
MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2023



MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2023

MADISON PARISH HOSPITAL SERVICE DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
<u>INDEPENDENT AUDITOR’S REPORT</u>	1-3
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Management’s Discussion and Analysis	4-12
<u>BASIC FINANCIAL STATEMENTS</u>	
Statements of Net Position	13
Statements of Revenues, Expenses, and Changes in Net Position	14
Statements of Cash Flows	15-16
Notes to the Financial Statements	17-37
<u>SUPPLEMENTARY INFORMATION</u>	
Schedule of Compensation, Benefits and Other Payments to the Agency Head for the Year Ended December 31, 2023	38
<u>INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</u>	39-40

MADISON PARISH HOSPITAL SERVICE DISTRICT

TABLE OF CONTENTS, CONTINUED

	<u>Page</u>
<u>SINGLE AUDIT SECTION</u>	
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	41-43
Schedule of Expenditures of Federal Awards	44
Notes to the Schedule of Expenditures of Federal Awards	45
<u>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</u>	46-49
<u>SCHEDULE OF PRIOR AUDIT FINDINGS</u>	50-53

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Commissioners
Madison Parish Hospital Service District
(a proprietary component unit of Madison Parish Police Jury)
Tallulah, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Madison Parish Hospital Service District (the District), a component unit of Madison Parish Police Jury, State of Louisiana, as of and for the years ended December 31, 2023, and 2022, and the related notes to the financial statements, which collectively comprise the District'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 business-type activities of the District as of December 31, 2023, and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, 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 District'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.

Auditor's 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 auditor's 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 Standard*, 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 District'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 District'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Compensation, Benefits and Other Payments to the Agency Head (Schedule I) on page 40 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Schedule III 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 statement 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, Schedule III is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards on page 43, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2024, on our consideration of the District'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 District'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 District's internal control over financial reporting and compliance.

Richard CPAS

Metairie, Louisiana
December 31, 2024

MADISON PARISH HOSPITAL SERVICE DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

As the managers of the District, we offer readers of the accompanying financial statements this narrative overview and analysis of the financial activities of the District for the years ended December 31, 2023 and 2022. This discussion and analysis are designed to assist the reader in focusing on significant financial issues and activities.

We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Using This Annual Report

Our auditors have provided assurance in their independent auditor's report located immediately preceding this Management's Discussion and Analysis. That opinion is unmodified with respect to the basic financial statements. Varying degrees of assurances are being provided by the auditor regarding the other information included in this report. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

Financial Highlights – 2023

- The District's assets exceeded its liabilities by \$20,214,870.
- The District's net position decreased by \$3,725,228 for the year ended December 31, 2023.
- The District completed construction on the new Hospital and placed it into service.
- The District paid off the Interim Construction Loan with the proceeds from the issuance of the \$27,369,590 Hospital Revenue Bonds.
- The District paid off the Series 2023B Hospital Revenue Bonds totaling \$3,055,000 during the year ended December 31, 2023.
- The District had a loss on disposal of capital assets due to retiring the facilities and equipment related to its old hospital and demolition costs for the old hospital building.

Financial Highlights - 2022

- The District's assets exceeded its liabilities by \$23,940,098.
- The District's net position increased by \$3,725,548 for the year ended December 31, 2022.
- The District disbursed \$7,422,525 towards construction and equipment for the new hospital and is recorded as an asset on the statements of net position.
- The Districts interim construction loan liability increased by \$10,063,374 during the year ended December 31, 2022.
- The District received forgiveness for its \$2,000,000 loan under the Paycheck Protection Program and is recorded as non-operating revenue on the statements of revenues, expenses and changes in net position during the year ended December 31, 2022

Overview of the Financial Statements

The District's basic financial statements comprise of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, a Statement of Cash Flows, and the related notes to the financial statements. Since the District consists of a single enterprise fund, no fund level financial statements are shown.

MADISON PARISH HOSPITAL SERVICE DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

Overview of the Financial Statements (continued)

Basic financial statements. The basic financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The Statements of Net Position present information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities result in an increased net position, which indicates an improved financial position.

The statement of revenues, expenses and changes in net position presents information showing how the District's net position changed during the year. All changes in net position are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis -2023

The Statement of Net Position includes information on all of the District's assets and liabilities with the difference reported as net position. The statement provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the District.

In 2023, net position decreased by \$3,8725,228 to \$20,214,870, resulting from the excess of expenses over revenues for the year ended December 31, 2023. Current assets decreased by \$4,993,749, which includes a \$4,393,965 decrease in cash and cash equivalents, a \$2,087,637 decrease in investments, and a \$1,245,422 increase in estimated third-party payor settlements receivable. Capital assets, net increased by \$209,472 as a result of additions of \$3,990,772 offset by depreciation and amortization expense of \$2,190,520 and the loss on the disposal of capital assets of \$1,590,780. Intangible assets, net decreased by \$264,619 due to amortization expense of \$137,808 and the disposal of intangible assets with a cost of \$722,057 and accumulated amortization of \$526,398.

MADISON PARISH HOSPITAL SERVICE DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

Financial Analysis -2023 (continued)

CONDENSED STATEMENTS OF NET POSITION

	2023	2022	Increase (Decrease)
Current assets	\$ 13,502,219	\$ 18,495,968	\$ (4,993,749)
Assets limited to use	1,132,313	1,450,493	(318,180)
Capital assets, net	33,220,739	33,011,267	209,472
Intangible assets, net	137,808	402,427	(264,619)
Total assets	<u>\$ 47,993,079</u>	<u>\$ 53,360,155</u>	<u>\$ (5,367,076)</u>
Current liabilities	\$ 2,917,134	\$ 28,442,264	\$ (25,525,130)
Non-current liabilities	24,861,075	977,793	23,883,282
Total liabilities	<u>\$ 27,778,209</u>	<u>\$ 29,420,057</u>	<u>\$ (1,641,848)</u>
Net position			
Net investment in capital assets	\$ 8,493,976	\$ 7,544,555	\$ 949,421
Unrestricted	11,720,894	16,395,543	(4,674,649)
Total net position	<u>\$ 20,214,870</u>	<u>\$ 23,940,098</u>	<u>\$ (3,725,228)</u>
Total liabilities and fund net position	<u>\$ 47,993,079</u>	<u>\$ 53,360,155</u>	<u>\$ (5,367,076)</u>

MADISON PARISH HOSPITAL SERVICE DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

Financial Analysis -2023 (continued)

The Statements of Revenues, Expenses, and Changes in Net Position provide an indication of the District's financial health. Operating revenues in 2023 as compared to 2022 increased due to an increase in the District's rural health care grant of \$1,315,542 and in net patient service revenues of \$335,095. The change in net patient revenues resulted in an increase in bad debt expense of \$1,305,543 offset by an increase in patient service revenue of \$972,447.

Operating expenses in 2023 as compared to 2022 increased by \$2,654,556 primarily due to an increase in depreciation expense of \$1,737,398 and an increase in salaries and benefits of \$272,444.

Non-operating revenues in 2023 as compared to 2022 decreased by \$5,162,717 as a result of the discontinuance of the PPP program of \$2,000,000 and \$1,071,937 in one-time Federal grants primarily related to COVID. In addition, the District incurred a \$1,820,150 loss on the retirement of its old hospital facility. Interest expense increased by \$391,660 as a result of interest incurred on the debt related to the new hospital and clinic facility and from additional finance and operating leases of medical equipment for the new facility.

The operating loss increased by \$1,536,812 in 2023 to \$2,304,675.

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET

	<u>POSITION</u>		
	<u>2023</u>	<u>2022</u>	<u>Increase</u>
Operating revenues	\$ 21,322,311	\$ 20,204,567	\$ 1,117,744
Operating expenses	23,626,986	20,972,430	2,654,556
Operating loss	(2,304,675)	(767,863)	(1,536,812)
Non-operating income (loss)			
Federal grants	-	1,071,937	(1,071,937)
Ad valorem taxes	1,417,138	1,338,802	78,336
Sales taxes	411,002	433,178	(22,176)
Revenue sharing	8,556	28,742	(20,186)
Grant revenue	-	2,000,000	(2,000,000)
Interest income	156,368	70,787	85,581
Per diem	(3,450)	(2,925)	(525)
Other	-	-	-
Loss on disposal of capital assets	(1,820,150)	-	(1,820,150)
Interest expense	(1,288,770)	(897,110)	(391,660)
Total nonoperating revenue (expenses)	(1,119,306)	4,043,411	(5,162,717)
Change in net position	(3,423,981)	3,275,548	(6,699,529)
Net position, beginning of year	23,940,098	20,664,550	3,275,548
Net position, end of year	<u>\$ 20,214,870</u>	<u>\$ 23,940,098</u>	<u>\$ (3,725,228)</u>

MADISON PARISH HOSPITAL SERVICE DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

Financial Analysis -2023 (continued)

The Statements of Cash Flows report the cash provided and used by the District's operations. The net change in cash was a decrease of \$4,393,965 in 2023. Cash flows from operating and non-capital financing activities remained consistent in 2023 compared to 2022. The \$6,864,157 in capital and related financing activities results primarily from \$3,741,748 in construction and acquisition of property and equipment payments and \$3,282,234 in revenue bond principal payments. Investing activities decreased by \$3,549,771 as a result of the liquidation of \$2,087,637 of the District's funds set aside for construction of the new facility compared the \$1,043,391 set aside in 2022.

CONDENSED STATEMENTS OF CASH FLOWS

	<u>2023</u>	<u>2022</u>	<u>Increase</u>
Cash flows from:			
Operating activities	\$ (1,837,480)	\$ (2,068,012)	\$ 230,532
Non-capital financing activities	1,781,307	1,962,817	(181,510)
Capital and related financing activities	(6,899,977)	(35,820)	(6,864,157)
Investing activities	<u>2,562,185</u>	<u>(987,586)</u>	<u>3,549,771</u>
Net change in cash	(4,393,965)	(1,128,601)	(3,265,364)
Beginning of year cash	<u>11,669,797</u>	<u>12,798,398</u>	<u>(1,128,601)</u>
End of year cash	<u>\$ 7,275,832</u>	<u>\$ 11,669,797</u>	<u>\$ (4,393,965)</u>

MADISON PARISH HOSPITAL SERVICE DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

Financial Analysis -2022

The increase in total assets of \$9,279,220 in 2022 as compared to 2021 resulted primarily from a net increase in capital assets of \$9,995,688 after depreciation of \$466,479; the funds were expensed primarily for the construction of the new hospital and clinic facility, less the decrease in cash of \$1,128,901.

