



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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March 8, 2024

Board of Trustees
Highpoint Health
Dearborn County, Indiana

We have reviewed the audit report of Highpoint Health, which was opined upon by Blue & Co., LLC, Independent Public Accountants, for the period March 1, 2021 to November 30, 2022. Per the *Report of Independent Auditors*, the financial statements included in the report present fairly the financial condition of Highpoint Health as of November 30, 2022, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the Transfer of Assets and Liabilities to Dearborn County paragraph included in the *Report of Independent Auditors* and further detailed in Note 1.

We call your attention to the finding in the report on pages 25 and 26. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding.

In our opinion, Blue & Co., LLC prepared the audit report in accordance the guidelines established by the State Board of Accounts.

The audit report is filed with this letter in our office as a matter of public record.

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner



FINANCIAL STATEMENTS

NOVEMBER 30, 2022

CPAs / ADVISORS



HIGHPOINT HEALTH

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REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees of Highpoint Health
and the Dearborn County Auditor's Office
of Dearborn County, Indiana
Lawrenceburg, Indiana

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Highpoint Health (the Hospital), a component unit of Dearborn County, as of November 30, 2022 and for the period from March 1, 2021 through November 30, 2022 and the related notes to the financial statements. We have also audited the Hospital's statement of fiduciary net position as of November 30, 2022 and the related statement of changes in fiduciary net position for the period from March 1, 2021 through November 30, 2022 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 the Hospital as of November 30, 2022, and the respective changes in its financial position and its cash flows for the period from March 1, 2021 through November 30, 2022 in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Basis for Opinion

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 the Hospital and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Transfer of Assets and Liabilities to Dearborn County

As discussed in Note 1 to the financial statements, the Hospital transferred all of its assets and liabilities to Dearborn County as of November 30, 2022 after the asset acquisition agreement with Saint Elizabeth Medical Center d/b/a Saint Elizabeth Healthcare was executed in the Hospital's previous financial statement reporting period. Our opinion is not modified with respect to this matter.

To the Board of Trustees of Highpoint Health
and the Dearborn County Auditor's Office
of Dearborn County, Indiana
Lawrenceburg, Indiana

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with US GAAP; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility 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 the Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospitals 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.

To the Board of Trustees of Highpoint Health
and the Dearborn County Auditor's Office
of Dearborn County, Indiana
Lawrenceburg, Indiana

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis, Schedule of Changes in Net Pension Liability and Related Ratios, and the Schedule of Contributions that US GAAP 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 opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2023 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Blue & Co., LLC

Indianapolis, Indiana
December 20, 2023

HIGHPOINT HEALTH

STATEMENT OF NET POSITION NOVEMBER 30, 2022

ASSETS

Cash	\$	-0-
Patient accounts receivable		-0-
Other assets		-0-
Total assets	\$	-0-

LIABILITIES

Accounts payable	\$	-0-
Accrued health insurance claims		-0-
Contribution payable for pension plan		-0-
Advances on COVID-19 grants		-0-
Estimated third-party payor settlements		-0-
Total liabilities		-0-

NET POSITION

Total liabilities and net position	\$	-0-
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See accompanying notes to financial statements.

HIGHPOINT HEALTH

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE PERIOD FROM MARCH 1, 2021 THROUGH NOVEMBER 30, 2022

Operating revenues

Patient service revenue	\$ 5,354,829
Other operating revenue	<u>437,922</u>
Total operating revenues	5,792,751

Operating expenses

Employee benefits	231,079
Professional fees and contract services	2,608,208
Insurance	158,045
Other	<u>582,566</u>
Total operating expenses	<u>3,579,898</u>
Operating income	2,212,853

Nonoperating revenues

Investment return	31,657
COVID-19 grant funds	<u>6,092,829</u>
Total nonoperating revenues	6,124,486

Other changes in net position

Transfer to Dearborn County	<u>(15,819,873)</u>
Change in net position	(7,482,534)

Net position

Beginning of period	<u>7,482,534</u>
End of period	<u>\$ -0-</u>

See accompanying notes to financial statements.

