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June 14, 2023

Board of Trustees  
Decatur County Memorial Hospital  
720 North Lincoln Street  
Greensburg, IN 47240

We have reviewed the audit report of Decatur County Memorial Hospital which was opined upon by FORVIS, LLP, Independent Public Accountants, for the period January 1, 2022 to December 31, 2022. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Decatur County Memorial Hospital as of December 31, 2022, 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 cursive script that reads "Tammy R. White".

Tammy R. White, CPA  
Deputy State Examiner

**Decatur County Memorial Hospital  
A Component Unit of  
Decatur County, Indiana**

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

**December 31, 2022**



**Decatur County Memorial Hospital**  
**A Component Unit of Decatur County, Indiana**  
**December 31, 2022**

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## Independent Auditor's Report

Board of Trustees  
Decatur County Memorial Hospital  
Greensburg, Indiana

### Report on the Audit of the Financial Statements

#### *Opinion*

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of December 31, 2022, and the changes in 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.

#### *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 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 management's discussion and analysis (MD&A) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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 auditing standards generally accepted in the United States of America. In our opinion, the combining balance sheet information and combining statement of revenues, expenses and changes in net position information are 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 June 6, 2023, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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,LLP**

Indianapolis, Indiana  
June 6, 2023

# **Decatur County Memorial Hospital**

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

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

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

#### ***Introduction***

This management's discussion and analysis of the financial performance of Decatur County Memorial Hospital (Hospital) provides an overview of the Hospital's financial activities for the years ended December 31, 2022 and 2021. It should be read in conjunction with the accompanying financial statements of the Hospital.

#### ***Financial Highlights***

- Cash and investments decreased in 2022 by \$10,168,388 or 17.2% compared to an increase of \$1,278,227 or 2.2% in 2021.
- The Hospital's net position decreased in 2022 by \$10,523,965 or 10.9% compared to an increase of \$15,724,282 or 19.5% in 2021.
- The Hospital reported an operating loss of \$5,487,605 in 2022 compared to an operating loss of \$1,959,396 in 2021. The operating results in 2022 decreased by \$3,528,209 as compared to 2021.
- The Hospital had a net nonoperating loss for 2022 of \$4,849,269 compared to net nonoperating income of \$17,832,969 for 2021. This was a decrease of \$22,682,238 or 134.8%.

#### ***Adoption of New Accounting Standard***

Effective January 1, 2022, the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* (GASB 87). Comparative information presented herein has not been restated for the adoption of GASB 87.

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

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

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

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

These two statements report the Hospital’s net position and changes in it. 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 are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Hospital’s patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients, and local economic factors should also be considered to assess the overall financial health of the Hospital.

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

The statement of cash flows reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as “Where did cash come from?” and “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 reported in the balance sheets. The Hospital’s net position decreased by \$10,523,965 or 10.9% in 2022 over 2021 as shown in Table 1.

***Table 1: Assets, Liabilities and Net Position***

	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Patient accounts receivable, net	\$ 14,483,467	\$ 15,672,623
Other current assets	55,703,573	65,895,252
Capital assets, net	46,568,268	40,613,554
Other noncurrent assets	2,610,573	2,216,091
	<u>2,610,573</u>	<u>2,216,091</u>
Total assets	<u>\$ 119,365,881</u>	<u>\$ 124,397,520</u>
<b>Liabilities</b>		
Current liabilities excluding current maturities of long-term debt	\$ 19,342,537	\$ 24,193,489
Long-term debt	13,770,481	3,858,038
Other noncurrent liabilities	430,835	-
Total liabilities	<u>33,543,853</u>	<u>28,051,527</u>
<b>Net Position</b>		
Net investment in capital assets	31,643,575	36,574,128
Restricted	639,102	614,770
Unrestricted	53,539,351	59,157,095
Total net position	<u>85,822,028</u>	<u>96,345,993</u>
Total liabilities and net position	<u>\$ 119,365,881</u>	<u>\$ 124,397,520</u>



The decrease in the Hospital's assets during 2022 was primarily due to a \$6.4 million decrease in the Hospital's investment portfolio due to a volatile market environment, which is further discussed within the "Nonoperating Revenues and Expenses" portion below.

The increase in the Hospital's liabilities during 2022 is due to the issuance of \$15.0 million of Capital Improvement Bonds (Series 2022 Bonds) to assist with the funding for construction and expansion projects of the Hospital. At year-end, the Hospital also had outstanding draws on the line of credit of \$2.0 million.

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

In 2022, the Hospital's total net position decreased by \$10,523,965 or 10.9%. This decrease is made up of several different components and represents a decrease of 166.9% compared with the increase in net position for 2021 of \$15,724,282.

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

	<b>2022</b>	<b>2021</b>
<b>Operating Revenues</b>		
Net patient service revenue	\$ 120,348,360	\$ 112,414,306
Other	13,015,636	14,457,530
Total operating revenues	<u>133,363,996</u>	<u>126,871,836</u>
<b>Operating Expenses</b>		
Salaries, wages, contract labor and employee benefits	66,112,659	61,727,286
Purchased services and professional fees	27,435,749	27,790,246
Depreciation and amortization	3,802,926	3,843,232
Other operating expenses	41,500,267	35,470,468
Total operating expenses	<u>138,851,601</u>	<u>128,831,232</u>
<b>Operating Loss</b>	<u>(5,487,605)</u>	<u>(1,959,396)</u>
<b>Nonoperating Revenues (Expenses)</b>		
Investment return	(6,428,111)	4,466,258
Interest expense	(366,751)	(111,986)
Noncapital grants and contributions	364,128	6,539,869
Paycheck Protection Program (PPP) loan forgiveness	-	6,124,400
Noncapital appropriations - Decatur County	132,000	132,000
Other	1,449,465	682,428
Total nonoperating revenues (expenses)	<u>(4,849,269)</u>	<u>17,832,969</u>
<b>Excess (Deficiency) of Revenues Over Expenses</b>	(10,336,874)	15,873,573
<b>Other Changes in Net Position</b>	<u>(187,091)</u>	<u>(149,291)</u>
<b>Increase (Decrease) in Net Position</b>	<u>\$ (10,523,965)</u>	<u>\$ 15,724,282</u>

## **Operating Income (Loss)**

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.

