

FRANKLIN MEDICAL CENTER
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
APRIL 30, 2019, 2018 AND 2017



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, 2019, 2018 AND 2017

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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 "Medical Center") provides background information and management's analysis of the Medical Center's financial performance for the fiscal years that ended April 30, 2019, 2018, and 2017. Please read it in conjunction with the financial statements beginning on page 4 and notes to the financial statements beginning on page 8 in this report.

Financial Highlights

Current assets increased by \$1,038,901 or 15.6% for the year ending April 30, 2019 due to an increase in cash and short-term investments.

Current liabilities decreased 15.2% to \$4,174,756, due to a decrease in accounts payable. Long-term debt decreased by \$292,071 or 5.3% in FY 2019 to \$5,201,209 due to payments on long-term debt and only one (1) addition to capital leases compared to FY 2018 where the Medical Center added \$404,492 to the revenue bonds and added three capital leases.

The net position increased by \$1,077,995, 13.8%, which is the excess of revenues over expenses for the year ending April 30, 2019. Net position as of April 30, 2019 was \$8,898,225, up from \$7,820,230 as of April 30, 2018.

Net patient revenue for FY 2019 increased by \$734,453 or 2.59%, from \$28,380,193 in FY 2018 due to an increase of inpatient days and addition of outpatient physical therapy services. Overall patient days increased by 110 days to 3,767 for the year ending April 30, 2019. While outpatient service revenues did increase in the current year, total contractual allowance adjustments increased and charity care/policy discounts decreased.

Expenses for the year ending April 30, 2019 increased by \$779,378 or 2.48%. Total expenses for the year ending April 30, 2019 were \$32,183,014, up from \$31,403,636 as of April 30, 2018. The increase was related to increases in 340B drug cost and professional fees for Physical Therapy and Ortho Clinic.

Using this Annual Report

The Medical Center'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 Medical Center's activities including resources held by the Medical Center.

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

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

Net position is the difference between assets and liabilities. Over time, increases or decreases in the Medical Center'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 Medical Center'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 Medical Center's net position is the difference between assets and liabilities reported in the balance sheet. As discussed under the financial highlights section, the Medical Center's net position (inclusive of donated assets) increased by \$1,077,995. The financial highlights section also discusses the changes in assets and liabilities as are shown in the following table.

TABLE 1
Condensed Statements of Net Position

	Years Ended			
	April 30,			
	2019	2018	2017	2016
Total current assets	\$ 7,707,939	\$ 6,669,038	\$ 5,032,691	\$ 5,594,657
Nondepreciable capital assets	753,000	657,500	4,982,288	4,303,935
Depreciable capital assets, net	9,096,767	9,935,536	6,027,192	3,539,729
Limited use assets	583,201	816,375	812,635	810,194
Other non-current assets	133,283	158,869	228,359	1,317,032
Total assets	\$18,274,190	\$18,237,318	\$17,083,165	\$15,565,547
Total current liabilities	\$ 4,174,756	\$ 4,923,808	\$ 5,571,703	\$ 3,458,729
Long-term debt, net of current maturities	5,201,209	5,493,280	5,243,598	3,159,687
Total liabilities	9,375,965	10,417,088	10,815,301	6,618,416
Net position				
Invested in capital assets, net of related debt	3,527,370	4,014,113	4,764,818	3,781,877
Restricted	200,490	200,490	200,490	200,490
Unrestricted	5,170,365	3,605,627	1,302,556	4,964,764
Total liabilities and net position	\$18,274,190	\$18,237,318	\$17,083,165	\$15,565,547

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,			
	2019	2018	2017	2016
Net patient service revenue	\$29,114,646	\$28,380,193	\$24,465,327	\$23,174,726
Other revenue	4,335,800	4,781,666	2,863,853	3,207,560
Total operating revenue	33,450,446	33,161,859	27,329,180	26,382,286
Salaries and employee benefits	16,180,822	16,309,630	16,141,651	14,909,751
Supplies and other	2,772,266	2,307,115	1,847,920	1,760,428
Professional, mgt. and consulting fees	6,039,228	5,420,085	4,983,027	5,115,397
Other expense	5,358,205	5,509,694	5,306,657	3,832,362
Insurance	486,544	454,288	419,876	405,751
Depreciation and amortization	1,345,949	1,402,824	1,130,007	1,098,786
Total operating expenses	32,183,014	31,403,636	29,829,138	27,122,475
Operating income (loss)	1,267,432	1,758,223	(2,499,958)	(740,189)
Nonoperating income	(189,437)	(205,857)	(179,309)	162,667
Changes in net position	1,077,995	1,552,366	(2,679,267)	(577,522)
Net position - beginning of year	7,820,230	6,267,864	8,947,131	9,524,653
Net position - end of year	\$ 8,898,225	\$ 7,820,230	\$ 6,267,864	\$ 8,947,131

Sources of Revenue

Operating Revenue

During fiscal year 2019, 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, 2019, 2018, 2017 and 2016.

TABLE 3
Medicare & Medicaid Patient Revenue

	Years ended April 30,			
	2019	2018	2017	2016
Medicare and Medicaid patient charges	\$ 62,665,896	\$ 60,673,509	\$ 52,597,312	\$ 46,867,763
Contractual adjustments	40,219,129	38,735,552	31,012,726	32,189,491
Net Medicare and Medicaid revenue	<u>\$ 22,446,767</u>	<u>\$ 21,937,957</u>	<u>\$ 21,584,586</u>	<u>\$ 14,678,272</u>
Percent of total patient gross charges	<u>73%</u>	<u>74%</u>	<u>70%</u>	<u>63%</u>
Percent of total net patient revenues	<u>77%</u>	<u>77%</u>	<u>88%</u>	<u>63%</u>

Operating and Financial Performance

TABLE 4
Patient Statistics

	Years ended April 30,			
	2019	2018	2017	2016
Number of patient days				
Medicare acute and rehab care	2,308	2,182	1,244	1,092
Swingbed	398	407	159	126
Medicaid acute and rehab care	455	481	507	182
Other acute and rehab care	606	587	540	644
Total	<u>3,767</u>	<u>3,657</u>	<u>2,450</u>	<u>2,044</u>
Number of patient discharges				
Medicare acute and rehab care	495	484	371	338
Swingbed	66	59	23	28
Medicaid acute and rehab care	117	121	150	72
Other acute and rehab care	36	58	64	217
Total	<u>714</u>	<u>722</u>	<u>608</u>	<u>655</u>
Average length of patient stay				
Medicare acute and rehab care	4.7	4.5	3.4	3.2
Swingbed	6.0	6.9	6.9	4.5
Medicaid acute and rehab care	3.9	4.0	3.4	2.5
Other acute and rehab care	16.8	10.1	8.4	3.0
Average length of stay for acute care	<u>5.2</u>	<u>4.9</u>	<u>3.9</u>	<u>3.1</u>

