

MADISON COUNTY HEALTH AND
HOSPITAL DISTRICT

FINANCIAL STATEMENTS

for the years ended September 30, 2023 and 2022



C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

Members of the Board
Madison County Health and Hospital District
Madison, Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Madison County Health and Hospital District (District), which comprise the balance sheets as of September 30, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the District as of September 30, 2023 and 2022, and the changes in its 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As disclosed in Note 14 to the financial statements, the District has reported recurring operating losses and has a net position deficit. The District has become fiscally dependent on Madison County. See Note 14 for additional details. Our opinion is not modified with respect to this matter.

Continued

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Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2023 the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

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 of a reasonable user based on these financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Continued

- 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

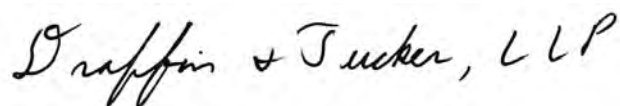
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial 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.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Budgetary Comparison Schedule on pages 38 through 39, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 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.

A handwritten signature in cursive script that reads "Driffin & Tucker, LLP".

Albany, Georgia
February 26, 2024



Management's Discussion and Analysis For the Year Ended September 30, 2023

Our discussion and analysis of the Madison County Health and Hospital District's ("District") financial performance provides an overview of the District's financial activities during the fiscal years ended September 30, 2023 and 2022. Please read it in conjunction with the District's financial statements and accompanying notes.

Financial Highlights

- The District's net position decreased \$1,471,266, or 281%, in 2023 and increased \$1,036,783 or 66% in 2022.
- The District reported net operating losses of \$2,558,995 in 2023 and \$1,426,748 in 2022.

Using This Annual Report

The District's financial statements consist of three statements - Balance Sheet; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the District, including resources held by the District but restricted for specific purposes by contributors, grantors, or enabling legislation.

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

Our analysis of the District's finances begins on page 4. One of the most important questions asked about the District's finances is, "Is the District as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net position - the difference between assets and liabilities - as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the District.

Continued

**Management's Discussion and Analysis
For The Year Ended September 30, 2023**

The Statement of Cash Flows

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?," "What was cash used for?" and "What was the change in cash balance during the reporting period?".

The District's Net Position

The District's net position is the difference between its assets and liabilities reported on the balance sheet. The following table summarizes the balance sheets as of September 30, 2023, 2022 and 2021:

Balance Sheet Data

	<u>2023</u>	Restated <u>2022</u>	<u>2021</u>
Current assets	\$ 6,139,146	\$ 6,496,930	\$ 6,222,790
Capital assets, net	13,141,308	14,672,382	14,235,703
Restricted assets	<u>1,255,390</u>	<u>1,090,686</u>	<u>954,919</u>
 Total assets	 <u>\$ 20,535,844</u>	 <u>\$ 22,259,998</u>	 <u>\$ 21,413,412</u>
 Current liabilities	 \$ 1,855,210	 \$ 1,627,250	 \$ 1,619,042
Long-term debt, leases and SBITAs	20,437,274	20,918,122	21,116,527
Due to Madison County	<u>238,205</u>	<u>238,205</u>	<u>238,205</u>
 Total liabilities	 <u>22,530,689</u>	 <u>22,783,577</u>	 <u>22,973,774</u>
 Net position:			
Net investment in capital assets	(7,628,552)	(6,522,381)	(7,203,116)
Restricted	1,255,390	1,090,686	954,919
Unrestricted	<u>4,378,317</u>	<u>4,908,116</u>	<u>4,687,835</u>
 Total net position	 <u>(1,994,845)</u>	 <u>(523,579)</u>	 <u>(1,560,362)</u>
 Total liabilities and net position	 <u>\$ 20,535,844</u>	 <u>\$ 22,259,998</u>	 <u>\$ 21,413,412</u>

Information presented for the fiscal year ending September 30, 2021 was not restated for the effect of GASB 96.

Continued

**Management's Discussion and Analysis
For The Year Ended September 30, 2023**

The District's Net Position, Continued

Total cash decreased by approximately \$3,600,000, ending the year at approximately \$1.4 million. The cash on hand, including short-term investments, at year end equaled 74 days of expense requirements. Capital asset additions totaled approximately \$710,000 for the year. The District's current liabilities increased approximately \$228,000 due to an increase in accounts payable. The District's long-term debt decreased by approximately \$390,000 as the result of scheduled debt maturities.

The following table summarizes the revenues and expenses for the periods ended September 30, 2023, 2022 and 2021:

Statement of Revenue and Expense Data

	<u>2023</u>	Restated <u>2022</u>	<u>2021</u>
Operating revenues	\$ 11,728,013	\$ 11,641,918	\$ 10,485,437
Operating expenses	<u>14,287,008</u>	<u>13,068,666</u>	<u>13,025,107</u>
Operating loss	(2,558,995)	(1,426,748)	(2,539,670)
Nonoperating revenues	<u>541,668</u>	<u>1,413,531</u>	<u>4,723,774</u>
Excess revenues (expenses)	(2,017,327)	(13,217)	2,184,104
Capital grants and contributions	<u>546,061</u>	<u>1,050,000</u>	<u>189,000</u>
Increase (decrease) in net position	(1,471,266)	1,036,783	2,373,104
Net position at beginning of year	<u>(523,579)</u>	<u>(1,560,362)</u>	<u>(3,933,466)</u>
Net position at end of year	<u>\$ (1,994,845)</u>	<u>\$ (523,579)</u>	<u>\$ (1,560,362)</u>

Excess expenses increased by approximately \$2,004,000 in 2023. This increase over the prior year was primarily related to a decrease in net patient service revenue as well as less grant funding received in 2023.

Operating expenses increased by approximately \$1,218,000 which was largely related to the additional depreciation expense for the information technology system implemented in September 2022.

Continued

Management's Discussion and Analysis For The Year Ended September 30, 2023

Capital Assets and Debt

At the end of 2023, the District had approximately \$13 million invested in capital assets, net of accumulated depreciation and amortization. Additions during 2023, totaling approximately \$710,000, include operating room and laboratory equipment.

The District did not incur any new indebtedness in 2023. A recap of the District's long-term debt outstanding at September 30, 2023, 2022 and 2021 follows:

<u>Description</u>	<u>Interest Rates</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
MCCB note	Variable Rates	\$ -	\$ 37,970	\$ 50,555
Office of Tourism	0%	-	18,971	66,971
Madison County BOCC	0.370%	151,614	151,614	151,614
Series 2014 USDA bonds	4%	<u>20,423,477</u>	<u>20,756,477</u>	<u>21,074,477</u>
Total debt		<u>\$ 20,575,091</u>	<u>\$ 20,965,032</u>	<u>\$ 21,343,617</u>

As described in Note 1 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* in 2022. The adoption of the standard resulted in an increase in the beginning net position of \$4,941 for the fiscal year ended September 30, 2023. At year end, the District had approximately \$214,000 in subscription IT liabilities. See Note 16 for additional information.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances. If you have questions about this report or need additional financial information, contact the District's management at Madison County Memorial Hospital, 224 N.W. Crane Avenue, Madison, Florida 32340.