Operating loss was \$5,487,605 for 2022 compared to an operating loss of \$1,959,396 for 2021. The primary components of the change in the Hospital's operating loss in 2022 are:

- Net patient service revenue was \$120,348,360 for 2022 compared to \$112,414,306 in 2021, which is an increase of \$7,934,054 or 7.1%.
- Salaries, wages, contract labor and employee benefits for the Hospital were \$66,112,659 for 2022 compared to \$61,727,286 for 2021, which represents an increase of \$4,385,373 or 7.1%.
- Other operating revenues were \$13,015,636 for 2022 compared to \$14,457,530 in 2021, which is a decrease of \$1,441,894 or 10.0%.
- Additionally, the Hospital also experienced cost increases associated with medical supplies and drugs, hospital assessment fees and other operating expenses. These year-over-year increases equated to approximately \$6 million.

The increase in net patient service revenue in 2022 is a result of various factors, most notably of which is increased volumes, particularly those associated with outpatient services. The current labor markets, which are highly competitive, as well as other macroeconomic market factors, continue to increase operating costs for the Hospital in terms of salaries, benefits, contract labor, medical supplies and equipment, drugs and other operating items.

## **Nonoperating Revenues and Expenses**

Historically, nonoperating revenues and expenses consist primarily of investment return, noncapital grants, and interest expense.

In 2022, nonoperating revenues and expenses include losses on investments of approximately \$6.4 million, driven by fluctuations in the volatile financial markets. Interest expense was approximately \$367,000 for 2022.

In 2021, nonoperating revenues and expenses included \$4.5 million of gains on investments, stemming from strong and steady financial markets; \$6.5 million of noncapital grant revenue, predominantly comprised of distributions from the Provider Relief Fund and certain vaccine funding from the State of Indiana; and \$6.1 million of income stemming from the Hospital's PPP loan being formally forgiven. Interest expense was approximately \$112,000 for 2021.

Distributions from the Provider Relief Fund are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the U.S. Department of Health and Human Services.

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

The Hospital's cash flows fluctuated from the previous year, with decreases in net cash flows from operations, as well as noncapital financing activities. The Hospital saw net cash flows from capital and related financing activities increase significantly from 2021 to 2022. The Hospital also saw net cash flows from investing activities remain fairly steady between years. The most significant factors in the year-over-year cash fluctuations are due to the previously mentioned proceeds received from the Series 2022 Bonds, as well as the overall operating and economic performance of the Hospital.

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

### **Capital Assets**

At the end of 2022, the Hospital had \$46,568,268 invested in capital assets, net of accumulated depreciation, compared to \$40,613,554 at the end of 2021, as detailed in Note 6 to the financial statements. Capital asset additions have been \$10.0 million and \$7.2 million, respectively, each of the past two years.

### **Lease Assets**

Upon adoption of GASB 87 on January 1, 2022, the Hospital recognized lease assets of \$477,780, associated with the leasing of medical and administrative office space. During the year, the Hospital did not enter into any new lease arrangements.

## ***Debt and Lease Liabilities***

### **Debt**

At December 31, 2022, the Hospital had approximately \$15.7 million of outstanding debt, split between the bonds (\$13.7 million) and draws on the line of credit (\$2.0 million). This is compared to \$3.9 million of outstanding debt at December 31, 2021. Borrowing and payment activity during the year are outlined in Note 10 to the financial statements.

### **Lease Liabilities**

Upon adoption of GASB 87 on January 1, 2022, the Hospital recognized lease liabilities of \$545,280, associated with the leasing of medical and administrative office space. During the year, the Hospital did not enter into any new lease arrangements.

## ***Other Economic Factors***

Management believes the health care industry's and the Hospital's operating margins will continue to be under pressure due to changes in payor mix and growth in operating expenses that are 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 competitive environment, and to attain reasonable rates for services provided while managing costs. Additionally, certain uncertainties stemming from the COVID-19 pandemic may continue to impact the operations of the Hospital.

### ***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 Administration by telephoning (812) 663-4331.

**Decatur County Memorial Hospital**  
**A Component Unit of Decatur County, Indiana**  
**Balance Sheet**  
**December 31, 2022**

**Assets**

		<u>2022</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 16,797,415	
Short-term investments	29,822,087	
Patient accounts receivable, net of allowance of approximately \$5,800,000	14,483,467	
Supplies	1,344,122	
Estimated third-party settlements	3,248,065	
Prepaid expenses and other current assets	<u>4,491,884</u>	
Total current assets		\$ 70,187,040
<b>Noncurrent Cash and Investments</b>		
Internally designated for capital improvements	1,704,265	
Restricted by contributors and grantors	<u>482,616</u>	
Total noncurrent cash and investments		2,186,881
<b>Capital Assets, Net</b>		46,568,268
<b>Lease Assets, Net</b>		<u>423,692</u>
Total assets		<u><u>\$ 119,365,881</u></u>

**Liabilities and Net Position**

<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 1,371,394	
Accounts payable and accrued expenses	15,100,857	
Estimated third-party settlements	2,184,322	
Line of credit	2,000,000	
Current portion of lease liabilities	<u>57,358</u>	
Total current liabilities		\$ 20,713,931
<b>Noncurrent Liabilities</b>		
Long-term debt, net of current portion	12,399,087	
Lease liabilities, net of current portion	<u>430,835</u>	
Total noncurrent liabilities		<u>12,829,922</u>
Total liabilities		33,543,853
<b>Net Position</b>		
Net investment in capital assets	31,643,575	
Restricted:		
Expendable for capital acquisitions	184,624	
Expendable for specific operating activities	297,992	
Other	156,486	
Unrestricted	<u>53,539,351</u>	
Total net position		<u>85,822,028</u>
Total liabilities and net position		<u><u>\$ 119,365,881</u></u>