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			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Nondepreciable Capital Assets				
Land	\$ 657,500	\$ 657,500	\$ 657,500	\$ 657,500
Construction in Progress	<u>95,500</u>	<u>-0-</u>	<u>4,324,788</u>	<u>3,646,435</u>
Total Nondepreciable Capital Assets	<u>\$ 753,000</u>	<u>\$ 657,500</u>	<u>\$ 4,982,288</u>	<u>\$ 4,303,935</u>
Depreciable Capital Assets				
Building & Equipment	\$ 21,953,292	\$ 21,498,838	\$ 16,311,377	\$ 14,239,915
Leasehold Improvements	2,714,431	2,714,431	2,702,231	2,702,231
Intangibles	<u>1,239,591</u>	<u>1,239,591</u>	<u>1,239,591</u>	<u>-0-</u>
Subtotal	25,907,314	25,452,860	20,253,199	16,942,146
Less Accumulated Depr. & Amort.	<u>16,810,547</u>	<u>15,517,324</u>	<u>14,226,007</u>	<u>13,402,417</u>
Total Depreciable Capital Assets, net	<u>\$ 9,096,767</u>	<u>\$ 9,935,536</u>	<u>\$ 6,027,192</u>	<u>\$ 3,539,729</u>

Long-Term Debt

Long-term debt at year end consists of two (2) revenue bonds and five (5) capital leases. During FY 2019, the Hospital made payments of \$422,045 to pay down revenue bonds and capital leases. Long-term debt decreased by \$292,071 or 5.3% in 2019, due to payments on long-term debt and only one (1) addition to capital leases.

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 Financial Statements

We have audited the accompanying financial statements of Hospital Service District No. 1, Parish of Franklin, State of Louisiana, Franklin Medical Center (the "Hospital"), a component unit of the Franklin Parish Police Jury, as of and for the years ended April 30, 2019, 2018, and 2017, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits 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 auditors' 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.

Opinions

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, 2019, 2018, and 2017, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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, 2019, 2018, and 2017, 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.

Other Matters

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, 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.

Other 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.



Board of Commissioners
Hospital Service District No. 1
Parish of Franklin, State of Louisiana
Winnsboro, Louisiana
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The supplementary 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. Such 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2019, 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.



Certified Public Accountants
Alexandria, Louisiana

October 16, 2019



FRANKLIN MEDICAL CENTER
STATEMENTS OF NET POSITION
APRIL 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
ASSETS			
Current Assets			
Cash and cash equivalents (Note 3)	\$ 1,839,544	\$ 1,338,684	\$ 657,990
Short-term investments (Note 3)	1,040,405	1,026,936	622,414
Accounts receivable, net of allowances for uncollectibles (Note 4)	2,638,437	2,539,700	2,338,603
Estimated third-party payor settlements	1,166,804	855,504	745,510
Other receivables	26,530	25,731	25,130
Inventories	843,950	728,112	567,047
Prepaid expenses	152,269	154,371	75,997
Total Current Assets	<u>7,707,939</u>	<u>6,669,038</u>	<u>5,032,691</u>
Non-Current Assets			
Nondepreciable capital assets (Note 5)	753,000	657,500	4,982,288
Depreciable capital assets, net (Note 5 and 6)	9,096,767	9,935,536	6,027,192
Notes receivable	62,155	52,177	121,667
Physician practice acquisition	71,128	106,692	106,692
Limited use assets (Note 7)	583,201	816,375	812,635
Total Assets	<u>\$ 18,274,190</u>	<u>\$ 18,237,318</u>	<u>\$ 17,083,165</u>
LIABILITIES AND NET POSITION			
Current Liabilities			
Accounts payable	\$ 1,062,949	\$ 1,271,273	\$ 1,764,474
Accrued salary and payroll taxes	743,740	959,925	837,374
Accrued paid time off (Note 8)	456,667	507,694	652,599
Estimated third-party payor settlements	1,447,712	1,756,773	1,973,692
Current portion of long-term debt (Note 9)	463,688	428,143	343,564
Total Current Liabilities	<u>4,174,756</u>	<u>4,923,808</u>	<u>5,571,703</u>
Long-term debt, net of current maturities (Note 9)	<u>5,201,209</u>	<u>5,493,280</u>	<u>5,243,598</u>
Total Liabilities	<u>9,375,965</u>	<u>10,417,088</u>	<u>10,815,301</u>
Net Position			
Invested in capital assets, net of related debt	3,527,370	4,014,113	4,764,818
Restricted	200,490	200,490	200,490
Unrestricted	5,170,365	3,605,627	1,302,556
Total Net Position	<u>8,898,225</u>	<u>7,820,230</u>	<u>6,267,864</u>
Total Liabilities and Net Position	<u>\$ 18,274,190</u>	<u>\$ 18,237,318</u>	<u>\$ 17,083,165</u>

See accompanying notes to financial statements.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenues			
Net patient service revenues (Note 10)	\$ 29,114,646	\$ 28,380,193	\$ 24,465,327
Non-restricted contributions	-0-	9,883	-0-
Operating grants	71,447	197,533	92,687
Intergovernmental transfer grants	1,845,921	2,584,519	1,286,123
Maintenance taxes	1,326,673	1,237,299	1,200,398
Other operating revenues	<u>1,091,759</u>	<u>752,432</u>	<u>284,645</u>
 Total Revenues	 <u>33,450,446</u>	 <u>33,161,859</u>	 <u>27,329,180</u>
Expenses			
Salaries	13,776,831	13,428,866	12,891,778
Benefits and payroll taxes	2,403,991	2,880,764	3,249,873
Supplies and drugs	2,772,266	2,307,115	1,847,920
Professional fees	6,039,228	5,420,085	4,983,027
Other expenses	5,358,205	5,509,694	5,306,657
Insurance	486,544	454,288	419,876
Depreciation and amortization	<u>1,345,949</u>	<u>1,402,824</u>	<u>1,130,007</u>
 Total Expenses	 <u>32,183,014</u>	 <u>31,403,636</u>	 <u>29,829,138</u>
 Operating Income (Loss)	 <u>1,267,432</u>	 <u>1,758,223</u>	 <u>(2,499,958)</u>
Nonoperating Revenues (Expenses)			
Gain (loss) on sale of assets	-0-	-0-	1,326
Interest income	25,614	13,014	11,497
Interest expense	<u>(215,051)</u>	<u>(218,871)</u>	<u>(192,132)</u>
 Changes in Net Position	 1,077,995	 1,552,366	 (2,679,267)
 Beginning Net Position	 <u>7,820,230</u>	 <u>6,267,864</u>	 <u>8,947,131</u>
 Ending Net Position	 <u>\$ 8,898,225</u>	 <u>\$ 7,820,230</u>	 <u>\$ 6,267,864</u>