MADISON COUNTY HEALTH AND HOSPITAL DISTRICT

BALANCE SHEETS
September 30, 2023 and 2022

	<u>2023</u>	Restated <u>2022</u>
ASSETS		
Current assets:		
Cash	\$ 1,364,424	\$ 4,964,322
Short-term investments	1,269,652	266,051
Patient accounts receivable, net of contractual allowances and estimated uncollectibles of \$8,158,000 in 2023 and \$4,988,000 in 2022	1,663,600	863,174
Estimated third-party payor settlements	1,173,026	-
Inventory and other current assets	<u>668,444</u>	<u>403,383</u>
Total current assets	<u>6,139,146</u>	<u>6,496,930</u>
Restricted assets:		
Receivable from Madison County	<u>1,255,390</u>	<u>1,090,686</u>
Capital assets:		
Nondepreciable	475,358	653,615
Depreciable, net of accumulated depreciation	12,316,858	13,578,220
Intangible right-to-use lease assets and subscription IT assets, net of accumulated amortization	<u>349,092</u>	<u>440,547</u>
Total capital assets, net	<u>13,141,308</u>	<u>14,672,382</u>
Total assets	<u>\$ 20,535,844</u>	<u>\$ 22,259,998</u>

Continued

MADISON COUNTY HEALTH AND HOSPITAL DISTRICT

BALANCE SHEETS, Continued
September 30, 2023 and 2022

	<u>2023</u>	Restated <u>2022</u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Current maturities of long-term debt	\$ 346,000	\$ 361,656
Current maturities of lease and subscription IT liabilities	138,200	123,540
Accounts payable	561,365	131,425
Accrued salaries and benefits payable	486,802	450,519
Unearned revenue	-	63,179
Estimated third-party payor settlements	-	196,591
Other accrued expenses	<u>322,843</u>	<u>300,340</u>
Total current liabilities	1,855,210	1,627,250
Long-term liabilities:		
Due to Madison County	238,205	238,205
Lease and subscription IT liabilities, net of current maturities	208,183	314,746
Long-term debt, excluding current maturities	<u>20,229,091</u>	<u>20,603,376</u>
Total liabilities	<u>22,530,689</u>	<u>22,783,577</u>
Net position:		
Net investment in capital assets	(7,628,552)	(6,522,381)
Restricted for debt service	1,255,390	1,090,686
Unrestricted	<u>4,378,317</u>	<u>4,908,116</u>
Total net position	<u>(1,994,845)</u>	<u>(523,579)</u>
Total liabilities and net position	<u>\$ 20,535,844</u>	<u>\$ 22,259,998</u>

See accompanying notes to financial statements.

MADISON COUNTY HEALTH AND HOSPITAL DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the years ended September 30, 2023 and 2022

	<u>2023</u>	Restated <u>2022</u>
Operating revenues:		
Net patient service revenue (net of provision for bad debts of \$714,000 in 2023 and \$2,667,000 in 2022)	\$ 11,373,408	\$ 11,358,498
Other revenue	<u>354,605</u>	<u>283,420</u>
Total operating revenues	<u>11,728,013</u>	<u>11,641,918</u>
Operating expenses:		
Salaries	5,916,965	5,673,330
Employee benefits	877,399	757,246
Purchased services	2,866,047	2,631,192
Supplies	1,523,618	1,493,275
Depreciation and amortization	2,084,786	1,523,780
Insurance	133,151	115,842
Leases	67,171	70,339
Other expenses	<u>817,871</u>	<u>803,662</u>
Total operating expenses	<u>14,287,008</u>	<u>13,068,666</u>
Operating loss	<u>(2,558,995)</u>	<u>(1,426,748)</u>

Continued

MADISON COUNTY HEALTH AND HOSPITAL DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION, Continued
for the years ended September 30, 2023 and 2022

	<u>2023</u>	Restated <u>2022</u>
Nonoperating revenues (expenses):		
Sales tax revenue	\$ 1,052,203	\$ 993,477
Interest income and other	44,367	39,555
Provider Relief Fund grants	-	655,059
Noncapital grants and contributions	293,414	587,154
Interest expense	<u>(848,316)</u>	<u>(861,714)</u>
Total nonoperating revenues	<u>541,668</u>	<u>1,413,531</u>
Excess expenses	(2,017,327)	(13,217)
Capital grants and contributions	<u>546,061</u>	<u>1,050,000</u>
Increase (decrease) in net position	<u>(1,471,266)</u>	<u>1,036,783</u>
Net position at beginning of year, as originally reported	(528,520)	(1,560,362)
Implementation of GASB Statement No. 96	<u>4,941</u>	<u>-</u>
Net position at beginning of year, as restated	<u>(523,579)</u>	<u>(1,560,362)</u>
Net position at end of year	<u>\$ (1,994,845)</u>	<u>\$ (523,579)</u>

See accompanying notes to financial statements.

MADISON COUNTY HEALTH AND HOSPITAL DISTRICT

STATEMENTS OF CASH FLOWS
for the years ended September 30, 2023 and 2022

	<u>2023</u>	Restated <u>2022</u>
Cash flows from operating activities:		
Cash received from patients and payors	\$ 9,557,970	\$ 12,889,233
Cash payments to vendors and other suppliers	(4,902,791)	(5,218,635)
Cash payments to employees	<u>(6,758,081)</u>	<u>(6,615,778)</u>
Net cash provided (used) by operating activities	<u>(2,102,902)</u>	<u>1,054,820</u>
Cash flows from noncapital financing activities:		
Provider Relief Fund grants	-	655,059
Noncapital grants and contributions	<u>230,235</u>	<u>650,333</u>
Net cash provided by noncapital financing activities	<u>230,235</u>	<u>1,305,392</u>
Cash flows from capital and related financing activities:		
Capital grants and contributions	228,376	1,050,000
Proceeds from tax revenue	887,499	857,710
Principal paid on long-term debt	(389,941)	(378,585)
Cash paid for interest	(848,316)	(852,139)
Principal paid on lease and subscription IT liabilities	(134,754)	(130,175)
Purchase of capital assets	<u>(510,861)</u>	<u>(1,584,899)</u>
Net cash used by capital and related financing activities	<u>(767,997)</u>	<u>(1,038,088)</u>
Cash flows from investing activities:		
Purchase of short-term investments	(1,003,601)	(1,723)
Interest income and other	<u>44,367</u>	<u>39,555</u>
Net cash provided (used) by investing activities	<u>(959,234)</u>	<u>37,832</u>
Net increase (decrease) in cash	(3,599,898)	1,359,956
Cash, beginning of year	<u>4,964,322</u>	<u>3,604,366</u>
Cash, end of year	<u>\$ 1,364,424</u>	<u>\$ 4,964,322</u>

Continued

MADISON COUNTY HEALTH AND HOSPITAL DISTRICT

STATEMENTS OF CASH FLOWS, Continued
for the years ended September 30, 2023 and 2022

	<u>2023</u>	Restated <u>2022</u>
Reconciliation of operating loss to net cash flows		
provided (used) by operating activities:		
Operating loss	\$ (2,558,995)	\$ (1,426,748)
Adjustments to reconcile operating loss		
to net cash provided (used) by operating activities:		
Depreciation and amortization	2,084,786	1,523,780
Provision for bad debts	714,133	2,666,902
Change in:		
Patient accounts receivable	(1,514,559)	(2,292,947)
Inventory and other current assets	52,624	36,815
Estimated third-party payor settlements	(1,369,617)	873,360
Accounts payable	429,940	(142,542)
Accrued salaries and benefits payable	<u>58,786</u>	<u>(183,800)</u>
Net cash provided (used) by operating activities	<u>\$ (2,102,902)</u>	<u>\$ 1,054,820</u>
Supplemental disclosure of noncash capital and related		
and financing activities:		
Assets acquired through leases	<u>\$ 20,517</u>	<u>\$ -</u>
Assets acquired through IT subscriptions	<u>\$ 22,453</u>	<u>\$ 375,560</u>

See accompanying notes to financial statements.

