

FRANKLIN MEDICAL CENTER
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
APRIL 30, 2024 AND 2023



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, 2024 AND 2023

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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, 2024, 2023, 2022 and 2021. 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 decreased by \$1,092,554 or 3.8% for the year ending April 30, 2024 due to construction payments, and in prior year the Hospital received an Employee Retention credit that it did not receive in current year.

Current liabilities decreased 8.6% or \$563,923, due to a decrease in current portion of 2020 Series Bond and ROU Assets. Long-term debt decreased by \$135,313 or 1.8% in FY 2024 to \$7,193,733 due to payments on long-term debt.

The net position increased by \$3,267,042 or 9.1%, which is the excess of revenues over expenses for the year ending April 30, 2024. Net position as of April 30, 2024 was \$39,124,845, up from \$35,857,803 as of April 30, 2023.

Net patient revenue for FY 2024 increased by \$1,384,533 or 4.08%, from \$33,924,919 in FY 2023 due to an increase in outpatient charges in Respiratory Therapy, Radiology and Pharmacy. Overall patient days increased by 515 days to 3,605 for the year ending April 30, 2024.

Expenses for the year ending April 30, 2024 increased by \$4,209,495 or 9.12%. Total expenses for the year ending April 30, 2024 were \$50,375,633, up from \$46,166,138 as of April 30, 2023. The increase was due to an increase in IGT expense, salary increases and new daycare benefit implemented 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 \$3,267,042. The financial highlights section also discusses the changes in assets and liabilities as shown in the following table.

TABLE 1
Condensed Statements of Net Position

	Years Ended April 30,			
	2024	2023	2022	2021
Total current assets	\$ 27,555,063	\$ 28,647,617	\$ 27,593,909	\$ 26,421,218
Nondepreciable capital assets	11,482,637	7,867,390	3,054,419	706,815
Depreciable capital assets, net	8,211,110	8,200,015	8,561,670	8,152,576
Right-of-Use capital assets, net	1,683,085	1,791,411	1,992,360	-0-
Subscription assets, net	2,977,446	2,673,130	-0-	-0-
Limited use assets	198,186	395,307	393,537	592,562
Other non-current assets	241,985	206,836	144,705	91,587
Total assets	\$ 52,349,512	\$ 49,781,706	\$ 41,740,600	\$ 35,964,758
Total current liabilities	\$ 6,030,934	\$ 6,594,857	\$ 9,902,307	\$ 8,254,016
Long-term debt, net of current maturities	7,193,733	7,329,046	5,546,675	9,317,977
Total liabilities	13,224,667	13,923,903	15,448,982	17,571,993
Net position				
Invested in capital assets, net of related debt	15,915,622	11,943,963	7,239,808	355,205
Restricted	-0-	-0-	-0-	200,490
Unrestricted	23,209,223	23,913,840	19,051,810	17,837,070
Total liabilities and net position	\$ 52,349,512	\$ 49,781,706	\$ 41,740,600	\$ 35,964,758

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,			
	2024	2023	2022	2021
Net patient service revenue	\$ 35,309,452	\$ 33,924,919	\$ 35,109,435	\$ 32,990,684
Other revenue	16,378,395	17,587,974	8,549,830	3,188,942
Total operating revenue	51,687,847	51,512,893	43,659,265	36,179,626
Salaries and employee benefits	22,240,772	20,231,424	20,373,511	18,325,799
Supplies and other	3,380,846	3,329,321	3,589,953	3,184,545
Professional, mgt. and consulting fees	6,507,275	6,592,418	6,143,422	6,378,897
Other expense	14,953,665	13,044,808	8,747,315	7,415,659
Insurance	778,348	706,569	597,718	434,739
Depreciation and amortization	2,514,727	2,261,598	1,827,280	1,361,212
Total operating expenses	50,375,633	46,166,138	41,279,199	37,100,851
Operating income (loss)	1,312,214	5,346,755	2,380,066	(921,225)
Nonoperating income	1,954,828	4,219,430	5,719,277	9,403,457
Changes in net position	3,267,042	9,566,185	8,099,343	8,482,232
Net position - beginning of year	35,857,803	26,291,618	18,192,275	9,910,533
Net position - end of year	\$ 39,124,845	\$ 35,857,803	\$ 26,291,618	\$ 18,392,765

Sources of Revenue

Operating Revenue

During fiscal year 2024, 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, 2024, 2023, 2022 and 2021.

TABLE 3
Medicare & Medicaid Patient Revenue

	Years ended April 30,			
	2024	2023	2022	2021
Medicare and Medicaid patient charges	\$ 60,529,054	\$ 62,134,042	\$ 61,408,171	\$ 57,937,778
Contractual adjustments	36,541,722	37,770,240	35,092,381	36,096,167
Net Medicare and Medicaid revenue	\$ 23,987,332	\$ 24,363,802	\$ 26,315,790	\$ 21,841,611
Percent of total patient gross charges	59%	63%	65%	67%
Percent of total net patient revenues	68%	72%	75%	66%

Operating and Financial Performance

TABLE 4
Patient Statistics

	Years ended April 30,			
	2024	2023	2022	2021
Number of patient days				
Medicare acute and rehab care	1,845	1,640	1,576	1,539
Swingbed	162	125	60	180
Medicaid acute and rehab care	307	439	652	667
Other acute and rehab care	1,291	886	855	579
Total	3,605	3,090	3,143	2,965
Number of patient discharges				
Medicare acute and rehab care	454	420	429	288
Swingbed	29	22	15	26
Medicaid acute and rehab care	80	99	136	149
Other acute and rehab care	56	90	87	99
Total	619	631	667	562
Average length of patient stay				
Medicare acute and rehab care	4.1	3.9	3.7	5.3
Swingbed	5.6	5.7	4.0	6.9
Medicaid acute and rehab care	3.8	4.4	4.8	4.5
Other acute and rehab care	23.1	9.8	9.8	5.8
Average length of stay for acute care	5.8	4.9	4.7	5.2

