



Greene County General Hospital
A Component Unit of Greene County, Indiana

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

December 31, 2023



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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 Greene County General Hospital, a component unit of Greene County, as of and for the year ended December 31, 2023, 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, 2023, 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.

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 information and combining statement of revenues, expenses and changes in net position information 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining balance sheet information and combining statement of revenues, expenses and changes in net position information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 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.

Forvis Mazars, LLP

Indianapolis, Indiana
August 6, 2024

**Greene County General Hospital
A Component Unit of Greene County, Indiana
Management's Discussion and Analysis
December 31, 2023**

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, 2023. It should be read in conjunction with the accompanying financial statements of the Hospital.

Financial Highlights

- Cash, restricted cash and investments decreased in 2023 by \$1,617,711 or 18.7%.
- The Hospital's net position increased in 2023 by \$64,752 or 0.5%.
- The Hospital reported an operating loss in 2023 of \$476,202. The operating loss reported in 2023 represents an improvement of \$2,582,264 or 84.4% compared to the operating loss reported in 2022 of \$3,058,466.
- Net nonoperating revenues for 2023 were \$540,954, which represented a decline of \$1,819,458 compared to net nonoperating revenues of \$2,360,412 in 2022.
- As discussed in Note 2 to the financial statements, the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, in 2023. Prior year comparative information presented herein has not be restated for adoption of GASB 96.

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.

Greene County General Hospital
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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 increased by \$64,752 or 0.5% in 2023 compared to 2022 as shown in Table 1.

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

	<u>2023</u>	<u>2022</u>
Assets		
Patient accounts receivable, net	\$ 11,803,957	\$ 10,123,129
Other current assets	8,611,367	10,937,648
Capital assets, net	19,362,628	18,912,532
Other noncurrent assets	<u>4,434,737</u>	<u>3,700,607</u>
Total assets	<u>\$ 44,212,689</u>	<u>\$ 43,673,916</u>
Liabilities		
Long-term obligations	\$ 13,828,348	\$ 14,187,864
Other current and noncurrent liabilities	<u>15,871,471</u>	<u>15,027,559</u>
Total liabilities	<u>29,699,819</u>	<u>29,215,423</u>
Deferred Inflows of Resources	<u>109,804</u>	<u>120,179</u>
Net Position		
Net investment in capital assets	4,814,521	4,545,270
Restricted for debt service	875,333	865,244
Unrestricted	<u>8,713,212</u>	<u>8,927,800</u>
Total net position	<u>14,403,066</u>	<u>14,338,314</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 44,212,689</u>	<u>\$ 43,673,916</u>

At December 31, 2023, the Hospital's reported assets of \$44,212,689 represent a \$538,773 or 1.23% increase over 2022. The most notable contributing factor to this increase was the adoption of GASB 96 which had an impact of \$389,035. The adoption had a corresponding liability as well, which explains the corresponding increase in liabilities.

Greene County General Hospital
A Component Unit of Greene County, Indiana
Management's Discussion and Analysis
December 31, 2023

Operating Results and Changes in the Hospital's Net Position

In 2023, the Hospital's increase in net position was \$64,752 as shown in Table 2. This increase is made up of several different components including an increase in net patient service revenue specifically with increase in patient visits and encounters. The increase to operating revenues was more significant than the increase in operating expenses growth. Other income continued to decrease due to COVID-19 stimulus funding coming to an end and a decrease in overall UPL related income due to the state fiscal year 2023 true up impact. The increase in net position represents a change of \$762,806 or 109.3% from the decrease in net position for 2022 of \$(698,054).

Table 2: Operating Results and Changes in Net Position

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Net patient service revenue	\$ 84,841,513	\$ 75,825,321
Other operating revenue	2,848,153	4,353,624
Total operating revenue	<u>87,689,666</u>	<u>80,178,945</u>
Operating Expenses		
Salaries and wages and employee benefits	33,829,717	28,699,070
Purchased services and professional fees	31,983,602	34,336,243
Depreciation and amortization	2,583,984	1,815,499
Other operating expenses	19,768,565	18,386,599
Total operating expenses	<u>88,165,868</u>	<u>83,237,411</u>
Operating Loss	<u>(476,202)</u>	<u>(3,058,466)</u>
Nonoperating Revenues (Expenses)		
Investment income	120,334	(21,312)
Interest expense	(494,349)	(446,584)
Noncapital grants and contributions	918,438	2,817,919
Other	(3,469)	10,389
Total nonoperating revenue (expense)	<u>540,954</u>	<u>2,360,412</u>
Increase (Decrease) in Net Position	64,752	(698,054)
Net Position, Beginning of Year	<u>14,338,314</u>	<u>15,036,368</u>
Net Position, End of Year	<u>\$ 14,403,066</u>	<u>\$ 14,338,314</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.

