

FRANKLIN MEDICAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AND
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
APRIL 30, 2025 AND 2024

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, 2025 AND 2024

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

Management's Discussion and Analysis

This section of the annual financial report for Hospital Service District No. 1 of Franklin Parish, State of Louisiana d/b/a Franklin Medical Center (the "Hospital") provides background information and management's analysis of the Hospital's financial performance for the fiscal years that ended April 30, 2025, 2024, and 2023. Please read it in conjunction with the financial statements beginning on page 5 and notes to the financial statements beginning on page 10 in this report.

Financial Highlights

Current assets increased by \$2,746,325 or 9.8% for the year ending April 30, 2025 mostly due to an increase in Medicaid cost report receivable of approximately \$1.7 million for the current year.

Current liabilities decreased 2.7% or \$169,339. Long-term debt decreased by \$714,506 or 9.9% in FY 2025 to \$6,479,227 due to payments on long-term debt.

The net position increased by \$3,311,169 or 8.4%, which is the excess of revenues over expenses for the year ending April 30, 2025. Net position as of April 30, 2025 was \$ 42,611,206, up from \$ 39,300,037 as of April 30, 2024.

Net patient revenue for FY 2025 increased by \$3,861,485 or 10.94%, from \$35,309,452 in FY 2024 due to an increase in volume and additional practitioners in the clinics. Overall patient days increased by 417 days to 3,476 for the year ending April 30, 2025.

Expenses for the year ending April 30, 2025 increased by \$4,792,469 or 9.51%. Total expenses for the year ending April 30, 2025 were \$55,179,097, up from \$50,386,628 as of April 30, 2024. The increase was due to an increase in salaries and benefits.

Using this Annual Report

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

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

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

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

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

Management's Discussion and Analysis (continued)

Using this Annual Report (Continued)

The Statement of Cash Flows

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

Franklin Medical Center's Net Position

The Hospital's net position is the difference between assets and liabilities reported in the balance sheet. As discussed under the financial highlights section, the Hospital's net position (inclusive of donated assets) increased by \$3,311,169. The financial highlights section also discusses the changes in assets and liabilities as shown in the following table.

TABLE 1
Condensed Statements of Net Position

	Years Ended April 30,		
	2025	2024	2023
Total current assets	\$ 30,706,719	\$ 27,960,394	\$ 28,647,617
Nondepreciable capital assets	679,400	11,482,637	7,867,390
Depreciable capital assets, net	19,083,453	8,211,110	8,200,015
Right-of-Use capital assets, net	1,758,649	1,683,085	1,791,411
Subscription assets, net	2,522,939	2,977,446	2,673,130
Limited use assets	203,155	198,186	395,307
Other non-current assets	227,852	241,985	206,836
Total assets	<u>\$ 55,182,167</u>	<u>\$ 52,754,843</u>	<u>\$ 49,781,706</u>
Total current liabilities	\$ 6,091,734	\$ 6,261,073	\$ 6,594,857
Long-term debt, net of current maturities	6,479,227	7,193,733	7,329,046
Total liabilities	<u>12,570,961</u>	<u>13,454,806</u>	<u>13,923,903</u>
Net position			
Invested in capital assets, net of related debt	16,487,218	15,915,622	11,943,963
Restricted	-0-	-0-	-0-
Unrestricted	26,123,988	23,384,415	23,913,840
Total liabilities and net position	<u>\$ 55,182,167</u>	<u>\$ 52,754,843</u>	<u>\$ 49,781,706</u>

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

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.

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,		
	2025	2024	2023
Net patient service revenue	\$ 39,170,937	\$ 35,309,452	\$ 33,924,919
Other revenue	17,291,118	16,378,395	17,587,974
Total operating revenue	56,462,055	51,687,847	51,512,893
Salaries and employee benefits	25,212,066	22,251,767	20,231,424
Supplies and other	4,461,805	3,380,846	3,329,321
Professional, mgt. and consulting fees	6,567,312	6,507,275	6,592,418
Other expense	15,825,080	14,953,665	13,044,808
Insurance	682,738	778,348	706,569
Depreciation and amortization	2,430,096	2,514,727	2,261,598
Total operating expenses	55,179,097	50,386,628	46,166,138
Operating income (loss)	1,282,958	1,301,219	5,346,755
Nonoperating income	2,028,211	1,954,828	4,219,430
Changes in net position	3,311,169	3,256,047	9,566,185
Net position - beginning of year	39,300,037	36,043,990	26,291,618
Net position - end of year	\$ 42,611,206	\$ 39,300,037	\$ 35,857,803

Sources of Revenue

Operating Revenue

During fiscal year 2025, 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 million 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, 2025, 2024, and 2023.

TABLE 3
Medicare & Medicaid Patient Revenue

	Years ended April 30,		
	2025	2024	2023
Medicare and Medicaid patient charges	\$ 61,609,766	\$ 60,529,054	\$ 62,134,042
Contractual adjustments	36,839,467	36,567,544	37,785,944
Net Medicare and Medicaid revenue	<u>\$ 24,770,299</u>	<u>\$ 23,961,510</u>	<u>\$ 24,348,098</u>
Percent of total patient gross charges	<u>55%</u>	<u>59%</u>	<u>63%</u>
Percent of total net patient revenues	<u>63%</u>	<u>68%</u>	<u>72%</u>

Operating and Financial Performance

TABLE 4
Patient Statistics

	Years ended April 30,		
	2025	2024	2023
Number of patient days			
Medicare acute and rehab care	1,796	1,845	1,640
Swingbed	116	162	125
Medicaid acute and rehab care	417	324	409
Other acute and rehab care	1,147	728	916
Total	<u>3,476</u>	<u>3,059</u>	<u>3,090</u>
Number of patient discharges			
Medicare acute and rehab care	472	454	420
Swingbed	14	29	22
Medicaid acute and rehab care	97	80	99
Other acute and rehab care	102	56	90
Total	<u>685</u>	<u>619</u>	<u>631</u>
Average length of patient stay			
Medicare acute and rehab care	3.8	4.1	3.9
Swingbed	8.3	5.6	5.7
Medicaid acute and rehab care	4.3	4.1	4.1
Other acute and rehab care	11.2	13.0	10.2
Average length of stay for acute care	<u>5.0</u>	<u>4.9</u>	<u>4.9</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

