

FINANCIAL STATEMENTS

AND

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2023

CPAs / ADVISORS

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ADAMS HEALTH NETWORK

TABLE OF CONTENTS
DECEMBER 31, 2023

Page

Report of Independent Auditors 1

Financial Statements

Statement of Net Position 4

Statement of Revenues, Expenses and Changes in Net Position 6

Statement of Cash Flows 7

Statement of Fiduciary Net Position 9

Statement of Changes in Fiduciary Net Position 10

Notes to Financial Statements 11

Required Supplementary Information

Schedule of Changes in Net Pension (Asset) Liability and Related Ratios 33

Schedule of Contributions 34

Report of Independent Auditors 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* 35

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Adams Health Network
Decatur, Indiana

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of Adams Health Network (Adams), a component unit of Adams County, and Adams' discretely presented component unit, Adams Health Network Foundation, which comprise the statement of net position as of December 31, 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. We have also audited Adams' statement of fiduciary net position as of December 31, 2023 and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Adams and Adams' discretely presented component unit, as of December 31, 2023, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Uniform Compliance Guidelines for Audits of Hospitals and State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts, 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 Adams 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 opinions.

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 Adams' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial 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 opinions. 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 judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 Adams' 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Adams' 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.

Board of Trustees
Adams Health Network
Decatur, Indiana

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedule of changes in net pension (asset) liability and related ratios and the schedule of contributions 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 Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2024 on our consideration of Adams' 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 Adams' 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 Adams' internal control over financial reporting and compliance.

Blue & Co., LLC

Indianapolis, Indiana
December 27, 2024

ADAMS HEALTH NETWORK

STATEMENT OF NET POSITION
DECEMBER 31, 2023

ASSETS AND DEFERRED OUTFLOWS

	Primary Government	Foundation	Total Reporting Entity
Current assets			
Cash and cash equivalents	$ 50,032,514	$ 492,296	$ 50,524,810
Investments	57,999,717	-0-	57,999,717
Patient accounts receivable, less allowance for uncollectible accounts of $11,629,919	58,314,662	-0-	58,314,662
Other accounts receivable	28,317,757	7,500	28,325,257
Prepaid expenses	4,193,996	-0-	4,193,996
Inventories	1,637,057	-0-	1,637,057
Total current assets	200,495,703	499,796	200,995,499
Cash held by trustee for debt service	4,860,862	-0-	4,860,862
Capital assets			
Non-depreciable capital assets	8,539,548	-0-	8,539,548
Depreciable capital assets, net	62,696,161	-0-	62,696,161
Intangible right-to-use assets, net	3,458,361	-0-	3,458,361
Total capital assets, net	74,694,070	-0-	74,694,070
Pension asset	7,818,020	-0-	7,818,020
Other assets	63,000	-0-	63,000
Total assets	287,931,655	499,796	288,431,451
Deferred outflows - pension	1,582,945	-0-	1,582,945
Total assets and deferred outflows	$ 289,514,600	$ 499,796	$ 290,014,396

See accompanying notes to financial statements.

ADAMS HEALTH NETWORK

STATEMENT OF NET POSITION
DECEMBER 31, 2023

LIABILITIES AND NET POSITION

	Primary Government	Foundation	Total Reporting Entity
Current liabilities			
Accounts payable and accrued expenses	$ 118,494,383	$ 6,168	$ 118,500,551
Accrued salaries and related liabilities	7,210,468	-0-	7,210,468
Deferred revenue from advance fees	1,980,998	-0-	1,980,998
Estimated third-party settlements	3,833,646	-0-	3,833,646
Current portion of long-term debt	1,950,000	-0-	1,950,000
Current portion of lease and SBITA liabilities	639,503	-0-	639,503
Total current liabilities	134,108,998	6,168	134,115,166
Other liabilities			
Long-term debt	18,981,435	-0-	18,981,435
Long-term lease and SBITA liabilities	2,818,858	-0-	2,818,858
Total other liabilities	21,800,293	-0-	21,800,293
Total liabilities	155,909,291	6,168	155,915,459
Net position			
Net investment in capital assets	50,304,274	-0-	50,304,274
Restricted, trustee held for debt service	4,860,862	-0-	4,860,862
Unrestricted	78,440,173	493,628	78,933,801
Total net position	133,605,309	493,628	134,098,937
Total liabilities and net position	$ 289,514,600	$ 499,796	$ 290,014,396

See accompanying notes to financial statements.

ADAMS HEALTH NETWORK

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2023

	Primary Government	Foundation	Total Reporting Entity
Operating revenues			
Net patient service revenue	$ 419,972,509	$ -0-	$ 419,972,509
Other operating revenue	54,728,395	-0-	54,728,395
Total operating revenue	474,700,904	-0-	474,700,904
Operating expenses			
Salaries and wages	56,396,911	-0-	56,396,911
Employee benefits	10,983,420	-0-	10,983,420
Contract labor	6,928,490	-0-	6,928,490
Supplies	13,400,971	-0-	13,400,971
Travel and development	799,317	-0-	799,317
Purchased services	345,234,298	-0-	345,234,298
Marketing and community relations	504,838	-0-	504,838
Insurance	994,622	-0-	994,622
Utilities	1,788,765	-0-	1,788,765
Repairs and maintenance	2,025,098	-0-	2,025,098
Rent	31,090,530	-0-	31,090,530
HAF and HIP Program assessments	3,231,993	-0-	3,231,993
Depreciation and amortization	7,549,002	-0-	7,549,002
Other	1,107,324	-0-	1,107,324
Total operating expenses	482,035,579	-0-	482,035,579
Operating loss	(7,334,675)	-0-	(7,334,675)
Nonoperating revenue (expense)			
Other nonoperating revenue	2,346,565	423,203	2,769,768
Other nonoperating expense	-0-	(536,433)	(536,433)
Investment income	6,351,668	23,827	6,375,495
Interest expense	(439,405)	-0-	(439,405)
Total nonoperating revenue (expense)	8,258,828	(89,403)	8,169,425
Change in net position	924,153	(89,403)	834,750
Net position			
Beginning of year	132,681,156	583,031	133,264,187
End of year	$ 133,605,309	$ 493,628	$ 134,098,937

See accompanying notes to financial statements.