See accompanying notes to financial statements.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 28,395,548	\$ 27,852,183	\$ 25,610,720
Other receipts from operations	4,335,001	4,781,065	2,965,021
Cash payments to employees and for employee-related cost	(16,448,034)	(16,331,984)	(15,769,253)
Cash payments for other operating expenses	<u>(14,978,303)</u>	<u>(14,423,822)</u>	<u>(11,814,603)</u>
Net cash provided (used) by operating activities	<u>1,304,212</u>	<u>1,877,442</u>	<u>991,885</u>
Cash flows from investing activities:			
Purchase of certificates of deposit	(13,469)	(404,522)	(2,441)
Proceeds from certificates of deposit	233,174	(3,740)	299,273
Loan to physicians	(27,140)	(42,184)	(52,000)
Cash paid for software fees	-0-	-0-	(405,335)
Interest income	<u>25,614</u>	<u>13,014</u>	<u>11,497</u>
Net cash provided (used) by investing activities	<u>218,179</u>	<u>(437,432)</u>	<u>(149,006)</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(384,435)	(582,184)	(2,606,857)
Interest expense	(215,051)	(218,871)	(192,132)
Proceeds from sales of capital assets	-0-	-0-	1,820
Proceeds from revenue bonds	-0-	404,492	3,565,909
Principal payments on long-term debt	<u>(422,045)</u>	<u>(362,753)</u>	<u>(1,526,486)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,021,531)</u>	<u>(759,316)</u>	<u>(757,746)</u>
Net increase (decrease) in cash and cash equivalents	500,860	680,694	85,133
Beginning cash and cash equivalents	<u>1,338,684</u>	<u>657,990</u>	<u>572,857</u>
Ending cash and cash equivalents	\$ <u><u>1,839,544</u></u>	\$ <u><u>1,338,684</u></u>	\$ <u><u>657,990</u></u>

See accompanying notes to financial statements.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	\$ <u>217,965</u>	\$ <u>220,199</u>	\$ <u>184,502</u>
Equipment acquired through capital lease agreements	\$ <u>165,519</u>	\$ <u>292,522</u>	\$ <u>143,452</u>
Reconciliation of income from operations to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 1,267,432	\$ 1,758,223	\$ (2,499,958)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,345,949	1,402,824	1,130,007
Changes in current assets (increase) decrease:			
Accounts receivable	(98,737)	(201,097)	450,792
Estimated third-party payor settlements	(311,300)	(109,994)	(114,158)
Other receivables	(799)	(601)	101,168
Inventories	(115,838)	(161,065)	(100,130)
Prepaid expenses	2,102	(78,374)	10,154
Changes in current liabilities increase (decrease):			
Accounts payable	(208,324)	(493,201)	832,853
Accrued salary and payroll taxes	(216,185)	122,551	424,405
Accrued paid time off	(51,027)	(144,905)	(52,007)
Estimated third-party payor settlements	<u>(309,061)</u>	<u>(216,919)</u>	<u>808,759</u>
Net cash provided (used) by operating activities	\$ <u>1,304,212</u>	\$ <u>1,877,442</u>	\$ <u>991,885</u>

See accompanying notes to financial statements.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2019, 2018 AND 2017

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

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

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

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

Nature of Business

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Fund

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

Basis of Accounting

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

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposits in checking and money market accounts and certificates of deposit with original maturities of ninety (90) days or less. Certificates of deposit with original maturities over 90 days are classified as short-term investments. 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, 2019, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit Risk

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

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

Significant Concentration of Economic Dependence

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

Net Patient Service Revenues

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

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

Patient Accounts Receivable

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

Inventories

Inventories are stated at the lower of cost determined by the first-in, first-out, or market basis.

Income Taxes

The District is a political subdivision and exempt from taxation.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2019, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

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

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

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

Net Position

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

Revenue and Expenses

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

Restricted Revenues

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

Grants and Contributions

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

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2019, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contributions (Continued)

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

Use of Estimates

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

Charity Care

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

Risk Management

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

Environmental Matters

The Hospital is subject to laws and regulations relating to the protection of the environment. The Hospital's policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty, the potential financial impact of the Hospital's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the Hospital. At April 30, 2019, 2018, and 2017, 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, 2019, 2018, and 2017 totaled \$49,663, \$33,716, and \$36,382, respectively.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2019, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Principles

In March 2018, the GASB issued Statement No. 85 (GASB 85). The objective of GASB Statement No. 85 Omnibus 2018, is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). Management is still evaluating the potential impact of adoption on the Hospital's financial statements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2018.

In June 2018, the GASB issued Statement No. 87 (GASB 87). The objective of GASB Statement No. 87, Leases, is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments. This Statement increased the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Management is still evaluating the potential impact of adoption on the Hospital's financial statements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year classifications.

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, 2019, 2018, and 2017.

Concentration of Credit Risks – The Hospital has 86% of its cash and cash equivalents at Franklin State Bank in checking and certificates of deposit.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2019, 2018 AND 2017

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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, 2019, for the Hospital are as follows:

	Franklin State Bank	Winnsboro State Bank	Progressive Bank
Cash in banks	\$ <u>3,370,685</u>	\$ <u>29,857</u>	\$ <u>521,915</u>
Insured by FDIC	\$ <u>500,000</u>	\$ <u>29,857</u>	\$ <u>250,000</u>
Collateralization by fair market value	\$ <u>4,372,761</u>	\$ <u>-0-</u>	\$ <u>769,182</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Carrying amount			
Deposits	\$ 697,374	\$ 510,732	\$ 356,453
Investments	<u>2,765,776</u>	<u>2,671,263</u>	<u>1,736,586</u>
	\$ <u>3,463,150</u>	\$ <u>3,181,995</u>	\$ <u>2,093,039</u>
Included in the following balance sheet captions			
Cash and cash equivalents	\$ 1,839,544	\$ 1,338,684	\$ 657,990
Short-term investments	1,040,405	1,026,936	622,414
Assets whose use is limited	<u>583,201</u>	<u>816,375</u>	<u>812,635</u>
	\$ <u>3,463,150</u>	\$ <u>3,181,995</u>	\$ <u>2,093,039</u>

FRANKLIN MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED APRIL 30, 2019, 2018 AND 2017

NOTE 4 - ACCOUNTS RECEIVABLE

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Patients	\$ 5,133,337	\$ 14,451,452	\$ 20,784,903
Estimated allowances for uncollectibles	<u>(2,494,900)</u>	<u>(11,911,752)</u>	<u>(18,446,300)</u>
Net accounts receivable	\$ <u><u>2,638,437</u></u>	\$ <u><u>2,539,700</u></u>	\$ <u><u>2,338,603</u></u>

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Medicare	15%	5%	3%
Medicaid	18%	7%	4%
Commercial and other third-party payors	11%	3%	3%
Patients	<u>56%</u>	<u>85%</u>	<u>90%</u>
Total	<u><u>100%</u></u>	<u><u>100%</u></u>	<u><u>100%</u></u>

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2019, 2018 AND 2017

NOTE 5 - CAPITAL ASSETS

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

	<u>2018</u>		<u>Additions</u>		<u>Deductions</u>		<u>Transfers</u>		<u>2019</u>
Nondepreciable capital assets									
Land	\$ 657,500	\$	-0-	\$	-0-	\$	-0-	\$	657,500
Construction in progress	<u>-0-</u>		<u>95,500</u>		<u>-0-</u>		<u>-0-</u>		<u>95,500</u>
Total nondepreciable capital assets	\$ <u>657,500</u>	\$	<u>95,500</u>	\$	<u>-0-</u>	\$	<u>-0-</u>	\$	<u>753,000</u>
Depreciable capital assets									
Buildings	\$ 11,042,547	\$	37,210	\$	-0-	\$	-0-	\$	11,079,757
Leasehold improvements	2,714,431		-0-		-0-		-0-		2,714,431
Furniture and equipment	9,067,550		273,702		-0-		-0-		9,341,252
Property held under capital lease	1,388,741		165,519		21,977		-0-		1,532,283
Intangibles	<u>1,239,591</u>		<u>-0-</u>		<u>-0-</u>		<u>-0-</u>		<u>1,239,591</u>
Total depreciable capital assets	25,452,860		476,431		21,977		-0-		25,907,314
Accumulated depreciation and amortization	<u>15,517,324</u>		<u>1,293,223</u>		<u>-0-</u>		<u>-0-</u>		<u>16,810,547</u>
Total depreciable capital assets, net	\$ <u>9,935,536</u>	\$	<u>(816,792)</u>	\$	<u>21,977</u>	\$	<u>-0-</u>	\$	<u>9,096,767</u>

