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June 26, 2024

Board of Directors
Perry County Memorial Hospital
Perry County, Indiana

We have reviewed the audit report of Perry County Memorial Hospital, which was opined upon by FORVIS, LLP, Independent Public Accountants, for the period January 1, 2023 to December 31, 2023. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Perry County Memorial Hospital as of December 31, 2023, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, FORVIS, LLP prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

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

A handwritten signature in black ink that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner



Perry County Memorial Hospital A Component Unit of Perry County, Indiana

**Independent Auditor's Reports, Financial Statements,
and Supplementary Information**

December 31, 2023



Perry County Memorial Hospital
A Component Unit of Perry County, Indiana
Contents
December 31, 2023

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Independent Auditor's Report

Board of Trustees
Perry County Memorial Hospital
A Component Unit of Perry County, Indiana
Tell City, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Perry County Memorial Hospital, a component unit of Perry County, Indiana, 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 its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

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. 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 GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for 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 management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is 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 auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 May 22, 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 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

**Louisville, Kentucky
May 22, 2024**

**Perry County Memorial Hospital
A Component Unit of Perry County, Indiana
Management's Discussion and Analysis
Year Ended December 31, 2023**

Introduction

This management's discussion and analysis of the financial performance of Perry County Memorial Hospital (Hospital), a component unit of Perry County, Indiana, 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. The Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, on January 1, 2023; the 2022 financial statements included herein have not been restated for the adoption.

Financial Highlights

- Cash and investments increased in 2023 by \$3,164,896 or 13%.
- The Hospital's net position increased by \$2,983,283 or 9.5% in 2023, as compared to 2022 from operating and nonoperating results.
- The Hospital reported operating income in 2023 of \$3,173,857. The operating income in 2023 was an improvement of \$3,182,002, as compared to the operating loss for 2022.
- Net nonoperating revenues (expenses) decreased by \$254,044 or 31.1% in 2023, as compared to 2022.

Using This Annual Report

The Hospital's financial statements consist of three statements—a statement of net position, 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 reports as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position

The statement of net position and the statement of revenues, expenses and changes in net position report information about the Hospital's resources and activities for purposes of illustrating the effects of the past year's activity on the financial health of the Hospital. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. As the Hospital uses the accrual basis of accounting, current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Hospital's total net position—the difference between assets and liabilities—is one measure of the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position is 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. The statement of cash flows illustrates the uses and sources of cash for the year.

The Hospital's Net Position

The Hospital's net position is the difference between assets and liabilities reported in the statement of net position. The Hospital's net position increased by \$2,983,283 in 2023 over 2022, as shown in Table 1.

Perry County Memorial Hospital
A Component Unit of Perry County, Indiana
Management's Discussion and Analysis
Year Ended December 31, 2023

Table 1: Assets, Liabilities and Net Position

	<u>2023</u>	<u>2022</u>
ASSETS		
Assets		
Patient accounts receivable, net	\$ 6,082,381	\$ 6,165,623
Other current assets	26,466,359	23,324,104
Capital assets, net	41,156,805	40,429,423
Other noncurrent assets	<u>2,725,068</u>	<u>2,809,074</u>
Total assets	<u>\$ 76,430,613</u>	<u>\$ 72,728,224</u>
Liabilities		
Long-term debt	\$ 33,908,000	\$ 34,635,000
Other current and noncurrent liabilities	<u>8,124,487</u>	<u>6,678,381</u>
Total liabilities	<u>42,032,487</u>	<u>41,313,381</u>
Net Position		
Net investment in capital assets	7,631,832	6,522,799
Restricted	1,820,000	1,820,000
Unrestricted	<u>24,946,294</u>	<u>23,072,044</u>
Total net position	<u>34,398,126</u>	<u>31,414,843</u>
Total liabilities and net position	<u>\$ 76,430,613</u>	<u>\$ 72,728,224</u>

A significant change in the Hospital's financial position in 2023 was the increase in other current assets, primarily due to an increase of \$3,164,896 in cash and investments in 2023.

Operating Results and Changes in the Hospital's Net Position

In 2023, the Hospital's net position increased by \$2,983,283, or 9.5%, from operating and nonoperating results, as shown in Table 2. This increase is made up of several different components and represents an improvement of \$3,807,510, as compared with the change in net position for 2022 of \$(824,227).