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

	<b>2022</b>	
<b>Operating Revenues</b>		
Net patient service revenue, net of provision for uncollectible accounts of approximately \$7,570,000	\$ 120,348,360	
Other	13,015,636	
Total operating revenues		\$ 133,363,996
<b>Operating Expenses</b>		
Salaries, wages and contract labor	55,314,684	
Employee benefits	10,797,975	
Purchased services and professional fees	27,435,749	
Medical supplies, drugs and other supplies	20,053,031	
Utilities	2,204,045	
Repairs and maintenance	2,861,687	
Insurance	2,052,994	
Depreciation and amortization	3,802,926	
Other	9,706,350	
Provider hospital assessment fee	4,622,160	
Total operating expenses		138,851,601
<b>Operating Loss</b>		(5,487,605)
<b>Nonoperating Revenues (Expenses)</b>		
Investment return	(6,428,111)	
Interest expense	(366,751)	
Noncapital grants and contributions	364,128	
Noncapital appropriations - Decatur County	132,000	
Other	1,449,465	
Total nonoperating revenues (expenses)		(4,849,269)
<b>Deficiency of Revenues over Expenses</b>		(10,336,874)
<b>Other Changes in Net Position</b>		(187,091)
<b>Decrease in Net Position</b>		(10,523,965)
<b>Net Position, Beginning of Year</b>		96,345,993
<b>Net Position, End of Year</b>		\$ 85,822,028

**Decatur County Memorial Hospital**  
**A Component Unit of Decatur County, Indiana**  
**Statement of Cash Flows**  
**Year Ended December 31, 2022**

		<b>2022</b>
<b>Cash Flows From Operating Activities</b>		
Receipts from and on behalf of patients	\$ 120,762,406	
Payments to suppliers and contractors	(69,591,250)	
Payments to employees and contract labor	(67,013,223)	
Other receipts, net	7,582,412	
Net cash used in operating activities		\$ (8,259,655)
<b>Cash Flows From Noncapital Financing Activities</b>		
Noncapital grants and contributions	364,128	
Noncapital appropriations - Decatur County	132,000	
Other noncapital financing activities	(187,091)	
Net cash provided by noncapital financing activities		309,037
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition and construction of capital assets	(8,795,229)	
Proceeds from issuance of long-term debt	15,000,000	
Principal paid on long-term debt	(5,087,557)	
Interest paid on long-term debt	(366,751)	
Borrowings under line of credit	2,000,000	
Principal paid on lease liabilities	(57,087)	
Other capital and related financing activities	67,500	
Net cash provided by capital and related financing activities		2,760,876
<b>Cash Flows From Investing Activities</b>		
Interest and dividends on investments	694,611	
Purchase of investments	(6,626,059)	
Proceeds from disposition of investments	6,005,538	
Other investing activities	1,449,465	
Net cash provided by investing activities		1,523,555
<b>Decrease in Cash and Cash Equivalents</b>		(3,666,187)
<b>Cash and Cash Equivalents, Beginning of Year</b>		20,463,602
<b>Cash and Cash Equivalents, End of Year</b>		\$ 16,797,415
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>		
Operating loss	\$ (5,487,605)	
Depreciation and amortization	3,802,926	
Provision for uncollectible accounts	7,569,706	
Changes in operating assets and liabilities:		
Patient accounts receivable	(6,380,550)	
Supplies and other current assets	(320,812)	
Estimated third-party settlements	1,754,633	
Accounts payable and accrued expenses	(5,560,912)	
Medicare advance payments	(3,637,041)	
Net cash used in operating activities		\$ (8,259,655)
<b>Noncash Investing, Capital and Financing Activities</b>		
Capital asset additions included in accounts payable and accrued expenses		\$ 1,089,711
Lease obligations incurred for lease assets, at adoption		545,280

**Decatur County Memorial Hospital**  
**A Component Unit of Decatur County, Indiana**  
**Notes to Financial Statements**  
**December 31, 2022**

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

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

Decatur County Memorial Hospital (Hospital) is an acute care hospital located in Greensburg, Indiana. The Hospital is a component unit of Decatur County (County) and the Board of County Commissioners appoints members to the Board of Trustees of the Hospital pursuant to 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 the Decatur County area.

As further described in Note 17, the Hospital operates long-term care facilities (LTC) through various lease arrangements with third parties. These facilities provide inpatient and therapy services in their geographic area and support the Hospital's mission to provide quality care and services to the facilities' residents. The facilities are managed by third parties under separate management agreements. The revenues from operations are the property of the Hospital and the Hospital is responsible for the associated operating expenses and working capital requirements.

In accordance with GASB Statement No. 61, the financial statements include the financial statements of the Decatur County Memorial Hospital Foundation (Foundation). 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, and has therefore been reported as a blended component unit.

The Hospital holds a 51% ownership interest in Decatur County Memorial Pain Management, LLC (Pain Management), which is organized to offer pain management services in the Hospital's primary service area. Effective January 1, 2019, upon adoption of Governmental Accounting Standards Board (GASB) Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*, the operations of Pain Management are reported as a blended component unit, as the Hospital holds a majority equity interest. Although it is legally separate from the Hospital, Pain Management is reported as if it were a part of the Hospital. All significant intercompany transactions have been eliminated for financial reporting purposes. Separate audited financial statements are not issued for Pain Management.

***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 county appropriations and 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 is available.



**Decatur County Memorial Hospital**  
**A Component Unit of Decatur County, Indiana**  
**Notes to Financial Statements**  
**December 31, 2022**

***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 county appropriations, noncapital grants and contributions, including government-mandated nonexchange transactions that are not program specific, and investment return are recorded as nonoperating revenues in accordance with GASB Statement No. 35.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and 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.

***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.

***Cash Equivalents***

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2022, cash equivalents consisted primarily of money market accounts with brokers.

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***Investments and Investment Return***

Investments in U.S. agency obligations with a remaining maturity of one year or less at time of acquisition are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment return 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 (FIFO) 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	5 - 25 years
Buildings and leasehold improvements	5 - 40 years
Equipment	5 - 25 years
Major moveable equipment	3 - 25 years
Vehicles	4 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.