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2019, 2018 AND 2017

NOTE 5 - CAPITAL ASSETS (Continued)

	<u>2017</u>		<u>Additions</u>		<u>Deductions</u>		<u>Transfers</u>		<u>2018</u>
Nondepreciable capital assets									
Land	\$ 657,500	\$	-0-	\$	-0-	\$	-0-	\$	657,500
Construction in progress	<u>4,324,788</u>		<u>-0-</u>		<u>-0-</u>		<u>(4,324,788)</u>		<u>-0-</u>
Total nondepreciable capital assets	<u>\$ 4,982,288</u>	\$	<u>-0-</u>	\$	<u>-0-</u>	\$	<u>(4,324,788)</u>	\$	<u>657,500</u>
Depreciable capital assets									
Buildings	\$ 6,400,538	\$	317,221	\$	-0-	\$	4,324,788	\$	11,042,547
Leasehold improvements	2,702,231		12,200		-0-		-0-		2,714,431
Furniture and equipment	8,814,620		252,930		-0-		-0-		9,067,550
Property held under capital lease	1,096,219		292,522		-0-		-0-		1,388,741
Intangibles	<u>1,239,591</u>		<u>-0-</u>		<u>-0-</u>		<u>-0-</u>		<u>1,239,591</u>
Total depreciable capital assets	20,253,199		874,873		-0-		4,324,788		25,452,860
Accumulated depreciation and amortization	<u>14,226,007</u>		<u>1,291,317</u>		<u>-0-</u>		<u>-0-</u>		<u>15,517,324</u>
Total depreciable capital assets, net	<u>\$ 6,027,192</u>	\$	<u>(416,444)</u>	\$	<u>-0-</u>	\$	<u>4,324,788</u>	\$	<u>9,935,536</u>

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2019, 2018 AND 2017

NOTE 5 - CAPITAL ASSETS (Continued)

	<u>2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>2017</u>
Nondepreciable capital assets					
Land	\$ 657,500	\$ -0-	\$ -0-	\$ -0-	\$ 657,500
Construction in progress	<u>3,646,435</u>	<u>2,031,380</u>	<u>-0-</u>	<u>(1,353,027)</u>	<u>4,324,788</u>
Total nondepreciable capital assets	<u>\$ 4,303,935</u>	<u>\$ 2,031,380</u>	<u>\$ -0-</u>	<u>\$ (1,353,027)</u>	<u>\$ 4,982,288</u>
Depreciable capital assets					
Buildings	\$ 5,441,401	\$ 39,379	\$ -0-	\$ 919,758	\$ 6,400,538
Leasehold improvements	2,702,231	-0-	-0-	-0-	2,702,231
Furniture and equipment	7,845,747	535,604	-0-	433,269	8,814,620
Property held under capital lease	952,767	143,452	-0-	-0-	1,096,219
Intangibles	<u>-0-</u>	<u>1,239,591</u>	<u>-0-</u>	<u>-0-</u>	<u>1,239,591</u>
Total depreciable capital assets	16,942,146	1,958,026	-0-	1,353,027	20,253,199
Accumulated depreciation and amortization	<u>13,402,417</u>	<u>823,590</u>	<u>-0-</u>	<u>-0-</u>	<u>14,226,007</u>
Total depreciable capital assets, net	<u>\$ 3,539,729</u>	<u>\$ 1,134,436</u>	<u>\$ -0-</u>	<u>\$ 1,353,027</u>	<u>\$ 6,027,192</u>

In the previously issued financial statements, intangibles were classified under other assets on the statement of net position. Additionally, construction in progress was classified under capital assets. In these financial statements, intangibles are classified as depreciable capital assets and construction in progress is classified as nondepreciable assets. The reclassifications impacted the amount considered as invested in capital assets, net of related debt.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Equipment under capital lease	\$ 1,557,281	\$ 1,388,741	\$ 1,096,219
Accumulated depreciation	<u>1,111,548</u>	<u>998,159</u>	<u>880,677</u>
Net	<u>\$ 445,733</u>	<u>\$ 390,582</u>	<u>\$ 215,542</u>

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2019, 2018 AND 2017

NOTE 6 - HOSPITAL FACILITY AND EQUIPMENT

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

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

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

Cost or Fair Market Value on the <u>Date of Donation</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Land	\$ 27,500	\$ 27,500	\$ 27,500
Buildings	1,842,500	1,842,500	1,842,500
Furniture and equipment	<u>188,716</u>	<u>188,716</u>	<u>188,716</u>
 Total	 <u>2,058,716</u>	 <u>2,058,716</u>	 <u>2,058,716</u>
 <u>Accumulated Depreciation</u>			
Buildings	1,842,500	1,842,500	1,842,500
Furniture and equipment	<u>188,716</u>	<u>188,716</u>	<u>188,716</u>
 Total	 <u>2,031,216</u>	 <u>2,031,216</u>	 <u>2,031,216</u>
 Book value of property, plant and equipment	 \$ <u>27,500</u>	 \$ <u>27,500</u>	 \$ <u>27,500</u>

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

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2019, 2018 AND 2017

NOTE 7 - LIMITED USE ASSETS

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>By Third Parties</u>			
LHA Trust deposits	\$ 200,490	\$ 200,490	\$ 200,490
<u>By Board</u>			
For capital improvements	<u>382,711</u>	<u>615,885</u>	<u>612,145</u>
	<u>\$ 583,201</u>	<u>\$ 816,375</u>	<u>\$ 812,635</u>

NOTE 8 - PAID TIME OFF

Employees of the District are entitled to paid days off and sick days depending on length of service. The District accrued \$456,667, \$507,694 and \$652,599 of vacation pay at April 30, 2019, 2018 and 2017. It is impracticable to estimate the amount of compensation for future unvested sick pay and, accordingly, no liability has been recorded in the accompanying financial statements. The District's policy is to recognize the cost of unvested sick pay when actually paid to employees.