ADAMS HEALTH NETWORK

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

	Primary Government	Foundation	Total Reporting Entity
Operating activities			
Cash received from patients and third-party payors	$ 412,006,775	$ -0-	$ 412,006,775
Cash paid to employees for wages and benefits	(63,709,764)	-0-	(63,709,764)
Cash paid to vendors for goods and services	(388,401,859)	(16,661)	(388,418,520)
Other operating receipts, net	49,238,500	110,174	49,348,674
Net cash from operating activities	9,133,652	93,513	9,227,165
Noncapital financing activities			
Other nonoperating revenue	2,346,565	423,203	2,769,768
Other nonoperating expense	-0-	(536,433)	(536,433)
Net cash from (used in) noncapital financing activities	2,346,565	(113,230)	2,233,335
Capital and related financing activities			
Acquisition and construction of capital assets	(13,953,329)	-0-	(13,953,329)
Interest paid on long-term debt	(313,848)	-0-	(313,848)
Interest paid on lease and SBITA liabilities	(125,557)	-0-	(125,557)
Principal paid on long-term debt	(1,945,000)	-0-	(1,945,000)
Principal paid on lease and SBITA liabilities	(442,864)	-0-	(442,864)
Net cash used in capital and related financing activities	(16,780,598)	-0-	(16,780,598)
Investing activities			
Investment income	6,351,668	23,827	6,375,495
Net purchase of investments	(7,645,535)	-0-	(7,645,535)
Net cash from (used in) investing activities	(1,293,867)	23,827	(1,270,040)
Net change in cash and cash equivalents	(6,594,248)	4,110	(6,590,138)
Cash and cash equivalents			
Beginning of year	61,487,624	488,186	61,975,810
End of year	$ 54,893,376	$ 492,296	$ 55,385,672

See accompanying notes to financial statements.

ADAMS HEALTH NETWORK

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

	Primary Government	Foundation	Total Reporting Entity
Reconciliation of operating loss to net cash from operating activities			
Operating loss	$ (7,334,675)	$ -0-	$ (7,334,675)
Adjustments to reconcile operating loss to net cash from (used in) operating activities:			
Depreciation and amortization of capital assets	6,906,931	-0-	6,906,931
Amortization of bond discount	14,735	-0-	14,735
Amortization of intangible assets	627,336	-0-	627,336
Provision for bad debts	10,092,286	-0-	10,092,286
Changes in assets and liabilities			
Patient accounts receivable, less allowance	(15,616,131)	-0-	(15,616,131)
Other accounts receivable	(5,489,895)	110,174	(5,379,721)
Prepaid expenses	(4,193,996)	-0-	(4,193,996)
Inventories	(1,637,057)	-0-	(1,637,057)
Pension asset	(1,171,710)	-0-	(1,171,710)
Deferred outflows - pension	189,633	-0-	189,633
Accounts payable and accrued expenses	21,303,447	(16,661)	21,286,786
Accrued salaries and related liabilities	4,652,644	-0-	4,652,644
Deferred revenue from advance fees	408,122	-0-	408,122
Estimated third-party settlements	381,982	-0-	381,982
Net cash from operating activities	$ 9,133,652	$ 93,513	$ 9,227,165
Reconciliation of cash and cash equivalents to the statement of net position			
Cash and cash equivalents			
In cash and cash equivalents	$ 50,032,514	$ 492,296	$ 50,524,810
In cash held by trustee for debt service	4,860,862	-0-	4,860,862
Total cash and cash equivalents	$ 54,893,376	$ 492,296	$ 55,385,672
Supplemental cash flows information			
Capital assets financed through lease liabilities	$ 2,496,867	$ -0-	$ 2,496,867

See accompanying notes to financial statements.

ADAMS HEALTH NETWORK

STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2023

	PENSION TRUST FUNDS
Assets	
Cash and cash equivalents	$ 63,191
Investments, at fair value	11,900,961
Funds held in insurance company general account, at contract value	4,021,987
Total assets	$ 15,986,139
Net position restricted for pension	$ 15,986,139

See accompanying notes to financial statements.

ADAMS HEALTH NETWORK

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2023

	PENSION TRUST FUNDS
Additions	
Investment return	
Interest and dividends	$ 150,619
Net change in fair value of investments	1,373,075
Total additions	1,523,694
Deductions	
Benefits paid to participants	4,615,133
Net change in fiduciary net position	(3,091,439)
Net position	
Beginning of year	19,077,578
End of year	$ 15,986,139

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

Adams County Memorial Hospital, doing business as Adams Health Network (Adams), is a county owned facility operating under Title 16 Article 22 of the Indiana statutes. Adams provides inpatient, outpatient, emergency and ambulatory care as well as long-term care. The Board of County Commissioners of Adams County (County) appoints the Governing Board of Adams and a financial benefit/burden relationship exists between County and Adams. For these reasons, Adams is considered a component unit of the County.

Adams also operates Adams Heritage, a 61-bed nursing facility, and Adams Woodcrest, a Continuing Care Retirement Community (CCRC), consisting of: Woodcrest Nursing Center, a 143-bed nursing facility; Woodcrest Assisted Living, a 58-apartment assisted living community; and Woodcrest Independent Living with 42 villas and 32 apartments. Adams employs and operates family medical practices, general surgical practices, pain management practices, neurological practices and an orthopedic surgery practice as departments. Multiple physician offices are designated as Rural Health Clinics. Adams also leases certain office buildings to multiple independent physicians.

The financial statements of Adams are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the County that is attributable to the transactions of Adams and its component units. They do not purport to, and do not, present the financial position of the County as of December 31, 2023, the changes in its net position or its cash flows for the year then ended.

For financial reporting purposes, Adams' reporting entity consists of the primary government and component unit organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, and they are financially accountable to the primary government.

Component Unit

Blended component units, although legally separate entities, are in substance part of the primary government's operations and exists solely to provide services for the primary government. There were no balances or transactions to report related to blended component unit organizations as of and for the year ended December 31, 2023.

Discretely presented component units are involved in activities of an operational nature independent from the primary government; their transactions are reported in a separate column in the financial statements to emphasize they are legally separate from the primary government. They are financially accountable to the primary government, or have relationships with the primary government such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Adams County Memorial Hospital Education and Development Foundation, Inc. d/b/a Adams Health Network Foundation (the Foundation) is considered a discrete component unit for reporting purposes. Adams appoints a voting majority of the Foundation's board of directors, and a financial benefit/burden relationship exists between Adams and the Foundation. A separate audit report is not prepared for the discrete component unit.

Long-Term Care Operations

Adams leases the operations of over forty long-term care facilities by way of arrangements with the managers of the facilities. These facilities provide inpatient and therapy services. Generally, gross revenues from the operation of the facilities are the property of Adams, who is responsible for the associated operating expenses and working capital requirements. While the management and related lease agreements are in effect, the performance of all activities of the managers shall be on behalf of Adams, who retains the authority and legal responsibility for the operation of the facilities.

Adams has lease agreements for the long-term care facilities, collectively referred to as the lessors, to lease the facilities managed by the managers. Concurrently, Adams entered into agreements with the managers to manage the leased facilities. As part of the agreements, Adams pays the managers a management fee to continue managing the facilities on behalf of Adams in accordance with the terms of the agreements. These management fees consist of base management fees, subordinated management fees, and quarterly incentive payments. The agreements expire at various times through 2026. The terms of these agreements may be renewed at the end of each term for an additional period of two years. All parties involved can terminate the agreement without cause with 90 days written notice. Rent expense for facilities and equipment under the long-term care leases was approximately $30,386,000 for 2023, included within rent in the statement of revenues, expenses and changes in net position. Annual rent expense through 2026 is scheduled to approximate $30,000,000 under these leases.

