



Paul D. Joyce, CPA
State Examiner

INDIANA STATE BOARD OF ACCOUNTS

302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769
Telephone: (317) 232-2513
Fax: (317) 232-4711
www.in.gov/sboa

November 22, 2024

Board of Trustees
Harrison County Hospital
Harrison County, Indiana

We have reviewed the audit report of Harrison County Hospital which was opined upon by Blue & Co., LLC, Independent Public Accountants, for the period January 1, 2023 to December 31, 2023. Per the *Report of Independent Auditors*, the financial statements included in the report present fairly the financial condition of Harrison County Hospital as of December 31, 2023, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

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

Tammy R. White, CPA
Deputy State Examiner



**HARRISON COUNTY HOSPITAL
AND AFFILIATED ORGANIZATION**

FINANCIAL STATEMENTS

AND

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2023 AND 2022

CPAs / ADVISORS



HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

TABLE OF CONTENTS DECEMBER 31, 2023 AND 2022

	Page
Report of Independent Auditors	1
 Required Supplementary Information	
Management’s Discussion and Analysis (Unaudited).....	i
 Financial Statements	
Statements of Financial Position.....	4
Statements of Revenues, Expenses, and Changes in Net Position.....	6
Statements of Cash Flows.....	7
Notes to Financial Statements.....	9
 Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	 33
 Schedule of Findings and Responses	 35



Blue & Co., LLC / 2650 Eastpoint Parkway, Suite 300 / Louisville, KY 40223
main 502.992.3500 fax 502.992.3509 email blue@blueandco.com

blueandco.com

REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Harrison County Hospital and
Affiliated Organization
Corydon, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Harrison County Hospital and Affiliated Organization (collectively the "Hospital"), a component unit of Harrison County, Indiana, which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hospital as of December 31, 2023 and 2022, and the respective changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Hospital adopted Government Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, during 2023. Our opinion is not modified with respect to this matter.

Board of Trustees
Harrison County Hospital and
Affiliated Organization
Corydon, Indiana

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Board of Trustees
Harrison County Hospital and
Affiliated Organization
Corydon, Indiana

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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 September 30, 2024, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Blue & Co., LLC

Louisville, Kentucky
September 30, 2024

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2023 AND 2022

Management's discussion and analysis of the financial performance of Harrison County Hospital ("HCH") and Harrison MOB, LLC ("the MOB"), (collectively described as "the Hospital") provides an overview of the Hospital's financial activities and performance for the years ended December 31, 2023 and 2022. This discussion and analysis should be read in conjunction with the accompanying Hospital's financial statements.

FINANCIAL HIGHLIGHTS

The Hospital's net position decreased \$2,717,544 from 2022 to 2023 and included loss from operations of \$3,005,489. During 2023, the Hospital's total operating revenues increased by 1.2% to \$126,977,907, while total operating expenses increased by 1.1% to \$129,983,396. Nonoperating revenues and expenses increased by \$645,113.

- The Hospital raised rates by 4.5% in 2023.
- In an effort to increase Medicaid reimbursement to hospitals, the State of Indiana implemented a Hospital Assessment Fee program in 2012. Indiana hospitals are assessed a fee which allows the state to access Federal funds allowing it to pay Medicaid patient claims at higher rates, not to exceed Medicare reimbursement. The Hospital incurred \$2,752,342 in Hospital Assessment Fees expense in 2023, an increase of \$217,172 over the \$2,535,170 incurred in 2022.
- During 2019 and 2020, the Hospital assumed ownership of the bed licenses of seven long term care facilities. The Hospital entered into management agreements with the previous owners and/or management entities to manage the day-to-day operations of the facilities. The Hospital also leases the buildings and premises from the prior owners. Upper payment limit amounts recognized in net patient service revenue resulting from these long-term care facilities were \$2,194,796 in 2023 and \$3,461,657 in 2022.

The Hospital's net position decreased \$3,422,363 from 2021 to 2022 and included loss from operations of \$3,065,195. During 2022, the Hospital's total operating revenues increased by 9.9% to \$125,531,394, while total operating expenses increased by 8.2% to \$128,596,589. Nonoperating revenues and expenses decreased by \$4,576,477.

- The Hospital raised rates by 4.5% in 2022.
- In an effort to increase Medicaid reimbursement to hospitals, the State of Indiana implemented a Hospital Assessment Fee program in 2012. Indiana hospitals are assessed a fee which allows the state to access Federal funds allowing it to pay Medicaid patient claims at higher rates, not to exceed Medicare reimbursement. The Hospital incurred \$2,535,170 in Hospital Assessment Fees expense in 2022, an increase of \$212,033 over the \$2,323,137 incurred in 2021.
- During 2019 and 2020, the Hospital assumed ownership of the bed licenses of seven long term care facilities. The Hospital entered into management agreements with the previous owners and/or management entities to manage the day-to-day operations of the facilities. The Hospital also leases the buildings and premises from the prior owners. Upper payment limit amounts recognized in net

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2023 AND 2022

patient service revenue resulting from these long-term care facilities were \$3,461,657 in 2022 and \$3,128,684 in 2021.

FINANCIAL STATEMENTS

The financial statements of the Hospital present information about the Hospital using financial reporting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information. The statement of financial position includes all of the Hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the Hospital's creditors (liabilities). It also provides the basis for compiling rate of return, evaluating the capital structure and assessing the liquidity and financial flexibility of the Hospital. All of the current and prior year's revenues and expenses are accounted for in the statement of operations and changes in net position. This statement measures the financial results of the Hospital's operations and presents revenues earned and expenses incurred and provides information concerning the components of changes to net position. The statement of cash flows provides information about the Hospital's cash flows from operating activities, capital and related financing activities, and investing activities, plus provide information on the sources and uses of cash during both the current and prior year.

FINANCIAL ANALYSIS

The statement of financial position and statement of operations and changes in net position report information about the Hospital's activities. These statements report the net position of the Hospital and its changes. Increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, population changes (including uninsured and medically indigent individuals and families) and new or changed governmental legislation should also be considered.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2023 AND 2022

CONDENSED FINANCIAL INFORMATION

A summary of the Hospital's statements of financial position as of December 31, 2023 and 2022 is presented below:

	2023	2022 As restated	\$ Change	% Change
Assets				
Current assets	\$ 16,949,252	\$ 18,942,404	\$ (1,993,152)	-10.5%
Capital assets	20,993,913	22,982,935	(1,989,022)	-8.7%
Assets whose use is limited	3,618,774	4,849,275	(1,230,501)	-25.4%
Deferred outflows	<u>80,831</u>	<u>110,223</u>	<u>(29,392)</u>	-26.7%
Total assets and deferred outflows	<u>\$ 41,642,770</u>	<u>\$ 46,884,837</u>	<u>\$ (5,242,067)</u>	-11.2%
Liabilities				
Current liabilities	\$ 12,180,293	\$ 13,480,936	\$ (1,300,643)	-9.6%
Long-term liabilities	<u>3,208,653</u>	<u>4,432,533</u>	<u>(1,223,880)</u>	-27.6%
Total liabilities	15,388,946	17,913,469	(2,524,523)	-14.1%
Net position				
Net investment in capital assets	16,560,389	17,130,442	(570,053)	-3.3%
Unrestricted	<u>9,693,435</u>	<u>11,840,926</u>	<u>(2,147,491)</u>	-18.1%
Total net position	<u>26,253,824</u>	<u>28,971,368</u>	<u>(2,717,544)</u>	-9.4%
Total liabilities and net position	<u>\$ 41,642,770</u>	<u>\$ 46,884,837</u>	<u>\$ (5,242,067)</u>	-11.2%

- Cash and cash equivalents decreased by approximately \$1,413,113 from 2022 to 2023. Expenses during 2023 increased much quicker than revenues, which are still down from pre-pandemic amounts.
- Capital assets decreased by \$1,989,022 from 2022 to 2023 as depreciation exceeded capital purchases in 2022.
- Current liabilities decreased by \$1,300,643 due to decreased payment amounts due from the long-term care facilities to the Indiana Family and Social Services Administration.
- Long term liabilities decreased by approximately \$1,223,880 from 2022 to 2023 due to principal payments on debt.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2023 AND 2022