Greene County General Hospital
A Component Unit of Greene County, Indiana
Management's Discussion and Analysis
December 31, 2023

The operating loss was \$476,202 for 2023 compared to an operating loss of \$3,058,466 for 2022, which equates to an improvement of \$2,582,264. The primary components of the change in operating loss for 2023 are:

- Net patient service revenue was \$84,841,513 in 2023 compared to \$75,825,321 in 2022, which is an increase of \$9,016,192 or 11.9%.
- Other nonoperating income was \$540,954 in 2023 compared to \$2,360,412 in 2022, which is a decrease of \$1,819,458 or 77.1%.
- Salaries and wages and employee benefits were \$33,829,717 for 2023 compared to \$28,699,070 in 2022, which is an increase of \$5,130,647 or 17.9%.
- Purchased services and professional fees were \$31,983,602 for 2023 compared to \$34,336,243 in 2022, which is decrease of \$2,352,641 or 6.9%.

The increase in net patient service revenue in 2023 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 2023, there continues to be a decrease in nonoperating revenues and expenses due to Provider Relief Funds fully being recognized in 2022 and 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. The Hospital recognized interest expense in 2023 of \$494,349, which was an increase of \$47,765 from \$446,584 in 2022. This was a result additional interest expense with the adoption of GASB 96.

The Hospital's Cash Flows

The Hospital's cash flows from operating activities increased by \$5,833,669 or 120.7% from \$4,832,533 used in operations in 2022 to \$1,001,136 provided by operations during 2023. Cash flows used in capital and related financing activities were \$3,843,975 in 2023, representing a decrease of \$4,323,649 or 52.9% from cash flows used in 2022 of \$8,167,624. This change is a result of the Hospital's decrease in spending on capital acquisitions as projects start to finish up in 2023.

Capital, Lease and Subscription Assets, and Debt Administration

Capital, Lease, and Subscription Assets

At the end of 2023, the Hospital had \$19,362,628 invested in capital assets, net of accumulated depreciation, as detailed in Note 6 to the financial statements. Capital asset additions approximated \$2,276,000 in 2023. At the end of 2023, the Hospital had \$2,783,097 reported as lease assets, net of accumulated amortization, as detailed in Note 6 to the financial statements. At the end of 2023, the Hospital had \$389,035 reported as subscription assets, net of accumulated amortization, as detailed in Note 6 to the financial statements.

Debt

At December 31, 2023, the Hospital had \$14,415,244 in revenue bonds (and unamortized premium), notes payable to banks, and financed purchase obligations outstanding as compared to \$14,708,187 at December 31, 2022. At December 31, 2023, the Hospital had outstanding balances under its line of credit agreement totaling \$1,548,652, compared to \$1,362,296 at December 31, 2022.

**Greene County General Hospital
A Component Unit of Greene County, Indiana
Management's Discussion and Analysis
December 31, 2023**

Other Economic Factors

Management believes operating margins for the Hospital, and for the healthcare industry at-large, will continue to be under pressure due to continuing changes in acuity, payor mix, and other reimbursement-related matters, as well as growth in operating expenses, which may be in excess of the increases in contractually arranged and legally established payments received for services rendered. The ongoing challenge facing the Hospital is to continue to provide quality patient care in a highly competitive environment, and to attain reasonable rates for services provided while managing costs.

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, 2023

	2023	
ASSETS		
Current Assets		
Cash	\$ 5,782,138	
Patient accounts receivable, net of allowance of \$2,576,119	11,803,957	
Other receivables	554,969	
Estimated third-party settlements	1,267,095	
Supplies	529,859	
Prepaid expenses and other	477,306	
Total current assets	477,306	\$ 20,415,324
Noncurrent Cash and Investments		
Internally designated	387,272	
Held by trustee for debt service	875,333	
Total noncurrent cash and investments	875,333	1,262,605
Capital Assets, net		19,362,628
Lease Asset, net		2,783,097
Subscription Asset, net		389,035
Total assets		\$ 44,212,689

Greene County General Hospital
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Balance Sheet (Continued)
December 31, 2023

