

FRANKLIN MEDICAL CENTER
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
APRIL 30, 2023 AND 2022



LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF FRANKLIN, STATE OF LOUISIANA
 d/b/a FRANKLIN MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 YEARS ENDED APRIL 30, 2023 AND 2022

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

Management's Discussion and Analysis

This section of the annual financial report for Hospital Service District No. 1 of Franklin Parish, State of Louisiana d/b/a Franklin Medical Center (the "Hospital") provides background information and management's analysis of the Hospital's financial performance for the fiscal years that ended April 30, 2023, 2022, 2021 and 2020. Please read it in conjunction with the financial statements beginning on page 5 and notes to the financial statements beginning on page 10 in this report.

Financial Highlights

Current assets increased by \$1,053,708 or 3.8% for the year ending April 30, 2023 due to an increase in cash due to Employee Retention Credit monies, IGT payments, and DPP payments at year-end.

Current liabilities decreased 36.3% or \$3,597,427, due to a decrease in current portion of Medicare Advanced Payments due and COVID-19 grant Unearned Revenue at year-end. Long-term debt decreased by \$655,466 or 11.8% in FY 2023 to \$4,891,209 due to payments on long-term debt and a decrease in the long-term portion of Medicare Advanced Payments due.

The net position increased by \$9,620,869 or 36.6%, which is the excess of revenues over expenses for the year ending April 30, 2023. Net position as of April 30, 2023 was \$35,912,487, up from \$26,291,618 as of April 30, 2022.

Net patient revenue for FY 2023 decreased by \$1,184,516 or 3.37%, from \$35,109,435 in FY 2022 due to a decrease in outpatient charges in Respiratory Therapy, Central Supply and Pharmacy. Overall patient days decreased by 53 days to 3,090 for the year ending April 30, 2023.

Expenses for the year ending April 30, 2023 increased by \$4,978,461 or 12.06%. Total expenses for the year ending April 30, 2023 were \$46,257,660, up from \$41,279,199 as of April 30, 2022. The increase was due to an increase in IGT expense during the fiscal year.

Using this Annual Report

The Hospital's financial statements consist of three statements: a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. These statements provide information about the Hospital's activities including resources held by the Hospital.

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

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

Net position is the difference between assets and liabilities. Over time, increases or decreases in the Hospital's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Hospital's patient base, measure of the quality of services provided, and local, state, and federal economic factors to assess the overall health of Franklin Medical Center.

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

Management's Discussion and Analysis (continued)

Using this Annual Report (Continued)

The Statement of Cash Flows

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

Franklin Medical Center's Net Position

The Hospital's net position is the difference between assets and liabilities reported in the balance sheet. As discussed under the financial highlights section, the Hospital's net position (inclusive of donated assets) increased by \$9,620,869. The financial highlights section also discusses the changes in assets and liabilities as are shown in the following table.

TABLE 1
Condensed Statements of Net Position

	Years Ended April 30,			
	2023	2022	2021	2020
Total current assets	\$ 28,647,617	\$ 27,593,909	\$ 26,421,218	\$ 8,357,264
Nondepreciable capital assets	7,867,390	3,054,419	706,815	692,500
Depreciable capital assets, net	8,200,015	8,561,670	8,152,576	9,090,519
Right-of-Use capital assets	1,791,411	1,992,360	-0-	-0-
Limited use assets	395,307	393,537	592,562	588,557
Other non-current assets	206,836	144,705	91,587	115,991
Total assets	\$ 47,108,576	\$ 41,740,600	\$ 35,964,758	\$ 18,844,831
Total current liabilities	\$ 6,304,880	\$ 9,902,307	\$ 8,254,016	\$ 3,726,474
Long-term debt, net of current maturities	4,891,209	5,546,675	9,317,977	5,207,824
Total liabilities	11,196,089	15,448,982	17,571,993	8,934,298
Net position				
Invested in capital assets, net of related debt	12,084,256	7,239,808	355,205	3,339,928
Restricted	-0-	-0-	200,490	200,490
Unrestricted	23,828,231	19,051,810	17,837,070	6,370,115
Total liabilities and net position	\$ 47,108,576	\$ 41,740,600	\$ 35,964,758	\$ 18,844,831

Required Financial Statements

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

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

Management's Discussion and Analysis (continued)

Required Financial Statements (Continued)

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

Financial Analysis of the Hospital

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

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

Management's Discussion and Analysis (continued)

Summary of Revenues, Expenses and Changes in Net Position

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

	Years Ended			
	April 30,			
	2023	2022	2021	2020
Net patient service revenue	\$ 33,924,919	\$ 35,109,435	\$ 30,875,580	\$ 29,444,015
Other revenue	17,587,974	8,549,830	5,304,046	3,176,013
Total operating revenue	51,512,893	43,659,265	36,179,626	32,620,028
Salaries and employee benefits	20,231,424	20,373,511	18,325,799	16,820,854
Supplies and other	3,329,321	3,589,953	3,184,546	2,800,900
Professional, mgt. and consulting fees	6,592,418	6,143,422	6,378,897	6,447,178
Other expense	13,520,864	8,747,315	7,415,658	5,301,183
Insurance	706,569	597,718	434,739	518,087
Depreciation and amortization	1,877,064	1,827,280	1,361,212	1,390,838
Total operating expenses	46,257,660	41,279,199	37,100,851	33,279,040
Operating income (loss)	5,255,233	2,380,066	(921,225)	(659,012)
Nonoperating income	4,365,636	5,719,277	9,403,457	1,671,320
Changes in net position	9,620,869	8,099,343	8,482,232	1,012,308
Net position - beginning of year	26,291,618	18,192,275	9,710,043	8,898,225
Net position - end of year	\$ 35,912,487	\$ 26,291,618	\$ 18,192,275	\$ 9,910,533

Sources of Revenue

Operating Revenue

During fiscal year 2023, the Hospital derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payors, who receive care in the Hospital's facilities. Reimbursement for the Medicare and Medicaid programs and the third-party payors is based upon established contracts.

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

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

Management's Discussion and Analysis (continued)

Table 3 presents the relative percentages of gross charges billed for patient services for Medicare and Medicaid for the fiscal years ended April 30, 2023, 2022, 2021 and 2020.

TABLE 3
Medicare & Medicaid Patient Revenue

	Years ended April 30,			
	2023	2022	2021	2020
Medicare and Medicaid patient charges	\$ 62,134,042	\$ 61,408,171	\$ 57,937,778	\$ 58,948,548
Contractual adjustments	37,770,240	35,092,381	36,096,167	36,383,850
Net Medicare and Medicaid revenue	\$ 24,363,802	\$ 26,315,790	\$ 21,841,611	\$ 22,564,698
Percent of total patient gross charges	63%	65%	67%	70%
Percent of total net patient revenues	72%	75%	66%	77%

Operating and Financial Performance

TABLE 4
Patient Statistics

	Years ended April 30,			
	2023	2022	2021	2020
Number of patient days				
Medicare acute and rehab care	1,640	1,576	1,539	1,877
Swingbed	125	60	180	191
Medicaid acute and rehab care	439	652	667	398
Other acute and rehab care	886	855	579	637
Total	3,090	3,143	2,965	3,103
Number of patient discharges				
Medicare acute and rehab care	420	429	288	387
Swingbed	22	15	26	39
Medicaid acute and rehab care	99	136	149	98
Other acute and rehab care	90	87	99	144
Total	631	667	562	668
Average length of patient stay				
Medicare acute and rehab care	3.9	3.7	5.3	4.9
Swingbed	5.7	4.0	6.9	4.9
Medicaid acute and rehab care	4.4	4.8	4.5	4.1
Other acute and rehab care	9.8	9.8	5.8	4.4
Average length of stay for acute care	4.9	4.7	5.2	4.6

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

Management's Discussion and Analysis (continued)

