody) | 99,805 | 96,496 |
| United States Treasury Notes .5% Maturity 11/30/2023 (Aaa Moody) | 248,975 | 239,288 ¹ |
| Us Treasury (Y-2025) .375% Maturity 4/30/2025 (Aaa Moody) | 198,039 | 181,204 |
| Us Treasury (Z-2025) .25% Maturity 5/31/2025 (Aaa Moody) | 249,023 | 224,923 ¹ |
| Us Treasury 1.625% Maturity 11/15/2022 (WR Moody) | 174,569 | 174,689 |
| Us Treasury 2% Maturity 11/30/2022 (WR Moody) | 199,533 | 199,618 |
| Us Treasury 2.5% Maturity 05/15/2024 (Aaa Moody) | 249,900 | 242,890 ¹ |
| Us Treasury 2.75% Maturity 11/15/2023 (Aaa Moody) | 180,512 | 171,966 |
| Visa, Inc. 2.8% Maturity 12/14/2022 (Aa3 Moody) (AA- S&P) | 103,214 | 99,762 |
| Visa, Inc. 3.15% Maturity 12/14/2025 (Aa3 Moody) (AA- S&P) | 105,662 | 95,487 |
| Walmart Inc. 3.3% Maturity 04/22/2024 (Aa2 Moody) (AA S&P) | 106,022 | 98,236 |
| Waterford Ct Txbl Ref .62% Maturity 8/15/2024 (AA S&P) | 150,000 | 139,812 |
| Waukesha Wi Txbl .5% Maturity 10/01/2023 (Aa2 Moody) | 250,000 | 241,213 ¹ |
| Total Investments | <u>\$ 4,473,439</u> | <u>\$ 4,203,607</u> |

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NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

NOTE 11: BANK DEPOSITS AND INVESTMENTS, CONTINUED

| | 2021 | |
|---|------------|----------------------|
| | Cost | Market |
| Alabama St Port Auth Docks Facs Rev Txbl Ref-Series D 2.567% 10/1/2021 (AA S&P) | \$ 202,294 | \$ 200,000 |
| Apple, Inc. 2.45% 8/4/2026 (AA+ S&P) (Aa1 Moody) | 133,606 | 132,209 |
| Chevron Corporation 2.355% 12/05/2022 (AA- S&P) (Aa2 Moody) | 149,489 | 152,858 |
| Exxon Mobil Corp 1.571% 4/15/2023 (AA- S&P) (Aa2 Moody) | 153,714 | 152,895 |
| FNMA Series 2012-100 Class ED 2% 6/25/2027 | 6,153 | 6,419 |
| FNMA Series 2013-98 Class EA 3% 2/25/2032 | 79,606 | 80,112 |
| Fannie Mae Series 14-18 Class WA 3.5% 6/25/2040 | 17,953 | 17,676 |
| Federal Natl Mtg Assn Ser 18-91 CL PA 4% 12/25/2046 | 83,031 | 82,869 |
| FHLMC Series 3941 Class BA 3% 3/15/2026 | 24,314 | 24,288 |
| FHLMC Series 4120 Class QB 1.5% 10/15/2042 | 79,569 | 85,874 |
| FHLMC .375% 09/23/2025 ((AA+ S&P) (Aaa Moody) | 149,636 | 147,503 |
| Florida St Taxable Bds 2020A 1.258% 07/01/2025 (AA S&P) (Aa3 Moody) | 101,513 | 101,078 |
| Goldman Sachs Government Fund - Class:Inst (#465) | 149,374 | 149,374 |
| GNMA Series 2011-85 Class LC 4% 10/20/2040 | 31,447 | 31,134 |
| GNMA Series 2013-169 Class JC 2.5% 6/20/2043 | 11,267 | 11,379 |
| Government Natl Mtg Assn Series 16-93 Class LA 3% 5/20/2045 | 10,735 | 10,550 |
| GNMA Series 2018-79 Class AB 3% 1/20/48 | 44,452 | 45,186 |
| Government Natl Mtg Assn Series 18-138 Class BA 3.5% 5/20/2045 | 16,553 | 16,505 |
| Jefferson LA Sales Tax Dist Spl Sales Tax Rev Sef-Series A 5% 12/1/2025 (AA S&P) (A1 Moody) | 60,531 | 58,877 |
| Lafayette La Taxable LTD Tax Ref Bds 2020 .8% 03/01/2025 (S&P AA) | 100,000 | 99,352 |
| Louisiana St Env Fac & Cmnty Dev Auth Rev Txbl Ref Brcc Fac Corp Proj 1.659% Maturity 12/1/2021 (AA S&P) | 165,000 | 165,360 |
| New Orleans LA Txbl 2.1% 12/01/2022 (AA S&P) (A2 Moody) | 235,040 | 239,806 ¹ |
| New York NY Build America Bonds 5.049% 12/1/2021 (AA S&P) (Aa2 Moody) | 83,783 | 75,568 |
| Procter & Gamble Co CO/THE 2.15% 8/11/2022 (AA- S&P) (Aa3 Moody) | 148,814 | 152,577 |
| St Charles Parish La Txbl Ref 2% 03/01/2026 (S&P AA-) | 103,553 | 103,178 |
| St Tammany LTD Tax Ref Bds 2020 3% 03/01/2025 (S&P AA) | 217,816 | 215,798 |
| Terrebonne Parish LA Wtrwks Dist #1 Txbl-Wtr Rev-Ref 1.965% 11/1/2021 (AA- S&P) | 135,000 | 135,157 |
| US Treasury 2.625% 12/15/2021 (Aaa Moody) | 199,836 | 201,056 |
| US Treasury Bond 2% 8/15/2025 (Aaa Moody) | 132,109 | 130,850 |
| US Treasury (Y-2025) .375% 4/30/2025 (Aaa Moody) | 100,238 | 98,863 |
| US Treasury (Z-2025) .25% 5/31/2025 (Aaa Moody) | 249,023 | 245,703 ¹ |
| United States Treasury Notes .125% 08/15/2023 (Aaa Moody) | 99,805 | 99,742 |
| United States Treasury Notes .125% 09/30/2022 (Aaa Moody) | 125,020 | 125,025 |
| United States Treasury Notes .125% 03/31/2023 (Aaa Moody) | 124,980 | 124,883 |
| United States Treasury Notes .125% 07/31/2023 (Aaa Moody) | 99,828 | 99,781 |
| Visa, Inc. 2.8% 12/14/2022 (AA- S&P) (Aa3 Moody) | 103,214 | 102,621 |