	2023	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities		
Current maturities of long-term obligations	\$ 586,896	
Current portion of lease liability	685,670	
Current portion of subscription liability	150,598	
Line of credit	1,548,652	
Accounts payable and accrued expenses	9,810,190	
Estimated third-party settlements	730,542	
Total current liabilities		\$ 13,512,548
Noncurrent Liabilities		
Long-term obligations	13,828,348	
Lease liabilities, net of current portion	2,178,602	
Subscription liabilities, net of current portion	180,321	
Total noncurrent liabilities		16,187,271
Total liabilities		29,699,819
Deferred Inflows of Resources - gain on bond refunding		109,804
Net Position		
Net investment in capital assets	4,814,521	
Restricted for debt service	875,333	
Unrestricted	8,713,212	
Total net position		14,403,066
Total liabilities, deferred inflows of resources and net position		\$ 44,212,689

Greene County General Hospital
A Component Unit of Greene County, Indiana
Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2023

	2023	
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts - \$7,482,000	\$ 84,841,513	
Other	2,848,153	
Total operating revenues		\$ 87,689,666
Operating Expenses		
Salaries and wages	27,618,349	
Employee benefits	6,211,368	
Purchased services and professional fees	31,983,602	
Supplies and other	17,473,525	
Depreciation and amortization	2,583,984	
Provider hospital assessment fee	2,295,040	
Total operating expenses		88,165,868
Operating Loss		(476,202)
Nonoperating Revenues (Expenses)		
Investment income	120,334	
Interest expense	(494,349)	
Noncapital grants and contributions	918,438	
Other	(3,469)	
Total nonoperating revenues (expenses)		540,954
Increase in Net Position		64,752
Net Position, Beginning of Year		14,338,314
Net Position, End of Year		\$ 14,403,066

Greene County General Hospital
A Component Unit of Greene County, Indiana
Statement of Cash Flow
Year Ended December 31, 2023

	2023	
Operating Activities		
Receipts from and on behalf of patients	\$ 85,257,180	
Payments to suppliers and contractors	(50,629,077)	
Payments to employees	(32,840,285)	
Other payments	(759,652)	
Net cash provided by operating activities		\$ 1,028,166
Noncapital Financing Activities		
Borrowings on lines of credit	1,548,652	
Repayments on lines of credit	(1,362,296)	
Noncapital grants, contributions and transfers	941,999	
Net cash provided by noncapital financing activities		1,128,355
Capital and Related Financing Activities		
Acquisition and construction of capital assets	(2,204,236)	
Proceeds from issuance of debt	350,000	
Principal paid on bonds payable and long-term debt	(609,728)	
Principal paid on lease liabilities	(676,066)	
Principal paid on subscription liabilities	(209,601)	
Interest paid on long-term obligations and lease liabilities	(544,935)	
Net cash used in capital and related financing activities		(3,894,566)
Investing Activities		
Interest and dividends on investments	74,246	
Purchases of investments	(10,089)	
Net cash provided by investing activities		64,157
Decrease in Cash and Restricted Cash		(1,673,888)
Cash and Restricted Cash, Beginning of Year		7,456,026
Cash, End of Year		\$ 5,782,138

Greene County General Hospital
A Component Unit of Greene County, Indiana
Statement of Cash Flow (Continued)
Year Ended December 31, 2023

	<u>2023</u>
Reconciliation of Operating Gain to Net Cash Provided By Operating Activities	
Operating loss	\$ (476,202)
Depreciation and amortization	2,583,984
Provision for uncollectible accounts	7,482,000
Changes in operating assets and liabilities:	
Patient accounts receivable	(9,162,828)
Estimated amounts due to/from third-party payors	482,961
Accounts payable and accrued expenses	214,176
Supplies and other assets	<u>(95,925)</u>
Net cash provided by operating activities	<u>\$ 1,028,166</u>
Supplemental Cash Flow Information	
Lease obligation incurred for lease assets	\$ 994,307
Subscription obligation incurred for subscription liabilities, during adoption	425,771
Subscription obligation incurred for subscription liabilities, during the year	114,749

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.

Operating Activities

The Hospital defines operating activities, as reported in the statement 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.

Greene County General Hospital
A Component Unit of Greene County, Indiana
Notes to Financial Statements
December 31, 2023

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, 2023, 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.

Investments and Investment Income

Investments in money market accounts and mutual funds are carried at fair value. Investments in government obligation funds are carried at net asset value (NAV). Fair value is determined using quoted market prices.

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 15 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.

Subscription Assets

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at, and certain payments made before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

Capital, Lease, and Subscription Asset Impairment

The Hospital evaluates capital, lease, and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital, lease, or subscription asset has occurred. If a capital, lease, or subscription 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, 2023.

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.

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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.

Net Position

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

- Net investment in capital assets consists of capital, lease, and subscription assets net of accumulated depreciation amortization and reduced by the outstanding balances of borrowings, lease and subscription 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.