Capital Assets

TABLE 5
Land and Depreciable Capital Assets, net

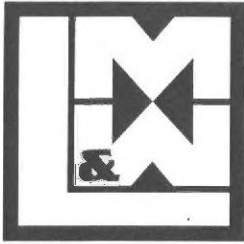
	April 30			
	2023	2022	2021	2020
Nondepreciable Capital Assets				
Land	\$ 657,500	\$ 657,500	\$ 657,500	\$ 657,500
Construction in Progress	7,209,890	2,396,919	49,315	35,000
Total Nondepreciable Capital Assets	\$ 7,867,390	\$ 3,054,419	\$ 706,815	\$ 692,500
Depreciable Capital Assets				
Building & Equipment	\$ 23,941,179	\$ 23,178,778	\$ 23,093,912	\$ 23,126,275
Leasehold Improvements	2,773,141	2,714,431	2,714,431	2,714,431
Intangibles	-0-	1,239,591	1,239,591	1,239,591
Subtotal	26,714,320	27,132,800	27,047,934	27,080,297
Less Accumulated Depr. & Amort.	18,514,305	18,571,130	17,989,778	17,989,778
Total Depreciable Capital Assets, net	\$ 8,200,015	\$ 8,561,670	\$ 9,058,156	\$ 9,090,519
Right-of-use Capital Assets				
Buildings	\$ 548,737	\$ 548,737	\$ -0-	\$ -0-
Equipment	2,484,123	2,003,410	-0-	-0-
Subtotal	3,032,860	2,552,147	-0-	-0-
Less Accumulated Amortization	1,241,449	559,787	-0-	-0-
Total Right-of-use Capital Assets, net	\$ 1,791,411	\$ 1,992,360	\$ -0-	\$ -0-

Long-Term Debt

Long-term debt at year end consists of one (1) revenue bond, and twenty-one (21) lease liabilities. During FY 2023, the Hospital made payments of \$1,012,085 to pay down revenue bonds and lease liabilities. The majority of the payments were due to Series 2020 Revenue bond. Long-term debt decreased by \$655,466 or 11.8% in 2023, due to payments on long-term debt and Medicare Advanced Payments.

Contacting the Hospital's Financial Manager

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



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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Hospital Service District No. 1, Parish of Franklin, State of Louisiana, d/b/a Franklin Medical Center (the "Hospital"), a component unit of the Franklin Parish Police Jury, as of and for the years ended April 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital, as of April 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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



Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial information of the Hospital and do not purport to, and do not, present fairly the financial position of Franklin Parish Police Jury as of April 30, 2023 and 2022, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Supplementary Information

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



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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2023, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

October 25, 2023



FRANKLIN MEDICAL CENTER
STATEMENTS OF NET POSITION
APRIL 30,

ASSETS	<u>2023</u>	<u>2022</u>
Current Assets		
Cash and cash equivalents (Note 3)	\$ 9,587,521	\$ 9,877,733
Certificates of deposit (Note 3)	11,644,340	8,431,645
Accounts receivable, net of allowances for uncollectibles (Note 4)	2,915,051	2,913,090
Estimated third-party payor settlements	2,728,871	3,077,258
Other receivables	316,380	1,937,872
Inventories	1,251,479	1,164,812
Prepaid expenses	<u>203,975</u>	<u>191,499</u>
 Total Current Assets	 <u>28,647,617</u>	 <u>27,593,909</u>
Non-Current Assets		
Nondepreciable capital assets (Note 5)	7,867,390	3,054,419
Depreciable capital assets, net (Note 5 and 6)	8,200,015	8,561,670
Right-of-use capital assets, net (Note 5 and 6)	1,791,411	1,992,360
Notes receivable	206,836	144,705
Limited use assets (Note 7)	<u>395,307</u>	<u>393,537</u>
 Total Assets	 <u>\$ 47,108,576</u>	 <u>\$ 41,740,600</u>

See accompanying notes to financial statements.

FRANKLIN MEDICAL CENTER
STATEMENTS OF NET POSITION (Continued)
APRIL 30,

LIABILITIES AND NET POSITION	<u>2023</u>	<u>2022</u>
Current Liabilities		
Accounts payable	\$ 1,911,593	\$ 1,235,595
Accrued salary and payroll taxes	916,805	890,437
Accrued paid time off (Note 8)	651,197	599,892
Estimated third-party payor settlements	1,801,641	531,961
Unearned revenue	-0-	2,776,552
Medicare advance payments	-0-	2,968,320
Current portion of lease liabilities (Note 9)	644,267	525,172
Current portion of long-term debt (Note 10)	<u>379,377</u>	<u>374,378</u>
 Total Current Liabilities	 <u>6,304,880</u>	 <u>9,902,307</u>
Long-term Liabilities		
Lease liabilities (Note 9)	1,287,437	1,544,772
Long-term debt, net of current maturities (Note 10)	<u>3,603,772</u>	<u>4,001,903</u>
 Total Liabilities	 <u>11,196,089</u>	 <u>15,448,982</u>
Net Position		
Invested in capital assets, net of related debt	12,084,256	7,239,808
Unrestricted	<u>23,828,231</u>	<u>19,051,810</u>
 Total Net Position	 <u>35,912,487</u>	 <u>26,291,618</u>
 Total Liabilities and Net Position	 <u>\$ 47,108,576</u>	 <u>\$ 41,740,600</u>

See accompanying notes to financial statements.

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

	<u>2023</u>	<u>2022</u>
Revenues		
Net patient service revenues (Note 11)	\$ 33,924,919	\$ 35,109,435
Medicaid supplemental payments (Note 18)	10,977,127	3,289,263
Non-restricted contributions	15,586	102
Operating grants	4,223,269	502,629
Intergovernmental transfer grants	679,193	2,264,827
Other operating revenues	<u>1,692,799</u>	<u>2,493,009</u>
 Total Revenues	 <u>51,512,893</u>	 <u>43,659,265</u>
 Expenses		
Salaries	16,630,292	16,568,563
Benefits and payroll taxes	3,601,132	3,804,948
Supplies and drugs	3,329,321	3,589,953
Professional fees	6,592,418	6,143,422
Other expenses	13,520,864	8,747,315
Insurance	706,569	597,718
Depreciation and amortization	<u>1,877,064</u>	<u>1,827,280</u>
 Total Expenses	 <u>46,257,660</u>	 <u>41,279,199</u>
 Operating Income (Loss)	 <u>5,255,233</u>	 <u>2,380,066</u>
 Nonoperating Revenues (Expenses)		
COVID-19 grant awards	2,776,972	1,933,903
Loan forgiveness	-0-	2,550,005
Maintenance taxes	1,390,151	1,396,084
Gain (loss) on sale of assets	(50,247)	(16,633)
Interest income	417,258	67,417
Interest expense	<u>(168,498)</u>	<u>(211,499)</u>
 Changes in Net Position	 9,620,869	 8,099,343
 Beginning Net Position	 <u>26,291,618</u>	 <u>18,192,275</u>
 Ending Net Position	 \$ <u>35,912,487</u>	 \$ <u>26,291,618</u>

See accompanying notes to financial statements.

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

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 32,572,705	\$ 37,504,759
Other receipts from operations	19,209,466	3,954,413
Cash payments to employees and for employee-related cost	(20,153,751)	(20,147,633)
Cash payments for other operating expenses	<u>(23,572,317)</u>	<u>(19,284,050)</u>
Net cash provided (used) by operating activities	<u>8,056,103</u>	<u>2,027,489</u>
Cash flows from investing activities:		
Purchase of certificates of deposit	(3,214,465)	-0-
Proceeds from certificates of deposit	-0-	2,163,076
Loans to physicians and nurses	(70,000)	(61,424)
Proceeds from loan repayments	2,203	-0-
Interest income	<u>417,258</u>	<u>67,417</u>
Net cash provided (used) by investing activities	<u>(2,865,004)</u>	<u>2,169,069</u>
Cash flows from non-capital financing activities:		
Proceeds from maintenance taxes	1,390,151	1,396,084
Proceeds from COVID-19 grant awards	<u>420</u>	<u>2,776,552</u>
Net cash provided (used) by non-capital financing activities	<u>1,390,571</u>	<u>4,172,636</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(5,691,299)	(4,587,918)
Interest expense	(168,498)	(211,499)
Principal payments on lease liability obligations	(618,953)	(482,203)
Principal payments on long-term debt	<u>(393,132)</u>	<u>(365,000)</u>
Net cash provided (used) by capital and related financing activities	<u>(6,871,882)</u>	<u>(5,646,620)</u>
Net increase (decrease) in cash and cash equivalents	(290,212)	2,722,574
Beginning cash and cash equivalents	<u>9,877,733</u>	<u>7,155,159</u>
Ending cash and cash equivalents	\$ <u>9,587,521</u>	\$ <u>9,877,733</u>

See accompanying notes to financial statements.

