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REPORT REVISION NOTICE

Louisiana Legislative Auditor
Baton Rouge, Louisiana

RE: Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Franklin Foundation Hospital
Entity ID # 1596
Reporting Period: 09/30/2021
Franklin, Louisiana

To whom it may concern:

The original report package that was submitted to LLA has been revised to include the Single Audit report. Enclosed is the updated report package including the original audit report submission and the additional Single Audit Report submission.

Langlinais Broussard & Kohlenberg

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

May 31, 2022

2419 Veterans Memorial Drive • PO Box 1123 • Abbeville, LA 70511-1123 • Office (337) 893-6232 • Fax (337) 893-6249 • www.LBKcpa.net

FINANCIAL STATEMENTS

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

SEPTEMBER 30, 2021 AND 2020

LANGLINAIS BROUSSARD & KOHLENBERG
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FINANCIAL STATEMENTS

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

SEPTEMBER 30, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Hospital Service District No. 1 of the Parish of St. Mary, State of Louisiana, a component unit of the St. Mary Parish Council, d/b/a Franklin Foundation Hospital ("the Hospital"), as of September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 1 of the Parish of St. Mary, State of Louisiana as of September 30, 2021 and 2020, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

The Hospital has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules identified in the table of contents as supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2022 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Langlinais Broussard & Kohlenberg

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

March 31, 2022

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

STATEMENT OF NET POSITION **FOR THE YEARS ENDED SEPTEMBER 30,**

ASSETS

	2021	2020
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 10,323,365	$ 14,487,805
Investments	4,427,856	4,430,581
Accounts Receivables, less Allowance For Doubtful		
Accounts of $1,207,059 in 2021 and $1,095,504 in 2020	2,063,195	1,877,720
Due from Third Party Payors	1,617,439	1,799,086
Other Receivables	4,267,724	2,181,317
Inventories	789,512	741,932
Prepaid Expenses	387,359	548,771
Total Current Assets	23,876,450	26,067,212
ASSETS WHOSE USE IS LIMITED:		
By Board	15,899,342	12,890,378
By Bond Indenture		
Series 2005 Contingency Fund	189,408	176,087
Series 2005 Reserve Fund	189,411	176,090
Series 2010 Contingency Fund	-	266,977
Series 2010 Bond Reserve Fund	-	266,977
Total Assets Whose Use is Limited by Bond Indenture	378,819	886,131
Total Assets Whose Use is Limited	16,278,161	13,776,509
PROPERTY, PLANT AND EQUIPMENT:		
Property, Plant and Equipment Cost	43,265,402	39,707,558
Less: Accumulated Depreciation	(28,764,761)	(27,353,332)
Total Property, Plant and Equipment	14,500,641	12,354,226
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Financing Costs	18,897	21,834
Total Deferred Outflows of Resources	18,897	21,834
TOTAL ASSETS	$ 54,674,149	$ 52,219,781

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

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

STATEMENT OF NET POSITION **FOR THE YEARS ENDED SEPTEMBER 30,**

LIABILITIES AND NET POSITION

	2021	2020
CURRENT LIABILITIES:		
Current Portion of Long-Term Debt	$ 208,304	$ 2,156,866
Accounts Payable	1,075,359	1,364,190
Due to Third Party Payors	2,310,810	2,611,855
Credit Balances	88,794	116,569
Interest Payable	13,095	24,184
Accrued Salaries and Related Withholdings	740,725	1,102,314
Accrued Vacation and Holiday Expense	580,704	526,773
Total Current Liabilities	5,017,791	7,902,751
LONG-TERM LIABILITIES:		
Revenue Bonds Series 2005	3,591,437	3,699,078
Capital Lease Payable	236,419	337,218
SBA PPP Loan	-	1,015,892
Provider Relief Funds	1,181,555	2,265,637
Total Long-Term Liabilities	5,009,411	7,317,825
TOTAL LIABILITIES	10,027,202	15,220,576
NET POSITION:		
Invested in Capital Assets, Net of Related Debt	10,464,481	7,733,450
Restricted Net Position (Expendable)	378,819	886,131
Unrestricted	33,803,647	28,379,624
TOTAL NET POSITION	44,646,947	36,999,205
TOTAL LIABILITIES AND NET POSITION	$ 54,674,149	$ 52,219,781

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

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

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

	2021	2020
OPERATING REVENUES:		
Net Patient Service Revenue before Provision for Doubtful Accounts	$ 25,117,949	$ 22,199,858
Provision for Doubtful Accounts	(1,457,803)	(1,359,184)
Net Patient Service Revenue less Provision for Doubtful Accounts	23,660,146	20,840,674
Ad Valorem Taxes	2,399,921	2,286,809
Intergovernmental Transfers - Operating Grant	2,556,967	3,872,486
Other Operating Revenue	309,732	300,174
TOTAL OPERATING REVENUE	28,926,766	27,300,143
OPERATING EXPENSES:		
Professional Services	18,179,378	15,917,434
General and Administrative	9,720,359	9,344,983
Depreciation and Amortization	1,627,245	1,472,618
TOTAL OPERATING EXPENSES	29,526,982	26,735,035
NET INCOME (LOSS) FROM OPERATIONS	(600,216)	565,108
NON-OPERATING REVENUES (EXPENSES)		
Full Medicaid Capacity Payment Program Funding	3,985,200	3,365,924
Other Non-Operating Revenues - Provider Relief Funds	1,084,082	2,777,628
Paycheck Protection Program Forgiveness	2,588,278	-
Grant Revenue	789,860	104,855
Net Increase (Decrease) in the Fair Value of Investments	(76,983)	28,865
Investment Income	80,214	105,148
Loss on the Disposal of Fixed Assets	(56,476)	(65,470)
Interest Income	59,055	46,249
Interest Expense	(211,936)	(222,841)
Other Non-Operating Revenue	6,244	377
TOTAL NON-OPERATING REVENUES	8,247,538	6,140,735
CHANGE IN NET POSITION	7,647,322	6,705,843
TOTAL NET POSITION, BEGINNING	36,999,625	30,293,362
TOTAL NET POSITION, ENDING	$ 44,646,947	$ 36,999,205