Perry County Memorial Hospital
A Component Unit of Perry County, Indiana
Management's Discussion and Analysis
Year Ended December 31, 2023

Table 2: Operating Results and Changes in Net Position

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Net patient service revenue	\$ 50,571,995	\$ 45,712,754
Other operating revenues	2,444,701	1,603,464
Total operating revenues	<u>53,016,696</u>	<u>47,316,218</u>
Operating Expenses		
Salaries, wages and employee benefits	24,085,766	22,642,184
Purchased services and professional fees	12,979,554	11,926,509
Depreciation and amortization	1,412,629	2,905,320
Provider tax expense	2,435,779	1,759,676
Other operating expenses	8,929,111	8,090,674
Total operating expenses	<u>49,842,839</u>	<u>47,324,363</u>
Operating Income (Loss)	<u>3,173,857</u>	<u>(8,145)</u>
Nonoperating Revenues (Expenses)		
Investment income	611,620	(664,088)
Governmental grant income	-	992,636
Interest expense	(1,123,658)	(1,155,570)
Loss on disposal of capital assets	(50,000)	10,940
Total nonoperating revenues (expenses)	<u>(562,038)</u>	<u>(816,082)</u>
Capital Grants and Gifts	<u>371,464</u>	<u>-</u>
Change in Net Position	<u>\$ 2,983,283</u>	<u>\$ (824,227)</u>

Operating Income (Loss)

The first component of the overall change in the Hospital's net position is its operating income or loss, identified as the difference between net patient service and other operating revenues and the expenses incurred to perform those services. The Hospital was formed and is operated primarily to serve residents of Perry County, Indiana, and the surrounding area. In 2023, the Hospital reported operating income and in 2022 the Hospital reported an operating loss.

Operating income for 2023 was improved by \$3,182,002, as compared to the operating loss for 2022. The primary components of change in operating results are:

- An increase in net patient service revenue of \$4,859,241, or 10.6%
- An increase in other operating revenues of \$841,237, or 52.5%
- An increase in salaries, wages and employee benefits of \$1,443,582, or 6.4%
- An increase in purchased services and professional fees of \$1,053,045, or 8.8%
- A decrease in depreciation and amortization of \$1,492,691, or 51.4%
- An increase in provider tax expense of \$676,103, or 38.4%
- An increase in other operating expenses of \$838,437, or 10.4%

**Perry County Memorial Hospital
A Component Unit of Perry County, Indiana
Management's Discussion and Analysis
Year Ended December 31, 2023**

Net patient service revenue increased from 2022 to 2023 due to increased outpatient volumes. The increase in salaries, wages and employee benefits in 2023, as compared to 2022, was primarily due to an increase in employees. The increase in purchased services and professional fees in 2023, as compared to 2022, was primarily due to an increase in contract nursing costs. The increase in other expenses in 2023, as compared to 2022, was primarily due to an increase in the cost of supplies related to the impact of inflation.

The Hospital's Cash Flows

Changes in the Hospital's cash flows are consistent with the changes in operating gains and nonoperating revenues and expenses for 2023, compared to 2022, discussed earlier. The 2022 operating cash flows included a significant change due to an operating loss in 2022, as compared to operating income in 2021.

Capital Asset and Debt Administration

Capital Assets

At the end of 2023, the Hospital had \$41,156,805 invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. In 2023, the Hospital purchased cash assets costing \$2,205,301.

Debt

At December 31, 2023, the Hospital had \$34,635,000 in lease revenue bonds.

Contacting the Hospital's Financial Management

This financial report is designed to provide patients, suppliers 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 chief financial officer by calling 812.547.0170.

Perry County Memorial Hospital
A Component Unit of Perry County, Indiana
Statement of Net Position
December 31, 2023

	<u>2023</u>
ASSETS	
Current Assets	
Cash	\$ 17,982,959
Short-term investments	6,851,731
Patient accounts receivable, net of allowance of \$1,340,250	6,082,381
Other receivables	76,366
Supplies	758,847
Prepaid expenses and other current assets	375,958
Estimated amounts due from third-party payors	<u>420,498</u>
Total current assets	32,548,740
Noncurrent Cash and Investments	
Held by trustee for debt service	1,820,000
Capital Assets, Net	41,156,805
Lease Assets, Net	630,068
Other Assets	<u>275,000</u>
Total assets	<u><u>\$ 76,430,613</u></u>

	<u>2023</u>
LIABILITIES AND NET POSITION	
Current Liabilities	
Current portion of long-term debt	\$ 727,000
Current portion of lease liabilities	227,102
Accounts payable	1,270,511
Payable to employees (including payroll taxes and benefits)	2,263,553
Accrued expenses	1,044,312
Estimated amounts due to third-party payors	<u>2,178,312</u>
Total current liabilities	7,710,790
Long-Term Debt	33,908,000
Lease Liabilities	<u>413,697</u>
Total liabilities	<u>42,032,487</u>
Net Position	
Net investment in capital assets	7,631,832
Restricted-expendable for debt service and capital improvements	1,820,000
Unrestricted	<u>24,946,294</u>
Total net position	<u>34,398,126</u>
Total liabilities and net position	<u>\$ 76,430,613</u>

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

	<u>2023</u>
Operating Revenues	
Net patient service revenue, net of provision for uncollectible accounts of \$2,286,235	\$ 50,571,995
Other	<u>2,444,701</u>
Total operating revenues	<u>53,016,696</u>
Operating Expenses	
Salaries and benefits	24,085,766
Purchased services and professional fees	12,979,554
Supplies	6,827,612
Provider tax expense	2,435,779
Depreciation and amortization	1,412,629
Other expenses	<u>2,101,499</u>
Total operating expenses	<u>49,842,839</u>
Operating Income	<u>3,173,857</u>
Nonoperating Revenues (Expenses)	
Investment income	611,620
Interest expense	(1,123,658)
Gain on disposal of capital assets	<u>(50,000)</u>
Total nonoperating expenses	<u>(562,038)</u>
Increase in Net Position Before Capital Grants and Gifts	2,611,819
Capital Grants and Gifts	<u>371,464</u>
Increase in Net Position	2,983,283
Net Position, Beginning of Year	<u>31,414,843</u>
Net Position, End of Year	<u><u>\$ 34,398,126</u></u>