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

	<u>2023</u>	<u>2022</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	\$ <u>168,122</u>	\$ <u>191,809</u>
Equipment acquired through right-of-use lease agreements	\$ <u>480,713</u>	\$ <u>579,238</u>
Forgiveness of PPP loan	\$ <u>-0-</u>	\$ <u>2,550,005</u>
Reconciliation of income from operations to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 5,255,233	\$ 2,380,066
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,877,064	1,827,280
Changes in current assets (increase) decrease:		
Accounts receivable	(1,961)	(219,281)
Estimated third-party payor settlements	348,387	935,938
Other receivables	1,621,492	(1,306,154)
Inventories	(86,667)	(44,457)
Prepaid expenses	(12,476)	19,296
Changes in current liabilities increase (decrease):		
Accounts payable	675,998	(180,481)
Accrued salary and payroll taxes	26,368	171,128
Accrued paid time off	51,305	54,750
Estimated third-party payor settlements	1,269,680	(357,611)
Medicare advance payments	<u>(2,968,320)</u>	<u>(1,252,985)</u>
Net cash provided (used) by operating activities	\$ <u>8,056,103</u>	\$ <u>2,027,489</u>

See accompanying notes to financial statements.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2023 AND 2022

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

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

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

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

Nature of Business

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

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

Cash and Cash Equivalents

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

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit Risk

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

The Hospital's estimate of collectability is based on evaluation of historical collections compared to gross charges and an analysis of aged accounts receivable to establish an allowance for uncollectible accounts.

Significant Concentration of Economic Dependence

The District has an economic dependence on a small number of staff physicians. These physicians admit over 90% of the Hospital's patients. The Hospital also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 11. Changes in federal or state legislation or interpretations of rules have a significant impact on the Hospital.

Net Patient Service Revenues

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

Revenues are recorded at estimated amounts due from patients and third-party payors for the Hospital services provided. Settlements under reimbursement agreements with third-party payors are estimated and recorded in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

Patient Accounts Receivable

Patient accounts receivable are carried at a net amount determined by the original charges for the services provided, less an estimate made for contractual adjustments or discounts provided to the third-party payors, less any payments received and less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by utilizing a historical experience applied to an aging of accounts. Patient accounts receivable are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off as bad debt expense are recorded as a reduction of bad debt expense when received.

Inventories

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

Income Taxes

The District is a political subdivision and exempt from taxation.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are recorded at cost for purchased assets or at fair market value on the date of any donation. The Hospital uses straight-line method of determining depreciation for financial reporting and third-party reimbursement. For right-of-use assets, amortization is calculated on the straight-line method over the lesser of the lease terms or the estimated useful lives of the underlying asset. The following estimated useful lives are generally used.

Buildings and Improvements	5 to 40 years
Machinery and Equipment	3 to 20 years
Furniture and Fixtures	3 to 20 years
Intangibles	3 to 8 years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations as incurred.

The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposal are credited or charged to operations currently.

Net Position

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

Revenue and Expenses

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

Restricted Revenues

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

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contributions

From time to time, the Hospital receives grants and contributions from the State of Louisiana, individuals, or private and public organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either a specific operating purpose or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Use of Estimates

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

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Risk Management

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Environmental Matters

The Hospital is subject to laws and regulations relating to the protection of the environment. The Hospital's policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty, the potential financial impact of the Hospital's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the Hospital. At April 30, 2023 and 2022, management is not aware of any liability resulting from environmental matters.

Advertising

The Hospital expenses advertising cost as incurred. Advertising expense for the years ended April 30, 2023 and 2022 totaled \$43,325 and \$46,570, respectively.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements

On May 1, 2022, the Hospital adopted GASB Statement No. 87, *Leases*. The primary objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting of lease by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-of-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The new standard is to be applied to all applicable leases as of the beginning of the earliest period presented; and therefore, the April 30, 2022 financial statements have been restated, as discussed in Note 25.

Recently Issued Accounting Principles

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITA) for government end users. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right to use subscription assets – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. Management is currently evaluating the potential impact of adoption on the Hospital's financial statements. The Statement is effective for fiscal years beginning after June 15, 2022.

Reclassifications

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

NOTE 3 - DEPOSITS AND INVESTMENTS

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

FRANKLIN MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED APRIL 30, 2023 AND 2022

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the Hospital’s deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the Hospital be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The Hospital’s deposits were entirely insured or entirely collateralized by securities held by the pledging bank’s trust department in the Hospital’s name as of April 30, 2023 and 2022.

Interest Rate Risks – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer an investment takes to mature, the greater the sensitivity of its fair value to changes in market interest rates. The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

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

	<u>2023</u>	<u>2022</u>
Cash in banks	\$ <u>22,370,917</u>	\$ <u>19,351,635</u>
Insured by FDIC	\$ <u>9,606,190</u>	\$ <u>10,543,129</u>
Collateralization by fair market value or letters of credit	\$ <u>12,764,727</u>	\$ <u>8,808,506</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>

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

	<u>2023</u>	<u>2022</u>
Carrying amount		
Deposits	\$ 1,237,472	\$ 1,002,377
Certificates of deposit	<u>20,389,696</u>	<u>17,700,538</u>
	\$ <u>21,627,168</u>	\$ <u>18,702,915</u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 9,587,521	\$ 9,877,733
Certificates of deposit	11,644,340	8,431,645
Non-current cash and investments		
Assets whose use is limited	<u>395,307</u>	<u>393,537</u>
	\$ <u>21,627,168</u>	\$ <u>18,702,915</u>

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2023 AND 2022

NOTE 4 - ACCOUNTS RECEIVABLE

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

	<u>2023</u>	<u>2022</u>
Patients	\$ 4,652,651	\$ 4,654,990
Estimated allowances for uncollectibles	<u>(1,737,600)</u>	<u>(1,741,900)</u>
 Net accounts receivable	 \$ <u>2,915,051</u>	 \$ <u>2,913,090</u>

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

	<u>2023</u>	<u>2022</u>
Medicare	20%	19%
Medicaid	25%	26%
Blue Cross	8%	6%
Commercial and other third-party payors	30%	31%
Patients	<u>17%</u>	<u>18%</u>
 Total	 <u>100%</u>	 <u>100%</u>