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***Capital and Lease Asset Impairment***

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

***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 to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. 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 and is therefore included in current liabilities.

***Lease Liabilities***

As lessee, the Hospital initially measures a lease liability at the present value of payments expected to be made during the lease term.

***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 amortization, reduced by the outstanding balances of borrowings, lease liabilities and accounts payable used to finance the purchase or construction of those assets. Restricted net position consists of the minority equity ownership of Pain Management, as well as noncapital assets that must be used for a particular purpose, as defined and/or specified by grantors or donors external to the Hospital. Unrestricted net position is the remaining assets, less remaining liabilities, that do not meet the definition of net investment in capital assets or restricted net position.

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***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. Charity care provided in 2022 measured at estimated cost, approximated \$686,000. Estimated cost is derived from a ratio of total operating expenses as a percentage of gross charges.

***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) and 509(a)(2) 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.

Pain Management is not directly subject to income taxes under the provision of the Internal Revenue Code and applicable state laws. Taxable income or loss is allocated to its members in accordance with their respective percentage ownership for inclusion in their respective tax returns.

***Foundation***

The Foundation is a legally separate, tax-exempt component unit of the Hospital. The Foundation's primary function is to raise and hold funds to support the Hospital and its programs. The board of the Foundation is self-perpetuating. Separate financial statements of the Foundation may be obtained by contacting their office at 720 North Lincoln Street, Greensburg, Indiana 47240.

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***Future Adoption of Accounting Standards***

In fiscal year 2023, the Hospital will implement GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The statement provides a new framework for accounting for subscription-based information technology arrangements (SBITAs) under the principle that SBITAs result in a right-to-use subscription asset (intangible asset) and a corresponding subscription liability. In fiscal year 2024, the Hospital will implement GASB Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62, which prescribes that 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 this new standard on its financial statements; however, it could have a material future impact.

**Note 2: Adoption of New Accounting Standard – GASB Statement No. 87, Leases**

On January 1, 2022, the Hospital implemented GASB Statement No. 87, *Leases* (GASB No. 87). This statement requires governments to recognize certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The adoption of GASB No. 87 did not result in any change to beginning net position. As of January 1, 2022, adoption of the standard resulted in the recognition of lease assets and liabilities of approximately \$478,000 and \$545,000, respectively. Leases have been recognized and measured using the facts and circumstances that existed at the beginning of the year. Refer to Notes 6 and 11 for additional disclosures on these balances.

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**Note 3: Net Patient Service Revenue**

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

*Medicare*

The Hospital is designated by Medicare as a critical access hospital (CAH). Inpatient acute care and swing bed services, and most outpatient services, are reimbursed based on a cost reimbursement methodology. Interim per diem rates for inpatient services and percent of charges for outpatient services are reimbursed throughout the year, with final settlement determined after submission of the annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor. At December 31, 2022, the Hospital recorded a receivable for estimated cost report settlements of \$1,200,000, which is included in estimated third-party settlements receivable.

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 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. At December 31, 2022, the Hospital recorded a receivable for estimated settlements related to its rural health clinics of \$1,374,000, which is in estimated third-party settlements receivable.

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

Approximately 70% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the year ended December 31, 2022. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Hospital qualifies as a Medicaid Disproportionate Share Hospital (DSH) provider under Indiana law and, as such, is eligible to receive supplemental Medicaid payments. The amounts of these supplemental payments are dependent on regulatory approval by agencies of the federal and state governments and is determined by level, extent and cost of uncompensated care and various other factors. Supplemental payments have been made by the State of Indiana, and the Hospital records such amounts as revenue when it has been reasonably determined that the funds will be received. The Hospital recognized approximately \$1.3 million within net patient service revenue related to this supplemental payment program for the year ended December 31, 2022. The amount outstanding at December 31, 2022 approximated \$674,000 and is accrued as a receivable in estimated third-party settlements. The accrued amount represents management's best estimate of DSH funds due to the Hospital, which are typically paid in arrears.

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The Hospital participates in a state-specific provider assessment program to increase Medicaid payments to hospitals. The Hospital incurred fees approximating \$4.6 million related to this Medicaid program for 2022, which is recorded as an operating expense in the statement of revenues, expenses and changes in net position. The amount outstanding under the assessment fee program approximated \$2.2 million as of December 31, 2022, and the liability is included in estimated third-party settlements.

In conjunction with the provider assessment program, the Hospital's Medicaid Inpatient Utilization Rate (MIUR) is measured against a statewide threshold, as defined by state regulation, during periodic measurement periods. The state measures MIUR percentages no less than every four years and no more than every two years. A benefit of having a MIUR exceeding the statewide threshold is a 25% reduction in provider assessment fees. At each measurement period, the state-defined MIUR threshold changes, which potentially affects the Hospital's eligibility status.

In April 2023, the Hospital was notified its MIUR fell below the state-defined threshold applicable to the period of July 1, 2021 through June 30, 2023. This change in MIUR eligibility retroactively eliminates the Hospital's previously recognized benefit, which had been estimated based on the expectation that the Hospital would continue to receive a 25% reduction in provider assessment fees for the aforementioned two-year period. As a result, the Hospital recognized additional fees of approximately \$1.5 million in 2022, which are included within the total fees amount of \$4.6 million, as previously mentioned.

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 and is included in other operating revenue. The Hospital recognized approximately \$5.4 million related to this supplemental payment program for the year ended December 31, 2022. At December 31, 2022, \$1.4 million is accrued and included in prepaid expenses and other current assets.

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 Return**

***Deposits***

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

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

***Investments***

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

At December 31, 2022, the Hospital had the following investments and maturities:

Type	Fair Value	2022 Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
Money market mutual funds	\$ 155,126	\$ 155,126	\$ -	\$ -	\$ -
Equity mutual funds	24,805,555	24,805,555	-	-	-
Fixed income mutual funds	7,037,639	7,037,639	-	-	-
U.S. agency obligations	10,648	-	-	-	10,648
	<u>\$ 32,008,968</u>	<u>\$ 31,998,320</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,648</u>



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

**Credit Risk** - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Hospital does not have a formal investment policy for credit risk. At December 31, 2022, the Hospital's investments were not rated by Standard & Poor's or 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. The Hospital's policy is to limit holdings in equities to 70% and to limit fixed income holdings to 60%.