Current and non-current liabilities increased by \$6,003,672 as a result of a \$10,063,374 increase in the interim loan used to finance the construction of the new facility offset by payoffs of accounts payable related to the construction and payments of \$3,680,052 and payments of \$1,844,977 to intermediary third parties in settlement of cost reports.

The net position as of 2023 compared to 2022 increased by \$3,275,548 as a result of the excess of revenue over expenses.

CONDENSED STATEMENTS OF NET POSITION

	2022	2021	Increase
Current assets	\$ 18,495,968	\$ 20,170,185	\$ (1,674,217)
Assets limited to use	1,450,493	407,102	1,043,391
Capital assets, net	33,011,267	23,015,579	9,995,688
Intangible assets, net	402,427	488,069	(85,642)
Total assets	<u>\$ 53,360,155</u>	<u>\$ 44,080,935</u>	<u>\$ 9,279,220</u>
Current liabilities	\$ 28,442,264	\$ 23,257,270	\$ 5,184,994
Non-current liabilities	977,793	159,115	818,678
Total liabilities	<u>\$ 29,420,057</u>	<u>\$ 23,416,385</u>	<u>\$ 6,003,672</u>
Net position			
Net investment in capital assets	7,544,555	8,335,056	(790,501)
Unrestricted	16,395,543	12,329,494	4,066,049
Total net position	<u>\$ 23,940,098</u>	<u>\$ 20,664,550</u>	<u>\$ 3,275,548</u>
Total liabilities and fund net position	<u>\$ 53,360,155</u>	<u>\$ 44,080,935</u>	<u>\$ 9,279,220</u>

MADISON PARISH HOSPITAL SERVICE DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

Financial Analysis -2022 (continued)

The operating revenues increased by \$1,334,957 primarily as a result of \$1,470,090 in the District's rural health grant. The remaining operating revenues consist of patient revenues, bad debt expense and other revenue decreased by \$135,133

Operating expenses increase by \$844,434 as a result of increases to salaries and wages and employee benefits of 996,864 and increase in other expense of \$378,191 offset by decreases in purchased services, goods and supplies of \$530,621.

Non-operating revenues decreased by \$299,173 Increase in interest expense totaling incurred related to debt incurred in the construction of the new facility and finance and capital leases

Revenue in excess of expenses for 2022 increased by \$191,290 to \$3,275,548.

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>2022</u>	<u>2021</u>	<u>Increase</u>
Operating revenues	\$ 20,204,567	\$ 18,869,610	\$ 1,334,957
Operating expenses	20,972,430	20,127,996	844,434
Operating loss	<u>(767,863)</u>	<u>(1,258,386)</u>	<u>490,523</u>
Non-operating income (loss)			
Federal grants	1,071,937	289,792	782,145
Ad valorem taxes	1,338,802	1,383,069	(44,267)
Sales taxes	433,178	777,876	(344,698)
Revenue sharing	28,742	34,635	(5,893)
Grant revenue	2,000,000	2,000,000	-
Interest income	70,787	35,870	34,917
Per diem	(2,925)	(2,550)	(375)
Other	-	-	-
Loss on disposal of capital assets	-	(1,974)	1,974
Interest expense	(897,110)	(174,034)	(723,076)
Total nonoperating revenue (expenses)	<u>4,043,411</u>	<u>4,342,684</u>	<u>(299,273)</u>
Change in net position	3,275,548	3,084,298	191,250
Net position, beginning of year	20,664,550	17,580,252	3,084,298
Net position, end of year	<u>\$ 23,940,098</u>	<u>\$ 20,664,550</u>	<u>\$ 3,275,548</u>

MADISON PARISH HOSPITAL SERVICE DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

Financial Analysis -2022 (continued)

Cash decreased by \$1,128,601 in 2022 compared to a \$3,457,613 increase in 2021.

Operating activities increased by \$3,000,622 in rural health grants offset by decreases in patient revenues of \$4,163,766, increases in salaries and benefits of \$1,034,120 and increased operating expenses of \$2,569,718.

Non-capital financing activities decreased by \$1,950,393 from decreases in Ad valorem taxes, sales taxes, and revenue sharing of \$556,563 and \$1,393,830 in grants received.

Capital and related financing activities increased by \$2,955,473 primarily related to a \$7,986,529 decrease in construction costs for the new facility offset by a decrease in the proceeds from interim construction loans of \$4,390,500 and an increase in interest payments on interim construction loans of \$590,462.

Investing activities decreased \$801,550 primarily from an increase in designated cash of \$830,789 offset by investment purchases net of interest received of \$29,239.

CONDENSED STATEMENTS OF CASH FLOWS

	<u>2022</u>	<u>2021</u>	<u>Increase</u>
Cash flows from:			
Operating activities	\$ (2,068,012)	\$ 2,698,970	\$ (4,766,982)
Non-capital financing activities	1,962,817	3,913,210	(1,950,393)
Capital and related financing activities	(35,820)	(2,968,531)	2,932,711
Investing activities	<u>(987,586)</u>	<u>(186,036)</u>	<u>(801,550)</u>
Net change in cash	(1,128,601)	3,457,613	(4,586,214)
Beginning of year cash	<u>12,798,398</u>	<u>9,340,785</u>	<u>3,457,613</u>
End of year cash	<u>\$ 11,669,797</u>	<u>\$ 12,798,398</u>	<u>\$ (1,128,601)</u>

Economic Outlook

The District completed a \$29,000,000 new hospital and clinic facility in 2023. The facility is a 24-bed hospital and clinic as a replacement for its existing facility. On June 23, 2023, the District paid off the Interim Construction Loan with the proceeds of the \$24,314,590 Series 2023A Hospital Revenue Bonds and \$3,055,000 of Series 2023B Hospital Revenue Bonds. The Series 2023B Hospital Revenue bonds were retired in June, 2023.

MADISON PARISH HOSPITAL SERVICE DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

The District is located in Madison Parish in northeast Louisiana. As of 2020, the US Census Bureau reported the population of the parish at 10,017 with 4,357 housing units, As of 2023 the employment rate was 39.5%.; median household income was \$37,267 and there were 3,020 total households. 9.5% of the population is estimated to be without healthcare coverage. The District expects its patients to continue to be primarily insured through Medicaid and Medicare. The District expects to continue as a rural access facility and to receive substantial reimbursements for its status; there are limited medical facilities in the area.

Request for Information

Information requests can be directed to Madison Parish Hospital Service District at

Retired Chief Judge Felicia Toney Williams
In-house Legal Counsel/Chief Compliance Officer
Madison Parish Hospital
808 Johnson Street
Tallulah, Louisiana 71282
318-651-5602
FAX(318) 574-2396
fwilliams@madisonparishhospital.com

MADISON PARISH HOSPITAL SERVICE DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

	<u>A S S E T S</u>	
	2023	2022
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 7,275,832	\$ 11,669,797
Investments	-	2,087,637
Patient accounts receivable, less allowance for bad debts (\$1,067,259 in 2023 and \$1,294,253 in 2022)	2,287,491	1,984,215
Taxes receivable	1,392,913	1,340,974
Estimated third-party payor settlements receivable	1,869,429	624,007
Inventory	350,434	458,347
Prepaid expenses	326,120	330,991
Total current assets	13,502,219	18,495,968
<u>ASSETS LIMITED TO USE</u>		
Cash and cash equivalents - designated	1,132,313	1,450,493
Total assets limited to use	1,132,313	1,450,493
<u>CAPITAL ASSETS, NET</u>	33,220,739	33,011,267
<u>INTANGIBLE ASSETS, NET</u>	137,808	402,427
<u>TOTAL ASSETS</u>	\$ 47,993,079	\$ 53,360,155
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Current maturities of financed purchase leases	\$ 256,240	\$ 198,681
Current maturities of operating leases	293,014	168,494
Current maturities of bonds payable	459,319	-
Accounts payable	201,923	1,760,093
Accrued expenses and other liabilities	1,706,638	1,488,690
Estimated third-party settlements payable	-	320,057
Interim construction loan	-	24,506,249
Total current liabilities	2,917,134	28,442,264
<u>NON-CURRENT LIABILITIES</u>		
Long-term financed purchase leases, <u>net of current maturities</u>	549,572	593,288
Long-term operating leases, <u>net of current maturities</u>	683,566	384,505
Bonds payable	23,627,937	-
Total non-current liabilities	24,861,075	977,793
<u>TOTAL LIABILITIES</u>	\$ 27,778,209	\$ 29,420,057
<u>NET POSITION</u>		
Net investment in capital assets	\$ 8,493,976	\$ 7,544,555
Unrestricted	11,720,894	16,395,543
Total net position	\$ 20,214,870	\$ 23,940,098

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

MADISON PARISH HOSPITAL SERVICE DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
<u>OPERATING REVENUES</u>		
Patient service revenues	\$ 17,567,910	\$ 16,595,463
Less: bad debt expense	(2,788,307)	(1,482,765)
Patient service revenues	14,779,603	15,112,698
Rural health grant	6,303,301	4,987,477
Other revenue	239,407	104,392
Total operating revenues	21,322,311	20,204,567
<u>OPERATING EXPENSES</u>		
Salaries and wages	10,025,871	9,375,246
Employee benefits	4,416,772	4,794,953
Purchased services	2,594,983	2,506,743
Purchased goods and supplies	1,670,258	1,568,531
Legal and professional fees	1,755,473	1,529,994
Depreciation and amortization	2,259,480	522,082
Repairs and maintenance and utilities	725,837	466,479
Other expenses	178,312	208,402
Total operating expenses	23,626,986	20,972,430
<u>OPERATING LOSS</u>	(2,304,675)	(767,863)
<u>NON-OPERATING INCOME (LOSS)</u>		
Federal grants	-	1,071,937
Ad valorem taxes	1,417,138	1,338,802
Sales taxes	411,002	433,178
Revenue sharing	8,556	28,742
Grant revenue	-	2,000,000
Interest income	156,368	70,787
Per diem	(3,450)	(2,925)
Other	-	-
Loss on disposal of capital assets	(1,820,150)	-
Interest expense	(1,288,770)	(897,110)
Debt issuance cost	(301,247)	-
Total non-operating income (loss)	(1,420,553)	4,043,411
<u>CHANGE IN NET POSITION</u>	(3,725,228)	3,275,548
<u>NET POSITION, BEGINNING OF THE YEAR</u>	23,940,098	20,664,550
<u>NET POSITION, END OF THE YEAR</u>	\$ 20,214,870	\$ 23,940,098