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

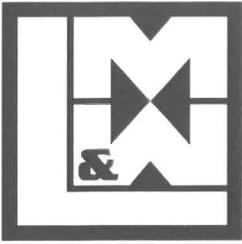
	April 30			
	2024	2023	2022	2021
Nondepreciable Capital Assets				
Land	\$ 657,500	\$ 657,500	\$ 657,500	\$ 657,500
Construction in Progress	10,825,137	7,209,890	2,396,919	49,315
Total Nondepreciable Capital Assets	\$ 11,482,637	\$ 7,867,390	\$ 3,054,419	\$ 706,815
Depreciable Capital Assets				
Building & Equipment	\$ 24,936,604	\$ 23,941,179	\$ 23,178,778	\$ 23,093,912
Leasehold Improvements	3,139,647	2,773,141	2,714,431	2,714,431
Intangibles	-0-	-0-	1,239,591	1,239,591
Subtotal	28,076,251	26,714,320	27,132,800	27,047,934
Less Accumulated Depr. & Amort.	19,865,141	18,514,305	18,571,130	17,989,778
Total Depreciable Capital Assets, net	\$ 8,211,110	\$ 8,200,015	\$ 8,561,670	\$ 9,058,156
Right-of-use Capital Assets				
Buildings	\$ 548,737	\$ 548,737	\$ 548,737	\$ -0-
Equipment	3,076,205	2,484,123	2,003,410	-0-
Subtotal	3,624,942	3,032,860	2,552,147	-0-
Less Accumulated Amortization	1,941,857	1,241,449	559,787	-0-
Total Right-of-use Capital Assets, net	\$ 1,683,085	\$ 1,791,411	\$ 1,992,360	\$ -0-
Subscription Assets				
Subscription Assets	\$ 3,697,083	\$ 3,057,663	\$ -0-	\$ -0-
Less Accumulated Amortization	719,637	384,533	-0-	-0-
Total Subscription Assets, net	\$ 2,977,446	\$ 2,673,130	\$ -0-	\$ -0-

Long-Term Debt

Long-term debt at year end consists of one (1) revenue bond, twenty-two (22) lease liabilities and six (6) SBITA liabilities. During FY 2024, the Hospital made payments of \$1,413,924 to pay down revenue bonds, lease and SBITA liabilities. The majority of the payments were due to Series 2020 Revenue bond. Long-term debt decreased by \$135,313 or 1.8% in 2024, due to payments on long-term debt.

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, 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023, 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 is 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 is 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 30, 2024, 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 30, 2024



FRANKLIN MEDICAL CENTER
STATEMENTS OF NET POSITION
APRIL 30,

ASSETS	<u>2024</u>	<u>2023</u>
Current Assets		
Cash and cash equivalents (Note 3)	\$ 5,499,743	\$ 9,587,521
Certificates of deposit (Note 3)	14,060,426	11,644,340
Accounts receivable, net of allowances for uncollectibles (Note 4)	3,037,304	2,915,051
Estimated third-party payor settlements	2,541,144	2,728,871
Other receivables	1,034,080	316,380
Inventories	1,113,111	1,251,479
Prepaid expenses	<u>269,255</u>	<u>203,975</u>
 Total Current Assets	 <u>27,555,063</u>	 <u>28,647,617</u>
Non-Current Assets		
Nondepreciable capital assets (Note 5)	11,482,637	7,867,390
Depreciable capital assets, net (Note 5 and 6)	8,211,110	8,200,015
Right-of-use capital assets, net (Note 5 and 6)	1,683,085	1,791,411
Subscription assets, net (Note 7)	2,977,446	2,673,130
Notes receivable	241,985	206,836
Limited use assets (Note 8)	<u>198,186</u>	<u>395,307</u>
 Total Assets	 \$ <u>52,349,512</u>	 \$ <u>49,781,706</u>

See accompanying notes to financial statements.

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

LIABILITIES AND NET POSITION	<u>2024</u>	<u>2023</u>
Current Liabilities		
Accounts payable	\$ 1,545,573	\$ 1,911,593
Accrued salary and payroll taxes	1,157,215	916,805
Accrued paid time off (Note 9)	720,622	651,197
Estimated third-party payor settlements	1,239,833	1,801,641
Current portion of lease liabilities (Note 10)	582,623	644,267
Current portion of subscription liabilities (Note 11)	405,691	289,977
Current portion of long-term debt (Note 12)	<u>379,377</u>	<u>379,377</u>
 Total Current Liabilities	 <u>6,030,934</u>	 <u>6,594,857</u>
Long-term Liabilities		
Lease liabilities (Note 10)	1,274,815	1,287,437
Subscription liabilities (Note 11)	2,694,523	2,437,837
Long-term debt, net of current maturities (Note 12)	<u>3,224,395</u>	<u>3,603,772</u>
 Total Liabilities	 <u>13,224,667</u>	 <u>13,923,903</u>
Net Position		
Invested in capital assets, net of related debt	15,915,622	11,943,963
Unrestricted	<u>23,209,223</u>	<u>23,913,840</u>
 Total Net Position	 <u>39,124,845</u>	 <u>35,857,803</u>
 Total Liabilities and Net Position	 <u>\$ 52,349,512</u>	 <u>\$ 49,781,706</u>

See accompanying notes to financial statements.