HIGHPOINT HEALTH

STATEMENT OF CASH FLOWS FOR THE PERIOD FROM MARCH 1, 2021 THROUGH NOVEMBER 30, 2022

Operating activities

Cash received from patients and third-party payors	\$ 2,547,150
Cash paid for employee salaries, wages and benefits	(39,736,368)
Cash paid to vendors for goods and services	(3,281,227)
Other operating receipts, net	<u>437,922</u>
Net cash from operating activities	(40,032,523)

Noncapital financing activities

Transfer to Dearborn County	(15,819,873)
COVID-19 grants refunded	<u>(268,512)</u>
Net cash from noncapital financing activities	(16,088,385)

Investing activities

Investment return	<u>31,657</u>
Net change in cash	(56,089,251)

Cash

Beginning of period	<u>56,089,251</u>
End of period	<u>\$ -0-</u>

Reconciliation of operating income

to net cash from operating activities

Operating income	\$ 2,212,853
Adjustments to reconcile operating income to net cash from operating activities	
Provision for bad debts	(4,510,339)
Changes in operating assets and liabilities	
Patient accounts receivable	5,288,387
Other assets	81,510
Accounts payable	(13,918)
Accrued health insurance claims	(220,365)
Contribution payable for pension plan	(39,284,924)
Estimated third-party payor settlements	<u>(3,585,727)</u>
Net cash flows from operating activities	<u>\$ (40,032,523)</u>

See accompanying notes to financial statements.

HIGHPOINT HEALTH

STATEMENT OF FIDUCIARY NET POSITION NOVEMBER 30, 2022

	Pension Trust Funds
Assets	
Cash	\$ -0-
Total assets	<u>\$ -0-</u>
Net position restricted for pension	<u>\$ -0-</u>

See accompanying notes to financial statements.

HIGHPOINT HEALTH

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR THE PERIOD FROM MARCH 1, 2021 THROUGH NOVEMBER 30, 2022

	Pension Trust Funds
Additions	\$ -0-
Deductions	
Benefits paid to participants	<u>39,291,412</u>
Change in fiduciary net position	(39,291,412)
Net position	
Beginning of period	<u>39,291,412</u>
End of period	<u>\$ -0-</u>

See accompanying notes to financial statements.

HIGHPOINT HEALTH

NOTES TO FINANCIAL STATEMENTS NOVEMBER 30, 2022

1. SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

Highpoint Health (the Hospital) was a county facility and operated under the Indiana County Hospital Law, Indiana Code (IC) 16-22. The Hospital provided short-term inpatient, outpatient, physician and long-term health care services. The Board of County Commissioners of Dearborn County appointed the Governing Board of the Hospital and a financial benefit/burden relationship existed between Dearborn County (the County) and the Hospital. For these reasons, the Hospital was considered a component unit of the County.

The financial statements of the Hospital 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 the Hospital and its component units. They do not purport to, and do not, present the financial position of the County as of November 30, 2022 and the changes in its financial position or its cash flows for the period from March 1, 2021 through November 30, 2022.

Accounting principles generally accepted in the United States of America (US GAAP) require that these financial statements present the Hospital and its significant component units, collectively referred to as the "primary government." The blended component units, as discussed below, are included in the Hospital's reporting entity because of the significance of their operational or financial relationships with the Hospital. A blended component unit, although a legally separate entity, is in substance part of the primary government's operations and exists solely to provide services for the Hospital.