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

MADISON PARISH HOSPITAL SERVICE DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash receipts from patients and third-party payors	\$ 13,150,255	\$ 12,647,846
Other cash receipts from operations	6,303,301	6,513,973
Cash payments to employees for salaries and benefits	(14,604,520)	(14,071,153)
Cash payments to vendors for operating expenses and fees	(6,686,516)	(7,158,678)
Net cash provided by (used in) operating activities	<u>(1,837,480)</u>	<u>(2,068,012)</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
Ad valorem taxes, sales taxes, and revenue sharing	1,781,307	1,707,495
Grants received	-	255,322
Net cash provided by non-capital financing activities	<u>1,781,307</u>	<u>1,962,817</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Construction and acquisition of property and equipment	(3,741,748)	(9,091,317)
Expenses for disposal of property and equipment	(266,431)	-
Proceeds from interim construction loan	2,754,437	10,063,374
Payment of interim construction loan	(27,260,686)	-
Proceeds from the issuance of bonds	27,369,590	-
Interest payments on interim construction loan	(1,197,280)	(751,624)
Principal payments on operating leases	(620,507)	(65,894)
Principal payments on financed purchase leases	(262,281)	(167,597)
Principal payments on revenue bonds	(3,282,334)	-
Interest payments on leases, loans and bonds	(392,737)	(22,762)
Net cash provided by (used in) capital and related financing activities	<u>(6,899,977)</u>	<u>(35,820)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest received	156,368	70,787
Sale (purchase) of investments	2,087,637	(14,982)
Increase (decrease) in designated cash	318,180	(1,043,391)
Net cash provided by (used in) investing activities	<u>2,562,185</u>	<u>(987,586)</u>
Net change in cash and cash equivalents	(4,393,965)	(1,128,601)
Cash and cash equivalents, beginning of year	<u>11,669,797</u>	<u>12,798,398</u>
Cash and cash equivalents, end of year	<u>\$ 7,275,832</u>	<u>\$ 11,669,797</u>

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

MADISON PARISH HOSPITAL SERVICE DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of net operating income (loss) to net cash provided by (used in) operating activities areas follows:		
Operating income (loss)	\$ (2,304,675)	\$ (767,863)
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	2,259,480	522,082
(Increase) decrease in operating assets		
Patient accounts receivable, net	(303,276)	(100,260)
Prepaid expenses	4,871	(29,986)
Inventory	107,913	(118,418)
Estimated third-party payor settlements receivable	(1,245,422)	(624,007)
Other receivables	-	1,526,496
Increase (decrease) in operating liabilities		
Accounts payable	(254,262)	(863,437)
Accrued expenses and other liabilities	217,948	232,358
Estimated third-party payor settlements payable	(320,057)	(1,844,977)
Net cash provided by (used in) operating activities	<u>\$ (1,837,480)</u>	<u>\$ (2,068,012)</u>
Supplemental disclosure of non-cash capital and related financing activities		
Financed purchase leases	<u>\$ 335,853</u>	<u>\$ 721,918</u>
Operating leases	<u>\$ 1,060,771</u>	<u>\$ 618,893</u>
Forgiveness of paycheck protection program loan	<u>\$ -</u>	<u>\$ 2,000,000</u>

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

MADISON PARISH HOSPITAL SERVICE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. Summary of Significant Accounting Policies

History and Organization

Madison Parish Hospital Service District (the District) was created by the Police Jury of Madison Parish, Louisiana (the Parish), of which it is a component unit. It was created pursuant to Chapter 10, Title 46, of the Louisiana Revised Statutes (R.S.) of 1950, as amended (R.S. 46:1051, et seq). The District's main purpose is to provide hospital facilities as well as support for Madison Parish Hospital (the Hospital). The District operates the Hospital and its hospital-based Rural Health Care Clinics. The operations of these facilities are accounted for in one enterprise fund.

The District is a political subdivision of the Madison Parish Police Jury (MPPJ), whose jurors are elected officials. The District's commissioners are appointed by the MPPJ with term limits. As the governing authority of the Parish, for reporting purposes, the MPPJ is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the MPPJ as defined by the Governmental Accounting Standards Board pronouncement. The accompanying financial statements present information only on the funds maintained by the District and do not present information of MPPJ, the general governmental services provided by that governmental unit, or the other governmental units that comprise the MPPJ financial reporting entity.

Nature of Activities

The Hospital operated by the District is considered a critical access rural hospital. The District provides outpatient emergency and inpatient hospital services as well as outpatient services through its hospital-based Rural Health Care Clinics near the Hospital. The Hospital and hospital-based Rural Health Care Clinics provide services to the public primarily located in Madison Parish, Louisiana.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the District have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated non-exchange transactions (principally, government grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated non-exchange transactions.

Government-mandated non-exchange transactions that are not program-specific, investment income, and interest on capital assets-related debt are included in non-operating revenues and expenses. The District first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

MADISON PARISH HOSPITAL SERVICE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. Summary of Significant Accounting Policies (continued)

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.

Cash and Cash Equivalents

Cash consists of interest-bearing and non-interest-bearing demand deposits. Cash equivalents, if any, include all highly liquid investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. All amounts in excess of Federal Deposit Insurance Corporation (FDIC) insured amounts are required by Louisiana Statute to be secured by securities invested in the U.S. Government. The District had no cash equivalents for the years ended December 31, 2023 and 2022.

Patient Accounts Receivable

The District grants credit without collateral to its patients, most of whom are local residents. Some are insured under third-party agreements. Patient accounts receivable are stated net of the allowance for estimated uncollectible amounts and third-party contractual adjustments. The allowance for uncollectible accounts is based on subsequent collections. This account is generally increased by charges to a provision for uncollectible accounts and decreased by write-offs of accounts determined by management to be uncollectible. The District does not charge interest on past due accounts.

Receivables or payables related to estimated settlements on various risk contracts in which the District participates are reported as estimated third-party payor receivables or payables.

Inventory

Inventories represent medical and dietary supplies and are valued at the latest invoice price, which approximates the lower of cost (first-in, first-out method) or market.

Prepaid Expenses

Prepaid expenses are amortized on a straight-line basis over the contract period of the respective items and consist primarily of insurance premiums.

MADISON PARISH HOSPITAL SERVICE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets of the District are recorded at cost or, if donated, at fair value at date of donation. Depreciation is computed using the straight-line method over their estimated useful lives. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized.

The following estimated useful lives are generally used:

Buildings and improvements	20 - 40 years
Machinery and equipment	5 - 7 years
Medical equipment	5 - 7 years

Intangible Assets

Intangible assets' estimated useful lives are generally 5 years. Further, intangible assets that are subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. Assets not subject to amortization are tested for impairment at least annually. There were no impairments recorded in 2023 and 2022.

Net Patient Service Revenue and Concentration of Credit Risk

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

The payment arrangements include:

Medicare

The District is designated as a critical access hospital and is paid for inpatient acute care, skilled swing-bed, and outpatient services rendered to Medicare program beneficiaries at one hundred one percent (101%) of actual cost subject to certain limitations. The District is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare Administrative Contractor. Beginning April 1, 2013, a mandatory payment reduction, known as sequestration, of two percent (2%) went into effect. Under current legislation, sequestration is scheduled to last until 2025. During the year ended December 31, 2021, sequestration was suspended through December 31, 2022, by the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

MADISON PARISH HOSPITAL SERVICE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. Summary of Significant Accounting Policies (continued)

Net Patient Service Revenue and Concentration of Credit Risk (continued)

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon a cost reimbursement methodology. The District is reimbursed at a tentative rate with the final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid program.

Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

Revenue derived from the Medicare program is subject to audit and adjustment by the fiscal intermediary and must be accepted by the United States Department of Health and Human Services before settlement amounts become final. Revenue derived from the Medicaid program is subject to audit and adjustment and must be accepted by the State of Louisiana, Department of Health before the settlement amount becomes final.

The District has recorded a net receivable of \$1,794,429 and \$303,950 at December 31, 2023 and 2022, respectively, to Medicare and Medicaid programs which are included as a component of the estimated third-party settlements payable caption on the statements of net position, along with the balance due in relation to the matters described in Note 7.

The fiscal intermediary has completed its review of estimated Medicare settlements for fiscal years ended through December 31, 2020. The fiscal intermediary has completed its review of estimated Medicaid settlements for fiscal years ended through December 31, 2015. Annually, management evaluates the recorded estimated settlements and adjusts these balances based upon the results of the fiscal intermediary's audit of filed cost reports and additional information becoming available. The District does not anticipate significant adverse adjustments to the recorded settlements for those years.

Other Agreements

The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

MADISON PARISH HOSPITAL SERVICE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. Summary of Significant Accounting Policies (continued)

Net Patient Service Revenue and Concentration of Credit Risk (continued)

Charity Care

Effective November 1, 2016, the District approved a charity care policy. The policy allows the District to provide services without charge or at amounts less than established rates. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charity care amounted to \$1,720 and \$119,521 for the years ended December 31, 2023 and 2022, respectively.

The following is a summary of net revenue by payor type for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Commercial	15.36%	14.26%
Medicare	34.02%	29.53%
Medicaid	46.50%	49.31%
Self Pay	4.12%	6.90%
Total	<u>100.00%</u>	<u>100.00%</u>

Gifts, Grants, and Bequests

Gifts, grants, and bequests not designated by donors for specific purposes are reported as non-operating revenue regardless of the use for which they might be designated by the Board of Commissioners. Grants are recognized as revenue when earned. Expense driven grants are recognized as revenue when the qualifying expenses have been incurred and all other grant requirements have been met.

Rural Hospital Grant

The District provides medical care to patients in rural Madison Parish, some of which are unable to pay for the services received. Since the District serves a disproportionate share of low-income patients, it qualifies for additional reimbursements. The funds are received from another hospital service district and are reported as rural health grant payments in these financial statements.