**Summary of Carrying Values**

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

	<b>2022</b>
Carrying value:	
Deposits	\$ 16,797,415
Investments	32,008,968
	\$ 48,806,383
 Included in the following balance sheets captions:	
Cash and cash equivalents	\$ 16,797,415
Short-term investments	29,822,087
Noncurrent cash and investments	
Internally designated for capital improvements	1,704,265
Restricted by contributors and grantors	482,616
	\$ 48,806,383

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***Investment Return***

Investment return for the year ended December 31 consisted of:

	<b>2022</b>
Interest and dividend income	\$ 694,611
Net decrease in fair value of investments	(7,122,722)
	\$ (6,428,111)

**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 consisted of:

	<b>2022</b>
Medicare	\$ 4,510,474
Medicaid	3,680,772
Other third-party payors	5,173,432
Patients	6,927,959
	20,292,637
Less allowance for uncollectible accounts	5,809,170
	\$ 14,483,467

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**Note 6: Capital and Lease Assets**

Capital assets activity for the year ended December 31 was:

	<b>2022</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Ending Balance</b>
Land	\$ 6,054,337	\$ -	\$ -	\$ 798,586	\$ 6,852,923
Land improvements	709,885	-	(282,793)	1,108,575	1,535,667
Buildings and leasehold improvements	44,293,327	44,131	(1,698,434)	3,179,374	45,818,398
Equipment	6,351,916	189,827	(449,708)	2,805,640	8,897,675
Major moveable equipment	27,282,632	820,834	(5,908,279)	29,171	22,224,358
Vehicles	408,692	29,826	-	123,304	561,822
Construction in progress	4,167,579	8,964,878	-	(8,044,650)	5,087,807
	<u>89,268,368</u>	<u>10,049,496</u>	<u>(8,339,214)</u>	<u>-</u>	<u>90,978,650</u>
Less accumulated depreciation:					
Land improvements	509,991	104,167	(279,786)	-	334,372
Buildings and leasehold improvements	20,914,347	1,749,584	(1,357,459)	-	21,306,472
Equipment	3,449,666	792,600	(449,708)	-	3,792,558
Major moveable equipment	23,559,398	1,005,570	(5,906,317)	-	18,658,651
Vehicles	221,412	96,917	-	-	318,329
	<u>48,654,814</u>	<u>3,748,838</u>	<u>(7,993,270)</u>	<u>-</u>	<u>44,410,382</u>
Capital assets, net	<u>\$ 40,613,554</u>	<u>\$ 6,300,658</u>	<u>\$ (345,944)</u>	<u>\$ -</u>	<u>\$ 46,568,268</u>

Lease asset activity for the year ended December 31 was:

	<b>2022</b>			
	<b>Restated - Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Buildings and leasehold improvements	\$ 477,780	\$ -	\$ -	\$ 477,780
Less accumulated amortization:				
Buildings and leasehold improvements	-	54,088	-	54,088
Lease assets, net	<u>\$ 477,780</u>	<u>\$ (54,088)</u>	<u>\$ -</u>	<u>\$ 423,692</u>

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**Note 7: Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses included in current liabilities at December 31 consisted of:

	<b>2022</b>
Payable to suppliers, contractors and other	\$ 11,667,614
Payable to employees (including payroll taxes and benefits)	3,433,243
Balance, end of year	\$ 15,100,857

**Note 8: 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, 2017 to a maximum recovery of \$1,650,000 per occurrence, \$400,000 of which would be paid through malpractice insurance coverage, with the remainder due from the Fund. 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 commercial 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 9: 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 a \$50,000 aggregate specific deductible on top of a \$150,000 aggregate group specific deductible for a maximum 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, which is included in accounts payable and accrued expenses in the balance sheet, during 2022 is summarized as follows:

	<b>2022</b>
Balance, beginning of year	\$ 400,000
Current year claims incurred and changes in estimates for claims incurred in prior years	4,440,800
Claims and expenses paid	(4,340,800)
Balance, end of year	\$ 500,000

**Note 10: Long-Term Obligations and Line of Credit**

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

	<b>2022</b>				
	<b>Restated - Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Long-term debt:					
Revenue bond payable:					
Capital improvement bond, series 2012	\$ 3,858,038	\$ -	\$ (3,858,038)	\$ -	\$ -
Capital improvement bond, series 2022	-	15,000,000	(1,229,519)	13,770,481	1,371,394
Total long-term debt	3,858,038	15,000,000	(5,087,557)	13,770,481	1,371,394
Other liabilities:					
Medicare advance payments	3,637,041	-	(3,637,041)	-	-
Lease liabilities	545,280	-	(57,087)	488,193	57,358
Other accrued liabilities	611,845	-	(611,845)	-	-
Total long-term obligations	\$ 8,652,204	\$ 15,000,000	\$ (9,393,530)	\$ 14,258,674	\$ 1,428,752

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**Capital Improvements Bonds, Series 2012 and Series 2022**

The Capital Improvements Bond, Series 2012 (Series 2012 Bond) consisted of bonds payable in the original amount up to \$8,000,000 dated August 1, 2012, issued by the Hospital. The bond was issued to fund certain expansions of the Hospital. The bond was payable in monthly installments of \$54,059, which were scheduled through June 2028. The Series 2012 Bond was secured by a mortgage on certain improvements and real property of the Hospital.

Effective January 28, 2022, the Series 2012 Bond, which had an outstanding balance approximating \$3,800,000, was refinanced by the Hospital. As part of the refinance, the Hospital issued \$15,000,000 under the Capital Improvements Bond, Series 2022 (Series 2022 Bond). The refinance resulted in a payoff of the Series 2012 Bond, and approximately \$11,200,000 in proceeds received by the Hospital. The bond was issued to fund certain construction and expansions of the Hospital. The bond is payable in monthly installments of \$141,244 through February 1, 2032, and bears interest at a fixed rate of 2.44%. The Series 2022 Bond is subject to financial and other covenants and is secured by a mortgage on certain improvements and real property of the Hospital. The Hospital obtained a waiver from its lender covering periods through March 31, 2023, in relation to certain failed financial covenants.