Future Accounting Standards

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. 96, Subscription-Based Information Technology Arrangements

On January 1, 2023, the Hospital implemented GASB Statement No. 96, *Subscription Based Information Technology Arrangements* (GASB No. 96). This statement requires governments to recognize certain subscription assets and liabilities for agreements that previously were classified as operating expenses and recognized as outflows of resources based on the payment provisions of the contract. The adoption of GASB No. 96 did not result in any change to beginning net position. As of January 1, 2023, adoption of the standard resulted in the recognition of subscription assets and liabilities of \$425,771. Subscription assets and liabilities have been recognized and measured using the facts and circumstances that existed at the beginning of the year. Refer to Notes 6, 9, and 11 for the additional disclosures on these balances.

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.

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Approximately 76% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the year ended December 31, 2023. 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, 2023. Amounts outstanding at December 31, 2023 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.

The Hospital participates in a state-specific provider assessment program to increase Medicaid payments to hospitals. The Hospital incurred approximately \$2,295,000 of assessed fees related to this Medicaid program in 2023, 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, 2023 approximated \$731,000, 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. In 2022, The Hospital has recorded an initial estimate of final settlement amounts approximating \$651,000 within estimated third-party settlements, which was down to approximately \$558,000 at December 31, 2023. 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 \$951,000 related to this supplemental payment program for the year ended December 31, 2023, which is included in other operating revenue in the statement of revenues, expenses and changes in net position. At December 31, 2023, \$289,000 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, 2023, the Hospital's investments consisted of the following investments and maturities:

Type	December 31, 2023				
	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
Government obligations funds	\$ 875,333	\$ 875,333	\$ -	\$ -	\$ -
Equity mutual funds	248,967	248,967	-	-	-
Fixed income mutual funds	138,305	138,305	-	-	-
	<u>\$ 1,262,605</u>	<u>\$ 1,262,605</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2023, 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.

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Summary of Carrying Values

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

	<u>2023</u>
Carrying value:	
Deposits	\$ 5,782,138
Investments	<u>1,262,605</u>
	<u><u>\$ 7,044,743</u></u>
Included in the following balance sheet captions:	
Cash	\$ 5,782,138
Noncurrent cash and investments	
Internally designated	387,272
Held by trustee for debt service	<u>875,333</u>
	<u><u>\$ 7,044,743</u></u>

Investment Income

Investment income for the year ended December 31, 2023 consisted of:

	<u>2023</u>
Interest and dividend income	\$ 74,246
Net increase in fair value of investments	<u>46,088</u>
	<u><u>\$ 120,334</u></u>

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, 2023 consisted of:

	<u>2023</u>
Medicare	\$ 3,973,077
Medicaid	2,581,036
Other third-party payors	5,162,083
Patients	<u>2,621,950</u>
	14,338,146
Less allowance for uncollectible accounts	<u>2,534,189</u>
	<u><u>\$ 11,803,957</u></u>

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Note 6. Capital and Lease Assets

Capital assets activity for the year ended December 31, 2023 was:

	2023				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Land	\$ 624,598	\$ -	\$ (3,400)	\$ -	\$ 621,198
Land improvements	3,493,272	-	(26,426)	5,675	3,472,521
Buildings	11,419,054	-	(458,541)	-	10,960,513
Fixed equipment	5,163,440	-	(568,873)	34,886	4,629,453
Major movable equipment	4,514,558	-	(831,173)	1,465,474	5,148,859
Construction in process	-	2,276,112	-	(1,506,035)	770,077
	<u>25,214,922</u>	<u>2,276,112</u>	<u>(1,888,413)</u>	<u>-</u>	<u>25,602,621</u>
Less accumulated depreciation:					
Land improvements	(126,396)	(182,482)	26,426	-	(282,452)
Buildings	(2,312,807)	(470,680)	458,541	-	(2,324,946)
Fixed equipment	(2,273,978)	(353,991)	559,633	-	(2,068,336)
Major movable equipment	(1,589,209)	(719,957)	744,907	-	(1,564,259)
	<u>(6,302,390)</u>	<u>(1,727,110)</u>	<u>1,789,507</u>	<u>-</u>	<u>(6,239,993)</u>
Capital Assets, net	<u>\$ 18,912,532</u>	<u>\$ 549,002</u>	<u>\$ (98,906)</u>	<u>\$ -</u>	<u>\$ 19,362,628</u>

Lease assets activity for the year ended December 31, 2023 was:

	2023			
	Beginning Balance	Additions	Disposals	Ending Balance
Buildings	\$ 651,050	\$ 121,439	\$ -	\$ 772,489
Major movable equipment	2,330,736	872,868	(100,692)	3,102,912
	<u>2,981,786</u>	<u>994,307</u>	<u>(100,692)</u>	<u>3,875,401</u>
Less accumulated amortization:				
Buildings	(111,218)	(131,458)	-	(242,676)
Major movable equipment	(376,389)	(573,931)	100,692	(849,628)
	<u>(487,607)</u>	<u>(705,389)</u>	<u>100,692</u>	<u>(1,092,304)</u>
Lease assets, net	<u>\$ 2,494,179</u>	<u>\$ 288,918</u>	<u>\$ -</u>	<u>\$ 2,783,097</u>

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Subscription assets activity for the year ended December 31, 2023 was:

	2023			Ending Balance
	Beginning Balance*	Additions	Disposals	
Subscription assets	\$ 425,771	\$ 114,749	\$ -	\$ 540,520
Less accumulated amortization: Subscription assets	-	(151,485)	-	(151,485)
Subscription assets, net	<u>\$ 425,771</u>	<u>\$ (36,736)</u>	<u>\$ -</u>	<u>\$ 389,035</u>

* Restated for the adoption of GASB 96, *Subscription Based Information Technology Arrangements*

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 \$85,000 for years ended December 31, 2023, 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.

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Activity in the Hospital's accrued employee health claims liability during 2023 is summarized as follows:

	<u>2023</u>
Balance, beginning of year	\$ 235,000
Current year claims incurred and changes in estimates for claims incurred in prior years	3,348,533
Claims and expenses paid	<u>(3,348,533)</u>
Balance, end of year	<u>\$ 235,000</u>

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, 2023:

	<u>2023</u>				
	<u>Beginning Balance*</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Long-term obligations:					
Revenue bonds payable:					
Lease rental revenue refunding bonds, series 2021A - nontaxable	\$ 12,520,000	\$ -	\$ (375,000)	\$ 12,145,000	\$ 385,000
Lease rental revenue refunding bonds, series 2021B - taxable	1,090,000	-	(110,000)	980,000	115,000
Unamortized bond premium	686,454	-	(33,215)	653,239	-
Installment promisory note	-	350,000	-	350,000	50,000
Financed purchase obligations	411,733	-	(124,728)	287,005	36,896
Total long-term obligations	<u>14,708,187</u>	<u>350,000</u>	<u>(642,943)</u>	<u>14,415,244</u>	<u>586,896</u>
Other liabilities:					
Lease liability	2,546,031	994,307	(676,066)	2,864,272	685,670
Subscription liability	425,771	114,749	(209,601)	330,919	150,598
Total long-term liabilities	<u>\$ 17,679,989</u>	<u>\$ 1,459,056</u>	<u>\$ (1,528,610)</u>	<u>\$ 17,610,435</u>	<u>\$ 1,423,164</u>

* Restated for the adoption of GASB 96, *Subscription Based Information Technology Arrangements*

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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.

The debt service requirements as of December 31, 2023 are as follows:

<u>Year Ending December 31</u>	<u>Total to be Paid</u>	<u>Principal</u>	<u>Interest</u>
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	4,248,051	2,950,000	1,298,051
2029 - 2033	4,201,888	3,370,000	831,888
2034 - 2038	4,224,176	3,890,000	334,176
2039 - 2043	843,293	835,000	8,293
	<u>\$ 16,910,085</u>	<u>\$ 13,125,000</u>	<u>\$ 3,785,085</u>

Promissory Note

The installment promissory note consists of an unsecured note payable in the original amount of \$350,000 dated June 23, 2023. The note is payable in semiannual installments through July 2030 and bears no interest.

<u>Year Ending December 31</u>	<u>Total to be Paid</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 50,000	\$ 50,000	\$ -
2025	50,000	50,000	-
2026	50,000	50,000	-
2027	50,000	50,000	-
2028	50,000	50,000	-
2029 - 2033	100,000	100,000	-
	<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ -</u>

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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, 2023 are as follows:

<u>Year Ending December 31</u>	<u>Total to be Paid</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 41,966	\$ 36,896	\$ 5,070
2025	122,814	113,648	9,166
2026	122,814	118,179	4,635
2027	36,863	18,282	18,581
	<u>\$ 324,457</u>	<u>\$ 287,005</u>	<u>\$ 37,452</u>

Revolving Lines of Credit

At December 31, 2023, 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 credit originally matured in January 2024 and were extended subsequent to year-end with maturity dates in January 2025. Interest on outstanding draws of the respective line accrues at the bank's prime rate, which was 3.25% at December 31, 2023. The extended agreements accrue interest at fixed rates of 3.25%. The lines of credit are secured by certain assets of the Hospital. At December 31, 2023, \$1,548,652 was drawn against the lines 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, 2023, the Hospital recognized approximately \$187,000 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 \$1,950,000 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.