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

	<u>2024</u>	<u>2023</u>
Revenues		
Net patient service revenues (Note 13)	\$ 35,309,452	\$ 33,924,919
Medicaid supplemental payments (Note 20)	13,395,687	10,977,127
Non-restricted contributions	911	15,586
Operating grants	1,169,084	4,223,269
Intergovernmental transfer grants	-0-	679,193
Other operating revenues	<u>1,812,713</u>	<u>1,692,799</u>
 Total Revenues	 <u>51,687,847</u>	 <u>51,512,893</u>
Expenses		
Salaries	18,303,171	16,630,292
Benefits and payroll taxes	3,937,601	3,601,132
Supplies and drugs	3,380,846	3,329,321
Professional fees	6,507,275	6,592,418
Other expenses	14,953,665	13,044,808
Insurance	778,348	706,569
Depreciation and amortization	<u>2,514,727</u>	<u>2,261,598</u>
 Total Expenses	 <u>50,375,633</u>	 <u>46,166,138</u>
 Operating Income (Loss)	 <u>1,312,214</u>	 <u>5,346,755</u>
Nonoperating Revenues (Expenses)		
COVID-19 grant awards	-0-	2,776,972
Maintenance taxes	1,420,896	1,390,151
Gain (loss) on sale of assets	1,778	(50,247)
Interest income	884,844	417,258
Interest expense	<u>(352,690)</u>	<u>(314,704)</u>
 Changes in Net Position	 3,267,042	 9,566,185
 Beginning Net Position	 <u>35,857,803</u>	 <u>26,291,618</u>
 Ending Net Position	 \$ <u>39,124,845</u>	 \$ <u>35,857,803</u>

See accompanying notes to financial statements.

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

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 34,813,118	\$ 32,572,705
Other receipts from operations	15,660,695	19,209,466
Cash payments to employees and for employee-related cost	(21,930,937)	(20,153,751)
Cash payments for other operating expenses	<u>(25,913,066)</u>	<u>(23,096,261)</u>
Net cash provided (used) by operating activities	<u>2,629,810</u>	<u>8,532,159</u>
Cash flows from investing activities:		
Purchase of certificates of deposit	(2,416,086)	(3,214,465)
Proceeds from certificates of deposit	197,121	-0-
Loans to physicians and nurses	(62,500)	(70,000)
Proceeds from loan repayments	11,685	2,203
Interest income	<u>884,844</u>	<u>417,258</u>
Net cash provided (used) by investing activities	<u>(1,384,936)</u>	<u>(2,865,004)</u>
Cash flows from non-capital financing activities:		
Proceeds from maintenance taxes	1,420,896	1,390,151
Proceeds from COVID-19 grant awards	<u>-0-</u>	<u>420</u>
Net cash provided (used) by non-capital financing activities	<u>1,420,896</u>	<u>1,390,571</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(4,988,712)	(5,691,299)
Interest expense	(352,690)	(314,704)
Cash received from sale of capital assets	1,778	-0-
Principal payments on lease liability obligations	(662,814)	(618,953)
Principal payments on subscription liability obligations	(371,733)	(329,850)
Principal payments on long-term debt	<u>(379,377)</u>	<u>(393,132)</u>
Net cash provided (used) by capital and related financing activities	<u>(6,753,548)</u>	<u>(7,347,938)</u>
Net increase (decrease) in cash and cash equivalents	(4,087,778)	(290,212)
Beginning cash and cash equivalents	<u>9,587,521</u>	<u>9,877,733</u>
Ending cash and cash equivalents	\$ <u>5,499,743</u>	\$ <u>9,587,521</u>

See accompanying notes to financial statements.

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

	<u>2024</u>	<u>2023</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	\$ <u>346,722</u>	\$ <u>314,332</u>
Right-of-use assets acquired under lease agreements	\$ <u>593,025</u>	\$ <u>480,713</u>
Subscription assets acquired under agreements	\$ <u>744,133</u>	\$ <u>104,713</u>
Reconciliation of income from operations to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 1,312,214	\$ 5,346,755
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	2,514,727	2,261,598
Changes in current assets (increase) decrease:		
Accounts receivable	(122,253)	(1,961)
Estimated third-party payor settlements	187,727	348,387
Other receivables	(717,700)	1,621,492
Inventories	138,368	(86,667)
Prepaid expenses	(65,280)	(12,476)
Changes in current liabilities increase (decrease):		
Accounts payable	(366,020)	675,998
Accrued salary and payroll taxes	240,410	26,368
Accrued paid time off	69,425	51,305
Estimated third-party payor settlements	(561,808)	1,269,680
Medicare advance payments	<u>-0-</u>	<u>(2,968,320)</u>
Net cash provided (used) by operating activities	\$ <u>2,629,810</u>	\$ <u>8,532,159</u>

See accompanying notes to financial statements.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2024 AND 2023

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 five 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, 2024 AND 2023

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 13. 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, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

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

Right-of-use capital assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

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, 2024 AND 2023

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, 2024 and 2023, 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, 2024 and 2023 totaled \$35,226 and \$43,325, respectively.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subscription Assets and Liabilities

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

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

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

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

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

Recently Adopted Accounting Pronouncements

The District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA) in fiscal year 2024. The objective of this statement is to provide guidance on the accounting and financial reporting of subscription-based information technology arrangements for government end users. The statement defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset with a corresponding subscription liability; provides the capitalization criteria for outlays; and requires footnote disclosure regarding the SBITA. The new standard is to be applied to all applicable subscription-based information technology arrangements as of the beginning of the earliest period presented; and therefore, the April 30, 2023 financial statements have been restated, as discussed in Note 25.

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.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2024 AND 2023

NOTE 3 - DEPOSITS AND INVESTMENTS

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

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the Hospital be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The Hospital's deposits were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the Hospital's name as of April 30, 2024 and 2023.