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2023 AND 2022

NOTE 5 - CAPITAL ASSETS

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

	<u>2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>2023</u>
Nondepreciable capital assets					
Land	\$ 657,500	\$ -0-	\$ -0-	\$ -0-	\$ 657,500
Construction in progress	<u>2,396,919</u>	<u>4,812,971</u>	<u>-0-</u>	<u>-0-</u>	<u>7,209,890</u>
Total nondepreciable capital assets	\$ <u>3,054,419</u>	\$ <u>4,812,971</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>7,867,390</u>
Depreciable capital assets					
Buildings	\$ 11,092,265	\$ 4,540	\$ -0-	\$ -0-	\$ 11,096,805
Leasehold improvements	2,714,431	58,710	-0-	-0-	2,773,141
Furniture and equipment	12,086,513	768,977	11,116	-0-	12,844,374
Intangibles	<u>1,239,591</u>	<u>-0-</u>	<u>1,239,591</u>	<u>-0-</u>	<u>-0-</u>
Total depreciable capital assets	27,132,800	832,227	1,250,707	-0-	26,714,320
Accumulated depreciation and amortization	<u>18,571,130</u>	<u>1,189,736</u>	<u>1,246,561</u>	<u>-0-</u>	<u>18,514,305</u>
Total depreciable capital assets, net	\$ <u>8,561,670</u>	\$ <u>(357,509)</u>	\$ <u>4,146</u>	\$ <u>-0-</u>	\$ <u>8,200,015</u>
Right-of-use capital assets					
Buildings	\$ 548,737	\$ -0-	\$ -0-	\$ -0-	\$ 548,737
Equipment	<u>2,003,410</u>	<u>480,713</u>	<u>-0-</u>	<u>-0-</u>	<u>2,484,123</u>
Total right-of-use capital assets	2,552,147	480,713	-0-	-0-	3,032,860
Accumulated ammortization	<u>559,787</u>	<u>681,662</u>	<u>-0-</u>	<u>-0-</u>	<u>1,241,449</u>
Total right-of-use capital assets, net	\$ <u>1,992,360</u>	\$ <u>(200,949)</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>1,791,411</u>

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2023 AND 2022

NOTE 5 - CAPITAL ASSETS (Continued)

	<u>2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>2022</u>
Nondepreciable capital assets					
Land	\$ 657,500	\$ -0-	\$ -0-	\$ -0-	\$ 657,500
Construction in progress	<u>49,315</u>	<u>2,347,604</u>	<u>-0-</u>	<u>-0-</u>	<u>2,396,919</u>
Total nondepreciable capital assets	<u>\$ 706,815</u>	<u>\$ 2,347,604</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 3,054,419</u>
Depreciable capital assets					
Buildings	\$ 11,082,820	\$ 9,445	\$ -0-	\$ -0-	\$ 11,092,265
Leasehold improvements	2,714,431	-0-	-0-	-0-	2,714,431
Furniture and equipment	9,891,543	2,180,130	63,213	78,053	12,086,513
Intangibles	<u>1,239,591</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,239,591</u>
Total depreciable capital assets	24,928,385	2,189,575	63,213	78,053	27,132,800
Accumulated depreciation and amortization	<u>17,363,358</u>	<u>1,259,187</u>	<u>51,415</u>	<u>-0-</u>	<u>18,571,130</u>
Total depreciable capital assets, net	<u>\$ 7,565,027</u>	<u>\$ 930,388</u>	<u>\$ 11,798</u>	<u>\$ 78,053</u>	<u>\$ 8,561,670</u>
Right-of-use capital assets					
Buildings	\$ 48,920	\$ 499,817	\$ -0-	\$ -0-	\$ 548,737
Equipment	<u>1,923,989</u>	<u>79,421</u>	<u>-0-</u>	<u>-0-</u>	<u>2,003,410</u>
Total right-of-use capital assets	1,972,909	579,238	-0-	-0-	2,552,147
Accumulated ammortization	<u>-0-</u>	<u>559,787</u>	<u>-0-</u>	<u>-0-</u>	<u>559,787</u>
Total right-of-use capital assets, net	<u>\$ 1,972,909</u>	<u>\$ 19,451</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,992,360</u>

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2023 AND 2022

NOTE 6 - HOSPITAL FACILITY AND EQUIPMENT

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

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

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

<u>Cost or Fair Market Value on the Date of Donation</u>	<u>2023</u>	<u>2022</u>
Land	\$ 27,500	\$ 27,500
Buildings	1,842,500	1,842,500
Furniture and equipment	<u>188,716</u>	<u>188,716</u>
Total	<u>2,058,716</u>	<u>2,058,716</u>
<u>Accumulated Depreciation</u>		
Buildings	1,842,500	1,842,500
Furniture and equipment	<u>188,716</u>	<u>188,716</u>
Total	<u>2,031,216</u>	<u>2,031,216</u>
Book value of property, plant and equipment	\$ <u>27,500</u>	\$ <u>27,500</u>

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

FRANKLIN MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED APRIL 30, 2023 AND 2022

NOTE 7 - LIMITED USE ASSETS

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

	<u>2023</u>	<u>2022</u>
<u>By Board</u>		
For capital improvements	\$ <u>395,307</u>	\$ <u>393,537</u>

NOTE 8 - PAID TIME OFF

Employees of the District are entitled to paid days off and sick days depending on length of service. The District accrued \$651,197 and \$599,892 of vacation pay at April 30, 2023 and 2022. It is impracticable to estimate the amount of compensation for future unvested sick pay and, accordingly, no liability has been recorded in the accompanying financial statements. The District's policy is to recognize the cost of unvested sick pay when actually paid to employees.

NOTE 9 - LEASE LIABILITIES

The following is a summary of the changes in lease liability obligations as of April 30:

	<u>2022</u>	<u>Additions</u>	<u>Payments</u>	<u>2023</u>	<u>Due Within One Year</u>
Building	\$ 527,628	\$ -0-	\$ 26,941	\$ 500,687	\$ 28,391
Equipment	<u>1,542,316</u>	<u>480,713</u>	<u>592,012</u>	<u>1,431,017</u>	<u>615,876</u>
Total	\$ <u>2,069,944</u>	\$ <u>480,713</u>	\$ <u>618,953</u>	\$ <u>1,931,704</u>	\$ <u>644,267</u>
	<u>2021</u>	<u>Additions</u>	<u>Payments</u>	<u>2022</u>	<u>Due Within One Year</u>
Building	\$ 48,920	\$ 499,817	\$ 21,109	\$ 527,628	\$ 26,942
Equipment	<u>1,923,989</u>	<u>79,421</u>	<u>461,094</u>	<u>1,542,316</u>	<u>498,230</u>
Total	\$ <u>1,972,909</u>	\$ <u>579,238</u>	\$ <u>482,203</u>	\$ <u>2,069,944</u>	\$ <u>525,172</u>

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2023 AND 2022

NOTE 9 - LEASE LIABILITIES (Continued)

The following are the terms and due dates of the District's lease liability obligations:

- Various lease liability obligations for buildings at imputed interest rate of 5.25% with total monthly payments ranging from \$1,200 to \$3,501 through October 1, 2041.
- Various lease liability obligations for equipment at either stated interest rates ranging from 1.49% to 19.18% or imputed interest rates of 5.25% with total monthly payments ranging from \$553 to \$15,704 through January 23, 2031.

Scheduled principal and interest payments on lease liability obligations are as follows:

<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2024	\$ 644,267	\$ 72,977	\$ 717,244
2025	472,657	44,839	517,496
2026	231,971	30,676	262,647
2027	132,589	25,153	157,742
2028	27,927	22,893	50,820
2029-2033	138,636	92,001	230,637
2034-2038	149,602	56,173	205,775
2039-2043	<u>134,055</u>	<u>12,986</u>	<u>147,041</u>
Totals	\$ <u>1,931,704</u>	\$ <u>357,698</u>	\$ <u>2,289,402</u>

NOTE 10 - LONG-TERM DEBT

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

	<u>2022</u>	<u>Additions</u>	<u>Payments</u>	<u>2023</u>	<u>Due Within One Year</u>
Revenue bonds, Series 2020	\$ <u>4,376,281</u>	\$ <u>-0-</u>	\$ <u>393,132</u>	\$ <u>3,983,149</u>	\$ <u>379,377</u>
Total	\$ <u>4,376,281</u>	\$ <u>-0-</u>	\$ <u>393,132</u>	\$ <u>3,983,149</u>	\$ <u>379,377</u>
	<u>2021</u>	<u>Additions</u>	<u>Payments</u>	<u>2022</u>	<u>Due Within One Year</u>
SBA PPP Loan	\$ 2,550,005	\$ -0-	\$ 2,550,005	\$ -0-	\$ -0-
Revenue bonds, Series 2020	<u>4,741,281</u>	<u>-0-</u>	<u>365,000</u>	<u>4,376,281</u>	<u>374,378</u>
Total	\$ <u>7,291,286</u>	\$ <u>-0-</u>	\$ <u>2,915,005</u>	\$ <u>4,376,281</u>	\$ <u>374,378</u>

