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# **Greene County General Hospital**

**A Component Unit of Greene County, Indiana**

## **Independent Auditor's Report and Financial Statements**

December 31, 2022

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**Greene County General Hospital**  
**A Component Unit of Greene County, Indiana**  
**December 31, 2022**

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## Independent Auditor's Report

Board of Trustees  
Greene County General Hospital  
Linton, Indiana

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of the Greene County General Hospital (Hospital), a component unit of Greene County, Indiana, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

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

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Hospital, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Emphasis of Matter*

As discussed in Note 2 to the financial statements, in 2022, the Hospital adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

#### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for 12 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The combining balance sheet and combining statement of revenues, expenses, and changes in net position are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Our opinion on the basic financial statements do not cover the supplementary information, and we do not express an opinion or any form of assurance thereon.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2023, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 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.

**FORVIS,LLP**

Indianapolis, Indiana  
August 1, 2023

# **Greene County General Hospital**

## **A Component Unit of Greene County, Indiana**

### **Management's Discussion and Analysis**

#### **December 31, 2022**

#### **Introduction**

This management's discussion and analysis of the financial performance of Greene County General Hospital (Hospital) provides an overview of the Hospital's financial activities for the year ended December 31, 2022. It should be read in conjunction with the accompanying financial statements of the Hospital.

#### **Financial Highlights**

- Cash, restricted cash and investments decreased in 2022 by \$10,284,901 or 74%.
- The Hospital's net position decreased in 2022 by \$792,796 or 5.2%.
- The Hospital reported an operating loss in 2022 of \$3,058,466. The operating loss reported in 2022 represents an improvement of \$511,873 or 14.3% compared to the operating loss reported in 2021 of \$3,570,339.
- Net nonoperating revenues for 2022 were \$2,360,412, which represented a decline of \$5,260,332 compared to net nonoperating revenues of \$7,620,744 in 2021.
- As discussed in Note 2 to the financial statements, the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, in 2022. Prior year comparative information presented herein has not be restated for adoption of GASB 87.

#### **Using This Annual Report**

The Hospital's financial statements consist of three statements—a balance sheet; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Hospital is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

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

One of the most important questions asked about any hospital's finances is "Is the hospital as a whole better or worse off as a result of the year's activities?" The balance sheet and the statement of revenues, expenses and changes in net position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital’s net position and changes in them. The Hospital’s total net position—the difference between assets, liabilities, and deferred inflows of resources—is one measure of the Hospital’s financial health or financial position. Over time, increases or decreases in the Hospital’s net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Hospital’s patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients, and local economic factors should also be considered to assess the overall financial health of the Hospital.

### **The Statement of Cash Flows**

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash and cash equivalents during the reporting period.

### **The Hospital’s Net Position**

The Hospital’s net position is equal to its assets, less liabilities and deferred inflows of resources reported in the balance sheet. The Hospital’s net position decreased by \$792,796 or 5.2% in 2022 compared to 2021 as shown in Table 1.

**Table 1: Assets, Liabilities, Deferred Inflows of Resources and Net Position**

	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Patient accounts receivable, net	\$ 10,123,129	\$ 8,466,093
Other current assets	10,937,648	20,550,394
Capital assets, net	18,912,532	14,823,114
Other noncurrent assets	<u>3,700,607</u>	<u>1,267,596</u>
Total assets	<u>\$ 43,673,916</u>	<u>\$ 45,107,197</u>
<b>Liabilities</b>		
Long-term obligations	\$ 14,187,864	\$ 15,412,428
Other current and noncurrent liabilities	<u>15,027,559</u>	<u>14,433,105</u>
Total liabilities	<u>29,215,423</u>	<u>29,845,533</u>
<b>Deferred Inflows of Resources</b>	<u>120,179</u>	<u>130,554</u>
<b>Net Position</b>		
Net investment in capital assets	4,545,270	3,317,313
Restricted for debt service	865,244	857,164
Unrestricted	<u>8,927,800</u>	<u>10,956,633</u>
Total net position	<u>14,338,314</u>	<u>15,131,110</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 43,673,916</u>	<u>\$ 45,107,197</u>

At December 31, 2022, the Hospital's reported assets of \$43,673,916 represent a \$1,433,281 or 3.2% decrease over 2021. The largest contributing factor was a decrease in cash, restricted cash and investments of \$10,284,901 or 74.4%. This decrease was attributable to continued investment capital improvements as part of the Hospital's overall master facility planning with an increase in capital assets of \$4,089,418 or 27.6%.

### **Operating Results and Changes in the Hospital's Net Position**

In 2022, the Hospital's decrease in net position was \$698,054 as shown in Table 2. This decrease is made up of several different components including a decrease in COVID-19 stimulus funding, an increase in patient revenues driven by patient volumes offset by higher operating expenses. The decrease in net position represents a change of \$(4,748,459) or 117.2% from the increase in net position for 2021 of \$4,050,405.

**Table 2: Operating Results and Changes in Net Position**

	<b>2022</b>	<b>2021</b>
<b>Operating Revenues</b>		
Net patient service revenue	\$ 75,825,321	\$ 69,387,665
Other operating revenue	4,353,624	6,048,927
Total operating revenue	<u>80,178,945</u>	<u>75,436,592</u>
<b>Operating Expenses</b>		
Salaries and wages and employee benefits	28,699,070	27,607,565
Purchased services and professional fees	34,336,243	29,759,281
Depreciation and amortization	1,815,499	1,300,892
Other operating expenses	18,386,599	20,339,193
Total operating expenses	<u>83,237,411</u>	<u>79,006,931</u>
<b>Operating Loss</b>	<u>(3,058,466)</u>	<u>(3,570,339)</u>
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	(21,312)	54,545
Interest expense	(446,584)	(267,821)
Noncapital grants and contributions	2,817,919	4,345,298
Paycheck Protection Program loan forgiveness	-	3,822,000
Other	10,389	(333,278)
Total nonoperating revenue (expense)	<u>2,360,412</u>	<u>7,620,744</u>
<b>Increase (Decrease) in Net Position</b>	<u>(698,054)</u>	<u>4,050,405</u>
<b>Net Position, Beginning of Year, as Previously Reported</b>	15,131,110	11,080,705
Restatement for adoption of accounting principle	(94,742)	-
<b>Net Position, Beginning of Year, as Restated</b>	<u>15,036,368</u>	<u>11,080,705</u>
<b>Net Position, End of Year</b>	<u>\$ 14,338,314</u>	<u>\$ 15,131,110</u>

### **Operating Income**

The first component of the overall change in the Hospital's net position is its operating income or loss - generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services.



The operating loss was \$3,058,466 for 2022 compared to an operating loss of \$3,570,339 for 2021, which equates to an improvement of \$511,873. The primary components of the change in operating loss for 2022 are:

- Net patient service revenue was \$75,825,321 in 2022 compared to \$69,387,665 in 2021, which is an increase of \$6,437,656 or 9.3%.
- Salaries and wages and employee benefits were \$28,699,070 for 2022 compared to \$27,607,565 in 2021, which is an increase of \$1,091,505 or 4.0%.
- Purchased services and professional fees were \$34,336,243 for 2022 compared to \$29,759,281 in 2021, which is increase of \$4,576,962 or 15.4%.