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The following is a schedule by year of payments under the leases as of December 31, 2023:

<u>Year Ending December 31,</u>	<u>Total to be Paid</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 800,340	\$ 685,670	\$ 114,670
2025	662,765	576,918	85,847
2026	567,713	505,984	61,729
2027	498,346	459,102	39,244
2028	387,620	367,445	20,175
2029 - 2030	280,570	269,153	11,417
	<u>\$ 3,197,354</u>	<u>\$ 2,864,272</u>	<u>\$ 333,082</u>

Note 11. Subscription Liabilities

The Hospital has various subscription-based information technology arrangements (SBITAs), the terms of which expire in various years through 2029. Variable payments based upon the use of underlying information technology assets are not included in the Hospital's subscription liability because they are not fixed in substance. During the year ended December 31, 2023, the Hospital recognized \$1,347,000 of subscription expense for variable payments and short-term subscriptions not previously included in the measurement of the subscription liability. Information technology and software contract through short-term arrangements are also not included in the Hospital's subscription liability.

The following is a schedule by year of payments under the SBITAs for the year ended December 31, 2023:

<u>Year Ending December 31,</u>	<u>Total to be Paid</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 164,783	\$ 150,598	\$ 14,185
2025	77,724	68,979	8,745
2026	51,185	46,084	5,101
2027	35,022	32,128	2,894
2028	26,705	25,563	1,142
2029	7,607	7,567	40
	<u>\$ 363,026</u>	<u>\$ 330,919</u>	<u>\$ 32,107</u>

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Note 12. 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 2023. Expense related to the employer contributions to the plan was \$924,000 for 2023.

Note 13. 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

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, 2023:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
December 31, 2023				
Investments by fair value level				
Equity mutual funds	\$ 248,967	\$ 248,967	\$ -	\$ -
Fixed income mutual funds	138,305	138,305	-	-
	<u>387,272</u>	<u>\$ 387,272</u>	<u>\$ -</u>	<u>\$ -</u>
Total investments measured by fair value level				
Investments measured at net asset value (NAV)				
Government obligations funds	<u>875,333</u>			
Total investments measured at fair value	<u>\$ 1,262,605</u>			

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December 31, 2023**

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, 2023.

Note 14. 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 2023 approximated \$3,120,000 and include fee forgiveness amounts provided by managers based on available working capital to satisfy fees. In 2023, managers subsidized operations by forgiveness of other working capital amounts approximating \$315,000, 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 \$5,396,000 at December 31, 2023, reflect amounts due to the Managers and their vendors.

Note 15. 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
A Component Unit of Greene County, Indiana
Notes to Financial Statements
December 31, 2023

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, 2023. No scheduled repayments under the agreement have occurred and the Hospital has deemed the entire balance to be uncollectible at December 31, 2023. 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, 2023, which are fully reserved based on an assessment of collectability by Hospital management.

Note 16. Condensed Combining Information

The following table includes condensed combining balance sheet information for the Hospital and its blended component unit as of December 31, 2023:

	December 31, 2023			
	Hospital and Association	Foundation	Eliminations	Total
Assets				
Current assets	\$ 21,843,191	\$ 101,359	\$ (1,529,226)	\$ 20,415,324
Capital assets, net	19,153,099	209,529	-	19,362,628
Other assets	4,434,737	-	-	4,434,737
Total assets	<u>\$ 45,431,027</u>	<u>\$ 310,888</u>	<u>\$ (1,529,226)</u>	<u>\$ 44,212,689</u>
Liabilities				
Current liabilities	\$ 15,025,411	\$ 16,363	\$ (1,529,226)	\$ 13,512,548
Noncurrent liabilities	16,187,271	-	-	16,187,271
Total liabilities	<u>31,212,682</u>	<u>16,363</u>	<u>(1,529,226)</u>	<u>29,699,819</u>
Deferred Inflows of Resources	<u>109,804</u>	<u>-</u>	<u>-</u>	<u>109,804</u>
Net Position				
Net investment in capital assets	4,604,992	209,529	-	4,814,521
Restricted for debt service	875,333	-	-	875,333
Unrestricted net position	8,628,216	84,996	-	8,713,212
Total net position	<u>14,108,541</u>	<u>294,525</u>	<u>-</u>	<u>14,403,066</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 45,431,027</u>	<u>\$ 310,888</u>	<u>\$ (1,529,226)</u>	<u>\$ 44,212,689</u>

Greene County General Hospital
A Component Unit of Greene County, Indiana
Notes to Financial Statements
December 31, 2023

The following table includes condensed combining statement of revenues, expenses and changes in net position information for the Hospital and its blended component units for the year ended December 31, 2023.