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>2024</u>	<u>2023</u>
Cash in banks	\$ <u>20,138,147</u>	\$ <u>22,370,917</u>
Insured by FDIC	\$ <u>3,043,941</u>	\$ <u>9,606,190</u>
Collateralization by fair market value or letters of credit	\$ <u>17,094,206</u>	\$ <u>12,764,727</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2024 AND 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

	<u>2024</u>	<u>2023</u>
Carrying amount		
Deposits	\$ 1,201,350	\$ 1,237,472
Certificates of deposit	<u>18,557,005</u>	<u>20,389,696</u>
	<u>\$ 19,758,355</u>	<u>\$ 21,627,168</u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 5,499,743	\$ 9,587,521
Certificates of deposit	14,060,426	11,644,340
Non-current cash and investments		
Assets whose use is limited	<u>198,186</u>	<u>395,307</u>
	<u>\$ 19,758,355</u>	<u>\$ 21,627,168</u>

NOTE 4 - ACCOUNTS RECEIVABLE

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

	<u>2024</u>	<u>2023</u>
Patients	\$ 5,235,004	\$ 4,652,651
Estimated allowances for uncollectibles	<u>(2,197,700)</u>	<u>(1,737,600)</u>
Net accounts receivable	<u>\$ 3,037,304</u>	<u>\$ 2,915,051</u>

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

	<u>2024</u>	<u>2023</u>
Medicare	20%	20%
Medicaid	24%	25%
Blue Cross	7%	8%
Commercial and other third-party payors	30%	30%
Patients	<u>19%</u>	<u>17%</u>
Total	<u>100%</u>	<u>100%</u>

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2024 AND 2023

NOTE 5 - CAPITAL ASSETS

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

	<u>2023</u>		<u>Additions</u>		<u>Deductions</u>		<u>Transfers</u>		<u>2024</u>
Nondepreciable capital assets									
Land	\$ 657,500	\$	-0-	\$	-0-	\$	-0-	\$	657,500
Construction in progress	<u>7,209,890</u>		<u>3,615,247</u>		<u>-0-</u>		<u>-0-</u>		<u>10,825,137</u>
Total nondepreciable capital assets	\$ <u>7,867,390</u>	\$	<u>3,615,247</u>	\$	<u>-0-</u>	\$	<u>-0-</u>	\$	<u>11,482,637</u>
Depreciable capital assets									
Buildings	\$ 11,096,805	\$	100,418	\$	-0-	\$	-0-	\$	11,197,223
Leasehold improvements	2,773,141		366,506		-0-		-0-		3,139,647
Furniture and equipment	<u>12,844,374</u>		<u>903,007</u>		<u>8,000</u>		<u>-0-</u>		<u>13,739,381</u>
Total depreciable capital assets	26,714,320		1,369,931		8,000		-0-		28,076,251
Accumulated depreciation and amortization	<u>18,514,305</u>		<u>1,358,836</u>		<u>8,000</u>		<u>-0-</u>		<u>19,865,141</u>
Total depreciable capital assets, net	\$ <u>8,200,015</u>	\$	<u>11,095</u>	\$	<u>-0-</u>	\$	<u>-0-</u>	\$	<u>8,211,110</u>
Right-of-use capital assets									
Buildings	\$ 548,737	\$	-0-	\$	-0-	\$	-0-	\$	548,737
Equipment	<u>2,484,123</u>		<u>592,082</u>		<u>-0-</u>		<u>-0-</u>		<u>3,076,205</u>
Total right-of-use capital assets	3,032,860		592,082		-0-		-0-		3,624,942
Accumulated amortization	<u>1,241,449</u>		<u>700,408</u>		<u>-0-</u>		<u>-0-</u>		<u>1,941,857</u>
Total right-of-use capital assets, net	\$ <u>1,791,411</u>	\$	<u>(108,326)</u>	\$	<u>-0-</u>	\$	<u>-0-</u>	\$	<u>1,683,085</u>

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2024 AND 2023

NOTE 5 - CAPITAL ASSETS (Continued)

	<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 amortization	<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, 2024 AND 2023

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 May 6, 2021, 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.

Cost or Fair Market Value on the <u>Date of Donation</u>	<u>2024</u>	<u>2023</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, 2024 AND 2023

NOTE 7 - SUBSCRIPTION ASSETS

The following is a summary of subscription-based information technology arrangements for intangible assets and related accumulated amortization for the years ended April 30:

	<u>2023</u>		<u>Additions</u>		<u>Deductions</u>		<u>Transfers</u>		<u>2024</u>
Subscription-based assets	\$ 3,057,663	\$	744,133	\$	104,713	\$	-0-	\$	3,697,083
Accumulated amortization	<u>384,533</u>		<u>439,817</u>		<u>104,713</u>		<u>-0-</u>		<u>719,637</u>
Total subscription-based assets, net	\$ <u>2,673,130</u>	\$	<u>304,316</u>	\$	<u>-0-</u>	\$	<u>-0-</u>	\$	<u>2,977,446</u>
	<u>2022</u>		<u>Additions</u>		<u>Deductions</u>		<u>Transfers</u>		<u>2023</u>
Subscription-based assets	\$ 2,952,950	\$	104,713	\$	-0-	\$	-0-	\$	3,057,663
Accumulated amortization	<u>-0-</u>		<u>384,533</u>		<u>-0-</u>		<u>-0-</u>		<u>384,533</u>
Total subscription-based assets, net	\$ <u>2,952,950</u>	\$	<u>(279,820)</u>	\$	<u>-0-</u>	\$	<u>-0-</u>	\$	<u>2,673,130</u>

NOTE 8 - LIMITED USE ASSETS

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

	<u>2024</u>	<u>2023</u>
<u>By Board</u>		
For capital improvements	\$ <u>198,186</u>	\$ <u>395,307</u>

NOTE 9 - PAID TIME OFF

Employees of the District are entitled to paid days off and sick days depending on length of service. The District accrued \$720,622 and \$651,197 of vacation pay at April 30, 2024 and 2023. It is impracticable to estimate the amount of compensation for future vested sick pay and, accordingly, no liability has been recorded in the accompanying financial statements. The District's policy is to recognize the cost of vested sick pay when actually paid to employees.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2024 AND 2023