Transfer of Assets and Liabilities to Dearborn County

In November 2020, the Hospital entered into an asset acquisition agreement (the Agreement) with Saint Elizabeth Medical Center, Inc. d/b/a Saint Elizabeth Healthcare (SEH). The Agreement included, among other terms, conditions, and stipulations, SEH's acquisition of certain Hospital assets and assumption of certain Hospital liabilities as identified in the Agreement. In conjunction with the execution of the Agreement, the Hospital terminated its long-term care lease agreements effective November 1, 2020. As a result, the Hospital transferred assets and corresponding liabilities to the managers of the long-term care facilities. The designation for Hospital's discretely presented component unit, Highpoint Health Foundation, Inc. (the Foundation) terminated effective December 31, 2020 when the Foundation dissolved. Upon dissolution, the Foundation's net assets were transferred to SEH.

The remaining activities for the period from March 1, 2021 through November 30, 2022 (the period ended November 30, 2022) related to the collection of outstanding patient accounts receivable and settling outstanding liabilities including the contribution due to the Retirement Plan for Employees of Dearborn County Hospital. With these activities addressed during the period ended November 30, 2022, the Hospital transferred remaining assets and liabilities of approximately \$15,820,000 to the County.

HIGHPOINT HEALTH

NOTES TO FINANCIAL STATEMENTS NOVEMBER 30, 2022

Blended Component Units

The accompanying financial statements include the accounts of the blended component units, Health Services Corporation of Southeastern Indiana (HSC) and Rising Sun Medical Center (RSMC). The Hospital appointed the majority of HSC's and RSMC's boards. In addition, there was a financial benefit/burden relationship between the Hospital and the blended component units. Although HSC and RSMC were legally separate from the Hospital, they were reported as if they were a part of the Hospital because they provided services entirely or almost entirely to the Hospital. All significant intercompany transactions with blended component units have been eliminated in the financial statements. The Hospital, HSC, and RSMC are collectively referred to as "the Hospital" for the remainder of the financial statements notes where appropriate.

During the period ended November 30, 2022, the activities of HSC and RSMC were concluded and the designation as blended component units of the Hospital ceased. Services previously provided by HSC and RSMC are now provided by SEH under its direction.

Use of Estimates

The preparation of the financial statements includes only the financial position, results of operations, changes in net position and cash flows of the Hospital in conformity with US GAAP. The financial statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

Cash

Cash included primarily demand deposits. The Hospital maintained its cash in accounts, which at times, may have exceeded federally insured limits. As a supplement to federally insured limits, the Hospital's practice was to maintain its cash accounts at Indiana Public Deposit Insurance Fund approved financial institutions. The Hospital did not experience any losses in such accounts.

HIGHPOINT HEALTH

NOTES TO FINANCIAL STATEMENTS NOVEMBER 30, 2022

Patient Accounts Receivable and Patient Service Revenue

Patient service revenue and the related patient accounts receivable were recorded at the time services to patients were performed. The Hospital was 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 were reflected as deductions from revenue. At the Hospital's period end, a cost report was filed with the Medicare program computing reimbursement amounts related to Medicare patients. The difference between computed reimbursement and interim reimbursement was reflected as a receivable from or payable to the third-party program.

These programs have audited the period end cost report filed with the Medicare program through October 31, 2020, the final cost report filed by the Hospital prior to the Agreement with SEH. Any differences between submitted and settled cost reports were reflected as deductions from revenue in the period the cost report was settled. During the period ended November 30, 2022, the Hospital recognized approximately \$800,000 in change in net position in the statement of revenues, expenses and changes in net position due to differences between original estimates and subsequent revisions for the final settlements of cost reports through October 31, 2020. 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.

The Hospital entered into agreements with certain commercial carriers. Reimbursement for services under these agreements included discounts from established charges and other payment methodologies. Patient charges under these programs, on which no interim payments were received, were included in patient accounts receivable at the estimated net realizable value of such charges. Management estimated an allowance for uncollectible patient accounts receivable based on an evaluation of historical losses, current economic conditions, and other factors unique to the Hospital's customer base.

Other Assets

Other assets consisted of other reimbursement receivables and various other items.