NOTE 9 - LONG-TERM DEBT

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

	<u>2018</u>	<u>Additions</u>	<u>Payments</u>	<u>2019</u>	<u>Due Within One Year</u>
Capital lease obligations	\$ 365,106	\$ 165,519	\$ 105,245	\$ 425,380	\$ 142,447
Revenue bonds, Series 2014	3,202,167	-0-	200,000	3,002,167	200,000
Revenue bonds, Series 2015	<u>2,354,150</u>	<u>-0-</u>	<u>116,800</u>	<u>2,237,350</u>	<u>121,241</u>
Total	<u>\$ 5,921,423</u>	<u>\$ 165,519</u>	<u>\$ 422,045</u>	<u>\$ 5,664,897</u>	<u>\$ 463,688</u>
					<u>Due Within One Year</u>
	<u>2017</u>	<u>Additions</u>	<u>Payments</u>	<u>2018</u>	<u>Due Within One Year</u>
Capital lease obligations	\$ 123,089	\$ 292,522	\$ 50,505	\$ 365,106	\$ 111,343
Revenue bonds, Series 2014	3,402,167	-0-	200,000	3,202,167	200,000
Revenue bonds, Series 2015	<u>2,061,906</u>	<u>404,492</u>	<u>112,248</u>	<u>2,354,150</u>	<u>116,800</u>
Total	<u>\$ 5,587,162</u>	<u>\$ 697,014</u>	<u>\$ 362,753</u>	<u>\$ 5,921,423</u>	<u>\$ 428,143</u>

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2019, 2018 AND 2017

NOTE 9 - LONG-TERM DEBT (Continued)

	<u>2016</u>	<u>Additions</u>	<u>Payments</u>	<u>2017</u>	<u>Due Within One Year</u>
Capital lease obligations	\$ -0-	\$ 143,452	\$ 20,363	\$ 123,089	\$ 31,316
Revenue bonds, Series 2014	3,359,687	240,730	198,250	3,402,167	200,000
Revenue bonds, Series 2015	44,600	2,125,179	107,873	2,061,906	112,248
Revenue bonds, Series 2016A	<u>-0-</u>	<u>1,200,000</u>	<u>1,200,000</u>	<u>-0-</u>	<u>-0-</u>
 Total	 \$ <u>3,404,287</u>	 \$ <u>3,709,361</u>	 \$ <u>1,526,486</u>	 \$ <u>5,587,162</u>	 \$ <u>343,564</u>

The following are the terms and due dates of the Hospital's long-term debt at April 30, 2019:

- \$4,000,000 Revenue Bond, Series 2014 at 3.5% secured and payable solely from a pledge and dedication of Hospital levy and collection of 13 mils ad valorem tax revenue, with principal payable in annual installments of \$200,000 plus interest, starting March 1, 2015 through March 1, 2034.
- \$3,000,000 Revenue Bond, Series 2015 at 3.9% secured and payable solely from a pledge and dedication of Hospital levy and collection of 13 mils ad valorem tax revenue, with principal payable in annual installments plus interest, starting March 1, 2017 through March 31, 2035. As of April 30, 2019, \$2,574,271 has been used of the total bond allowance, leaving \$425,729 available to borrow.
- \$1,500,000 Revenue Bond, Series 2016A at 3.3% secured and payable solely from a pledge and dedication of Hospital levy and collection of 13 mils ad valorem tax revenue, with principal and interest payable on March 15, 2017.
- EverBank capital lease for X-Ray equipment at rate of imputed interest of 3.379%, with 54 monthly payments of \$2,916 until January 2021, collateralized by leased equipment with a cost of \$143,452 and a book value of \$81,973 at April 30, 2019.
- Stryker Flex Finance capital lease for Orthopedic equipment at rate of imputed interest of 2.3%, with 60 monthly payments of \$1,731 until September 2022, collateralized by leased equipment with a cost of \$98,020 and a book value of \$66,981 at April 30, 2019.
- Stryker Flex Equipment capital lease for Orthopedic equipment at rate of imputed interest of 3.584%, with 60 monthly payments of \$1,535 until September 2022, collateralized by leased equipment with a cost of \$84,183 and a book value of \$56,122 at April 30, 2019.
- Given Imaging capital lease for Gastrointestinal equipment at rate of imputed interest of 8.23%, with 6 monthly payments of \$1,103 followed by 48 monthly payments of \$2,616 until November 2021, collateralized by leased equipment with a cost of \$110,319 and a book value of \$61,796 at April 30, 2019.
- Olympus Financial Services capital lease for Gastro & Colon equipment at a rate of imputed interest of 4%, with 42 monthly payments of \$4,216 until August 2022, collateralized by leased equipment with a cost of \$165,519 and a book value of \$160,921 at April 30, 2019.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2019, 2018 AND 2017

NOTE 9 - LONG-TERM DEBT (Continued)

<u>Year Ending April 30,</u>	<u>Long-Term Debt</u>		<u>Capital Lease Obligation</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 321,241	\$ 185,333	\$ 142,447	\$ 15,201
2021	326,454	173,604	131,205	8,930
2022	331,582	161,673	104,804	3,299
2023	336,919	149,541	46,924	258
2024	342,233	137,201	-0-	-0-
2025-2029	1,803,630	493,071	-0-	-0-
2030-2034	<u>1,777,458</u>	<u>148,126</u>	<u>-0-</u>	<u>-0-</u>
Totals	\$ <u>5,239,517</u>	\$ <u>1,448,549</u>	\$ <u>425,380</u>	\$ <u>27,688</u>

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

NOTE 10 - NET PATIENT SERVICE REVENUES

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

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Hospital qualified for a Medicare low volume add-on for inpatient payments. These payments are effective for discharges occurring October 1, 2010 until September 30, 2022, if not extended by Congress. The additional payment received under the Medicare low volume add-on was \$578,271, \$489,664, and \$452,826 for the years ended April 30, 2019, 2018 and 2017, respectively. Because the Hospital qualifies as a Medicare Dependent Hospital (MDH), it receives additional reimbursement. The additional payments received under MDH status were \$37,650, \$65,912, and \$155,213 for the years ended April 30, 2019, 2018 and 2017, respectively. The benefits related to MDH designation expire on September 30, 2022. Outpatient services related to Medicare beneficiaries were paid based on a set fee per diagnosis. Swing bed services are reimbursed based on a prospectively determined rate per patient day. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary.

The District's Medicare cost reports have been examined by the Medicare fiscal intermediary through April 30, 2016.

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.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2019, 2018 AND 2017

NOTE 10 - NET PATIENT SERVICE REVENUES (Continued)

The District's Medicaid cost reports have been examined by the Medicaid fiscal intermediary through April 30, 2013.

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 8.3%, 9.1%, and 9.9% of the total gross charges for the years ended April 30, 2019, 2018 and 2017, respectively.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Gross charges	\$ 85,716,878	\$ 82,033,707	\$ 75,066,188
Less charges associated with charity patients	<u>72,438</u>	<u>395,732</u>	<u>3,048,734</u>
Gross patient service revenues	85,644,440	81,637,975	72,017,454
Less deductions from revenue:			
Contractual adjustments	53,674,791	51,408,149	42,428,707
Policy and other discounts	167,158	(8,746)	117,391
Physician supplement revenue	<u>(324,290)</u>	<u>(404,558)</u>	<u>(467,359)</u>
Patient service revenue (net of contractual adjustments and discounts)	32,126,781	30,643,130	29,938,715
Less provision for bad debts	<u>(3,012,135)</u>	<u>(2,262,937)</u>	<u>(5,473,388)</u>
Net patient service revenue less provision for bad debts	\$ <u>29,114,646</u>	\$ <u>28,380,193</u>	\$ <u>24,465,327</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>2019</u>	<u>2018</u>	<u>2017</u>
Medicare and Medicaid patient charges	\$ 62,665,896	\$ 60,673,509	\$ 52,597,312
Contractual adjustments	<u>(40,219,129)</u>	<u>(38,735,552)</u>	<u>(31,012,726)</u>
Program patient service revenue	\$ <u>22,446,767</u>	\$ <u>21,937,957</u>	\$ <u>21,584,586</u>
Percent of total gross patient charges	<u>73%</u>	<u>74%</u>	<u>70%</u>
Percent of total net patient revenues	<u>77%</u>	<u>77%</u>	<u>88%</u>

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2019, 2018 AND 2017

NOTE 10 - NET PATIENT SERVICE REVENUES (Continued)

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 a decrease of \$77,134 in net patient service revenue for 2019.