Perry County Memorial Hospital
A Component Unit of Perry County, Indiana
Statement of Cash Flows
Year Ended December 31, 2023

	<u>2023</u>
Cash Flows from Operating Activities	
Receipts from and on behalf of patients	\$ 52,414,162
Payments to suppliers and contractors	(24,604,978)
Payments to employees	(23,892,432)
Other receipts, net	2,549,558
	<u>6,466,310</u>
Net cash provided by operating activities	<u>6,466,310</u>
Cash Flows from Capital and Related Financing Activities	
Capital grants and gifts	371,464
Principal payments on long-term debt	(707,000)
Interest paid on long-term debt	(1,094,563)
Principal payments on leases payable	(241,055)
Interest paid on leases payable	(36,579)
Purchase of capital assets	(2,205,301)
	<u>(3,913,034)</u>
Net cash used in capital and related financing activities	<u>(3,913,034)</u>
Cash Flows from Investing Activities	
Purchase of investments	(2,592,462)
Proceeds from disposition of investments	2,574,214
Interest and dividends on investments	208,581
	<u>190,333</u>
Net cash provided by investing activities	<u>190,333</u>
Increase in Cash	2,743,609
Cash, Beginning of Year	<u>15,239,350</u>
Cash, End of Year	<u>\$ 17,982,959</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 3,173,857
Depreciation and amortization	1,412,629
Provision for uncollectible accounts	2,286,235
Changes in operating assets and liabilities	
Patient accounts receivable	(2,200,230)
Estimated amounts due to/from third-party payors	1,756,162
Accounts payable and accrued expenses	8,803
Prepaid assets, supplies and other assets	28,854
	<u>28,854</u>
Net cash provided by operating activities	<u>\$ 6,466,310</u>
Supplemental Cash Flows Information	
Lease obligation incurred for lease assets	\$ 106,474
Notes receivable incurred for sale of capital assets	\$ 250,000

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Perry County Memorial Hospital (Hospital) is an acute care hospital located in Tell City, Indiana. The Hospital is a component unit of Perry County (County), and the board of county commissioners appoints members to the board of trustees of the Hospital, under the provisions of Indiana Code 16-22-2-2. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in Perry County and surrounding areas.

The financial statements of the Hospital include the blended component units of Perry County Memorial Hospital Association (Association) and Perry County Memorial Hospital Foundation (Foundation); collectively, the Hospital.

The Foundation is a 501(c)(3) nonprofit health organization established in order to promote and support the Hospital in the provision of healthcare. The Foundation is a separate legal entity, but is financially integrated with the Hospital and is reported as a blended component unit of the Hospital and does not issue separate financial statements.

The Association was created pursuant to the provisions of Indiana Code 16-22-6 for the exclusive purpose of financing and constructing hospital facilities for the Hospital. The Association has a fiscal dependency relationship with the Hospital and, therefore, is a blended component unit of the Hospital.

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. Investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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 with original maturities of three months or less to be cash equivalents. The Hospital does consider uninvested cash held in investment accounts as cash or cash equivalents.

Risk Management

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

**Perry County Memorial Hospital
A Component Unit of Perry County, Indiana
Notes to Financial Statements
December 31, 2023**

Investments and Investment Income

Investments generally include money market accounts, mutual funds and negotiable and non-negotiable certificates of deposit (CDs). The investments in equity investees are reported on the equity method of accounting. Non-negotiable CDs are carried at cost, plus accrued interest, which approximates fair value. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Noncurrent cash includes assets held by trustees under debt agreements.

Investment income includes dividend and interest income, realized gains and losses on investments and the net change for the year in the fair value of investments carried at fair value.

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.

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 to 25 years
Buildings and leasehold improvements	10 to 40 years
Equipment	3 to 15 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 arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or 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 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, 2023.

Perry County Memorial Hospital
A Component Unit of Perry County, Indiana
Notes to Financial Statements
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.

Net Position

Net position of the Hospital is classified in three components. Net investment in capital assets consists of capital and lease assets net of accumulated depreciation and reduced by lease liabilities and the outstanding balances of borrowings used to finance the purchase 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 uncollectible 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.

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 goods and services and payments made for goods and services received. Nearly all of the Hospital's expenses are from exchange transactions. Investment income, interest expense and gain on disposal of capital assets are recorded as nonoperating revenues and expenses.

Income Taxes

As essential government functions of the County, the Hospital and the Association are generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code (IRC) and Section 501(c) and a similar provision of state law. However, the Hospital and the Association are subject to federal income tax on any unrelated business taxable income.