NOTE 10 - LEASE LIABILITIES

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

	<u>2023</u>	<u>Additions</u>	<u>Payments</u>	<u>2024</u>	<u>Due Within One Year</u>
Building	\$ 500,687	\$ -0-	\$ 28,390	\$ 472,297	\$ 26,301
Equipment	<u>1,431,017</u>	<u>588,548</u>	<u>634,424</u>	<u>1,385,141</u>	<u>556,322</u>
Total	\$ <u>1,931,704</u>	\$ <u>588,548</u>	\$ <u>662,814</u>	\$ <u>1,857,438</u>	\$ <u>582,623</u>

	<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>

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>
2025	\$ 582,623	\$ 60,515	\$ 643,138
2026	343,445	43,002	386,447
2027	247,528	34,014	281,542
2028	146,467	28,154	174,621
2029	136,415	22,961	159,376
2030-2034	143,831	84,856	228,687
2035-2039	158,902	48,097	206,999
2040-2043	<u>98,227</u>	<u>6,802</u>	<u>105,029</u>
Totals	\$ <u>1,857,438</u>	\$ <u>328,401</u>	\$ <u>2,185,839</u>

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2024 AND 2023

NOTE 11 - SUBSCRIPTION LIABILITIES

A summary of subscription liabilities follows:

	<u>2023</u>	<u>Additions</u>	<u>Payments</u>	<u>2024</u>	<u>Due Within One Year</u>
Totals	\$ <u>2,727,814</u>	\$ <u>744,133</u>	\$ <u>371,733</u>	\$ <u>3,100,214</u>	\$ <u>405,691</u>

	<u>2022</u>	<u>Additions</u>	<u>Payments</u>	<u>2023</u>	<u>Due Within One Year</u>
Totals	\$ <u>2,952,951</u>	\$ <u>104,713</u>	\$ <u>329,850</u>	\$ <u>2,727,814</u>	\$ <u>289,977</u>

The District began recognizing subscription liability obligations related to the adoption of GASB 96 during fiscal year 2024. The subscription liability obligations relate to subscription-based information technology arrangements at imputed interest rates from 6.00% to 10.50% with maturity dates ranging from June 8, 2026 to May 1, 2031.

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

<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2025	\$ 405,691	\$ 201,971	\$ 607,662
2026	436,347	171,315	607,662
2027	382,593	141,444	524,037
2028	390,845	116,467	507,312
2029	417,380	89,932	507,312
2030-2034	<u>1,067,358</u>	<u>101,544</u>	<u>1,168,902</u>
Totals	\$ <u>3,100,214</u>	\$ <u>822,673</u>	\$ <u>3,922,887</u>

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2024 AND 2023

NOTE 12 - LONG-TERM DEBT

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

	<u>2023</u>	<u>Additions</u>	<u>Payments</u>	<u>2024</u>	<u>Due Within One Year</u>
Revenue bonds, Series 2020	\$ <u>3,983,149</u>	\$ <u>-0-</u>	\$ <u>379,377</u>	\$ <u>3,603,772</u>	\$ <u>379,377</u>
Total	\$ <u>3,983,149</u>	\$ <u>-0-</u>	\$ <u>379,377</u>	\$ <u>3,603,772</u>	\$ <u>379,377</u>
	<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>

The following are the terms and due dates of the Hospital's long-term debt at April 30, 2024:

- \$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>
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	379,377	40,600	419,977
2030-2034	<u>1,706,887</u>	<u>52,900</u>	<u>1,759,787</u>
Totals	\$ <u>3,603,772</u>	\$ <u>329,900</u>	\$ <u>3,933,672</u>

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2024 AND 2023

NOTE 13 - 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 December 31, 2024, if not extended by Congress. The additional payment received under the Medicare low volume add-on was \$613,916 and \$626,935 for the years ended April 30, 2024 and 2023, respectively.

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, 2020.

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 8.1% and 7.5% of the total gross charges for the years ended April 30, 2024 and 2023, respectively.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2024 AND 2023

NOTE 13 - NET PATIENT SERVICE REVENUES (Continued)

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

	<u>2024</u>	<u>2023</u>
Gross charges	\$ 102,144,070	\$ 98,418,692
Less charges associated with charity patients	<u>119,269</u>	<u>66,757</u>
Gross patient service revenues	102,024,801	98,351,935
Less deductions from revenue:		
Contractual adjustments	63,580,289	61,547,204
Policy and other discounts	<u>162,634</u>	<u>256,373</u>
Patient service revenue (net of contractual adjustments and discounts)	38,281,878	36,548,358
Less provision for bad debts	<u>(2,972,426)</u>	<u>(2,623,439)</u>
Net patient service revenue less provision for bad debts	\$ <u>35,309,452</u>	\$ <u>33,924,919</u>

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>2024</u>	<u>2023</u>
Medicare and Medicaid patient charges	\$ 60,529,054	\$ 62,134,042
Contractual adjustments	<u>(36,541,722)</u>	<u>(37,770,240)</u>
Program patient service revenue	\$ <u>23,987,332</u>	\$ <u>24,363,802</u>
Percent of total gross patient charges	<u>59%</u>	<u>63%</u>
Percent of total net patient revenues	<u>68%</u>	<u>72%</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 \$22,661 and \$18,201 in net patient service revenue in 2024 and 2023, respectively.

NOTE 14 - 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.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2024 AND 2023

NOTE 15 - 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 13) - The Hospital is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

Further, in order to continue receiving reimbursement from the Medicare 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 14) - 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.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2024 AND 2023

NOTE 16 - 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.