Net Position

The net position of the Hospital was classified into three components. (1) Net investment in capital assets represented 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. (2) Restricted nonexpendable net position included the principal portion of permanent endowments. Restricted expendable net position included assets that must be used for a particular purpose, as specified by creditors, grantors, or contributions external to the Hospital, including amounts deposited with trustees as required by debt. (3) Unrestricted net position was the remaining net position that did not meet the definition of net investment in capital assets or restricted.

HIGHPOINT HEALTH

NOTES TO FINANCIAL STATEMENTS NOVEMBER 30, 2022

Operating Revenues and Expenses

The Hospital's 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. During the period ended November 30, 2022, operating revenues consisted of changes in net position due to differences between original estimates, subsequent revisions for the final settlement of cost reports and changes in management's estimates for the allowance for uncollectible patient accounts receivable based on cash collections and other operating revenues. Nonoperating revenues included grant funds received and other nonoperating activities such as investment return. Operating expenses are generally all expenses incurred to provide health care services, other than financing costs.

Grants and Contributions

From time to time, the Hospital received contributions from government agencies, individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) were recognized when all eligibility requirements, including time requirements were met. Amounts received prior to meeting the conditions of the grants were reported as liabilities. Grants and contributions could be restricted for either specific operating purposes or for capital purposes. Amounts that were unrestricted or that were restricted to a specific operating purpose were reported as nonoperating revenues. Amounts, if any, restricted to capital acquisitions were reported as nonoperating revenues and expenses.

Pension

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

Federal or State Income Taxes

The Hospital was a governmental instrumentality organized under Title 16, Article 22, of the Indiana statutes. The Hospital was 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, the Hospital was not required to file Federal Form 990 – Return of Organization Exempt from Income Tax, which is an informational return only. HSC and RSMC were tax-exempt organizations under Internal Revenue Code 501(c)(3). As such, they were generally exempt from income taxes. However, they were required to file Federal Form 990 – Return of Organization Exempt from Income Tax.

HIGHPOINT HEALTH

NOTES TO FINANCIAL STATEMENTS NOVEMBER 30, 2022

US GAAP requires management to evaluate tax positions taken by the Hospital and its component units and recognize a tax liability if the Hospital or its component units 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 the Hospital and its component units and has concluded that as of November 30, 2022, 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.

HSC and RSMC filed their final federal and state income tax returns as component units of the Hospital prior to November 30, 2022. 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). HSC and RSMC are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Risk Management

The Hospital was exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage was purchased for claims arising from such matters. The Hospital was involved in litigation arising in the normal course of business. After consultation with legal counsel, management estimated that any matters would be resolved without material adverse effect on the Hospital's future financial position, results from operations or cash flows.

Fiduciary Funds

Following the Hospital's financial statements are separate financial statements for fiduciary funds. Fiduciary funds were excluded from the Hospital's financial statements as these assets were held in trust capacity for the various associates and could not be used to support the Hospital's programs. These funds included the Retirement Plan for Employees of Dearborn County Hospital.

Subsequent Events

The Hospital evaluated events or transactions occurring subsequent to the 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 20, 2023.

2. EMPLOYEE HEALTH BENEFITS

The Hospital was self-insured for employee health claims. Claim expenditures and liabilities were reported when it was probable that a loss had occurred and the amount of the loss could be reasonably estimated. These losses included an estimate of claims that had been incurred but not reported. Claim liabilities were calculated considering the effect of inflation, recent claim settlement trends, including frequency and amounts of payouts, and other economic and social factors. An excess policy through commercial insurance covered individual claims in excess of \$300,000 with no overall annual aggregate limit. Health insurance expense for the period ended November 30, 2022 was approximately \$228,000.