The increase in net patient service revenue in 2022 was largely driven by increases in patient volumes and expansion of services. The broader economic environment and labor market also increased costs for hospital staff and supplies with labor shortages among healthcare workers and increased inflation.

### **Nonoperating Revenues and Expenses**

Nonoperating revenues and expenses consist primarily of investment income, interest expense, and noncapital grants and contributions. In 2021, nonoperating revenues and expenses includes revenue recognized from the Provider Relief Fund where were fully utilized by December 31, 2021. These distributions from the Provider Relief Fund were used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services. Amounts recognized as nonoperating revenues related to Provider Relief Funds totaled \$2,635,543 in 2021. The Hospital recognized interest expense in 2022 of \$446,584, which was an increase of \$178,763 from \$267,821 in 2021. This was a result additional interest expense with the adoption of GASB 87.

### **The Hospital's Cash Flows**

The Hospital's cash flows from operating activities decreased by \$67,414 or 1.4% from \$4,765,119 used in operations in 2021 to \$4,832,533 used in operations during 2022. Cash flows used in capital and related financing activities were \$8,167,624 in 2022, representing a decrease of \$10,799,241 or 410.4% from cash flows provided in 2021 of \$2,631,617. This change is a result of the Hospital's borrowings in 2021 to fund capital acquisition as part of its overall master facility planning.

The Hospital had cash flows provided by investing activities of \$32,103 in 2022 compared to \$7,796,431 in 2021. This decrease of \$7,764,328 is the result of purchases and sales of short-term investments as the Hospital managed its cash needs in 2021.

### **Capital and Lease Asset and Debt Administration**

#### **Capital and Lease Assets**

At the end of 2022, the Hospital had \$18,912,532 invested in capital assets, net of accumulated depreciation, as detailed in Note 6 to the financial statements. Capital asset additions approximated \$6,714,000 in 2022. At the end of 2022, the Hospital had \$2,494,179 reported as lease assets, net of accumulated amortization, as detailed in Note 6 to the financial statements.

#### **Debt**

At December 31, 2022, the Hospital had \$14,708,187 in revenue bonds (and unamortized premium), notes payable to banks, and financed purchase obligations outstanding as compared to \$15,056,160 at December 31, 2021. At December 31, 2022, the Hospital had outstanding balances under its line of credit agreement totaling \$1,362,296, compared to \$1,443,647 at December 31, 2021.

### **Other Economic Factors**

Management believes the health care industry's and Hospital's operating results will continue to be under pressure due to changes in payor mix and growth in operating expenses. The ongoing challenge facing the Hospital is to continue to provide quality patient care in a competitive environment, and to attain reasonable rates for services provided while managing costs.

Additionally, uncertainty and business disruption surrounding the continued onset of COVID-19 have and could continue to impact the operations of the Hospital. The economic impact, contingent on the overall impact of current and future ramifications of COVID-19, may negatively impact the Hospital's payor and service mix and overall operating expenses.

### **Contacting the Hospital's Financial Management**

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Hospital's Business Administration by telephoning (812) 847-2281.

**Greene County General Hospital**  
**A Component Unit of Greene County, Indiana**  
**Balance Sheet**  
**December 31, 2022**

**Assets**

		<u>2022</u>
<b>Current Assets</b>		
Cash	\$ 6,943,070	
Restricted cash	512,956	
Patient accounts receivable, net of allowance of \$1,879,739	10,123,129	
Other receivables	557,841	
Estimated third-party settlements	2,015,413	
Supplies	546,449	
Prepaid expenses and other	361,919	
Total current assets		\$ 21,060,777
<b>Noncurrent Cash and Investments</b>		
Internally designated	341,184	
Held by trustee for debt service	865,244	
Total noncurrent cash and investments		1,206,428
<b>Capital Assets, net</b>		18,912,532
<b>Lease Asset, net</b>		2,494,179
Total assets		\$ 43,673,916

**Greene County General Hospital**  
**A Component Unit of Greene County, Indiana**  
**Balance Sheet (Continued)**  
**December 31, 2022**

**Liabilities, Deferred Inflows of Resources and Net Position**

		<u>2022</u>
<b>Current Liabilities</b>		
Current maturities of long-term obligations	\$ 520,323	
Current portion of lease liability	594,426	
Line of credit	1,362,296	
Accounts payable and accrued expenses	9,603,010	
Estimated third-party settlements	995,899	
Total current liabilities		\$ 13,075,954
<b>Noncurrent Liabilities</b>		
Long-term obligations	14,187,864	
Lease liabilities, net of current portion	1,951,605	
Total noncurrent liabilities		<u>16,139,469</u>
Total liabilities		29,215,423
<b>Deferred Inflows of Resources - gain on bond refunding</b>		120,179
<b>Net Position</b>		
Net investment in capital assets	4,545,270	
Restricted for debt service	865,244	
Unrestricted	8,927,800	
Total net position		<u>14,338,314</u>
Total liabilities, deferred inflows of resources and net position		<u>\$ 43,673,916</u>

**Greene County General Hospital**  
**A Component Unit of Greene County, Indiana**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Year Ended December 31, 2022**

		<u>2022</u>
<b>Operating Revenues</b>		
Net patient service revenue, net of provision for uncollectible accounts - \$5,501,000	\$ 75,825,321	
Other	4,353,624	
Total operating revenues		\$ 80,178,945
<b>Operating Expenses</b>		
Salaries and wages	23,407,078	
Employee benefits	5,291,992	
Purchased services and professional fees	34,336,243	
Supplies and other	17,027,912	
Depreciation and amortization	1,815,499	
Provider hospital assessment fee	1,358,687	
Total operating expenses		<u>83,237,411</u>
<b>Operating Loss</b>		(3,058,466)
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	(21,312)	
Interest expense	(446,584)	
Noncapital grants and contributions	2,817,919	
Other	10,389	
Total nonoperating revenues (expenses)		<u>2,360,412</u>
<b>Decrease in Net Position</b>		(698,054)
<b>Net Position, Beginning of Year, as Previously Reported</b>	15,131,110	
Restatement for adoption of accounting principle	(94,742)	
<b>Net Position, Beginning of Year, as Restated</b>		<u>15,036,368</u>
<b>Net Position, End of Year</b>		<u><u>\$ 14,338,314</u></u>

**Greene County General Hospital**  
**A Component Unit of Greene County, Indiana**  
**Statement of Cash Flow**  
**Year Ended December 31, 2022**