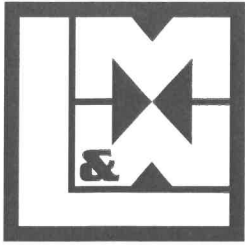
	2025	April 30 2024	2023
Nondepreciable Capital Assets			
Land	\$ 657,500	\$ 657,500	\$ 657,500
Construction in Progress	21,900	10,825,137	7,209,890
Total Nondepreciable Capital Assets	<u>\$ 679,400</u>	<u>\$ 11,482,637</u>	<u>\$ 7,867,390</u>
Depreciable Capital Assets			
Building & Equipment	\$ 37,160,044	\$ 24,936,604	\$ 23,941,179
Leasehold Improvements	3,207,293	3,139,647	2,773,141
Subtotal	<u>40,367,337</u>	<u>28,076,251</u>	<u>26,714,320</u>
Less Accumulated Depr. & Amort.	21,283,884	19,865,141	18,514,305
Total Depreciable Capital Assets, net	<u>\$ 19,083,453</u>	<u>\$ 8,211,110</u>	<u>\$ 8,200,015</u>
Right-of-use Capital Assets			
Buildings	\$ 415,454	\$ 548,737	\$ 548,737
Equipment	2,663,798	3,076,205	2,484,123
Subtotal	<u>3,079,252</u>	<u>3,624,942</u>	<u>3,032,860</u>
Less Accumulated Amortization	1,320,603	1,941,857	1,241,449
Total Right-of-use Capital Assets, net	<u>\$ 1,758,649</u>	<u>\$ 1,683,085</u>	<u>\$ 1,791,411</u>
Subscription Assets	\$ 3,582,169	\$ 3,697,083	\$ 3,057,663
Less Accumulated Amortization	1,059,230	719,637	384,533
Total Subscription Assets, net	<u>\$ 2,522,939</u>	<u>\$ 2,977,446</u>	<u>\$ 2,673,130</u>

Long-Term Debt

Long-term debt at year end consists of one (1) revenue bond, twenty-four (24) lease liabilities and three (3) SBITA liabilities. During FY 2025, the Hospital made payments of \$1,547,454 to pay down revenue bonds, lease, and SBITA liabilities. The majority of the payments were due to Series 2020 Revenue bond. Long-term debt decreased by \$714,506 or 9.9% in 2025, due to payments on long-term debt.

Contacting the Hospital's Financial Manager

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



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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Hospital Service District No. 1, Parish of Franklin, State of Louisiana, d/b/a Franklin Medical Center (the "Hospital"), a component unit of the Franklin Parish Police Jury, as of and for the years ended April 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital, as of April 30, 2025 and 2024, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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



Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial information of the Hospital and do not purport to, and do not, present fairly the financial position of Franklin Parish Police Jury as of April 30, 2025 and 2024, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.



Board of Commissioners
Hospital Service District No. 1
Parish of Franklin, State of Louisiana
Winnsboro, Louisiana
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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2025, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Lester Miller Pubell

Certified Public Accountants
Alexandria, Louisiana

October 23, 2025



FRANKLIN MEDICAL CENTER
STATEMENTS OF NET POSITION
APRIL 30,

ASSETS	<u>2025</u>	<u>2024</u>
Current Assets		
Cash and cash equivalents (Note 3)	\$ 2,911,954	\$ 5,500,069
Certificates of deposit (Note 3)	17,649,884	14,060,426
Accounts receivable, net of allowances for uncollectibles (Note 4)	3,288,308	3,037,304
Estimated third-party payor settlements	4,074,004	2,541,144
Other receivables	527,185	1,034,080
Inventories	1,922,482	1,518,116
Prepaid expenses	<u>332,902</u>	<u>269,255</u>
 Total Current Assets	 <u>30,706,719</u>	 <u>27,960,394</u>
Non-Current Assets		
Nondepreciable capital assets (Note 5)	679,400	11,482,637
Depreciable capital assets, net (Note 5 and 6)	19,083,453	8,211,110
Right-of-use capital assets, net (Note 5 and 6)	1,758,649	1,683,085
Subscription assets, net (Note 7)	2,522,939	2,977,446
Notes receivable	227,852	241,985
Limited use assets (Note 8)	<u>203,155</u>	<u>198,186</u>
 Total Assets	 \$ <u>55,182,167</u>	 \$ <u>52,754,843</u>

See accompanying notes to financial statements.

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

LIABILITIES AND NET POSITION	<u>2025</u>	<u>2024</u>
Current Liabilities		
Accounts payable	\$ 1,280,083	\$ 1,545,573
Accrued salary and payroll taxes	1,224,672	1,157,541
Accrued paid time off (Note 9)	1,075,158	950,435
Estimated third-party payor settlements	1,275,769	1,239,833
Current portion of lease liabilities (Note 10)	496,687	582,623
Current portion of subscription liabilities (Note 11)	359,988	405,691
Current portion of long-term debt (Note 12)	<u>379,377</u>	<u>379,377</u>
Total Current Liabilities	<u>6,091,734</u>	<u>6,261,073</u>
Long-term Liabilities		
Lease liabilities (Note 10)	1,313,203	1,274,815
Subscription liabilities (Note 11)	2,321,007	2,694,523
Long-term debt, net of current maturities (Note 12)	<u>2,845,017</u>	<u>3,224,395</u>
Total Liabilities	<u>12,570,961</u>	<u>13,454,806</u>
Net Position		
Invested in capital assets, net of related debt	16,487,218	15,915,622
Unrestricted	<u>26,123,988</u>	<u>23,384,415</u>
Total Net Position	<u>42,611,206</u>	<u>39,300,037</u>
Total Liabilities and Net Position	<u>\$ 55,182,167</u>	<u>\$ 52,754,843</u>

See accompanying notes to financial statements.

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

	<u>2025</u>	<u>2024</u>
Revenues		
Net patient service revenues (Note 13)	\$ 39,170,937	\$ 35,309,452
Medicaid supplemental payments (Note 20)	13,160,556	13,395,687
Non-restricted contributions	-0-	911
Operating grants	1,498,526	1,171,319
Other operating revenues	<u>2,632,036</u>	<u>1,810,478</u>
 Total Revenues	 <u>56,462,055</u>	 <u>51,687,847</u>
Expenses		
Salaries	20,049,914	18,309,578
Benefits and payroll taxes	5,162,152	3,942,189
Supplies and drugs	4,461,805	3,380,846
Professional fees	6,567,312	6,507,275
Other expenses	15,825,080	14,953,665
Insurance	682,738	778,348
Depreciation and amortization	<u>2,430,096</u>	<u>2,514,727</u>
 Total Expenses	 <u>55,179,097</u>	 <u>50,386,628</u>
 Operating Income (Loss)	 <u>1,282,958</u>	 <u>1,301,219</u>
Nonoperating Revenues (Expenses)		
Maintenance taxes	1,491,572	1,420,896
Gain (loss) on sale of assets	(1,744)	1,778
Interest income	874,021	884,844
Interest expense	<u>(335,638)</u>	<u>(352,690)</u>
 Changes in Net Position	 3,311,169	 3,256,047
 Beginning Net Position	 <u>39,300,037</u>	 <u>36,043,990</u>
 Ending Net Position	 \$ <u>42,611,206</u>	 \$ <u>39,300,037</u>

See accompanying notes to financial statements.