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

	<u>2024</u>	<u>2023</u>
Beginning of the year	\$ 301,330	\$ 301,330
Plus: Claims incurred and changes in estimate	2,163,078	2,101,638
Less: Claims paid	<u>2,112,088</u>	<u>2,101,638</u>
End of the year	\$ <u>352,320</u>	\$ <u>301,330</u>

NOTE 17 - 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, 2024 and 2023 were \$304,237 and \$310,582. The employees of the Hospital contributed \$597,459 and \$528,440 for the years ended April 30, 2024 and 2023, 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, 2024 and 2023 were \$711,941 and \$614,057, respectively. The employees of the Hospital contributed \$882,346 and \$761,461 for the years ended April 30, 2024 and 2023, respectively.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2024 AND 2023

NOTE 18 - COMMISSIONERS

The following commissioners served Franklin Medical Center without compensation during the year ended April 30, 2024:

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

NOTE 19 - 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 was \$679,193 for fiscal year 2023.

The Hospital also received approximately \$3.5 million through the Employee Retention Tax Credit (ERTC), which is recorded as operating grant revenue in fiscal year 2023. 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 20 - MEDICAID SUPPLEMENTAL PAYMENTS

For state fiscal years (SFY) 2024 and 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 \$5.8 million and \$3.4 million as Medicaid supplemental income for the years ended April 30, 2024 and 2023, respectively 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.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2024 AND 2023

NOTE 20 - MEDICAID SUPPLEMENTAL PAYMENTS (Continued)

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 2024, the Hospital received approximately \$7.6 million in Medicaid supplemental payments of which approximately \$5.5 million was submitted to LDH as an IGT. 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.

NOTE 21 - 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 \$59,000 and \$32,000 for the years ended April 30, 2024 and 2023, respectively.

NOTE 22 - 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 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.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2024 AND 2023

NOTE 24 - COMMITMENTS

The Hospital entered into various construction contracts, which totaled \$9,646,352, including change orders as of April 30, 2024. The Hospital paid \$8,919,856 towards these commitments as of April 30, 2023.

NOTE 25 - CHANGE IN METHOD OF ACCOUNTING FOR SUBSCRIPTION ASSETS AND LIABILITIES

As discussed in Note 2, the Hospital adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA) on May 1, 2023. This statement is applied retroactively by restating balances in the financial statements as of April 30, 2023 as follows:

	As Previously <u>Reported</u>	<u>As Restated</u>
Subscription assets, net	\$ -0-	\$ 2,673,130
Lease liabilities	\$ -0-	\$ 2,727,814
Net position	\$ 35,912,487	\$ 35,857,803
Other expenses	\$ 13,520,864	\$ 13,044,808
Depreciation and amortization	\$ 1,877,064	\$ 2,261,598
Interest expense	\$ 168,498	\$ 314,704

NOTE 26 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 30, 2024, and determined that no material events occurred that require disclosure. 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>2024</u>	<u>2023</u>
Routine Services:		
Adults and pediatric	\$ 2,532,922	\$ 2,436,746
Intensive care unit	14,400	3,600
Rehab unit	1,006,884	1,040,221
Swing bed	<u>178,316</u>	<u>103,189</u>
 Total	 <u>3,732,522</u>	 <u>3,583,756</u>
 Other Professional Services:		
 Operating room		
Inpatient	456,795	381,490
Outpatient	<u>2,414,728</u>	<u>2,973,630</u>
 Total	 <u>2,871,523</u>	 <u>3,355,120</u>
 Recovery room		
Inpatient	35,380	20,175
Outpatient	<u>159,521</u>	<u>178,050</u>
 Total	 <u>194,901</u>	 <u>198,225</u>
 Anesthesia		
Inpatient	2,820	2,620
Outpatient	<u>10,560</u>	<u>15,140</u>
 Total	 <u>13,380</u>	 <u>17,760</u>
 Radiology		
Inpatient	1,258,826	852,952
Outpatient	<u>15,942,956</u>	<u>15,315,668</u>
 Total	 <u>17,201,782</u>	 <u>16,168,620</u>
 Laboratory		
Inpatient	1,079,448	954,306
Outpatient	<u>14,422,161</u>	<u>13,958,140</u>
 Total	 <u>\$ 15,501,609</u>	 <u>\$ 14,912,446</u>

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

	<u>2024</u>	<u>2023</u>
Blood		
Inpatient	\$ 94,871	\$ 89,188
Outpatient	<u>257,839</u>	<u>384,479</u>
Total	<u>352,710</u>	<u>473,667</u>
Respiratory care		
Inpatient	2,062,845	1,827,514
Outpatient	<u>3,627,907</u>	<u>3,039,793</u>
Total	<u>5,690,752</u>	<u>4,867,307</u>
Physical therapy		
Inpatient	765,496	843,012
Outpatient	<u>1,120,270</u>	<u>760,765</u>
Total	<u>1,885,766</u>	<u>1,603,777</u>
EKG		
Inpatient	81,630	67,625
Outpatient	<u>689,191</u>	<u>651,866</u>
Total	<u>770,821</u>	<u>719,491</u>
Central supply		
Inpatient	460,810	482,230
Outpatient	<u>1,682,577</u>	<u>1,966,123</u>
Total	<u>2,143,387</u>	<u>2,448,353</u>
Pharmacy		
Inpatient	2,057,933	2,134,577
Outpatient	<u>12,131,943</u>	<u>10,674,315</u>
Total	<u>14,189,876</u>	<u>12,808,892</u>
Intensive outpatient program	<u>471,471</u>	<u>714,876</u>
Emergency room		
Inpatient	1,563,597	1,495,701
Outpatient	<u>22,250,905</u>	<u>19,961,207</u>
Total	<u>\$ 23,814,502</u>	<u>\$ 21,456,908</u>