MADISON COUNTY HEALTH AND HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2023 and 2022

1. Summary of Significant Accounting Policies

Organization

Madison County Health and Hospital District (District) is an independent special district organized under Section 2003-333 of the Laws of Florida for the purpose of providing public health care services. The District has a seven-member governing board that is appointed by the Governor of the State of Florida. The members of the District's board also serve as members of the Board of Directors of Madison County Hospital Health Systems, Inc., D/B/A Madison County Memorial Hospital (Hospital), a Florida not-for-profit corporation under Internal Revenue Code 501(c)(3). The Hospital is a blended component unit of the Madison County Health and Hospital District located in Madison, Florida.

The Hospital is a 25 bed critical access healthcare facility licensed by the State of Florida through the Agency for Healthcare Administration. Serving its rural community since 1938, the Hospital offers ancillary services such as: routine radiology, mammography, ultrasound, laboratory, respiratory therapy, as well as providing a 24 hour emergency room, swing bed services (skilled nursing beds) and an acute care setting for inpatients.

The District has leased all assets, liabilities and operations to the Hospital for a period of 40 years expiring on October 1, 2052; as such the District does not have any activity. The District retains oversight of the Hospital as they share the same members of the board. The activity presented in the accompanying financial statements and notes to the financial statements represents the operations of the Hospital.

Tax Status

The District is a governmental entity and is exempt from income taxes. Accordingly, no provision for income taxes has been considered in the accompanying financial statements.

The Hospital is a not-for-profit organization exempt from income taxes, except on unrelated business income, under Internal Revenue Code Section 501(c)(3).

The Hospital applies accounting policies that prescribe when to recognize and how to measure the financial statement effects of income tax positions taken or expected to be taken on its income tax returns. These rules require management to evaluate the likelihood that, upon examination by the relevant taxing jurisdictions, those income tax positions would be sustained. Based on that evaluation, the Hospital only recognizes the maximum benefit of each income tax position that is more than 50% likely of being sustained. To the extent that all or a portion of the benefits of an income tax position are not recognized, a liability would be recognized for the unrecognized benefits, along with any interest and penalties that would result from disallowance of the position. Should any such penalties and interest be incurred, they would be recognized as operating expenses.

Continued

MADISON COUNTY HEALTH AND HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

1. Summary of Significant Accounting Policies, Continued

Tax Status, Continued

Based on the results of management's evaluation, no liability is recognized in the accompanying balance sheet for unrecognized income tax positions. Further, no interest or penalties have been accrued or charged to expense as of September 30, 2023 and 2022 or for the years then ended. The Hospital's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

Use of Estimates

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

Enterprise Fund Accounting

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

The District prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Allowance for Doubtful Accounts

The Hospital provides an allowance for doubtful accounts based on an evaluation of the overall collectability of the accounts receivable. As accounts are known to be uncollectible, the accounts are charged against the allowance.

Inventory

Inventory, which consists principally of medical and other supplies, is valued at the lower of cost or market on the first-in, first-out (FIFO) method.

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MADISON COUNTY HEALTH AND HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued September 30, 2023 and 2022

1. Summary of Significant Accounting Policies, Continued

Receivable from Madison County

Receivable from Madison County includes tax monies collected by Madison County pursuant to a voter approved one-half-cent sales surtax on the purchase of goods ("Sales Surtax") under the authority of Section 212.055(7), Florida Statutes which allowed for the financing and construction of the new Hospital facility. The assets are held by Madison County under the terms of the interlocal agreement between the District and Madison County dated March 15, 2011, on behalf of the District. These funds are restricted by covenants to be used only for debt service related to bonds held by the United States Department of Agriculture, Rural Development Division.

Capital Assets

Facilities owned by the District are operated by the Hospital. The capital asset acquisitions are reported at historical cost. Contributed capital assets are reported at their acquisition value at the time of their donation. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful life is assigned using AHA Useful Lives Guidelines listed below. Equipment under leased assets is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Subscription-based information technology arrangements are amortized on the straight-line method over the shorter of the subscription term or the estimated useful life of the underlying IT asset. Interest cost incurred on borrowed funds during the period of construction of capital assets is expensed in the period in which the cost is incurred.

Land improvements	15 to 20 years
Buildings and improvements	5 to 40 years
Equipment	3 to 15 years
Right-to-use lease assets	1 to 5 years
Right-to-use subscription IT assets	1 to 8 years

Net Position

Net position is classified into three components. *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 net position* is noncapital assets reduced by liabilities related to those assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital, including amounts deposited with trustees as required by revenue bond indentures. *Unrestricted net position* is the remaining net amount of assets and liabilities that do not meet the definition of *net investment in capital assets* or the *restricted net position*.

Continued

MADISON COUNTY HEALTH AND HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued September 30, 2023 and 2022

1. Summary of Significant Accounting Policies, Continued

Net Patient Service Revenue

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

Charity Care

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

Operating Revenues and Expenses

The statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the Hospital's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

Compensated Absences

The Hospital's employees earn paid time off (benefit time) at varying rates depending on years of service. Benefit time accumulates up to a maximum of 300 hours based on years of service. The estimated amount of benefit time payable is reported as a current liability in 2023 and 2022.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. CARES Act and ARPA advance payments are reported as unearned revenue until all applicable eligibility requirements are met. See Note 15 for additional information.

Continued

MADISON COUNTY HEALTH AND HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued September 30, 2023 and 2022

1. Summary of Significant Accounting Policies, Continued

Grants and Contributions

From time to time, the Hospital receives contributions from Madison County, individuals and private organizations. Revenues from contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. The Hospital received \$407,195 and \$1,000,000 in grants from the United States Department of Agriculture (USDA) for the years ended in 2023 and 2022, respectively. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses. See Note 15 to the financial statements for funding related to the CARES Act and ARPA.

Restricted Resources

When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; workers compensation; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from all such matters other than malpractice claims for which the Hospital is self-insured, see Note 11. The Hospital is insured for employee health insurance, see Note 12.

Impairment of Long-Lived Assets

The Hospital evaluates on an ongoing basis the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The Hospital has not recorded any impairment charges in the accompanying statements of revenues, expenses and changes in net position for the years ended September 30, 2023 and 2022.

Continued

MADISON COUNTY HEALTH AND HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

1. Summary of Significant Accounting Policies, Continued

Financing Cost

Costs incurred in connection with the issuance of bonds and notes are expensed in the period in which they are incurred.

Recently Adopted Accounting Pronouncement

In June 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). Under this Statement, a government generally should recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. GASB 96 is effective for fiscal years beginning after June 15, 2022. The District adopted GASB 96 on October 1, 2022, and retroactively implemented the statement effective October 1, 2021. The adoption of this statement resulted in an increase in subscription obligations and related right-to-use subscription assets of approximately \$375,000 as of October 1, 2021.