The Foundation has been recognized as exempt from income taxes under Section 501 of the IRC 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 tax returns in the U.S. federal jurisdiction.

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Accounting Pronouncement Adopted

The Hospital adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, on January 1, 2023. The primary objective of the statement is to improve the usefulness of financial statement by requiring recognition SBITAs right-to-use subscription asset (intangible asset) and a corresponding subscription liability. The Hospital's financial statements now include SBITA assets and liabilities and additional components associated with recording SBITAs. The adoption of this statement resulted in no amounts recorded for SBITA assets and SBITA liabilities as of January 1, 2023.

Future Adoption of Accounting Standards

In fiscal year 2024, the Hospital will 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. In fiscal year 2024, the Hospital will 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 on its financial statements. However, it could have a material future impact.

Note 2. 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. Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid based upon a cost-reimbursement methodology. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor.

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology.

The Hospital participates in a state specific provider assessment program to increase Medicaid payments to hospitals. The Hospital incurred \$2,435,779 of fees related to the program in 2023, which is recorded as an operating expense. The provider assessment fee program is subject to retroactive rate setting by the State of Indiana and its Medicaid program, and the amounts expensed represent the current fees that have been assessed to the Hospital. There is no assurance this program will continue to be implemented in the future.

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations 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.

Approximately 60% of net patient service revenue is 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.

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Note 3. Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposit 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 Deposit Insurance Corporation (FDIC) or by the Indiana Public Deposit Insurance Fund (IPDIF), unless otherwise noted in the next paragraph. 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 considered collateralized.

At December 31, 2023, all bank balances were insured through the FDIC and IPDIF.

Investments

The Hospital may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury, U.S. agencies and instrumentalities, and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds, equity securities, money market mutual funds, mutual funds and CDs. At December 31, 2023, the Hospital had the following investments and maturities:

Type	2023				
	Fair Value	Maturities in Years			
		Less Than One	One to Five	Six to Ten	More Than Ten
Money market mutual funds	\$ 498,343	\$ 498,343	\$ -	\$ -	\$ -
Negotiable CDs	3,402,936	2,147,566	1,255,370	-	-
	3,901,279	<u>\$ 2,645,909</u>	<u>\$ 1,255,370</u>	<u>\$ -</u>	<u>\$ -</u>
Mutual funds	<u>2,950,452</u>				
	<u>\$ 6,851,731</u>				

Interest Rate Risk – Interest rate risk is the risk of fair value losses arising from rising interest rates. The Hospital does not have a formal policy to limit its interest rate risk. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Hospital's policy to limit its investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organization. At December 31, 2023, the Hospital held no investments in corporate bonds.

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. At December 31, 2023, the Hospital held no investments in the possession of an outside party.

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Concentration of Credit Risk – The Hospital places no limit on the amount that may be invested in any one issuer. At December 31, 2023, the Hospital held no investments in any one issuer.

Foreign Currency Risk – This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The Hospital had no investments denominated in foreign currency at December 31, 2023.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the statement of net position at December 31, 2023 as follows:

	<u>2023</u>
Carrying value	
Deposits	\$ 19,802,959
Investments	<u>6,851,731</u>
	<u>\$ 26,654,690</u>

Included in the following statement of net position captions:

	<u>2023</u>
Cash	\$ 17,982,959
Short-term investments	6,851,731
Noncurrent cash and investments	<u>1,820,000</u>
	<u>\$ 26,654,690</u>

Investment Income

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

	<u>2023</u>
Interest and dividend income	\$ 208,581
Net unrealized gains on investments	325,001
Net realized gains on investments	<u>78,038</u>
	<u>\$ 611,620</u>

The Hospital had \$1,820,000 of non-negotiable CDs included in deposits at December 31, 2023.

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Note 4. Concentration of Credit Risk

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. The mix of patient accounts receivable from patients and third-party payors at December 31, 2023 was:

	<u>2023</u>
Medicare	\$ 2,631,892
Medicaid	589,907
Commercial	2,326,538
Patients	<u>1,820,299</u>
	7,368,636
Less allowance for uncollectible accounts	<u>1,286,255</u>
	<u><u>\$ 6,082,381</u></u>

Note 5. Capital and Lease Assets

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

	<u>2023</u>				
	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending</u> <u>Balance</u>
Land and improvements	\$ 3,693,378	\$ -	\$ (300,000)	\$ -	\$ 3,393,378
Buildings and leasehold improvements	44,020,446	349,100	-	109,510	44,479,056
Equipment	21,679,438	402,001	-	634,767	22,716,206
Construction in progress	263,063	1,454,200	-	(744,277)	972,986
Total capital assets	<u>69,656,325</u>	<u>2,205,301</u>	<u>(300,000)</u>	<u>-</u>	<u>71,561,626</u>
Less accumulated depreciation					
Land improvements	(242,693)	(24,368)	-	-	(267,061)
Buildings and leasehold improvements	(11,273,412)	(329,761)	-	-	(11,603,173)
Equipment	<u>(17,710,797)</u>	<u>(823,790)</u>	<u>-</u>	<u>-</u>	<u>(18,534,587)</u>
Total accumulated depreciation	<u>(29,226,902)</u>	<u>(1,177,919)</u>	<u>-</u>	<u>-</u>	<u>(30,404,821)</u>
Capital assets, net	<u><u>\$ 40,429,423</u></u>	<u><u>\$ 1,027,382</u></u>	<u><u>\$ (300,000)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 41,156,805</u></u>

The beginning balances for accumulated depreciation for buildings and leasehold improvements was revised from \$(15,902,268) to \$(11,273,412) and equipment from \$(10,492,749) to \$(17,710,797). The revision had no impact to total accumulated depreciation.