HIGHPOINT HEALTH

NOTES TO FINANCIAL STATEMENTS NOVEMBER 30, 2022

Changes in accrued health insurance claims for the period ended November 30, 2022 are as follows:

Unpaid claims, beginning of period	\$ 220,365
Incurred claims and changes in estimates	228,000
Claim payments	<u>(448,365)</u>
Unpaid claims, end of period	<u>\$ -0-</u>

3. MEDICAL MALPRACTICE

The Hospital purchased professional and general liability insurance to cover medical malpractice claims. In addition to the professional and general liability coverages, the Indiana Medical Malpractice Act, IC 34-18 (the Act) provided a maximum recovery of \$1,800,000 for an occurrence of malpractice. The Act required the Hospital to maintain medical malpractice liability insurance in the amount of at least \$500,000 per occurrence (\$15,000,000 in the annual aggregate). The Act also required the Hospital to pay a surcharge to the State Patient's Compensation Fund (the Fund). The Fund was used to pay medical malpractice claims in excess of per occurrence and the annual aggregate amounts as noted above, under certain terms and conditions. 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.

4. CONCENTRATIONS OF CREDIT RISK

The Hospital was primarily located in Lawrenceburg, Indiana and granted credit without collateral to its patients, most of whom were local residents and were insured under third-party payor agreements. The mix of patient service revenue for the period ended November 30, 2022 was as follows:

Patients and their insurance carriers	48%
Medicare	34%
Medicaid	<u>18%</u>
Commercial and other payors	<u>100%</u>

5. DEFINED BENEFIT PENSION PLAN

The Hospital had a defined benefit pension plan, Retirement Plan for Employees of Dearborn County Hospital (the Plan) as authorized by IC 16-22-3-11. The Plan provided retirement and death benefits to plan members and beneficiaries. The Plan was established by written agreement by the Hospital's Board of Trustees. The Plan was terminated effective October 31, 2020 with all obligations settled by annuity purchase for those in receipt of benefits on the plan termination date, or by lump sum payment for all other participants. The Hospital contributed approximately \$39,291,000 in May 2021 to fund annuities for participants

HIGHPOINT HEALTH

NOTES TO FINANCIAL STATEMENTS NOVEMBER 30, 2022

Changes in the net pension asset (liability) for the period ended November 30, 2022 are as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Liability) Asset (a) - (b)
Balances, 2/28/2021	\$ (39,291,412)	\$ (39,291,412)	\$ -0-
Changes in the period			
Benefit payments	39,291,412	39,291,412	-0-
Balances, 11/30/2022	\$ -0-	\$ -0-	\$ -0-

6. BLENDED COMPONENT UNITS

The Hospital's financial statements include the accounts of the blended component units, HSC and RSMC. Below is condensed financial information of HSC and RSMC as of and for the period ended November 30, 2022.

	HSC	RSMC
Statements of net position		
Assets	\$ -0-	\$ -0-
Liabilities	\$ -0-	\$ -0-
Net position	-0-	-0-
Total liabilities and net position	\$ -0-	\$ -0-
Statement of revenues, expenses and changes in net position		
Operating revenues	\$ -0-	\$ 4,676
Operating expenses	8,117	4,676
Operating loss	(8,117)	-0-
Nonoperating revenues, net	-0-	-0-
Change in net position	(8,117)	-0-
Net position, beginning of period	8,117	-0-
Net position, end of period	\$ -0-	\$ -0-

HIGHPOINT HEALTH

NOTES TO FINANCIAL STATEMENTS NOVEMBER 30, 2022

Statement of cash flows	<u>HSC</u>	<u>RSMC</u>
Net cash flows from		
Operating activities	<u>\$ (8,839)</u>	<u>\$ -0-</u>
Change in cash	(8,839)	-0-
Cash		
Beginning of period	<u>8,839</u>	<u>-0-</u>
End of period	<u>\$ -0-</u>	<u>\$ -0-</u>