Prior Year Reclassifications

Certain reclassifications have been made to the fiscal year 2022 financial statements to conform to the fiscal year 2023 presentation. These reclassifications had no impact on the change in net position in the accompanying financial statements.

2. Net Patient Service Revenue

The Hospital has arrangements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. The Hospital does not believe that there are any significant credit risks associated with receivables due from third-party payors.

Revenue from the Medicare and Medicaid programs accounted for approximately 65% and 19%, respectively, of the Hospital's net patient service revenue for the year ended 2023 and 75% and 16%, respectively, of the Hospital's net patient service revenue for the year ended 2022. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. However, there has been an increase in regulatory initiatives at the state and federal levels including the initiation of the Recovery Audit Contractor (RAC) program and Medicaid Integrity Contractor (MIC) program. These programs were created to review

Continued

MADISON COUNTY HEALTH AND HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

2. Net Patient Service Revenue, Continued

Medicare and Medicaid claims for medical necessity and coding appropriateness. The RACs have authority to pursue improper payments with a three year look back from the date the claim was paid. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs.

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

- Medicare

Effective January 1, 2006, the Hospital was granted Critical Access Hospital (CAH) designation by the Medicare program. The CAH designation places certain restrictions on daily acute care inpatient census and an annual, average length of stay of acute care inpatients. Inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology.

The Hospital is reimbursed for certain reimbursable items at a tentative rate with final settlement determined after the submission of annual cost reports by the Hospital and audits thereof by the Medicare Administrative Contractor (MAC). The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. The Hospital's Medicare cost reports have been audited by the MAC through September 30, 2021.

- Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid based upon a prospective cost reimbursement methodology. The Hospital is paid at a rate based upon the most recent cost report processed by the Agency for Health Care Administration adjusted for inflation and regional cost limitation.

The Hospital recorded revenue for funding from the State of Florida under the Medicaid Rural Financial Assistance Program (Program). In 2023 and 2022, the Hospital qualified for the rural assistance DSH payment.

	<u>2023</u>	<u>2022</u>
Rural assistance DSH payments	<u>\$ 510,000</u>	<u>\$ 674,000</u>

Continued

MADISON COUNTY HEALTH AND HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

2. Net Patient Service Revenue, Continued

- Medicaid, Continued

Program proceeds are based on an allocation of a fixed sum appropriated by the Florida Legislature to be distributed to eligible rural hospitals based on the level of indigent and Medicaid care provided. Such amounts have been recognized as net patient service revenue in the accompanying statements of revenues, expenses and changes in net position.

During 2022, Medicaid implemented the Medicaid CMOs Direct Payment Program (DPP). Under the DPP, eligible hospitals will receive increased Medicaid funding via an annual lump sum direct payment. The direct payment is made to the CMOs and the CMOs are required to transfer the payment to the hospital. The net amount of DPP payment adjustments recognized in net patient service revenue was approximately \$550,000 and \$166,000 during 2023 and 2022, respectively.

- Other Arrangements

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

- Uninsured Patients

The Hospital has a Financial Assistance Policy (FAP) in accordance with Internal Revenue Code Section 501(r). Based on the FAP, following a determination of financial assistance eligibility, an individual will not be charged more than the Amounts Generally Billed (AGB) for emergency or other medical care provided to individuals with insurance covering that care. AGB is calculated by reviewing claims that have been paid in full (including deductibles and coinsurance paid by the patient) to the Hospital for medically necessary care by Medicare and private health insurers during a 12-month look-back period.

3. Uncompensated Services

The Hospital was compensated for services at amounts less than its established rates. Charges for uncompensated services for 2023 and 2022 were approximately \$8,841,000 and \$11,997,000, respectively.

Charges for uncompensated care included charity and indigent care services of approximately \$105,000 and \$377,000 for fiscal years 2023 and 2022, respectively. The cost of charity and indigent care services provided during 2023 and 2022 was approximately \$79,000 and \$225,000, respectively computed by applying a total cost factor to the charges forgone.

Continued

MADISON COUNTY HEALTH AND HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

3. Uncompensated Services, Continued

The following is a summary of uncompensated services and a reconciliation of gross patient charges to net patient service revenue for 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Gross patient charges	\$ 20,214,284	\$ 23,355,229
Uncompensated services:		
Charity and indigent care	105,329	376,884
Medicare	3,513,523	4,804,224
Medicaid	446,228	993,924
Other allowances	4,061,663	3,154,797
Provision for bad debts	<u>714,133</u>	<u>2,666,902</u>
Total uncompensated care	<u>8,840,876</u>	<u>11,996,731</u>
Net patient service revenue	<u>\$ 11,373,408</u>	<u>\$ 11,358,498</u>

4. Cash and Investments

The composition of cash and investments on the balance sheet includes the following:

	<u>2023</u>	<u>2022</u>
Cash - demand deposit accounts	\$ 1,364,424	\$ 4,964,322
Short-term investment - certificate of deposit	<u>1,269,652</u>	<u>266,051</u>
Total cash and investments	<u>\$ 2,634,076</u>	<u>\$ 5,230,373</u>

- *Certificate of deposit.* The term of the certificate of deposit is twelve months and is reported at amortized cost which approximates fair value.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Hospital will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance or the deposits are uncollateralized.

The Hospital's unrestricted cash balances in checking and savings accounts and time deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

Continued

MADISON COUNTY HEALTH AND HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023 and 20225. Accounts Receivable and Payable

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Hospital at September 30, 2023 and 2022 consisted of these amounts:

	<u>2023</u>	Restated <u>2022</u>
Patient accounts receivable:		
Receivable from patients and their insurance carriers	\$ 8,545,069	\$ 4,574,909
Receivable from Medicare	915,064	915,064
Receivable from Medicaid	<u>361,201</u>	<u>361,201</u>
 Total patient accounts receivable	 9,821,334	 5,851,174
 Less allowance for uncollectible amounts and contractual adjustments	 <u>8,157,734</u>	 <u>4,988,000</u>
 Patient accounts receivable, net	 <u>\$ 1,663,600</u>	 <u>\$ 863,174</u>
Accounts payable and accrued expenses:		
Payable to employees (including payroll taxes)	\$ 486,802	\$ 450,519
Payable to suppliers	561,365	131,425
Payable to others	<u>322,843</u>	<u>300,340</u>
 Total accounts payable and accrued expenses	 <u>\$ 1,371,010</u>	 <u>\$ 882,284</u>

Continued

MADISON COUNTY HEALTH AND HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023 and 20226. Capital Assets

Capital asset changes for the years ended September 30, 2023 and 2022 are as follows:

	Restated Balance September 30, <u>2022</u>	<u>Increases</u>	<u>Decreases</u>	Balance September 30, <u>2023</u>
Land	\$ 470,000	\$ -	\$ -	\$ 470,000
Construction-in-progress	<u>183,615</u>	<u>-</u>	<u>(178,257)</u>	<u>5,358</u>
Total capital assets not being depreciated	<u>653,615</u>	<u>-</u>	<u>(178,257)</u>	<u>475,358</u>
Land improvements	10,000	-	-	10,000
Buildings	19,006,558	6,013	-	19,012,571
Equipment	4,421,245	624,540	-	5,045,785
Software	1,827,179	58,445	-	1,885,624
Leasehold improvements	59,607	-	-	59,607
Capitalized interest	<u>802,330</u>	<u>-</u>	<u>-</u>	<u>802,330</u>
Total capital assets being depreciated	<u>26,126,919</u>	<u>688,998</u>	<u>-</u>	<u>26,815,917</u>
Less accumulated depreciation:				
Land improvements	(10,000)	-	-	(10,000)
Buildings	(8,628,587)	(1,040,930)	-	(9,669,517)
Equipment	(3,026,788)	(400,817)	-	(3,427,605)
Software	(478,855)	(466,386)	-	(945,241)
Leasehold improvements	(59,607)	-	-	(59,607)
Capitalized interest	<u>(344,862)</u>	<u>(42,227)</u>	<u>-</u>	<u>(387,089)</u>
Total accumulated depreciation	<u>(12,548,699)</u>	<u>(1,950,360)</u>	<u>-</u>	<u>(14,499,059)</u>
Capital assets being depreciated, net	<u>13,578,220</u>	<u>(1,261,362)</u>	<u>-</u>	<u>12,316,858</u>

Continued

MADISON COUNTY HEALTH AND HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

6. Capital Assets, Continued

	Restated Balance September 30, <u>2022</u>	<u>Increases</u>	<u>Decreases</u>	Balance September 30, <u>2023</u>
Leased equipment	\$ 214,590	\$ 20,517	\$ -	\$ 235,107
Less accumulated amortization for: Leased equipment	<u>(70,721)</u>	<u>(37,181)</u>	<u>-</u>	<u>(107,902)</u>
Intangible right-to-use lease assets, net	<u>143,869</u>	<u>(16,664)</u>	<u>-</u>	<u>127,205</u>
Subscription IT assets	<u>375,560</u>	<u>22,453</u>	<u>-</u>	<u>398,013</u>
Less accumulated amortization for: Subscription IT assets	<u>(78,882)</u>	<u>(97,244)</u>	<u>-</u>	<u>(176,126)</u>
Intangible right-to-use subscription IT assets, net	<u>296,678</u>	<u>(74,791)</u>	<u>-</u>	<u>221,887</u>
Capital assets, net	<u>\$ 14,672,382</u>	<u>\$ (1,352,817)</u>	<u>\$ (178,257)</u>	<u>\$ 13,141,308</u>

Continued

MADISON COUNTY HEALTH AND HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023 and 20226. Capital Assets, Continued

	Balance September 30, <u>2021</u>	<u>Increases</u>	<u>Decreases</u>	Restated Balance September 30, <u>2022</u>
Land	\$ 490,000	\$ -	\$ (20,000)	\$ 470,000
Construction-in-progress	<u>28,910</u>	<u>154,705</u>	<u>-</u>	<u>183,615</u>
Total capital assets not being depreciated	<u>518,910</u>	<u>154,705</u>	<u>(20,000)</u>	<u>653,615</u>
Land improvements	13,960	-	(3,960)	10,000
Buildings	19,006,558	-	-	19,006,558
Equipment	4,412,947	400,492	(392,194)	4,421,245
Software	484,855	1,342,324	-	1,827,179
Leasehold improvements	59,607	-	-	59,607
Capitalized interest	<u>802,330</u>	<u>-</u>	<u>-</u>	<u>802,330</u>
Total capital assets being depreciated	<u>24,780,257</u>	<u>1,742,816</u>	<u>(396,154)</u>	<u>26,126,919</u>
Less accumulated depreciation:				
Land improvements	(12,960)	(1,000)	3,960	(10,000)
Buildings	(7,586,413)	(1,042,174)	-	(8,628,587)
Equipment	(2,807,011)	(319,350)	99,573	(3,026,788)
Software	(475,855)	(3,000)	-	(478,855)
Leasehold improvements	(59,607)	-	-	(59,607)
Capitalized interest	<u>(302,634)</u>	<u>(42,228)</u>	<u>-</u>	<u>(344,862)</u>
Total accumulated depreciation	<u>(11,244,480)</u>	<u>(1,407,752)</u>	<u>103,533</u>	<u>(12,548,699)</u>
Capital assets being depreciated, net	<u>13,535,777</u>	<u>335,064</u>	<u>(292,621)</u>	<u>13,578,220</u>

Continued

MADISON COUNTY HEALTH AND HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

6. Capital Assets, Continued

	Balance September 30, <u>2021</u>	<u>Increases</u>	<u>Decreases</u>	Restated Balance September 30, <u>2022</u>
Leased equipment	\$ 214,590	\$ -	\$ -	\$ 214,590
Less accumulated amortization for: Leased equipment	<u>(33,574)</u>	<u>(37,147)</u>	<u>-</u>	<u>(70,721)</u>
Intangible right-to-use lease assets, net	<u>181,016</u>	<u>(37,147)</u>	<u>-</u>	<u>143,869</u>
Subscription IT assets	<u>-</u>	<u>375,560</u>	<u>-</u>	<u>375,560</u>
Less accumulated amortization for: Subscription IT assets	<u>-</u>	<u>(78,882)</u>	<u>-</u>	<u>(78,882)</u>
Intangible right-to-use subscription IT assets, net	<u>-</u>	<u>296,678</u>	<u>-</u>	<u>296,678</u>
Capital assets, net	<u>\$ 14,235,703</u>	<u>\$ 749,300</u>	<u>\$ (312,621)</u>	<u>\$ 14,672,382</u>

Construction contracts of approximately \$2.7 million exist for the renovations of facilities. No payments had been made on these contracts as of September 30, 2023.

Continued

MADISON COUNTY HEALTH AND HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023 and 20227. Long-Term Debt

Long-term debt schedule of changes for 2023 and 2022 are as follows:

	Balance September 30, <u>2022</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2023</u>	Amounts Due Within <u>One Year</u>
Direct borrowings:					
MCCB note payable	\$ 37,970	\$ -	\$ 37,970	\$ -	\$ -
Office of Tourism note payable	18,971	-	18,971	-	-
Madison County BOCC note payable	151,614	-	-	151,614	-
Direct placement: Series 2014 USDA bonds	<u>20,756,477</u>	<u>-</u>	<u>333,000</u>	<u>20,423,477</u>	<u>346,000</u>
Total long-term debt	<u>\$ 20,965,032</u>	<u>\$ -</u>	<u>\$ 389,941</u>	<u>\$ 20,575,091</u>	<u>\$ 346,000</u>
	Balance September 30, <u>2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2022</u>	Amounts Due Within <u>One Year</u>
Direct borrowings:					
MCCB note payable	\$ 50,555	\$ -	\$ 12,585	\$ 37,970	\$ 9,685
Office of Tourism note payable	66,971	-	48,000	18,971	18,971
Madison County BOCC note payable	151,614	-	-	151,614	-
Direct placement: Series 2014 USDA bonds	<u>21,074,477</u>	<u>-</u>	<u>318,000</u>	<u>20,756,477</u>	<u>333,000</u>
Total long-term debt	<u>\$ 21,343,617</u>	<u>\$ -</u>	<u>\$ 378,585</u>	<u>\$ 20,965,032</u>	<u>\$ 361,656</u>

Continued

MADISON COUNTY HEALTH AND HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

7. Long-Term Debt, Continued

- Long-Term Notes:
 - Madison County Community Bank, at an interest rate of prime + 1.5%, currently at 6.25%. Final payment due September 1, 2030, collateralized by real estate. The note payable contains a provision that in an event of default, outstanding obligations may become immediately due and payable. As of April 4, 2023, the note was paid in full.
 - Florida Office of Tourism, Trade, and Economic Development (OTTED), whereas the original agreement dated December 22, 2006 in the amount of \$450,000 with a term of four years plus simple interest of 3%, reached a settlement with the Hospital in October 2016, as no payments were made in either 2015 or 2016 due to the economic condition of the Hospital. Per the terms of the settlement agreement, the OTTED agrees to forgive accrued interest and penalties. The settlement amount of \$306,971 will be repaid in monthly installments of \$4,000 beginning October 15, 2016 at zero percent interest.
 - Madison County Board of County Commissioners, at an interest rate of 0.370%, unsecured. The Hospital did not make payments toward this note in 2022 or 2023. Madison County Board of Commissioners has delayed the due date of the note until the Hospital is in a better position to pay off the note.