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include all cash held in checking, savings, and certificates of deposits available for operating purposes with original maturity dates of 90 days or less. Adams maintains its cash in accounts, which at times may exceed federally insured limits. Adams has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments

Investments consist of mutual funds, common stocks, and money market funds reported at fair value, and certificates of deposit, that are not reported as cash and cash equivalents, reported at contract value. Investment return, including changes in the fair value of investments, is reported as nonoperating revenue (expense) in the statement of revenues, expenses and changes in net position.

Adams holds investments which are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

Patient Accounts Receivable and Net Patient Service Revenue

Patient revenues and the related accounts receivable are recorded at the time services are performed. Accounts receivable for patients, insurance companies, and governmental agencies are based on gross charges net of an allowance for contractual adjustments based on expected payment rates from payors based on current reimbursement methodologies. In addition, management estimates an allowance for uncollectible patient accounts receivable based on an evaluation of historical losses, current economic conditions, and other factors unique to Adam's patient base.

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

Adams is a provider of services to patients entitled to coverage under Titles XVIII and XIX of the Health Insurance Act (Medicare and Medicaid). Differences between the total program billed charges and the payments received are reflected as deductions from revenue. Adams was granted Critical Access Status by Medicare and is paid for Medicare services based upon a cost reimbursement methodology. Adams is reimbursed for cost reimbursable items at an interim rate, with final settlement determined after submission of annual cost reports. Adams is reimbursed for Medicaid inpatient services under a prospectively determined rate-per-discharge and for Medicaid outpatient services based on a predetermined fee schedule. For both Medicare and Medicaid, differences between the total program billed charges and the payments received are reflected as deductions from revenue. Long-term care services rendered to Medicare program beneficiaries are paid under a prospectively determined payment system on a per diem basis based on each resident's health at admission. Medicare reimburses for 100 days of skilled nursing facility care subject to certain eligibility requirements. Long-term care services rendered to Medicaid program beneficiaries are paid on a per diem basis.

At year-end, a cost report for hospital-based services is filed with the Medicare program computing reimbursement amounts related to Medicare patients. The difference between computed reimbursement and interim reimbursement is reflected as a receivable from or payable to the third-party programs. These programs have audited the year-end cost report filed with the Medicare program through December 31, 2021 with differences reflected as deductions from revenue in the year the cost report is settled. Amounts for unresolved cost reports for 2022 through 2023 are reflected in estimated third-party settlements on the statement of net position. During 2023, the differences between original estimates and subsequent revisions for the final settlement of cost reports was not significant.

Adams participates in the Indiana's Hospital Assessment Fee (HAF) Program. The purpose of the HAF Program is to fund the State share of enhanced Medicaid payments and Medicaid Disproportionate Share (DSH) payments for Indiana hospitals. Previously, the State share was funded by governmental entities through intergovernmental transfers. The Medicaid enhanced payments relate to both fee for service and managed care claims. The Medicaid enhanced payments are designed to follow the patients and result in increased Medicaid rates. Hospitals also fund the Healthy Indiana Plan (HIP) Program, the State's Medicaid expansion program. The payments related to the HIP Program mirror the Medicaid payments under the HAF Program, but the funding includes physician, state administration, and certain non-hospital expenditures. During 2023, Adams recognized HAF and HIP Program assessments of approximately $3,232,000, which resulted in increased Medicaid reimbursement. The HAF and HIP Program assessments are included in the statement of revenues, expenses and changes in net position as operating expenses. The Medicaid rate increases under the HAF and HIP Programs are included in patient service revenue in the statement of revenues, expenses and changes in net position.

As a governmental entity, Adams is also eligible for the Indiana Medicaid Supplemental programs including Medicaid DSH and Municipal Upper Payment Limit programs. The Hospital recognized reimbursement from these programs within net patient revenue of approximately $513,000 during 2023. These programs are administered by the State of Indiana but rely on Federal funding.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the accompanying financial statements.

Adams has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Reimbursement for services under these agreements includes discounts from established charges and other payment methodologies. Patient charges under these programs, on which no interim payments have been received, are included in patient accounts receivable at the estimated net realizable value of such charges.

Other Accounts Receivable

Other receivables consist mainly of amounts due from reimbursement for long-term care services and are classified as current as they are expected to be received during 2024.

Prepaid Expenses

Prepaid expenses consist of deposits paid in advance of incurred expenses and are classified as current as they are expected to be utilized during 2024.

Inventories

Inventories are valued at the lower of cost or market with cost being determined on the first-in, first-out method. Inventories at year-end consists mainly of pharmaceuticals and medical supplies.

Assets Whose Use is Limited

Assets whose use is limited include cash and cash equivalents held by trustee for debt service and limited to use in accordance with the requirements of a trust indenture and funds from long-term debt direct placements to be expended for debt service.

Capital Assets and Depreciation

Capital assets such as property and equipment are stated at cost and include expenditures for new additions and other costs added to existing facilities which exceed Adams' capitalization threshold and which substantially increase the useful lives of existing facilities. Maintenance, repairs and minor renewals are expensed as incurred. Adams provides for depreciation of property and equipment using annual rates, which are sufficient to depreciate the cost of depreciable assets over their estimated useful lives using the straight-line method. The range of useful lives in computing depreciation is as follows:

Description	Range of Useful Lives
Land improvements	3-40 years
Buildings	5-40 years
Equipment	3-29 years

Intangible right-to-use assets are recognized on the lease or subscription-based information technology arrangement (SBITA) commencement date in an amount that represents the present value of the future lease or SBITA payments over the lease or SBITA term. Intangible right-to-use assets are amortized over the term of the current lease or SBITA.

Pension and Deferred Outflows

For purposes of measuring the net pension asset/liability, deferred outflows and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of Adams defined benefit pension plan (the Plan), and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Revenue from Advance Fees

Prior to or upon entrance to Woodcrest Independent Living, residents typically pay a one-time life occupancy fee (entrance fee) in addition to the monthly rent. Woodcrest Independent Living's performance obligations are satisfied over time so long as each resident with a continuing care contract resides at Adams Woodcrest. The total entrance fee varies based upon the size of the unit being leased. If a resident properly terminates their contract with Woodcrest Independent Living, per the terms of the contract or in the event of their death, a portion of their entrance fee may be refundable. The refund amount would generally approximate a portion of the total entrance fee over a certain number of years as specified in the resident's contract. Once the specified years end for refund eligibility, the entrance fee becomes fully nonrefundable. It is anticipated, and past experience has been, that most residents will remain at Adams Woodcrest for life.

The entrance fees are recorded as deferred revenue from advance fees in the statement of net position and then recognized as revenue earned over the estimated remaining life of each resident, adjusted annually, beginning with the date of the resident's occupancy. If a portion of the fee is returned to a resident or the resident's estate, the deferred revenue account is reduced. Any unrecognized entrance fee revenue at the resident's date of death is recorded as income in the period in which the death occurs.