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

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 37,423,009	\$ 34,813,118
Other receipts from operations	17,798,013	15,660,695
Cash payments to employees and for employee-related cost	(25,020,212)	(21,930,937)
Cash payments for other operating expenses	<u>(28,270,438)</u>	<u>(25,913,066)</u>
Net cash provided (used) by operating activities	<u>1,930,372</u>	<u>2,629,810</u>
Cash flows from investing activities:		
Purchase of certificates of deposit	(3,594,427)	(2,416,086)
Proceeds from certificates of deposit	-0-	197,121
Loans to physicians and nurses	(15,000)	(62,500)
Proceeds from loan repayments	17,003	11,685
Interest income	<u>874,021</u>	<u>884,844</u>
Net cash provided (used) by investing activities	<u>(2,718,403)</u>	<u>(1,384,936)</u>
Cash flows from non-capital financing activities:		
Proceeds from maintenance taxes	<u>1,491,572</u>	<u>1,420,896</u>
Net cash provided (used) by non-capital financing activities	<u>1,491,572</u>	<u>1,420,896</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(1,421,216)	(4,988,712)
Interest expense	(335,638)	(352,690)
Cash received from sale of capital assets	12,652	1,778
Principal payments on lease liability obligations	(748,857)	(662,814)
Principal payments on subscription liability obligations	(419,219)	(371,733)
Principal payments on long-term debt	<u>(379,378)</u>	<u>(379,377)</u>
Net cash provided (used) by capital and related financing activities	<u>(3,291,656)</u>	<u>(6,753,548)</u>
Net increase (decrease) in cash and cash equivalents	(2,588,115)	(4,087,778)
Beginning cash and cash equivalents	<u>5,500,069</u>	<u>9,587,847</u>
Ending cash and cash equivalents	\$ <u>2,911,954</u>	\$ <u>5,500,069</u>

See accompanying notes to financial statements.

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

	<u>2025</u>	<u>2024</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	\$ <u>335,644</u>	\$ <u>346,722</u>
Right-of-use assets acquired under lease agreements	\$ <u>701,309</u>	\$ <u>593,025</u>
Subscription assets acquired under agreements	\$ <u>-0-</u>	\$ <u>744,133</u>
Reconciliation of income from operations to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 1,282,958	\$ 1,301,219
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	2,430,096	2,514,727
Changes in current assets (increase) decrease:		
Accounts receivable	(251,004)	(122,253)
Estimated third-party payor settlements	(1,532,860)	187,727
Other receivables	506,895	(717,700)
Inventories	(404,366)	138,368
Prepaid expenses	(63,647)	(65,280)
Changes in current liabilities increase (decrease):		
Accounts payable	(265,490)	(366,020)
Accrued salary and payroll taxes	67,131	251,405
Accrued paid time off	124,723	69,425
Estimated third-party payor settlements	<u>35,936</u>	<u>(561,808)</u>
Net cash provided (used) by operating activities	\$ <u>1,930,372</u>	\$ <u>2,629,810</u>

See accompanying notes to financial statements.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2025 AND 2024

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

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

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

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

Nature of Business

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Fund

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

Basis of Accounting

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

Cash and Cash Equivalents

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

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2025 AND 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit Risk

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

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

Significant Concentration of Economic Dependence

The District has an economic dependence on a small number of staff physicians. These physicians admit over 90% of the Hospital's patients. The Hospital also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 13. Changes in federal or state legislation or interpretations of rules have a significant impact on the Hospital.

Net Patient Service Revenues

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

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

Patient Accounts Receivable

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

Inventories

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

Income Taxes

The District is a political subdivision and exempt from taxation.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2025 AND 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

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

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

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

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

Net Position

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

Revenue and Expenses

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

Restricted Revenues

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

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2025 AND 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contributions

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

Use of Estimates

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

Charity Care

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

Risk Management

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

Environmental Matters

The Hospital is subject to laws and regulations relating to the protection of the environment. The Hospital's policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty, the potential financial impact of the Hospital's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the Hospital. At April 30, 2025 and 2024, 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, 2025 and 2024 totaled \$83,272 and \$35,226, respectively.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2025 AND 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subscription Assets and Liabilities

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

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

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

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

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

Recently Adopted Accounting Pronouncements

The District implemented GASB Statement No. 101, *Compensated Absences* in fiscal year 2025. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement required that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The new standard is to be applied to all compensated absences as of the beginning of the earliest period presented and therefore, the April 30, 2024 financial statements have been restated, as discussed in Note 25.

Recently Issued Accounting Pronouncements - Not Yet Adopted

GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations of constraints and enhance transparency by requiring disclosures about these risks. The requirements of this statement are effective for reporting periods beginning after June 15, 2024. Management is evaluating the potential impact of adoption on the Hospital's financial statements.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2025 AND 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

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

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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, 2025 and 2024.

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

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

	<u>2025</u>	<u>2024</u>
Cash in banks	\$ <u>21,114,525</u>	\$ <u>20,138,147</u>
Insured by FDIC	\$ <u>3,108,669</u>	\$ <u>3,043,941</u>
Collateralization by fair market value or letters of credit	\$ <u>18,005,856</u>	\$ <u>17,094,206</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2025 AND 2024

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

	<u>2025</u>	<u>2024</u>
Carrying amount		
Deposits	\$ 2,252,100	\$ 1,201,676
Certificates of deposit	<u>18,512,893</u>	<u>18,557,005</u>
	<u>\$ 20,764,993</u>	<u>\$ 19,758,681</u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 2,911,954	\$ 5,500,069
Certificates of deposit	17,649,884	14,060,426
Non-current cash and investments		
Assets whose use is limited	<u>203,155</u>	<u>198,186</u>
	<u>\$ 20,764,993</u>	<u>\$ 19,758,681</u>

NOTE 4 - ACCOUNTS RECEIVABLE

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

	<u>2025</u>	<u>2024</u>
Patients	\$ 5,728,408	\$ 5,235,004
Estimated allowances for uncollectibles	<u>(2,440,100)</u>	<u>(2,197,700)</u>
Net accounts receivable	<u>\$ 3,288,308</u>	<u>\$ 3,037,304</u>

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

	<u>2025</u>	<u>2024</u>
Medicare	18%	20%
Medicare managed care plans	19%	16%
Medicaid and Medicaid managed care plans	18%	24%
Blue Cross	9%	7%
Commercial and other third-party payors	15%	14%
Patients	<u>21%</u>	<u>19%</u>
Total	<u>100%</u>	<u>100%</u>