FRANKLIN MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED APRIL 30, 2023 AND 2022

NOTE 10 - LONG-TERM DEBT (Continued)

The following are the terms and due dates of the Hospital's long-term debt at April 30, 2023:

- Small Business Administration (SBA) Paycheck Protection Program (PPP) loan for employee expenses in the amount of \$2,550,005. The loan repayment originally commenced six months after the loan date of May 1, 2020; however, a 10-month deferment was granted, commencing after the Hospital's 24-week covered period. The Hospital has applied for loan forgiveness through the Small Business Administration, which was granted on June 1, 2021.
- \$5,020,000 Revenue Bond, Series 2020 at 2% for the purpose of refunding the Series 2014 and 2015 bonds. The Series 2020 bond is secured and payable solely from a pledge and dedication of Hospital levy and collection of 13 mills ad valorem tax revenue, with principal payable in annual installments plus interest, starting April 1, 2021 through April 1, 2034.

On August 27, 2020 the Hospital issued \$5,020,000 of revenue bonds for the purpose of refunding \$5,000,000 of then-outstanding 2014 and 2015 revenue bonds. The difference between cash flow required to service the old debt and that required to service the new debt and complete refunding was a savings of \$577,266. The economic gain resulting from the transaction was \$423,956.

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

<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2024	\$ 379,377	\$ 77,600	\$ 456,977
2025	379,377	70,200	449,577
2026	379,377	62,800	442,177
2027	379,377	55,400	434,777
2028	379,377	48,000	427,377
2029-2033	1,906,886	90,100	1,996,986
2034-2038	<u>179,377</u>	<u>3,400</u>	<u>182,777</u>
Totals	\$ <u>3,983,148</u>	\$ <u>407,500</u>	\$ <u>4,390,648</u>

NOTE 11 - NET PATIENT SERVICE REVENUES

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

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Hospital qualified for a Medicare low volume add-on for inpatient payments. These payments are effective for discharges occurring October 1, 2010 until September 30, 2024, if not extended by Congress. The additional payment received under the Medicare low volume add-on was \$626,935 and \$664,232 for the years ended April 30, 2023 and 2022, respectively.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2023 AND 2022

NOTE 11 - NET PATIENT SERVICE REVENUES (Continued)

Because the Hospital qualifies as a Medicare Dependent Hospital (MDH), it receives additional reimbursement. The additional payments received under MDH status were \$8,836 and \$34,608 for the years ended April 30, 2023 and 2022, respectively. The benefits related to MDH designation expire on September 30, 2024. Outpatient services related to Medicare beneficiaries were paid based on a set fee per diagnosis. Swing bed services are reimbursed based on a prospectively determined rate per patient day. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's Medicare cost reports have been examined by the Medicare fiscal intermediary through April 30, 2019.

Medicaid - Inpatient services are reimbursed based on a prospectively determined per diem rate. Some outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid prospectively based on a fee schedule. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been examined by the Medicaid fiscal intermediary through April 30, 2017.

Commercial - The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. Payment methods under these agreements include prospectively determined rates per discharge, discounts from established charges and prospectively determined per diem rates. Blue Cross Blue Shield (BCBS) is the largest commercial provider. BCBS charges were 7.5% and 7.7% of the total gross charges for the years ended April 30, 2023 and 2022, respectively.

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

	<u>2023</u>	<u>2022</u>
Gross charges	\$ 98,418,692	\$ 94,264,581
Less charges associated with charity patients	<u>66,757</u>	<u>75,533</u>
Gross patient service revenues	98,351,935	94,189,048
Less deductions from revenue:		
Contractual adjustments	61,547,204	56,340,287
Policy and other discounts	<u>256,373</u>	<u>178,553</u>
Patient service revenue (net of contractual adjustments and discounts)	36,548,358	37,670,208
Less provision for bad debts	<u>(2,623,439)</u>	<u>(2,560,773)</u>
Net patient service revenue less provision for bad debts	\$ <u>33,924,919</u>	\$ <u>35,109,435</u>

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2023 AND 2022

NOTE 11 - NET PATIENT SERVICE REVENUES (Continued)

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

	<u>2023</u>	<u>2022</u>
Medicare and Medicaid patient charges	\$ 62,134,042	\$ 61,408,171
Contractual adjustments	<u>(37,770,240)</u>	<u>(35,092,381)</u>
Program patient service revenue	\$ <u>24,363,802</u>	\$ <u>26,315,790</u>
Percent of total gross patient charges	<u>63%</u>	<u>65%</u>
Percent of total net patient revenues	<u>72%</u>	<u>75%</u>

The Hospital experienced differences between the amounts initially recorded on its cost report settlements with Medicare and Medicaid and the finalized amounts. The adjustments resulted in an increase of \$18,201 and \$110,158 in net patient service revenue in 2023 and 2022, respectively.

NOTE 12 - PROFESSIONAL LIABILITY RISK

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

NOTE 13 - CONTINGENCIES

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

Governmental Third-Party Reimbursement Programs (Note 11) - The Hospital is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2023 AND 2022

NOTE 13 - CONTINGENCIES (Continued)

Further, in order to continue receiving reimbursement from the Medicare program, the Hospital entered into an agreement with a government agent allowing the agent access to the Hospital's Medicare patient medical records for purposes of making medical necessity and appropriate level of care determinations. The agent has the ability to deny reimbursement for Medicare patient claims which have already been paid to the Hospital.

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

Professional Liability Risk (Note 12) - The Hospital participates in the Louisiana Hospital Association's Self-Insurance Professional Liability Trust Fund. Should the Fund's assets not be adequate to cover claims made against it, the Hospital may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of assessments, if any, under this program. The portion of the fund that is refundable to the Hospital is included in other assets.

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

NOTE 14 - EMPLOYEE MEDICAL BENEFIT PLAN

The Hospital is self-insured to provide group medical coverage for its employees. A third-party administers the group medical coverage for the Hospital. The Hospital funds its losses based on actual claims. A stop-loss insurance contract executed with an insurance carrier covers individual claims in excess of \$80,000 or aggregate claims exceeding \$2,352,277 per plan year. There were no significant changes in insurance coverage from the prior year. A liability is accrued for self-insured employee health claims, including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims' experience, recently settled claims, and frequency of claims. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2023 AND 2022

NOTE 14 - EMPLOYEE MEDICAL BENEFIT PLAN (Continued)

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

	<u>2023</u>	<u>2022</u>
Beginning of the year	\$ 301,330	\$ 200,000
Plus: Claims incurred and changes in estimate	2,101,638	2,284,393
Less: Claims paid	<u>2,101,638</u>	<u>2,183,063</u>
End of the year	\$ <u>301,330</u>	\$ <u>301,330</u>

NOTE 15 - PENSION PLAN

The Hospital has a defined contribution pension plan. The plan is administered by OneAmerica who holds all plan assets. All of the employees over the age of 21 are eligible to participate in the plan. Employees can elect to contribute up to the IRS allowable amount and the Hospital matches the first 3% of the employees' contributions. Employees are vested after 5 years, if they are disabled, or when they reach retirement age (65). Actual contributions made by the Hospital for the years ended April 30, 2023 and 2022 were \$310,582 and \$316,027. The employees of the Hospital contributed \$528,440 and \$524,186 for the years ended April 30, 2023 and 2022, respectively.