A summary of the Hospital's statements of financial position as of December 31, 2022 and 2021 is presented below:

	2022	2021	\$ Change	% Change
Assets				
Current assets	\$ 18,942,404	\$ 24,088,914	\$ (5,146,510)	-21.4%
Capital assets	22,982,935	23,630,588	(647,653)	-2.7%
Assets whose use is limited	4,849,275	7,253,774	(2,404,499)	-33.1%
Deferred outflows	110,223	139,616	(29,393)	-21.1%
Total assets and deferred outflows	\$46,884,837	\$ 55,112,892	\$ (8,228,055)	-14.9%
Liabilities				
Current liabilities	\$ 13,480,936	\$ 17,113,345	\$ (3,632,409)	-21.2%
Long-term liabilities	4,432,533	5,605,816	(1,173,283)	-20.9%
Total liabilities	17,913,469	22,719,161	(4,805,692)	-21.2%
Net position				
Net investment				
in capital assets	17,130,442	16,754,842	375,600	2.2%
Unrestricted	11,840,926	15,638,889	(3,797,963)	-24.3%
Total net position	28,971,368	32,393,731	(3,422,363)	-10.6%
Total liabilities and net position	\$46,884,837	\$ 55,112,892	\$ (8,228,055)	-14.9%

- Cash and cash equivalents decreased by approximately \$6,529,141 from 2021 to 2022. In 2021, the Hospital had a total of \$3,940,951 in Medicare Accelerated and Advance funding that was fully recouped in 2022. Expenses exceeded revenues in 2022, with revenues still being down from pre-pandemic amounts. This led to a decrease in cash flow in 2022.
- Capital assets decreased by \$647,653 from 2021 to 2022 as depreciation exceeded capital purchases in 2022.
- Current liabilities decreased by \$3,632,409. The Hospital had Medicare Accelerated and Advance funding of \$3,940,951 recorded as refundable advances in 2021. This balance was fully recouped in 2022.
- Long term liabilities decreased by approximately \$1,173,283 from 2021 to 2022 due to principal payments on debt.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2023 AND 2022

A summary of the Hospital's statements of revenues, expenses, and changes in net position for the years ended December 31, 2023 and 2022 is presented below:

	<u>2023</u>	<u>2022</u> <u>As restated</u>	<u>\$ Change</u>	<u>% Change</u>
Operating revenues				
Net patient service revenue	\$ 122,606,846	\$ 123,289,716	\$ (682,870)	-0.6%
Other revenue	<u>4,371,061</u>	<u>2,241,678</u>	<u>2,129,383</u>	95.0%
Total operating revenues	126,977,907	125,531,394	1,446,513	1.2%
Operating expenses				
Salaries and benefits	72,325,601	68,345,637	3,979,964	5.8%
Supplies and drugs	13,064,572	14,472,328	(1,407,756)	-9.7%
Depreciation	2,725,023	3,344,242	(619,219)	-18.5%
Other operating expenses	<u>41,868,200</u>	<u>42,434,382</u>	<u>(566,182)</u>	-1.3%
Total operating expenses	<u>129,983,396</u>	<u>128,596,589</u>	<u>1,386,807</u>	1.1%
Loss from operations	(3,005,489)	(3,065,195)	59,706	1.9%
Nonoperating revenues (expenses)	<u>287,945</u>	<u>(357,168)</u>	<u>645,113</u>	-180.6%
Change in net position	(2,717,544)	(3,422,363)	704,819	20.6%
Net position, beginning of year	<u>28,971,368</u>	<u>32,393,731</u>	<u>(3,422,363)</u>	-10.6%
Net position, end of year	<u>\$ 26,253,824</u>	<u>\$ 28,971,368</u>	<u>\$ (2,717,544)</u>	-9.4%

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2023 AND 2022

A summary of the Hospital's statements of revenues, expenses, and changes in net position for the years ended December 31, 2022 and 2021 is presented below:

	2022	2021	\$ Change	% Change
	As restated			
Operating revenues				
Net patient service revenue	\$ 123,289,716	\$ 111,940,944	\$ 11,348,772	10.1%
Other revenue	<u>2,241,678</u>	<u>2,248,529</u>	<u>(6,851)</u>	-0.3%
Total operating revenues	125,531,394	114,189,473	11,341,921	9.9%
Operating expenses				
Salaries and benefits	68,345,637	62,827,086	5,518,551	8.8%
Supplies and drugs	14,472,328	13,944,720	527,608	3.8%
Depreciation	3,344,242	3,064,580	279,662	9.1%
Other operating expenses	<u>42,434,382</u>	<u>39,006,724</u>	<u>3,427,658</u>	8.8%
Total operating expenses	<u>128,596,589</u>	<u>118,843,110</u>	<u>9,753,479</u>	8.2%
Loss from operations	(3,065,195)	(4,653,637)	1,588,442	34.1%
Nonoperating revenues (expenses)	<u>(357,168)</u>	<u>4,219,309</u>	<u>(4,576,477)</u>	108.5%
Change in net position	(3,422,363)	(434,328)	(2,988,035)	-688.0%
Net position, beginning of year	<u>32,393,731</u>	<u>32,828,059</u>	<u>(434,328)</u>	-1.3%
Net position, end of year	<u>\$ 28,971,368</u>	<u>\$ 32,393,731</u>	<u>\$ (3,422,363)</u>	-10.6%

SOURCES OF REVENUE

The Hospital derives the majority of its revenue from charges for patient care and related services. The Hospital is reimbursed for services from a variety of sources including the Medicare and Medicaid programs, insurance carriers, managed care plans, and patients. The Hospital has established payment arrangements with Medicare, Medicaid, and various commercial insurance carriers. Services provided under those arrangements are paid at predetermined rates and/or reimbursable cost as defined. Provisions have been made in the financial statements for contractual adjustments representing the difference between the standard charges for services and the actual or estimated payment.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2023 AND 2022

The Hospital's percentages of gross revenue by payor for 2023, 2022, and 2021 are as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Medicare	36 %	43 %	43 %
Medicaid	19	25	24
Blue Cross	10	14	15
Other third-party payors	20	11	11
Self-pay	<u>15</u>	<u>7</u>	<u>7</u>
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

OPERATING AND FINANCIAL PERFORMANCE

The Hospital's financial performance from operations improved in 2023 in comparison to 2022, while also improving from 2021 to 2022. A discussion of the highlights of 2023 operations and changes in activity is presented below:

Revenues

Net patient service revenues of the Hospital decreased \$682,870 or 0.6% from 2022 to 2023. Highlights of this are as follows:

- There was a 4.5% rate increase in 2023 effective on the first day of the year.
- Net patient service revenues from HCH operations (excluding the long-term care facilities) decreased by approximately \$2,989,000 or 5.2% from 2022 to 2023 as inpatient volumes remained well below 2019 pre-pandemic levels.
- Contractual, bad debt, and charity care adjustments as a percentage of gross patient revenues rose just over 1% from 2022 to 2023.

Expenses

Total operating expenses increased \$1,386,807 or 1.1% in 2023. Highlights of this increase are as follows:

- Increase in operating expenses is related to increased staffing in 2023.
- As mentioned previously, Hospital Assessment Fees associated with HCH operations (excluding the long-term care facilities) increased by approximately \$217,000 while the cost of medical supplies and drugs decreased by approximately \$289,000 or 3.1% due to lower volumes.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2023 AND 2022

The Hospital's financial performance from operations improved in 2022 in comparison to 2021 while the Hospital's overall financial performance declined from 2021 to 2022. A discussion of the highlights of 2022 operations and changes in activity is presented below:

Revenues

Net patient service revenues of the Hospital increased \$11,348,772 or 10.1% from 2021 to 2022. Highlights of this are as follows:

- There was a 4.5% rate increase in 2022 effective on the first day of the year.
- Net patient service revenues from HCH operations (excluding the long-term care facilities) increased by approximately \$4,442,000 or 7.7% from 2021 to 2022 as inpatient volumes remained well below 2019 pre-pandemic levels.
- Contractual, bad debt, and charity care adjustments as a percentage of gross patient revenues remained consistent from 2021 to 2022.