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2025 AND 2024

NOTE 5 - CAPITAL ASSETS

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

	<u>2024</u>		<u>Additions</u>		<u>Deductions</u>		<u>Transfers</u>		<u>2025</u>
Nondepreciable capital assets									
Land	\$ 657,500	\$	-0-	\$	-0-	\$	-0-	\$	657,500
Construction in progress	<u>10,825,137</u>		<u>-0-</u>		<u>-0-</u>		<u>(10,803,237)</u>		<u>21,900</u>
Total nondepreciable capital assets	\$ <u>11,482,637</u>	\$	<u>-0-</u>	\$	<u>-0-</u>	\$	<u>(10,803,237)</u>	\$	<u>679,400</u>
Depreciable capital assets									
Buildings	\$ 11,197,223	\$	-0-	\$	-0-	\$	10,799,596	\$	21,996,819
Leasehold improvements	3,139,647		67,646		-0-		-0-		3,207,293
Furniture and equipment	<u>13,739,381</u>		<u>1,440,857</u>		<u>17,013</u>		<u>-0-</u>		<u>15,163,225</u>
Total depreciable capital assets	28,076,251		1,508,503		17,013		10,799,596		40,367,337
Accumulated depreciation and amortization	<u>19,865,141</u>		<u>1,421,360</u>		<u>2,617</u>		<u>-0-</u>		<u>21,283,884</u>
Total depreciable capital assets, net	\$ <u>8,211,110</u>	\$	<u>87,143</u>	\$	<u>14,396</u>	\$	<u>10,799,596</u>	\$	<u>19,083,453</u>
Right-of-use capital assets									
Buildings	\$ 548,737	\$	-0-	\$	-0-	\$	(133,283)	\$	415,454
Equipment	<u>3,076,205</u>		<u>701,309</u>		<u>1,272,327</u>		<u>158,611</u>		<u>2,663,798</u>
Total right-of-use capital assets	3,624,942		701,309		1,272,327		25,328		3,079,252
Accumulated amortization	<u>1,941,857</u>		<u>603,702</u>		<u>1,207,796</u>		<u>(17,160)</u>		<u>1,320,603</u>
Total right-of-use capital assets, net	\$ <u>1,683,085</u>	\$	<u>97,607</u>	\$	<u>64,531</u>	\$	<u>42,488</u>	\$	<u>1,758,649</u>

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2025 AND 2024

NOTE 5 - CAPITAL ASSETS (Continued)

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

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2025 AND 2024

NOTE 6 - HOSPITAL FACILITY AND EQUIPMENT

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

Effective May 6, 2021, the Police Jury renewed its lease to the District. The lease has a term of 30 years and may be terminated at any time by mutual consent of both entities. The lease does not call for the District to pay consideration to the Police Jury.

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

Cost or Fair Market Value on the <u>Date of Donation</u>	<u>2025</u>	<u>2024</u>
Land	\$ 27,500	\$ 27,500
Buildings	1,842,500	1,842,500
Furniture and equipment	<u>188,716</u>	<u>188,716</u>
Total	<u>2,058,716</u>	<u>2,058,716</u>
 <u>Accumulated Depreciation</u>		
Buildings	1,842,500	1,842,500
Furniture and equipment	<u>188,716</u>	<u>188,716</u>
Total	<u>2,031,216</u>	<u>2,031,216</u>
Book value of property, plant and equipment	\$ <u>27,500</u>	\$ <u>27,500</u>

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

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2025 AND 2024

NOTE 7 - SUBSCRIPTION ASSETS

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

	<u>2024</u>		<u>Additions</u>		<u>Deductions</u>		<u>Transfers</u>		<u>2025</u>
Subscription-based assets	\$ 3,697,083	\$	-0-	\$	114,914	\$	-0-	\$	3,582,169
Accumulated amortization	<u>719,637</u>		<u>392,904</u>		<u>53,311</u>		<u>-0-</u>		<u>1,059,230</u>
Total subscription-based assets, net	\$ <u>2,977,446</u>	\$	<u>(392,904)</u>	\$	<u>61,603</u>	\$	<u>-0-</u>	\$	<u>2,522,939</u>
	<u>2023</u>		<u>Additions</u>		<u>Deductions</u>		<u>Transfers</u>		<u>2024</u>
Subscription-based assets	\$ 3,057,663	\$	744,133	\$	104,713	\$	-0-	\$	3,697,083
Accumulated amortization	<u>384,533</u>		<u>439,817</u>		<u>104,713</u>		<u>-0-</u>		<u>719,637</u>
Total subscription-based assets, net	\$ <u>2,673,130</u>	\$	<u>304,316</u>	\$	<u>-0-</u>	\$	<u>-0-</u>	\$	<u>2,977,446</u>

NOTE 8 - LIMITED USE ASSETS

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

	<u>2025</u>	<u>2024</u>
By Board		
For capital improvements	\$ <u>203,155</u>	\$ <u>198,186</u>

NOTE 9 - COMPENSATED ABSENCES

Employees of the District are entitled to paid days off and sick days depending on length of service. The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, two types of leave for liability recognition for compensated absences are – vacation and sick leave. The liability for compensated absences includes salary-related benefits.

Vacation – the District's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment at the employee's current pay rate upon separation from employment.

Sick Leave – the District's policy permits employees to accumulate earned but unused sick leave. All sick leave lapses when employees leave the employ of the District and, upon separation from service, no monetary obligation exists. However, a liability for estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2025 AND 2024

NOTE 9 - COMPENSATED ABSENCES (Continued)

A summary of compensated absences at April 30, follows:

	<u>2024</u>	<u>Net Change</u>	<u>2025</u>	<u>Current Portion</u>
Vacation Time	\$ 777,984	\$ 50,226	\$ 828,210	\$ 828,210
Sick Time	<u>172,451</u>	<u>74,497</u>	<u>246,948</u>	<u>246,948</u>
Totals	\$ <u>950,435</u>	\$ <u>124,723</u>	\$ <u>1,075,158</u>	\$ <u>1,075,158</u>

NOTE 10 - LEASE LIABILITIES

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

	<u>2024</u>	<u>Additions</u>	<u>Payments</u>	<u>2025</u>	<u>Due Within One Year</u>
Building	\$ 472,297	\$ -0-	\$ 129,167	\$ 343,130	\$ 22,113
Equipment	<u>1,385,141</u>	<u>701,309</u>	<u>619,690</u>	<u>1,466,760</u>	<u>474,574</u>
Total	\$ <u>1,857,438</u>	\$ <u>701,309</u>	\$ <u>748,857</u>	\$ <u>1,809,890</u>	\$ <u>496,687</u>

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

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

- Various lease liability obligations for buildings at imputed interest rate of 5.25% with total monthly payments ranging from \$1,200 to \$3,501 through November 1, 2036.
- Various lease liability obligations for equipment at either stated or imputed interest rates ranging from 0.50% to 7.58% with total monthly payments ranging from \$339 to \$15,704 through January 23, 2031.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2025 AND 2024

NOTE 10 - LEASE LIABILITIES (Continued)

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

<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2026	\$ 496,687	\$ 68,235	\$ 564,922
2027	453,208	50,374	503,582
2028	300,200	34,255	334,455
2029	245,443	22,103	267,546
2030	86,095	13,956	100,051
2031-2035	168,218	38,196	206,414
2036-2038	<u>60,039</u>	<u>2,661</u>	<u>62,700</u>
Totals	\$ <u>1,809,890</u>	\$ <u>229,780</u>	\$ <u>2,039,670</u>