NOTE 11 - PROFESSIONAL LIABILITY RISK

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

NOTE 12 - CONTINGENCIES

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

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

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.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2019, 2018 AND 2017

NOTE 12 - CONTINGENCIES (Continued)

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

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

NOTE 13 - EMPLOYEE MEDICAL BENEFIT PLAN

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning of the year	\$ 667,937	\$ 595,143	\$ 275,073
Plus: Claims incurred and changes in estimate	1,172,197	1,631,940	2,021,568
Less: Claims paid	<u>1,443,834</u>	<u>1,559,146</u>	<u>1,701,498</u>
End of the year	\$ <u>396,300</u>	\$ <u>667,937</u>	\$ <u>595,143</u>

NOTE 14 - PENSION PLAN

The District has a defined contribution pension plan. The plan is administered by Lincoln Financial Group who holds all plan assets. All of the employees over the age of 21 are eligible to participate in the plan. Employees can elect to contribute up to the IRS allowable amount and the District 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 District for the years ended April 30, 2019, 2018 and 2017 were \$221,519, \$194,729, and \$177,984. The employees of the District contributed \$376,300, \$401,716, and \$378,645 for the years ended April 30, 2019, 2018 and 2017, respectively.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2019, 2018 AND 2017

NOTE 15 - COMMISSIONERS

The following commissioners served Franklin Medical Center without compensation during the year ended April 30, 2019:

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

NOTE 16 - OPERATING LEASES

Leases that do not meet the criteria for capitalization are classified as operation leases with related rental charges to operations as incurred. The following is a schedule by year of future minimum lease payments under operating leases as of April 30, 2019, that have initial or remaining lease terms in excess of one year:

<u>Year Ending April 30,</u>	<u>Amount</u>
2020	\$ 275,781
2021	255,876
2022	255,876
2023	255,876
2024	<u>255,876</u>
Total minimum lease payments	<u>\$ 1,299,285</u>

Total lease expense under noncancelable operating leases for the years ended April 30, 2019, 2018 and 2017, was \$317,000, \$367,444 and \$384,356, respectively.

NOTE 17 - GRANT REVENUE

In 2015 the Hospital (Grantee) entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (Grantor) whereby the Grantor awards an intergovernmental transfer grant (IGT) to be used solely to provide adequate and essential medically necessary and available healthcare services to Grantee's service population subject to the availability of such grant funds. The aggregate IGT grant income is \$1,845,921, \$2,584,519 and \$1,286,123 for fiscal years 2019, 2018 and 2017, respectively. Various other grants were received during the year for other uses.

NOTE 18 - CHARITY CARE

The Hospital provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% of the charity care or owe a reduced "sliding scale" amount based on the patient's level of income in comparison to the Federal Poverty Guidelines based on a 200% scale. Accordingly, the Hospital does not report the amount it expects not to collect in net operating

FRANKLIN MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED APRIL 30, 2019, 2018 AND 2017

NOTE 18 - CHARITY CARE (Continued)

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 \$27,000, \$152,000, and \$1,219,000 for the years ended April 30, 2019, 2018 and 2017, respectively. Funds received through UCC and grants, which pay part of the cost of charity and uninsured care, were approximately \$123,000, \$1,040,000, and \$594,000 for the years ended April 30, 2019, 2018 and 2017, respectively.

NOTE 19 - AD VALOREM TAXES

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

NOTE 20 - COMMITMENTS

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

<u>Year Ending April 30,</u>	<u>Amount</u>
2020	\$ 726,476
2021	726,476
2022	479,516
2023	-0-
2024	-0-
Total future commitment payments	\$ <u>1,932,468</u>

NOTE 21 - INTANGIBLES

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

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2019, 2018 AND 2017

NOTE 22 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 16, 2019, 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>2019</u>	<u>2018</u>	<u>2017</u>
Routine Services:			
Adults and pediatric	\$ 1,782,759	\$ 1,776,083	\$ 1,708,311
Intensive care unit	27,365	78,000	214,231
Rehab unit	1,098,243	1,075,135	-0-
Swing bed	<u>326,687</u>	<u>316,800</u>	<u>109,621</u>
 Total	 <u>3,235,054</u>	 <u>3,246,018</u>	 <u>2,032,163</u>
Other Professional Services:			
Operating room			
Inpatient	273,070	145,129	249,793
Outpatient	<u>3,606,394</u>	<u>3,581,585</u>	<u>3,269,488</u>
 Total	 <u>3,879,464</u>	 <u>3,726,714</u>	 <u>3,519,281</u>
Recovery room			
Inpatient	21,075	13,050	14,025
Outpatient	<u>329,175</u>	<u>321,450</u>	<u>312,000</u>
 Total	 <u>350,250</u>	 <u>334,500</u>	 <u>326,025</u>
Anesthesia			
Inpatient	2,060	1,180	8,191
Outpatient	<u>23,240</u>	<u>23,560</u>	<u>184,026</u>
 Total	 <u>25,300</u>	 <u>24,740</u>	 <u>192,217</u>
Radiology			
Inpatient	979,967	980,205	1,017,238
Outpatient	<u>14,491,406</u>	<u>13,171,055</u>	<u>13,012,126</u>
 Total	 <u>15,471,373</u>	 <u>14,151,260</u>	 <u>14,029,364</u>
Laboratory			
Inpatient	793,846	761,129	706,189
Outpatient	<u>8,911,790</u>	<u>8,432,025</u>	<u>7,044,959</u>
 Total	 <u>\$ 9,705,636</u>	 <u>\$ 9,193,154</u>	 <u>\$ 7,751,148</u>

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Blood			
Inpatient	\$ 154,000	\$ 165,106	\$ 144,384
Outpatient	<u>368,501</u>	<u>326,978</u>	<u>374,758</u>
Total	<u>522,501</u>	<u>492,084</u>	<u>519,142</u>
Respiratory care			
Inpatient	2,942,944	2,688,926	2,215,591
Outpatient	<u>2,277,563</u>	<u>2,165,177</u>	<u>1,921,747</u>
Total	<u>5,220,507</u>	<u>4,854,103</u>	<u>4,137,338</u>
Physical therapy			
Inpatient	848,652	825,840	37,539
Outpatient	<u>588,073</u>	<u>34,052</u>	<u>-0-</u>
Total	<u>1,436,725</u>	<u>859,892</u>	<u>37,539</u>
EKG			
Inpatient	91,080	98,135	106,720
Outpatient	<u>645,425</u>	<u>662,220</u>	<u>641,714</u>
Total	<u>736,505</u>	<u>760,355</u>	<u>748,434</u>
Central supply			
Inpatient	591,146	368,053	337,407
Outpatient	<u>2,588,310</u>	<u>2,409,049</u>	<u>1,997,014</u>
Total	<u>3,179,456</u>	<u>2,777,102</u>	<u>2,334,421</u>
Pharmacy			
Inpatient	2,355,985	2,449,418	1,818,917
Outpatient	<u>7,993,387</u>	<u>7,600,584</u>	<u>5,138,346</u>
Total	<u>10,349,372</u>	<u>10,050,002</u>	<u>6,957,263</u>
Intensive outpatient program	<u>1,962,235</u>	<u>1,821,438</u>	<u>1,775,501</u>
Emergency room			
Inpatient	1,016,082	1,007,846	1,125,884
Outpatient	<u>12,745,875</u>	<u>13,346,828</u>	<u>14,775,090</u>
Total	\$ <u>13,761,957</u>	\$ <u>14,354,674</u>	\$ <u>15,900,974</u>