Obligation to Provide Future Services

Adams Woodcrest annually assesses the cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from advance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from advance fees, a liability is recognized (obligation to provide future services and use of facilities) with a corresponding charge to income. As of December 31, 2023, management's assessment indicated that an additional liability for an obligation to provide future services and use of facilities was not required.

Net Position

Net position of Adams is classified in three components. (1) Net investment in capital assets consist of capital assets net of accumulated depreciation reduced by the balance of any outstanding direct borrowings or placements used to finance the purchase or construction of those assets. (2) Restricted net position includes assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to Adams, including amounts deposited with a trustee as required by revenue bond indentures, and (3) Unrestricted net position is remaining net position that does not meet the definition of net investment in capital assets or restricted. Unrestricted includes funds designated by the board of trustees for specific purposes and undesignated assets. Adams first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Compensated Absences

Adams' employees earn time off at varying rates depending on years of service under separate policies for sick, vacation and personal leaves. The estimated amount of unused time off is reported as a liability in the financial statements.

Statement of Revenues, Expenses and Changes in Net Position

Adams' statement of revenues, expenses and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services which is the principal activity of Adams. Contributions and investment return are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, excluding interest costs.

Charity Care and Assistance to the Uninsured

Adams provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care and financial assistance policy, including those patients who are uninsured. Because Adams does not collect amounts deemed to be charity care, revenue is adjusted for these amounts. Adams maintains records to identify and monitor the level of charity care it provides. These records include the amount of services and supplies furnished under its charity care and financial assistance policy. The charity care charges provided during 2023 were approximately $312,000. Adams did not change its charity care and financial assistance policy during 2023.

Of Adams' total expenses reported, including interest expense, an estimated $296,000 arose from providing services to charity patients during 2023. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on Adams' total expenses including interest expense to gross patient service revenue.

Adams has a policy with discounted rates similar to contractual payors for uninsured patients. Uninsured self-pay discounts provided to patients were approximately $1,803,000 for 2023.

Grants and Contributions

Adams receives grants from County and the State of Indiana as well as contributions from individuals and private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements, are met. Grants and 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 revenues.

Advertising and Community Relations

Adams records advertising and community relations expense in the period incurred. Total expense for advertising and community relations was approximately $505,000 for 2023 and are included within other operating expenses on the statement of revenue, expenses and changes in net position.

Litigation

Adams is exposed to litigation arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on Adams' financial position, results from operations or cash flows.

Risk Management

Adams is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters and settled claims have not exceeded this commercial coverage in any of the three preceding years. Adams is partially self-insured for health claims. Amounts are expensed as incurred and estimated accruals are made for incurred but not yet reported claims as of each statement of net position date.

Medical Malpractice

Malpractice insurance coverage is provided under a claims-made policy. Should the claims-made policy be terminated, Adams has the option to purchase insurance for claims having occurred during its term but reported subsequently. The Indiana Medical Malpractice Act, IC 34-18 (the Act) provides a maximum recovery of $1,800,000. The Act requires Adams to maintain medical malpractice liability insurance in the amount of at least $500,000 per occurrence and $15,000,000 in the annual aggregate. The Act also requires Adams to pay a surcharge to the State Patient's Compensation Fund (the Fund). The Fund is used to pay medical malpractice claims in excess of per occurrence and the annual aggregate amounts as noted above, under certain terms and conditions. No accrual for possible losses attributable to incidents that may have occurred but that have not been identified has been made because the amount, if any, is not reasonably estimable. The Fund is on a claims-made basis and as long as this coverage is continuous or replaced with equivalent insurance, claims based on occurrences during its term but reported subsequently will be insured.

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon Adams' claim experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Federal and State Income Taxes

Adams is a governmental instrumentality organized under Title 16, Article 12, of the Indiana statues. Adams is generally exempt from federal income tax under Section 115 of the Internal Revenue Code (IRC) of 1986. As a governmental entity under Section 115 of the IRC, Adams is not required to file Federal Form 990 – Return of Organization Exempt from Income Tax, which is an informational return only.

The Foundation is a tax-exempt organization under section 501(c)(3). As such, the Foundation is generally exempt from income taxes. However, the Foundation is required to file Federal Form 990 – Return of Organization from Income Tax. The Foundation has filed its Federal and state income tax returns for periods through December 31, 2023. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by Adams and the Foundation and recognize a tax liability if Adams and the Foundation have taken an uncertain position that more likely than not would not be sustained upon examination by various Federal and state taxing authorities. Management has analyzed the tax positions taken by Adams and the Foundation and has concluded that as of December 31, 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. Adams and the Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Fiduciary Funds

Following Adams' financial statements are separate financial statements for fiduciary funds. Fiduciary funds are excluded from Adams' financial statements as these assets are held in trust capacity for the various associates and cannot be used to support Adams' programs. These funds include the Employees Retirement Plan of Adams County Memorial Hospital.

Subsequent Events

Adams evaluated events or transactions occurring subsequent to statement of net position date for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued which was December 27, 2024.

2. CHANGE IN ACCOUNTING PRINCIPLE

In 2023, Adams adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* (GASB 96), which require all SBITAs that have a maximum possible term greater than 12 months to be recorded in the statement of net position. Previously, SBITAs classified as operating expenses were not recorded in the statement of net position. GASB 96 was adopted, applied retrospectively, and did not have a significant impact on Adams' financial statements, increasing total assets and total liabilities by approximately $819,000 as of January 1, 2023.

3. DEPOSITS AND INVESTMENTS

Deposits with financial institutions in the State of Indiana at year-end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

Investments and assets whose use is limited are carried at fair market value. Net realized gains and losses on security transactions are determined on the specific identification cost basis. As of December 31, 2023, Adams had the following investments and maturities, all of which were held in Adams' name by custodial financial institutions that are agents of Adams.

		Investment Maturities (in years)			
Adams	Carrying Amount	Less than 1	1-5	6-10	More than 10
Common stock	$ 700,812	$ 700,812	$ -0-	$ -0-	$ -0-
Mutual funds	30,671,434	30,671,434	-0-	-0-	-0-
Money market funds	5,714,498	5,714,498	-0-	-0-	-0-
Certificates of deposit	20,912,973	17,005,141	3,907,832	-0-	-0-
	$ 57,999,717	$ 54,091,885	$ 3,907,832	$ -0-	$ -0-
Pension trust funds					
Funds held in insurance company general account, at contract value	$ 4,021,987	$ 4,021,987	$ -0-	$ -0-	$ -0-
Money market funds	11,900,961	11,900,961	-0-	-0-	-0-
	$ 15,922,948	$ 15,922,948	$ -0-	$ -0-	$ -0-

Interest rate risk - Adams does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

Credit risk - Statutes authorize Adams to invest in interest bearing deposit accounts, passbook savings accounts, certificates of deposit, money market accounts, mutual funds, pooled fund investments, securities backed by the full faith and credit of the United States Treasury and repurchase agreements. The statutes require that repurchase agreements be fully collateralized by U.S. Government or U.S. Government Agency obligations.