On October 31, 2014, the District issued Hospital Revenue Bond Series 2014 in the amount of \$22,543,400, at an interest rate of 4.00% with final payment due September 1, 2054. These bonds are payable to the United States Department of Agriculture Rural Development Division (USDA) and are first collateralized by a lien on all revenues received from the Local Government Half-Cent Sales Tax and a first lien on all revenues received by the District and its operational entity Madison County Hospital Health Systems, Inc., from the operation of the Hospital and all other activities. In March 2018, the District and the USDA entered into an agreement to substitute the original bond payment schedule with a revised version as the original principal payments were incorrectly calculated. Under the revised schedule, the overpayment of the 2017 principal payment was applied to the 2018 revised amount resulting in no payment to be required by the District for 2018. The five year debt summary has been updated to reflect these changes. No other changes were made to the agreements.

As part of the USDA requirements, the Hospital must meet certain conditions and reporting requirements as well as establish and fund a debt service reserve fund equal to 10% of the annual payment each year until the equivalent of one annual installment is accumulated. At September 30, 2023, the Hospital was in compliance with the debt service reserve requirement.

The Revenue Bonds include a provision that in an event of continuing default, USDA may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due.

Continued

MADISON COUNTY HEALTH AND HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

7. Long-Term Debt, Continued

Scheduled principal and interest repayments on long-term debt are as follows:

<u>Years Ending September 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 346,000	\$ 816,939	\$ 1,162,939
2025	358,000	803,099	1,161,099
2026	373,000	788,779	1,161,779
2027	388,000	773,859	1,161,859
2028	554,614	758,339	1,312,953
2029-2033	2,275,000	3,536,175	5,811,175
2034-2038	2,769,000	3,043,335	5,812,335
2039-2043	3,365,000	2,443,615	5,808,615
2044-2048	4,096,000	1,714,455	5,810,455
2049-2053	4,981,000	827,335	5,808,335
2054	<u>1,069,477</u>	<u>42,779</u>	<u>1,112,256</u>
Total	<u>\$ 20,575,091</u>	<u>\$ 15,548,709</u>	<u>\$ 36,123,800</u>

8. Pension Plan

The Madison County Memorial Hospital 401(k) Savings Plan (Plan) was established by the Hospital and administered by The Pension Center of Florida, Inc. to provide benefits at retirement to substantially all employees of the Hospital who have completed six months of service and have attained 21 years of age. Plan provisions and contribution requirements are established and may be amended by the Hospital.

Pension expense for the years ended September 30, 2023 and 2022 was \$15,745 and \$15,300, respectively. The amount of employer contributions to be made for any particular year end with respect to any particular participant is not to exceed 3%. Employees begin vesting after two years of service at 20% each year until they become fully vested in year six. Employees vest immediately in their contributions. The Hospital had an outstanding liability of \$12,908 and \$11,140 related to the Plan at September 30, 2023 and 2022, respectively. There were no forfeitures recorded for the years ended September 30, 2023 and 2022.

Continued

MADISON COUNTY HEALTH AND HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued September 30, 2023 and 2022

9. Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Medicare	58%	46%
Medicaid	10%	12%
Commercial and other	29%	29%
Self-pay	<u>3%</u>	<u>13%</u>
Total	<u>100%</u>	<u>100%</u>

10. Contingencies and Commitments

Health Care Reform

There has been increasing pressure on Congress and some state legislatures to control and reduce the cost of healthcare at the national and state levels. Legislation has been passed that includes cost controls on healthcare providers, insurance market reforms, delivery system reforms and various individual and business mandates among other provisions. The costs of these provisions are and will be funded in part by reductions in payments by government programs, including Medicare and Medicaid. There can be no assurance that these changes will not adversely affect the Hospital.

Litigation

The Hospital is involved in various claims and lawsuits arising out of the conduct of its business. The ultimate outcome of these matters is uncertain at this time; however, management does not believe that the ultimate liabilities resulting from the claims, if any, will have a material adverse effect on the Hospital's financial position, results of operations, or cash flows.

11. Malpractice Insurance

The Hospital is self-insured for malpractice claims. As a component unit of the District, a subdivision of the state of Florida, the Hospital has sovereign immunity for medical malpractice claims. As such, claim settlements may not exceed \$200,000 per individual and \$300,000 per occurrence.

Various claims and assertions have been made against the Hospital in its normal course of providing services. In addition, other claims may be asserted arising from services provided to patients in the past. In the opinion of management, due to minimal prior expenses, the Hospital has not accrued a reserve for such asserted and unasserted claims.

Continued

MADISON COUNTY HEALTH AND HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

12. Employee Health Insurance

The Hospital has purchased group health insurance coverage for the Hospital employees and their covered dependents. Under the group insurance program, the Hospital paid \$307,557 and \$239,930 in 2023 and 2022, respectively.

13. Compliance Plan

The healthcare industry has been subjected to increased scrutiny from governmental agencies at both the federal and state level with respect to compliance with regulations. Areas of noncompliance identified at the national level include Medicare and Medicaid, Internal Revenue Service, and other regulations governing the healthcare industry. In addition, the Reform Legislation includes provisions aimed at reducing fraud, waste, and abuse in the healthcare industry. These provisions allocate significant additional resources to federal enforcement agencies and expand the use of private contractors to recover potentially inappropriate Medicare and Medicaid payments. The Hospital has implemented a compliance plan focusing on such issues. There can be no assurance that the Hospital will not be subjected to future investigations with accompanying monetary damages.

14. Economic Dependency

The District has experienced net operating losses over the last several years which has resulted in an overall negative net position. The District currently receives a one-half-cent sales tax approved by the voters of Madison County to be used for the construction of the new hospital facilities in Madison County. The intention of these funds is to pay for the debt service related to the new hospital which opened in August 2014. The first principal payments became due on September 1, 2017. Without the support of the County, it would be doubtful the District would be able to meet these obligations. The District met with the USDA and revised the payment schedule of the 2014 USDA bonds to enable the District to be better able to meet the obligations.

The Hospital is expecting to receive reimbursement of approximately \$300,000 for the operating room renovation grant expected in February 2024.

The Hospital is expecting to receive reimbursement of approximately \$226,000 by May 2024 for the Emergency Response and Crisis Management grant.