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a/ Franklin Foundation Hospital
Franklin, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

NOTE 11: BANK DEPOSITS AND INVESTMENTS, CONTINUED

| | | |
|---|--------------|----------------------|
| Walmart, Inc. 3.3% 4/22/2024 (AA S&P) (Aa2 Moody) | 106,022 | 106,564 |
| Waterford CT Txbl Ref .62% 08/15/2024 (AA S&P) | 150,000 | 148,767 |
| Waukesha WI Txbl Ref .5% 10/01/2023 (Aa2 Moody) | 250,000 | 250,423 ¹ |
| Total Investments | \$ 4,434,316 | \$ 4,427,856 |

¹ denotes a concentration of credit risk due to the individual investment value representing a percentage greater than or equal to five percent of the total investment value.

The net change in the fair value of investments was a decrease of \$279,815 and decrease of \$76,983 for the years ended September 30, 2022 and 2021, respectively.

Fair Value of Financial Instruments

FASB Accounting Standards Codification Topic 820, "Fair Value Measurements (Topic 820)." Topic 820 requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements.

These levels are:

Level 1 - inputs are based upon adjusted quoted prices for identical instruments traded in active markets.

Level 2 - inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of assets or liabilities.

Level 3 - inputs are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

All investments are based on Level 1 inputs. The Hospital relies on the valuation procedures and methodologies of the external managers hired specifically to invest in such securities or in strategies which employ such securities.

NOTE 12: NET POSITION

Net position for the years ended September 30, 2022 and 2021 are as follows:

| | 2022 | 2021 |
|---|---------------|---------------|
| Invested in Capital Assets, net of related debt | \$ 21,345,988 | \$ 10,460,344 |
| Restricted for: | | |
| Bond Indenture (Expendable) | 379,111 | 378,819 |
| Unrestricted | 32,383,946 | 33,803,647 |
| Total Net Position | \$ 54,109,045 | \$ 44,642,810 |

NOTE 13: CASH FLOW SUPPLEMENTAL INFORMATION

Cash and cash equivalents reported in the cash flow statement are as follows:

| | 2022 | 2021 |
|--|---------------|---------------|
| Cash and Cash Equivalents | \$ 5,075,211 | \$ 5,183,393 |
| Cash Whose Use is Limited | 16,422,492 | 21,418,133 |
| Cash and Cash Equivalents at End of Year | \$ 21,497,703 | \$ 26,601,526 |

Total interest paid by the Hospital was \$179,953 and \$216,606 in 2022 and 2021, respectively.

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a/ Franklin Foundation Hospital
Franklin, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

NOTE 14: GOVERNING BOARD EXPENSES

The board of commissioners of Hospital Service District No. 1, Parish of St. Mary received no compensation for the years ended September 30, 2022 and 2021.

NOTE 15: PENSION PLAN

The Hospital has two defined contribution retirement plans, a 457(b) plan and a 401(a) plan, which are administered by Retirement Strategies Group, LLC. Qualified Employees may elect to make contributions to the plans through salary reduction agreements. The employees are 100% vested in the 457(b) plan when the first contribution is made. The 401(a) plan's vesting percentage varies in relation to the employee's period of service. The amount of the employer contribution is currently 2% of the eligible participants' annual compensation. Benefit terms and amendments require approval by management and the board. Total expense for the years ended September 30, 2022 and 2021 was \$243,274 and \$237,838 respectively. Forfeitures may first be used to pay administrative expenses. Forfeitures of matching contributions that relate to excess amounts may be used to reduce employer contributions. Forfeitures reflected in pension expense as a reduction of employer contributions were approximately \$8,465 and \$8,019 for the years ended September 30, 2022 and 2021, respectively. The accrued pension plan liability was \$245,480 and \$213,857 for the years ended September 30, 2022 and 2021, respectively.

NOTE 16: CHARITY CARE

The Hospital provides services without charge or at amounts less than its rates to patients who meet the criteria of its charity care policy. The criteria for charity care consider items such as family income, net worth, extent of financial obligations for healthcare services, etc. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported in revenue.

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges forgone, based on established rates, were approximately \$57,043 and \$58,226 for the years ended September 30, 2022 and 2021, respectively.