Concentration of credit risk - Adams places no limit on the amount it may invest in any one issuer. Adams maintains its investments, which at times may exceed federally insured limits. Adams has not experienced any losses in such accounts. Adams believes that it is not exposed to any significant credit risk on investments. Adams does have a formal policy regarding credit and concentration of credit risks.

Deposits and investments consist of the following as of December 31, 2023:

Carrying amount - Adams	
Deposits	$ 55,385,672
Investments	57,999,717
	$ 113,385,389
Included in statement of net position captions:	
Cash and cash equivalents	50,524,810
Investments	57,999,717
Cash held by trustee for debt service	4,860,862
	$ 113,385,389
Carrying amount - pension trust funds	
Deposits	$ 63,191
Investments	15,922,948
	$ 15,986,139

Funds Held in Insurance Company General Account

As of December 31, 2023, the Plan maintained one guaranteed investment contract (GIC) related investment option, the Voya Fixed Account issued by Voya Retirement Insurance and Annuity Company (Voya). Voya maintains the contributions in an unallocated fund, whose assets are invested with other assets in the general account of Voya. The account is credited with earnings on the underlying investments and charged for plan withdrawals and administrative expenses charged by Voya. As of December 31, 2023, the contract value of the investment in insurance contract was approximately $4,022,000.

4. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Adams has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Adams' policy is to recognize transfers between levels as of the end of the reporting period. There were no significant transfers between levels during 2023. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2023.

- *Common stocks*: Valued at the closing price reported on the active market on which the individual securities are traded.
- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by Adams are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by Adams are deemed to be actively traded.
- *Money market funds*: Generally transact subscription and redemption activity at a $1 stable net asset value (NAV) however, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.

The following table set forth by level, within the hierarchy, Adams' assets, liabilities, and pension trust funds measured at fair value on a recurring basis as of December 31, 2023.

	Total	Level 1	Level 2	Level 3
Assets				
Investments				
Common stock				
Financial	$ 700,812	$ 700,812	$ -0-	$ -0-
Mutual funds				
Large blend	4,220,857	4,220,857	-0-	-0-
Large growth	3,553,513	3,553,513	-0-	-0-
Large value	9,999,361	9,999,361	-0-	-0-
Mid blend	7,192,343	7,192,343	-0-	-0-
Small blend	132,497	132,497	-0-	-0-
Index	2,399,756	2,399,756	-0-	-0-
Other	3,173,107	3,173,107	-0-	-0-
Total mutual funds	30,671,434	30,671,434	-0-	-0-
Money market funds	5,714,498	-0-	5,714,498	-0-
	37,086,744	$ 31,372,246	$ 5,714,498	$ -0-
Certificates of deposit	20,912,973			
Total investments	$ 57,999,717			
Assets whose use is limited				
Cash and cash equivalents	$ 4,860,862			
Pension trust funds				
Investments				
Money market funds	$ 11,900,961	$ -0-	$ 11,900,961	$ -0-

5. ACCOUNTS RECEIVABLE AND PAYABLE

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities as of December 31, 2023 is as follows:

Patient accounts receivable	
Receivable from Medicare	$ 11,164,879
Receivable from Medicaid	3,918,343
Receivable from Blue Cross	2,146,070
Receivable from other commercial payors	3,656,691
Receivable from self-pay patients	4,293,279
Receivable from long-term care services	44,765,319
Total patient accounts receivable	69,944,581
Less allowance for uncollectible accounts	11,629,919
Patient accounts receivable, net	$ 58,314,662
Accounts payable and accrued expenses	
Payable to suppliers	$ 118,500,551
Payable to employees (including taxes and benefits)	7,210,468
Total accounts payable and accrued expenses	$ 125,711,019

6. CAPITAL ASSETS

A summary of capital assets activity for the year ended December 31, 2023 is as follows:

	As Restated December 31, 2022	Additions	Retirements	Transfers	December 31, 2023
Non-depreciable capital assets					
Land	$ 3,323,198	$ -0-	$ -0-	$ -0-	$ 3,323,198
Construction in progress	2,286,375	3,569,963	-0-	(639,988)	5,216,350
Total non-depreciable capital assets	5,609,573	3,569,963	-0-	(639,988)	8,539,548
Depreciable capital assets					
Land improvements	5,116,867	1,506	-0-	32,094	5,150,467
Buildings	84,177,197	2,670,321	-0-	176,299	87,023,817
Equipment	42,727,558	7,711,539	(189,714)	431,595	50,680,978
Total depreciable capital assets	132,021,622	10,383,366	(189,714)	639,988	142,855,262
Less accumulated depreciation					
Land improvements	2,992,848	163,645	-0-	-0-	3,156,493
Buildings	41,673,665	3,129,521	-0-	-0-	44,803,186
Equipment	29,218,235	3,170,901	(189,714)	-0-	32,199,422
Total accumulated depreciation	73,884,748	6,464,067	(189,714)	-0-	80,159,101
Total depreciable capital assets, net	58,136,874	3,919,299	-0-	639,988	62,696,161
Intangible right-to-use assets					
Leased building	610,497	-0-	-0-	-0-	610,497
Leased equipment	-0-	1,985,396	-0-	-0-	1,985,396
SBITAs	910,331	511,471	-0-	-0-	1,421,802
Total intangible right-to-use assets	1,520,828	2,496,867	-0-	-0-	4,017,695
Less accumulated amortization					
Leased building	25,437	76,313	-0-	-0-	101,750
Leased equipment	-0-	163,123	-0-	-0-	163,123
SBITAs	91,033	203,428	-0-	-0-	294,461
Total accumulated amortization	116,470	442,864	-0-	-0-	559,334
Total intangible right-to-use assets, net	1,404,358	2,054,003	-0-	-0-	3,458,361
Capital assets, net	$ 65,150,805	$ 9,543,265	$ -0-	$ -0-	$ 74,694,070

The December 31, 2022 intangible right-to-use assets have been restated to exclude leases related to long-term care operations. All parties involved can terminate the agreements without cause with 90 days written notice. These leases are considered short-term and as such are not capitalized. There was no impact to net position as a result of the restatement.

There were no significant outstanding commitments surrounding capital assets as of December 31, 2023.

Intangible Right-to-Use Assets

As of December 31, 2023, Adams had one lease agreement in place for building space. The value of the building space intangible right-to-use asset is amortized over the lease term including renewable periods Adams is reasonably certain to exercise. The amortization period extends through lease expiration which is 2030. The terms of the lease agreement are addressed in Note 9.

As of December 31, 2023, Adams had one lease agreement in place for medical equipment. The value of the equipment intangible right-to-use asset is amortized over the lease term including renewable periods Adams is reasonably certain to exercise. The amortization period extends through lease expiration which is 2028. The terms of the lease agreement are addressed in Note 9.