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

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

STATEMENT OF CASH FLOWS **FOR THE YEARS ENDED SEPTEMBER 30,**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Patients	$ 21,381,391	$ 21,830,944
Ad Valorem Taxes	2,359,403	2,286,467
Intergovernmental Transfers-Operating Grant	2,556,967	3,872,486
Cash Received from Other Sources	209,950	152,103
Cash Payments to Suppliers for Goods and Services	(15,391,858)	(11,990,622)
Cash Payments to Employees for Services	(12,990,536)	(12,384,333)
Net Cash Provided By Operating Activities	(1,874,683)	3,767,045
CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES:		
Acquisition of Property and Equipment	(3,809,515)	(1,297,337)
Proceeds from the Issuance of Long-Term Debt Paycheck Protection Program	-	2,588,278
Principal Payments on Long-term Debt	(584,616)	(785,424)
Interest Payments on Long-term Debt	(189,576)	(210,171)
Grant Income	4,775,060	3,470,779
Loss on Disposal of Assets	56,476	65,470
Other Non-Operating Income	6,244	377
Net Cash Provided By Capital and Related Financial Activities	254,073	3,831,972
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Proceeds from Provider Relief Funds	-	5,043,265
Deferred Financing Costs	2,937	2,692
Net Cash Provided By Non-Capital Financing Activities	2,937	5,045,957
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(3,903,479)	(3,942,864)
Proceeds from the Sale of Investments	3,829,222	3,754,340
Investment Income	3,231	134,012
Interest Income	25,911	46,249
Net Cash Used In Investing Activities	(45,115)	(8,263)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,662,788)	12,636,711
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR, INCLUDING $13,776,509 AND $10,092,055 LIMITED AS TO USE FOR 2021 AND 2020, RESPECTIVELY	28,264,314	15,627,603
CASH AND CASH EQUIVALENTS AT END OF YEAR, INCLUDING $16,278,161 AND $13,776,509 LIMITED AS TO USE FOR 2021 AND 2020, RESPECTIVELY	$ 26,601,526	$ 28,264,314

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

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

STATEMENT OF CASH FLOWS **FOR THE YEARS ENDED SEPTEMBER 30,**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income (Loss)	$ (600,216)	$ 565,108
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,627,245	1,472,618
Provision for Doubtful Accounts	1,457,803	1,359,184
Increase in Receivables and Due from/to Third Parties	(3,876,858)	(517,327)
Decrease (Increase) in Inventories and Prepaid Expenses	113,832	(197,321)
Increase (Decrease) in Accounts Payable and Accrued Expenses	(596,489)	1,084,783
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (1,874,683)	$ 3,767,045
Non-Cash Investing Activity:		
Decrease (Increase) in fair value of investments	$ (76,983)	$ 28,865

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

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

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

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

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

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

Property, Plant and Equipment. Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Interest cost incurred on borrowed funds, if any, during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

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

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

Compensated Absences. Employees of the Hospital are entitled to paid time off depending on their length of service and other factors. Accrued compensated absences on the Hospital's Statement of Net Position were $580,704 and $526,773 for 2021 and 2020, respectively.

Ad valorem Taxes. The Hospital received approximately six percent (6%) in 2021 and seven percent (7%) in 2020 of its financial support from ad valorem taxes. Current taxes are received beginning in December of each year and become delinquent after January 31 of the following year.

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

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

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

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

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

Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets may be restricted when there are limitations imposed on their use either through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position consists of net position that does not meet the definition of the two preceding categories.

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

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

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

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

Advertising. The Hospital expenses advertising costs as incurred.

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

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

NOTE 2: MAJOR SOURCE OF REVENUE

The Hospital participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Hospital derived approximately 59% and 64% of its gross patient service revenue in 2021 and 2020, respectively, from patients covered by the Medicare and Medicaid programs. The Hospital received total grant revenue, including operating and non-operating, of $7,332,027 and $7,343,265 for 2021 and 2020, respectively.

NOTE 3: NET PATIENT SERVICE REVENUE

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

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

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

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

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

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

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

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

	2021	2020
Medicare	$ 6,966,889	$ 7,303,163
Medicaid	13,360,275	7,713,282
All Other Payors	4,790,785	7,183,413
Total Net Patient Service Revenue Before Provision for Doubtful Accounts	$ 25,117,949	$ 22,199,858

NOTE 3: NET PATIENT SERVICE REVENUE, CONTINUED

The following schedule represents Total Net Patient Service Revenue:

	2021	2020
Gross Patient Service Revenue	$ 44,865,230	$ 37,049,449
LESS: Contractual Adjustments	(22,077,645)	(17,075,839)
ADD: Physician Full Medicaid Payment	2,330,364	2,226,248
Net Patient Service Revenue Before Provision for Doubtful Accounts	25,117,949	22,199,858
Provision for Doubtful Accounts	(1,457,803)	(1,359,184)
Net Patient Service Revenue after Provision for Doubtful Accounts	$ 23,660,146	$ 20,840,674

During the fiscal years ended September 30, 2021 and 2020, the Hospital received funding based on provider services provided to the MCOs through the Louisiana Department of Health and Hospital's Bayou Health Program referred to as "Physician Full Medicaid Payment" above. Under this program, the Hospital was required to make intergovernmental transfers ("IGT") totaling $2,187,248 and $1,510,155 to the Louisiana DHH for the years ended September 30, 2021 and 2020, respectively. The Hospital later received matching dollars for the transfer in addition to the FMP payment. Before administrative fees paid to the MCOs and a third-party representative organization, the Hospital recognized a gross benefit of approximately $2,330,364 and $2,226,248 for the years ended September 30, 2021 and 2020, respectively. The Hospital has included this amount in the "Physician Full Medicaid Payment" shown above as a part of Net Patient Service Revenue.