Management estimates that approximately \$42,332 and \$35,552 of costs were related to charity care for the years ended September 30, 2022 and 2021, respectively. This estimate is based on a ratio of total cost to gross patient charges applied to gross uncompensated charges associated with providing care to charity patients.

NOTE 17: CONTINGENCIES AND COMMITMENTS

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

The principal contingencies are described below:

Third-party-based Revenues - Cost reimbursements and claims are subject to examination by agencies administering the programs. 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 retroactive adjustments cannot be determined.

The healthcare industry is subject to numerous laws and regulations of Federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as privacy, licensure, accreditation, government healthcare program participating requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse statutes, as well

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a/ Franklin Foundation Hospital
Franklin, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

NOTE 17: CONTINGENCIES AND COMMITMENTS, CONTINUED

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.

Legislation and regulation at all levels of government have affected and are likely to continue to affect the operation of the Hospital. Federal healthcare reform legislation proposals debated in Congress in recent years have included significant reductions in Medicare and Medicaid program reimbursement to hospitals and the promotion of a restructured delivery and payment system focusing on competition among providers based on price and quality, managed care, and steep discounting or capitated payment arrangements with many, if not all, of the Hospital's principal payors. It is not possible at this time to determine the impact on the Hospital of government plans to reduce Medicare and Medicaid spending, government implementation of national and state healthcare reform or market-initiated delivery system and/or payment methodology changes. However, such changes could have an adverse impact on operating results, cash flows and estimated debt service coverage of the Hospital in future years.

Professional Liability Risk - The Hospital is contingently liable for losses outside of its professional liability insurance coverage.

NOTE 18: UNCOMPENSATED CARE REVENUE AND OTHER FUNDING

Intergovernmental Transfers - Operating Grant. The Hospital received Uncompensated Care ("UCC") for the years ended September 30, 2014 and prior years (formerly called Disproportionate Share payments or "DSH"). In fiscal year 2015 the Hospital entered into a cooperative endeavor agreement ("CEA") with a regional public rural hospital (the "Grantor") whereby the Grantor distributes the funds as an intergovernmental transfer ("IGT"). The aggregate IGT grant revenue is \$2,004,079 and \$2,556,967 for the years ended September 30, 2022 and 2021, respectively, and is reflected on the Statement of Revenues, Expenses and Changes in Fund Net Position in Intergovernmental Transfers - Operating Grant.

Full Medicaid Payment Program Funding. The Hospital received Full Medicaid Payment Program ("FMPP") funding from the Louisiana Department of Health ("LDH") during the fiscal years ended September 30, 2022 and 2021. As part of the agreement with LDH, the Hospital was required to provide an IGT of 33% of the gross funds to the LDH in order to secure the federal Medicaid matching funds. In addition, the Hospital has a CEA with Teche Action Board, Inc., a Louisiana non-profit corporation, under the terms of which the Hospital granted a portion of the FMPP funding to Teche Action Board, Inc. for the purpose of promoting and providing for the general health of the community. Under the terms of the CEA, in the event that the Hospital does not receive funding for these efforts, there is no obligation on the part of the Hospital to provide funds to Teche Action Board, Inc.

The following is a breakdown of the Full Medicaid Payment Program funding received by the Hospital during the year ended September 30, 2022 and 2021:

| | 2022 | 2021 |
|--|---------------------|---------------------|
| Gross Full Medicaid Payment Program Funding | \$ 6,000,000 | \$ 6,000,000 |
| Intergovernmental Transfer (IGT) | (2,361,554) | (1,954,800) |
| Rural Hospital Coalition Fee | (60,000) | (60,000) |
| Grant Revenue - Franklin Foundation Hospital | <u>\$ 3,578,446</u> | <u>\$ 3,985,200</u> |

The FMPP grant revenue is reflected on the Statement of Revenues, Expenses and Changes in Fund Net Position as Non-operating Revenue - Full Medicaid Capacity Payment Program Funding. On April 22, 2015 the Board restricted use of the FMPP grant funds to purposes connected to establishing the Hospital as a Center of Excellence. On June 4, 2020, the Board approved moving forward with the construction of a Wellness Center on property located adjacent to the Hospital campus. The construction will be funded in part with the current FMPP funds as well as any future FMPP grant funds. In addition, the Hospital will utilize funds allocated through the State of Louisiana's capital outlay program. These funds will be used for non-operating activities.

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a/ Franklin Foundation Hospital
Franklin, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

NOTE 19: RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2020, the GASB issued Statement 96. The objective of GASB 96, Subscription-Based Information Technology Arrangements, is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The requirements of GASB 96 are effective for fiscal years beginning after June 15, 2022. Earlier application is encouraged.

NOTE 20: CARES ACT FUNDING

In response to the COVID-19 pandemic, Congress passed H.R. 748, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") which was signed into law by the President on March 27, 2020. This Act established several different tranches of funds meant to ensure businesses would be able to continue paying their employees and other bills despite the COVID related declines in patient volumes and revenues and increase in operating costs. Franklin Foundation Hospital received funds from three of the different portions of CARES Act funds: The Small Business Administration's Paycheck Protection Program, the Medicare Accelerated and Advanced Payment Program, and Provider Relief Funds.