Expenses

Total operating expenses increased \$9,753,479 or 8.2% in 2022. Highlights of this increase are as follows:

- Increase in operating expenses is relatively consistent with the increase in revenues as volumes and activity recovered in 2022 after the initial outbreak of the pandemic.
- As mentioned previously, Hospital Assessment Fees associated with HCH operations (excluding the long-term care facilities) increased by approximately \$428,000 while the cost of medical supplies and drugs decreased by approximately \$298,000 or 4.1% due to the additional purchases required in 2021 to be used for COVID treatments. No such purchases were required for 2022.

FINANCIAL ANALYSIS – CASH FLOWS

Hospital cash flows decreased \$3,052,140 during 2023. The decrease in cash was primarily a result of operating losses.

Hospital cash flows decreased \$8,504,886 during 2022. The decrease in cash was primarily a result of payments made relating to the Medicare Accelerated Advance Payment Program, and operating losses.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2023 AND 2022

Capital Assets

	2023	2022		% Change
		As restated	\$ Change	
Land and land improvements	\$ 6,335,157	\$ 6,335,157	\$ -0-	0.0%
Leasehold improvements	3,419,775	3,419,775	-0-	0.0%
Buildings	42,431,592	42,319,670	111,922	0.3%
Equipment	26,668,411	26,410,141	258,270	1.0%
Intangible right-to-use lease assets	619,210	537,037	82,173	15.3%
Construction in progress	131,727	102,177	29,550	28.9%
	<u>79,605,872</u>	<u>79,123,957</u>	<u>481,915</u>	0.6%
Less accumulated depreciation	<u>58,611,959</u>	<u>56,141,022</u>	<u>2,470,937</u>	4.4%
Capital assets, net	<u>\$ 20,993,913</u>	<u>\$ 22,982,935</u>	<u>\$ (1,989,022)</u>	-8.7%

The Hospital's capital assets decreased by approximately \$1,989,022 in 2023. Major capital expenditures included an ambulance for \$281,742 and a blood bank analyzer for \$72,000.

	2022		\$ Change	% Change
	As restated	2021		
Land and land improvements	\$ 6,335,157	\$ 6,380,571	\$ (45,414)	-0.7%
Leasehold improvements	3,419,775	3,419,775	-0-	0.0%
Buildings	42,319,670	42,016,204	303,466	0.7%
Equipment	26,410,141	26,042,782	367,359	1.4%
Intangible right-to-use lease assets	537,037	-0-	537,037	100.0%
Construction in progress	102,177	309,536	(207,359)	-67.0%
	<u>79,123,957</u>	<u>78,168,868</u>	<u>955,089</u>	1.2%
Less accumulated depreciation	<u>56,141,022</u>	<u>54,538,280</u>	<u>1,602,742</u>	2.9%
Capital assets, net	<u>\$ 22,982,935</u>	<u>\$ 23,630,588</u>	<u>\$ (647,653)</u>	-2.7%

The Hospital's capital assets decreased by approximately \$1,047,009 in 2022. Major capital expenditures included a nurse call system for \$323,322, an ambulance for \$245,858, and an HVAC system for \$100,470.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2023 AND 2022

Debt

At December 31, 2023, the Hospital had outstanding debt of \$4,195,168. This is comprised of Hospital revenue bonds, Hospital notes payable, and MOB revenue bonds outstanding.

At December 31, 2022, the Hospital had outstanding debt of \$5,573,856. This is comprised of Hospital revenue bonds, Hospital notes payable, and MOB revenue bonds outstanding.

ECONOMIC FACTORS AND 2024 BUDGET

The Hospital's Board and management considered many factors when establishing the 2024 budget. Included was the status of the economy, which takes into consideration market factors and other environmental factors such as the following items:

- Provider supply vs. demand causing increased employment subsidy costs
- Increased salary and benefit costs due to nationwide workforce shortages in nursing and other healthcare specialist positions
- Advances in medical equipment and information systems technology and the need to replace obsolete equipment
- Decreasing reimbursement from governmental and commercial insurance payors
- Increasing burden from government and payor quality requirements
- Increasing costs of medical supplies and pharmaceuticals
- Increased competition from niche providers and area hospitals
- Physician recruiting challenges due to trends in the market

CONTACTING THE HOSPITAL

This report is designed to provide our citizens, customers, and creditors with a general overview of the Hospital's finances. These financial statements include the activities of HCH, which include the long-term care facilities and MOB. If you have questions about this report or need additional information, contact Donald Duval, Chief Financial Officer at 812-734-3861.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2023 AND 2022

	2023	2022 As restated
	<u>2023</u>	<u>As restated</u>
Current assets		
Cash and cash equivalents	\$ 2,612,853	\$ 4,025,966
Patient accounts receivable, net of estimated uncollectibles of \$6,913,195 in 2023 and \$5,972,079 in 2022	9,940,611	11,624,376
Inventories	1,338,440	1,369,026
Prepaid expenses and other current assets	2,200,902	1,487,588
Estimated third-party payor settlements	856,446	435,448
Total current assets	<u>16,949,252</u>	<u>18,942,404</u>
Assets whose use is limited	3,618,774	4,849,275
Capital assets, net	<u>20,993,913</u>	<u>22,982,935</u>
Total assets	41,561,939	46,774,614
Deferred outflows - deferred loss on bond refunding	<u>80,831</u>	<u>110,223</u>
Total assets and deferred outflows	<u>\$ 41,642,770</u>	<u>\$ 46,884,837</u>

See accompanying notes to financial statements.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2023 AND 2022

LIABILITIES AND NET POSITION

	2023	2022 As restated
Current liabilities		
Accounts payable	\$ 7,166,143	\$ 7,831,106
Accrued personnel costs	3,547,254	3,138,911
Accrued expenses	161,194	980,736
Current portion of subscription-based information technology agreement liabilities	156,809	151,846
Current portion of long-term debt	1,148,893	1,378,337
Total current liabilities	12,180,293	13,480,936
Long-term liabilities		
Subscription-based information technology agreements, net of current portion	162,378	237,014
Long-term debt, net of current portion	3,046,275	4,195,519
Total liabilities	15,388,946	17,913,469
Net position		
Net investment in capital assets	16,560,389	17,130,442
Unrestricted	9,693,435	11,840,926
Total net position	26,253,824	28,971,368
Total liabilities and net position	\$ 41,642,770	\$ 46,884,837

See accompanying notes to financial statements.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022 As restated
Operating revenues		
Net patient service revenue	\$ 122,606,846	\$ 123,289,716
Other revenue	<u>4,371,061</u>	<u>2,241,678</u>
Total operating revenues	126,977,907	125,531,394
Operating expenses		
Salaries and wages	64,840,607	61,298,202
Employee benefits and payroll taxes	7,484,994	7,047,435
Professional medical fees	8,182,047	7,116,140
Medical supplies	7,068,262	8,458,140
Other supplies	4,264,644	4,283,540
Drugs	1,731,666	1,730,648
Purchased services	8,291,809	7,831,768
Utilities	2,852,016	2,862,782
Insurance	1,720,125	1,585,671
Depreciation	2,725,023	3,344,242
Hospital assessment fee	2,752,342	2,535,170
Short-term leases	8,192,860	8,170,816
Management fees	7,906,474	10,258,769
Other operating expenses	<u>1,970,527</u>	<u>2,073,266</u>
Total operating expenses	<u>129,983,396</u>	<u>128,596,589</u>
Loss from operations	(3,005,489)	(3,065,195)
Nonoperating revenues (expenses)	<u>287,945</u>	<u>(357,168)</u>
Change in net position	(2,717,544)	(3,422,363)
Net position, beginning of year	<u>28,971,368</u>	<u>32,393,731</u>
Net position, end of year	<u>\$ 26,253,824</u>	<u>\$ 28,971,368</u>