Operating Revenues and Expenses

The District's statements of revenues, expenses, and changes in net position distinguish between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the District's principal activity. Non-exchange revenues, including taxes, grants, and revenue sharing payments received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

MADISON PARISH HOSPITAL SERVICE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. Summary of Significant Accounting Policies (continued)

Compensated Absences

Employees of the District are entitled to paid vacation and sick days depending on length of service and other factors. Vested or accumulated vacation pay is recorded as an expense and a liability as the benefits accrue to employees for service already rendered, and any unused amount is payable at termination.

During 2015, the District adopted a Paid-Time-Off (PTO) policy to replace the existing vacation and sick time benefits. Employees who had accrued "unused sick time" prior to the new policy effective date had these hours stored in a special account. They can only be used when an employee does not have PTO time available and only for illness. If an employee leaves employment, any unused hours in this special account are not paid. Employees (except for management and physicians with CEO approval) may not carry over more than 400 hours at the end of any calendar year. In September 2017, the PTO policy was amended which permits employees to be paid for hours in excess of 88 hours.

Leases

The District is a lessee for noncancellable lease of equipment. It recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. The lease asset is initially measured at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

The District uses the interest rate charged by the lessor at the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the prime interest rate at inception of lease.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Of particular significance to the District's financial statements are estimates involving allowances for doubtful accounts and estimates of amounts to be received under government health care and other provider contracts. Actual results could differ from those estimates.

MADISON PARISH HOSPITAL SERVICE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. Summary of Significant Accounting Policies (continued)

Ad Valorem Taxes

The District is permitted by state statute to levy taxes up to 13.11 mills per \$1,000 of assessed valuation for 2023 and 2022. Ad valorem taxes are levied each November 1st on the assessed value listed as of the prior January 1st for property located within the District. The assessed value for 2023 and 2022, upon which the levy was based, netted the District \$1,417,138 and \$1,338,802 of tax revenue, respectively. Taxes become delinquent on December 31st of each year. Delinquent property tax certificates are sold to the public beginning April 1st, at which time a lien attaches to the property. In the election held on November 6, 2018, the tax was renewed for a period of 20 years.

Risk Management

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries; natural disasters; and medical malpractice claims and judgments. Commercial insurance coverage is purchased for claims arising from such matters. The District is a member of the Louisiana Patient's Compensation Fund for the purpose of malpractice insurance. All participating hospitals share proportionately in the expense of the fund. As a participant, the District has a statutory limitation of liability which provides that no award can be rendered against it in excess of \$500,000 plus interest and costs. The District has insurance coverage for health care claims and professional liability with aggregate coverage of \$2,500,000. The District is self-insured with stop-loss coverage for health insurance purposes as more fully discussed in Note 7.

Net Position

Net position classifications are defined as follows:

Net Investment in Capital Assets – 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 – When present, consists of non-capital assets that must be used for a particular purpose, as specified by creditors, granters, or contributors external to the authority, including amounts deposited with trustees as required by bond indentures. The District typically uses restricted assets first, but reserves the right to selectively defer.

Unrestricted – Consists of the remaining assets that do not meet the definition of net investment in capital assets or restricted.

MADISON PARISH HOSPITAL SERVICE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements –Adopted

The District adopted the Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). Under this Statement, SBITA, as defined, are financings of the right to use an underlying IT asset. SBITA liabilities are measured at the present value of SBITA payments over the term of each respective contract. Options to renew the SBITA are included in the lease term if reasonably certain to be exercised. The right-to-use IT asset may also include certain implementation phase costs. The impact of the adoption of GASB 96 to the District's financial statements is discussed in Footnote 4 below.

New Accounting Pronouncements –Not Yet Adopted

GASB Statement No. 100, Accounting Changes and Error Corrections

The primary objective of the Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections. The Statement is effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 101, Compensated Absences

The Statement updates the recognition and measurement guidance for compensated absences. The Statement is effective for fiscal years beginning after December 15, 2023.

2. Cash and Cash Equivalents

Cash and Cash equivalents include the following at December 31:

	<u>2023</u>	<u>2022</u>
Cash	\$ 7,275,832	\$ 11,669,797
Cash - Designated	1,132,313	1,450,493
Total	<u>\$ 8,408,145</u>	<u>\$ 13,120,290</u>

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District does not have a deposit policy for custodial credit risk. As of December 31, 2023, \$8,683,372 of the District's bank deposits was exposed to custodial credit risk. However, these deposits were secured from risk by the pledge of securities with a market value of \$5,462,063 owned by the fiscal agent bank in the District's name and letters of credit in the amount of \$8,000,000.

MADISON PARISH HOSPITAL SERVICE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

3. Intangible Assets, Net

Intangible assets consist of software licensing. Costs of \$307,974 and \$1,030,031 are being amortized over the lives of the assets on a straight-line basis for the years ended December 31, 2023 and 2022, respectively. For the years ended December 31, 2023 and 2022, accumulated amortization totaled \$170,166 and \$627,604, respectively. Intangible assets, net of accumulated amortization, for the years ended December 31, 2023 and 2022, totaled \$137,808 and \$402,427, respectively. Amortization expense for the years ended December 31, 2023 and 2022, was \$68,960 and \$85,642, respectively. During the year ended December 31, 2023, the District disposed of \$722,057 assets, resulting in a loss of \$195,659.

4. Capital Assets

The capital assets of the District as of December 31, 2023 and 2022 consist of the following:

	January 1, 2023	Additions	Disposals	Transfer in/(out)	December 31, 2023
Non-depreciable capital assets:					
Land	\$ 447,113	\$ -	\$ -	\$ -	\$ 447,113
New Hospital (CIP)	27,844,138	1,498,739	-	(29,342,877)	-
Total non-depreciable capital assets	28,291,251	1,498,739	-	(29,342,877)	447,113
Depreciable capital assets:					
Buildings and improvements	6,835,793	408,258	(6,288,737)	28,983,281	29,938,595
Right-of-use equipment	618,893	1,060,771	(293,881)	-	1,385,783
Medical equipment	4,940,939	1,023,004	(2,493,647)	359,596	3,829,892
Total depreciable capital assets	12,395,625	2,492,033	(9,076,265)	29,342,877	35,154,270
Less: Accumulated depreciation and amortization	(7,675,609)	(2,190,520)	7,485,485	-	(2,380,644)
Total depreciable capital assets, net	4,720,016	301,513	(1,590,780)	29,342,877	32,773,626
Capital assets, net	\$ 33,011,267	\$ 1,800,252	\$ (1,590,780)	\$ -	\$ 33,220,739

MADISON PARISH HOSPITAL SERVICE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

4. Capital Assets (continued)

	January 1, 2022	Additions	Disposals	Transfer in/(out)	December 31, 2022
Non-depreciable capital assets:					
Land	\$ 447,113	\$ -	\$ -	\$ -	\$ 447,113
New Hospital (CIP)	20,421,613	7,422,525	-	-	27,844,138
Total non-depreciable capital assets	20,868,726	7,422,525	-	-	28,291,251
Depreciable capital assets:					
Buildings and improvements	6,599,329	236,464	-	-	6,835,793
Right-of-use equipment	-	618,893	-	-	618,893
Medical equipment	2,786,693	2,154,246	-	-	4,940,939
Total depreciable capital assets	9,386,022	3,009,603	-	-	12,395,625
Less: Accumulated depreciation and amortization	(7,239,169)	(436,440)	-	-	(7,675,609)
Total depreciable capital assets, net	2,146,853	2,573,163	-	-	4,720,016
Capital assets, net	<u>\$ 23,015,579</u>	<u>\$ 9,995,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,011,267</u>

Depreciation expense, which includes financed purchase lease assets and does not include amortization of intangibles, incurred for the years ended December 31, 2023 and 2022, was \$1,791,159 and \$357,702, respectively. Amortization expense of right-of-use equipment was \$399,361 and \$78,738 for the year ended December 31, 2023 and 2022, respectively. Included in the cost of assets above are financed purchase lease assets with a cost of \$1,238,352 and \$1,665,578, as well as accumulated depreciation of \$286,890 and \$719,702, as of December 31, 2023 and 2022, respectively.

The District has entered into a contract with a general contractor to construct a new hospital facility. At December 31, 2022, \$23,972,001 has been incurred and \$1,326,571 remains to be paid under the contract. During the year ended December 31, 2023, the construction has been completed and the new hospital was placed in service. The District retired the facilities and certain equipment related to its old hospital resulting in a non-operating loss of \$1,820,150, including \$266,431 of demolition costs.

MADISON PARISH HOSPITAL SERVICE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

5. Leases

Financed Purchase Leases

The District had the following financed purchase leases payable for the year ended December 31, 2023:

Lessor	January 1, 2023	Additions	Reductions	December 31, 2023	Due Within One Year
AvTech	\$ 291,600	\$ -	\$ 112,774	\$ 178,826	\$ 52,544
DeLage/AIS Printers/Copiers	1,441	-	1,441	-	-
Great American Financial	1,136	-	1,136	-	-
Great American Financial	1,127	-	1,127	-	-
LA Barrington	-	65,587	14,551	51,036	12,641
LA Barrington	-	175,317	61,609	113,708	58,229
Orchard Cloud Services	155,410	-	46,211	109,199	41,971
R. J. Young	-	12,949	990	11,959	2,315
Regents Capital	341,255	82,000	82,171	341,084	88,540
Total	<u>\$ 791,969</u>	<u>\$ 335,853</u>	<u>\$ 322,010</u>	<u>\$ 805,812</u>	<u>\$ 256,240</u>

MADISON PARISH HOSPITAL SERVICE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

5. Leases (continued)

Financed Purchase Leases (continued)

The District had the following financed purchase leases payable for the year ended December 31, 2022:

Lessor	January 1, 2022	Additions	Reductions	December 31, 2022	Due Within One Year
AvTech	\$ -	\$ 312,000	\$ 20,400	\$ 291,600	\$ 62,309
DeLage/AIS Printers	60	-	60	-	-
DeLage/AIS Printers/Copiers	4,186	-	2,745	1,441	1,677
First American	13,734	-	13,734	-	-
Great American Financial	2,273	-	1,137	1,136	1,235
Great American Financial	2,209	-	1,082	1,127	1,219
Orchard Cloud Services	201,621	-	46,211	155,410	50,070
R. J. Young	1,533	-	1,533	-	-
R. J. Young	1,854	-	1,854	-	-
Regents Capital	-	409,918	68,663	341,255	82,171
Stago U.S.	6,319	-	6,319	-	-
Total	<u>\$ 233,789</u>	<u>\$ 721,918</u>	<u>\$ 163,738</u>	<u>\$ 791,969</u>	<u>\$ 198,681</u>

The terms and due dates of the District's financed purchase lease obligations for the years ended December 31, 2023 and 2022 are as follows:

An equipment financing arrangement in the original amount of \$252,271, with an interest rate of .10% per annum, payable to AvTech Capital in sixty (60) monthly installments of \$4,538, beginning July 5, 2022, through the maturity date of May 5, 2027. The lease is secured by the equipment financed under the agreement.