Paycheck Protection Program

The Hospital received \$2,588,278 on May 6, 2020. This money was to be used for payroll costs, utility payments, lease agreements, and interest on mortgage obligations. Under the terms of the Program, if certain criteria are met when the Hospital applies for loan forgiveness, all or part of the loan could be forgiven. Any portion that is not forgiven must be repaid over two years at an interest rate of 1%. On August 10, 2021, the Hospital received forgiveness of the total loan amount of \$2,588,278 and accrued interest in the amount of \$33,144. The loan forgiveness amount was recognized as other non-operating revenue and the accrued interest forgiven amount was recognized as interest income.

Medicare Accelerated and Advanced Program

The Hospital received \$2,400,965 in Medicare Accelerated and Advanced Payments on April 14, 2020. This program was in existence prior to COVID-19 but was amended and expanded by the Act for the purposes of providing a source of more funding to Medicare Part A providers and Part B suppliers. If these funds are not repaid within one year from the date they were received, CMS will recover the funds by way of recoupment of twenty-five (25) percent of Medicare payments owed to the Hospital for the first eleven (11) months, then recouped at fifty (50) percent for the next six (6) months. The total recoupment will take place over a maximum of twenty-nine (29) months. After that time, a demand letter will be issued for any remaining balance due subject to an interest rate of four (4) percent. Recoupments started during the fiscal year, the balance outstanding at September 30, 2022 was \$-0-.

Provider Relief Funds

The Hospital received \$5,043,265 under this section of the CARES Act. The terms and conditions require that recipients be able to demonstrate that lost net patient revenues and increased expenses attributable to COVID 19, excluding expenses and losses that have been reimbursed from other sources, exceed the total amount of Provider Relief funding received. The Hospital has recognized \$1,347,752 and \$1,084,082 during the fiscal years ended September 30, 2022 and 2021, respectively, of the available funds as an offset to lost net patient revenue in the current fiscal year. The Hospital recognized this as non-operating revenue per the guidance laid out in GASB Technical Bulletin 2020-1. A repayment mechanism has yet to be established by the federal government.

NOTE 21: SUBSEQUENT EVENTS

In preparing these financial statements, the Hospital has evaluated events and transactions for potential recognition or disclosure through March 30, 2022, the date the financial statements were available to be issued.

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Franklin Foundation Hospital
Franklin, Louisiana

SCHEDULE OF PATIENT SERVICE REVENUE

FOR THE YEARS ENDED SEPTEMBER 30,

INPATIENT SERVICE REVENUES

| | <u>2022</u> | <u>2021</u> |
|--|------------------|-------------------|
| Daily Patient Services: | | |
| Room and Board | \$ 1,687,651 | \$ 2,175,502 |
| Total Daily Patient Services | <u>1,687,651</u> | <u>2,175,502</u> |
| Other Nursing Services: | | |
| Central Supplies | 1,641,264 | 2,522,260 |
| Emergency Service | (3,383) | 438 |
| Labor and Delivery | 182,306 | 134,984 |
| Observation | 8,564 | 13,938 |
| Operating Room | 303,368 | 303,403 |
| Total Other Nursing Services | <u>2,132,119</u> | <u>2,975,023</u> |
| Other Professional Services: | | |
| Anesthesiology | 40,857 | 41,201 |
| Blood | 116,432 | 121,055 |
| Cardiac Rehab | - | - |
| EKG & EEG | 37,795 | 68,880 |
| Inhalation Therapy | 789,525 | 939,279 |
| Laboratory | 523,908 | 712,298 |
| Pharmacy | 1,984,392 | 2,961,633 |
| Physical Therapy | 227,766 | 203,771 |
| Radiology | 99,107 | 150,712 |
| Wound Care | - | - |
| Total Other Professional Services | <u>3,819,782</u> | <u>5,198,829</u> |
| TOTAL INPATIENT SERVICE REVENUE | <u>7,639,552</u> | <u>10,349,354</u> |

The accompanying notes are an integral part of these financial statements.

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Franklin Foundation Hospital
Franklin, Louisiana

SCHEDULE OF PATIENT SERVICE REVENUE

FOR THE YEARS ENDED SEPTEMBER 30,

OUTPATIENT SERVICE REVENUE

| | 2022 | 2021 |
|---|----------------------|----------------------|
| Other Nursing Services: | | |
| Central Supplies | 1,451,927 | 1,959,701 |
| Emergency Services | 8,078,180 | 6,923,467 |
| Labor and Delivery | 16,068 | 17,536 |
| Observation | 111,745 | 227,113 |
| Operating Room | 2,010,883 | 2,592,538 |
| Total | 11,668,803 | 11,720,355 |
| Other Professional Services: | | |
| Anesthesiology | 658,385 | 364,029 |
| Blood | 178,522 | 89,187 |
| Cardiac Rehab | 87,960 | 106,118 |
| Clinics | 4,329,924 | 4,227,456 |
| EKG and EEG | 649,113 | 634,589 |
| Inhalation Therapy | 193,537 | 178,914 |
| Laboratory | 6,991,739 | 6,804,518 |
| Pharmacy | 2,515,695 | 2,842,727 |
| Physical Therapy | 1,312,959 | 1,163,227 |
| Radiology | 6,629,681 | 6,384,246 |
| Wound Care | 296 | 511 |
| Total | 23,547,811 | 22,795,522 |
| TOTAL OUPATIENT SERVICE REVENUE | 35,216,614 | 34,515,877 |
| GROSS PATIENT SERVICE REVENUE | 42,856,166 | 44,865,231 |
| Less: Contractual Adjustments | 15,998,165 | 19,747,281 |
| NET PATIENT SERVICE REVENUE BEFORE PROVISION FOR DOUBTFUL ACCOUNTS | \$ 26,858,001 | \$ 25,117,950 |

The accompanying notes are an integral part of these financial statements.