See accompanying notes to financial statements.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022 As restated
Operating activities		
Cash received for patient services	\$ 123,869,613	\$ 121,254,363
Cash paid to/for employees	(71,917,258)	(68,113,904)
Cash paid to vendors and suppliers	(57,077,795)	(56,120,676)
Other receipts, net	4,371,061	2,241,678
Net cash flows from operating activities	(754,379)	(738,539)
Noncapital financing activities		
Change in refundable advances	-0-	(4,146,941)
Grant revenue	51,000	209,211
Net cash flows from noncapital financing activities	51,000	(3,937,730)
Capital and related financing activities		
Principal payments on subscription-based information technology agreements	(151,846)	(148,177)
Principal payments on long-term debt	(1,378,688)	(1,441,506)
Interest paid	(188,608)	(202,733)
Purchase of capital assets	(676,038)	(2,132,372)
Proceeds from sale of capital assets	44,646	35,885
Gain on disposal of capital assets	(226)	(34,215)
Change in deferred outflows	29,392	29,393
Net cash flows from capital and related financing activities	(2,321,368)	(3,893,725)
Investing activities		
Investment income	425,327	(397,114)
Other nonoperating revenues (expenses)	(44,194)	33,468
Change in assets whose use is limited	(408,526)	428,754
Net cash flows from investing activities	(27,393)	65,108
Net change in cash and cash equivalents	(3,052,140)	(8,504,886)
Cash and cash equivalents, beginning of year	5,891,406	14,396,292
Cash and cash equivalents, end of year	\$ 2,839,266	\$ 5,891,406
Reconciliation of cash and cash equivalents to the statement of financial position		
Cash and cash equivalents in current assets	\$ 2,612,853	\$ 4,025,966
Cash and cash equivalents in assets whose use is limited	226,413	1,865,440
Total cash and cash equivalents	\$ 2,839,266	\$ 5,891,406

See accompanying notes to financial statements.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022 As restated
Reconciliation of loss from operations to net cash flows from operating activities		
Loss from operations	\$ (3,005,489)	\$ (3,065,195)
Adjustments to reconcile loss from operations to net cash flows from operating activities		
Depreciation	2,725,023	3,344,242
Provision for bad debts	6,102,483	6,818,124
Changes in operating assets and liabilities		
Patient accounts receivable	(4,418,718)	(7,659,012)
Inventories	30,586	29,297
Prepaid expenses and other current assets	(713,314)	(135,592)
Estimated third-party payor settlements	(420,998)	(1,194,465)
Accounts payable	(642,753)	657,835
Accrued personnel costs	408,343	231,733
Accrued expenses	(819,542)	234,494
Net cash flows from operating activities	\$ (754,379)	\$ (738,539)
Supplemental disclosures of noncash activities		
Property and equipment acquired included in accounts payable	\$ 22,210	\$ 28,850
Property and equipment acquired under software-based information technology agreements	\$ 82,173	\$ 537,037

See accompanying notes to financial statements.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Harrison County Hospital ("HCH") is a not-for-profit, acute care hospital located in Corydon, Indiana. The Hospital is county owned and operates under the Indiana County Hospital Law, Indiana Code 16-22. The Hospital is organized for the purpose of providing healthcare services to the residents of Harrison County (the "County") and the surrounding area. The Hospital's primary sources of support are from patient revenues and other ancillary income. Patient revenues include funds received from Medicare, state agencies, insurance companies, and the patients themselves.

Pursuant to the provision of long-term care, HCH owns the operations of seven long-term care nursing facilities. These facilities provide inpatient and therapy services in their geographic area and supports the Hospital's mission to provide quality care and services to the facilities' residents. The facilities are managed by a third party under management agreements. The revenues from operations are the property of HCH and HCH is responsible for the associated operating expenses and working capital requirements. Related thereto, the Hospital entered into lease agreements with the long-term care facilities, collectively referred to as the Lessors, to lease the facilities managed by the manager. Concurrently, the Hospital entered into agreements with the manager to manage the above leased facilities. As part of the agreements, the Hospital will pay the manager a management fee to continue managing the facilities on behalf of the Hospital 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 expired on January 1, 2021, and have been renewed on two-year increments since. All parties involved can terminate the agreement without cause with 60 days written notice.

Harrison MOB, LLC ("MOB") is a limited liability company that is wholly-owned by the Hospital. The MOB was organized to construct, own, and operate a medical office building adjacent to the Hospital in Corydon, Indiana. The MOB's primary source of revenue is from rental income.

Harrison County Hospital Foundation, Inc. ("Foundation") is a not-for-profit organization developed exclusively for the advancement of scientific, educational, and charitable purposes of HCH through the solicitation of private financial support. The Foundation is considered to be a blended component unit as it operates exclusively for the benefit of the Hospital. However, due to the immateriality of the Foundation, the Foundation will not be included in the consolidated financial statements.

The significant accounting policies followed by HCH and MOB (collectively the "Hospital") in the preparation of the financial statements (hereinafter "financial statements") are summarized below:

Reporting Entity

The accompanying financial statements include the accounts of HCH and MOB. The Board of County Commissioners of Harrison County appoints the Governing Board of HCH and a financial benefit/burden relationship exists between the County and HCH. For these reasons, the HCH is

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

considered a component unit of Harrison County. Similarly, due to its organized purpose, MOB is considered a blended component unit of HCH.

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic 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.

Financial Statement Presentation

The Governmental Accounting Standards Board ("GASB") is the independent, private-sector organization that establishes accounting and financial reporting standards for U.S. state and local governments that follow accounting principles generally accepted in the United States of America ("GAAP"). The Hospital follows GASB accounting and financial reporting standards in the preparation of their financial statements.

Management's Estimates

Management uses estimates and assumptions in preparing the financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, if any, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Risk Management

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

Cash and Cash Equivalents

Cash and cash equivalents as reported on the statement of financial position include petty cash and other cash on hand amounts, checking accounts, and savings accounts that are readily available for use. Cash and cash equivalents as reported on the statement of cash flows include investments in highly liquid assets with maturity dates of 90 days or less when purchased.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Patient Accounts Receivable and Net Patient Service Revenue

The Hospital recognizes net patient service revenues on the accrual basis of accounting in the reporting period in which services are performed based on the current gross charge structure, less actual adjustments and estimated discounts for contractual allowances, principally for patients covered by Medicare, Medicaid, managed care, and other health plans. Gross patient service revenue is recorded in the accounting records using the established rates for the types of service provided to the patient. The Hospital recognizes an estimated contractual allowance to reduce gross patient charges to the estimated net realizable amount for service rendered based upon previously agreed-to rates with a payor. The Hospital utilizes the patient accounting system to calculate contractual allowances on a payor-by-payor basis based on the rates in effect for each primary third-party payor. Another factor that is considered and could further influence the level of the contractual reserves includes the status of accounts receivable balances as inpatient or outpatient. The Hospital's management continually reviews the contractual estimation process to consider and incorporate updated laws and regulations and the frequent changes in managed care contractual terms that result from contract negotiations and renewals.

Payors include federal and state agencies, including Medicare and Medicaid, managed care health plans, commercial insurance companies, and patients. These third-party payors provide payments to the Hospital at amounts different from its established rates based on negotiated reimbursement agreements. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and fee schedule payments. Retroactive adjustments under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Allowance for Doubtful Accounts

Accounts receivable are reduced by an allowance for doubtful accounts based on the Hospital's evaluation of its major payor sources of revenue, the aging of the accounts, historical losses, current economic conditions, and other factors unique to the service area and the healthcare industry. Management regularly reviews data about the major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients who have third-party payor coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulty that make the realization of amounts due unlikely). For receivables associated with self-pay payments, which includes both patients without insurance and patient with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts. The December 31, 2023 and 2022 allowance for doubtful accounts balance was comprised of the following:

	<u>2023</u>	<u>2022</u>
Reserve for third-party payor balances	\$ 1,425,756	\$ 1,269,318
Reserve for self-pay balances	<u>5,487,439</u>	<u>4,702,761</u>
Total allowance for doubtful accounts	<u>\$ 6,913,195</u>	<u>\$ 5,972,079</u>

Inventories

Inventories consist of medical supplies, pharmaceuticals, and office supplies and are valued at the lower of cost or net realizable value ("NRV"), with cost being determined on the first-in, first-out ("FIFO") method.

Assets Whose Use is Limited and Investments

Assets whose use is limited include assets set aside by the respective Boards for future capital improvements, over which the Boards retain control and may at their discretion subsequently use for other purposes; assets held by trustees under indenture agreements; and assets that have been restricted by donors for specific purposes. Investment income or loss, including realized gains and losses on investments and assets whose use is limited, net change in the market value of assets whose use is limited, and interest, is included in nonoperating revenues (expenses) when earned.