The debt service requirements on the bonds payable, as of December 31, 2022, are as follows:

<b>Year Ending December 31,</b>	<b>Total to be Paid</b>	<b>Principal</b>	<b>Interest</b>
2023	\$ 1,694,930	\$ 1,371,394	\$ 323,536
2024	1,694,930	1,408,090	286,840
2025	1,694,930	1,442,834	252,096
2026	1,694,930	1,478,436	216,494
2027	1,694,930	1,514,916	180,014
2028 - 2032	<u>6,920,966</u>	<u>6,554,811</u>	<u>366,155</u>
	<u>\$ 15,395,616</u>	<u>\$ 13,770,481</u>	<u>\$ 1,625,135</u>

**Line of Credit**

The Hospital executed a \$3,000,000 line of credit in April 2020 to provide liquidity due to the initial operational impact of COVID-19. The line of credit was extended in April 2022 and matures in July 2023. Interest on outstanding amounts accrues at a variable rate equal to the Secured Overnight Financing Rate (SOFR), as administered by the lender's administrator and as published by Bloomberg, plus 2.00%, subject to certain caps and floors. At year-end, the interest rate was 6.38%. The line of credit is secured by certain assets of the Hospital. At December 31, 2022, the Hospital had outstanding draws of \$2,000,000.

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**Note 11: Lease Liabilities**

The Hospital leases medical and office space for outpatient surgery and other operating functions, the current term of which expires in 2024. Management has determined that available renewal options under the lease agreement, which extend into 2030, are probable.

The following is a summary of lease liability transactions for the Hospital:

	<b>2022</b>				
	<b>Restated - Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Building lease	\$ 545,280	\$ -	\$ (57,087)	\$ 488,193	\$ 57,358

The following is a schedule, by year, of lease liability payments as of December 31, 2022:

<b>Year Ending December 31,</b>	<b>Total to be Paid</b>		
	<b>Principal</b>	<b>Interest</b>	
2023	\$ 68,400	\$ 57,358	\$ 11,042
2024	68,400	58,744	9,656
2025	68,400	60,163	8,237
2026	68,400	61,617	6,783
2027	68,400	63,106	5,294
2028 - 2030	193,800	187,205	6,595
	\$ 535,800	\$ 488,193	\$ 47,607

Within the Hospital's leasing arrangements, any variable payments based on the use of the underlying assets are not included in the lease liability because they are not a fixed substance. Furthermore, any payments associated with short-term rentals are not included in the lease liability because they are not long-term in nature, as defined by GASB No. 87. As discussed in Note 17, the Hospital's long-term care facility leases include termination language in which either party can terminate the agreements without cause, which qualifies them as short-term rentals.

During the year ended December 31, 2022, Hospital recognized approximately \$3.4 million of expense under agreements as variable or short-term rentals, which is included within other operating expenses on the statement of revenues, expenses and changes in net position.

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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. Pension expense is recorded for the amount of the Hospital's required contributions, determined in accordance with the terms of the plan. The plan administrator is the Executive Director of Human Resources for 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. The Hospital is required to match 100% of the employee contribution up to 1% of employee's compensation. In addition, the Hospital may make a discretionary contribution as determined by the Hospital Board, which was 3% for 2022. Hospital expense related to the employer contributions to the plan approximated \$875,000 for 2022.

**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



**Decatur County Memorial Hospital**  
**A Component Unit of Decatur County, Indiana**  
**Notes to Financial Statements**  
**December 31, 2022**

**Recurring Measurements**

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

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2022</b>				
<b>Investments by fair value level</b>				
Equity mutual funds	\$ 24,805,555	\$ 24,805,555	\$ -	\$ -
Fixed income mutual funds	7,037,639	7,037,639	-	-
U.S. agency obligations	10,648	-	10,648	-
	<u>31,853,842</u>	<u>\$ 31,843,194</u>	<u>\$ 10,648</u>	<u>\$ -</u>
<b>Investments measured at the net asset value (NAV)</b>				
Money market mutual funds	155,126			
	<u>\$ 32,008,968</u>			

**Investments**

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

**Decatur County Memorial Hospital**  
**A Component Unit of Decatur County, Indiana**  
**Notes to Financial Statements**  
**December 31, 2022**

**Note 14: 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.

***CARES Act Funding***

In response to the World Health Organization's designation of the SARS-CoV-2 virus and the incidence of COVID-19 as a global pandemic in March 2020, various legislation was enacted, including the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) and the *American Rescue Plan Act* (ARPA Act). During the years ended December 31, 2021 and 2020, the Hospital received approximately \$21 million of distributions from the CARES Act Provider Relief Fund and the ARPA Act Relief Fund (collectively, the Provider Relief Fund). These Provider Relief Fund distributions are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses and/or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services. The Hospital will continue to monitor compliance with the terms and conditions governing the Provider Relief Fund, which are complex and subject to interpretation and change. If the Hospital is unable to attest to or comply with current or future terms and conditions, its ability to retain some or all of the distributions received may be affected. Provider Relief Fund payments are subject to government oversight, including potential audits.

**Note 15: Noncapital Appropriations - Decatur County**

Decatur County, of which the Hospital is a component unit, subsidized the Hospital for providing the County with ambulance service. The Hospital recognizes these payments as nonoperating revenue. The Hospital recognized subsidy revenue of approximately \$132,000 for the year ended December 31, 2022.