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Franklin Foundation Hospital
Franklin, Louisiana

SCHEDULE OF OTHER OPERATING REVENUES

FOR THE YEARS ENDED SEPTEMBER 30,

| | <u>2022</u> | <u>2021</u> |
|---------------------------------------|-------------------|-------------------|
| Cafeteria and Vendor Sales | \$ 168,586 | \$ 99,782 |
| Rental Income | 81,849 | 123,433 |
| Other | 208,030 | 86,517 |
| TOTAL OTHER OPERATING REVENUES | <u>\$ 458,465</u> | <u>\$ 309,732</u> |

The accompanying notes are an integral part of these financial statements.

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Franklin Foundation Hospital
Franklin, Louisiana

SCHEDULE OF PROFESSIONAL SERVICES

FOR THE YEARS ENDED SEPTEMBER 30,

| | 2022 | 2021 |
|---|--------------------------|--------------------------|
| Salaries and Fees: | | |
| Anesthesiology | \$ 525,707 | \$ 397,351 |
| Central Supply | 204,297 | 134,107 |
| Clinics | 2,793,877 | 2,292,375 |
| EKG and EEG | 4,705 | 2,888 |
| Emergency Response (COVID-19) | 617,030 | 837,419 |
| Emergency Room | 2,691,300 | 2,491,886 |
| Hospitalist | 312,002 | 402,670 |
| Intensive Care Unit | 864,900 | 439,282 |
| Inhalation Therapy | 707,998 | 368,509 |
| Labor and Delivery | 1,238,934 | 1,094,143 |
| Laboratory | 923,651 | 726,938 |
| Nursing | 1,436,944 | 1,197,186 |
| Occupational Therapy | 67,447 | 57,684 |
| Operating Room | 2,553,784 | 1,908,646 |
| Pharmacy | 300,650 | 291,363 |
| Physical Therapy | 421,473 | 416,933 |
| Radiology | 930,585 | 935,352 |
| Social Services | 134,016 | 110,360 |
| Speech Therapy | 60,997 | 54,889 |
| Other | 220,485 | 245,349 |
| Total Professional Salaries and Fees | 17,010,782 | 14,405,330 |
| Supplies and Other Expenses: | | |
| Anesthesiology | 8,993 | 13,598 |
| Central Supply | 146,498 | 116,207 |
| Clinics | 335,234 | 260,493 |
| Emergency Response (COVID-19) | 110,340 | 446,256 |
| Emergency Room | 182,778 | 142,356 |
| Intensive Care Unit | 13,466 | 20,331 |
| Inhalation Therapy | 66,389 | 184,548 |
| Labor and Delivery | 41,015 | 39,984 |
| Laboratory | 700,818 | 669,605 |
| Nursing | 142,822 | 119,398 |
| Operating Room | 771,618 | 799,869 |
| Pharmacy | 819,849 | 819,378 |
| Physical Therapy | 22,177 | 17,476 |
| Radiology | 115,781 | 81,437 |
| Social Services | 1,711 | 1,112 |
| Total Professional Supplies and Other Expenses | 3,479,489 | 3,732,048 |
| TOTAL PROFESSIONAL SERVICES | \$ 20,490,271 | \$ 18,137,378 |

The accompanying notes are an integral part of these financial statements.

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Franklin Foundation Hospital
Franklin, Louisiana

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES

FOR THE YEARS ENDED SEPTEMBER 30,

| | 2022 | 2021 |
|---|-------------------|------------------|
| Salaries and Fees: | | |
| Administrative | \$ 3,437,758 | \$ 2,732,465 |
| Dietary | 242,251 | 226,797 |
| Housekeeping | 223,686 | 252,148 |
| Maintenance | 460,548 | 405,818 |
| Medical Records | 193,403 | 178,202 |
| Total General and Administrative Salaries and Fees | 4,557,646 | 3,795,430 |
| Supplies and Other Expenses: | | |
| Administrative | 2,399,627 | 2,014,521 |
| Employee Benefits | 3,244,067 | 2,863,536 |
| Dietary | 311,198 | 229,479 |
| Housekeeping | 103,744 | 96,045 |
| Maintenance | 695,200 | 572,129 |
| Medical Records | 33,912 | 26,832 |
| Orthopedics | 78,716 | 104,839 |
| Total General and Administrative Supplies and Other Expenses | 6,866,464 | 5,907,381 |
| TOTAL GENERAL AND ADMINISTRATIVE SERVICES | \$ 11,424,110 | \$ 9,702,811 |

The accompanying notes are an integral part of these financial statements.

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Franklin Foundation Hospital
Franklin, Louisiana

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO CEO FOR THE YEARS ENDED SEPTEMBER 30,

| | <u>2022</u> | <u>2021</u> |
|------------------------------|-------------------|-------------------|
| STEPHANIE GUIDRY, CEO | | |
| Salary | \$ 278,412 | \$ 262,932 |
| Incentive Compensation | 112,917 | - |
| Benefits-Insurance | 9,554 | 8,702 |
| Benefits-Retirement | 5,724 | 5,415 |
| Car Allowance | 7,800 | 7,800 |
| Reimbursements | 150 | 27 |
| Travel | 339 | - |
| Conference Travel | 385 | 275 |
| Special meals | - | 71 |
| | <u>\$ 415,281</u> | <u>\$ 285,222</u> |

The accompanying notes are an integral part of these financial statements.