An equipment financing arrangement in the original amount of \$3,500, with an interest rate of 1.23% per annum, payable to Delage/Automated Imaging Systems in sixty (60) monthly installments of \$60, beginning February 5, 2017, through the maturity date of January 5, 2022. The lease is secured by the equipment financed under the agreement.

An equipment financing arrangement in the original amount of \$12,495, with an interest rate of 6.56% per annum, payable to Delage Landen in sixty (60) monthly installments of \$245, beginning July 1, 2018, through the maturity date of June 1, 2023. The lease is secured by the equipment financed under the agreement.

An equipment financing arrangement in the original amount of \$107,420, with an interest rate of 4.94% per annum, payable to First American Equipment Finance in sixty (60) monthly

MADISON PARISH HOSPITAL SERVICE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

5. Leases (continued)

Financed Purchase Leases (continued)

installments of \$1,994, beginning September 6, 2017, through the maturity date of July 6, 2022. The lease is secured by the equipment financed under the agreement.

An equipment financing arrangement in the original amount of \$5,200, with an interest rate of 9.02% per annum, payable to Great American Financial in sixty (60) monthly installments of \$108, beginning December 8, 2018, through the maturity date of November 8, 2023. The lease is secured by the equipment financed under the agreement.

An equipment financing arrangement in the original amount of \$5,200, with an interest rate of 4.1% per annum, payable to Great American Financial in sixty (60) monthly installments of \$96, beginning December 12, 2018, through the maturity date of November 12, 2023. The lease is secured by the equipment financed under the agreement.

An equipment financing arrangement in the original amount of \$65,587, with an interest rate of 3.62% per annum, payable to Leasing Associates of Barrington in sixty (60) monthly installments of \$1,190, beginning January 30, 2023, through the maturity date of January 29, 2028. The lease is secured by the equipment financed under the agreement.

An equipment financing arrangement in the original amount of \$175,317, with an interest rate of 4.04% per annum, payable to Leasing Associates of Barrington in thirty-six (36) monthly installments of \$5,146, beginning February 21, 2023, through the maturity date of February 20, 2025. The lease is secured by the equipment financed under the agreement.

An equipment financing arrangement in the original amount of \$269,440, with an interest rate of 5.25% per annum, payable to Orchard Cloud Services in sixty (60) monthly installments of \$4,972, beginning June 24, 2021, through the maturity date of June 1, 2026. The lease is secured by the equipment financed under the agreement.

An equipment financing arrangement in the original amount of \$6,300, with an interest rate of 7.5% per annum, payable to R.J. Young in thirty-six (36) monthly installments of \$197, beginning September 21, 2019, through the maturity date of August 6, 2022. The lease is secured by the equipment financed under the agreement.

An equipment financing arrangement in the original amount of \$6,200, with an interest rate of 7.19% per annum, payable to R.J. Young in thirty-six (36) monthly installments of \$192, beginning November 1, 2019, through the maturity date of October 22, 2022. The lease is secured by the equipment financed under the agreement.

MADISON PARISH HOSPITAL SERVICE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

5. Leases (continued)

Financed Purchase Leases (continued)

An equipment financing arrangement in the original amount of \$12,949, with an interest rate of 6.50% per annum, payable to R.J. Young in sixty (60) monthly installments of \$252, beginning August 24, 2023, through the maturity date of July 24, 2028. The lease is secured by the equipment financed under the agreement.

An equipment financing arrangement in the original amount of \$491,918, with an interest rate of 7.54% per annum, payable to Regents Capital, in twenty-one (21) quarterly installments of \$27,944, beginning July 6, 2022, through the maturity date of April 6, 2027. The lease is secured by the equipment financed under the agreement.

An equipment financing arrangement in the original amount of \$27,000, with an interest rate of 8.49% per annum, payable to Stago U.S., in sixty (60) monthly installments of \$554, beginning January 30, 2018, through the maturity date of December 31, 2022. The lease is secured by the equipment financed under the agreement.

The minimum future lease payments under financed purchase leases as of December 31, 2023 are as follows:

Year ending December 31,	Amount
2024	\$ 291,997
2025	286,850
2026	206,892
2027	90,089
2028	1,764
Total minimum lease payments under capital leases	877,592
Less: Amounts Representing Interest	(71,780)
Present value of net minimum lease payments	<u>\$ 805,812</u>

MADISON PARISH HOSPITAL SERVICE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

5. Leases (continued)

Commitments Under Noncancelable Operating Leases

The District is committed under various noncancelable operating leases, all of which are for equipment. These leases expire in various years through 2028. The District has estimated lease liabilities and right-of-use assets using its incremental borrowing rate which is the prime rate as of the

Commitments Under Noncancelable Operating Leases (continued)

inception of the leases. The value of the right-to-use assets was \$1,385,783 and \$618,893, as well as accumulated depreciation of \$429,709 and \$78,738, as of December 31, 2023 and 2022, respectively.

A summary of changes in the District's lease liabilities during 2023 is as follows:

Lessor	January 1, 2023	Additions	Reductions	December 31, 2023	Due Within One Year
Broad Voice	\$ 92,770	\$ -	\$ 40,332	\$ 52,438	\$ 41,766
Broad Voice	25,399	-	11,042	14,357	11,435
GE Healthcare	43,569	-	43,569	-	-
Med One	148,295	-	148,295	-	-
Med One	145,536	-	26,623	118,913	28,336
Mitsubishi HC Capital	17,634	-	3,627	14,007	3,832
Siemens	79,796	-	79,796	-	-
Siemens Financial	-	509,098	135,707	373,391	99,740
Siemens Financial	-	280,164	79,736	200,428	54,891
Siemens Financial	-	251,006	66,909	184,097	49,176
Siemens Healthineers	-	20,503	1,554	18,949	3,838
Total	<u>\$ 552,999</u>	<u>#####</u>	<u>\$ 637,190</u>	<u>\$ 976,580</u>	<u>\$ 293,014</u>

The District had the following operating leases payable for the year ended December 31, 2022:

Lessor	January 1, 2022	Additions	Reductions	December 31, 2022	Due Within One Year
Broad Voice	\$ -	\$ 122,107	\$ 29,337	\$ 92,770	\$ 40,332
Broad Voice	-	33,431	8,032	25,399	11,042
GE Healthcare	-	52,014	8,445	43,569	43,569
Med One	-	152,545	4,250	148,295	26,446
Med One	-	149,814	4,278	145,536	26,623
Mitsubishi HC Capital	-	19,660	2,026	17,634	3,627
Siemens	-	89,322	9,526	79,796	16,855
Total	<u>\$ -</u>	<u>\$ 618,893</u>	<u>\$ 65,894</u>	<u>\$ 552,999</u>	<u>\$ 168,494</u>

MADISON PARISH HOSPITAL SERVICE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

5. Leases (continued)

Principal and interest payments due on lease liabilities over the next five years and thereafter are as follows (in thousands):

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 293,014	\$ 31,776	\$ 324,790
2025	262,538	21,234	283,772
2026	258,448	11,651	270,099
2027	159,967	2,409	162,376
2028	2,613	36	2,649
	<u>\$ 976,580</u>	<u>\$ 67,106</u>	<u>\$ 1,043,686</u>

6. Contingencies

The District evaluates contingencies based upon the best available evidence. To the extent that the resolutions of these contingencies result in amounts which vary from the District's estimates, future earnings will be charged or credited.

Governmental Third-Party Reimbursement Programs

The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as a 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, if any, cannot be determined.

Retroactive cost settlements, based upon annual cost reports, are estimated for those programs subject to retroactive settlements and recorded in the financial statements. Final determination of retroactive cost settlements to be received under the Medicare and Medicaid regulations is subject to review by program representatives. The difference between a final settlement and an estimated settlement in any year is reported as an adjustment of net patient service revenue in the year the final settlement is made.

Health Care Industry

The health care 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, privacy, government health care 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 health care providers.

MADISON PARISH HOSPITAL SERVICE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

6. Contingencies (continued)

Litigation and Other Matters

Various claims in the ordinary course of business are pending against the District. Claims known in amount and expected to ultimately be paid have been accrued. Other claims, in the opinion of management and counsel, are not material, and insurance is sufficient to cover adverse legal determination in these cases.

The District is being sued by its former CEO for wrongful termination. The District's legal counsel estimates that the chance of an unfavorable outcome to be reasonably possible and estimates the damages to be between \$275,000 and \$450,000.

The District is being sued by a former employee for wrongful termination. The District's legal counsel estimates that the chance of an unfavorable outcome to be reasonably possible and estimates the damages to be between \$350,000 and \$450,000.

See also Note 10, Subsequent events, for other contingencies.

7. Employee Medical Benefit Plan

The District is self-insured to provide group medical coverage for its employees. A third party administers the group medical coverage for the District. The District funds its losses based on actual claims. A stop-loss insurance contract executed with an insurance carrier covered individual claims in excess of \$75,000 for the plan years ended December 31, 2023 and 2022. There were no significant changes in insurance coverage from the prior year.

The liability for unpaid claims including incurred but not reported amounts, if any, is estimated based on actual claims paid subsequent to year-end and is included in accrued expenses in the accompanying statements of net position. Changes in the District's claims liability during the years ended December 31, 2023 and 2022 are reflected below:

Claims Liability 1/1/2023	Claim Payments	Claims and Changes in Estimates	Claims Liability 12/31/2023
<u>\$ 426,185</u>	<u>\$ (2,091,926)</u>	<u>\$ 1,991,153</u>	<u>\$ 325,412</u>
Claims Liability 1/1/2022	Claim Payments	Claims and Changes in Estimates	Claims Liability 12/31/2022
<u>\$ 289,948</u>	<u>\$ (2,088,538)</u>	<u>\$ 2,224,775</u>	<u>\$ 426,185</u>

MADISON PARISH HOSPITAL SERVICE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

8. Employee Savings Plan and Trust

The District established an Employee Savings Plan and Trust (the Plan) on March 9, 2015, with an effective implementation date of July 1, 2015. The Plan was established in accordance with Internal Revenue Code (IRC) 457(b). Plans established under IRC 457(b) are eligible plans and are available to certain state and local governments. The plan assets are held in a Trust.