7. PROVIDER RELIEF FUNDS

During 2020, the Provider Relief Fund (PRF) authorized under the Coronavirus Aid, Relief, and Economic Security (CARES) Act distributed grants to healthcare providers impacted by the outbreak of the COVID-19 pandemic. The Hospital received approximately \$18,143,000 in PRF from CARES. PRF amounts were recognized as grant revenue to the extent the Hospital met the terms and conditions. The Hospital recognized PRF of \$6,093,000 as COVID-19 grant funds in nonoperating revenue (expenses) in the statement of revenues, expenses, and changes in net position for the period ended November 30, 2022. The Hospital returned \$269,000 in PRF to the U.S. Department of Health and Human Services during the period ended November 30, 2022. Compliance with the terms and conditions is subject to government review and interpretation. There can be no assurance that regulatory authorities will not challenge the Hospital's compliance with the terms and conditions, and it is not possible to determine the impact (if any) such claims would have upon the Hospital. The following is a reconciliation of PRF for the Hospital:

Total PRF COVID-19 grants received	\$ 18,142,514
PRF COVID-19 grant revenue	
Recognized in previous reporting period	(11,781,173)
Recognized in current reporting period	<u>(6,092,829)</u>
Total PRF grant revenue recognized	<u>(17,874,002)</u>
PRF COVID-19 grant funds returned	<u>\$ 268,512</u>



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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 THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of Highpoint Health
and the Dearborn County Auditor's Office
of Dearborn County, Indiana
Lawrenceburg, 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 the business-type activities of Highpoint Health (the Hospital), which comprise the statement of net position as of November 30, 2022, and the related statements of revenues, expenses, and changes in net position, and cash flows for the period from March 1, 2021 through November 30, 2022 and related notes to the financial statements. We have also audited the Hospital's statement of fiduciary net position as of November 30, 2022 and the related statement of changes in fiduciary net position for the period from March 1, 2021 through November 30, 2022 and the related notes to the financial statements, and have issued our report thereon dated December 20, 2023.

Report on Internal Control over Financial Reporting

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

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 Hospital's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

To the Board of Trustees of Highpoint Health
and the Dearborn County Auditor's Office
of Dearborn County, Indiana
Lawrenceburg, Indiana

Report on Compliance and Other Matters

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

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 Hospital'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 Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blue & Co., LLC

Indianapolis, Indiana
December 20, 2023



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**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
 INTERNAL CONTROL OVER COMPLIANCE AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees of Highpoint Health
 and the Dearborn County Auditor's Office
 of Dearborn County, Indiana
 Lawrenceburg, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Highpoint Health's (the Hospital), a component unity of Dearborn County, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Hospital's major federal programs for the period from March 1, 2021 through November 30, 2022. The Hospital's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period from March 1, 2021 through November 30, 2022.

Basis for Opinion on Each Major Program

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

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

To the Board of Trustees of Highpoint Health
and the Dearborn County Auditor's Office
of Dearborn County, Indiana
Lawrenceburg, Indiana

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

To the Board of Trustees of Highpoint Health
and the Dearborn County Auditor's Office
of Dearborn County, Indiana
Lawrenceburg, Indiana

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

To the Board of Trustees of Highpoint Health
and the Dearborn County Auditor's Office
of Dearborn County, Indiana
Lawrenceburg, Indiana

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Hospital as of November 30, 2022 and for the period from March 1, 2021 through November 30, 2022 and have issued our report thereon dated December 20, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the Uniform Guidance, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Blue & Co., LLC

Indianapolis, Indiana
December 20, 2023

HIGHPOINT HEALTH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR PERIOD FROM MARCH 1, 2021 THROUGH NOVEMBER 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing #</u>	<u>Grant ID #</u>	<u>Federal Expenditures</u>
Major program			
U.S. Department of Health and Human Services COVID-19 - Provider Relief Fund	93.498	N/A	<u>\$ 17,874,002</u>
Total federal expenditures			<u><u>\$ 17,874,002</u></u>

See report on schedule of expenditures of federal awards as required by the Uniform Guidance on page 22.
See notes to schedule of expenditures of federal awards on page 24.