Glen P. Langlinois, CPA
Gayla L. Falcon, CPA

Michael P. Broussard, CPA
Elizabeth L. Whitford, CPA
Barrett B. Perry, CPA
Elizabeth N. DeBaillon, CPA
Chadwick V. Fortier, CPA
John W. O'Bryan, CPA (Retired)

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

Board of Commissioners
Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Franklin Foundation Hospital
Franklin, 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 of the Parish of St. Mary, State of Louisiana, d/b/a Franklin Foundation Hospital, a component unit of the St. Mary Parish Council ("the Hospital"), as of September 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents, and have issued our report thereon dated March 30, 2022.

INTERNAL CONTROL OVER FINANCIAL STATEMENTS

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity'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 and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan", we identified certain deficiencies in internal control that we consider to be material weaknesses - Finding 2022-1, 2022-2, 2022-3 and 2022-4.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not identify findings of noncompliance.

HOSPITAL'S RESPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

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

This communication is intended for the information and use of the Board of Commissioners and management of the Hospital, others within the Hospital, federal awarding agencies, and 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.

Sincerely,



LANGLINAIS BROUSSARD & KOHLENBERG
(A Corporation of Certified Public Accountants)
Abbeville, Louisiana

March 30, 2023

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Franklin Foundation Hospital
Franklin, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION PLAN
For the years ended September 30, 2022 and 2021

We have audited the financial statements of Hospital Service District No. 1 of the Parish of St. Mary, State of Louisiana, a component unit of the St. Mary Parish Council, d/b/a Franklin Foundation Hospital (the Hospital), as of and for the years ended September 30, 2022 and 2021, and have issued our report thereon dated March 30, 2022.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-133. Our audits of the financial statements as of September 30, 2022 and 2021 resulted in unmodified opinions.

Section 1: Summary of Auditor's Results

A - Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

| | |
|---|-----|
| Material Weaknesses: | Yes |
| Significant Deficiencies: | No |
| Compliance: | |
| Compliance Material to Financial Statements | No |

Section II: Financial Statement Findings

B - Significant Deficiencies and Material Weaknesses

Finding 2022-1 Segregation of Duties

Condition and Criteria: The authorization, recording, and reconciling of transactions as well as the custody of assets related to those transactions are not adequately segregated.

Cause: The amount of the hospital staff dedicated to the accounting function is limited, and therefore, segregation of duties in all areas is difficult to achieve.

Effect: Failure to adequately segregate accounting and financial functions increases the risk that errors and irregularities including fraud may occur and not be prevented or detected.

Recommendation: The authorization, recording, and reconciliation of transactions and decisions as well as custody of assets related to those transactions and decisions should be segregated functions. Management should increase oversight in areas where this does not occur.

Management Response: Complete segregation of duties is not possible due to both the small size of the Hospital and the limited staff size. We will continue to review our processes and procedures and will make changes, up to and including reassignment of responsibilities to the extent that it is practical to try to minimize the impact of segregation of duties.

Finding 2022-2 Proposed Audit Adjustments

Condition and Criteria: The proposed audit adjustments for the fiscal years ended September 30, 2022 and 2021 had material effects on the financial statements. The proposed audit adjustments primarily consisted of adjustments to record the effects of Medicaid and Medicare cost reports, filed subsequent to the year-end and the recognition of Provider Relief Fund revenues.

Cause: The filing of annual Medicare and Medicaid cost reports result in settlements either due to or from the Hospital. These settlements result from complex calculations, many variables, several payors, and the use of third-party data that is often not complete until several months after year end. These factors make it difficult to properly estimate and record cost report settlements. The Hospital is conservative in its cost report estimates.

Effect: The Hospital's financial statements have been adjusted to reflect all proposed audit journal entries approved by management.

Recommendation: Management should perform a comprehensive review of financial statements, estimates, and journal entries before closing the fiscal year.

Management Response: The Hospital's CFO continues to perform a comprehensive review of the Hospital's financial statements and estimates, particularly those involving Medicare and Medicaid cost report settlement accounts prior to closing the fiscal year. The Hospital maintains a conservative position as it relates to recording estimated cost report settlements. The Hospital's long-time CFO has retired, and the CFO is working to improve accuracy of monthly financial reporting by improving the process for reviews, improving the balance sheet reconciliation expectations, and ensuring policies and procedures are up to date. All of this should minimize the number of proposed audit adjustments.

Finding 2022-3 Collateralization

Cause: As per R.S 39:1225, the amount of the security must at all times be 100% of the funds on deposit except that portion insured by the Federal Deposit Insurance Corporation (FDIC).

Effect: It is management's responsibility to safeguard assets of the hospital. The under collateralization puts assets of the hospital at risk.

Recommendation: Management should monitor collateral pledges that secure the assets of the hospital.

Management Response: The Hospital notified the bank illustrating the importance of collateralization of assets. The bank representative will submit monthly confirmation that the Hospital's balances are fully collateralized.

Finding 2022-4 Authorized Signatures

Cause: It was found that former Chief Financial Officers were still listed as authorized signatures on several of the Hospital's bank accounts subsequent to employment at the Hospital. In addition, those electronic signatures were used to disburse funds several months after the end of employment.

Effect: The Hospital could be liable for transactions not authorized by current administration.