NOTE 11 - SUBSCRIPTION LIABILITIES

A summary of subscription liabilities follows:

	<u>2024</u>	<u>Additions</u>	<u>Payments</u>	<u>2025</u>	<u>Due Within One Year</u>
Totals	\$ <u>3,100,214</u>	\$ <u>-0-</u>	\$ <u>419,219</u>	\$ <u>2,680,995</u>	\$ <u>359,988</u>

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

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

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2025 AND 2024

NOTE 11 - SUBSCRIPTION LIABILITIES (Continued)

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

<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2026	\$ 359,988	\$ 169,464	\$ 529,452
2027	384,590	144,862	529,452
2028	410,966	118,486	529,452
2029	439,254	90,198	529,452
2030	469,602	59,850	529,452
2031-2032	<u>616,595</u>	<u>29,098</u>	<u>645,693</u>
Totals	\$ <u>2,680,995</u>	\$ <u>611,958</u>	\$ <u>3,292,953</u>

NOTE 12 - LONG-TERM DEBT

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

	<u>2024</u>	<u>Additions</u>	<u>Payments</u>	<u>2025</u>	<u>Due Within One Year</u>
Revenue bonds, Series 2020	\$ <u>3,603,772</u>	\$ <u>-0-</u>	\$ <u>379,378</u>	\$ <u>3,224,394</u>	\$ <u>379,377</u>
Total	\$ <u>3,603,772</u>	\$ <u>-0-</u>	\$ <u>379,378</u>	\$ <u>3,224,394</u>	\$ <u>379,377</u>

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

The following are the terms and due dates of the Hospital's long-term debt at April 30, 2025:

- \$5,020,000 Revenue Bond, Series 2020 at 2% for the purpose of refunding the Series 2014 and 2015 bonds. The Series 2020 bond is secured and payable solely from a pledge and dedication of Hospital levy and collection of 13 mills ad valorem tax revenue, with principal payable in annual installments plus interest, starting April 1, 2021 through April 1, 2034.

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

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2025 AND 2024

NOTE 12 - LONG-TERM DEBT (Continued)

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

<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2026	\$ 379,377	\$ 62,800	\$ 442,177
2027	379,377	55,400	434,777
2028	379,377	48,000	427,377
2029	379,377	40,600	419,977
2030	379,377	33,200	412,577
2031-2034	<u>1,327,509</u>	<u>58,500</u>	<u>1,386,009</u>
Totals	\$ <u>3,224,394</u>	\$ <u>298,500</u>	\$ <u>3,522,894</u>

NOTE 13 - NET PATIENT SERVICE REVENUES

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

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Hospital qualified for a Medicare low volume add-on for inpatient payments. These payments are effective for discharges occurring October 1, 2010 until September 30, 2025, if not extended by Congress. The additional payment received under the Medicare low volume add-on was \$565,708 and \$613,916 for the years ended April 30, 2025 and 2024, respectively.

Outpatient services related to Medicare beneficiaries were paid based on a set fee per diagnosis. Swing bed services are reimbursed based on a prospectively determined rate per patient day. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's Medicare cost reports have been examined by the Medicare fiscal intermediary through April 30, 2021.

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

Commercial - The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. Payment methods under these agreements include prospectively determined rates per discharge, discounts from established charges and prospectively determined per diem rates. Blue Cross Blue Shield (BCBS) is the largest commercial provider. BCBS charges were 9.0% and 8.1% of the total gross charges for the years ended April 30, 2025 and 2024, respectively.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2025 AND 2024

NOTE 13 - NET PATIENT SERVICE REVENUES (Continued)

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

	<u>2025</u>	<u>2024</u>
Medicare	\$ 25,454,157	\$ 23,776,255
Medicare managed care plans	27,868,534	22,283,027
Medicaid and Medicaid managed care plans	36,155,609	36,752,799
Blue Cross Blue Shield	10,181,713	8,236,836
Commercial	8,384,396	7,071,693
Uninsured	4,524,666	4,023,460
Gross charges	112,569,075	102,144,070
Less charges associated with charity patients	156,407	119,269
Gross patient service revenues	112,412,668	102,024,801
Less deductions from revenue:		
Contractual adjustments	68,296,984	63,580,289
Policy and other discounts	220,743	162,634
Patient service revenue (net of contractual adjustments and discounts)	43,894,941	38,281,878
Less provision for bad debts	(4,724,004)	(2,972,426)
Net patient service revenue less provision for bad debts	\$ <u>39,170,937</u>	\$ <u>35,309,452</u>

As noted in the summary above, the Medicare and Medicaid plans are 79% and 81% of the total gross charges for the years ended April 30, 2025 and 2024.

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 \$5,708 and an increase of \$22,661 in net patient service revenue in 2025 and 2024, respectively.

NOTE 14 - PROFESSIONAL LIABILITY RISK

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

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2025 AND 2024

NOTE 15 - CONTINGENCIES

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

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

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

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

Professional Liability Risk (Note 14) - The Hospital participates in the Louisiana Hospital Association's Self-Insurance Professional Liability Trust Fund. Should the Fund's assets not be adequate to cover claims made against it, the Hospital may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of assessments, if any, under this program. The portion of the fund that is refundable to the Hospital is included in other assets.

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

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2025 AND 2024

NOTE 16 - EMPLOYEE MEDICAL BENEFIT PLAN

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

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

	<u>2025</u>	<u>2024</u>
Beginning of the year	\$ 352,320	\$ 301,330
Plus: Claims incurred and changes in estimate	3,008,679	2,163,078
Less: Claims paid, insurance premiums and third-party costs	<u>3,029,041</u>	<u>2,112,088</u>
End of the year	\$ <u>331,958</u>	\$ <u>352,320</u>

NOTE 17 - PENSION PLAN

The Hospital has a defined contribution pension plan. The plan is administered by OneAmerica who holds all plan assets. All of the employees over the age of 21 are eligible to participate in the plan. Employees can elect to contribute up to the IRS allowable amount and the Hospital matches the first 3% of the employees' contributions. Employees are vested after 5 years, if they are disabled, or when they reach retirement age (65). Actual contributions made by the Hospital for the years ended April 30, 2025 and 2024 were \$310,200 and \$304,237. The employees of the Hospital contributed \$615,561 and \$597,459 for the years ended April 30, 2025 and 2024, respectively.