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

	2023				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Buildings and leasehold improvements	\$ 285,855	\$ -	\$ (285,855)	\$ -	\$ -
Equipment	921,985	106,474	-	-	1,028,459
Total lease assets	<u>1,207,840</u>	<u>106,474</u>	<u>(285,855)</u>	<u>-</u>	<u>1,028,459</u>
Less accumulated amortization					
Buildings and leasehold improvements	(35,003)	(45,082)	80,085	-	-
Equipment	<u>(208,763)</u>	<u>(189,628)</u>	<u>-</u>	<u>-</u>	<u>(398,391)</u>
Total accumulated amortization	<u>(243,766)</u>	<u>(234,710)</u>	<u>80,085</u>	<u>-</u>	<u>(398,391)</u>
Lease assets, net	<u>\$ 964,074</u>	<u>\$ (128,236)</u>	<u>\$ (205,770)</u>	<u>\$ -</u>	<u>\$ 630,068</u>

Note 6. Medical Malpractice Claims

Malpractice insurance coverage is provided on a claims-made basis. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term but reported subsequently would be uninsured. However, the *Indiana Malpractice Act* limits professional liability for claims subsequent to June 30, 2017, but before July 1, 2019, to a maximum recovery of \$1,650,000 per occurrence, \$400,000 of which would be paid through medical insurance coverage, while the remaining balance would be paid by the State of Indiana Patient Compensation Fund (Fund). For claims on or after July 30, 2019, the maximum recovery is \$1,800,000 per occurrence, \$500,000 of which would be paid through insurance coverage, with the remainder due from the Fund. 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 7. 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 up to an annual aggregate amount of \$85,000.

Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount. 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 possible that the Hospital's estimate will change by a material amount in the near term.

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	<u>2023</u>
Balance, beginning of year	\$ 440,000
Current year claims incurred and changes in estimates for claims incurred in prior years	2,428,002
Claims and expenses paid	<u>(2,428,002)</u>
Balance, end of year	<u>\$ 440,000</u>

Note 8. Long-Term Obligations

The following is a summary of long-term debt 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 debt					
U.S. Department of Agriculture (USDA) lease revenue bonds 2013 (A)	\$ 35,342,000	\$ -	\$ 707,000	\$ 34,635,000	\$ 727,000
Lease liability (B)	<u>974,937</u>	<u>106,474</u>	<u>440,612</u>	<u>640,799</u>	<u>227,102</u>
Total long-term debt obligations	<u>\$ 36,316,937</u>	<u>\$ 106,474</u>	<u>\$ 1,147,612</u>	<u>\$ 35,275,799</u>	<u>\$ 954,102</u>

(A) USDA lease revenue bonds 2013 (2013 Bonds) in the amount of \$40,000,000. The bonds were issued to build and equip the new hospital. Semiannual principal payments, including interest at 3.125%, are due through January 2053. The 2013 Bonds are secured by substantially all the capital assets of the Hospital. Under the terms of the 2013 Bonds, the Hospital is required to maintain certain deposits with a trustee, which are included in noncurrent cash and investments in the statement of net position. The 2013 Bonds also place limits on the incurrence of additional borrowings as long as the bonds are outstanding.

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The amount of required principal and interest payments on long-term debt other than lease liability at 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	\$ 1,803,750	\$ 727,000	\$ 1,076,750
2025	1,805,859	752,000	1,053,859
2026	1,805,203	775,000	1,030,203
2027	1,805,781	800,000	1,005,781
2028	1,801,594	821,000	980,594
2029–2033	9,030,563	4,534,000	4,496,563
2034–2038	9,030,281	5,294,000	3,736,281
2039–2043	9,033,172	6,185,000	2,848,172
2044–2048	9,030,328	7,219,000	1,811,328
2049–2053	8,128,391	7,528,000	600,391
	<u>\$ 53,274,922</u>	<u>\$ 34,635,000</u>	<u>\$ 18,639,922</u>

(B) The Hospital leases equipment, the terms of which expire in various years through 2028. Variable payments based upon the use of the underlying asset are not included in the lease liability because they are not fixed in substance. The Hospital had an office space lease that was terminated in 2023 that resulted in a reduction of \$205,770 of the lease asset and a reduction of \$199,557 of the lease liability.