NOTE 4: ACCOUNTS RECEIVABLE - PATIENTS

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

Patient's Accounts Receivable consists of the following:

	2021	2020
Total Patient Accounts Receivable	$ 5,324,808	$ 4,471,006
LESS: Allowances for Doubtful Accounts and Contractual Allowances	(3,261,613)	(2,593,286)
Net Patient Accounts Receivable	$ 2,063,195	$ 1,877,720

NOTE 5: ACCOUNTS RECEIVABLE - OTHER

Other Accounts Receivable consists of the following:

	2021	2020
Accrued Ad Valorem Tax Revenue	$ 1,782,718	$ 1,742,200
Accrued Investment Income	18,535	23,892
Medicaid Physician Rate Enhancement Program	216,609	379,672
Medicaid DSH Funds Receivable	306,410	-
Full Medicaid Capacity Grant	1,876,585	-
All Other	66,867	35,553
Total Accounts Receivable - Other	$ 4,267,724	$ 2,181,317

NOTE 6: PROPERTY, PLANT AND EQUIPMENT

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

September 30, 2021

	Asset life in years	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not depreciated:					
Land		$ 1,308,702	$ -	$ -	$ 1,308,702
Construction in Progress		262,035	2,321,785	476,909	2,106,911
Total assets not being depreciated		1,570,737	2,321,785	476,909	3,415,613
Other Capital Assets:					
Buildings	10-40	18,690,081	35,127	162,427	18,562,781
Fixed Equipment	5-25	571,164	-	-	571,164
Movable Equipment	5-25	17,863,091	1,949,792	109,524	19,703,359
Land Improvements	5-25	1,012,485	-	-	1,012,485
Total other assets		38,136,821	1,984,919	271,951	39,849,789
Less accumulated depreciation for:					
Buildings		11,538,571	703,469	103,211	12,138,829
Equipment and Furniture		15,012,797	877,242	112,605	15,777,434
Improvements		801,964	46,534	-	848,498
Total Accumulated Depreciation		27,353,332	1,627,245	215,816	28,764,761
Net Property, Plant, and Equipment		$ 12,354,226	$ 2,679,459	$ 533,044	$ 14,500,641

September 30, 2020

	Asset life in years	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not depreciated:					
Land		$ 918,759	$ 389,943	$ -	$ 1,308,702
Construction in Progress		115,051	262,035	115,051	262,035
Total assets not being depreciated		1,033,810	651,978	115,051	1,570,737
Other Capital Assets:					
Buildings	10-40	18,750,635	10,225	70,779	18,690,081
Fixed Equipment	5-25	571,164	-	-	571,164
Movable Equipment	5-25	17,142,940	749,845	29,694	17,863,091
Land Improvements	5-25	1,012,485	-	-	1,012,485
Total other assets		37,477,224	760,070	100,473	38,136,821
Less accumulated depreciation for:					
Buildings		10,838,676	705,499	5,604	11,538,571
Equipment and Furniture		14,322,862	719,674	29,739	15,012,797
Improvements		754,519	47,445	-	801,964
Total Accumulated Depreciation		25,916,057	1,472,618	35,343	27,353,332
Net Property, Plant, and Equipment		$ 12,594,977	$ (60,570)	$ 180,181	$ 12,354,226

Total depreciation expense for the years ended September 30, 2021 and 2020 is $1,627,245 and $1,472,618, respectively.

Equipment in the amount of $633,378 is under capital lease for the periods ended September 30, 2021 and 2020. The related amortization/depreciation expense recognized for the years ended September 30, 2021 and 2020 is $102,682 and 57,081, respectively.

NOTE 7: OPERATING LEASES

The Hospital leases equipment and storage space through operating leases. Total lease expense for September 30, 2021 and 2020, respectively, for all operating leases was $248,436 and $204,685.

NOTE 8: LONG TERM DEBT

Long-term debt at September 30, 2021 and 2020, consists of the following:

	2021	2020
Revenue Bonds - face value $5,000,000, dated September 5, 2007, bearing interest at 4.25%, collateralized by hospital revenue, maturing monthly with the final maturity October 5, 2047.	$ 3,699,110	$ 3,802,279
Revenue Refunding Bonds - face value $6,295,462, dated April 30, 2010, bearing interest at 4.45%, collateralized by Hospital operating revenue, maturing monthly with the final maturity December 1, 2027.	-	364,262
Capital Lease Payable, dated October 1, 2016, bearing interest of 1.14%, maturing September 1, 2021, with principal due monthly, collateralized by lab equipment.	-	21,604
Capital Lease Payable, dated July 19, 2018, bearing interest of 2.63%, maturing July 19, 2023, with principal due monthly, collateralized by lab equipment	20,392	32,101
Capital Lease Payable, dated February 1, 2019, bearing interest of 2.44%, maturing March 10, 2025, with principal due monthly	316,658	400,530
Small Business Administration Paycheck Protection Program Loan, dated May 6, 2020, bearing an interest rate of 1.0%, with payments due monthly	-	2,588,278
HHS Provider Relief Funds, bearing no interest, no repayment plan established	1,181,555	2,265,637
Total Long-term Debt	5,217,715	9,474,691
Less: Current Portion	(208,304)	(2,156,866)
Long-term Portion	$ 5,009,411	$ 7,317,825