Effective December 16, 2019, the Hospital began contributing to a qualified defined contribution plan, Franklin Medical Center 401(a) Plan, as authorized under Internal Revenue Code of 1986, Section 401(a). The Plan is intended to be a Social Security replacement plan. All employees who were employed prior to December 16, 2019 were given a one-time option to continue contributing to the Social Security System or enroll in the District's 401(a) Plan. All employees who are hired after December 16, 2019 are required to enroll into the District's 401(a) Plan. Employees are 100% vested upon entry into the Plan with retirement age being 70 ½. The Hospital's mandatory contribution is 1.3% of employee salaries earned during each pay period. The Hospital under its sole discretion may contribute a discretionary contribution subject to limitations under this Plan. Employee mandatory contributions are equal to 6.2% of salaries earned during each pay period. Actual contributions made by the Hospital for years ended April 30, 2025 and 2024 were \$772,026 and \$711,941, respectively. The employees of the Hospital contributed \$957,071 and \$882,346 for the years ended April 30, 2025 and 2024, respectively.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2025 AND 2024

NOTE 18 - COMMISSIONERS

The following commissioners served Franklin Medical Center without compensation during the year ended April 30, 2025:

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

NOTE 19 - GRANT REVENUE

The majority of the grant revenue is the nurse family partnership which is to improve the health and well-being of the mothers and children in the community by promoting the development and coordination of systems of care for the maternal and child health population, particularly vulnerable populations who do not have access to adequate health care. The grant revenue from this program was \$449,687 and \$412,827 for the years ended April 30, 2025 and 2024, respectively.

The Hospital received various other grants during the year.

NOTE 20 - MEDICAID SUPPLEMENTAL PAYMENTS

For state fiscal years (SFY) 2025 and 2024, the Louisiana Department of Health (LDH) obtained a Medicaid State Plan Amendment (SPA) approval from the Centers for Medicare and Medicaid Services (CMS) to make quarterly supplemental payments to hospitals based upon certain assumptions under a directed payment plan (DPP). Annually thereafter, LDH must submit the assumptions to CMS for approval in future years. The basis for interim supplemental payments is the Hospital's historical paid claims and other factors. In future state fiscal years, actual paid claims and other factors will be used to reconcile interim payments to final settled DPP amounts. LDH anticipates increasing or decreasing future DPP payments by the reconciliation amounts. The Hospital has recognized approximately \$6.2 million and \$5.8 million as Medicaid supplemental income for the years ended April 30, 2025 and 2024, respectively after consideration was given for future adjustments which the Hospital determined necessary. To the extent income recognized in the current period differs from actual results, Medicaid supplemental income will be adjusted.

The Hospital entered into an Intergovernmental Transfer Agreement (IGT) with the Louisiana Department of Health (LDH) as part of Louisiana Physician IPA, Inc. which is a physician supplemental program. In fiscal year 2025, the Hospital received approximately \$6.9 million in Medicaid supplemental payments of which approximately \$5.2 million was submitted to LDH as an IGT. In fiscal year 2024, the Hospital received approximately \$7.6 million in Medicaid supplemental payments of which approximately \$5.5 million was submitted to LDH as an IGT.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2025 AND 2024

NOTE 21 - CHARITY CARE

The Hospital provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% of the charity care or owe a reduced "sliding scale" amount based on the patient's level of income in comparison to the Federal Poverty Guidelines based on a 200% scale. Accordingly, the Hospital does not report the amount it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The Hospital determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including wages and related benefits, supplies and other operating expenses. The costs of caring for charity care patients were approximately \$77,000 and \$59,000 for the years ended April 30, 2025 and 2024, respectively.

NOTE 22 - AD VALOREM TAXES

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

NOTE 23 - COOPERATIVE ENDEAVOR AGREEMENT

The Hospital has agreed to a cooperative endeavor (CEA) with other like-minded Louisiana hospitals, per Louisiana's Rural Hospital Preservation Act. The intent of this agreement is to pool hospital resources across the State to support access to healthcare in rural Louisiana. Under the CEA, the District deposits an amount, determined annually by the Rural Hospital Coalition (RHC), into an account, from which RHC is permitted to withdraw the funds and make distributions to participating hospitals using a predetermined formula. Although the payments are formulaic in nature, they are not guaranteed, nor are they directly related to Medicaid reimbursement for the provisions of goods and healthcare services to patients. Accordingly, the deposits made by the Hospital to RHC were more than the amount received by the Hospital under this program, resulting in a net amount of \$2,481,882 for the year ended April 30, 2025. This was recorded as an expense called Access to Care. For the year ended April 30, 2024, the deposits were also less than the amounts received resulting in an expense of \$1,494,004.

NOTE 24 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 23, 2025, 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.

FRANKLIN MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2025 AND 2024

NOTE 25 - CHANGE IN METHOD OF ACCOUNTING FOR COMPENSATED ABSENCES

As discussed in Note 2, the Hospital implemented GASB Statement No. 101, *Compensated Absences* on May 1, 2024. In addition to the value of unused vacation time owed to employees upon separation of employment, the Hospital now recognizes an estimated amount of sick leave earned as of year-end that will be used by employees as time off in future years as part of the liability for compensated absences. The effects of the change in accounting principle are summarized below in the "Restatement – GASB 101 implementation" column in the table below:

	2024 As Previously Reported	Restated - GASB 101 Implementation	2024 Before Inventory Restatement
Accrued paid time off	\$ 720,622	\$ 229,813	\$ 950,435
Net Position (Unrestricted)	\$ 23,209,223	\$ (229,813)	\$ 22,979,410
Salaries	\$ 18,303,171	\$ 6,407	\$ 18,309,578
Benefits and payroll taxes	\$ 3,937,601	\$ 4,588	\$ 3,942,189

NOTE 26 - RESTATEMENT OF PRIOR-YEAR FINANCIAL STATEMENTS

Fiscal year 2024 has been restated to appropriately reflect the value of the inventory that was held by an outside vendor. The inventory was previously not included in the Hospital's counts at year end. The effects of the restatement are summarized in the table below.

	2024 As Restated by GASB 101	Restated Amounts	2024 As Restated
Inventory	\$ 1,113,111	\$ 405,005	\$ 1,518,116
Net Position (Unrestricted)	\$ 22,979,410	\$ 405,005	\$ 23,384,415

SUPPLEMENTARY INFORMATION

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

	<u>2025</u>	<u>2024</u>
Routine Services:		
Adults and pediatric	\$ 3,319,715	\$ 2,532,922
Intensive care unit	5,400	14,400
Rehab unit	890,322	1,006,560
Swing bed	<u>115,372</u>	<u>178,316</u>
Total	<u>4,330,809</u>	<u>3,732,198</u>
Other Professional Services:		
Operating room		
Inpatient	704,452	456,795
Outpatient	<u>4,622,715</u>	<u>2,414,728</u>
Total	<u>5,327,167</u>	<u>2,871,523</u>
Recovery room		
Inpatient	34,745	35,380
Outpatient	<u>292,030</u>	<u>159,521</u>
Total	<u>326,775</u>	<u>194,901</u>
Anesthesia		
Inpatient	89,180	2,820
Outpatient	<u>406,710</u>	<u>10,560</u>
Total	<u>495,890</u>	<u>13,380</u>
Radiology		
Inpatient	1,394,632	1,258,826
Outpatient	<u>17,391,473</u>	<u>15,942,956</u>
Total	<u>18,786,105</u>	<u>17,201,782</u>
Laboratory		
Inpatient	1,176,935	1,079,448
Outpatient	<u>13,462,879</u>	<u>14,422,161</u>
Total	<u>\$ 14,639,814</u>	<u>\$ 15,501,609</u>