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	\$ 243,457	\$ 227,102	\$ 16,355
2025	214,569	205,287	9,282
2026	134,996	130,826	4,170
2027	73,591	72,489	1,102
2028	5,097	5,095	2
	<u>\$ 671,710</u>	<u>\$ 640,799</u>	<u>\$ 30,911</u>

Note 9. Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability 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

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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 table presents the fair value measurements of assets and liabilities 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				
Money market				
mutual funds	\$ 498,343	\$ 498,343	\$ -	\$ -
Negotiable CDs	3,402,936	-	3,402,936	-
Mutual funds	2,950,452	2,950,452	-	-
	<u>\$ 6,851,731</u>	<u>\$ 3,448,795</u>	<u>\$ 3,402,936</u>	<u>\$ -</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.

Note 10. Defined Contribution Plan

The Perry County Memorial Hospital Employee Retirement Plan (Plan) is a defined contribution retirement plan that provides benefits to substantially all of the Hospital's employees and is authorized by Indiana Code 16-22-3-11. The Plan is administered by the board of trustees. 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. Employee contributions are allowed up to the maximum allowable by law. The Hospital's discretionary contribution is up to 3% matching contributions for eligible salaries for 2023. For the year ended December 31, 2023, the Hospital made approximately \$242,000 of contributions to the Plan.

Note 11. Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in Notes 1 and 2.

Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in Notes 1 and 6.

Incurred, but Not Reported, Employee Health Insurance Claims

Estimates of incurred, but not reported, health insurance claims are described in Note 7.

Note 12. Risk, Uncertainties 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 discussed elsewhere in these notes, *i.e.*, 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 on the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Note 13. Commitments

Management Contract

Effective January 1, 2023, the Hospital contracted with Deaconess Hospital, Inc. (Deaconess) to operate, manage and supervise day-to-day activities for the Hospital, including providing a chief executive officer and chief financial officer. Under the terms of the contract, the management fee is \$120,000 annually, not to include the expenses related to the chief executive officer and chief financial officer or other fees as described in the agreement. The agreement has an initial term of six months with an additional six-month automatic renewal unless terminated as provided in the agreement.

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Note 14. Condensed Combining Information

The following tables include condensed combining statements of net position information for the Hospital and its blended component units as of December 31, 2023:

	December 31, 2023				
	Perry County Memorial Hospital	Perry County Memorial Hospital Association	Perry County Memorial Hospital Foundation	Eliminations	Total
ASSETS					
Current Assets					
Cash	\$ 17,826,040	\$ -	\$ 156,919	\$ -	\$ 17,982,959
Short-term investments	3,885,043	-	2,966,688	-	6,851,731
Patient accounts receivable, net of allowance	6,082,381	-	-	-	6,082,381
Other receivables	76,366	-	-	-	76,366
Supplies	758,847	-	-	-	758,847
Prepaid expenses and other current assets	375,958	-	-	-	375,958
Estimated amounts due from third-party payors	420,498	-	-	-	420,498
Total current assets	29,425,133	-	3,123,607	-	32,548,740
Noncurrent Cash and Investments					
Held by trustee for debt service	1,820,000	-	-	-	1,820,000
Capital Assets, Net	7,642,563	33,514,242	-	-	41,156,805
Lease Assets, Net	630,068	-	-	-	630,068
Other Assets	275,000	-	-	-	275,000
Total assets	<u>\$ 39,792,764</u>	<u>\$ 33,514,242</u>	<u>\$ 3,123,607</u>	<u>\$ -</u>	<u>\$ 76,430,613</u>

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	December 31, 2023				
	Perry County Memorial Hospital	Perry County Memorial Hospital Association	Perry County Memorial Hospital Foundation	Eliminations	Total
LIABILITIES AND NET POSITION					
Current Liabilities					
Current portion of long-term debt	\$ -	\$ 727,000	\$ -	\$ -	\$ 727,000
Current portion of lease liabilities	227,102	-	-	-	227,102
Accounts payable	1,270,511	-	-	-	1,270,511
Payable to employees (including payroll taxes and benefits)	2,263,553	-	-	-	2,263,553
Accrued expenses	543,769	500,543	-	-	1,044,312
Estimated amounts due to third-party payors	2,178,312	-	-	-	2,178,312
Total current liabilities	6,483,247	1,227,543	-	-	7,710,790
Long-Term Debt	-	33,908,000	-	-	33,908,000
Lease Liabilities	413,697	-	-	-	413,697
Total liabilities	6,896,944	35,135,543	-	-	42,032,487
Net Position					
Net investment in capital assets	7,631,832	-	-	-	7,631,832
Restricted-expendable for debt service and capital improvements	1,820,000	-	-	-	1,820,000
Unrestricted	23,443,988	(1,621,301)	3,123,607	-	24,946,294
Total net position	32,895,820	(1,621,301)	3,123,607	-	34,398,126
Total liabilities and net position	\$ 39,792,764	\$ 33,514,242	\$ 3,123,607	\$ -	\$ 76,430,613

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The following table includes 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, 2023:

	Year Ended December 31, 2023				
	Perry County Memorial Hospital	Perry County Memorial Hospital Association	Perry County Memorial Hospital Foundation	Eliminations	Total
Operating Revenues					
Net patient service revenue, net of provision for uncollectible accounts	\$ 50,571,995	\$ -	\$ -	\$ -	\$ 50,571,995
Other	2,372,472	-	72,229	-	2,444,701
Total operating revenues	<u>52,944,467</u>	<u>-</u>	<u>72,229</u>	<u>-</u>	<u>53,016,696</u>
Operating Expenses					
Salaries and benefits	24,085,766	-	-	-	24,085,766
Purchased services and professional fees	12,979,554	-	-	-	12,979,554
Supplies	6,827,612	-	-	-	6,827,612
Provider tax expense	2,435,779	-	-	-	2,435,779
Depreciation and amortization	1,031,110	381,519	-	-	1,412,629
Other expenses	2,057,550	-	353,649	(309,700)	2,101,499
Total operating expenses	<u>49,417,371</u>	<u>381,519</u>	<u>353,649</u>	<u>(309,700)</u>	<u>49,842,839</u>
Operating Income (Loss)	<u>3,527,096</u>	<u>(381,519)</u>	<u>(281,420)</u>	<u>309,700</u>	<u>3,173,857</u>
Nonoperating Revenues (Expenses)					
Investment income	176,862	-	434,758	-	611,620
Interest expense	(34,753)	(1,088,905)	-	-	(1,123,658)
Gain on disposal of capital assets	(50,000)	-	-	-	(50,000)
Total nonoperating revenues (expenses)	<u>92,109</u>	<u>(1,088,905)</u>	<u>434,758</u>	<u>-</u>	<u>(562,038)</u>
Increase (Decrease) in Net Position Before Capital Grants and Gifts and Transfers	3,619,205	(1,470,424)	153,338	309,700	2,611,819
Capital Grants and Gifts and Transfers					
Capital grants and gifts	681,164	-	-	(309,700)	371,464
Transfers	(1,801,563)	1,801,563	-	-	-
Total capital grants and gifts and transfers	<u>(1,120,399)</u>	<u>1,801,563</u>	<u>-</u>	<u>(309,700)</u>	<u>371,464</u>
Increase in Net Position	2,498,806	331,139	153,338	-	2,983,283
Net Position, Beginning of Year	30,397,014	(1,952,440)	2,970,269	-	31,414,843
Net Position, End of Year	<u>\$ 32,895,820</u>	<u>\$ (1,621,301)</u>	<u>\$ 3,123,607</u>	<u>\$ -</u>	<u>\$ 34,398,126</u>

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The following table includes condensed combining statements of cash flow information for the Hospital and its blended component units for the year ended December 31, 2023:

	Year Ended December 31, 2023				Total
	Perry County Memorial Hospital	Perry County Memorial Hospital Association	Perry County Memorial Hospital Foundation	Eliminations	
Cash Flows from Operating Activities					
Receipts from and on behalf of patients	\$ 52,414,162	\$ -	\$ -	\$ -	\$ 52,414,162
Payments to suppliers and contractors	(24,561,029)	-	(353,649)	309,700	(24,604,978)
Payments to employees	(23,892,432)	-	-	-	(23,892,432)
Other receipts, net	2,477,329	-	72,229	-	2,549,558
Net cash provided by (used in) operating activities	6,438,030	-	(281,420)	309,700	6,466,310
Cash Flows from Capital and Related Financing Activities					
Capital grants and gifts	681,164	-	-	(309,700)	371,464
Principal payments on long-term debt	-	(707,000)	-	-	(707,000)
Interest paid on long-term debt	-	(1,094,563)	-	-	(1,094,563)
Principal payments on leases payable	(241,055)	-	-	-	(241,055)
Interest paid on leases payable	(36,579)	-	-	-	(36,579)
Purchase of capital assets	(2,205,301)	-	-	-	(2,205,301)
Net cash used in capital and related financing activities	(1,801,771)	(1,801,563)	-	(309,700)	(3,913,034)
Cash Flows from Investing Activities					
Purchase of investments	(1,813,993)	-	(778,469)	-	(2,592,462)
Proceeds from disposition of investments	1,657,000	-	917,214	-	2,574,214
Interest and dividend on investments	115,243	-	93,338	-	208,581
Transfer (to) from affiliates	(1,801,563)	1,801,563	-	-	-
Net cash provided by (used in) investing activities	(1,843,313)	1,801,563	232,083	-	190,333
Increase (Decrease) in Cash	2,792,946	-	(49,337)	-	2,743,609
Cash, Beginning of Year	15,033,094	-	206,256	-	15,239,350
Cash, End of Year	\$ 17,826,040	\$ -	\$ 156,919	\$ -	\$ 17,982,959
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities					
Operating income (loss)	\$ 3,527,096	\$ (381,519)	\$ (281,420)	\$ 309,700	\$ 3,173,857
Depreciation and amortization	1,031,110	381,519	-	-	1,412,629
Provision for uncollectible accounts	2,286,235	-	-	-	2,286,235
Changes in operating assets and liabilities					
Patient accounts receivable	(2,200,230)	-	-	-	(2,200,230)
Estimated amounts due to/from third-party payors	1,756,162	-	-	-	1,756,162
Accounts payable and accrued expenses	8,803	-	-	-	8,803
Prepaid assets, supplies and other assets	28,854	-	-	-	28,854
Net cash provided by (used in) operating activities	\$ 6,438,030	\$ -	\$ (281,420)	\$ 309,700	\$ 6,466,310
Supplemental Cash Flows Information					
Lease obligation incurred for lease assets	\$ 106,474	\$ -	\$ -	\$ -	\$ 106,474
Notes receivable incurred for sale of capital assets	\$ 250,000	\$ -	\$ -	\$ -	\$ 250,000