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

	<u>2024</u>	<u>2023</u>
Observation room		
Inpatient	\$ 86,151	\$ 131,388
Outpatient	<u>2,004,311</u>	<u>1,692,172</u>
Total	<u>2,090,462</u>	<u>1,823,560</u>
Rural health clinic - outpatient	<u>9,062,029</u>	<u>9,905,293</u>
Ambulance - outpatient	<u>22,732</u>	<u>21,498</u>
Wound care - outpatient	<u>154,129</u>	<u>445,290</u>
Orthopedic clinic - outpatient	<u>1,042,530</u>	<u>2,015,740</u>
Urology clinic	<u>152,628</u>	<u>7,755</u>
Surgery clinic - outpatient	<u>187,973</u>	<u>582,936</u>
Dialysis - inpatient	<u>48,773</u>	<u>69,095</u>
Endocrinology clinic	<u>201,983</u>	<u>-0-</u>
Spa - outpatient	<u>345,829</u>	<u>218,327</u>
Total Other Professional Services	<u>98,411,548</u>	<u>94,834,936</u>
Gross charges	<u>102,144,070</u>	<u>98,418,692</u>
Less charges associated with charity patients	<u>(119,269)</u>	<u>(66,757)</u>
Gross patient service revenue	102,024,801	98,351,935
Less deductions from revenue:		
Contractual adjustments	63,580,289	61,547,204
Policy and other discounts	<u>162,634</u>	<u>256,373</u>
Patient service revenue (net of contractual adjustments and discounts)	<u>38,281,878</u>	<u>36,548,358</u>
Less provision for bad debts	<u>(2,972,426)</u>	<u>(2,623,439)</u>
Net Patient Service Revenue	\$ <u>35,309,452</u>	\$ <u>33,924,919</u>

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

	<u>2024</u>	<u>2023</u>
Cafeteria sales	\$ 11,336	\$ -0-
Vending machine commission	3,221	3,492
Physician office rentals	7,250	10,250
Medical records abstract fees	21,527	22,736
340B pharmacy program	1,622,545	1,567,551
Miscellaneous revenue	<u>146,834</u>	<u>88,770</u>
 Total other operating revenues	 \$ <u>1,812,713</u>	 \$ <u>1,692,799</u>

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

	<u>2024</u>	<u>2023</u>
Personnel	\$ 65,979	\$ 56,465
Administration	1,585,616	1,396,985
Plant operations and maintenance	346,100	239,131
Purchasing	39,601	46,030
Pharmacy	573,169	484,984
Nursing administration	261,044	278,417
Medical records	367,709	318,565
Nursing services, acute care	2,303,657	1,853,256
Nursing services, intensive care unit	1,543	22,743
Nursing services, rehab unit	600,587	557,361
Operating room	584,198	580,248
Radiology	749,467	668,028
Laboratory	905,117	764,063
Respiratory care	712,992	638,958
Physical therapy	503,773	439,850
Intensive outpatient program	279,440	293,358
Wound care	30,089	140,530
Oncology	7,493	-0-
Orthopedic clinic	974,707	945,823
Emergency room	2,499,065	2,163,992
Rural health clinic	3,233,859	3,615,293
Nurse family partnership	279,990	152,025
Spa	182,127	68,269
Transportation	196,100	162,815
Urology clinic	209,776	11,807
Surgery clinic	400,087	731,296
Endocrinology clinic	<u>409,886</u>	<u>-0-</u>
 Total salaries	 <u>18,303,171</u>	 <u>16,630,292</u>
 Payroll taxes	 440,341	 429,252
Health insurance	2,163,078	2,101,638
Pension plan	1,016,178	924,639
Other	<u>318,004</u>	<u>145,603</u>
 Total benefits	 <u>3,937,601</u>	 <u>3,601,132</u>
 Total salaries and benefits	 \$ <u><u>22,240,772</u></u>	 \$ <u><u>20,231,424</u></u>

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

	<u>2024</u>	<u>2023</u>
Nursing service, acute care	\$ 99,643	\$ 107,477
Nursing service, rehab unit	570	-0-
Operating room	75	173
Anesthesiology	196,222	180,397
Radiology	998,044	814,444
Laboratory	331,323	350,347
Respiratory therapy	247,325	171,151
EKG	36,880	32,167
IOP	522	134
Pharmacy	99,757	58,991
Oncology	435	87
Orthopedic clinic	435	347
Emergency room	1,132,289	1,502,785
Rural health clinic	3,252,172	3,260,339
Spa	360	-0-
Urology clinic	3,012	2,716
Dialysis	104,200	90,950
Surgery clinic	3,861	19,913
Endocrinology clinic	<u>150</u>	<u>-0-</u>
 Total professional fees	 \$ <u>6,507,275</u>	 \$ <u>6,592,418</u>

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

	<u>2024</u>	<u>2023</u>
Miscellaneous service fees	\$ 3,922,517	\$ 4,357,109
Legal and accounting	32,187	26,599
Supplies	1,575,238	862,856
Minor equipment	161,415	66,009
Repairs and maintenance	392,178	185,538
Utilities	520,520	588,487
Telephone	97,118	74,698
Travel	137,803	117,451
Rentals	236,006	116,253
Education	59,668	44,436
Dues and subscriptions	413,756	326,284
Recruitment and advertising	197,284	208,036
Intergovernmental transfer	5,467,098	5,010,350
Access to care payments	1,494,004	908,258
Miscellaneous	<u>246,873</u>	<u>152,444</u>
 Total other expenses	 \$ <u>14,953,665</u>	 \$ <u>13,044,808</u>

FRANKLIN MEDICAL CENTER
 SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
 PAYMENTS TO ADMINISTRATOR
 YEAR ENDED APRIL 30, 2024

Agency Head Name: Blake Kramer
 Position: Administrator
 Time Period: May 1, 2023 to April 30, 2024

<u>Purpose</u>	<u>Amount</u>
Salary	247,979
Health insurance	7,351
Retirement	26,978
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	8,744
Registration fees	785
Conference travel	1,414
Continuing professional education fees	1,010
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-
Professional dues	1,995
Cell phone	984



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER (1949-2023)
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, 2024 and 2023, 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 30, 2024.