HIGHPOINT HEALTH

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS NOVEMBER 30, 2022

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Highpoint Health (the Hospital) under programs of the federal government for the period from March 1, 2021 through November 30, 2022 (period ended November 30, 2022) and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Hospital, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Hospital.

2. SUMMARY OF SIGNIFICANT POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Hospital has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

3. PASS-THROUGH FUNDS TO SUB-RECIPIENTS

During the period ended November 30, 2022, the Hospital did not pass-through funds to sub-recipients.

4. PROVIDER RELIEF FUNDS

Under terms and conditions of the Provider Relief Fund (PRF) grants made available under the Coronavirus Aid, Relief, and Economic Security Act, the Hospital was required to report COVID-19 related expenses and lost revenue to the U.S. Department of Health and Human Services (HHS). Guidance from HHS required the reporting of the COVID-19 related expenses and lost revenue in certain reporting periods based on when the PRF grant funds were received. PRF grant funds included on the Schedule were received by the Hospital and its blended component units, Health Services Corporation of Southeastern Indiana and Rising Sun Medical Center.

HHS required PRF grant funds received prior to December 31, 2020, and expended through December 31, 2021, to be reported on the Schedule for the period ended November 30, 2022 rather than the Schedule for the period from January 1, 2020 through February 28, 2021. The Hospital received approximately \$18,143,000 in PRF grant funds prior to December 31, 2020 and recognized \$6,093,000 and \$11,781,000 as revenue in its statements of revenues, expenses and changes in net position for the period ended November 30, 2022 and the period from January 1, 2020 through February 28, 2021, respectively, as the terms and conditions of the PRF grant funds were satisfied. PRF grant funds of \$269,000 were returned to HHS during the period ended November 30, 2022.

5. FAIR MARKET VALUE OF DONATED PERSONAL PROTECTIVE EQUIPMENT (UNAUDITED)

During the period ended November 30, 2022, the Hospital did not receive donated personal protective equipment from federal sources.

HIGHPOINT HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS NOVEMBER 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	___ yes	___ X none reported
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	___ yes	___ X none reported
Noncompliance material to financial statements noted?	___ yes	___ X no

Federal Awards

Internal controls over major programs:		
Material weakness(es) identified?	___ yes	___ X none reported
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	___ yes	___ X none reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported as defined by Uniform Guidance [2 CFR 200.516(a)]?	___ X yes	___ no
Identification of major program:		
COVID-19 - Provider Relief Fund - (Assistance Listing Number 93.498)		
Dollar threshold used to distinguish between type A and B programs:	\$750,000	
Auditee qualified as low-risk auditee?	___ yes	___ X no

Section II - Findings Related to Financial Statements Reported in Accordance with Government Auditing Standards:

No matters reported

Section III - Findings and questioned costs relating to Federal awards:

2022-001 – Submission of single audit reporting package

Criteria – The single audit reporting package was due to the Federal Audit Clearinghouse within nine months after the financial statement reporting period end.

Condition – The single audit reporting package was not submitted within this timeframe.

Questioned costs - \$--

Context – Single audit requirements direct the grant recipient to comply with the filing requisites.

HIGHPOINT HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS NOVEMBER 30, 2022

Effect - The single audit reporting package was not submitted to the Federal Audit Clearinghouse within the timeframe which resulted in an instance of noncompliance.

Cause – Due to the execution of asset acquisition agreement with Saint Elizabeth Medical Center d/b/a Saint Elizabeth Healthcare and the eventual transfer of assets and liabilities to Dearborn County, Indiana, the Hospital encountered delays in completing the financial statement audit. As a result, the single audit reporting package was not submitted to the Federal Audit Clearinghouse within the timeframe.

Recommendation – We recommend the Hospital file the single audit reporting package with the Federal Audit Clearinghouse.

Views of Responsible Officials and Planned Corrective Actions – Management understands the due date for single audit reporting package submission to the Federal Audit Clearinghouse and will file the single audit reporting package as soon as possible.

Section IV - Summary schedule of prior audit findings:

Not applicable.