A summary of long-term debt activity for the years ended September 30, 2021 and 2020, consists of the following:

September 30, 2021

	Beginning Balance	Additions	Reductions	Ending Balance
Revenue Bonds Series 2005	$ 3,802,279	$ -	$ 103,169	$ 3,699,110
Revenue Bonds Series 2010	364,262	-	364,262	-
Capital Lease Payable	454,235	-	117,185	337,050
Paycheck Protection Program Loan	2,588,278	-	2,588,278	-
Provider Relief Funds	2,265,637	-	1,084,082	1,181,555
Total	$ 9,474,691	$ -	$ 4,256,976	$ 5,217,715

September 30, 2020

	Beginning Balance	Additions	Reductions	Ending Balance
Revenue Bonds Series 2005	$ 3,901,192	$ -	$ 98,913	$ 3,802,279
Revenue Bonds Series 2010	838,262	-	474,000	364,262
Capital Lease Payable	666,746	-	212,511	454,235
Paycheck Protection Program Loan	-	2,588,278	-	2,588,278
Provider Relief Funds	-	2,265,637	-	2,265,637
Total	$ 5,406,200	$ 4,853,915	$ 785,424	$ 9,474,691

NOTE 8: LONG TERM DEBT, CONTINUED

Balance due within one year:

	2021	2020
Revenue Bonds Series 2005	$ 107,673	$ 103,201
Revenue Bonds Series 2010	-	364,262
Capital Lease Payable	100,631	117,017
Paycheck Protection Program Loan	-	1,572,386
Total	$ 208,304	$ 2,156,866

Scheduled repayments on long-term debt are as follows:

September 30, 2021

	Principal	Interest	Total
2022	208,304	171,292	379,596
2023	214,853	161,119	375,972
2024	216,680	150,652	367,332
2025	156,721	140,923	297,644
2026	127,587	135,213	262,800
2027 - 2031	725,826	588,174	1,314,000
2032 - 2036	897,340	416,660	1,314,000
2037 - 2041	1,109,383	204,617	1,314,000
2042 - 2043	379,467	12,833	392,300
Total	$ 4,036,160	$ 1,981,483	$ 6,017,644
Provider Relief Funds (No Repayment Plan Established by the Program)	1,181,555	-	1,181,555
Total Debt	$ 5,217,715	$ 1,981,483	$ 7,199,199

September 30, 2020

	Principal	Interest	Total
2021	$ 2,156,866	$ 219,225	$ 2,376,091
2022	1,224,731	174,680	1,399,411
2023	215,332	161,119	376,451
2024	216,680	150,652	367,332
2025	156,721	140,923	297,644
2026 - 2030	695,676	618,324	1,314,000
2031 - 2035	860,066	453,934	1,314,000
2036 - 2040	1,063,302	250,698	1,314,000
2041 - 2043	619,680	34,543	654,223
Total	7,209,054	2,204,098	9,413,152
Provider Relief Funds (No Repayment Plan Established by the Program)	2,265,637	-	2,265,637
Total Debt	$ 9,474,691	$ 2,204,098	$ 11,678,789

NOTE 9: BOND DEFEASANCE

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

NOTE 9: BOND DEFEASANCE, CONTINUED

As a result, the 2005A Revenue Bonds are considered to be defeased and the liability has been removed from the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by $51,687. This amount has been amortized and has a net carrying value of $18,897 and $21,834 for September 30, 2021 and 2020, respectively, and is reflected on the Statement of Net Position as Deferred Outflows of Resources. It is being amortized over the remaining life of the refunded debt, which has a shorter life than the original bonds. At the time of the refunding, aggregate debt service payments were reduced by $1,048,787, and the Hospital obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of $1,313,547. The effective interest rate on the new issue is 4.49%.

NOTE 10: CONCENTRATIONS OF CREDIT RISK

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

	2021	2020
Medicare	16%	22%
Medicaid	23%	22%
Commercial and other third-party payors, and patients	61%	56%
	100%	100%

NOTE 11: ASSETS WHOSE USE IS LIMITED

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

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

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

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

Debt Service (Sinking) Fund:

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

Reserve Fund:

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

NOTE 11: ASSETS WHOSE USE IS LIMITED, CONTINUED

Contingency Fund:

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

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

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

	2021	2020
Internally designated for capital acquisitions	$ 592,896	$ 592,362
By Bond Indenture - Series 2005 Contingency Fund	189,408	176,087
By Bond Indenture - Series 2010 Contingency Fund	-	266,977
By Bond Indenture - Series 2005 Reserve Fund	189,411	176,090
By Bond Indenture - Series 2010 Reserve Fund	-	266,977
Building Litigation Settlement	250,000	250,000
By Board - Series 2010	585,818	-
Medicare Accelerated and Advanced Payments	1,789,404	-
Full Medicaid Capacity Funding Grant	12,681,224	12,048,016
Total Assets Whose Use is Limited	$ 16,278,161	$ 13,776,509

NOTE 12: BANK DEPOSITS AND INVESTMENTS

Louisiana state statutes require that all of the deposits of the Hospital must be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance.