As of December 31, 2023, Adams had two SBITAs in place for software. The value of the software intangible right-to-use asset is amortized over the SBITA term including renewable periods Adams is reasonably certain to exercise. The amortization period extends through SBITA expiration which are 2027 and 2030. The terms of the SBITAs are addressed in Note 9.

7. PENSION ASSETS

Plan Description

Adams has a defined benefit pension plan as authorized by IC 16-22-3-11. The Plan is a single employer plan which provides retirement, disability and death benefits to plan members and beneficiaries. The Plan was established by written agreement by the board of trustees and third-party plan administrator. Cuni, Rust & Strenk is the actuary and third-party administrator of the Plan. Voya Financial is the custodian of the Plan's assets. For more information on the Plan, participants should contact the Administrative Offices (Attn: Chief Financial Officer) at 1100 Mercer Ave, Decatur, IN 46733.

Benefits Provided

The Plan provides that the monthly retirement benefit shall be a pension payable for the member's lifetime equal to 1.00% of the member's monthly compensation, plus 0.65% in excess of covered compensation. This sum is then multiplied by the years of benefit service. Effective December 31, 2011, the Plan was frozen, and no further benefits will accrue under the Plan after that date.

Employees became eligible members of the Plan on January 1 following completion of two years of service. Participants are fully vested after 5 years of service. Participation and the accrual of benefits for additional years of service for active participants was frozen as of December 31, 2011.

The employee normal retirement date is age 65. The employee early retirement date can occur once an employee has attained age 55 and has 10 years of service. A reduced early retirement benefit is available to members with at least 10 years of vesting service any time after attainment of age 55, with a reduction factor determined by the date of severance from employment.

Funding Policy

The contribution requirements of plan members are established by the written agreement between the board of trustees and the plan administrator. Plan members are not required to contribute to the Plan. Adams is required to contribute at an actuarially determined rate. The current rate is 0.00% of annual covered payroll as the valuation assets exceed the accrued liability by more than the expense assumptions of $50,000.

Employees Covered by Benefit Terms

As of December 31, 2023, the following employees were covered by the benefit terms:

Active plan members, including terminated but vested participants	18
Inactive plan members and beneficiaries receiving benefits	45
Inactive plan members entitled to but not yet receiving benefits	91
	154

Contributions

The contribution requirements of plan members are established and can be amended by the board of trustees. The board of trustees establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Hospital is required to contribute at an actuarially determined rate.

Net Pension Asset/Liability

Adams net pension asset was measured as of December 31, 2023, and the total pension liability used to calculate the net pension asset/liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	0.0%	0.0%
Salary increases	N/A	N/A
Investment rate of return	7.0%	7.0%

Mortality rates were based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006 and projected with Mortality Table with Scale MP-2018.

The actuarial value of assets was based on market value of assets.

The expected rate of return reflects an average long-term rate of return based on the current asset mix as of the beginning of the plan year in the plan investment portfolio. The asset mix remains the same as in prior years. The expected rate of return remains 7.00%.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Funds held in insurance company general account, at contract value	25%	3.0%
Money market funds	75%	1.0%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.0% for 2023. The projection of cash flows used to determine the discount rate assumed that Adams contributions will continue to follow the current funding policy. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Position (Asset) Liability

The following presents the net pension (asset) liability of the Plan, calculated using the discount rate of 7.0%, as well as what the Plan's net pension (asset) liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.0%) or 1 percentage-point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension (asset) liability	$ (7,091,108)	$ (7,818,020)	$ (8,444,413)

Detailed information about the pension plan's fiduciary net position is available in a separately issued actuarial valuation report.

Changes in the Net Position (Asset) Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balance, December 31, 2022	$ 12,431,268	$ 19,077,578	$ (6,646,310)
Service cost	47,052	-0-	47,052
Interest	714,685	-0-	714,685
Differences between expected and actual experience	(409,753)	-0-	(409,753)
Benefit payments	(4,615,133)	(4,615,133)	-0-
Net investment income (loss)	-0-	1,523,694	(1,523,694)
Net change	(4,263,149)	(3,091,439)	(1,171,710)
Balance, December 31, 2023	$ 8,168,119	$ 15,986,139	$ (7,818,020)

As of December 31, 2023, Adams reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance, December 31, 2022	$ 1,772,578	$ -0-
Differences between expected and actual experience	42,941	-0-
Changes in assumptions	6,250	-0-
Differences between projected and actual earnings on plan investments	(238,824)	-0-
Balance, December 31, 2023	$ 1,582,945	$ -0-

Amounts reported as deferred outflows of resources related to pension will be recognized in pension (income) expense as follows:

Year Ending December 31,	
2024	$ 273,757
2025	550,433
2026	828,166
2027	(69,411)
	$ 1,582,945

Net Pension Asset/Liability

Adams net pension asset was measured as of December 31, 2023, and the total pension liability used to calculate the net pension asset/liability was determined by an actuarial valuation as of that date.

Plan Termination

During 2023, Adams terminated the defined benefit pension plan, resulting in pension termination costs of approximately $103,000. The majority of lump sum payments to participants were made during 2023. Subsequent to December 31, 2023, remaining lump sum payments to participants amounted to $86,000 and annuities purchased from an insurance company set up for participants amounted to $10,439,000.

8. LONG-TERM DEBT

Adams' long-term debt obligation activity for the year ended December 31, 2023, was as follows:

	December 31, 2022	Additions	Payments	December 31, 2023	Current Portion	Long-term Portion
Direct placement						
Series 2021 Revenue Bonds	$ 22,960,000	$ -0-	$ (1,945,000)	$ 21,015,000	$ 1,950,000	$ 19,065,000
Unamortized bond discount	(98,300)	$ -0-	$ 14,735	(83,565)		
	$ 22,861,700			$ 20,931,435		

In October 2012, Adams participated in the issuance of $34,710,000 Lease Rental Revenue Refunding Bonds, Series 2012 (Series 2012). On March 31, 2013, the First Supplemental Trust Indenture was entered into, and the agreement amended the principal balance, interest rates and maturity dates of the original indenture of the Series 2012 Bonds. On August 11, 2021, the aforementioned agreement was amended again along with the principal balance, interest rates and maturity dates. The bonds require annual principal payments on January 15 of each year beginning in 2022 in amounts ranging from $915,000 to $2,650,000 through February 2033. The Series 2021 Revenue Bonds are a direct placement.

The Trust Indenture requires certain funds be established with the trustee. Accordingly, these funds are included as assets under the caption cash held by trustee for debt service in the statement of net position at December 31, 2023.

Adams has pledged, as security for bonds issued by the Indiana Bond Bank, a portion of Adams' revenues. Adams has committed to appropriate each year, from Adams' revenue, amounts sufficient to cover the principal and interest requirements on Adams' debt. Adams has pledged, as the sole security for the bonds, the annual appropriations from Adams. Aggregate maturities of long-term debt are as follows:

Year ending	Direct placement		
December 31,	Principal	Interest	Total
2024	$ 1,950,000	$ 307,137	$ 2,257,137
2025	1,965,000	292,449	2,257,449
2026	1,980,000	273,703	2,253,703
2027	2,005,000	250,776	2,255,776
2028	2,030,000	224,035	2,254,035
2029 - 2033	11,085,000	575,782	11,660,782
	$ 21,015,000	$ 1,923,882	$ 22,938,882

The Series 2021 Revenue Bonds require Adams to comply with certain restrictive financial covenants. Adams believes it is in compliance with all covenants as of December 31, 2023.