Effective December 16, 2019, the Hospital began contributing to a qualified defined contribution plan, Franklin Medical Center 401(a) Plan, as authorized under Internal Revenue Code of 1986, Section 401(a). The Plan is intended to be a Social Security replacement plan. All employees who were employed prior to December 16, 2019 were given a one-time option to continue contributing to the Social Security System or enroll in the District's 401(a) Plan. All employees who are hired after December 16, 2019 are required to enroll into the District's 401(a) Plan. Employees are 100% vested upon entry into the Plan with retirement age being 70 ½. The Hospital's mandatory contribution is 1.3% of employee salaries earned during each pay period. The Hospital under its sole discretion may contribute a discretionary contribution subject to limitations under this Plan. Employee mandatory contributions are equal to 6.2% of salaries earned during each pay period. Actual contributions made by the Hospital for years ended April 30, 2023 and 2022 were \$614,057 and \$565,511, respectively. The employees of the Hospital contributed \$761,461 and \$700,939 for the years ended April 30, 2023 and 2022, respectively.

NOTE 16 - COMMISSIONERS

The following commissioners served Franklin Medical Center without compensation during the year ended April 30, 2023:

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

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2023 AND 2022

NOTE 17 - GRANT REVENUE

In 2015, the Hospital (Grantee) entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (Grantor) whereby the Grantor awards an intergovernmental transfer grant (IGT) to be used solely to provide adequate and essential medically necessary and available healthcare services to Grantee's service population subject to the availability of such grant funds. The aggregate IGT grant income is \$679,193 and \$2,264,827 for fiscal years 2023 and 2022, respectively.

The Hospital also received approximately \$3.5 million through the Employee Retention Tax Credit (ERTC), which is recorded as operating grant revenue. The Hospital showed the revenue as earned when it substantially met the program's eligibility conditions. The ERTC is a refundable tax credit for businesses and tax-exempt organizations that had employees and were affected during the COVID-19 pandemic. Since the Hospital amended only the first and second quarter of the 2021 payroll tax reports, the Internal Revenue Service (IRS) has three years from date of amending the payroll tax returns to audit the ERTC. An IRS examination could result in an overpayment of the claim, which could be material.

Various other grants were received during the year for other uses.

NOTE 18 - MEDICAID SUPPLEMENTAL PAYMENTS

For state fiscal year (SFY) 2023, the Louisiana Department of Health (LDH) obtained a Medicaid State Plan Amendment (SPA) approval from the Centers for Medicare and Medicaid Services (CMS) to make quarterly supplemental payments to hospitals based upon certain assumptions under a directed payment plan (DPP). Annually thereafter, LDH must submit the assumptions to CMS for approval in future years. The basis for interim supplemental payments is the Hospital's historical paid claims and other factors. In future state fiscal years, actual paid claims and other factors will be used to reconcile interim payments to final settled DPP amounts. LDH anticipates increasing or decreasing future DPP payments by the reconciliation amounts. The Hospital has recognized approximately \$3.4 million as Medicaid supplemental income after consideration was given for future adjustments which the Hospital determined necessary. To the extent income recognized in the current period differs from actual results, Medicaid supplemental income will be adjusted.

The Hospital entered into an Intergovernmental Transfer Agreement (IGT) with the Louisiana Department of Health (LDH) as part of Louisiana Physician IPA, Inc. which is a physician supplemental program. In fiscal year 2023, the Hospital received approximately \$7.2 million in Medicaid supplemental payments of which approximately \$5.0 million was submitted to LDH as an IGT. In fiscal year 2022, the Hospital received approximately \$3.3 million in Medicaid supplemental payments of which approximately \$2.4 million was submitted to LDH as an IGT.

FRANKLIN MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED APRIL 30, 2023 AND 2022

NOTE 19 - CHARITY CARE

The Hospital provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% of the charity care or owe a reduced "sliding scale" amount based on the patient's level of income in comparison to the Federal Poverty Guidelines based on a 200% scale. Accordingly, the Hospital does not report the amount it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The Hospital determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including wages and related benefits, supplies and other operating expenses. The costs of caring for charity care patients were approximately \$31,000 and \$33,000 for the years ended April 30, 2023 and 2022, respectively. Funds received through UCC and grants, which pay part of the cost of charity and uninsured care, were approximately \$27,000 and \$42,000 for the years ended April 30, 2023 and 2022, respectively.

NOTE 20 - AD VALOREM TAXES

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

NOTE 21 - COMMITMENTS

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

<u>Year Ending April 30,</u>	<u>Amount</u>
2024	\$ 423,312
2025	423,312
2026	423,312
2027	423,312
2028	<u>423,312</u>
Total future commitment payments	\$ <u>2,116,560</u>

The Hospital entered into various construction contracts, which totaled \$9,166,249, including change orders as of April 30, 2023. The Hospital paid \$5,358,361 towards these commitments as of April 30, 2023.

NOTE 22 - INTANGIBLES

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

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2023 AND 2022

NOTE 23 - COVID-19 GRANT AWARDS

The Hospital received \$2,776,552 and \$10,103,688 in COVID-19 grant awards (the funds) via the Coronavirus Aid Relief and Economic Security (CARES) Act and the American Rescue Plan (ARP) during the fiscal years ending April 30, 2022 and 2021, respectively. The funds were issued by the U.S. Department of Health & Human Services (HHS) in response to the Coronavirus pandemic to be utilized for healthcare related expenses and lost revenues attributable to coronavirus. The Hospital recognized \$2,776,552 and \$1,933,903 and \$8,169,785 as non-operating grant revenue during fiscal years April 30, 2023, 2022 and 2021, respectively. The Hospital has submitted reports of healthcare related expenses and lost revenues attributed to coronavirus from January 1, 2020 through June 30, 2021 for Phase 1 distributions; January 1, 2020 through December 31, 2021 for Phase 2 distributions; and January 1, 2020 through December 31, 2022 for Phase 4 and ARP distributions. The Health Resources and Services Administration (HRSA) reserves the right to audit the funds, which accounts for a substantial portion of the COVID-19 grant awards, within a three-year period from the report dates.

NOTE 24 - MEDICARE ADVANCED PAYMENTS

The Hospital applied and received \$4,221,305 in Medicare Advanced Payments during September 2020. The advanced payments are to assist the Hospital due to the coronavirus pandemic. The advanced payments were collected through Medicare claims and paid in full during the fiscal year ended April 30, 2023.

NOTE 25 - CHANGE IN METHOD OF ACCOUNTING FOR LEASES

As discussed in Note 2, the Hospital adopted GASB Statement No. 87, *Leases* on May 1, 2022. This statement is applied retroactively by restating balances in the financial statements as of April 30, 2022 as follows:

	As Previously Reported	As Restated
Right-of-use capital assets, net	\$ -0-	\$ 1,992,360
Lease liabilities	\$ -0-	\$ 2,069,944

NOTE 26 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 25, 2023, and determined that no material events occurred that require disclosure, except those noted below. No subsequent events occurring after that date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

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

	<u>2023</u>	<u>2022</u>
Routine Services:		
Adults and pediatric	\$ 2,436,746	\$ 2,379,338
Intensive care unit	3,600	68,750
Rehab unit	1,040,221	907,623
Swing bed	<u>103,189</u>	<u>71,800</u>
 Total	 <u>3,583,756</u>	 <u>3,427,511</u>
 Other Professional Services:		
Operating room		
Inpatient	381,490	397,079
Outpatient	<u>2,973,630</u>	<u>2,558,325</u>
 Total	 <u>3,355,120</u>	 <u>2,955,404</u>
Recovery room		
Inpatient	20,175	26,775
Outpatient	<u>178,050</u>	<u>202,425</u>
 Total	 <u>198,225</u>	 <u>229,200</u>
Anesthesia		
Inpatient	2,620	2,280
Outpatient	<u>15,140</u>	<u>16,780</u>
 Total	 <u>17,760</u>	 <u>19,060</u>
Radiology		
Inpatient	852,952	1,009,241
Outpatient	<u>15,315,668</u>	<u>14,570,372</u>
 Total	 <u>16,168,620</u>	 <u>15,579,613</u>
Laboratory		
Inpatient	954,306	971,816
Outpatient	<u>13,958,140</u>	<u>12,652,548</u>
 Total	 <u>\$ 14,912,446</u>	 <u>\$ 13,624,364</u>