Recommendation: Banks should be notified immediately when a change in authorization occurs. Electronic signatures of formerly authorized personnel should be discontinued upon separation of employment.

Management Response: The Hospital contacted the bank verifying that all previous CFOs were removed as authorized representatives of all bank accounts.

Section III: Management Letter Items

There are no management letter items at September 30, 2022.

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Franklin Foundation Hospital
Franklin, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended September 30, 2022

Section I-Internal Control and Compliance Material to the Financial Statements

Finding 2021-1 Segregation of Duties

Condition and Criteria: The authorization, recording, and reconciling of transactions as well as the custody of assets related to those transactions are not adequately segregated.

Status: Unresolved. See Finding 2022-1.

Finding 2021-2 Proposed Audit Adjustments

Condition and Criteria: The proposed audit adjustments for the fiscal years ended September 30, 2021 and 2020 had material effects on the financial statements. The proposed audit adjustments primarily consisted of adjustments to record the effects of Medicaid and Medicare cost reports, filed subsequent to the year-end and the recognition of Provider Relief Fund revenues.

Status: Unresolved. See Finding 2022-2.

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

**Michael P. Broussard, CPA
Elizabeth L. Whitford, CPA
Barrett B. Perry, CPA
Elizabeth N. DeBaillon, CPA
Chadwick V. Fortier, CPA
John W. O'Bryan, CPA (Retired)**

Board of Commissioners
Hospital Service District No. 1 of the Parish of St. Mary
State of Louisiana
d/b/a Bayou Bend Health System
Franklin, Louisiana

We have performed the procedures described in Schedule A – Procedures and Results, which were agreed to by Hospital Service District No. 1 of the Parish of St. Mary, d/b/a Bayou Bend Health System (“Hospital”), a component unit of St. Mary Parish Council,, State of Louisiana, and on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor’s (LLA’s) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2021 through September 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 October 1, 2021 through September 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 described in Schedule A – Procedures and Results.

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

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

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

Langlinais Broussard & Kohlenberg

LANGLINAIS BROUSSARD & KOHLENBERG
(A Corporation of Certified Public Accountants)
Abbeville, Louisiana
March 30, 2023

Schedule A – Procedures and Results

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

- a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget

Result: Policy provided included all of the above functions.

- 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.

Result: Policy provided included all of the above functions.

- c) **Disbursements**, including processing, reviewing, and approving

Result: Policy provided included all of the above functions.

- 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).

Result: Policy provided included all of the above functions.

- e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.

Result: Policy provided included all of the above functions.

- 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

Result: Policy provided included all of the above functions.

- 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)

Result: Policy provided included all of the above functions.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

Result: Policy provided included all of the above functions.

- 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.

Result: Policy provided included all of the above functions.

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Result: Policy provided included all of the above functions.

- 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.

Result: Policy provided included all of the above functions.

- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Result: Policy provided included all of the above functions.

Board of Commissioners

- 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.

Result: Procedure performed; no exceptions noted.

- b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds.

Result: Procedure performed; no exceptions noted.

- 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.

Result: Procedure Not Applicable – No exceptions noted in prior year.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each 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)

Result: Procedure performed, and it was noted that the bank reconciliations did not include evidence that they were prepared within two months of the related statement closing date.

- 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

Result: Procedure performed, and it was noted that the bank reconciliations did not include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation.

- 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.

Result: Procedure performed; no exceptions noted.

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).

Result: Document provided; no exceptions noted.

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.

Result: Procedure performed; no exceptions noted.

- 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.

Result: Procedure performed; no exceptions noted.

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.

Result: Procedure performed; no exceptions noted.

- c) 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.

Result: Procedure performed; no exceptions noted.

- 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.

Result: Procedure performed; no exceptions noted.

- 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). Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

Result: Procedure performed; no exceptions noted.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Result: Procedure performed; no exceptions noted.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

Result: Procedure performed; no exceptions noted.

- 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).

Result: Procedure performed; no exceptions noted.

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

Result: Procedure performed; no exceptions noted.

See Independent Accountant's Report on Applying Agreed-Upon 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).

Result: Documents provided; no exceptions noted.

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.

Result: Procedure performed; no exceptions noted.

- b) At least two employees are involved in processing and approving payments to vendors.

Result: Procedure performed; no exceptions noted.

- 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.

Result: Procedure performed; no exceptions noted.

- 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.

Result: Procedure performed; no exceptions noted.

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.

Result: Procedure performed; no exceptions noted.

- b.) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Result: Procedure performed; no exceptions noted.

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.

Result: Documents provided; no exceptions noted.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.

Result: Procedure performed; no exceptions noted.

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

Result: Procedure performed; no exceptions noted.

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.

Result: Procedure performed; no exceptions noted.

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).

Result: Procedure performed; no exceptions noted.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Result: Procedure performed; no exceptions noted.

- 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).

Result: Procedure performed; no exceptions noted.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Result: Procedure performed; no exceptions noted.

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.

Result: Procedure not applicable – The selected contracts were not subject to Louisiana Public Bid 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).

Result: Procedure not applicable – The selected contracts were not required to be approved by the governing body/board.

- c) If the contract was amended (e.g., change order), observe 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).

Result: Procedure not applicable – The selected contracts were not amended.

- 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.

Result: Procedure performed; no exceptions noted.

Payroll and Personnel

16. Obtain a listing of employees and elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Result: Documentation provided; no exceptions noted.