The Hospital had bank balances as follows:

	2021	2020
Insured (FDIC)	$ 346,707	$ 346,707
Collateralized by securities held by the pledging financial institution's trust department in the Hospital's name	26,408,038	28,131,539
Total	$ 26,754,745	$ 28,478,246
Carrying Value	$ 26,754,745	$ 28,478,246

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

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

NOTE 12: BANK DEPOSITS AND INVESTMENTS, CONTINUED

Investments are reported at their fair values in the statement of net position. Unrealized gains and losses are included in the change in net position in the statement of revenues, expenses, and changes in net position. Investments consisted of the following as of September 30, 2021 and 2020:

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

NOTE 12: BANK DEPOSITS AND INVESTMENTS, CONTINUED

United States Treasury Notes .125% 03/31/2023 (Aaa Moody)	124,980	124,883
United States Treasury Notes .125% 07/31/2023 (Aaa Moody)	99,828	99,781
Visa, Inc. 2.8% 12/14/2022 (AA- S&P) (Aa3 Moody)	103,214	102,621
Walmart, Inc. 3.3% 4/22/2024 (AA S&P) (Aa2 Moody)	106,022	106,564
Waterford CT Txbl Ref .62% 08/15/2024 (AA S&P)	150,000	148,767
Waukesha WI Txbl Ref .5% 10/01/2023 (Aa2 Moody)	250,000	250,423 [1]
Total Investments	$ 4,434,316	$ 4,427,856

	2020	
	Cost	Market
Alabama St Port Auth Docks Facs Rev Txbl Ref-Series D 2.567% 10/1/2021 (AA S&P)	$ 202,294	$ 203,134
Apple, Inc. 1.55% 8/4/2021 (AA+ S&P) (Aa1 Moody)	144,971	151,442
Boulder Cops Txbl 3% 11/1/2020 (AA+ S&P) (Aa1 Moody)	234,452	225,448 [1]
Chevron Corporation 2.355% (AA S&P) (Aa2 Moody)	149,489	155,720
Fannie Mae Series 14-18 Class WA 3.5% 6/25/2040	105,983	106,152
Federal Home Loan Mtg Corp Ser 4945 Cl DA 3% 3/25/2043	92,952	93,268
FHLMC Ser 4675 Cl BC 3.5% 2/15/2042	155,086	152,041
FHLMC Series 3919 Class BG 3% 8/15/2039	18,974	18,932
FHLMC Series 3941 Class BA 3% 3/15/2026	76,475	77,288
FHLMC Series 4120 Class QB 1.5% 10/15/2042	109,184	118,320
FNMA Series 2012-100 Class ED 2% 6/25/2027	8,592	8,966
FNMA Series 2013-98 Class EA 3% 2/25/2032	144,070	146,423
GNMA Series 2011-85 Class LC 4% 10/20/2040	82,321	83,283
GNMA Series 2013-169 Class JC 2.5% 6/20/2043	43,220	44,585
GNMA Series 2018-79 Class AB 3% 1/20/48	146,136	150,779
Goldman Sachs Government Fund - Class: Inst (#465)	253,389	253,389 [1]
Government Natl Mtg Assn Series 16-93 Class LA 3% 5/20/2045	171,075	170,574
Government Natl Mtg Assn Series 18-138 Class BA 3.5% 5/20/2045	52,818	53,392
Jefferson LA Sales Tax Dist Spl Sales Tax Rev Sef-Series A 5% 12/1/2025 (AA S&P) (A1 Moody)	60,531	60,716
Louisiana St Env Fac & Cmnty Dev Auth Rev Txbl Ref Brcc Fac Corp Proj 1.659% 12/1/2021 (AA S&P)	165,000	166,591
Microsoft Corp 1.55% 8/8/2021 (AAA S&P) (Aaa Moody)	145,422	151,620
New Orleans LA Txbl 2.1% 12/01/2022 (AA S&P) (A2 Moody)	235,040	242,339 [1]
New York NY Build America Bonds 5.049% 12/1/2021 (AA S&P) (Aa2 Moody)	83,783	78,815
Procter & Gamble Co CO/THE 2.15% 8/11/2022 (AA- S&P) (Aa3 Moody)	148,814	155,318
Terrebonne Parish LA Wtrwks Dist #1 Txbl-Wtr Rev-Ref 1.965% 11/1/2021 (AA- S&P)	135,000	136,507
US Bank NA Cincinnati 3.15% 4/26/2021 (AA- S&P) (A1 Moody)	101,553	101,404
US Treasury (Y-2025) .375% 4/30/2025 (Aaa Moody)	100,238	100,590

NOTE 12: BANK DEPOSITS AND INVESTMENTS, CONTINUED

US Treasury (Z-2025) .25% 5/31/2025 (Aaa Moody)	249,023	250,030	1
US Treasury 1.875% 12/15/2020 (Aaa Moody)	199,289	200,718	
US Treasury 2.625% 12/15/2021 (Aaa Moody)	199,836	205,984	
US Treasury 2.625% 6/15/2021 (Aaa Moody)	149,801	152,649	
Visa, Inc. 2.8% 12/14/2022 (AA- S&P) (Aa3 Moody)	103,214	105,058	
Walmart, Inc. 3.3% 4/22/2024 (AA S&P) (Aa2 Moody)	106,022	109,109	
Total Investments	$ 4,374,045	$ 4,430,581	

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

The net change in the fair value of investments was an decrease of $76,983 and increase of $28,865 for the years ended September 30, 2021 and 2020, respectively.

Fair Value of Financial Instruments

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

These levels are:

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

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

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

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

NOTE 13: NET POSITION

Net position for the years ended September 30, 2021 and 2020 are as follows:

	2021	2020
Invested in Capital Assets, net of related debt	$ 10,464,481	$ 7,733,450
Restricted for:		
Bond Indenture (Expendable)	378,819	886,131
Unrestricted	33,803,647	28,379,624
Total Net Position	$ 44,646,947	$ 36,999,205

NOTE 14: CASH FLOW SUPPLEMENTAL INFORMATION

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

	2021	2020
Cash and Cash Equivalents	$ 10,323,365	$ 14,487,805
Cash Whose Use is Limited	16,278,161	13,776,509
Cash and Cash Equivalents at End of Year	$ 26,601,526	$ 28,264,314

Total interest paid by the Hospital was $189,576 and $210,171 in 2021 and 2020, respectively.