Adams has a $100,000 line of credit with First Bank of Berne. The line of credit bears interest at a fixed rate of 10% and is unsecured. The line of credit expires in January 2025. There were no outstanding borrowings or payments on the line of credit as of and for the year ended December 31, 2023.

9. LEASE AND SBITA LIABILITIES

Building Space Lease

Adams leases building space under a lease agreement that runs through 2030. The lease agreement has monthly payments of approximately $8,000. The present value of each lease was determined using a discount rate based on Adams' incremental borrowing rate at inception of lease of 5.50%. The leased building space and accumulated amortization of the right-to-use assets are outlined in Note 6.

Equipment Lease

Adams leases medical equipment under a lease agreement that runs through 2028. The lease agreement has monthly payments of approximately $34,000. The present value of each lease was determined using a discount rate based on Adams' incremental borrowing rate at inception of lease of 4.00%. The leased equipment and accumulated amortization of the right-to-use assets are outlined in Note 6.

SBITAs

Adams has software subscriptions for payroll/timekeeping and revenue cycle enhancements under SBITA agreements that run through 2027 and 2030, respectively. The SBITA agreements have monthly payments of approximately $17,000 and 8,000. The present value of each SBITA was determined using a discount rate based on Adams' incremental borrowing rate at inception of SBITA of 4.75% and 8.25%. The SBITAs and accumulated amortization of the right-to-use assets are outlined in Note 6.

The progression for lease and SBITA liabilities for 2023 is as follows:

	As Restated December 31, 2022	Additions	Reductions	December 31, 2023	Current Portion	Long-term Portion
Lease and SBITA liabilities						
Leased building	$ 585,060	$ -0-	$ (76,313)	$ 508,747	$ 67,225	$ 441,522
Leased equipment	-0-	1,985,396	(163,123)	1,822,273	336,181	1,486,092
SBITAs	819,298	511,471	(203,428)	1,127,341	236,097	891,244
Total lease and SBITA liabilities	$ 1,404,358	$ 2,496,867	$ (442,864)	$ 3,458,361	$ 639,503	$ 2,818,858

The December 31, 2022 lease and SBITA liabilities have been restated to exclude leases related to long-term care operations. All parties involved can terminate the agreements without cause with 90 days written notice. These leases are considered short-term and as such are not capitalized. There was no impact to net position as a result of the restatement.

There were no remeasurements of leases and SBITAs during 2023. Scheduled principal and interest payments on lease and SBITA liabilities for the years succeeding December 31, 2023 are as follows:

Year ending	Leased building			Leased equipment		
December 31,	Principal	Interest	Total	Principal	Interest	Total
2024	$ 67,225	$ 27,275	$ 94,500	$ 336,181	$ 66,772	$ 402,953
2025	71,017	23,483	94,500	349,878	53,075	402,953
2026	75,023	19,477	94,500	364,132	38,821	402,953
2027	79,255	15,245	94,500	378,967	23,986	402,953
2028	83,726	10,774	94,500	393,115	6,901	400,016
2029-2030	132,501	6,801	139,302	-0-	-0-	-0-
	$ 508,747	$ 103,055	$ 611,802	$ 1,822,273	$ 189,555	$ 2,011,828

Year ending	SBITAs			Total		
December 31,	Principal	Interest	Total	Principal	Interest	Total
2024	$ 236,097	$ 65,232	$ 301,329	$ 639,503	$ 159,279	$ 798,782
2025	249,740	51,589	301,329	670,635	128,147	798,782
2026	264,231	37,098	301,329	703,386	95,396	798,782
2027	176,160	22,720	198,880	634,382	61,951	696,333
2028	81,551	14,878	96,429	558,392	32,553	590,945
2029-2030	119,562	9,029	128,591	252,063	15,830	267,893
	$ 1,127,341	$ 200,546	$ 1,327,887	$ 3,458,361	$ 493,156	$ 3,951,517

10. PATIENT SERVICE REVENUE

Patient service revenue for 2023 consists of the following:

Inpatient services	$ 17,942,496
Outpatient services	112,117,181
Physician services	29,570,590
Resident services	21,587,000
Long-term care services	326,481,288
Gross patient service revenue	507,698,555
Contractual adjustments	77,322,032
Charity care	311,728
Provision for bad debts	10,092,286
Deductions from patient service revenue	87,726,046
Net patient service revenue	$ 419,972,509

11. SELF-INSURANCE

Adams is self-insured for a portion of the risks associated with medical benefits to employees for medical procedures that are able to be provided by Adams. Adams also has a traditional medical benefit policy in effect through a commercial insurance provider that covers individual claims submitted for medical procedures performed outside of Adams. Total health claims expense was approximately $5,992,000 for 2023. Of that expense, approximately $2,583,000 was from self-insured claims and $3,409,000 was from traditionally insured claims. Claim expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. These losses may include an estimate of self-insured claims that have been incurred but not reported. As of January 1, 2023 and December 31, 2023, there was not an accrued balance for self-insured claim liabilities.

Adams also maintains a partially self-funded workers' compensation insurance program. Under the insurance policy, Adams' self-funded liability is limited to $100,000 per incident. In 2023, no individual incident exceeded the liability limit.

12. DEFINED CONTRIBUTION RETIREMENT PLAN

Plan Description

Adams has a defined contribution retirement plan, as authorized by Indiana Code 16-22-3-11. The defined contribution retirement plan covers all employees who meet the eligibility requirements set forth in the plan. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by written agreements between Adams and the board of trustees' retirement committee and the plan administrator. Latitude Retirement is the third-party administrator for the plan. Voya Financial is the custodian of the plan's assets.

Funding Policy

The contribution requirements of plan members are established by the written agreements between Adams and the board of trustees' retirement committee and the plan administrator. Plan members may contribute a portion of their annual covered salary. Adams' contribution is made at management's discretion and are allocated based upon each participant's eligible compensation. Amendments to the plan provisions may be changed at the discretion of the board of trustees' retirement committee and approval of the board of trustees. Adams' contribution amounted to approximately $1,492,000 for the year ended December 31, 2023.