**Decatur County Memorial Hospital**  
**A Component Unit of Decatur County, Indiana**  
**Notes to Financial Statements**  
**December 31, 2022**

**Note 16: Condensed Combining Information**

The following table includes condensed combining balance sheet information for the Hospital and its blended component units as of December 31, 2022:

	December 31, 2022				
	Hospital	Foundation	Pain Management	Eliminations	Total
<b>Assets</b>					
Current assets	\$ 69,035,335	\$ 1,035,420	\$ 116,285	\$ -	\$ 70,187,040
Due from related party	588,286	-	236,864	(825,150)	-
Capital assets, net	46,568,268	-	-	-	46,568,268
Other noncurrent assets	2,295,302	478,145	-	(162,874)	2,610,573
Total assets	<u>\$ 118,487,191</u>	<u>\$ 1,513,565</u>	<u>\$ 353,149</u>	<u>\$ (988,024)</u>	<u>\$ 119,365,881</u>
<b>Liabilities</b>					
Current liabilities	\$ 20,709,829	\$ -	\$ 4,102	\$ -	\$ 20,713,931
Due to related party	776,388	19,075	29,687	(825,150)	-
Noncurrent liabilities	12,829,922	-	-	-	12,829,922
Total liabilities	<u>\$ 34,316,139</u>	<u>\$ 19,075</u>	<u>\$ 33,789</u>	<u>\$ (825,150)</u>	<u>\$ 33,543,853</u>
<b>Net Position</b>					
Net investment in capital assets	31,643,575	-	-	-	31,643,575
Restricted	4,471	478,145	156,486	-	639,102
Unrestricted	52,523,006	1,016,345	162,874	(162,874)	53,539,351
Total net position	<u>\$ 84,171,052</u>	<u>\$ 1,494,490</u>	<u>\$ 319,360</u>	<u>\$ (162,874)</u>	<u>\$ 85,822,028</u>
Total liabilities and net position	<u>\$ 118,487,191</u>	<u>\$ 1,513,565</u>	<u>\$ 353,149</u>	<u>\$ (988,024)</u>	<u>\$ 119,365,881</u>

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, 2022:

	December 31, 2022				
	Hospital	Foundation	Pain Management	Eliminations	Total
<b>Operating Revenues</b>					
Net patient service revenue	\$ 119,390,630	\$ -	\$ 957,730	\$ -	\$ 120,348,360
Other operating revenue	13,266,093	-	-	(250,457)	13,015,636
Total operating revenues	<u>132,656,723</u>	<u>-</u>	<u>957,730</u>	<u>(250,457)</u>	<u>133,363,996</u>
<b>Operating Expenses</b>					
Salaries, wages, contract labor and employee benefits	65,866,055	-	246,604	-	66,112,659
Purchased services and professional fees	27,286,430	-	149,319	-	27,435,749
Depreciation and amortization	3,802,926	-	-	-	3,802,926
Other operating expenses	41,429,550	-	70,717	-	41,500,267
Total operating expenses	<u>138,384,961</u>	<u>-</u>	<u>466,640</u>	<u>-</u>	<u>138,851,601</u>
<b>Operating Income (Loss)</b>	<u>(5,728,238)</u>	<u>-</u>	<u>491,090</u>	<u>(250,457)</u>	<u>(5,487,605)</u>
<b>Nonoperating Revenues (Expenses)</b>					
Investment return	(6,217,857)	(210,254)	-	-	(6,428,111)
Interest expense	(366,751)	-	-	-	(366,751)
Noncapital grants and contributions	-	364,128	-	-	364,128
Noncapital appropriations - Decatur County	132,000	-	-	-	132,000
Other	1,664,877	(215,412)	-	-	1,449,465
Total nonoperating revenues (expenses)	<u>(4,787,731)</u>	<u>(61,538)</u>	<u>-</u>	<u>-</u>	<u>(4,849,269)</u>
<b>Excess (Deficiency) of Revenues Over Expenses</b>	<u>(10,515,969)</u>	<u>(61,538)</u>	<u>491,090</u>	<u>(250,457)</u>	<u>(10,336,874)</u>
<b>Other Changes in Net Position</b>	<u>-</u>	<u>-</u>	<u>(381,818)</u>	<u>194,727</u>	<u>(187,091)</u>
<b>Increase (Decrease) in Net Position</b>	<u>\$ (10,515,969)</u>	<u>\$ (61,538)</u>	<u>\$ 109,272</u>	<u>\$ (55,730)</u>	<u>\$ (10,523,965)</u>

**Decatur County Memorial Hospital**  
**A Component Unit of Decatur County, Indiana**  
**Notes to Financial Statements**  
**December 31, 2022**

**Note 17: Long-Term Care Operations and Agreements**

The Hospital has entered into various agreements to lease the facilities for the operation of nursing homes. Along with the lease agreements, the Hospital has also entered into management agreements with the facilities' third-party managers (Managers) to continue to operate the facilities. These agreements include original terms of two years with optional two-year extension or renewal periods. The lease and management agreements also include termination clauses available to either party, and for that reason, these long-term care leases are excepted from the adoption of GASB No. 87.

The lease agreements call for monthly base rent payments as outlined in the agreements. Rental expense approximated \$2.8 million in 2022 and is included in other operating expenses on the statement of revenues, expenses and changes in net position.

The management agreements include management fees consisting of base management fees, subordinated management fees and incentive management fees. Base and subordinate management fees are determined on percentages of net patient service revenue of the individual facilities and range from 2% to 5%. Incentive management fees are to be paid only if sufficient working capital exists. The agreements also call for quality, royalty and capital improvement fees to be paid to the Managers. Management and other fees approximated \$1.5 million in 2022 and include waivers of certain fees as insufficient cash flows existed to fund the amounts due. These management fees are included within purchased services and professional fees on 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, Managers of certain facilities have provided working capital to cover insufficient cash flows from operations. Consequently, the majority of accounts payable and accrued expenses of the long-term care operations approximating \$7.9 million at December 31, 2022, reflects amounts due to the Managers and their vendors.

From January 2022 through August 2022, the Hospital operated six nursing homes. Effective August 31, 2022, the lease and management agreements associated with one of the Hospital's long-term care facilities were terminated. As of December 31, 2022, the Hospital continues to operate a total of five long-term care facilities.