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Observation room			
Inpatient	\$ 62,298	\$ 48,943	\$ 74,352
Outpatient	<u>1,005,899</u>	<u>1,242,637</u>	<u>1,443,414</u>
Total	<u>1,068,197</u>	<u>1,291,580</u>	<u>1,517,766</u>
Rural health clinic - outpatient	<u>10,679,048</u>	<u>10,960,158</u>	<u>10,415,586</u>
Ambulance - outpatient	<u>26,982</u>	<u>25,936</u>	<u>24,633</u>
Wound Care			
Inpatient	4,704	-0-	-0-
Outpatient	<u>558,975</u>	<u>63,171</u>	<u>-0-</u>
Total	<u>563,679</u>	<u>63,171</u>	<u>-0-</u>
Orthopedic clinic - outpatient	<u>390,842</u>	<u>23,921</u>	<u>-0-</u>
Nurse family partnership - outpatient	<u>554,155</u>	<u>431,012</u>	<u>296,346</u>
Urology clinic	<u>1,695,503</u>	<u>1,614,120</u>	<u>1,527,851</u>
Private physician office - outpatient	<u>902,137</u>	<u>977,773</u>	<u>1,023,196</u>
Total Other Professional Services	<u>82,481,824</u>	<u>78,787,689</u>	<u>73,034,025</u>
Gross charges	<u>85,716,878</u>	<u>82,033,707</u>	<u>75,066,188</u>
Less charges associated with charity patients	<u>(72,438)</u>	<u>(395,732)</u>	<u>(3,048,734)</u>
Gross patient service revenue	85,644,440	81,637,975	72,017,454
Less deductions from revenue:			
Contractual adjustments	53,674,791	51,408,149	42,428,707
Policy and other discounts	167,158	(8,746)	117,391
Physician supplement revenue	<u>(324,290)</u>	<u>(404,558)</u>	<u>(467,359)</u>
Patient service revenue (net of contractual adjustments and discounts)	<u>32,126,781</u>	<u>30,643,130</u>	<u>29,938,715</u>
Less provision for bad debts	<u>(3,012,135)</u>	<u>(2,262,937)</u>	<u>(5,473,388)</u>
Net Patient Service Revenue	\$ <u>29,114,646</u>	\$ <u>28,380,193</u>	\$ <u>24,465,327</u>

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

	<u>2019</u>		<u>2018</u>		<u>2017</u>
Vending machine commission	\$ 4,775	\$	4,304	\$	3,468
Physician office rentals	42,512		28,068		57,490
Medical records abstract fees	22,999		21,732		22,874
340B pharmacy program	931,166		547,361		4,468
Miscellaneous revenue	<u>90,307</u>		<u>150,967</u>		<u>196,345</u>
 Total other operating revenues	 \$ <u>1,091,759</u>	\$	 <u>752,432</u>	\$	 <u>284,645</u>

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Personnel	\$ 57,470	\$ 100,149	\$ 96,765
Administration	1,425,155	1,457,931	1,441,300
Plant operations and maintenance	207,576	212,509	220,080
Housekeeping	-0-	-0-	41,035
Purchasing	72,465	71,501	71,754
Pharmacy	360,974	356,883	381,345
Nursing administration	257,375	334,702	370,590
Medical records	266,587	259,077	319,088
Nursing services, acute care	1,670,161	1,570,360	1,606,149
Nursing services, intensive care unit	17,868	89,067	189,247
Nursing services, rehab unit	515,562	442,315	16,431
Operating room	515,947	441,106	396,890
Radiology	561,610	558,379	517,314
Laboratory	683,101	658,791	620,373
Respiratory care	541,526	552,770	533,818
Physical therapy	21,061	-0-	-0-
Intensive outpatient program	308,245	350,274	256,482
Wound care	100,515	2,821	-0-
Orthopedic clinic	109,475	1,775	-0-
Emergency room	1,530,592	1,355,836	1,300,990
Rural health clinic	2,657,157	2,656,362	2,520,704
Nurse family partnership	315,127	316,897	236,562
Spa	-0-	698	1,238
Transportation	122,981	94,841	89,903
Urology clinic	737,418	753,793	775,085
Private physician office	<u>720,883</u>	<u>790,029</u>	<u>888,635</u>
 Total salaries	 <u>13,776,831</u>	 <u>13,428,866</u>	 <u>12,891,778</u>
 Payroll taxes	 938,482	 912,259	 892,325
Health insurance	1,172,197	1,631,940	2,024,728
Pension plan	221,519	194,729	177,984
Other	<u>71,793</u>	<u>141,836</u>	<u>154,836</u>
 Total benefits	 <u>2,403,991</u>	 <u>2,880,764</u>	 <u>3,249,873</u>
 Total salaries and benefits	 <u>\$ 16,180,822</u>	 <u>\$ 16,309,630</u>	 <u>\$ 16,141,651</u>

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Nursing service	\$ 5,163	\$ 20,599	\$ 1,862
Rehab unit	-0-	14,716	-0-
Operating room	-0-	11,939	5,319
Anesthesiology	88,707	81,668	154,572
Radiology	610,178	561,067	585,024
Laboratory	376,895	401,187	346,157
Respiratory therapy	137,763	120,900	84,456
Physical therapy	510,956	293,635	5,385
EKG	36,061	36,120	33,183
IOP	588	588	2,404
Pharmacy	51,279	65,188	64,209
Orthopedic clinic	631,370	134,327	-0-
Emergency room	715,826	712,442	746,145
Rural health clinic	2,871,032	2,960,299	2,943,553
Urology clinic	971	2,486	6,615
Private physician office	<u>2,439</u>	<u>2,924</u>	<u>4,143</u>
 Total professional fees	 \$ <u>6,039,228</u>	 \$ <u>5,420,085</u>	 \$ <u>4,983,027</u>

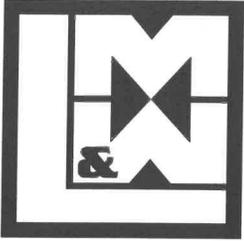
FRANKLIN MEDICAL CENTER
SCHEDULES OF OPERATING EXPENSES – OTHER EXPENSES
YEARS ENDED APRIL 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Miscellaneous service fees	\$ 2,707,115	\$ 2,777,347	\$ 2,609,230
Legal and accounting	20,963	93,662	160,900
Supplies	198,579	189,502	184,348
Minor equipment	55,223	57,766	74,367
Repairs and maintenance	100,660	81,063	145,820
Utilities	402,611	431,720	396,469
Telephone	68,006	55,522	70,508
Travel	66,929	49,682	54,551
Rentals	433,823	366,134	387,241
Education	68,301	38,755	29,385
Dues and subscriptions	946,637	1,018,639	924,175
Recruitment and advertising	81,145	86,337	38,217
Miscellaneous	<u>208,213</u>	<u>263,565</u>	<u>231,446</u>
 Total other expenses	 \$ <u>5,358,205</u>	 \$ <u>5,509,694</u>	 \$ <u>5,306,657</u>