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 2024-001 and 2024-002 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 deficiencies described in the accompanying schedule of findings and questioned costs as items 2024-003 and 2024-004 to be significant deficiencies.

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 is 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.

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

October 30, 2024



FRANKLIN MEDICAL CENTER
AUDITORS' SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2024

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 – N/A

Section II. Financial Statement Findings

Finding 2024-001 – Grant Revenue

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

Condition: Management did not record revenue when earned from Medicaid and physician supplemental payment programs.

Cause: The Medicaid and physician supplemental payments were recorded on a cash basis, instead of an accrual basis.

Effect: Accounts receivable and income were understated by approximately \$600,000.

Recommendation: Management should record revenue when earned from the Medicaid and physician supplemental programs and reconcile to the payments when received.

Management Response: Management has established a process to record the Medicaid and physician supplement payment programs on a monthly basis. The amounts will be reviewed during the monthly close process by the Chief Financial Officer.



FRANKLIN MEDICAL CENTER
AUDITORS' SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2024

Finding 2024-002 – GASB 96 Implementation

Criteria: Subscription assets and liabilities should be recorded in accordance with GASB 96 Subscription-Based Information Technology Arrangement (“SBITA”) new standard. Additionally, amortization should be recorded on a monthly basis.

Condition: The Hospital expensed the SBITAs instead of capitalizing them in accordance with the GASB 96. Additionally, amortization was not recorded on capital assets.

Cause: Management elected not to implement the new standard.

Effect: Subscription assets were understated by approximately \$3.0 million and related subscription liability by approximately \$3.0 million. Other expenses were overstated by approximately \$557,000, while interest expense and amortization expenses were understated by approximately \$625,000.

Recommendation: We recommend implementing GASB 96 standard and recording 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 standard.

Finding 2024-003 – Investment Income

Criteria: Income from investments should be recorded when earned.

Condition: Income from investments was recorded on a cash basis.

Cause: The schedule calculating interest earned on certificates of deposit was not utilized by the accounting department during the monthly close.

Effect: Accrued revenue and income were understated by approximately \$251,000.

Recommendation: We recommend recording income from investments on an accrual basis by reconciling the earnings to the schedule prepared by the CFO.

Management Response: Management has established a process to record the investment income on a monthly basis. The amounts will be reviewed during the monthly close process by the Chief Financial Officer.



FRANKLIN MEDICAL CENTER
AUDITORS' SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2024

Finding 2024-004 – Third Party Cost Report Settlements

Criteria: An estimate for the current year Medicare and Medicaid cost reports should be recorded.

Condition: Management did not record an estimate for the current year Medicare and Medicaid cost reports.

Cause: Management elected not to calculate and record an estimate for the Medicare and Medicaid cost reports.

Effect: Third party receivables and patient service revenue were understated by approximately \$220,000.

Recommendation: We recommend calculating and recording an estimate of the Medicare and Medicaid cost reports.

Management Response: Management has established a process to review the Medicare and Medicaid cost report receivable and payable accounts quarterly.

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, 2024

Section I. Financial Statement Findings

Finding 2023-001 – Grant Revenue

Fiscal Year Initially Reported: April 30, 2022

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

Resolution: This matter has not been resolved.

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

Fiscal Year Initially Reported: April 30, 2023

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

Resolution: This matter has been resolved.

Finding 2023-003 – Credit Card Usage

Fiscal Year Initially Reported: April 30, 2023

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.

Resolution: This matter has been resolved.

Section II. Federal Award Findings and Questioned Costs

Not Applicable

Section III. Management Letter

Not Applicable

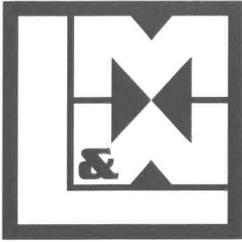


FRANKLIN MEDICAL CENTER
INDEPENDENT AUDITORS' REPORT
ON APPLYING AGREED UPON
PROCEDURES

FOR THE YEAR ENDED
APRIL 30, 2024



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(1949-2023)

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES FOR THE YEAR ENDED APRIL 30, 2024

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 on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period May 1, 2023 through April 30, 2024. The Hospital Service District No. 1, Parish of Franklin, State of Louisiana, d/b/a Franklin Medical Center (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, 2023 through April 30, 2024. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1) *Written Policies and Procedures*

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

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

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

2) Board or Finance Committee

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



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

Exceptions: The Board did not receive updates on the progress of resolving audit findings.

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 within 1 month of the date the reconciliation was prepared (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: Out of the 4 bank reconciliations tested, none showed evidence that they were reviewed within one month of preparation.

4) Collections (excluding electronic funds transfers)

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



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

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

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

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



- iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;
- iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and
- v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

[Note: Findings related to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]

- 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 (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); 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: No exceptions were found as a result of these procedures.

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: One of the meal reimbursements tested did not contain documentation of the participating individuals.

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 (e.g., Lawrason Act, Home Rule Charter);
- iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and
- iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

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

9) Payroll and Personnel

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

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



10) *Ethics*

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

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

11) *Debt Service*

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

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

12) *Fraud Notice*

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

Exceptions: The fraud hotline notice was not posted on the premises.

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.
- C. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:
- Hired before June 9, 2020 - completed the training; and
 - Hired on or after June 9, 2020 - completed the training within 30 days of initial service or employment.

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;



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and the Louisiana Legislative Auditor

- 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: The sexual harassment policy was not posted on the Hospital's website.

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

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

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

Hute, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

October 25, 2024