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 or 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 official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

Result: Procedure performed; no exceptions noted.

- b) Observe whether supervisors approved the attendance and leave of the selected employees/officials.

Result: Procedure performed; no exceptions noted.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Result: Procedure not applicable – The selected employees did not take any leave during the selected pay periods.

- d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

Result: Procedure performed; no exceptions noted.

18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

Result: Procedure performed; no exceptions noted.

19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Result: Procedure performed; no exceptions noted.

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 whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Result: Procedure performed on one of the selected employees; no exceptions noted. Procedure not applicable to four of the selected employees – The selected employees are not required to complete 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.

Result: Procedure performed on one of the selected employees; no exceptions noted. Procedure not applicable to four of the selected employees – The selected employees are not required to complete one hour of ethics training during the fiscal period.

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.

Result: Procedure not applicable – No new bonds were issued during the fiscal year.

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).

Result: Procedure performed; no exceptions noted.

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.

Result: Procedure performed; no exceptions noted.

24. Observe 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.

Result: Procedure performed; no exceptions noted.

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.

Result: Procedure performed; no exceptions noted.

- 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.

Result: Procedure performed; no exceptions noted.

- 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.

Result: Procedure performed; no exceptions noted.

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.

Result: Procedure performed; no exceptions noted.

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).

Result: Procedure performed; no exceptions noted.

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:

1. Number and percentage of public servants in the agency who have completed the training requirements;

Result: Procedure performed; 100% of public servants in the agency completed the training requirements.

2. Number of sexual harassment complaints received by the agency;

Result: Procedure performed; 0 complaints received.

3. Number of complaints which resulted in a finding that sexual harassment occurred;

Result: Procedure performed; 0 complaints received.

4. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

Result: Procedure performed; 0 complaints received.

5. Amount of time it took to resolve each complaint.

Result: Procedure performed; 0 complaints received.

Management Response: Beginning January 3, 2023, the Hospital's CFO is reviewing and approving bank reconciliations and related journal entries and ensuring bank reconciliations are finalized within 2 months of receipt of bank statements.

HOSPITAL SERVICE DISTRICT NO.1 OF THE PARISH OF ST. MARY

d/b/a FRANKLIN FOUNDATION HOSPITAL

SINGLE AUDIT REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2022

HOSPITAL SERVICE DISTRICT NO.1 OF THE PARISH OF ST. MARY

d/b/a FRANKLIN FOUNDATION HOSPITAL

SEPTEMBER 30, 2022

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Glen P. Langlinais, CPA
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM, REPORT ON
INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Chairman and Board of Commissioners
Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Franklin Foundation Hospital
Franklin, Louisiana

Report on Compliance for Each Major Federal Program

Adverse Opinion on Each Major Federal Program

We have audited the Hospital Service District no. 1 of the Parish of St. Mary, State of Louisiana, a component unit of the St. Mary Parish Council, d/b/a Franklin Foundation Hospital's (hereinafter "Hospital") compliance with the types of compliance requirements described 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 September 30, 2022. The Hospital's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Hospital, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Report on Internal Control over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Hospital as of and for the year ended September 30, 2022, and have issued our report thereon dated March 30, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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



LANGLINAIS BROUSSARD & KOHLENBERG
(A Corporation of Certified Public Accountants)
Abbeville, Louisiana

April 27, 2023

FRANKLIN FOUNDATION HOSPITAL
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022

| <i>Federal Grantor/Program or Cluster Title</i> | <i>Federal CFDA Number</i> | <i>Federal Expenditures (\$)</i> |
|---|--------------------------------|--------------------------------------|
| U.S. Department of Health and Human Services Health Resources and Services Administration COVID-19 CARES Act Provider Relief Fund | 93.498 | \$ <u>1,000,000</u> |

The accompanying notes are an integral part of this schedule

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Hospital under programs of the federal government for the year ended September 30, 2022. The information in the schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Hospital, it is not intended to and does not present the net position, changes in net position, or the cash flows of the Hospital.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are presented on the accrual basis of accounting.

NOTE 3 SUB-RECIPIENTS

There were no payments to sub-recipients for the fiscal year ended September 30, 2022.

NOTE 4 INDIRECT COST RATE

The hospital did not apply indirect costs to the program.

NOTE 5 REPORTING

Amounts reported on the SEFA for Provider Relief Funds are based upon the required March 31, 2022 report submission to the Health Resources and Services Administration (HRSA).

HOSPITAL SERVICE DISTRICT NO.1 of the Parish of St. Mary,
STATE OF LOUISIANA, a component unit of the St. Mary Parish Council,
d/b/a FRANKLIN FOUNDATION HOSPITAL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2022

Section I. Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No
Significant deficiency(ies) identified? None reported

Noncompliance material to the financial statements noted? No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? No
Significant deficiency(ies) identified? None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR200.516(a)? No

Identification of Major Programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program</u> |
|---------------------|---------------------------------|
| 93.498 | CARES Act Providers Relief Fund |

Dollar threshold used to distinguish between Type A and Type B Programs: \$750,000

Auditee qualified as "low-risk" auditee? No

Section II. Financial Statement Findings

None.

Section III. Federal Award Findings and Questioned Costs

None.

HOSPITAL SERVICE DISTRICT NO.1 of the Parish of St. Mary,
STATE OF LOUISIANA, a component unit of the St. Mary Parish Council,
d/b/a FRANKLIN FOUNDATION HOSPITAL

SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2022

None.