	December 31, 2023			
	Hospital and Association	Foundation	Eliminations	Total
Operating Revenues				
Net patient service revenue	\$ 84,841,513	\$ -	\$ -	\$ 84,841,513
Other	2,848,153	-	-	2,848,153
Total operating revenues	87,689,666	-	-	87,689,666
Operating Expenses	88,021,795	144,073	-	88,165,868
Operating Loss	(332,129)	(144,073)	-	(476,202)
Nonoperating Revenue	475,783	65,171	-	540,954
Transfers	(69,663)	69,663	-	-
Increase (Decrease) in Net Position	73,991	(9,239)	-	64,752
Net Position, Beginning of Year	14,034,550	303,764	-	14,338,314
Net Position, End of Year	\$ 14,108,541	\$ 294,525	\$ -	\$ 14,403,066

The following table includes condensed combining statement of cash flows information for the Hospital and its blended component units for the year ended December 31, 2023.

	December 31, 2023			
	Hospital	Foundation	Eliminations	Total
Operating Activities	\$ 1,097,661	\$ (69,495)	\$ -	\$ 1,028,166
Noncapital Financing Activities	1,077,625	50,730	-	1,128,355
Capital and Related Financing	(3,918,127)	23,561	-	(3,894,566)
Investing Activities	64,157	-	-	64,157
Increase (Decrease) in Cash and Restricted Cash	(1,678,684)	4,796	-	(1,673,888)
Cash and Restricted Cash, Beginning of Year	7,359,463	96,563	-	7,456,026
Cash, End of Year	\$ 5,680,779	\$ 101,359	\$ -	\$ 5,782,138

Note 17. 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.

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 aid 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, 2023, no amounts have been expended or reimbursed under this award.

Supplementary Information

Greene County General Hospital
A Component Unit of Greene County, Indiana
Combining Balance Sheet Information
December 31, 2023

	2023				
	Hospital and Association	Nursing Homes	Hospital Foundation	Eliminations	Total
ASSETS					
Current Assets					
Cash	\$ 3,220,307	\$ 2,460,472	\$ 101,359	\$ -	\$ 5,782,138
Patient accounts receivable, net of allowance of \$2,576,119	8,854,205	2,949,752	-	-	11,803,957
Other receivables	1,795,598	288,597	-	(1,529,226)	554,969
Estimated third-party settlements	1,267,095	-	-	-	1,267,095
Supplies	529,859	-	-	-	529,859
Prepaid expenses and other assets	371,864	105,442	-	-	477,306
Total current assets	<u>16,038,928</u>	<u>5,804,263</u>	<u>101,359</u>	<u>(1,529,226)</u>	<u>20,415,324</u>
Noncurrent Cash and Investments					
Internally designated	387,272	-	-	-	387,272
Held by trustee for debt service	875,333	-	-	-	875,333
Total noncurrent cash and investments	<u>1,262,605</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,262,605</u>
Capital Assets, net	<u>19,153,099</u>	<u>-</u>	<u>209,529</u>	<u>-</u>	<u>19,362,628</u>
Lease Assets, net	<u>2,783,097</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,783,097</u>
Subscription Assets, net	<u>389,035</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>389,035</u>
Total assets	<u>\$ 39,626,764</u>	<u>\$ 5,804,263</u>	<u>\$ 310,888</u>	<u>\$ (1,529,226)</u>	<u>\$ 44,212,689</u>
LIABILITIES AND NET POSITION					
Current Liabilities					
Current maturities of long-term debt	\$ 586,896	\$ -	\$ -	\$ -	\$ 586,896
Current portions of lease liabilities	685,670	-	-	-	685,670
Current portions of subscription liabilities	150,598	-	-	-	150,598
Line of credit	1,548,652	-	-	-	1,548,652
Accounts payable and accrued expenses	5,926,807	5,396,246	16,363	(1,529,226)	9,810,190
Estimated third-party settlements	730,542	-	-	-	730,542
Total current liabilities	<u>9,629,165</u>	<u>5,396,246</u>	<u>16,363</u>	<u>(1,529,226)</u>	<u>13,512,548</u>
Noncurrent Liabilities					
Long-term obligations	13,828,348	-	-	-	13,828,348
Lease liabilities, net of current portion	2,178,602	-	-	-	2,178,602
Subscription liabilities, net of current portion	180,321	-	-	-	180,321
Total noncurrent liabilities	<u>16,187,271</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,187,271</u>
Total liabilities	<u>25,816,436</u>	<u>5,396,246</u>	<u>16,363</u>	<u>(1,529,226)</u>	<u>29,699,819</u>
Deferred Inflows of Resources - gain on bond refunding	<u>109,804</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>109,804</u>
Net Position					
Net investment in capital assets	4,604,992	-	209,529	-	4,814,521
Restricted for debt service	875,333	-	-	-	875,333
Unrestricted	8,220,199	408,017	84,996	-	8,713,212
Total net position	<u>13,700,524</u>	<u>408,017</u>	<u>294,525</u>	<u>-</u>	<u>14,403,066</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 39,626,764</u>	<u>\$ 5,804,263</u>	<u>\$ 310,888</u>	<u>\$ (1,529,226)</u>	<u>\$ 44,212,689</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, 2023