The IRC 457(b) plan has many tax advantages, including one similar to a 401 (k) plan which allows employees of the District who are participants to defer income taxation on retirement savings on both employee contributions and employer contributions, as well as earnings on these contributions, into future years.

The Plan has an accounting year of January 1st through December 31st. The District has agreed to match contributions made by the employees as follows:

- Matching contributions will be made every pay period, in amounts equal to 100% of the first 3% of compensation deferred by the participant, plus 50% of the next 2% of compensation deferred by the participant.
- Total IRC 457(b) contributions, including elective deferrals by participants and matching contributions by the employer, shall not exceed the lesser of 100% of the participant's compensation or the Applicable Dollar Amount, which is \$108,226, plus an extra \$125,565 for participants who have attained age 50 or more during 2023.
- No employer contributions (contribution by the employer that is not a matching contribution) will be made to the Plan for the plan year beginning January 1, 2023 and ending December 31, 2023.

There was a total of 87 participants during the period January 1, 2023, through December 31, 2023. Actual participant contributions for the period ended December 31, 2023 were \$354,563, and the employer matching funds for the same period were \$216,506. Amounts for both the participant contributions and the employer's match are transferred to the separate Trust within the same business day.

9. Notes and Bonds Payable

The District obtained a \$2,000,000 loan from Delta Bank under the PPP in March 2021. Under the terms of the PPP, up to 100% of the loan (and related interest) may be forgiven if the proceeds are used for covered expenses and certain other requirements related to wage rates and maintenance of full-time equivalents are met. The District applied for forgiveness with the lender and received forgiveness of \$2,000,000 from the SBA on February 2022. The amount of loan forgiveness is presented as grant revenue in the non-operating revenue (expense) section of the statement of revenues, expenses and changes in net position.

MADISON PARISH HOSPITAL SERVICE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

9. Notes and Bonds Payable (continued)

The District has been approved for a USDA Community Development Loan to finance the construction of the District's new facility. Pursuant to the Community Development Loan, the District entered into a bond anticipation note payable with Delta Bank with an interest rate at prime minus 1.35%. At December 31, 2022, the balance of the bond anticipation note payable was \$24,506,249. On June 23, 2023, the District paid off the Interim Construction Loan with the proceeds of the \$24,314,590 Series 2023A Hospital Revenue Bonds and \$3,055,000 of Series 2023B Hospital Revenue Bonds.

On June 23, 2023, the District issued \$24,314,590 Series 2023A Hospital Revenue Bonds and \$3,055,000 of Series 2023B Hospital Revenue Bonds. The Series 2023A Revenue Bonds bear an interest rate of 2.375% payable monthly over 35 years, and the Series 2023B Revenue Bonds bear an interest rate of 8% payable monthly over 15 years. The District paid off the \$3,055,000 Series 2023B Revenue Bonds on July 7, 2023.

The bonds are secured by a pledge of the District's revenues and a mortgage of its immovable property.

A summary of changes in the District's Revenue Bonds payable during the year ended December 31, 2023, is as follows:

	January 1, 2023	Additions	Reductions	December 31, 2023	Due Within One Year
Series 2023A Revenue Bond	\$ -	\$ 24,314,590	\$ 227,334	\$ 24,087,256	\$ 459,319
Series 2023B Revenue Bond	-	3,055,000	3,055,000	-	-
	<u>\$ -</u>	<u>\$ 27,369,590</u>	<u>\$ 3,282,334</u>	<u>\$ 24,087,256</u>	<u>\$ 459,319</u>

Principal and interest payments due on Revenue bonds over the next five years and thereafter are as follows:

MADISON PARISH HOSPITAL SERVICE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 459,319	\$ 570,185	\$ 1,029,504
2025	470,367	559,137	1,029,504
2026	481,661	547,843	1,029,504
2027	493,226	536,278	1,029,504
2028	505,048	524,456	1,029,504
2029-2033	2,713,149	2,434,371	5,147,520
2034-2038	3,054,887	2,092,633	5,147,520
2039-2043	3,439,668	1,707,852	5,147,520
2044-2048	3,872,895	1,274,625	5,147,520
2049-2053	4,360,731	786,789	5,147,520
2054-2058	4,236,305	240,340	4,476,645
	<u>\$ 24,087,256</u>	<u>\$ 11,274,509</u>	<u>\$ 35,361,765</u>

10. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 31, 2024, and determined that the following subsequent events should be disclosed:

Medicaid Payment Suspension

On January 20, 2023, the Louisiana Department of Health (LDH) suspended all payments to the rural health clinic operated by the District due to a credible allegation of fraud. On May 23, 2023, LDH amended the suspension to 50% of Medicaid payments to the Madison Parish Rural Health Clinic. The District appealed this action by the LDH.

On August 5, 2024, the Louisiana Department of Health lifted the suspension of its Medicaid payments to the Madison Parish Hospital Rural Health Clinic. As of December 2024, the District has received \$903,827 related to the suspension.

Fiscal Administrator

On November 8, 2024, the Louisiana Review Committee voted to place the District under Fiscal Administration in accordance with the Louisiana Revised Statutes 39:1351-1357. Under the statutes, the Attorney General will file a rule to show cause in the entity's jurisdiction to appoint a Fiscal Administrator to take over the entity's finances. If the Court finds by a preponderance of the evidence from the facts that the entity is reasonably certain to fail to make a debt service payment or reasonably certain to not have sufficient revenue to pay current expenditures, excluding civil judgements, then the court must appoint a fiscal administrator. The outcome of this matter is uncertain at this time.

MADISON PARISH HOSPITAL SERVICE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

10. Subsequent Event

Emergency Room Physician Services

During November 2024, the District provided a notice of default to its vendor providing emergency room physician services. The contract dispute relating to the vendor's lack of enrollment of its physicians in the Districts health insurance plans, including the Districts primary intermediaries, Medicaid and Medicare. The lack of enrollment has resulted in the denial of charges for patient services provided by the District. The District estimates that the impact on net patient revenues has been \$435,000 through December 31, 2023 and \$2,217,000 through October 31, 2024.

No further subsequent events occurring after December 31, 2024, have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

Schedule I

MADISON PARISH HOSPITAL SERVICE DISTRICT
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO THE AGENCY HEAD
FOR THE YEAR ENDED DECEMBER, 31, 2023

Agency Head Name: Dr. Donald R. Perry, Interim CEO

<u>Purpose:</u>	<u>Amount</u>
Salary	\$ 571,338
Benefits - Health Insurance	1,300
Benefits - Retirement	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference Travel	-
Continuing professional education fees	-
Housing	-
Unvouched Expenses	-
Special Meals	-
District provided Cell Phone	-
Total	<u>\$ 572,638</u>

See accompanying independent auditor's report.



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

To the Members of the Board of Commissioners
Madison Parish Hospital Service District
(a proprietary component unit of Madison Parish Police Jury)
Tallulah, 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 the business-type activities of Madison Parish Hospital Service District (the District), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 31, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-01 and 2023-02 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2023-03.

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.

Richard CPAS

Metairie, Louisiana
December 31, 2024

SINGLE AUDIT SECTION



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

To the Members of the Board of Commissioners
Madison Parish Hospital Service District
(a proprietary component unit of Madison Parish Police Jury)
Tallulah, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Madison Parish Hospital Service District's (the District) 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 District's major federal programs for the year ended December 31, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District 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 December 31, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the District 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 District'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 District's federal programs.

Auditor's 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 District'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 District'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 District'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 District'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 District'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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance. Our opinion on each major federal program is not modified with respect to these matters.

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

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 Auditor's 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 over compliance may exist that were not identified.

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

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.

Richard CPAS

Metairie, Louisiana
December 31, 2024

MADISON PARISH HOSPITAL SERVICE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Assistance Listing Number</u>	<u>Grant Number</u>	<u>Loans Disbursed</u>	<u>Federal Expenditures</u>
United States Department of Agriculture				
Community Facilities Loans and Grants (Loan)	10.766	None	<u>\$ 24,314,590</u>	<u>\$ 24,314,590</u>
Total			<u><u>\$ 24,314,590</u></u>	<u><u>\$ 24,314,590</u></u>

See accompanying independent auditor's report and notes to the schedule of expenditures of federal awards.

MADISON PARISH HOSPITAL SERVICE DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

DECEMBER 31, 2023

1. Summary of Significant Account Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) is prepared using the accrual basis of accounting.

Complete Assistance Listing Numbers are presented for those programs for which such numbers were available. Assistance Listing Number prefixes and other identifying numbers are presented for programs for which a complete Assistance Listing Number is not available.

2. Indirect Cost Rate

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

3. Reconciliation of Provider Relief Fund Grant Revenue Recognized in the Financial Statements to Federal Awards Expended on the SEFA

<u>Reporting Period</u>	<u>Total Funding Received</u>	<u>Amount Recognized as Revenue in the Statements of Revenues, Expenses, and Changes in Net Position</u>	<u>Amount Reported as Federal Expenditure on SEFA</u>
FYE December 31, 2023	<u>\$ 24,314,590</u>	<u>\$ -</u>	<u>\$ 24,314,590</u>

The award was funded through a payout of the interim loan utilized to finance construction Which was completed in March 2023. The remaining balance outstanding on the loan as of December 31, 2023 was \$24,087.256.