Statutes authorize the Hospital to invest in interest-bearing deposit accounts, passbook savings accounts, certificates of deposit, money market deposit 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.

Nonparticipating certificates of deposit, demand deposits, and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents, if any, are reported as investments at cost.

Capital Assets

The Hospital's capital assets are reported at historical cost and include expenditures for additions and repairs which substantially increase the useful lives of capital assets. Maintenance, repairs, and minor improvements are expensed as incurred. Contributed capital assets are reported at their estimated fair value at the time of their donation. All capital assets other than land and construction in progress are depreciated using the straight-line method of depreciation over their estimated

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

useful lives based upon the American Hospital Association Guide for Estimated Useful Lives for Fixed Assets.

Classification of Net Position

The net position of the Hospital is classified in four components. (1) *Net investment in capital assets* consists of capital assets net of accumulated depreciation plus deferred outflows related to losses on bond refunding which are reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. (2) *Restricted expendable net position* includes assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital, including amounts deposited with trustees as required by revenue bond indentures. (3) *Restricted nonexpendable net position* includes the principal portion of permanent endowments and non-controlling interests owned by external investors. (4) *Unrestricted net position* is the remaining net position that does not meet the definition of *net investment in capital assets or restricted*.

Statements of Revenues, Expenses, and Changes in Net Position

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenues and expenses. Peripheral and incidental transactions are reported as nonoperating revenues (expenses). Nonoperating revenues (expenses) which are excluded from income (loss) from operations include investment income, contributions and grants recognized, interest expense, restricted expenditures, and the net change in the market value of assets whose use is limited.

Advertising and Marketing Costs

Advertising and marketing costs are charged to operations when incurred. Advertising and marketing costs charged to operations were \$600,476 and \$560,585 for the years ended December 31, 2023 and 2022, respectively, and are included within the line item purchased services on the statements of revenues, expenses, and changes in net position.

Income Taxes

HCH has been granted exemption from taxation as a not-for-profit organization by the Internal Revenue Service under Section 115, and in 2005 was also granted exemption from Federal income tax under Section 501(c)(3) of the Internal Revenue Code for purposes of maintaining a 403b deferred compensation plan. Therefore, no provision for income taxes has been provided in the statement of operations and changes in net position. The MOB has elected to be treated as a partnership for federal and state income tax purposes. Under existing provisions of the Internal Revenue Code, a partnership is not a taxpaying entity for federal or state income tax purposes. Accordingly, no income tax expense has been recorded in the financial statements.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by each entity comprising the Hospital and recognize a tax liability if any Hospital entity has taken an uncertain tax 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 each entity of the Hospital, and has concluded that as of December 31, 2023 and 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. Each entity of the Hospital is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Grants and Contributions

From time to time, the Hospital receives grants as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Grants are subject to audit by the awarding agency. Based on prior experience, management believes that costs ultimately disallowed, if any, would not materially affect the Hospital's financial position.

Subsequent Events

The Hospital has evaluated events or transactions occurring subsequent to the statement of financial position date for recognition and disclosure in the accompanying financial statements through the date the financial statements were issued, which is September 30, 2024.

Reclassifications

Certain reclassifications have been made to the 2022 financial statements to correspond to the 2023 format. Total net position and change in net position are unchanged due to these reclassifications.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

2. CHANGE IN ACCOUNTING PRINCIPLE

On January 1, 2023, the Hospital adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* ("SBITA"). This statement requires SBITA's with a term greater than 12 months are capitalized, resulting in right-to-use subscription asset and a corresponding subscription liability. Previously, such arrangements were classified as outflows of resources, and were not recorded on the statements of net position. The following tables outlines the prior period adjustments necessary to adopt this standard:

	As Previously Stated December 31, 2022	Adjustment	As restated December 31, 2022
Statement of Financial Position			
Capital assets, net	\$ 22,583,579	\$ 399,356	\$ 22,982,935
Current portion of subscription-based information technology agreement liabilities	-0-	(151,846)	(151,846)
Subscription-based information technology agreement liabilities, net of current portion	-0-	(237,014)	(237,014)
Total net position	(28,960,872)	(10,496)	(28,971,368)
	<u>\$ (6,377,293)</u>	<u>\$ -0-</u>	<u>\$ (6,377,293)</u>

	As Previously Stated December 31, 2022	Adjustment	As restated December 31, 2022
Statement of Revenues, Expenses, and Changes in Net Position			
Depreciation	\$ (3,206,561)	\$ (137,681)	\$ (3,344,242)
Purchased services	(7,983,256)	151,488	(7,831,768)
Nonoperating revenues (interest expense)	(353,857)	(3,311)	(357,168)
	<u>\$ (11,543,674)</u>	<u>\$ 10,496</u>	<u>\$ (11,533,178)</u>

	As Previously Stated December 31, 2022	Adjustment	As restated December 31, 2022
Statement of cash flows			
Operating activities (direct method)			
Cash paid to vendors and suppliers	\$ (55,973,690)	\$ (146,986)	\$ (56,120,676)
Operating activities (indirect method)			
Loss from operations	(3,079,002)	13,807	(3,065,195)
Depreciation	3,206,561	137,681	3,344,242
Capital and related financing activities			
Principal payments on subscription-based information technology agreement liabilities	-0-	(148,177)	(148,177)
Interest paid for long-term debt	(199,422)	(3,311)	(202,733)

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

3. DEPOSITS AND INVESTMENTS

Deposits and investments are comprised of the following at December 31, 2023 and 2022:

	2023	2022
Carrying amount:		
Cash and cash equivalents	\$ 2,839,266	\$ 5,891,406
Mutual funds	<u>3,392,361</u>	<u>2,983,835</u>
Total	<u>\$ 6,231,627</u>	<u>\$ 8,875,241</u>
Included in the balance sheet captions:		
Cash and cash equivalents	\$ 2,612,853	\$ 4,025,966
Assets whose use is limited	<u>3,618,774</u>	<u>4,849,275</u>
Total	<u>\$ 6,231,627</u>	<u>\$ 8,875,241</u>

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Hospital's deposits may not be returned to it. The Hospital does not have a deposit policy for custodial credit risk. Deposits with financial institutions are insured by the Federal Depositary Insurance Corporation ("FDIC") up to FDIC limits or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories. This includes any deposit accounts issued or offered by a qualifying institution. The Hospital maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Hospital has not experienced any losses on such accounts. The Hospital believes it is not exposed to any significant credit risk on cash.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Hospital does not have a formal investment policy for interest rate risk for investments. The Hospital believes it is not exposed to any significant interest rate risk on investments.

Credit Risk – Investments

Credit risk is the risk that, in the event of a failure of a financial institution, the Hospital would not be able to recover deposits, the value of its investments, or collateral securities that are in the possession of an outside party. The Hospital does not have a formal investment policy for credit risk for investments. The Hospital believes it is not exposed to any significant credit risk on investments.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Concentration of Credit Risk

The Hospital's investment policy is to diversify investments so as to provide a balance that will enhance total return, while avoiding undue risk of concentration in any single asset class or investment category. This is achieved by diversifying the Hospital's investment portfolio between market capitalization, market sectors, geographical regions, and investment styles.