NOTE 15: GOVERNING BOARD EXPENSES

The board of commissioners of Hospital Service District No. 1, Parish of St. Mary received no compensation for the years ended September 30, 2021 and 2020.

NOTE 16: PENSION PLAN

The Hospital has two defined contribution retirement plans, a 457(b) plan and a 401(a) plan, which are administered by Retirement Strategies Group, LLC. Qualified Employees may elect to make contributions to the plans through salary reduction agreements. The employees are 100% vested in the 457(b) plan when the first contribution is made. The 401(a) plan's vesting percentage varies in relation to the employee's period of service. The amount of the employer contribution is currently 2% of the eligible participants' annual compensation. Benefit terms and amendments require approval by management and the board. Total expense for the years ended September 30, 2021 and 2020 was $237,838 and $231,901 respectively. Forfeitures may first be used to pay administrative expenses. Forfeitures of matching contributions that relate to excess amounts may be used to reduce employer contributions. Forfeitures reflected in pension expense as a reduction of employer contributions were approximately $5,239 and $1,320 for the years ended September 30, 2021 and 2020, respectively. The accrued pension plan liability was $213,857 and $194,915 for the years ended September 30, 2021 and 2020, respectively.

NOTE 17: CHARITY CARE

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

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges forgone, based on established rates, were approximately $58,226 and $54,423 for the years ended September 30, 2021 and 2020, respectively.

Management estimates that approximately $35,629 and $37,000 of costs were related to charity care for the years ended September 30, 2021 and 2020, respectively. This estimate is based on a ratio of total cost to gross patient charges applied to gross uncompensated charges associated with providing care to charity patients.

NOTE 18: CONTINGENCIES AND COMMITMENTS

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

The principal contingencies are described below:

Third-party-based Revenues - Cost reimbursements and claims are subject to examination by agencies administering the programs. The Hospital is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of those programs. The amount of such retroactive adjustments cannot be determined.

NOTE 18: CONTINGENCIES AND COMMITMENTS, CONTINUED

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

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

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

NOTE 19: UNCOMPENSATED CARE REVENUE AND OTHER FUNDING

Intergovernmental Transfers - Operating Grant. The Hospital received Uncompensated Care ("UCC") for the years ended September 30, 2014 and prior years (formerly called Disproportionate Share payments or "DSH"). In fiscal year 2015 the Hospital entered into a cooperative endeavor agreement ("CEA") with a regional public rural hospital (the "Grantor") whereby the Grantor distributes the funds as an intergovernmental transfer ("IGT"). The aggregate IGT grant revenue is $2,556,967 and $3,872,486 for the years ended September 30, 2021 and 2020, respectively, and is reflected on the Statement of Revenues, Expenses and Changes in Fund Net Position in Intergovernmental Transfers - Operating Grant.

Full Medicaid Payment Program Funding. The Hospital received Full Medicaid Payment Program ("FMPP") funding from the Louisiana Department of Health ("LDH") during the fiscal years ended September 30, 2021 and 2020. As part of the agreement with LDH, the Hospital was required to provide an IGT of 33% of the gross funds to the LDH in order to secure the federal Medicaid matching funds. In addition, the Hospital has a CEA with Teche Action Board, Inc., a Louisiana non-profit corporation, under the terms of which the Hospital granted a portion of the FMPP funding to Teche Action Board, Inc. for the purpose of promoting and providing for the general health of the community. Under the terms of the CEA, in the event that the Hospital does not receive funding for these efforts, there is no obligation on the part of the Hospital to provide funds to Teche Action Board, Inc.

The following is a breakdown of the Full Medicaid Payment Program funding received by the Hospital during the year ended September 30, 2021 and 2020:

	2021	2020
Gross Full Medicaid Payment Program Funding	$ 6,000,000	$ 6,000,000
Intergovernmental Transfer (IGT)	(1,954,800)	(1,980,090)
Rural Hospital Coalition Fee	(60,000)	(60,000)
Net Full Medicaid Payment Program Funding	3,985,200	3,959,910
Funds Granted to Teche Action Board, Inc.	-	(593,986)
Grant Revenue - Franklin Foundation Hospital	$ 3,985,200	$ 3,365,924

NOTE 19: UNCOMPENSATED CARE REVENUE AND OTHER FUNDING, CONTINUED

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

NOTE 20: RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

GASB's new lease accounting standard, GASB Statement No. 87, was issued in June 2017. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. In May 2020, the GASB issued Statement 95, Postponement of the Effective Dates of Certain Authoritative Guidance, postponing the requirements of GASB 87 by 18 months. The requirements of this Statement are now effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

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

NOTE 21: CARES ACT FUNDING

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

Paycheck Protection Program

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

Medicare Accelerated and Advanced Program

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

NOTE 21: CARES ACT FUNDING, CONTINUED

issued for any remaining balance due subject to an interest rate of four (4) percent. Recoupments started during the fiscal year, the balance outstanding at September 30, 2021 was $1,679,415.

Provider Relief Funds

The Hospital received $5,043,265 under this section of the CARES Act. The terms and conditions require that recipients be able to demonstrate that lost net patient revenues and increased expenses attributable to COVID 19, excluding expenses and losses that have been reimbursed from other sources, exceed the total amount of Provider Relief funding received. The Hospital has recognized $1,084,082 and $2,777,628 during the fiscal years ended September 30, 2021 and 2020, respectively, of the available funds as an offset to lost net patient revenue in the current fiscal year. The Hospital recognized this as non-operating revenue per the guidance laid out in GASB Technical Bulletin 2020-1. A repayment mechanism has yet to be established by the federal government.