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

	<u>2025</u>	<u>2024</u>
Blood		
Inpatient	\$ 91,819	\$ 94,871
Outpatient	<u>398,719</u>	<u>257,839</u>
Total	<u>490,538</u>	<u>352,710</u>
Respiratory care		
Inpatient	3,015,001	2,062,845
Outpatient	<u>3,550,592</u>	<u>3,627,907</u>
Total	<u>6,565,593</u>	<u>5,690,752</u>
Physical therapy		
Inpatient	748,728	765,496
Outpatient	<u>1,102,551</u>	<u>1,120,270</u>
Total	<u>1,851,279</u>	<u>1,885,766</u>
EKG		
Inpatient	90,970	81,630
Outpatient	<u>718,682</u>	<u>689,191</u>
Total	<u>809,652</u>	<u>770,821</u>
Central supply		
Inpatient	483,010	460,810
Outpatient	<u>2,853,994</u>	<u>1,682,577</u>
Total	<u>3,337,004</u>	<u>2,143,387</u>
Pharmacy		
Inpatient	2,473,604	2,058,257
Outpatient	<u>13,557,959</u>	<u>12,131,943</u>
Total	<u>16,031,563</u>	<u>14,190,200</u>
Intensive outpatient program	<u>768,547</u>	<u>471,471</u>
Emergency room		
Inpatient	1,847,038	1,563,597
Outpatient	<u>22,188,133</u>	<u>22,250,905</u>
Total	\$ <u>24,035,171</u>	\$ <u>23,814,502</u>

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

	<u>2025</u>	<u>2024</u>
Observation room		
Inpatient	\$ 121,018	\$ 86,151
Outpatient	<u>2,111,164</u>	<u>2,004,311</u>
Total	<u>2,232,182</u>	<u>2,090,462</u>
Rural health clinic - outpatient	<u>9,145,547</u>	<u>9,062,109</u>
Ambulance - outpatient	<u>28,780</u>	<u>23,055</u>
Wound care - outpatient	<u>-0-</u>	<u>154,129</u>
Orthopedic clinic - outpatient	<u>1,083,313</u>	<u>1,042,530</u>
Urology clinic	<u>1,010,499</u>	<u>152,628</u>
Surgery clinic - outpatient	<u>554,061</u>	<u>187,973</u>
Dialysis - inpatient	<u>42,250</u>	<u>48,450</u>
Endocrinology clinic	<u>245,153</u>	<u>201,983</u>
Spa - outpatient	<u>431,383</u>	<u>345,749</u>
Total Other Professional Services	<u>108,238,266</u>	<u>98,411,872</u>
Gross charges	<u>112,569,075</u>	<u>102,144,070</u>
Less charges associated with charity patients	<u>(156,407)</u>	<u>(119,269)</u>
Gross patient service revenue	112,412,668	102,024,801
Less deductions from revenue:		
Contractual adjustments	68,296,984	63,580,289
Policy and other discounts	<u>220,743</u>	<u>162,634</u>
Patient service revenue (net of contractual adjustments and discounts)	<u>43,894,941</u>	<u>38,281,878</u>
Less provision for bad debts	<u>(4,724,004)</u>	<u>(2,972,426)</u>
Net Patient Service Revenue	\$ <u>39,170,937</u>	\$ <u>35,309,452</u>

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

	<u>2025</u>	<u>2024</u>
Cafeteria sales	\$ -0-	\$ 11,336
Vending machine commission	3,291	3,221
Physician office rentals	17,900	7,250
Medical records abstract fees	19,880	19,292
340B pharmacy program	2,442,393	1,622,545
Miscellaneous revenue	<u>148,572</u>	<u>146,834</u>
 Total other operating revenues	 \$ <u>2,632,036</u>	 \$ <u>1,810,478</u>

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

	<u>2025</u>	<u>2024</u>
Personnel	\$ 73,157	\$ 65,979
Administration	1,672,720	1,592,023
Plant operations and maintenance	269,076	346,100
Purchasing	54,069	39,601
Pharmacy	674,769	573,169
Nursing administration	276,332	261,044
Medical records	403,371	367,709
Nursing services, acute care	2,405,206	2,303,657
Nursing services, intensive care unit	2,608	1,543
Nursing services, rehab unit	613,852	600,587
Operating room	752,071	584,198
Radiology	703,601	749,467
Laboratory	867,044	905,117
Respiratory care	695,566	712,992
Physical therapy	539,544	503,773
Intensive outpatient program	280,628	279,440
Wound care	2,700	30,089
Oncology	29,056	7,493
Orthopedic clinic	1,099,977	974,707
Emergency room	2,542,130	2,499,065
Rural health clinic	3,329,239	3,233,859
Nurse family partnership	312,864	279,990
Spa	210,534	182,127
Transportation	192,202	196,100
Urology clinic	933,345	209,776
Surgery clinic	648,808	400,087
Endocrinology clinic	<u>465,445</u>	<u>409,886</u>
 Total salaries	 <u>20,049,914</u>	 <u>18,309,578</u>
 Payroll taxes	 443,681	 440,801
Health insurance	3,008,679	2,163,078
Pension plan	1,082,226	1,016,178
Other	<u>627,566</u>	<u>322,132</u>
 Total benefits	 <u>5,162,152</u>	 <u>3,942,189</u>
 Total salaries and benefits	 <u>\$ 25,212,066</u>	 <u>\$ 22,251,767</u>

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

	<u>2025</u>	<u>2024</u>
Nursing service, acute care	\$ 102,880	\$ 99,643
Nursing service, rehab unit	-0-	570
Operating room	106,735	75
Anesthesiology	226,890	196,222
Radiology	1,157,356	998,044
Laboratory	310,662	331,323
Respiratory therapy	161,750	247,325
EKG	38,420	36,880
IOP	802	522
Pharmacy	55,033	99,757
Oncology	1,492	435
Orthopedic clinic	1,492	435
Emergency room	1,065,759	1,113,017
Rural health clinic	3,175,611	3,252,172
Ambulance	32,334	19,272
Spa	432	360
Urology clinic	1,372	3,012
Dialysis	123,775	104,200
Surgery clinic	3,790	3,861
Endocrinology clinic	<u>727</u>	<u>150</u>
 Total professional fees	 \$ <u>6,567,312</u>	 \$ <u>6,507,275</u>

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

	<u>2025</u>	<u>2024</u>
Miscellaneous service fees	\$ 3,947,195	\$ 3,922,517
Legal and accounting	24,871	32,187
Supplies	1,232,025	1,575,238
Minor equipment	148,903	161,415
Repairs and maintenance	227,378	392,178
Utilities	595,679	520,520
Telephone	34,045	97,118
Travel	117,497	139,067
Rentals	461,179	236,006
Education	48,883	59,668
Dues and subscriptions	633,506	412,492
Recruitment and advertising	166,725	197,284
Intergovernmental transfer	5,455,146	5,467,098
Access to care payments	2,481,882	1,494,004
Miscellaneous	<u>250,166</u>	<u>246,873</u>
 Total other expenses	 \$ <u>15,825,080</u>	 \$ <u>14,953,665</u>

FRANKLIN MEDICAL CENTER
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO ADMINISTRATOR
YEAR ENDED APRIL 30, 2025

Agency Head Name:

Blake Kramer

Position:

Administrator

Time Period:

May 1, 2024 to April 30, 2025

<u>Purpose</u>	<u>Amount</u>
Salary	261,541
Health insurance	7,948
Retirement	28,377
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	6,290
Registration fees	565
Conference travel	2,056
Continuing professional education fees	2,756
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-
Professional dues	2,195
Cell phone	975



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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 ("the Hospital"), a component unit of the Franklin Parish Police Jury, as of and for the years ended April 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents, and have issued our report thereon dated October 23, 2025.