Fair Value Measurements and Disclosures

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 market 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 the Hospital 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.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2023 and 2022:

- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by the Hospital 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 the Hospital are deemed to be actively traded.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

The following table set forth by level, within the hierarchy, the Hospital's asset and liability measured at fair value on a recurring basis as of December 31, 2023 are as follows:

	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
Mutual funds				
Large cap	\$ 662,886	\$ -0-	\$ -0-	\$ 662,886
World allocation	441,809	-0-	-0-	441,809
Allocation--30 to 50% equity	777,422	-0-	-0-	777,422
Allocation--50 to 70% equity	498,161	-0-	-0-	498,161
Allocation--70 to 85% equity	720,908	-0-	-0-	720,908
World stock	291,175	-0-	-0-	291,175
Total assets at fair value	\$ 3,392,361	\$ -0-	\$ -0-	3,392,361
Cash and cash equivalents				2,839,266
Total deposits and investments				\$ 6,231,627

The following table set forth by level, within the hierarchy, the Hospital's asset and liability measured at fair value on a recurring basis as of December 31, 2022 are as follows:

	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
Mutual funds				
Large cap	\$ 554,391	\$ -0-	\$ -0-	\$ 554,391
World allocation	396,633	-0-	-0-	396,633
Allocation--30 to 50% equity	709,900	-0-	-0-	709,900
Allocation--50 to 70% equity	436,960	-0-	-0-	436,960
Allocation--70 to 85% equity	644,915	-0-	-0-	644,915
World stock	241,036	-0-	-0-	241,036
Total assets at fair value	\$ 2,983,835	\$ -0-	\$ -0-	2,983,835
Cash and cash equivalents				5,891,406
Total deposits and investments				\$ 8,875,241

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

4. PATIENT ACCOUNTS RECEIVABLE

Patient accounts receivable amounts are reported as current assets at December 31, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Medicare	\$ 11,591,089	\$ 11,813,676
Medicaid	6,172,689	7,457,205
Blue Cross	3,088,267	3,361,116
Other insurance carriers	6,538,286	5,978,829
Patients	4,896,758	4,584,945
Medicaid Upper Limit Payment (UPL) Program	<u>567,545</u>	<u>651,287</u>
Total patient accounts receivable	32,854,634	33,847,058
Less allowance for contractals	16,000,828	16,250,603
Less allowance for uncollectible amounts	<u>6,913,195</u>	<u>5,972,079</u>
Patient accounts receivable, net	<u>\$ 9,940,611</u>	<u>\$ 11,624,376</u>

5. ASSETS WHOSE USE IS LIMITED

Assets whose use is limited that are required for obligations classified as current liabilities are reported in current assets. Assets whose use is limited are reported at market value and include the following at December 31, 2023 and 2022:

Investment Summary by Type

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 226,413	\$ 1,865,440
Mutual funds	<u>3,392,361</u>	<u>2,983,835</u>
Total assets whose use is limited	<u>\$ 3,618,774</u>	<u>\$ 4,849,275</u>

Investment Summary by Fund

Board-Designated Funds	<u>\$ 3,618,774</u>	<u>\$ 4,849,275</u>
------------------------	---------------------	---------------------

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Board-Designated Funds

The Hospital's Board of Trustees approved the funding of depreciation expense to meet the capital asset replacement needs of the facility. Depreciation is funded totally with expenditures for capital items reducing the funded depreciation balance. All income earned by the board-designated accounts is left to accumulate as additions to the funds. Board-designated funds remain under the control of the Board, which may at their discretion later use for other purposes. Therefore, all board-designated funds are included in unrestricted net position.

6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023, was as follows:

	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Land	\$ 3,001,138	\$ -0-	\$ -0-	\$ 3,001,138
Land improvements	3,334,019	-0-	-0-	3,334,019
Leasehold improvements	3,419,775	-0-	-0-	3,419,775
Buildings	42,319,670	124,953	(13,031)	42,431,592
Fixed equipment	26,410,141	495,727	(237,457)	26,668,411
Construction in progress	102,177	77,568	(48,018)	131,727
Total historical cost	78,586,920	698,248	(298,506)	78,986,662
Less accumulated depreciation for				
Land improvements	(2,666,395)	(75,090)	1	(2,741,484)
Leasehold improvements	(2,669,545)	(126,572)	-0-	(2,796,117)
Buildings	(27,917,775)	(1,162,858)	13,030	(29,067,603)
Fixed equipment	(22,749,626)	(1,195,431)	241,055	(23,704,002)
Total accumulated depreciation	(56,003,341)	(2,559,951)	254,086	(58,309,206)
Total depreciable capital assets, net	22,583,579	(1,861,703)	(44,420)	20,677,456
Intangible right-to-use assets				
SBITA	537,037	82,173	-0-	619,210
Less accumulated depreciation for				
SBITA	(137,681)	(165,072)	-0-	(302,753)
Total intangible right-to-use asset, net	399,356	(82,899)	-0-	316,457
Capital assets, net	\$ 22,982,935	\$ (1,944,602)	\$ (44,420)	\$ 20,993,913

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Capital asset activity for the year ended December 31, 2022, as restated, was as follows:

	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Land	\$ 3,001,138	\$ -0-	\$ -0-	\$ 3,001,138
Land improvements	3,379,433	-0-	(45,414)	3,334,019
Leasehold improvements	3,419,775	-0-	-0-	3,419,775
Buildings	42,016,204	276,562	26,904	42,319,670
Fixed equipment	26,042,782	872,086	(504,727)	26,410,141
Construction in progress	309,536	1,012,574	(1,219,933)	102,177
Total historical cost	78,168,868	2,161,222	(1,743,170)	78,586,920
Less accumulated depreciation for				
Land improvements	(2,676,005)	(98,569)	108,179	(2,666,395)
Leasehold improvements	(2,532,036)	(137,508)	(1)	(2,669,545)
Buildings	(26,576,701)	(1,575,673)	234,599	(27,917,775)
Fixed equipment	(22,753,538)	(1,394,811)	1,398,723	(22,749,626)
Total accumulated depreciation	(54,538,280)	(3,206,561)	1,741,500	(56,003,341)
Total depreciable capital assets, net	23,630,588	(1,045,339)	(1,670)	22,583,579
Intangible right-to-use assets				
SBITA	-0-	537,037	-0-	537,037
Less accumulated depreciation for				
SBITA	-0-	(137,681)	-0-	(137,681)
Total intangible right-to-use asset, net	-0-	399,356	-0-	399,356
Capital assets, net	\$ 23,630,588	\$ (645,983)	\$ -0-	\$ 22,982,935

7. COMPENSATED ABSENCES

The Hospital's policy on paid days off (which includes vacation, sick leave, personal leave, and holidays) allows full-time employees and regular part-time employees to accrue paid days off, to a maximum of 60 days. Paid days off are accrued when incurred and reported as a liability. The paid days off accrual at December 31, 2023 and 2022 was \$1,203,384 and \$1,312,985, respectively, and is reported in accrued personnel costs in the financial statements.

8. EMPLOYEE HEALTH BENEFIT PLAN

The Hospital operates a self-funded health plan covering substantially all employees. The Hospital has an annual stop loss limit on the plan of \$75,000 per insured per year. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amounts of pay out, and other economic and social factors.

Changes in the balance of claims liabilities during the years ended December 31, 2023 and 2022 were as follows:

	2023	2022
Accrued liability, beginning of year	\$ 314,000	\$ 324,000
Incurred claims, changes in estimates, and fees/premiums	3,546,465	3,172,603
Claim payments	<u>(3,519,465)</u>	<u>(3,182,603)</u>
Accrued liability, end of year	<u>\$ 341,000</u>	<u>\$ 314,000</u>

9. DEFINED CONTRIBUTION PENSION PLAN

Plan Description

The Hospital has a defined contribution pension plan administered by Principal Life as authorized by Indiana Code 16-22-3-11. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by written agreement between the Hospital Board of Trustees and the Plan Administrator. The Plan Administrator issues a publicly available financial report that includes financial statements and required supplementary information of the plan. That report may be obtained by contacting:

Principal Life Insurance Company
711 High Street
Des Moines, IA 50392
(515) 247-5111

Funding Policy and Annual Pension Cost

The contribution requirements of plan members are established by the written agreement between the Hospital Board of Trustees and the Plan Administrator. Plan members are voluntary and are established by written authorization for payroll deduction into an annuity savings account. The current rate is 5 percent of annual covered payroll. Employer contributions to the plan were \$992,307 and \$1,019,873 for the years ended December 31, 2023 and 2022, respectively.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

10. LONG-TERM DEBT

At December 31, 2023 and 2022, the Hospital was obligated for long-term debt agreements as follows:

	2023	2022
<p>Note payable to bank, due December 2023; monthly payments of \$30,466, including principal and interest; fixed interest at 4.05%. Note was not renewed upon maturity.</p>	\$ -0-	\$ 257,366
<p>Harrison County, Indiana Economic Development Revenue Refunding Bonds, Series 2016 (Harrison County Hospital Project) dated September 2016, payable in monthly principal installments of \$71,207 commencing October 2016 through October 2026. Bank Qualified Tax-Exempt interest rate is fixed at 2.61% (if Event of Default or Taxability occurs, either the Default Rate of 4.61% or Taxable Rate of 4.00% will take effect). Secured by first mortgage on Hospital property (includes Hospital land, buildings, and permanent fixtures thereto). The net book value of the collateral was \$12,327,438 as of December 31, 2023.</p>	2,260,964	3,043,836
<p>Harrison County, Indiana Economic Development Revenue Bonds, Series 2017 (Harrison County Hospital Project) dated December 2017, payable in monthly principal installments of \$32,813 commencing January 2018 through December 2027 in addition to a balloon principal payment of \$1,841,087 due at maturity. Bank Qualified Tax-Exempt interest rate is fixed at 2.61% (if Event of Default or Taxability occurs, either the Default Rate of 4.61% or Taxable Rate of 4.03% will take effect). Hospital and MOB are jointly and severally liable with the Hospital Board of Trustees as the Obligated Group Representative of the borrower. Secured by substantially all assets.</p>	1,934,204	2,272,654
	4,195,168	5,573,856
Less current portion	(1,148,893)	(1,378,337)
Long-term debt, net of current portion	\$ 3,046,275	\$ 4,195,519

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Long-term debt activity for the years ended December 31, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Direct placements					
Revenue bonds payable:					
Series 2016	\$ 3,043,836	\$ -0-	\$ 782,872	\$ 2,260,964	\$ 802,362
Series 2017	2,272,654	-0-	338,450	1,934,204	346,531
	<u>5,316,490</u>	<u>-0-</u>	<u>1,121,322</u>	<u>4,195,168</u>	<u>1,148,893</u>
Direct borrowings	257,366	-0-	257,366	-0-	-0-
Total long-term debt	<u>\$ 5,573,856</u>	<u>\$ -0-</u>	<u>\$ 1,378,688</u>	<u>\$ 4,195,168</u>	<u>\$ 1,148,893</u>

Long-term debt activity for the years ended December 31, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Direct placements					
Revenue bonds payable:					
Series 2016	\$ 3,806,528	\$ -0-	\$ 762,692	\$ 3,043,836	\$ 783,345
Series 2017	2,604,082	-0-	331,428	2,272,654	337,626
	<u>6,410,610</u>	<u>-0-</u>	<u>1,094,120</u>	<u>5,316,490</u>	<u>1,120,971</u>
Direct borrowings	604,752	-0-	347,386	257,366	257,366
Total long-term debt	<u>\$ 7,015,362</u>	<u>\$ -0-</u>	<u>\$ 1,441,506</u>	<u>\$ 5,573,856</u>	<u>\$ 1,378,337</u>

Debt service requirements on long-term debt at December 31, 2023, are based on the interest rate modes in effect and are as follows:

Year Ending December 31,	Principal	Interest
2024	\$ 1,148,893	\$ 99,339
2025	1,179,968	68,264
2026	1,000,072	34,634
2027	866,235	17,222
Total	<u>\$ 4,195,168</u>	<u>\$ 219,459</u>

The Hospital's debt agreements contain various restrictive covenants, including debt service coverage ratio, days cash on hand, and audited financial statement submission requirements. The Hospital is in violation of the days cash on hand and debt service coverage requirements and has obtained a covenant waiver for these violations.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

11. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY AGREEMENTS

In 2023, the Hospital implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, for accounting and reporting such subscription-based information technology arrangements that had previously been reported as outflows of resources on the statements of revenues, expenses, and changes in net position.

Subscription-Based Information Technology Arrangements

The Hospital has various subscription-based information technology arrangements ("SBITA") with third-party vendors for use of software used by the finance department and the Hospital's supply chain management. The arrangements have terms ranging from 24 to 84 months, with expirations ranging from January 2024 through January 2028. The arrangements have annual payments ranging from \$15,539 to \$104,033. The present values of these arrangements were determined using discount rates of 7.5% based on the incremental borrowing rate. The subscription-based intangible assets and accumulated amortization of the right-to-use assets are outlined in Note 6.

Remaining payments on SBITA include:

	Subscription-based information technology arrangements		
	Principal	Interest	Total
2024	\$ 156,809	\$ 24,202	\$ 181,011
2025	64,663	12,315	76,978
2026	40,125	7,329	47,454
2027	43,135	4,320	47,455
2028	14,455	1,084	15,539
	<u>\$ 319,187</u>	<u>\$ 49,250</u>	<u>\$ 368,437</u>

SBITA activity for the years ended December 31, 2023 and 2022 was as follows:

	2023				
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
SBITA	\$ 388,860	\$ 82,173	\$ (151,846)	\$ 319,187	\$ 156,809

	2022 - As restated				
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
SBITA	\$ -0-	\$ 537,037	\$ (148,177)	\$ 388,860	\$ 151,846

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

12. NET PATIENT SERVICE REVENUE

For the years ended December 31, 2023 and 2022, net patient service revenue was as follows:

	2023	2022
Gross patient service revenue		
Inpatient services	\$ 22,538,182	\$ 24,989,460
Outpatient services	171,036,385	170,655,934
Long-term care services	73,851,309	71,181,953
Total gross patient service revenue	267,425,876	266,827,347
Deductions from revenue		
Contractual allowances	(141,133,057)	(139,797,845)
Charity care	(1,085,484)	(1,690,517)
Bad debts	(6,102,483)	(6,818,124)
Medicaid DSH payments recognized	1,307,198	1,307,198
Medicaid upper payment limit	2,194,796	3,461,657
Total deductions from revenue	(144,819,030)	(143,537,631)
Total net patient service revenue	\$ 122,606,846	\$ 123,289,716

The Hospital grants credit without collateral to its patients, most of whom are local residents and insured under third-party payor agreements.

The mix of gross revenues and receivables from patients and third-party payors at December 31, 2023 and 2022 was as follows:

	2023		2022	
	Revenues	Receivables	Revenues	Receivables
Medicare	36 %	41 %	43 %	36 %
Medicaid	19	26	25	22
Blue Cross	10	13	14	10
Other third-party payors	20	10	11	18
Patients	15	10	7	14
	100 %	100 %	100 %	100 %

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

- **Medicare.** The Hospital is a provider of services to patients entitled to coverage under Title XVIII ("Medicare") of the Health Insurance Act. The Hospital is classified as Critical Access Status by Medicare and is paid for Medicare services based upon a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at an interim rate, with final settlement determined after submission of annual cost reports. Differences between the

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

total program billed charges and the payments received are reflected as deductions from revenue. At the Hospital's year-end, a cost report is filed with the Medicare program computing reimbursement amounts related to Medicare patients.

- **Medicaid.** The Hospital is a provider of services to patients entitled to coverage under Title XIX ("Medicaid") of the Health Insurance Act. The Hospital is reimbursed for Medicaid inpatient services under a prospectively determined rate-per-discharge and is not subject to retroactive adjustment. The differences between standard charges and reimbursement from these programs are recorded as contractual adjustments. Reimbursement for Medicaid outpatient services is based on predetermined rates, and is not subject to retroactive cost based settlements.
- **Charity Care.** The Hospital provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Because the Hospital does not collect amounts deemed to be charity care, they are not reported as revenue. 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 the Hospital's total operating expenses divided by gross patient service revenue. For the years ended December 31, 2023 and 2022, the Hospital incurred estimated costs of \$357,193 and \$552,757, respectively.
- **Medicaid Upper Payment Limit Program:** The long-term care operations of the Hospital qualify for supplemental Medicaid payments through the Upper Payment Limit ("UPL") program. The UPL is established to pay qualifying providers the difference between what Medicare would have paid and what Medicaid actually paid. The UPL is distributed through an intergovernmental transfer ("IGT") arrangement. The Hospital is responsible for funding the IGT long-term care operations. For the years ended December 31, 2023 and 2022, revenue of \$2,194,796 and \$3,461,657 associated with the UPL program is recorded net of IGT payments made to the program of \$1,051,736 and \$1,332,083, respectively, which are included in net patient service revenue. At December 31, 2023 and 2022, \$567,545 and \$651,287 is included in patient accounts receivable, which is recorded net of accrued IGT payments of \$297,351 and \$255,039, respectively.
- **Other.** The Hospital has also entered into preferred provider agreements with certain commercial insurance carriers. The basis for payment to the Hospital under these agreements includes discounts from established charges, fee schedules, as well as inpatient diagnosis-related group reimbursement methodologies.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Final determination of compliance with such laws and regulations is subject to future government review and interpretation. Violations may result in significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigation and/or allegations concerning possible violations of fraud and abuse statutes and/or regulations by health care providers.