Continued

MADISON COUNTY HEALTH AND HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued September 30, 2023 and 2022

14. Economic Dependency, Continued

The Hospital has been awarded a \$5 million grant for construction of the new Madison Health and Wellness Center as well as a supplemental grant of \$400,000 for the center. These funds will be used to retrofit two buildings currently owned by the Hospital. The renovations for one building are scheduled to be completed in May 2024, with the other building scheduled to be completed within twelve to eighteen months. The services provided by the Health and Wellness Center include the following:

- Behavioral Health - implemented subsequent to year end and will continue expanding
- Dexa Scan
- Cardiopulmonary Rehabilitation
- Geriatric Wellness
- Health Education & Outreach
- Infusion Therapy - anticipated to be implemented April 2024
- Primary Care - implemented subsequent to year end and will continue expanding
- Rotating Specialist
- Wellness
- Wound Care - implemented subsequent to year end and will continue expanding

Beginning in January 2024, a monthly cost management meeting was implemented with the CFO, Purchasing Manager, and Accounts Payable Manager. The monthly meeting's goal will be to lower hospital expenses, review current supply vendors, and to brainstorm on how to stretch revenue by spending more wisely.

The ultimate outcome of these plans is uncertain; however, management believes with the continued support of the County sales tax and progress toward their goals, they will be able to continue to provide services to Madison County and surrounding areas.

15. Coronavirus (COVID-19)

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen. The outbreak has put an unprecedented strain on the U.S. healthcare system, disrupted or delayed the production and delivery of materials and products in the supply chain, and caused staffing shortages. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, remedial actions and stimulus measures adopted by local, state, and federal governments, and the impact on the District's customers, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the District's financial position or results of operations is uncertain. The federal Public Health Emergency for COVID-19 expired on May 11, 2023.

On March 27, 2020, the President signed the Coronavirus, Aid, Relief, and Economic Security Act (CARES Act). Certain provisions of the CARES Act provide relief funds to hospitals and other healthcare providers. The funding is to be used to support healthcare-related expenses

Continued

MADISON COUNTY HEALTH AND HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

15. Coronavirus (COVID-19), Continued

or lost revenue attributable to COVID-19. The U.S. Department of Health and Human Services (HHS) began distributing funds on April 10, 2020 to eligible providers in an effort to provide relief to both providers in areas heavily impacted by COVID-19 and those providers who are struggling to keep their doors open due to healthy patients delaying care and canceling elective services. On April 24, 2020, the Paycheck Protection Program and Health Care Enhancement Act was passed. This Act provides additional funding to replenish and supplement key programs under the CARES Act, including funds to health care providers for COVID-19 testing. On March 11, 2021, the *American Rescue Plan Act* (ARP) was passed. This Act provides additional funding to replenish and supplement key programs, including funds to hospitals and other providers that serve patients living in rural areas. Grant and contribution advance payments are reported as unearned revenue until all eligibility requirements are met. Recognized revenue is reported as nonoperating revenues in the statements of revenues, expenses and changes in net position.

The District received and recognized approximately \$0 and \$655,000 in grant stimulus funding during fiscal year 2023 and 2022, respectively.

Grant funding may be subject to audits. While the District currently believes its use of the funds is in compliance with applicable terms and conditions, there is a possibility payments could be recouped based on changes in reporting requirements or audit results.

16. Leases and Subscription IT Liabilities

The District is a lessee for noncancellable lease assets. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in its 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 lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made 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.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the implicit interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided or cannot be imputed, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

Continued

MADISON COUNTY HEALTH AND HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

16. Leases and Subscription IT Liabilities, Continued

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.

Lease assets are reported with capital assets and lease liabilities are reported with current and long-term liabilities on the balance sheets.

None of the leases contain provisions for variable payments or residual value guarantees. Additionally, there are no other payments such as residual value guarantees or termination penalties, not previously included in the measurement of the lease liability reflected as outflows of resources.

The District has subscription-based information technology arrangements (SBITAs). The District recognizes a subscription IT liability and an intangible right-to-use subscription asset (subscription IT asset) in its financial statements. At the commencement of the subscription term, which is when the subscription IT asset is placed into service, the District initially measures the subscription IT liability at the present value of subscription payments expected to be made during the subscription term. Subsequently, the subscription IT liability is reduced by the principal portion of subscription payments made. The subscription IT asset is initially measured as the initial amount of the subscription IT liability, adjusted for payments made at or before the commencement of the subscription term, plus capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subsequently, the subscription IT asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to SBITAs include how the District determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The District uses the implicit interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not readily determinable, the District generally uses its estimated incremental borrowing rate as the discount rate. Amortization of the discount on the subscription IT liability is included in interest expense in the financial statements.
- The subscription term includes the noncancellable period. Subscription payments included in the measurement of the subscription IT liability are composed of fixed payments and other payments that are reasonably certain of being required.

Continued

MADISON COUNTY HEALTH AND HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

16. Leases and Subscription IT Liabilities, Continued

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

Subscription IT assets are reported with capital assets and subscription IT liabilities are reported with current and long-term liabilities on the balance sheets.

None of the SBITAs contain provisions for variable payments. Additionally, there are no other payments, such as termination penalties, not previously included in the measurement of the subscription IT liability.

Expenses for the leasing activity of the District as the lessee for the years ended September 30, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Short term lease expense	\$ 67,171	\$ 70,339
Right-to-use lease asset amortization	37,181	37,147
Lease liability interest expense	<u>4,263</u>	<u>5,378</u>
Total lease cost	<u>\$ 108,615</u>	<u>\$ 112,864</u>

The District has subscription-based information technology arrangements (SBITAs) that are used for various software licenses and remote hosting arrangements, which meet the capitalization criteria specified by generally accepted accounting principles.

Expenses for the SBITA activity of the District for the years ended September 30, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Short term SBITA expense	\$ 34,985	\$ 10,268
Right-to-use subscription IT asset amortization	97,244	78,882
Subscription IT liability interest expense	<u>8,513</u>	<u>9,575</u>
Total subscription IT cost	<u>\$ 140,742</u>	<u>\$ 98,725</u>

Continued

MADISON COUNTY HEALTH AND HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

16. Leases and Subscription IT Liabilities, Continued

Scheduled principal and interest repayments on leases and subscription IT liabilities are as follows:

	Lease Liabilities		Subscription IT liabilities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 37,009	\$ 3,743	\$ 101,191	\$ 6,570
2025	21,029	2,725	73,747	2,726
2026	17,608	2,144	36,548	660
2027	18,189	1,563	2,447	47
2028	18,789	963	121	32
2029 - 2033	<u>19,410</u>	<u>343</u>	<u>295</u>	<u>35</u>
Total	<u>\$ 132,034</u>	<u>\$ 11,481</u>	<u>\$ 214,349</u>	<u>\$ 10,070</u>

A schedule of changes in the District's lease and subscription IT liabilities for 2023 and 2022 follows:

	<u>Restated Balance September 30, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 2023</u>	<u>Amounts Due Within One Year</u>
Lease liabilities	\$ 148,009	\$ 20,518	\$ (36,493)	\$ 132,034	\$ 37,009
Subscription IT liabilities	<u>290,277</u>	<u>22,333</u>	<u>(98,261)</u>	<u>214,349</u>	<u>101,191</u>
Total lease and subscription IT liabilities	<u>\$ 438,286</u>	<u>\$ 42,851</u>	<u>\$ (134,754)</u>	<u>\$ 346,383</u>	<u>\$ 138,200</u>