FRANKLIN MEDICAL CENTER
 SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
 PAYMENTS TO ADMINISTRATOR
 YEAR ENDED APRIL 30, 2019

Agency Head Name: Blake Kramer
 Position: Administrator
 Time Period: May 1, 2018 to April 30, 2019

Purpose	Amount
Salary	189,760
Health insurance	6,633
Retirement	11,507
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	3,781
Registration fees	300
Conference travel	3,404
Continuing professional education fees	5,085
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-
Professional dues	1,893
Cell phone	408



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hospital Service District No. 1, Parish of Franklin ("Franklin Medical Center"), a component unit of the Franklin Parish Police Jury, as of and for the years ended April 30, 2019, 2018, and 2017, and the related notes to the financial statements, which collectively comprise Franklin Medical Center's basic financial statements and have issued our report thereon dated October 16, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Franklin Medical Center'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 Franklin Medical Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Franklin Medical Center's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2019-001, that we consider to be a material weakness.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Franklin Medical Center's financial statements are free of 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 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 disclosed no instances of noncompliance or other matter that is required to be reported under *Government Auditing Standards*.

Franklin Medical Center's Response to Findings

Franklin Medical Center's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Franklin Medical Center'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 Franklin Medical Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Franklin Medical Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Alexandria, Louisiana

October 16, 2019



FRANKLIN MEDICAL CENTER
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
YEAR ENDED APRIL 30, 2019

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

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

Compliance:

- Noncompliance issues noted – No

Management letter issued – No

Federal Awards – Not applicable

Section II. Financial Statement Findings

Finding 2019-001 – Self-Insured Health Insurance

Finding: Management did not correctly estimate for claims incurred but not paid for employee health insurance. Therefore, liabilities and expenses were overstated by approximately \$582,331.

Recommendation: We recommend reviewing the calculation for employee health insurance to determine that all material items are considered in making a reasonable estimate.

Response: Accounting will obtain monthly utilization reports from the third-party administrator and use that data to record an estimated liability for unpaid claims at least quarterly. The estimate will be implemented by the end of the third quarter.

Section III. Federal Awards, Findings and Questioned Costs

Not Applicable

Section IV. Management Letter

Not Applicable

FRANKLIN MEDICAL CENTER
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED APRIL 30, 2019

Section I. Financial Statement Findings

Finding 2018-001 – Draft of Financial Statements

Fiscal Year Initially Reported: April 30, 2007

Finding: In the past, the auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006 SAS 112 now requires management to ensure propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the resources necessary internally to complete the reporting requirements.

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

Response: The Hospital's accounting personnel will continue to attend education courses in order to further their knowledge of GAAP. Further, due to the size of our organization and the cost of implementation, we will continue to rely on our independent auditors to assist us in the preparation of our external financial statements.

Resolution: This matter has been resolved.

Finding 2018-002 – Medicaid Cost Reimbursement

Fiscal Year Initially Reported: April 30, 2016

Finding: Management implemented a model for estimating Medicare and Medicaid cost reimbursement during the current fiscal year. However, the model did not include the implementation of new services and included additional reserves. This caused the liabilities to be overstated and net patient service revenue was understated by approximately \$1,800,000.

Recommendation: Management should utilize an estimate for cost reimbursement based on claims paid and current cost, charges and volume. Estimates should be reviewed quarterly and at year end, and adjusted as necessary.

Response: The model management used to estimate cost report settlements was not accurate, partly due to implementation of new services during the fiscal year. The Chief Financial Officer has updated the information used in the model to more accurately reflect the current hospital operations.

Resolution: This matter has been resolved.

FRANKLIN MEDICAL CENTER
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED APRIL 30, 2019

Section I. Financial Statement Findings (Continued)

Finding 2018-003 – Credit Balances

Fiscal Year Initially Reported: April 30, 2008

Finding: The credit balance for accounts receivable has increased continually since 2011 and remains higher than expected compared to the accounts receivable balance.

Recommendation: We recommend the Hospital assign the duty of investigating credit balances on patient accounts to one person who will make necessary adjustments to or timely refunds of the balances as needed on a monthly basis.

Response: The Hospital reduced the total credit balances significantly during this year, but is still above industry benchmarks. Patient Accounts Director will regularly monitor credit balances and make adjustments and issue refunds as appropriate. Patient Accounts Director will also require routine monthly reporting of credit balances from billing company. CFO will review credit balances at least quarterly, emphasizing maintaining credit balances at or below industry benchmark levels.

Resolution: This matter has been resolved.

Section II. Federal Award Findings and Questioned Costs

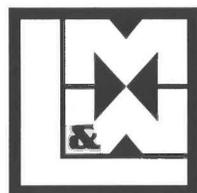
Not Applicable

Section III. Management Letter

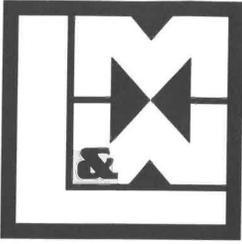
Not Applicable

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

FOR THE YEAR ENDED
APRIL 30, 2019



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Independent Accountant's Report on Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated below, which were agreed to by the Board of Commissioners of Franklin Parish Hospital Service District No. 1 d/b/a Franklin Medical Center (Hospital) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period May 1, 2018 through April 30, 2019. The Hospital's management is responsible for those C/C areas identified in the SAUPs.

The agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose of which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

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

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

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Exceptions: No exceptions noted.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted 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 unrestricted fund balance in the general fund.

Exceptions: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2019, since fiscal year 2018 did not contain any exceptions.

Bank Reconciliations

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



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

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

Exceptions: No exceptions noted.

Collections

- 4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- 5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
- 6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
- 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.



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

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
- e) Trace the actual deposit per the bank statement to the general ledger.

Exceptions: The employees who are responsible for collecting cash also prepare the deposits and post to the general ledger the receipts. However, management has established compensating controls. The deposits and postings are reconciled and reviewed by two other employees who are separate from the collection's function.

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

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
- 10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Exceptions: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2019, since fiscal year 2018 did not contain any exceptions.

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

- 11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.



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

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Exceptions: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2019, since fiscal year 2018 did not contain any exceptions.

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
 - a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Exceptions: No exceptions noted.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain



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

management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

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

Exception: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2019, since fiscal year 2018 did not contain any exceptions.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Exceptions: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2019, since fiscal year 2018 did not contain any exceptions.



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

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Exceptions: No exceptions noted.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Exceptions: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2019, since fiscal year 2018 did not contain any exceptions.

Other

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

Exceptions: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2019, since fiscal year 2018 did not contain any exceptions.



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 were not engaged to and did not conduct an examination or review, 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.

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

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

October 23, 2019