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

	<u>2023</u>	<u>2022</u>
Blood		
Inpatient	\$ 89,188	\$ 86,132
Outpatient	<u>384,479</u>	<u>395,157</u>
Total	<u>473,667</u>	<u>481,289</u>
Respiratory care		
Inpatient	1,827,514	2,930,967
Outpatient	<u>3,039,793</u>	<u>2,330,813</u>
Total	<u>4,867,307</u>	<u>5,261,780</u>
Physical therapy		
Inpatient	843,012	853,855
Outpatient	<u>760,765</u>	<u>760,667</u>
Total	<u>1,603,777</u>	<u>1,614,522</u>
EKG		
Inpatient	67,625	78,988
Outpatient	<u>651,866</u>	<u>607,093</u>
Total	<u>719,491</u>	<u>686,081</u>
Central supply		
Inpatient	482,230	892,166
Outpatient	<u>1,966,123</u>	<u>2,786,897</u>
Total	<u>2,448,353</u>	<u>3,679,063</u>
Pharmacy		
Inpatient	2,134,577	2,491,095
Outpatient	<u>10,674,315</u>	<u>11,369,686</u>
Total	<u>12,808,892</u>	<u>13,860,781</u>
Intensive outpatient program	<u>714,876</u>	<u>983,278</u>
Emergency room		
Inpatient	1,495,701	1,376,994
Outpatient	<u>19,961,207</u>	<u>16,042,471</u>
Total	<u>\$ 21,456,908</u>	<u>\$ 17,419,465</u>

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

	<u>2023</u>	<u>2022</u>
Observation room		
Inpatient	\$ 131,388	\$ 86,352
Outpatient	<u>1,692,172</u>	<u>1,086,733</u>
Total	<u>1,823,560</u>	<u>1,173,085</u>
Rural health clinic - outpatient	<u>9,905,293</u>	<u>9,960,661</u>
Ambulance - outpatient	<u>21,498</u>	<u>23,067</u>
Wound care - outpatient	<u>445,290</u>	<u>412,625</u>
Orthopedic clinic - outpatient	<u>2,015,740</u>	<u>1,968,404</u>
Urology clinic	<u>7,755</u>	<u>12,830</u>
Surgery clinic - outpatient	<u>582,936</u>	<u>690,357</u>
Dialysis - inpatient	<u>69,095</u>	<u>-0-</u>
Spa - outpatient	<u>218,327</u>	<u>202,141</u>
Total Other Professional Services	<u>94,834,936</u>	<u>90,837,070</u>
Gross charges	<u>98,418,692</u>	<u>94,264,581</u>
Less charges associated with charity patients	<u>(66,757)</u>	<u>(75,533)</u>
Gross patient service revenue	98,351,935	94,189,048
Less deductions from revenue:		
Contractual adjustments	61,547,204	56,340,287
Policy and other discounts	<u>256,373</u>	<u>178,553</u>
Patient service revenue (net of contractual adjustments and discounts)	<u>36,548,358</u>	<u>37,670,208</u>
Less provision for bad debts	<u>(2,623,439)</u>	<u>(2,560,773)</u>
Net Patient Service Revenue	\$ <u>33,924,919</u>	\$ <u>35,109,435</u>

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

	<u>2023</u>	<u>2022</u>
Vending machine commission	\$ 3,492	\$ 2,846
Physician office rentals	10,250	32,532
Medical records abstract fees	22,736	26,024
340B pharmacy program	1,567,551	2,372,591
Miscellaneous revenue	<u>88,770</u>	<u>59,016</u>
Total other operating revenues	\$ <u>1,692,799</u>	\$ <u>2,493,009</u>

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

	<u>2023</u>	<u>2022</u>
Personnel	\$ 56,465	\$ 56,481
Administration	1,396,985	1,539,331
Plant operations and maintenance	239,131	234,473
Housekeeping	-0-	2,950
Purchasing	46,030	81,321
Pharmacy	484,984	403,752
Nursing administration	278,417	273,958
Medical records	318,565	309,127
Nursing services, acute care	1,853,256	1,790,017
Nursing services, intensive care unit	22,743	109,497
Nursing services, rehab unit	557,361	498,373
Operating room	580,248	574,311
Radiology	668,028	657,590
Laboratory	764,063	703,232
Respiratory care	638,958	613,179
Physical therapy	439,850	372,273
Intensive outpatient program	293,358	318,488
Wound care	140,530	145,161
Oncology	-0-	7,885
Orthopedic clinic	945,823	931,673
Emergency room	2,163,992	2,344,377
Rural health clinic	3,615,293	3,264,091
Nurse family partnership	152,025	327,982
Spa	68,269	63,192
Transportation	162,815	134,319
Urology clinic	11,807	12,902
Surgery clinic	<u>731,296</u>	<u>798,628</u>
 Total salaries	 <u>16,630,292</u>	 <u>16,568,563</u>
 Payroll taxes	 429,252	 477,806
Health insurance	2,101,638	2,284,393
Pension plan	924,639	881,538
Other	<u>145,603</u>	<u>161,211</u>
 Total benefits	 <u>3,601,132</u>	 <u>3,804,948</u>
 Total salaries and benefits	 <u>\$ 20,231,424</u>	 <u>\$ 20,373,511</u>

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

	<u>2023</u>	<u>2022</u>
Nursing service	\$ 107,477	\$ 10,220
Operating room	173	-0-
Anesthesiology	180,397	152,009
Radiology	814,444	691,566
Laboratory	350,347	408,429
Respiratory therapy	171,151	38,500
EKG	32,167	30,250
IOP	134	335
Pharmacy	58,991	68,995
Oncology	87	-0-
Orthopedic clinic	347	-0-
Emergency room	1,502,785	1,153,986
Rural health clinic	3,260,339	3,540,998
Urology clinic	2,716	2,446
Dialysis	90,950	42,425
Surgery clinic	<u>19,913</u>	<u>3,263</u>
 Total professional fees	 \$ <u>6,592,418</u>	 \$ <u>6,143,422</u>

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

	<u>2023</u>	<u>2022</u>
Miscellaneous service fees	\$ 4,357,109	\$ 3,216,262
Legal and accounting	26,599	28,744
Supplies	862,856	925,552
Minor equipment	66,009	65,450
Repairs and maintenance	185,538	140,001
Utilities	588,487	466,933
Telephone	74,698	96,345
Travel	117,451	77,171
Rentals	116,253	281,991
Education	44,436	49,069
Dues and subscriptions	802,340	659,968
Recruitment and advertising	208,036	156,933
Intergovernmental transfer	5,010,350	2,462,866
Access to care payments	908,258	-0-
Miscellaneous	<u>152,444</u>	<u>120,030</u>
 Total other expenses	 <u>\$ 13,520,864</u>	 <u>\$ 8,747,315</u>

FRANKLIN MEDICAL CENTER
 SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
 PAYMENTS TO ADMINISTRATOR
 YEAR ENDED APRIL 30, 2023

Agency Head Name: Blake Kramer
 Position: Administrator
 Time Period: May 1, 2022 to April 30, 2023

Purpose	Amount
Salary	226,763
Health insurance	6,803
Retirement	24,564
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	4,548
Registration fees	970
Conference travel	447
Continuing professional education fees	150
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-
Professional dues	1,983
Cell phone	1,298



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Retired 2015
Bobby G. Lester, CPA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hospital Service District No. 1, Parish of Franklin ("the Hospital"), a component unit of the Franklin Parish Police Jury, as of and for the years ended April 30, 2023 and 2022, 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 October 25, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 to be material weaknesses.

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-003 to be significant deficiency.