		<u>2022</u>
<b>Operating Activities</b>		
Receipts from and on behalf of patients	\$ 76,399,435	
Payments to suppliers and contractors	(52,318,362)	
Payments to employees	(28,647,335)	
Other payments	<u>(266,271)</u>	
Net cash used in operating activities		\$ (4,832,533)
<b>Noncapital Financing Activities</b>		
Borrowings on lines of credit	1,362,296	
Repayments on lines of credit	(1,443,647)	
Noncapital grants, contributions and transfers	<u>2,817,919</u>	
Net cash provided by noncapital financing activities		2,736,568
<b>Capital and Related Financing Activities</b>		
Acquisition and construction of capital assets	(6,560,223)	
Principal paid on bonds payable and long-term debt	(704,031)	
Principal paid on lease liabilities	(435,755)	
Interest paid on long-term obligations and lease liabilities	<u>(467,615)</u>	
Net cash used in capital and related financing activities		(8,167,624)
<b>Investing Activities</b>		
Interest and dividends on investments	40,183	
Proceeds from disposition of investments	7,838	
Purchases of investments	<u>(15,918)</u>	
Net cash provided by investing activities		<u>32,103</u>
<b>Decrease in Cash and Restricted Cash</b>		(10,231,486)
<b>Cash and Restricted Cash, Beginning of Year</b>		<u>17,687,512</u>
<b>Cash and Restricted Cash, End of Year</b>		<u><u>\$ 7,456,026</u></u>
<b>Reconciliation of Cash and Restricted Cash to the Balance Sheet</b>		
Cash		\$ 6,943,070
Restricted cash		<u>512,956</u>
Total cash and restricted cash		<u><u>\$ 7,456,026</u></u>

**Greene County General Hospital**  
**A Component Unit of Greene County, Indiana**  
**Statement of Cash Flow (Continued)**  
**Year Ended December 31, 2022**

	<b>2022</b>
<b>Reconciliation of Operating Loss to Net Cash Used In</b>	
<b>Operating Activities</b>	
Operating loss	\$ (3,058,466)
Depreciation and amortization	1,815,499
Provision for uncollectible accounts	5,501,000
Changes in operating assets and liabilities:	
Patient accounts receivable	(7,158,036)
Estimated amounts due to/from third-party payors	(1,720,942)
Accounts payable and accrued expenses	(903,890)
Supplies and other assets	692,302
Net cash used in operating activities	<b>\$ (4,832,533)</b>
<b>Supplemental Cash Flow Information</b>	
Lease obligation incurred for lease assets	\$ 1,176,182
Capital assets obtained with financed purchase obligation	389,274
Capital assets included in accounts payable and accrued expenses	-

**Greene County General Hospital**  
**A Component Unit of Greene County, Indiana**  
**Notes to the Financial Statements**  
**December 31, 2022**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations and Reporting Entity***

Greene County General Hospital (Hospital) is an acute care hospital located in Linton, Indiana. The Hospital is a component unit of Greene County (County) and the Board of County Commissioners appoints members to the Board of Governors of the Hospital, pursuant to the provisions of Indiana Code 16-22-2-2. The Hospital primarily earns revenues by providing inpatient, outpatient, emergency care and primary care services to patients in the Greene County area.

The Hospital operates long-term facilities (LTC) through various lease arrangements. These facilities provide inpatient and therapy services in their geographic area and supports the Hospital's mission to provide quality services to the facilities' residents. The facilities are managed by third parties under various management agreements. The revenues from operations are recognized by the Hospital and the Hospital is responsible for associated operating expenses and working capital requirements.

In accordance with Governmental Auditing Standards Board (GASB) Statement No. 61, the financial statements include the financial statements of the Greene County General Hospital, Greene County General Hospital Foundation, Inc. (Foundation), and Greene County Hospital Association (Association). The Foundation's purpose is to provide philanthropic support through fundraising and other activities for the acquisition of equipment, facility development and support of programs at the Hospital. The Association's purpose is to provide financing for the acquisition, construction or renovation of land and building for Hospital purposes. The Foundation and Association are reported as blended component units. Separate audited financial statements are not issued for the Foundation and Association.

***Basis of Accounting and Presentation***

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants) are recognized when all applicable eligibility requirements are met. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.



**Greene County General Hospital**  
**A Component Unit of Greene County, Indiana**  
**Notes to the Financial Statements**  
**December 31, 2022**

***Operating Activities***

The Hospital defines operating activities, as reported in the statements of revenues, expenses and changes in net position, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for goods and services received, as well as program-specific, government-mandated nonexchange transactions. Nearly all of the Hospital's expenses are from exchange transactions. Certain revenues relied upon for operations, such as noncapital grants and contributions, including government-mandated nonexchange transactions that are not program-specific, investment income and interest on capital asset-related debt, are recorded as nonoperating revenues in accordance with GASB Statement No. 35.

***Use of Estimates***

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

***Cash Equivalents***

The Hospital considers all liquid investments available for use in operations with original maturities of three months or less to be cash equivalents. Highly liquid investments with original maturities of three months or less which are designated as short-term investments under the Hospital's investment policy are excluded from cash equivalents. At December 31, 2021, the Hospital had no highly liquid investments considered cash equivalents.

***Patient Accounts Receivable***

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients and others. The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

***Supplies***

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

**Greene County General Hospital**  
**A Component Unit of Greene County, Indiana**  
**Notes to the Financial Statements**  
**December 31, 2022**

***Investments and Investment Income***

Investments in money market accounts and mutual funds are carried at fair value. Fair value is determined using quoted market prices. Investments in government obligations funds are carried at their net asset value, which approximates fair value.

Investment income includes dividend and interest income and the net change for the year in the fair value of investments carried at fair value.

***Notes Receivable***

Notes receivable are stated at their outstanding principal amounts, net of allowance for uncollectible notes. The Hospital provides an allowance for uncollectible notes, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Outstanding notes accrue interest based on the terms of the respective note agreements. Delinquent notes are written off based on individual credit evaluation and specific circumstances of the borrower. See Note 14 for further discussion on the Hospital's outstanding note receivable.

***Capital Assets***

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Hospital:

Land improvements	10 - 25 years
Buildings and improvements	5 - 40 years
Equipment	5 - 20 years

***Lease Assets***

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

***Capital and Lease Asset Impairment***

The Hospital evaluates capital and lease assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital or lease asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss. No asset impairment was recognized during the year ended December 31, 2022.

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***Compensated Absences***

Hospital policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash.

Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized.

Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date, plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date. The estimated compensated absences liability is expected to be paid within one year of the balance sheet date is therefore included in current liabilities.

***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; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Hospital is self-insured for a portion of its exposure to risk of loss from employee health claims. Annual estimated provisions are accrued for the self-insured portion of employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

***Deferred Inflows of Resources***

The Hospital reports an acquisition of net position that is applicable to a future reporting period as deferred inflows of resources in a separate section of its balance sheet.

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***Net Position***

Net position of the Hospital is classified in three components on its balance sheet.

- Net investment in capital assets consists of capital and lease assets net of accumulated depreciation amortization and reduced by the outstanding balances of borrowings and lease liabilities used to finance the purchase, use, or construction of those assets.
- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Hospital, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

***Net Patient Service Revenue***

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectable accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

***Charity Care***

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

***Income Taxes***

As an essential government function of the County, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Hospital is subject to federal income tax on any unrelated business taxable income.

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income. The Foundation files federal tax returns in the U.S. federal jurisdiction.

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***Future Accounting Standards***

In fiscal year 2023, the Hospital will implement GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. This statement provides a new framework for accounting for SBITAs under the principle that SBITAs result in a right-to-use subscription asset (intangible asset) and a corresponding subscription liability.