MADISON PARISH HOSPITAL SERVICE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

1. Summary of Independent Auditor's Results

Financial Statements

(a) The type of report issued on the basic financial statements: **Unmodified**

(b) Internal control over financial reporting:

Material weakness(es) identified: **Yes**

Significant deficiency(ies) identified: **None reported**

(c) Noncompliance which is material to the basic financial statements: **Yes**

Federal Awards

(d) Internal control over major programs:

Material weakness(es) identified: **None reported**

Significant deficiency(ies) identified: **None reported**

(e) The type of auditors' report issued on compliance for major programs: **Unmodified**

(f) Audit findings disclosed that are required to be reported
in accordance with Uniform Guidance: **Yes**

(g) Identification of major programs:

10.766 – Community Facilities Loans and Grants (Loan)

(h) Dollar threshold used to distinguish between Type A and B programs: **\$750,000**

(i) Auditee qualified as a low-risk auditee: **No**

MADISON PARISH HOSPITAL SERVICE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2023

2. Findings Relating to the Basic Financial Statements Reported in Accordance with Government Auditing Standards

2023-001 Internal Control Over Financial Reporting of Revenues

Criteria: Internal control processes over financial reporting of patient accounts receivable and net patient revenues for Hospitals should include processes and controls that allow management to detect and correct the amounts for contractual rate adjustments, cost report settlements with intermediaries, and patient bad debts to the financial statements in order for the financial statements to be presented in accordance with U.S. Generally Accepted Accounting Principles and Governmental Accounting Standards

Condition: The Hospital did not properly account for all adjustments to patient accounts receivable and net patient revenues on the accrual basis of accounting which resulted in audit adjustments to record contractual rate adjustments, cost report settlements with intermediaries, and patient bad debts related to revenues charged but not collected as of the year end. In addition, the Hospital did not correctly account for revenues related to a contract for emergency room services provided whose charges were denied by insurers due to a lack of statutorily required enrollment in patient health insurance plans of certain contracted physicians provided to the Hospital under a service agreement which commenced in October 2023

Cause: The Hospital processes and controls related to the recording of these revenue adjustments for contractual rate adjustments, cost report settlements with intermediaries, and patient bad debts were the responsibility of the Chief Financial Officer. In October 2023, the Chief Financial Officer resigned and was not replaced until February 2024. The succeeding Chief Financial Officer did not ensure that these processes and procedures previously performed were either performed or reassigned to ensure that all revenue charges and related adjustments during the year were properly recorded. The succeeding Chief Financial Officer's employment was terminated in November 2024.

Effect: Audit adjustments were required to present the 2023 financial statements in accordance with U.S. GAAP and Governmental Accounting Standards.

Recommendation: We recommend that the Hospital implements internal controls processes and procedures over financial reporting of net patient revenues relating to contractual rate adjustments, cost report settlements with intermediaries, and bad debts to ensure that all patient accounts receivable and related net patient revenues are properly recorded.

Management's Response: **Management instituted policies and procedures for the internal controls processes and procedures over financial reporting of net patient revenues relating to contractual rate adjustments, cost report settlements with**

MADISON PARISH HOSPITAL SERVICE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2023

intermediaries, and bad debts to ensure that all patient accounts receivable and related net patient revenues are properly recorded.

2023-002 Internal Control Over Financial Reporting of Capital Assets

Criteria: Internal control processes over financial reporting of capital assets, including amount related to finance and operating leases, for Hospitals should include processes and controls that allow management to detect and correct the amounts to the financial statements in order for the financial statements to be presented in accordance with U.S. Generally Accepted Accounting Principles and Governmental Accounting Standards

Condition: The Hospital did not properly account for all amounts related to capital assets including related finance and operating leases, on the accrual basis of accounting which resulted in audit adjustments to record capital assets and right of use assets related to operating and capital leases. In addition, the Hospital did not correctly account for depreciation and amortization of capital assets.

Cause: The Hospital processes and controls related to the recording capital assets including finance and relating lease was the responsibility of the Chief Financial Officer who resigned in October 2023 and was not replaced until February 2024. The succeeding Chief Financial Officer did not ensure that these processes and procedures previously performed were either performed or reassigned to ensure that all transactions related to new and existing capital assets including recording capital and operating leases and the related depreciation and amortization were properly recorded. The succeeding Chief Financial Officer's employment was terminated in November 2024.

Effect: Audit adjustments were required to present the 2023-year financial statements in accordance with U.S. GAAP and Governmental Accounting Standards.

Recommendation: We recommend that the Hospital implements internal controls processes and procedures over financial reporting of capital assets including finance and operating leases.

Management's Response: **Management instituted policies and procedures for the timely completion of financial reporting of capital assets including finance and operating leases.**

MADISON PARISH HOSPITAL SERVICE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2023

2023-003 Annual Audit Report Filings

Criteria: In accordance with the Louisiana Revised Statute (R.S.) 24:513 and 24:514, audit reports are due to the Louisiana Legislative Auditor (LLA) no later than six months after the local auditee's fiscal year end.

In accordance with the Uniform Guidance, the Office is required to submit the annual audit reporting package and Data Collection Form to the Federal Audit Clearinghouse within the earlier of 30 calendar days after receipt of the auditors' reports or nine months after the end of the audit period

Condition: The Hospital did not file the required annual audit report nor its report to the Federal Audit Clearing House within the prescribed time deadline including a non-emergency extension granted by the Legislative Auditor until September 30, 2024.

Cause: The Hospital Chief Financial Officer resigned in late 2023. A new Chief Executive Officer and Chief Financial Officer were hired in early 2024; those executives resigned or were terminated by November 2024. The Hospital's previous auditor declined to continue; replacement auditors were engaged on March 18, 2024. Matters related to net patient revenues and capital assets were not resolved until late 2024.

Effect: The required annual audit reports were not completed until December 2024 resulting in the Hospital not being compliant with the filing requirements of the Louisiana Legislative Auditor or the Federal Clear House.

Recommendation: We recommend that the Hospital adopt practices and procedures that will provide for timely closing and preparation of the financial statements to allow for timely fining as required.

Management's Response: **Management instituted policies and procedures for the timely closing and preparation of the financial statements.**

3. Findings Related to Major Federal Award Programs

2023-003 Annual Audit Report Filings – See Finding 2023-003 in Section 2 Above

MADISON PARISH HOSPITAL SERVICE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2023

4. Status of Prior Year's Findings and Responses

2022-001 Possible Payroll and Billing Fraud

Criteria: Louisiana Revised Statutes 14: 138 states that public payroll fraud is committed when any person knowingly receives any payment or compensation for services not actually rendered.

Condition: A nurse practitioner is employed by the District in its rural health clinic. The employment contract with the nurse practitioner included incentive compensation of \$30 for each patient visit in which the nurse practitioner timely completes and documents the visit with the patient in excess of 850 patient visits per quarter.

During the year ended December 31, 2022, the management of the District terminated the nurse practitioner due to allegations related to incentive compensation. The nurse practitioner appealed the termination to the Board attorney was hired to defend the District from the nurse practitioner's legal written

demand. The attorney issued a report which indicated that numerous blank patient charts were processed by the nurse practitioner prior to the deadlines for the calculation of the incentives. It was further noted that some blank patient charts were later amended by the nurse practitioner. The Board of Commissioners held a hearing on the appeal in accordance with Louisiana Revised Statute 46:1055(A) (4). The Board of Commissioners ordered the employee reinstated and that the employee be paid attorney fees. The employee was paid \$30,000 which was documented by a retainer agreement with an attorney. We noted that the District did not evaluate the reasonableness of the payment to the employee.

Cause: Unknown

Effect: Possible violation of Louisiana Revised Statutes 14.138. Subsequent to year end, payments to the rural health clinic were suspended by Louisiana Department of Health. The suspension was later amended to a 50% suspension of payments.

Recommendation: The District should institute policies and procedures to ensure that incentive compensation is reviewed to determine the validity of such compensation.

Management's

Response: Management has amended the employment contracts with nurse practitioners to remove the incentive compensation.

Status: **The Medicaid payment suspension was successfully appealed by the Hospital and reversed in 2023.
Not Repeated.**

MADISON PARISH HOSPITAL SERVICE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

4. Status of Prior Year's Findings and Responses (continued)

2022-002a Possible Violations of Article 7, Section 14 of the Louisiana Constitution

Criteria:	Article 7, Section 14, of the Louisiana Constitution states that the funds, credit, property, things of value of the state or any of its political subdivisions shall not be loaned, pledged, or donated to any person, association, or corporation, public or private.
Condition:	<p>During our audit of the financial statements of the District, we noted several instances of possible violations of Article 7, Section 14 of the Louisiana Constitution:</p> <p>The District entered into a contract with a consulting company to provide public relations and to represent the District with government officials and regulators. The contract specified monthly payments of \$6,000 which were raised to \$7,000 in the year ended December 31, 2022. In testing the supporting documents for these payments, we noted that there was no documentation of hours worked, or deliverables provided to the District.</p>
Cause:	Most communications between the CEO and the consultant were via telephone and memos of the conversations were not documented or prepared for District's files.
Effect:	Possible violations of Article 7, Section 14 of the Louisiana Constitution
Recommendation:	The District should institute policies and procedures for review of disbursements to determine that they are in compliance with the requirements of Article 7, Section 14 of the Louisiana Constitution.
Management's Response:	Management will institute policies and procedures for the review of disbursements to determine compliance with Article 7, Section 14 of the Louisiana Constitution.
Status:	The "Prohibited Donations Policy" was approved by the Hospital Board of Commissioners on October 24, 2023. Not Repeated.

MADISON PARISH HOSPITAL SERVICE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2023

2022-002b Possible Violations of Article 7, Section 14 of the Louisiana Constitution

Criteria:	Article 7, Section 14, of the Louisiana Constitution states that the funds, credit, property, things of value of the state or any of its political subdivisions shall not be loaned, pledged, or donated to any person, association, or corporation, public or private.
Condition:	During the year ended December 31, 2022, the District paid for legal fees for the representation of two physician employees working at the rural health clinic in a criminal investigation.
Cause:	Management was concerned that any wrongdoing by employees would have a detrimental effect on the District and thus made sure they had adequate counsel.
Effect:	Possible violations of Article 7, Section 14 of the Louisiana Constitution
Recommendation:	The District should institute policies and procedures for review of disbursements to determine that they are in compliance with the requirements of Article 7, Section 14 of the Louisiana Constitution.
Management's Response:	Management will institute policies and procedures for the review of disbursements to determine compliance with Article 7, Section 14 of the Louisiana Constitution.
Status:	The "Prohibited Donations Policy" was approved by the Hospital Board of Commissioners on October 24, 2023. Not Repeated.

2022-002c Possible Violations of Article 7, Section 14 of the Louisiana Constitution

Criteria:	Article 7, Section 14, of the Louisiana Constitution states that the funds, credit, property, things of value of the state or any of its political subdivisions shall not be loaned, pledged, or donated to any person, association, or corporation, public or private.
Condition:	The District purchased two trailers which were used for testing during the pandemic. During the year ended December 31, 2022, these trailers were moved from the campus of the District to private property. The trailers have since been returned to the campus of the District.
Cause:	During the construction of the new Hospital and Clinic there was not enough parking for the trailers. An employee volunteered for no pay to store until District had adequate and secure space for them.
Effect:	Possible violations of Article 7, Section 14 of the Louisiana Constitution

MADISON PARISH HOSPITAL SERVICE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2023

Recommendation: The District should institute policies and procedures for review of disbursements to determine that they are in compliance with the requirements of Article 7, Section 14 of the Louisiana Constitution.