The Centers for Medicare and Medicaid Services ("CMS") has been granted authority to suspend payments, in whole or in part, to Medicare providers if CMS possess reliable information on overpayment, fraud, or if willful misrepresentation exists. If CMS suspects payments are being made as the result of fraud or misrepresentation exists, CMS may suspend payment at any time without providing prior notice to the Hospital. The initial suspensions period is limited to 180 days. However, the payment suspension period can be extended indefinitely if the matter is under investigation by the United States Department of Health, Human Services Office of Inspector General, or the United States Department of Justice. Therefore, the Hospital is unable to predict if or when it may be subject to a suspension of payments by the Medicare and/or Medicaid programs, the possible length of the suspension period, or the potential cash flow impact of a payment suspension. Any such suspension would adversely impact the Hospital's financial position, results of operations, and cash flows. The Hospital believes that it is in compliance with all applicable laws and regulations.

13. HOSPITAL ASSESSMENT FEE

In 2012, Hospital Assessment Fee ("HAF") Program was approved by CMS. The purpose of the HAF Program is to fund the State share of enhanced Medicaid payments and Medicaid Disproportionate Share 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 claims are designed to follow patients and result in increased Medicaid rates.

During the years ended December 31, 2023 and 2022, the Hospital recognized HAF program expense of \$2,752,342 and \$2,535,170, respectively, which resulted in Medicaid rate increases. The Medicaid rate increases under the HAF Program are included in net patient service revenue in the statements of revenues, expenses, and changes in net position. The HAF Program was approved for extension through June 30, 2024.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

14. NONOPERATING REVENUES

For the years ended December 31, 2023 and 2022, nonoperating revenues were as follows:

	<u>2023</u>	<u>2022</u>
Investment income (loss)	\$ 425,327	\$ (397,114)
Interest expense	(188,608)	(199,422)
Contributions and grants	51,000	209,211
Miscellaneous	<u>226</u>	<u>30,157</u>
Total nonoperating revenues (expenses)	<u>\$ 287,945</u>	<u>\$ (357,168)</u>

GASB requires interest expense to be reported as nonoperating expense while the Financial Accounting Standards Board ("FASB") requires interest expense to be reported as an operating expense.

15. PROFESSIONAL LIABILITY INSURANCE

The Indiana Medical Malpractice Act, IC 34-18 (the "Act") provides for a maximum recovery of \$1,800,000. The Act requires the Hospital to maintain medical malpractice liability insurance in the amount of at least \$500,000 per occurrence (\$10,000,000 in the annual aggregate). The Act also requires the Hospital 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 the per occurrence and annual aggregate amounts 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.

16. CONTINGENCIES

Legal

The Hospital is susceptible to a variety of legal proceedings and claims by others against the Hospital in a variety of matters arising out of the conduct of the Hospital's business. The ultimate resolution of such claims would not, in the opinion of management, have a material adverse effect on the financial statements.

There may be unknown incidents arising from services provided to patients; however, because the annual insurance policy only covers claims that have been asserted and incidents reported to

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

the insurance carrier, these unknown incidents are not yet covered by insurance. Management intends to maintain the current claims-made insurance coverage to cover any unknown incidents that may be asserted.

HIPAA

Management continues to implement policies, procedures, and a compliance-monitoring organizational structure to enforce and monitor compliance with the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and other government statutes and regulations. The Hospital's compliance with such laws and regulations is subject to future government review and interpretations, as well as regulatory actions which are unknown or unasserted at this time.

17. COMMITMENTS

As of December 31, 2023, the Hospital has construction and renovation project commitments as follows:

<u>Project</u>	<u>Expected Date of Completion</u>	<u>Estimated Total Cost of Project</u>	<u>Costs Incurred as of 12/31/2023</u>
Kids First Cerner Conversion	March 2024	\$ 111,312	\$ 103,392
EMS Access Control Doors Upgrade	January 2024	44,421	22,210
Cerner Syndromic Surveillance and Reportable Labs	December 2024	12,250	6,125
		<u>\$ 167,983</u>	<u>\$ 131,727</u>

18. MANagements Plan

The accompanying financial statements have been prepared assuming that the Hospital will continue as a going concern. As shown in the financial statements, has suffered recurring losses in consecutive years. In response to these conditions, the Hospital has enhanced existing revenue streams, increased 340b savings through the addition of a subspecialty with high utilization. The Hospital has also made an effort to increase efficiency in existing practices, through reducing payroll expenses and increasing volumes. The Hospital's plans also include expense reduction. All current expenses are subject to review, reduction, and/or elimination under this initiative. The Hospital has also implemented hospital-wide education services to educate providers and staff about services available at the Hospital in order to offer additional services and keep patients from going to competitors.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

19. RECENTLY ISSUED ACCOUNTING STANDARD

GASB Statement No. 101, *Compensated Absences*, will be effective for fiscal years 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.

The Hospital has not determined and is currently evaluating the impact that these new accounting pronouncements will have on its future financial statements.

20. CONDENSED FINANCIAL INFORMATION

The Hospital includes one blended component unit, the MOB, in its reporting entity. Condensed component unit information for its blended component unit as of and for the years ended December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Balance sheet		
Assets		
Current assets	\$ 122,966	\$ 585,313
Capital assets, net	<u>4,303,694</u>	<u>4,635,498</u>
Total assets	<u>\$ 4,426,660</u>	<u>\$ 5,220,811</u>
Liabilities		
Current liabilities	\$ 361,775	\$ 357,350
Due to Hospital	157,974	1,153,765
Long-term liabilities	<u>1,587,673</u>	<u>1,935,028</u>
Total liabilities	<u>2,107,422</u>	<u>3,446,143</u>
Net position		
Net investment in capital assets	2,369,490	2,362,844
Unrestricted	<u>(50,252)</u>	<u>(588,176)</u>
Total net position	<u>2,319,238</u>	<u>1,774,668</u>
Total liabilities and net position	<u>\$ 4,426,660</u>	<u>\$ 5,220,811</u>

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

	2023	2022
Statement of operations and changes in net position		
Operating revenues	\$ 1,206,218	\$ 1,008,370
Operating expenses		
Depreciation and amortization	331,803	302,681
Other operating expenses	275,287	264,604
Total operating expenses	<u>607,090</u>	<u>567,285</u>
Income from operations	599,128	441,085
Nonoperating revenues (expenses)	<u>(54,558)</u>	<u>(61,572)</u>
Change in net position	544,570	379,513
Net position - beginning of year	1,774,668	1,395,155
Net position - end of year	<u>\$ 2,319,238</u>	<u>\$ 1,774,668</u>

	2023	2022
Statement of cash flows		
Cash provided by		
Operating activities	\$ (109,666)	\$ 585,536
Capital and related financing activities	<u>(338,450)</u>	<u>(422,149)</u>
Total	(448,116)	163,387
Cash - beginning of year	582,122	418,735
Cash - end of year	<u>\$ 134,006</u>	<u>\$ 582,122</u>



Blue & Co., LLC / 2650 Eastpoint Parkway, Suite 300 / Louisville, KY 40223
 main 502.992.3500 fax 502.992.3509 email blue@blueandco.com

blueandco.com

**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
 Harrison County Hospital
 Corydon, 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 Harrison County Hospital and Affiliated Organization (collectively the "Hospital"), which comprise the statement of financial 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, and have issued our report thereon dated September 30, 2024.

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

Louisville, Kentucky
September 30, 2024

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED DECEMBER 31, 2023

No findings were noted during 2023.

HARRISON COUNTY HOSPITAL AND AFFILIATED ORGANIZATION

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED DECEMBER 31, 2023

No findings were noted during 2022.