In fiscal year 2024, the Hospital will be required to implement GASB Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62, which prescribes the accounting and reporting for each type of accounting change and error corrections. Also in fiscal year 2024, the Hospital will be required to implement GASB Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences.

The Hospital has not determined the impact of these new standards to its financial statements; however, they could have a material future impact.

**Note 2: Adoption of New Accounting Standards**

***GASB Statement No. 87, Leases***

During 2022, the Hospital implemented GASB Statement No. 87, *Leases* (GASB No. 87). This statement requires governments to recognize certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The adoption of GASB No. 87 resulted in a decrease to beginning net position of \$94,742. As of January 1, 2022, adoption of the standard resulted in the recognition of lease assets and liabilities of \$1,805,604 (for leases in which the Hospital is lessee), a decrease in property and equipment of \$1,308,242 and a decrease in capital lease obligations of \$1,213,500. One lease previously reported as a capital lease obligation totaling \$209,878 at January 1, 2022 is now reported as a financed purchase obligation. Leases have been recognized and measured using the facts and circumstances that existed at the beginning of the year. Refer to Notes 6, 9 and 10 for the additional disclosures on these balances.

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**Note 3: Net Patient Service Revenue**

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

*Medicare*

The Hospital is designated by Medicare as a critical access hospital (CAH). Inpatient acute care and swing bed services, and most outpatient services, are reimbursed based on a cost reimbursement methodology. Interim per diem rates for inpatient services and percent of charges for outpatient services are reimbursed throughout the year, with final settlement determined after submission of the annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor.

Long-term care services rendered to Medicare program beneficiaries are paid under a prospectively determined payment system on a per diem basis based on each resident's health at admission. Medicare reimburses for 100 days of skilled nursing facility care are subject to certain eligibility requirements.

*Medicaid*

Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. These rates vary according to the service provided and the patient diagnosis.

Long-term care services rendered to Medicaid program beneficiaries are paid on a per diem basis.

Approximately 83% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the year ended December 31, 2022. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Hospital qualifies as a Medicaid Disproportionate Share Hospital (DSH) provider under Indiana law and, as such, is eligible to receive supplemental Medicaid payments. The amounts of these supplemental payments are dependent on regulatory approval by agencies of the federal and state governments and is determined by level, extent and cost of uncompensated care and various other factors. Supplemental payments have been made by the State of Indiana, and the Hospital records such amounts as revenue when it has been reasonably determined that the funds will be received. The Hospital recognized approximately \$1,200,000 within net patient service revenue related to this supplemental payment program for the year ended December 31, 2022. Amounts outstanding at December 31, 2022 totaled \$599,000 and are accrued as a receivable in estimated third-party settlements. These amounts represent management's best estimate of DSH funds due to the Hospital, which are typically paid in arrears.

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The Hospital participates in a state-specific provider assessment program to increase Medicaid payments to hospitals. The Hospital incurred approximately \$1,359,000 of assessed fees related to this Medicaid program in 2022, which is recorded as an operating expense in the statement of revenues, expenses and changes in net position. Amounts due and outstanding under the assessment fee program at December 31, 2022 approximated \$996,000, and are included in estimated third-party settlements.

The Hospital's Medicaid Inpatient Utilization Rate (MIUR) is measured against state-wide thresholds, as defined by state regulation, during periodic measurement periods. A benefit of having a MIUR exceeding this threshold includes a 25% reduction in the provider assessment fee. The provider assessment fee program is subject to further retroactive rate setting by the state of Indiana and its Medicaid program. The state measures MIUR percentages no less than every four years and no more than every two years. At each measurement period, the state-defined MIUR threshold changes, which affects the Hospital's eligibility status. Any change in the amount of tax due as a result of future rate changes will be recorded in the period assessments are made.

The Hospital's rural health clinics are reimbursed by the Medicaid program under a prospective payment system (PPS) with initial rates determined on a cost per visit methodology. Rates are updated annually based on the Medicare Economic Index. The Hospital has been reimbursed at interim rates since the establishment of the rural health clinics in May 2019. Subsequent to year-end, the state of Indiana finalized the Hospital's initial PPS rates for visits since inception. The Hospital has recorded an estimate of final settlement amounts approximating \$651,000, which is included in estimated third-party settlements at December 31, 2022. This represents management's best estimate of final settlement due to the Hospital.

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 for the long-term care operations. Revenue associated with the UPL program is recorded net of IGT payments made to the program. The Hospital recognized approximately \$3,198,000 related to this supplemental payment program for the year ended December 31, 2022, which is included in other operating revenue in the statement of revenues, expenses and changes in net position. At December 31, 2022, \$387,000 was accrued and included in other receivables.

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

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**Note 4: Deposits, Investments and Investment Income**

***Deposits***

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law.

Deposits with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation (FDIC) or by the Indiana Public Deposit Insurance Fund (IPDIF). This includes any deposit accounts issued or offered by a qualifying financial institution. Accordingly, all deposits in excess of FDIC levels are covered by the IPDIF and are considered collateralized.

***Investments***

The Hospital may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest in certain deposit accounts, mutual funds, repurchase agreements and pooled investment funds as authorized by Indiana Code 16-22-3-20.

At December 31, 2022, the Hospital's investments consisted of the following investments and maturities:

Type	December 31, 2022				
	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
Government obligations funds	\$ 865,244	\$ 865,244	\$ -	\$ -	\$ -
Equity mutual funds	205,953	205,953	-	-	-
Fixed income mutual funds	135,231	135,231	-	-	-
	<u>\$ 1,206,428</u>	<u>\$ 1,206,428</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



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**Interest Rate Risk** - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Hospital does not have a formal policy for interest rate risk.

**Credit Risk** - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Hospital does not have a formal investment policy for credit risk. At December 31, 2022, the Hospital's investments were not rated by Standard & Poor's or by Moody's Investors Service.

**Custodial Credit Risk** - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Hospital's investment policy does not address how securities underlying repurchase agreements are to be held.

**Concentration of Credit Risk** - The Hospital places no limit on the amount that may be invested in any one issuer.

**Summary of Carrying Values**

The carrying values of deposits and investments shown above are included in the balance sheet as follows:

	<b>2022</b>
Carrying value:	
Deposits	\$ 7,456,026
Investments	1,206,428
	\$ 8,662,454
Included in the following balance sheet captions:	
Cash	\$ 6,943,070
Restricted cash	512,956
Noncurrent cash and investments	
Internally designated	341,184
Held by trustee for debt service	865,244
	\$ 8,662,454

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***Investment Income***

Investment income for the year ended December 31, 2022 consisted of:

	<b>2022</b>
Interest and dividend income	\$ 40,183
Net decrease in fair value of investments	(61,495)
	\$ (21,312)

**Note 5: Patient Accounts Receivable**

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payor agreements. Patient accounts receivable at December 31, 2022 consisted of:

	<b>2022</b>
Medicare	\$ 3,449,825
Medicaid	2,077,868
Other third-party payors	3,020,415
Patients	3,454,760
	12,002,868
Less allowance for uncollectible accounts	1,879,739
	\$ 10,123,129

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**Note 6: Capital and Lease Assets**

Capital assets activity for the year ended December 31, 2022 was:

	2022				
	Beginning Balance*	Additions	Disposals	Transfers	Ending Balance
Land	\$ 624,598	\$ -	\$ -	\$ -	\$ 624,598
Land improvements	219,273	1,800	-	3,272,199	3,493,272
Buildings	9,110,942	23,238	(198,204)	2,483,078	11,419,054
Fixed equipment	4,398,411	46,362	-	718,667	5,163,440
Major movable equipment	2,891,303	43,230	(280,387)	1,860,412	4,514,558
Construction in process	1,735,291	6,599,065	-	(8,334,356)	-
	<u>18,979,818</u>	<u>6,713,695</u>	<u>(478,591)</u>	<u>-</u>	<u>25,214,922</u>
Less accumulated depreciation:					
Land improvements	(94,160)	(32,236)	-	-	(126,396)
Buildings	(2,097,652)	(413,360)	198,205	-	(2,312,807)
Fixed equipment	(1,927,397)	(346,581)	-	-	(2,273,978)
Major movable equipment	(1,345,737)	(535,715)	292,243	-	(1,589,209)
	<u>(5,464,946)</u>	<u>(1,327,892)</u>	<u>490,448</u>	<u>-</u>	<u>(6,302,390)</u>
Capital Assets, Net	<u>\$ 13,514,872</u>	<u>\$ 5,385,803</u>	<u>\$ 11,857</u>	<u>\$ -</u>	<u>\$ 18,912,532</u>

Lease assets activity for the year ended December 31, 2022 was:

	2022				
	Beginning Balance*	Additions	Disposals	Transfers	Ending Balance
Buildings	\$ 651,050	\$ -	\$ -	\$ -	\$ 651,050
Major movable equipment	1,154,554	1,176,182	-	-	2,330,736
	<u>1,805,604</u>	<u>1,176,182</u>	<u>-</u>	<u>-</u>	<u>2,981,786</u>
Less accumulated amortization:					
Buildings	-	(111,218)	-	-	(111,218)
Major movable equipment	-	(376,389)	-	-	(376,389)
	<u>-</u>	<u>(487,607)</u>	<u>-</u>	<u>-</u>	<u>(487,607)</u>
Lease Assets, Net	<u>\$ 1,805,604</u>	<u>\$ 688,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,494,179</u>

\* Restated for the adoption of GASB 87, *Leases*

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**Note 7: Medical Malpractice Claims**

The Hospital purchases medical malpractice insurance up to coverage limits under the *Indiana Malpractice Act* (the Act) under a claims-made policy on a fixed premium basis. The Hospital is covered under the Act, which limits professional liability for claims on or after July 1, 2019, the maximum recovery is \$1,800,000 per occurrence, \$500,000 of which would be paid through malpractice insurance coverage, with the remainder due from the Fund.

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

**Note 8: Employee Health Claims**

Substantially all of the Hospital's employees and their dependents are eligible to participate in the Hospital's employee health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents. Commercial stop-loss insurance coverage is purchased for claims in excess of \$75,000 for years ended December 31, 2022, with a maximum aggregate annual reimbursement of \$1,000,000. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims, and other economic and social factors. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term.

Activity in the Hospital's accrued employee health claims liability during 2022 is summarized as follows:

	<b>2022</b>
Balance, beginning of year	\$ 160,000
Current year claims incurred and changes in estimates for claims incurred in prior years	2,891,107
Claims and expenses paid	(2,816,107)
Balance, end of year	\$ 235,000

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**Note 9: Long-Term Obligations and Lines of Credit**

The following is a summary of long-term obligation transactions for the Hospital for the year ended December 31, 2022:

	2022				
	Beginning Balance*	Additions	Deductions	Ending Balance	Current Portion
Long-term obligations:					
Revenue bonds payable:					
Lease rental revenue refunding bonds, series 2021A - nontaxable	\$ 12,920,000	\$ -	\$ (400,000)	\$ 12,520,000	\$ 375,000
Lease rental revenue refunding bonds, series 2021B - taxable	1,205,000	-	(115,000)	1,090,000	110,000
Unamortized bond premium	719,670	-	(33,216)	686,454	-
Note payable to bank	1,612	-	(1,612)	-	-
Financed purchase obligations	209,878	389,274	(187,419)	411,733	35,323
Total long-term obligations	<u>15,056,160</u>	<u>389,274</u>	<u>(737,247)</u>	<u>14,708,187</u>	<u>520,323</u>
Other liabilities:					
Lease liability	<u>1,805,604</u>	<u>1,176,182</u>	<u>(435,755)</u>	<u>2,546,031</u>	<u>594,426</u>
Total long-term liabilities	<u>\$ 16,861,764</u>	<u>\$ 1,565,456</u>	<u>\$ (1,173,002)</u>	<u>\$ 17,254,218</u>	<u>\$ 1,114,749</u>

\* Restated for the adoption of GASB 87, *Leases*

**Lease Rental Revenue Refunding Bonds, Series 2021**

The Lease Rental Revenue Refunding Bonds, Series 2021A and 2021B consist of bonds payable in the original amount of \$12,920,000 (nontaxable) and \$1,205,000 (taxable), respectively, dated September 8, 2021, issued by the Association. The Hospital entered into an agreement with the Association where the Hospital would be responsible for 100% of the principal and interest payments on these bonds. The Series 2021A bonds are payable in semiannual installments through August 2043 and bear interest at 2.38% to 3.00%. The Series 2021B bonds are payable in semiannual installments through August 2031 and bear interest at 0.50% to 2.35%. The bonds are secured by the lease rental payments pledged by the Hospital to be paid from net operating revenues. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$138,143. This resulting gain was included in gain on bond refunding, reported in the accompanying financial statements as a deferred inflow of resources, and is being charged to interest expense through the year 2043 using the effective interest method.

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The debt service requirements as of December 31, 2022 are as follows:

Year Ending December 31	Total to be Paid	Principal	Interest
2023	\$ 846,057	\$ 485,000	\$ 361,057
2024	848,473	500,000	348,473
2025	850,348	515,000	335,348
2026	846,623	525,000	321,623
2027	847,233	540,000	307,233
2028 - 2032	4,248,051	2,950,000	1,298,051
2033 - 2037	4,201,888	3,370,000	831,888
2038 - 2042	4,224,176	3,890,000	334,176
2043	843,293	835,000	8,293
	<u>\$ 17,756,142</u>	<u>\$ 13,610,000</u>	<u>\$ 4,146,142</u>

**Note Payable to Bank**

The note payable to bank consisted of one agreement with principal and interest payable monthly with interest of 7.3% and a maturity date in 2022. The note was secured by certain capital assets of the Hospital.

**Financed Purchase Obligations**

The Hospital leases certain equipment through agreements with third-party lessors, which management has determined to be financed purchase obligations due to the transfer of ownership at the termination of the agreement. The financed purchase obligations are discounted based on market evaluations performed by management, including considerations specific to the arrangements as well as interest rates available to the Hospital through other financing methods.