13. CONCENTRATION OF CREDIT RISK

Adams grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables and gross patient service revenues from patients and third-party payors as of December 31, 2023 was as follows:

	Receivables	Revenues
Medicare	44%	46%
Medicaid	16%	18%
Blue Cross	9%	11%
Other commercial payors	14%	16%
Self-pay	17%	9%
	100%	100%

14. RELATED PARTY TRANSACTIONS

Adams and the Foundation are related parties. Transactions between Adams and the Foundation were primarily for donations between the entities and were included in the following lines in the statement of revenues, expenses and changes in net position for the year ended December 31, 2023:

	Adams	Foundation	Total
Marketing and community relations	$ (66,881)	$ -0-	$ (66,881)
Other nonoperating revenue	$ 148,990	$ 66,881	$ 215,871
Other nonoperating expense	$ -0-	$ (148,990)	$ (148,990)
	$ 82,109	$ (82,109)	$ -0-

The statement of net position includes the following related party amounts as of December 31, 2023:

	Adams	Foundation	Total
Other accounts receivable (payable)	$ 30	$ (30)	$ -0-

15. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENT

In June 2022, the GASB issued GASB Statement No. 101, *Compensated Absences*, which will be effective for periods beginning after December 15, 2023. The objective of this new guidance is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences under a unified model and by amending certain previously required disclosures. Adams is currently evaluating the effects this accounting pronouncement will have on its future financial statements, including related disclosures.

REQUIRED SUPPLEMENTARY INFORMATION

ADAMS HEALTH NETWORK

SCHEDULE OF CHANGES IN NET PENSION (ASSET) LIABILITY AND RELATED RATIOS
DECEMBER 31, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability										
Service cost	$ 47,052	$ 51,253	$ 61,816	$ 67,552	$ 87,322	$ 94,325	$ 94,828	$ 113,601	$ 129,468	$ 140,444
Interest	714,685	837,025	839,611	834,206	787,750	772,231	760,964	761,248	756,271	715,349
Change of benefit terms	-0-	-0-	-0-	841,971	920,168	-0-	-0-	-0-	-0-	-0-
Differences between expected and actual experience	(409,753)	75,647	(22,646)	(25,481)	189,158	1,937	(29,907)	(45,337)	41,316	31,326
Changes of assumptions	-0-	-0-	25,412	(42,307)	75,968	(18,581)	(47,965)	(150,907)	(70,760)	487,807
Benefit payments	(4,615,133)	(863,222)	(995,680)	(2,170,432)	(609,836)	(632,193)	(601,244)	(724,467)	(812,698)	(747,119)
Net change in pension liability	(4,263,149)	100,703	(91,487)	(494,491)	1,450,530	217,719	176,676	(45,862)	43,597	627,807
Total pension liability - beginning	12,431,268	12,330,565	12,422,052	12,916,543	11,466,013	11,248,294	11,071,618	11,117,480	11,073,883	10,446,076
Total pension liability - ending (a)	$ 8,168,119	$ 12,431,268	$ 12,330,565	$ 12,422,052	$ 12,916,543	$ 11,466,013	$ 11,248,294	$ 11,071,618	$ 11,117,480	$ 11,073,883
Plan fiduciary net position										
Benefit payments	$ (4,615,133)	$ (863,222)	$ (995,680)	$ (2,170,432)	$ (609,836)	$ (632,193)	$ (601,244)	$ (724,467)	$ (812,698)	$ (746,281)
Net investment income (loss)	1,523,694	(2,917,512)	2,865,047	2,890,632	3,385,462	(379,815)	2,284,495	1,085,941	287,314	1,107,603
Net change in plan fiduciary net position	(3,091,439)	(3,780,734)	1,869,367	720,200	2,775,626	(1,012,008)	1,683,251	361,474	(525,384)	361,322
Plan fiduciary net position - beginning	19,077,578	22,858,312	20,988,945	20,268,745	17,493,119	18,505,127	16,821,876	16,460,402	16,985,786	16,624,464
Plan fiduciary net position - ending (b)	$ 15,986,139	$ 19,077,578	$ 22,858,312	$ 20,988,945	$ 20,268,745	$ 17,493,119	$ 18,505,127	$ 16,821,876	$ 16,460,402	$ 16,985,786
Net pension (asset) liability (a) - (b)	$ (7,818,020)	$ (6,646,310)	$ (10,527,747)	$ (8,566,893)	$ (7,352,202)	$ (6,027,106)	$ (7,256,833)	$ (5,750,258)	$ (5,342,922)	$ (5,911,903)
Plan fiduciary net position as a % of total pension liability	195.71%	153.46%	185.38%	168.97%	156.92%	152.56%	164.51%	151.94%	148.06%	153.39%
Covered payroll	$ 1,267,484	$ 8,449,090	$ 9,511,757	$ 10,450,072	$ 10,997,416	$ 12,295,598	$ 12,026,827	$ 11,760,300	$ 13,040,205	$ 13,527,995
Net pension (asset) liability as a % of covered payroll	-616.81%	-78.66%	-110.68%	-81.98%	-66.85%	-49.02%	-60.34%	-48.90%	-40.97%	-43.70%

See report of independent auditors on pages 1 through 3.

ADAMS HEALTH NETWORK

SCHEDULE OF CONTRIBUTIONS
DECEMBER 31, 2023

	Actuarially Determined Contribution	Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as % of Covered Payroll
12/31/2023	$ -0-	$ -0-	$ -0-	$ 1,267,484	0.0%
12/31/2022	$ -0-	$ -0-	$ -0-	$ 8,449,090	0.0%
12/31/2021	$ -0-	$ -0-	$ -0-	$ 9,511,757	0.0%
12/31/2020	$ -0-	$ -0-	$ -0-	$ 10,450,072	0.0%
12/31/2019	$ -0-	$ -0-	$ -0-	$ 10,997,416	0.0%
12/31/2018	$ -0-	$ -0-	$ -0-	$ 12,295,598	0.0%
12/31/2017	$ -0-	$ -0-	$ -0-	$ 12,026,827	0.0%
12/31/2016	$ -0-	$ -0-	$ -0-	$ 11,760,300	0.0%
12/31/2015	$ -0-	$ -0-	$ -0-	$ 13,040,205	0.0%
12/31/2014	$ -0-	$ -0-	$ -0-	$ 13,527,995	0.0%

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of January 1.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	10 year level, open
Remaining amortization period	10 years
Asset valuation method	Market value
Salary increases	Not applicable
Investment rate of return	7.0%
Retirement age	Later of age 65 and five vesting years of service, but not later than age 65 and the fifth anniversary of participation.
Mortality	Pri-2012 Total Dataset Employee Amount-Weighted Mortality Table.

CPAs / ADVISORS

blue

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

Board of Trustees
Adams Health Network
Decatur, Indiana

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 Adams Health Network (Adams), a component unit of Adams County, and Adams' discretely presented component unit, Adams Health Network Foundation, which comprise the statement of net position as of December 31, 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. We have also audited Adams' statement of fiduciary net position as of December 31, 2023 and the related statement of changes in fiduciary net position for the year then ended and the related notes to the financial statements, and have issued our report thereon dated December 27, 2024.

Report on Internal Control Over Financial Reporting

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

Board of Trustees
Adams Health Network
Decatur, Indiana

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Adams' 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 Adams' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blue & Co., LLC

Indianapolis, Indiana
December 27, 2024