Management's
Response: Management will institute policies and procedures for the review of disbursements to determine compliance with Article 7, Section 14 of the Louisiana Constitution.

Status: **The "Prohibited Donations Policy" was approved by the Hospital Board of Commissioners on October 24, 2023.
Not Repeated.**

MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA

LOUISIANA LEGISLATIVE AUDITOR – STATEWIDE
AGREED-UPON PROCEDURES REPORT

DECEMBER 31, 2023



MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA

LOUISIANA LEGISLATIVE AUDITOR – STATEWIDE
AGREED-UPON PROCEDURES REPORT

DECEMBER 31, 2023

MADISON PARISH HOSPITAL SERVICE DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
<u>Independent Accountant's Report on Applying Agreed-Upon Procedures</u>	1
<u>Schedule A: Agreed-Upon Procedures and Observations and Results</u>	2-14
<u>Management's Response</u>	15



INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Governing Board of Madison Parish Hospital Service District 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) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2023 through December 31, 2023. Madison Parish Hospital Service District's (the District) management is responsible for those C/C areas identified in the SAUPs.

The District 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 the LLA's SAUPs for the fiscal period January 1, 2023, through December 31, 2023. Additionally, the 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 we performed, and the associated findings are summarized in the attached Schedule A, which is an integral part of this report.

We were engaged by the District 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 District 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.

Richard CPAS

Metairie, Louisiana
December 31, 2024

MADISON PARISH HOSPITAL SERVICE DISTRICT

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2023

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read “*no exceptions were found as a result of this procedure*” or for step 13 “*we performed the procedure and discussed the results with management*”. If not, then a description of the exception ensues.

1) Written Policies and Procedures

A. Obtain and inspect the entity’s written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity’s operations:

- i. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

No exceptions were found as a result of this procedure.

- ii. ***Purchasing***, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, (4) controls to ensure compliance with the Public Bid Law, and (5) documentation required to be maintained for all bids and price quotes.

No exceptions were found as a result of this procedure.

- iii. ***Disbursements***, including processing, reviewing, and approving.

No exceptions were found as a result of this procedure.

- iv. ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management’s actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

No exceptions were found as a result of this procedure.

- v. ***Payroll/Personnel***, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.

No exceptions were found as a result of this procedure.

MADISON PARISH HOSPITAL SERVICE DISTRICT

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2023

- vi. ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

No exceptions were found as a result of this procedure.

- vii. ***Travel and Expense Reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

No exceptions were found as a result of this procedure.

- viii. ***Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

No exceptions were found as a result of this procedure.

- ix. ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

No exceptions were found as a result of this procedure.

- x. ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

No exceptions were found as a result of this procedure.

- xi. ***Information Technology Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

No exceptions were found as a result of this procedure.

- xii. ***Prevention of Sexual Harassment***, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

No exceptions were found as a result of this procedure.

MADISON PARISH HOSPITAL SERVICE DISTRICT

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2023

2) Board or Finance Committee

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and
- i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

No exceptions were found as a result of this procedure.

- 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. *Alternately, 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.*

No exceptions were found as a result of this procedure.

- 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.

No exceptions were found as a result of this procedure.

- 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.

No exceptions were found as a result of this procedure.

3) Bank Reconciliations

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

MADISON PARISH HOSPITAL SERVICE DISTRICT

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2023

- 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);

Exceptions noted. For each of the five (5) bank reconciliations selected, there is no written evidence that they were prepared within 2 months of the related statement closing date.

- 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

Exceptions noted. For each of the five (5) bank reconciliations selected, there is no written evidence that a member of management or a board member reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared.

- 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.

No exceptions were found as a result of this procedure.

4) Collections (excluding electronic funds transfers)

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that

- i. Employees responsible for cash collections do not share cash drawers/registers;

No exceptions were found as a result of this procedure.

- ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;

No exceptions were found as a result of this procedure.

MADISON PARISH HOSPITAL SERVICE DISTRICT

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2023

- iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and

No exceptions were found as a result of this procedure.

- iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, is (are) not responsible for collecting cash, unless another employee/official verifies the reconciliation.

No exceptions were found as a result of this procedure.

- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was in force during the fiscal period.

No exceptions were found as a result of this procedure.

- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- i. Observe that receipts are sequentially pre-numbered.

No exceptions were found as a result of this procedure.

- ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions were found as a result of this procedure.

- iii. Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions were found as a result of this procedure.

- iv. Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

No exceptions were found as a result of this procedure.

- v. Trace the actual deposit per the bank statement to the general ledger.

No exceptions were found as a result of this procedure.

MADISON PARISH HOSPITAL SERVICE DISTRICT

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2023

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

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

- i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;

No exceptions were found as a result of this procedure.

- ii. At least two employees are involved in processing and approving payments to vendors;

No exceptions were found as a result of this procedure.

- iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;

No exceptions were found as a result of this procedure.

- iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and

Exception noted. The employee responsible for mailing the checks is also responsible for processing payments.

- v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

No exceptions were found as a result of this procedure.

- C. For each location selected under procedure #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and

- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity, and

No exceptions were found as a result of this procedure.

MADISON PARISH HOSPITAL SERVICE DISTRICT

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2023

- ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.

No exceptions were found as a result of this procedure.

- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

Exceptions noted. For two (2) of the five (5) non-payroll related electronic disbursements selected, they were not approved by the required number of authorized signers per the entity's policy.

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

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

No exceptions were found as a result of this procedure.

- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and
 - i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and

No exceptions were found as a result of this procedure.

- ii. Observe that finance charges and late fees were not assessed on the selected statements.

Exception noted. On the monthly credit card statement selected, we observed both finance charges and late fees.

MADISON PARISH HOSPITAL SERVICE DISTRICT

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2023

- C. Using the monthly statements or combined statements selected under #7B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

No exceptions were found as a result of this procedure.

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

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected

- i. If reimbursed using a per diem, observe 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);

No exceptions were found as a result of this procedure

- ii. If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;

No exceptions were found as a result of this procedure.

- iii. Observe 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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

MADISON PARISH HOSPITAL SERVICE DISTRICT

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2023

8) Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and

- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;

No exceptions were found as a result of this procedure.

- ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);

No exceptions were found as a result of this procedure.

- iii. If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

9) Payroll and Personnel

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

No exceptions were found as a result of this procedure.

- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and:

- i. Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);

Exceptions noted. For each of the five (5) employees or officials selected, the attendance and leave reports were not available.

MADISON PARISH HOSPITAL SERVICE DISTRICT

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2023

- ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;

Exceptions noted. For each of the five (5) employees or officials selected, the attendance and leave reports were not available.

- iii. Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and

No exceptions were found as a result of this procedure.

- iv. Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

No exceptions were found as a result of this procedure

- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.

No exceptions were found as a result of this procedure.

- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

No exceptions were found as a result of this procedure.

10) Ethics

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

- i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and

No exceptions were found as a result of this procedure.

MADISON PARISH HOSPITAL SERVICE DISTRICT

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2023

- ii. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

No exceptions were found as a result of this procedure.

- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

No exceptions were found as a result of this procedure.

11) Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

No exceptions were found as a result of this procedure.

- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

No exceptions were found as a result of this procedure.

12) Fraud Notice

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.

No exceptions were found as a result of this procedure.

- 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.

No exceptions were found as a result of this procedure.

MADISON PARISH HOSPITAL SERVICE DISTRICT

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2023

13) Information Technology Disaster Recovery/Business Continuity

A. Perform the following procedures, **verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”**

- i. Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backup critical data) and observe that such backup (a) occurred within the past week, (b) was not stored on the government’s local server or network, and (c) was encrypted.

We performed the procedure and discussed the results with management.

- ii. Obtain and inspect the entity’s most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

We performed the procedure and discussed the results with management.

- iii. Obtain a listing of the entity’s computers currently in use and their related locations, and management’s representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

We performed the procedure and discussed the results with management.

B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

We performed the procedure and discussed the results with management.

C. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency’s information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:

- Hired before June 9, 2020- completed the training.

We performed the procedure and discussed the results with management.

- Hired on or after June 9, 2020- completed the training within 30 days of initial service or employment.

We performed the procedure and discussed the results with management.

MADISON PARISH HOSPITAL SERVICE DISTRICT

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2023

14) Prevention of Sexual Harassment

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

No exceptions were found as a result of this procedure.

- B. Observe 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).

No exceptions were found as a result of this procedure.

- 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:

No exceptions were found as a result of this procedure.

- i. Number and percentage of public servants in the agency who have completed the training requirements;

No exceptions were found as a result of this procedure.

- ii. Number of sexual harassment complaints received by the agency;

No exceptions were found as a result of this procedure.

- iii. Number of complaints which resulted in a finding that sexual harassment occurred;

No exceptions were found as a result of this procedure.

- iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

No exceptions were found as a result of this procedure.

- v. Amount of time it took to resolve each complaint.

No exceptions were found as a result of this procedure.

MADISON PARISH HOSPITAL SERVICE DISTRICT

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2023

MANAGEMENT RESPONSES:

Bank Reconciliations

Pg. 5 – Section 3.i

Pg. 5 – Section 3.ii

Bank Reconciliations have always been completed by the 5th of each month. Procedures have been put in place to date all bank reconciliations and have them reviewed, signed, and dated by the CFO immediately after the accounts are reconciled.

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

Pg. 7 – 5.B.iv

Pg. 8 – 5.D.

Procedures have been put in place to have the Accounts Payable Checks mailed by the Compliance Department to ensure separation of duties. We are following a proper protocol to ensure that all required signatures are on all invoices and statements of electronic disbursements.

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

Pg. 8 – 6.B.ii

The late charges and finance charges were a result of the credit card statements reaching the Controller late. The credit card statement now are sent directly to the Controller and are processed in a timely manner.

Payroll and Personnel

Pg. 10 – 9.B.i

Pg. 10 – 9.B.ii

Management changed payroll companies in December 2023. Paychex, the previous payroll company, did not keep evidence of employees or officials attendance and leave reports as the platform was turned off. ADP will retain this information as a part of its standard reports.