Future minimum financed purchase obligation payments as of December 31, 2022 are as follows:

Year Ending December 31	Total to be Paid	Principal	Interest
2023	\$ 41,966	\$ 35,323	\$ 6,643
2024	122,814	109,283	13,531
2025	122,814	113,648	9,166
2026	122,814	118,179	4,635
2027	36,134	35,300	834
	<u>\$ 446,542</u>	<u>\$ 411,733</u>	<u>\$ 34,809</u>

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***Revolving Lines of Credit***

At December 31, 2022, the Hospital has two lines of credit with a local bank in the amounts of \$1,750,000 and \$2,000,000. Both lines of credits originally matured in January 2023 and extended subsequent to year-end with maturity dates in January 2024. Interest on outstanding draws of the respective line accrues at the bank's prime rate, which was 7.5% at December 31, 2022. The extended agreements accrue interest at fixed rates of 7.5%. The lines of credit are secured by certain assets of the Hospital. At December 31, 2022, \$1,362,296 was drawn against the respective line of credit.

**Note 10: Lease Liabilities**

The Hospital leases equipment and office space, the terms of which expire in various years through 2030. Variable payments based upon the use of the underlying asset or tied to an unknown increase with certain indexes are not included in the lease liability because they are not fixed in substance. During the year ended December 31, 2022, the Hospital recognized approximately \$459,000 of rental expense for variable payments and short-term rentals not previously included in the measurement of the lease liability.

The facility leases related to long-term care operations include termination language where either party can terminate without cause with 90 days written notice. The Hospital recognized approximately \$72,000 under these agreements as short-term rentals, net of amounts forgiven by managers based on working capital available to fund outstanding amounts. Short term rentals under long-term care facility lease expenses are excluded from the measurement of the lease liability.

The following is a schedule by year of payments under the leases as of December 31, 2022:

<b>Year Ending December 31,</b>	<b>Total to be Paid</b>	<b>Principal</b>	<b>Interest</b>
2023	\$ 696,693	\$ 594,426	\$ 102,267
2024	623,914	547,828	76,086
2025	486,309	432,752	53,557
2026	391,258	355,204	36,054
2027	322,148	301,663	20,485
2028 - 2030	<u>325,390</u>	<u>314,158</u>	<u>11,232</u>
	<u>\$ 2,845,712</u>	<u>\$ 2,546,031</u>	<u>\$ 299,681</u>

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**Note 11: Pension Plan**

The Hospital contributes to a defined-contribution pension plan, as authorized by Indiana Code 16-22-3-11, covering substantially all employees of the Hospital. Pension expense is recorded for the amount of the Hospital's required contributions, determined in accordance with the terms of the plan. The plan is administered by a board of trustees appointed by the Hospital. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Hospital's governing body. Contribution rates for plan members and the Hospital expressed as a percentage of covered payroll was 5% of an employee's eligible compensation for 2022. Expense related to the employer contributions to the plan was \$770,000 for 2022.

**Note 12: Disclosures About Fair Value of Assets**

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities



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**Recurring Measurements**

The following tables present the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2022:

	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>December 31, 2022</b>				
<b>Investments by fair value level</b>				
Equity mutual funds	\$ 205,953	\$ 205,953	\$ -	\$ -
Fixed income mutual funds	135,231	135,231	-	-
Total investments measured by fair value level	341,184	<u>\$ 341,184</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Investments measured at net asset value (NAV)</b>				
Government obligations funds	865,244			
Total investments measured at fair value	<u>\$ 1,206,428</u>			

**Investments**

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Hospital does not have any Level 2 or Level 3 assets at December 31, 2022.

**Greene County General Hospital**  
**A Component Unit of Greene County, Indiana**  
**Notes to the Financial Statements**  
**December 31, 2022**

**Note 13: Long-Term Care Operations**

The Hospital entered into various agreements to lease the facilities and equipment for the operation of five nursing homes. Along with the lease agreements, the Hospital also entered into management agreements with the facilities' previous managers (Managers) to continue to operate the facilities. The agreements included original two year maturities with optional two-year extensions. The management and lease agreements include optional termination clauses by either party with 90 days' written notice.

The lease agreements call for monthly base rent payments during the initial term. Rental payments will increase by 1% during the extension period if not negotiated between the parties. The management agreements include management fees consisting of base management fees, subordinate management fees and incentive management fees. These amounts are based on the net patient service revenue of the individual facilities. Subordinate and incentive management fees are to be paid only if sufficient working capital exists as outlined in the agreements. The agreements also call for annual quality and monthly intangible licensing fees to be paid. Rental expense, management and other fees for 2022 approximated \$312,000 and include fee forgiveness amounts provided by managers based on available working capital to satisfy fees. In 2022, managers subsidized operations by forgiveness of other working capital amounts approximating \$1,466,000, which is included within noncapital grants and contributions within the statement of revenues, expenses and changes in net position.

Under the management agreements, the employees necessary to operate the facilities are contracted by the Hospital. The majority of all costs in the ordinary course of business are paid by the Managers who are then reimbursed by the Hospital from operations of the facilities. Similarly, the Hospital has entered into agreements with Managers to loan amounts for working capital needs in the form of revolving notes. Interest accrues on outstanding amounts at nominal rates. Consequently, the majority of accounts payable and accrued expenses of the long-term care operations approximating \$6,467,000 at December 31, 2022, reflect amounts due to the Managers and their vendors.

**Note 14: Agreements With Greene County Health, Inc.**

The Hospital has a Support Funding and Loan Agreement with Greene County Health, Inc. (INC) which was entered into to fund working capital shortfalls of INC, an entity formed from Hospital primary care operations, as it pursued Federally Qualified Health Center status. In 2018, the Hospital and INC entered into a memorandum of agreement to terminate existing arrangements between the entities, which included facility and staff lease agreements. The Support Funding and Loan Agreement are to remain in full force without modification. With the termination, the Hospital assumed operations of four clinics, which are operated by the Hospital as licensed rural health clinics.

**Greene County General Hospital**  
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**Notes to the Financial Statements**  
**December 31, 2022**

The Support Funding and Loan Agreement, as amended, requiring monthly repayments over a 10 year period beginning October 1, 2018 with final maturity on September 28, 2028. Total advances and accrued interest under the support and loan agreement approximate \$4,614,000 as of December 31, 2022. No scheduled repayments under the agreement have occurred and the Hospital has deemed the entire balance to be uncollectible at December 31, 2022. The Hospital has issued a formal notice of default and demand for payment and has stopped accruing interest given the likelihood of collection.

Other amounts due from INC under various agreements approximates \$961,000 at December 31, 2022, which are fully reserved based on an assessment of collectability by Hospital management.