	<u>Balance September 30, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Restated Balance September 30, 2022</u>	<u>Amounts Due Within One Year</u>
Lease liabilities	\$ 183,326	\$ -	\$ (35,317)	\$ 148,009	\$ 36,483
Subscription IT liabilities	<u>-</u>	<u>385,135</u>	<u>(94,858)</u>	<u>290,277</u>	<u>87,057</u>
Total lease and subscription IT liabilities	<u>\$ 183,326</u>	<u>\$ 385,135</u>	<u>\$ (130,175)</u>	<u>\$ 438,286</u>	<u>\$ 123,540</u>

SUPPLEMENTARY INFORMATION - BUDGETARY
COMPARISON SCHEDULE (Unaudited)

MADISON COUNTY HEALTH AND HOSPITAL DISTRICT

SUPPLEMENTARY INFORMATION - BUDGETARY
COMPARISON SCHEDULE (Unaudited)
for the year ended September 30, 2023

	Year-To-Date <u>Actual</u>	Year-To-Date <u>Budget</u>	Year-To-Date <u>Variance</u>
Gross patient charges:			
Inpatient	\$ 1,525,266	\$ 4,811,886	\$ (3,286,620)
Outpatient	13,931,736	14,605,643	(673,907)
Swing bed	3,581,186	5,097,223	(1,516,037)
Observation	1,169,711	921,372	248,339
Clinic	<u>6,385</u>	<u>-</u>	<u>6,385</u>
Total gross patient charges	<u>20,214,284</u>	<u>25,436,124</u>	<u>(5,221,840)</u>
Revenue deductions:			
Bad debt expense	645,382	3,815,419	(3,170,037)
Contractual allowances	8,126,743	10,683,172	(2,556,429)
Uncollectible patient accounts	<u>68,751</u>	<u>100,000</u>	<u>(31,249)</u>
Total deductions	<u>8,840,876</u>	<u>14,598,591</u>	<u>(5,757,715)</u>
Net patient service revenue	<u>11,373,408</u>	<u>10,837,533</u>	<u>535,875</u>
Expenses:			
Salaries and benefits	6,794,364	6,359,031	435,333
Purchased contract services	2,866,047	2,479,727	386,320
Professional fees	211,106	184,570	26,536
Supplies and minor equipment	1,312,512	2,134,890	(822,378)
Lost charges	1,190	5,000	(3,810)
Education, travel, and other	186,484	60,000	126,484
Equipment rental/leases	67,171	100,000	(32,829)
Utilities	458,712	350,000	108,712
Dues and subscriptions	16,758	7,000	9,758
Advertising and public relations	32,361	8,000	24,361
Property and other insurance	133,151	194,903	(61,752)
Licenses and fees	115,142	200,000	(84,858)
Depreciation and amortization	2,084,786	1,105,000	979,786
Postage, freight and other	<u>7,224</u>	<u>35,000</u>	<u>(27,776)</u>
Total expenses	<u>14,287,008</u>	<u>13,223,121</u>	<u>1,063,887</u>
Subtotal	<u>(2,913,600)</u>	<u>(2,385,588)</u>	<u>(528,012)</u>

Continued

MADISON COUNTY HEALTH AND HOSPITAL DISTRICT

SUPPLEMENTARY INFORMATION - BUDGETARY
COMPARISON SCHEDULE (Unaudited), Continued
for the year ended September 30, 2023

	Year-To-Date <u>Actual</u>	Year-To-Date <u>Budget</u>	Year-To-Date <u>Variance</u>
Other revenue and nonoperating revenue (expenses):			
Net other operating and nonoperating revenue (expenses)	\$ 2,279,616	\$ 3,285,231	\$ (1,005,615)
Interest income	11,034	7,000	4,034
Interest expense and finance charges	<u>(848,316)</u>	<u>(832,000)</u>	<u>(16,316)</u>
 Total nonoperating revenue (expenses)	 <u>1,442,334</u>	 <u>2,460,231</u>	 <u>(1,017,897)</u>
 Increase (decrease) in net position	 <u>\$ (1,471,266)</u>	 <u>\$ 74,643</u>	 <u>\$ (1,545,909)</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*



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

Members of the Board
Madison County Health and Hospital District
Madison, Florida

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 Madison County Health and Hospital District (District), which comprise the balance sheet as of September 30, 2023, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 26, 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.

Continued

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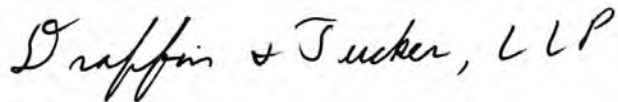
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in black ink that reads "Draffin & Tucker, LLP". The signature is written in a cursive, flowing style.

Albany, Georgia
February 26, 2024

INDEPENDENT AUDITOR'S MANAGEMENT LETTER



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Members of the Board
Madison County Health and Hospital District
Madison, Florida

Report on the Financial Statements

We have audited the financial statements of Madison County Health and Hospital District, Florida, as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated February 26, 2024.

Auditor's Responsibility

We conducted our audit 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 Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in these reports, which are dated February 26, 2024, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. No recommendations were made in the preceding financial audit report.

Continued

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Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Madison County Health and Hospital District was established pursuant to Chapter 2003-333, Laws of Florida, on June 10, 2003. It has been determined to be an independent special district of Florida and Madison County as enacted by the Legislature of the State of Florida to provide public health care services. Madison County Hospital Health Systems, Inc., D/B/A Madison County Memorial Hospital is a blended component unit of the Madison County Health and Hospital District.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Madison County Health and Hospital District met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions met. In connection with our audit, we determined that the Madison County Health and Hospital District did not meet any conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Madison County Health and Hospital District. It is management's responsibility to monitor Madison County Health and Hospital District's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

Based on our assessment at year end, it was noted that the financial condition has deteriorated as compared to the prior year. The District continues to have an operating loss which has resulted in a negative net position. The District has a current ratio of 3.3 and is able to meet its current obligations. Please refer to Note 14 to the financial statements for additional details.

Section 10.554(1)(i)(2), Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we have one recommendation to improve financial management. We recommend that the District continue to seek ways to maximize reimbursements and collections in order to increase operating revenues.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Continued

Specific Information

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the District reported:

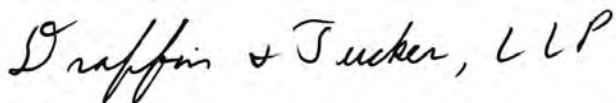
- a. The total number of district employees compensated in the last pay period of the district's fiscal year as 137.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year as 22.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$6,794,364.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$809,647.
- e. There are no construction projects with a total cost of at least \$65,000 approved by the district that are scheduled to begin on or after October 1 of the fiscal year being reported. The total expenditures for such projects were \$0.
- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes, is reported in the 2023 audited financial statements.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Members of the Board, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Drapkin & Tucker, LLP". The signature is written in a cursive, flowing style.

Albany, Georgia
February 26, 2024

INDEPENDENT ACCOUNTANT'S REPORT ON
COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES



INDEPENDENT ACCOUNTANT'S REPORT ON
COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

Members of the Board
Madison County Health and Hospital District
Madison, Florida

We have examined the Madison County Health and Hospital District's (District) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2023, as required by Section 10.556(10)(a), *Rules of the Auditor General*. Management is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced in Section 218.415, Florida Statutes. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2023.

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

Draffin & Tucker, LLP

Albany, Georgia
February 26, 2024