Note 15. Subsequent Events

Effective April 1, 2024, the Hospital entered into an affiliation agreement with Deaconess to enhance the quality, accessibility and efficiency of healthcare in the region. In connection with the affiliation agreement the Hospital terminated the existing management services agreement as described in Note 13 and entered into a new management services agreement with Tell City Management, LLC, which is a joint-venture agreement between the Hospital and Deaconess. The management service agreement is for a period of five years. Deaconess made a contribution of \$1,700,000 to the Hospital in connection with the affiliation agreement. If the Hospital terminates the management service agreement prior to the initial termination date then a prorate portion of the contribution will be required to be repaid to Deaconess as defined in the affiliation agreement. The affiliation agreement shall remain in effect for so long as the management agreement remains in effect.

Supplementary Information

**Perry County Memorial Hospital
A Component Unit of Perry County, Indiana
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023**

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
Community Facilities Loans and Grants Cluster/U.S. Department of Agriculture/ Community Facilities Loans and Grants	10.766	N/A	N/A	\$ 35,342,000
Community Facilities Loans and Grants Cluster/U.S. Department of Agriculture/ Community Facilities Loans and Grants	10.766	N/A	N/A	<u>210,708</u>
				<u><u>\$ 35,552,708</u></u>

**Perry County Memorial Hospital
A Component Unit of Perry County, Indiana
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Perry County Memorial Hospital (Hospital), a component unit of Perry County, Indiana, under programs of the federal government for the year ended December 31, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Hospital, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Hospital.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

The Hospital has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Federal Loan Program

The federal loan program listed subsequently is administered directly by the Hospital, and balances and transactions relating to this program are included in the Hospital's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of the loan outstanding at December 31, 2023 consists of:

Assistance Listing Number	Program Name	Outstanding Balance at December 31, 2023
10.766	Community Facilities Loans and Grants	\$ 34,635,000

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Trustees
Perry County Memorial Hospital
A Component Unit of Perry County, Indiana
Tell City, Indiana

We have audited, in accordance with 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 Perry County Memorial Hospital, a component unit of Perry County, Indiana (Hospital), which comprise the statement of net position as of December 31, 2023, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 22, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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, LLP

**Louisville, Kentucky
May 22, 2024**

Report on Compliance for Major Federal Program and Report on Internal Control over Compliance

Independent Auditor's Report

Board of Trustees
Perry County Memorial Hospital
Tell City, Indiana

Report on Compliance for Major Federal Program

Opinion on Each Major Federal Program

We have audited Perry County Memorial Hospital's, a component unit of Perry County, Indiana (Hospital) compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Hospital's major federal program for the year ended December 31, 2023. The Hospital's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hospital complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on major federal program for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

FORVIS,LLP

**Louisville, Kentucky
May 22, 2024**

**Perry County Memorial Hospital
A Component Unit of Perry County, Indiana
Schedule of Findings and Questioned Costs
Year Ended December 31, 2023**

Section I – Summary of Auditor’s Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:
 Unmodified Qualified Adverse Disclaimer

2. Internal control over financial reporting:
Significant deficiency(ies) identified? Yes None reported
Material weakness(es) identified? Yes No

3. Noncompliance material to the financial statements noted? Yes No

Federal Awards

4. Internal control over major federal awards programs:
Significant deficiency(ies) identified? Yes None reported
Material weakness(es) identified? Yes No

5. Type of auditor’s report issued on compliance for major federal award programs:
 Unmodified Qualified Adverse Disclaimer

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

7. Identification of major programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
10.766	Community Facilities Loans and Grants Cluster

8. Dollar threshold used to distinguish between Type A and Type B programs – \$750,000.

9. Auditee qualified as a low-risk auditee? Yes No

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

**Perry County Memorial Hospital
A Component Unit of Perry County, Indiana
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2023**

Reference Number	Summary of Finding	Status
2022-001	Community Facilities Loans and Grants Cluster; Federal Assistance Listing No. 10.766, Department of Agriculture Reporting (45 CFR 75.342). The Hospital did not submit annual audited financial statements to the U.S. Department of Agriculture within 150 days subsequent to year-end. The Hospital was unable to locate or provide support showing the audited financial statements were submitted timely to the U.S. Department of Agriculture.	Resolved