NOTE 22: SUBSEQUENT EVENTS

In preparing these financial statements, the Hospital has evaluated events and transactions for potential recognition or disclosure through March 31, 2022, the date the financial statements were available to be issued.

SCHEDULE OF PATIENT SERVICE REVENUE — FOR THE YEARS ENDED SEPTEMBER 30,

INPATIENT SERVICE REVENUES

	2021	2020
Daily Patient Services:		
Room and Board	$ 2,175,502	$ 1,817,018
Total Daily Patient Services	2,175,502	1,817,018
Other Nursing Services:		
Central Supplies	2,522,260	2,013,738
Emergency Service	438	(3,076)
Labor and Delivery	134,984	136,596
Observation	13,938	7,043
Operating Room	303,403	320,066
Total Other Nursing Services	2,975,023	2,474,367
Other Professional Services:		
Anesthesiology	41,201	28,726
Blood	121,055	104,541
Cardiac Rehab	-	-
EKG & EEG	68,880	71,706
Inhalation Therapy	939,279	651,666
Laboratory	712,298	757,386
Pharmacy	2,961,633	1,765,697
Physical Therapy	203,771	212,737
Radiology	150,712	147,421
Wound Care	-	712
Total Other Professional Services	5,198,829	3,740,592
TOTAL INPATIENT SERVICE REVENUE	10,349,354	8,031,977

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

SCHEDULE OF PATIENT SERVICE REVENUE **FOR THE YEARS ENDED SEPTEMBER 30,**

OUTPATIENT SERVICE REVENUE

	2021	2020
Other Nursing Services:		
Central Supplies	1,959,701	1,446,173
Emergency Services	6,923,467	6,228,954
Labor and Delivery	17,536	17,830
Observation	227,113	146,505
Operating Room	2,592,538	1,875,607
Total	11,720,355	9,715,069
Other Professional Services:		
Anesthesiology	364,029	125,604
Blood	89,187	68,574
Cardiac Rehab	106,118	79,315
Clinics	4,227,456	3,404,777
EKG and EEG	634,589	563,014
Inhalation Therapy	178,913	154,547
Laboratory	6,804,518	6,244,960
Pharmacy	2,842,727	2,407,777
Physical Therapy	1,163,227	957,220
Radiology	6,384,246	5,296,654
Wound Care	511	(39)
Total	22,795,521	19,302,403
TOTAL OUPATIENT SERVICE REVENUE	34,515,876	29,017,472
GROSS PATIENT SERVICE REVENUE	44,865,230	37,049,449
Less: Contractual Adjustments	19,747,281	14,849,591
NET PATIENT SERVICE REVENUE BEFORE PROVISION FOR DOUBTFUL ACCOUNTS	$ 25,117,949	$ 22,199,858

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

SCHEDULE OF OTHER OPERATING REVENUES — FOR THE YEARS ENDED SEPTEMBER 30,

	2021	2020
Cafeteria and Vendor Sales	$ 99,782	$ 148,071
Rental Income	123,433	122,790
Other	86,517	29,313
TOTAL OTHER OPERATING REVENUES	$ 309,732	$ 300,174

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

SCHEDULE OF PROFESSIONAL SERVICES FOR THE YEARS ENDED SEPTEMBER 30,

	2021	2020
Salaries and Fees:		
Anesthesiology	$ 397,351	$ 363,396
Central Supply	134,107	103,544
Clinics	2,294,187	1,942,327
EKG and EEG	2,888	2,820
Emergency Response (COVID-19)	837,419	768,838
Emergency Room	2,491,886	2,409,630
Hospitalist	402,670	351,060
Intensive Care Unit	439,282	477,086
Inhalation Therapy	368,509	361,367
Labor and Delivery	1,094,143	1,042,684
Laboratory	726,938	788,947
Nursing	1,197,186	925,716
Occupational Therapy	57,684	62,994
Operating Room	1,906,834	1,666,882
Pharmacy	291,363	279,586
Physical Therapy	416,933	409,293
Radiology	935,352	853,242
Social Services	110,360	85,570
Speech Therapy	54,889	55,303
Wound Care	-	-
Other	245,349	204,826
Total Professional Salaries and Fees	14,405,330	13,155,111
Supplies and Other Expenses:		
Anesthesiology	13,598	2,769
Central Supply	116,207	92,216
Clinics	260,493	326,808
Emergency Response (COVID-19)	446,256	74,239
Emergency Room	142,356	140,404
Intensive Care Unit	20,331	20,299
Inhalation Therapy	184,548	72,243
Labor and Delivery	39,984	22,362
Laboratory	669,605	471,070
Nursing	119,398	82,641
Operating Room	799,869	549,725
Pharmacy	819,378	754,986
Physical Therapy	17,476	17,631
Radiology	123,437	134,175
Social Services	1,112	755
Total Professional Supplies and Other Expenses	3,774,048	2,762,323
TOTAL PROFESSIONAL SERVICES	$ 18,179,378	$ 15,917,434

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

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES   FOR THE YEARS ENDED SEPTEMBER 30,