**Note 15: Condensed Combining Information**

The following tables include condensed combining balance sheet information for the Hospital and its blended component unit as of December 31, 2022:

	<b>December 31, 2022</b>			
	<b>Hospital and Association</b>	<b>Foundation</b>	<b>Eliminations</b>	<b>Total</b>
<b>Assets</b>				
Current assets	\$ 22,326,110	\$ 96,963	\$ (1,362,296)	\$ 21,060,777
Capital assets, net	18,694,929	217,603	-	18,912,532
Other assets	3,700,607	-	-	3,700,607
Total assets	<u>\$ 44,721,646</u>	<u>\$ 314,566</u>	<u>\$ (1,362,296)</u>	<u>\$ 43,673,916</u>
<b>Liabilities</b>				
Current liabilities	\$ 14,427,448	\$ 10,802	\$ (1,362,296)	\$ 13,075,954
Noncurrent liabilities	16,139,469	-	-	16,139,469
Total liabilities	<u>30,566,917</u>	<u>10,802</u>	<u>(1,362,296)</u>	<u>29,215,423</u>
<b>Deferred Inflows of Resources</b>	<u>120,179</u>	<u>-</u>	<u>-</u>	<u>120,179</u>
<b>Net Position</b>				
Net investment in capital assets	4,327,667	217,603	-	4,545,270
Restricted for debt service	865,244	-	-	865,244
Unrestricted net position	8,841,639	86,161	-	8,927,800
Total net position	<u>14,034,550</u>	<u>303,764</u>	<u>-</u>	<u>14,338,314</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 44,721,646</u>	<u>\$ 314,566</u>	<u>\$ (1,362,296)</u>	<u>\$ 43,673,916</u>

**Greene County General Hospital**  
**A Component Unit of Greene County, Indiana**  
**Notes to the Financial Statements**  
**December 31, 2022**

The following tables include condensed combining statements of revenues, expenses and changes in net position information for the Hospital and its blended component units for the year ended December 31, 2022.

	<b>Year Ended December 31, 2022</b>			
	<b>Hospital and Association</b>	<b>Foundation</b>	<b>Eliminations</b>	<b>Total</b>
<b>Operating Revenues</b>				
Net patient service revenue	\$ 75,825,321	\$ -	\$ -	\$ 75,825,321
Other	4,353,624	-	-	4,353,624
Total operating revenues	<u>80,178,945</u>	<u>-</u>	<u>-</u>	<u>80,178,945</u>
<b>Operating Expenses</b>	<u>83,090,081</u>	<u>147,330</u>	<u>-</u>	<u>83,237,411</u>
<b>Operating Loss</b>	(2,911,136)	(147,330)	-	(3,058,466)
<b>Nonoperating Revenue</b>	2,307,616	52,796	-	2,360,412
<b>Transfers</b>	<u>(68,027)</u>	<u>68,027</u>	<u>-</u>	<u>-</u>
<b>Decrease in Net Position</b>	<u>(671,547)</u>	<u>(26,507)</u>	<u>-</u>	<u>(698,054)</u>
<b>Net Position, Beginning of Year, as Previously Reported</b>	14,800,839	330,271	-	15,131,110
Restatement for adoption of accounting principle	(94,742)	-	-	(94,742)
<b>Net Position, Beginning of Year, as Restated</b>	<u>14,706,097</u>	<u>330,271</u>	<u>-</u>	<u>15,036,368</u>
<b>Net Position, End of Year</b>	<u>\$ 14,034,550</u>	<u>\$ 303,764</u>	<u>\$ -</u>	<u>\$ 14,338,314</u>

The following tables include condensed combining statements of cash flows information for the Hospital and its blended component units for the year ended December 31, 2022.

	<b>Year Ended December 31, 2022</b>			
	<b>Hospital</b>	<b>Foundation</b>	<b>Eliminations</b>	<b>Total</b>
<b>Operating Activities</b>	\$ (4,679,634)	\$ (152,899)	\$ -	\$ (4,832,533)
<b>Noncapital Financing Activities</b>	2,623,455	113,113	-	2,736,568
<b>Capital and Related Financing</b>	(8,171,784)	4,160	-	(8,167,624)
<b>Investing Activities</b>	<u>32,103</u>	<u>-</u>	<u>-</u>	<u>32,103</u>
<b>Decrease in Cash and Restricted Cash</b>	(10,195,860)	(35,626)	-	(10,231,486)
<b>Cash and Restricted Cash, Beginning of Year</b>	<u>17,555,323</u>	<u>132,189</u>	<u>-</u>	<u>17,687,512</u>
<b>Cash and Restricted Cash, End of Year</b>	<u>\$ 7,359,463</u>	<u>\$ 96,563</u>	<u>\$ -</u>	<u>\$ 7,456,026</u>

**Greene County General Hospital**  
**A Component Unit of Greene County, Indiana**  
**Notes to the Financial Statements**  
**December 31, 2022**

**Note 16: Commitments and Contingencies**

***Litigation***

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Hospital's commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

***COVID-19 Pandemic***

Hospital operations have been affected by COVID-19, including the impact of various policies by federal, state, and local governments in response to the pandemic. The extent of the COVID-19 pandemic's adverse effect on the Hospital's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Hospital's control and ability to forecast. Because of these and other uncertainties, the Hospital cannot estimate the length or severity of the effect of the pandemic on the Hospital's business. Decreases in cash flows and results of operations may have an effect on debt covenant compliance and on the inputs and assumptions used in significant accounting estimates, including the allowance for uncollectible accounts related to patient accounts receivable, and potential impairments of long-lived and other assets.

***Grant Revenue***

In July 2022, the Hospital was awarded \$1,000,000 under the USDA Emergency Rural Health Care Grant Track program. This funding is intended to aide in the Hospital's renovation of its Intensive Care and Med/Surge units to meet COVID-19 isolation and space requirements. The Hospital is obligated to match \$800,000 of the total award. As of December 31, 2022, no amounts have been expended or reimbursed under this award.

**Note 17: Subsequent Events**

Subsequent to year-end, the Hospital and third-party manager agreed to close one skilled nursing facility once facility residents could be transferred and discharged in the normal course of business. Total assets, net position and operating revenues approximated \$518,000, \$82,000 and \$1,508,000, respectively, as of and for the year ended December 31, 2022.

## **Supplementary Information**

**Greene County General Hospital**  
**A Component Unit of Greene County, Indiana**  
**Combining Balance Sheet Information**  
**December 31, 2022**