Report on Compliance and Other Matters

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

The Hospital's Response to Findings

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

Purpose of This Report

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

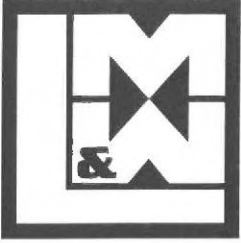
This report is intended solely for the information and the use of the Board of Commissioners, management, and the office of the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants
Alexandria, Louisiana

October 25, 2023





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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hospital Service District No. 1, Parish of Franklin ("the Hospital"), a component unit of the Franklin Parish Police Jury's, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Hospital's major federal programs for the year ended April 30, 2023. The Hospital's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program.

Our audit does not provide a legal determination of the Hospital's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Hospital's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Hospital's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over compliance. Accordingly, no such opinion is expressed.

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



Report on Internal Control over Compliance

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

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

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

Purpose of this Report

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



Certified Public Accountants
Alexandria, Louisiana

October 25, 2023



FRANKLIN MEDICAL CENTER
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED APRIL 30, 2023

<u>Federal Grantor/Program Name/ Pass-Through Grantor</u>	<u>Assistance Listing Number</u>	<u>Pass-through Identifying No.</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services COVID-19 Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution	93.498		\$ 2,291,137
U.S. Department of Health and Human Services COVID-19 Testing for Rural Health Clinics	93.697		500,000
U.S. Department of Health and Human Services Maternal and Child Health Services Block Grant Passed-through Louisiana Department of Health	93.994	2000610784	<u>215,844</u>
Total Expenditures of Federal Awards			\$ <u>3,006,981</u>

See accompanying notes to schedule of expenditures of federal awards.

FRANKLIN MEDICAL CENTER
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED APRIL 30, 2023

NOTE A – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Hospital Service District No. 1, Parish of Franklin (“Franklin Medical Center”), a component unit of the Franklin Parish Police Jury, under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Hospital, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Hospital.

NOTE B – Summary of Significant Accounting Policies

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

NOTE C – Indirect Cost Rate

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

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

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

Fiscal Year	Provider Relief Funding Received	Amount Recognized as Revenue	Amount Reported as Unearned Revenue	Amount Reported on the SEFA *
2020	\$ 605,617	\$ 605,617	\$ -0-	\$ -0-
2021	\$ 9,905,842	\$ 8,169,785	\$ 1,736,057	\$ -0-
2022	\$ 2,276,552	\$ 1,736,057	\$ 2,276,552	\$ 10,560,412
2023	\$ -0-	\$ 2,276,552	\$ -0-	\$ 2,291,137

* - includes \$14,165 of interest income earned on Provider Relief Fund deposits. The interest income is reported as interest income on the financial statements.

FRANKLIN MEDICAL CENTER
AUDITORS' SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2023

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Compliance:

- Noncompliance issues noted – No

Management letter issued – No

Federal Awards

- Material weaknesses identified – No
- Significant deficiencies identified – None noted
- Type of auditors' report issued on compliance for major programs – Unmodified
- Any audit findings which are required to be reported under Uniform Guidance – No
- Any instances of material noncompliance in major programs disclosed during the audit – No
- Identification of Major Programs:
 - Assistance Listing #93.498 U.S. Department of Health and Human Services
COVID-19 Provider Relief Fund
- Dollar threshold to distinguish between Type A and Type B Programs – \$750,000
- Auditee qualified as a low-risk auditee – No

Section II. Financial Statement Findings

Finding 2023-001 – Grant Revenue

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

Condition: Management did not record earned income from Medicaid supplemental payments.

Cause: The Medicaid supplemental payments from the Direct Payment Program are paid on a quarterly basis. The income was recorded on a cash basis, instead of an accrual basis.

Effect: Accounts receivable and income were understated by approximately \$286,000.

Recommendation: Management should either (a) obtain the resources to internally prepare or review the auditors' drafting of the Hospital's financial statements, including disclosures, in accordance with GAAP, or (b) determine if the cost overrides the benefit of correcting this control deficiency.

Management Response: Management will do all it can to ensure the propriety of the audited financial statements and disclosures. The Medicaid supplemental payment income will be recorded monthly.



FRANKLIN MEDICAL CENTER
AUDITORS' SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2023

Finding 2023-002 – Right-of-Use Capital Assets

Criteria: Capital assets should be recorded in accordance with GASB 87 new lease standard. Additionally, depreciation and amortization should be recorded on a monthly basis.

Condition: The Hospital expensed leases instead of capitalizing them in accordance with the GASB 87 lease standard. Additionally, depreciation and amortization were not recorded on capital assets.

Cause: Management elected not to implement the new standard.

Effect: Right-of-use assets were understated by approximately \$1.8 million and lease liability by approximately \$1.9 million. Rent expense was overstated by approximately \$580,000, while interest expense and depreciation were understated by approximately \$606,000.

Recommendation: We recommend implementing GASB 87 lease standard and recording depreciation and amortization of the capital assets on a monthly basis.

Management Response: Management will utilize the schedule prepared during the audit and update as needed. The financial statements will be reported in accordance to the new lease standard.

Finding 2023-002 – Credit Card Usage

Criteria: Credit card purchases should be approved by the employee's supervisor. Credit cards should be limited in use to prevent an employee from bypassing purchasing internal controls.

Condition: Approval of credit card invoices was inconsistent, with some invoices being approved by an employee without the proper level of authority. Credit cards are used for multiple types of purchases.

Cause: Some of the employees were not educated on the credit card policy.

Effect: Internal controls for credit card approval were circumvented.

Recommendation: We recommend that the employee's supervisor approve credit card purchases.

Management Response: Management reviewed the invoices in question and determine that they were valid hospital business purposes. The Governing Body has approved for Management to apply for one new credit card account to replace the cards currently in use. This one account will have sufficient limit to cover Hospital needs, and will provide for better control of use of the card. Management is revising the credit card policy to strengthen controls over use of Hospital credit cards. Management will educate all employees in the approval and payment process on Hospital policy regarding proper purchasing procedures and proper use of Hospital credit cards, and monitor proper approvals more stringently. Employees who use hospital cards will be required to sign a statement verifying that they have read, understand and agree to abide by the Hospital policy.



FRANKLIN MEDICAL CENTER
AUDITORS' SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2023

Section III. Federal Awards, Findings and Questioned Costs

Not Applicable

Section IV. Management Letter

Not Applicable



FRANKLIN MEDICAL CENTER
AUDITORS' SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2023

Section I. Financial Statement Findings

Finding 2022-001 – Grant Revenues

Fiscal Year Initially Reported: April 30, 2022

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

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

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

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

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

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

Resolution: This matter has been partially resolved. While COVID-19 grant income was properly recorded, the Medicaid supplemental payments were recorded on a cash basis.

Section II. Federal Award Findings and Questioned Costs

Not Applicable

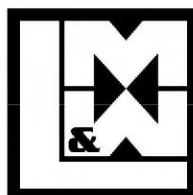
Section III. Management Letter

Not Applicable



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

FOR THE YEAR ENDED
APRIL 30, 2023



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by the Board of Commissioners of Franklin Parish Hospital Service District No. 1 d/b/a Franklin Medical Center (the Hospital) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period May 1, 2022 through April 30, 2023. The Hospital's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

1) **Written Policies and Procedures**

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

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

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

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

2) Board or Finance Committee

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

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

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

3) Bank Reconciliations

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

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

4) Collections (excluding electronic funds transfers)

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

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

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

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

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

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

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

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

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and
- i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder and
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.
- C. Using the monthly statements or combined statements selected under procedure #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an

original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Exceptions: Of the 31 transactions reviewed, 8 were approved by someone not authorized to approve credit card purchases.

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

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

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

8) Contracts

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

contract terms (e.g., if approval is required for any amendment, the documented approval);
and

- iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

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

9) Payroll and Personnel

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

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

10) Ethics

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and

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- i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
 - ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

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

11) Debt Service

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

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

12) Fraud Notice

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

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

13) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**
 - i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

- ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

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

14) Prevention of Sexual Harassment

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

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

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

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We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement. This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

October 25, 2023