Report on Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2025-002 to be a material weakness.

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2025-001 to be significant deficiency.

Report on Compliance and Other Matters

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

The Hospital's Response to Findings

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

Purpose of This Report

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

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

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

October 23, 2025





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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hospital Service District No. 1's, Parish of Franklin ("the Hospital"), a component unit of the Franklin Parish Police Jury, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Hospital's major federal programs for the year ended April 30, 2025. The Hospital's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2025.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Hospital's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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



Report on Internal Control over Compliance

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

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

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

Purpose of this Report

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

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

October 23, 2025



FRANKLIN MEDICAL CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED APRIL 30, 2025

Federal Grantor/Program Name/ Pass-Through Grantor	Assistance Listing Number	Pass-through Identifying No.	Federal Expenditures
U.S. Department of Health and Human Services			
Direct Programs:			
Rural Health Care Services Outreach, Rural Health Network Development and Small Care Provider Quality Improvement	93.912	\$	175,000
Rural Health Care Services Outreach, Rural Health Network Development and Small Care Provider Quality Improvement	93.912		26,625
Rural Health Research Centers	93.155		140,000
Passed through Louisiana Department of Health:			
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	2000731444	383,403
Maternal and Child Health Services Block Grant to the States	93.994	2000731444	42,136
Injury Prevention and Control Research and State and Community Based Programs	93.136	2000731444	24,148
Total Expenditures of Federal Awards		\$	<u>791,312</u>

See accompanying notes to schedule of expenditures of federal awards.

FRANKLIN MEDICAL CENTER
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED APRIL 30, 2025

NOTE A - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards ("the Schedule") includes the federal award activity of Hospital District No. 1, Parish of Franklin ("the Hospital") under programs of the federal government for the year ended April 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Hospital, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Hospital.

NOTE B - Summary of Significant Accounting Policies

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

NOTE C - Indirect Cost Rate

The Hospital has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

FRANKLIN MEDICAL CENTER
AUDITORS' SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2025

Section I. Financial Statement Findings

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Compliance:

- Noncompliance issues noted – No

Management letter issued – No

Federal Awards

- Material weaknesses identified – No
- Significant deficiencies identified – None Known
- Type of auditors' report issued on compliance for major programs – Unmodified
- Any audit findings which are required to report under Uniform Guidance – No
- Identification of Major Programs:
 - Assistance Listing # 93.870 United States Department of Health and Human Services
Maternal, Infant and Early Childhood Home Visiting Grant
Passed through Louisiana Department of Health
- Dollar threshold to distinguish between Type A and Type B Programs – \$750,000
- Auditee qualified as a low-risk auditee – No

Section II. Financial Statement Findings

Finding 2025-001 – Investment Income

Criteria: Income from investments should be recorded when earned.

Condition: The calculation for the accrual for investment income contained errors.

Cause: The schedule calculating interest earned on certificates of deposit was not reviewed closely.

Effect: Accrued revenue and income were overstated by approximately \$204,000.

Recommendation: We recommend having someone test the calculation and verify the reasonableness of income recorded each month.

Management Response: The Chief Financial Officer has reviewed and revised the monthly calculation of interest earnings. Additionally, the monthly process for recording interest earnings has been revised.



FRANKLIN MEDICAL CENTER
AUDITORS' SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2025

Finding 2025-002 – Third Party Cost Report Settlements

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

Condition: Management did record an estimate for the current year Medicare and Medicaid cost reports. However, the estimate was a rough estimate based on previous year's cost.

Cause: Management elected not to make a thorough calculation when recording an estimate for the Medicare and Medicaid cost reports.

Effect: Third party receivables and patient service revenue were understated by approximately \$1,371,000.

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

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

Section III. Federal Awards, Findings and Questioned Costs

Not Applicable

Section IV. Management Letter

Not Applicable



FRANKLIN MEDICAL CENTER
AUDITORS' SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2025

Section I. Financial Statement Findings

Finding 2024-001 – Grant Revenue

Fiscal Year Initially Reported: April 30, 2022

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

Resolution: This matter has been resolved.

Finding 2024-002 – GASB 96 Implementation

Fiscal Year Initially Reported: April 30, 2024

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

Resolution: This matter has been resolved.

Finding 2024-003 – Investment Income

Fiscal Year Initially Reported: April 30, 2024

Condition: Income from investments was recorded on a cash basis

Resolution: This matter has been partially resolved. While a calculation was made to accrue investment earnings, errors in the calculation overestimated the investment earnings.

Finding 2024-004 – Third Party Cost Report Settlements

Fiscal Year Initially Reported: April 30, 2024

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

Resolution: This matter has been partially resolved. While a calculation was made to record an estimate, the estimate was materially understated.

Section II. Federal Award Findings and Questioned Costs

Not Applicable

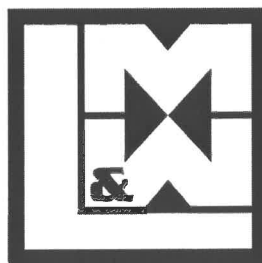
Section III. Management Letter

Not Applicable



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

FOR THE YEAR ENDED
APRIL 30, 2025



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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 on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period May 1, 2024 through April 30, 2025. The Hospital Service District No. 1, Parish of Franklin, State of Louisiana, d/b/a Franklin Medical Center (the "Hospital")'s management is responsible for those C/C areas identified in the SAUPs.

The Hospital has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period May 1, 2024 through April 30, 2025. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1) Board or Finance Committee

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

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

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

2) Bank Reconciliations

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated, electronically logged); and
 - iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

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

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

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



individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and

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

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

4) Fraud Notice

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

Exceptions: There was one exception found. The fraud hotline notice was not posted on the premises.

5) Prevention of Sexual Harassment

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

Exceptions: There were two exceptions found. The sexual harassment policy was not posted on the Hospital's website or premise. The sexual harassment report was not dated on or before February 1.



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

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

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

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



Certified Public Accountants
Alexandria, Louisiana

July 25, 2025