	2022				
	Hospital and Association	Nursing Homes	Hospital Foundation	Eliminations	Total
<b>Assets</b>					
<b>Current Assets</b>					
Cash	\$ 2,958,891	\$ 3,887,616	\$ 96,563	\$ -	\$ 6,943,070
Restricted cash	512,956	-	-	-	512,956
Patient accounts receivable, net of allowance of \$1,879,739	6,555,209	3,567,920	-	-	10,123,129
Other receivables	1,530,825	388,912	400	(1,362,296)	557,841
Estimated third-party settlements	2,015,413	-	-	-	2,015,413
Supplies	546,449	-	-	-	546,449
Prepaid expenses and other assets	295,516	66,403	-	-	361,919
Total current assets	<u>14,415,259</u>	<u>7,910,851</u>	<u>96,963</u>	<u>(1,362,296)</u>	<u>21,060,777</u>
<b>Noncurrent Cash and Investments</b>					
Internally designated	341,184	-	-	-	341,184
Held by trustee for debt service	865,244	-	-	-	865,244
Total noncurrent cash and investments	<u>1,206,428</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,206,428</u>
<b>Capital Assets, net</b>					
	<u>18,694,929</u>	<u>-</u>	<u>217,603</u>	<u>-</u>	<u>18,912,532</u>
<b>Lease Assets, net</b>					
	<u>2,494,179</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,494,179</u>
Total assets	<u>\$ 36,810,795</u>	<u>\$ 7,910,851</u>	<u>\$ 314,566</u>	<u>\$ (1,362,296)</u>	<u>\$ 43,673,916</u>
<b>Liabilities and Net Position</b>					
<b>Current Liabilities</b>					
Current maturities of long-term debt	\$ 520,323	\$ -	\$ -	\$ -	\$ 520,323
Current portions of lease liabilities	594,426	-	-	-	594,426
Line of credit	1,362,296	-	-	-	1,362,296
Accounts payable and accrued expenses	4,487,965	6,466,539	10,802	(1,362,296)	9,603,010
Estimated third-party settlements	995,899	-	-	-	995,899
Total current liabilities	<u>7,960,909</u>	<u>6,466,539</u>	<u>10,802</u>	<u>(1,362,296)</u>	<u>13,075,954</u>
<b>Noncurrent Liabilities</b>					
Long-term obligations	14,187,864	-	-	-	14,187,864
Lease liabilities, net of current portion	1,951,605	-	-	-	1,951,605
Total noncurrent liabilities	<u>16,139,469</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,139,469</u>
Total liabilities	<u>24,100,378</u>	<u>6,466,539</u>	<u>10,802</u>	<u>(1,362,296)</u>	<u>29,215,423</u>
<b>Deferred Inflows of Resources - gain on bond refunding</b>					
	<u>120,179</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,179</u>
<b>Net Position</b>					
Net investment in capital assets	4,327,667	-	217,603	-	4,545,270
Restricted for debt service	865,244	-	-	-	865,244
Unrestricted	7,397,327	1,444,312	86,161	-	8,927,800
Total net position	<u>12,590,238</u>	<u>1,444,312</u>	<u>303,764</u>	<u>-</u>	<u>14,338,314</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 36,810,795</u>	<u>\$ 7,910,851</u>	<u>\$ 314,566</u>	<u>\$ (1,362,296)</u>	<u>\$ 43,673,916</u>

**Greene County General Hospital**  
**A Component Unit of Greene County, Indiana**  
**Combining Statement of Revenues, Expenses and Changes in Net Position Information**  
**Year Ended December 31, 2022**

	2022			
	Hospital and Association	Nursing Homes	Hospital Foundation	Total
<b>Operating Revenues</b>				
Net patient service revenue, net of provision for uncollectible accounts of \$5,501,000	\$ 48,682,541	\$ 27,142,780	\$ -	\$ 75,825,321
Other	949,369	3,404,255	-	4,353,624
Total operating revenues	<u>49,631,910</u>	<u>30,547,035</u>	<u>-</u>	<u>80,178,945</u>
<b>Operating Expenses</b>				
Salaries and wages	23,328,197	-	78,881	23,407,078
Employee benefits	5,291,992	-	-	5,291,992
Purchased services and professional fees	9,806,884	24,529,359	-	34,336,243
Supplies and other	10,282,856	6,692,483	52,573	17,027,912
Depreciation and amortization	1,799,623	-	15,876	1,815,499
Provider hospital assessment fee	1,358,687	-	-	1,358,687
Total operating expenses	<u>51,868,239</u>	<u>31,221,842</u>	<u>147,330</u>	<u>83,237,411</u>
<b>Operating Loss</b>	<u>(2,236,329)</u>	<u>(674,807)</u>	<u>(147,330)</u>	<u>(3,058,466)</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment income	(21,312)	-	-	(21,312)
Interest expense	(446,584)	-	-	(446,584)
Noncapital grants and contributions	878,843	1,906,240	32,836	2,817,919
Other	(9,571)	-	19,960	10,389
Total nonoperating revenues	<u>401,376</u>	<u>1,906,240</u>	<u>52,796</u>	<u>2,360,412</u>
<b>Income (Loss) Before Transfers</b>	(1,834,953)	1,231,433	(94,534)	(698,054)
<b>Transfer (To) From Affiliate</b>	<u>1,466,015</u>	<u>(1,534,042)</u>	<u>68,027</u>	<u>-</u>
<b>Decrease in Net Position</b>	<u>(368,938)</u>	<u>(302,609)</u>	<u>(26,507)</u>	<u>(698,054)</u>
<b>Net Position, Beginning of Year, as Previously Reported</b>	13,053,918	1,746,921	330,271	15,131,110
Restatement for adoption of accounting principle	(94,742)	-	-	(94,742)
<b>Net Position, Beginning of Year, as Restated</b>	<u>12,959,176</u>	<u>1,746,921</u>	<u>330,271</u>	<u>15,036,368</u>
<b>Net Position, End of Year</b>	<u>\$ 12,590,238</u>	<u>\$ 1,444,312</u>	<u>\$ 303,764</u>	<u>\$ 14,338,314</u>



## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

### **Independent Auditor's Report**

Board of Trustees  
Greene County General Hospital  
Linton, 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 (*Government Auditing Standards*), the financial statements of Greene County General Hospital (Hospital), a component unit of Greene County, Indiana, which comprise the Hospital's balance sheet as of December 31, 2022, 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 August 1, 2023, which contained an "Emphasis of Matter" paragraph regarding a change in accounting principle.

#### ***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 by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a material weakness.

## ***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*.

## ***Hospital's Response to Findings***

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

## ***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.

**FORVIS,LLP**

Indianapolis, Indiana  
August 1, 2023

**Greene County General Hospital**  
**A Component Unit of Greene County, Indiana**  
**Schedule of Findings and Responses**  
**Year Ended December 31, 2022**

Reference Number	Finding
2022-001	<p><b>Criteria:</b> <b>Internal Control Over Financial Reporting</b> - Indiana Code 5-11-1-27, requires the Hospital to adopt a minimum level of internal control standards and internal control procedures as developed by the Indiana State Board of Accounts and published in the <i>Uniform Internal Control Standards for Indiana Political Subdivisions</i>. Also, <i>Government Auditing Standards</i> section 6.40 requires auditors to report on internal control over financial reporting where findings rise to the level of a material weakness.</p> <p><b>Condition:</b> The Hospital participates in the Indiana Provider Hospital Assessment Fee program, which was designed to increase Medicaid payments to hospitals. Fees are initially calculated at a statewide level and assessed to individual hospitals proportionally based on information from Medicare cost reports on file. The latest assessment was made in December 2022 for the state fiscal year ending June 30, 2023. During 2022, adjustments were required to reflect amounts currently outstanding under this program for years where fees have not been finalized.</p> <p><b>Cause:</b> These adjustments were impacted by rate letters issued in December 2022, which were not timely received by the accounting department as well as settlements for prior fiscal years requiring adjustments for changes in assessed fees.</p> <p><b>Effect or Potential Effect:</b> Misstatements in the financial statements occurred and were not detected and corrected in a timely manner.</p> <p><b>Recommendation:</b> We recommend that management routinely monitor outstanding amounts and reconcile assessed fees and support provided by Medicaid contractors to payments remitted by check or withholding of Medicaid remittances.</p> <p><b>Views of Responsible Officials and Planned Corrective Action:</b> We concur. Management continues to evaluate current controls related to accounting for the Indiana Provider Hospital Assessment Fee program to ensure amounts are accounted for properly and in a timely manner.</p>