	2023			
	Hospital and Association	Nursing Homes	Hospital Foundation	Total
Operating Revenues				
Net patient service revenue, net of provision for uncollectible accounts of \$7,482,000	\$ 59,989,107	\$ 24,852,406	\$ -	\$ 84,841,513
Other	1,687,936	1,160,217	-	2,848,153
Total operating revenues	<u>61,677,043</u>	<u>26,012,623</u>	<u>-</u>	<u>87,689,666</u>
Operating Expenses				
Salaries and wages	27,541,850	-	76,499	27,618,349
Employee benefits	6,211,368	-	-	6,211,368
Purchased services and professional fees	10,423,824	21,559,778	-	31,983,602
Supplies and other	12,652,680	4,761,345	59,500	17,473,525
Depreciation and amortization	2,575,910	-	8,074	2,583,984
Provider hospital assessment fee	2,295,040	-	-	2,295,040
Total operating expenses	<u>61,700,672</u>	<u>26,321,123</u>	<u>144,073</u>	<u>88,165,868</u>
Operating Loss	<u>(23,629)</u>	<u>(308,500)</u>	<u>(144,073)</u>	<u>(476,202)</u>
Nonoperating Revenues (Expenses)				
Investment income	120,334	-	-	120,334
Interest expense	(494,349)	-	-	(494,349)
Noncapital grants and contributions	219,967	656,861	41,610	918,438
Other	(27,030)	-	23,561	(3,469)
Total nonoperating revenues	<u>(181,078)</u>	<u>656,861</u>	<u>65,171</u>	<u>540,954</u>
Income (Loss) Before Transfers	(204,707)	348,361	(78,902)	64,752
Transfer (To) From Affiliate	<u>1,314,993</u>	<u>(1,384,656)</u>	<u>69,663</u>	<u>-</u>
Increase (Decrease) in Net Position	1,110,286	(1,036,295)	(9,239)	64,752
Net Position, Beginning of Year	<u>12,590,238</u>	<u>1,444,312</u>	<u>303,764</u>	<u>14,338,314</u>
Net Position, End of Year	<u>\$ 13,700,524</u>	<u>\$ 408,017</u>	<u>\$ 294,525</u>	<u>\$ 14,403,066</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, the financial statements of Greene County General Hospital (Hospital), a component unit of Greene County, Indiana, which comprise the Hospital's statement of financial position as of December 31, 2023, and the related statements of activities, 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 6, 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 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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001, that we consider to be a significant deficiency.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Forvis Mazars, LLP

Indianapolis, Indiana
August 6, 2024

Greene County General Hospital
A Component Unit of Greene County, Indiana
Schedule of Findings and Responses
Year Ended December 31, 2023

Reference Number	Finding
2023-001	<p>Criteria: Internal Control Over Financial Reporting - 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 significant deficiency.</p> <p>Condition: The Hospital bills charges incurred by patients to payers and patients, where in conjunction, they record contractals based upon payment rates and contractual agreements with payers. These rates are monitored by management and updated, but were conservatively applied to amounts billed. During 2023, adjustments were required to reflect amounts currently outstanding and collectable by the Hospital.</p> <p>Cause: These adjustments were impacted by rates utilized by the Hospital not aligning with collections actually received subsequent to the year ended December 31, 2023.</p> <p>Effect or Potential Effect: Misstatements in the financial statements occurred and were not detected and corrected in a timely manner.</p> <p>Recommendation: We recommend that management routinely monitor outstanding amounts, contractual rates, and collection patterns to assist in the determination of reserves applied to patient receivables.</p> <p>Views of Responsible Officials and Planned Corrective Action: We concur. Management continues to evaluate current controls related to accounting for patient accounts receivable to ensure amounts are accounted for properly and in a timely manner.</p>