	2021	2020
Salaries and Fees:		
Administrative	$ 2,732,465	$ 2,851,414
Dietary	226,797	236,155
Housekeeping	252,148	210,138
Maintenance	405,818	377,385
Medical Records	178,202	168,735
Total General and Administrative Salaries and Fees	3,795,430	3,843,827
Supplies and Other Expenses:		
Administrative	2,032,069	1,996,156
Employee Benefits	2,863,536	2,642,561
Dietary	229,479	234,698
Housekeeping	96,045	75,683
Maintenance	572,129	472,321
Medical Records	26,832	27,576
Orthopedics	104,839	52,161
Total General and Administrative Supplies and Other Expenses	5,924,929	5,501,156
TOTAL GENERAL AND ADMINISTRATIVE SERVICES	$ 9,720,359	$ 9,344,983

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

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

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

	2021	2020
STEPHANIE GUIDRY, CEO		
Salary	$ 262,932	$ 235,032
Benefits-Insurance	8,702	7,792
Benefits-Retirement	5,415	4,857
Car Allowance	7,800	7,800
Reimbursements	27	-
Travel	-	151
Conference Travel	275	-
Special meals	71	699
	$ 285,222	$ 256,331

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

LANGLINAIS BROUSSARD & KOHLENBERG
CERTIFIED PUBLIC ACCOUNTANTS

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Gayla F. Russo, CPA

Michael P. Broussard, CPA
Elizabeth L. Whitford, CPA
John W. O'Bryan, CPA
Barrett B. Perry, CPA
Elizabeth N. DeBaillon, CPA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hospital Service District No. 1 of the Parish of St. Mary, State of Louisiana, d/b/a Franklin Foundation Hospital, a component unit of the St. Mary Parish Council ("the Hospital"), as of September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents, and have issued our report thereon dated March 31, 2022.

INTERNAL CONTROL OVER FINANCIAL STATEMENTS

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan", we identified certain deficiencies in internal control that we consider to be material weaknesses - Finding 2021-1 and 2021-2.

COMPLIANCE AND OTHER MATTERS

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

HOSPITAL'S RESPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

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

This communication is intended for the information and use of the Board of Commissioners and management of the Hospital, others within the Hospital, federal awarding agencies, and the Legislative Auditor of the State of Louisiana and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Langlinais Broussard & Kohlenberg

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

March 31, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION PLAN
For the years ended September 30, 2021 and 2020

We have audited the financial statements of Hospital Service District No. 1 of the Parish of St. Mary, State of Louisiana, a component unit of the St. Mary Parish Council, d/b/a Franklin Foundation Hospital (the Hospital), as of and for the years ended September 30, 2021 and 2020, and have issued our report thereon dated March 31, 2022.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-133. Our audits of the financial statements as of September 30, 2021 and 2020 resulted in unmodified opinions.

Section 1: Summary of Auditor's Results

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

Internal Control

Material Weaknesses:	Yes
Significant Deficiencies:	No

Compliance:

Compliance Material to Financial Statements	No

Section II: Financial Statement Findings

B - Significant Deficiencies and Material Weaknesses

Finding 2021-1 Segregation of Duties

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

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

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

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

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

Finding 2021-2 Proposed Audit Adjustments

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

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

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

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

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

Section III: Management Letter Items

There are no management letter items at September 30, 2021.

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

SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended September 30, 2021

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

Finding 2020-1 Segregation of Duties

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

Status: Unresolved. See Finding 2021-1.

Finding 2020-2 Proposed Audit Adjustments

Condition and Criteria: The proposed audit adjustments for the fiscal years ended September 30, 2020 and 2019 had material effects on the financial statements. The proposed audit adjustments primarily consisted of adjustments to record the effects of Medicaid and Medicare cost reports, filed subsequent to the year-end.

Status: Unresolved. See Finding 2021-2.

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

d/b/a FRANKLIN FOUNDATION HOSPITAL

SINGLE AUDIT REPORT

For the Year Ended September 30, 2021

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

d/b/a FRANKLIN FOUNDATION HOSPITAL

SEPTEMBER 30, 2021

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LANGLINAIS BROUSSARD & KOHLENBERG
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Hospital Service District no. 1 of the Parish of St. Mary, State of Louisiana, a component unit of the St. Mary Parish Council, d/b/a Franklin Foundation Hospital's (hereinafter "Hospital") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Hospital's major federal programs for the year ended September 30, 2021. The Hospital's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Hospital, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Report on Internal Control over Compliance

Management of the Hospital is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Hospital's internal control over

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compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the Hospital as of and for the year ended September 30, 2021, and have issued our report thereon dated March 31, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

Langlinais Broussard & Kohlenberg

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

May 31, 2022

FRANKLIN FOUNDATION HOSPITAL
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021

Federal Grantor/Program or Cluster Title	*Federal CFDA Number*	*Federal Expenditures ($)*
U.S. Department of Health and Human Services		
Health Resources and Services Administation		
COVID-19 CARES Act Provider Relief Fund	93.498	$ 3,861,710

The accompanying notes are an integral part of this schedule

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Hospital under programs of the federal government for the year ended June 30, 2021. The information in the schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Hospital, it is not intended to and does not present the net position, changes in net position, or the cash flows of the Hospital.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 SUB-RECIPIENTS

There were no payments to sub-recipients for the fiscal year ended September 30, 2021.

NOTE 4 INDIRECT COST RATE

The hospital did not apply indirect costs to the program.

NOTE 5 REPORTING

Amounts reported on the SEFA for Provider Relief Funds are based upon the required September 30, 2021 report submission to the Health Resources and Services Administration (HRSA).

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2021

Section I. Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR200.516(a)?	No

Identification of Major Programs:

CFDA Numbers	Name of Federal Program
93.498	CARES Act Providers Relief Fund

Dollar threshold used to distinguish between Type A and Type B Programs:	$750,000
Auditee qualified as "low-risk" auditee?	No

Section II. Financial Statement Findings

None.

Section III. Federal Award Findings and Questioned Costs

None.

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

SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2021

None.