## **Supplementary Information**

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

	2022					Total
	Hospital	LTC	Hospital Foundation	Pain Management	Eliminations	
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$ 15,472,456	\$ 947,016	\$ 261,658	\$ 116,285	\$ -	\$ 16,797,415
Short-term investments	29,101,281	-	720,806	-	-	29,822,087
Patient accounts receivable, net of allowance of Hospital - \$3,700,478; LTC - \$2,108,692	9,353,758	5,129,709	-	-	-	14,483,467
Supplies	1,344,122	-	-	-	-	1,344,122
Estimated third-party settlements	3,248,065	-	-	-	-	3,248,065
Prepaid expenses and other current assets	1,784,761	2,654,167	52,956	-	-	4,491,884
Due from related party	588,286	-	-	236,864	(825,150)	-
Total current assets	<u>60,892,729</u>	<u>8,730,892</u>	<u>1,035,420</u>	<u>353,149</u>	<u>(825,150)</u>	<u>70,187,040</u>
<b>Noncurrent Cash and Investments</b>						
Internally designated for capital improvements	1,704,265	-	-	-	-	1,704,265
Restricted by contributors and grantors	4,471	-	478,145	-	-	482,616
Total noncurrent cash and investments	<u>1,708,736</u>	<u>-</u>	<u>478,145</u>	<u>-</u>	<u>-</u>	<u>2,186,881</u>
<b>Capital Assets, Net</b>	<u>46,568,268</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,568,268</u>
<b>Other Assets</b>						
Investment in equity investee	162,874	-	-	-	(162,874)	-
Lease assets, net	423,692	-	-	-	-	423,692
Total other assets	<u>586,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(162,874)</u>	<u>423,692</u>
Total assets	<u>\$ 109,756,299</u>	<u>\$ 8,730,892</u>	<u>\$ 1,513,565</u>	<u>\$ 353,149</u>	<u>\$ (988,024)</u>	<u>\$ 119,365,881</u>
<b>Liabilities and Net Position</b>						
<b>Current Liabilities</b>						
Current maturities of long-term debt	\$ 1,371,394	\$ -	\$ -	\$ -	\$ -	\$ 1,371,394
Accounts payable and accrued expenses	7,782,275	7,314,480	-	4,102	-	15,100,857
Estimated third-party settlements	2,184,322	-	-	-	-	2,184,322
Line of credit	2,000,000	-	-	-	-	2,000,000
Current portion of lease liabilities	57,358	-	-	-	-	57,358
Due to related party	236,864	539,524	19,075	29,687	(825,150)	-
Total current liabilities	<u>13,632,213</u>	<u>7,854,004</u>	<u>19,075</u>	<u>33,789</u>	<u>(825,150)</u>	<u>20,713,931</u>
<b>Noncurrent Liabilities</b>						
Long-term debt, net of current portion	12,399,087	-	-	-	-	12,399,087
Lease liabilities, net of current portion	430,835	-	-	-	-	430,835
Total noncurrent liabilities	<u>12,829,922</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,829,922</u>
Total liabilities	<u>26,462,135</u>	<u>7,854,004</u>	<u>19,075</u>	<u>33,789</u>	<u>(825,150)</u>	<u>33,543,853</u>
<b>Net Position</b>						
Net investment in capital assets	31,643,575	-	-	-	-	31,643,575
Restricted:						
Expendable for capital acquisitions	-	-	184,624	-	-	184,624
Expendable for specific operating activities	4,471	-	293,521	-	-	297,992
Other	-	-	-	156,486	-	156,486
Unrestricted	51,646,118	876,888	1,016,345	162,874	(162,874)	53,539,351
Total net position	<u>83,294,164</u>	<u>876,888</u>	<u>1,494,490</u>	<u>319,360</u>	<u>(162,874)</u>	<u>85,822,028</u>
Total liabilities and net position	<u>\$ 109,756,299</u>	<u>\$ 8,730,892</u>	<u>\$ 1,513,565</u>	<u>\$ 353,149</u>	<u>\$ (988,024)</u>	<u>\$ 119,365,881</u>

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

	2022					Total
	Hospital	LTC	Hospital Foundation	Pain Management	Eliminations	
<b>Operating Revenues</b>						
Net patient service revenue, net of provision for uncollectible accounts of Hospital - approx. \$5,550,000; LTC - approx. \$2,020,000	\$ 75,663,728	\$ 43,726,902	\$ -	\$ 957,730	\$ -	\$ 120,348,360
Other	7,669,938	5,596,155	-	-	(250,457)	13,015,636
Total operating revenues	<u>83,333,666</u>	<u>49,323,057</u>	<u>-</u>	<u>957,730</u>	<u>(250,457)</u>	<u>133,363,996</u>
<b>Operating Expenses</b>						
Salaries, wages and contract labor	33,454,898	21,663,913	-	195,873	-	55,314,684
Employee benefits	7,987,674	2,759,570	-	50,731	-	10,797,975
Purchased services and professional fees	17,324,627	9,961,803	-	149,319	-	27,435,749
Medical supplies, drugs and other supplies	16,961,054	3,057,289	-	34,688	-	20,053,031
Utilities	1,004,053	1,199,992	-	-	-	2,204,045
Repairs and maintenance	2,460,145	401,542	-	-	-	2,861,687
Lease and rentals	-	-	-	-	-	-
Insurance	1,099,510	947,384	-	6,100	-	2,052,994
Depreciation and amortization	3,802,926	-	-	-	-	3,802,926
Other	1,905,637	7,770,784	-	29,929	-	9,706,350
Provider hospital assessment fee	4,622,160	-	-	-	-	4,622,160
Total operating expenses	<u>90,622,684</u>	<u>47,762,277</u>	<u>-</u>	<u>466,640</u>	<u>-</u>	<u>138,851,601</u>
<b>Operating Income (Loss)</b>	<u>(7,289,018)</u>	<u>1,560,780</u>	<u>-</u>	<u>491,090</u>	<u>(250,457)</u>	<u>(5,487,605)</u>
<b>Nonoperating Revenues (Expenses)</b>						
Investment return	(6,217,857)	-	(210,254)	-	-	(6,428,111)
Interest expense	(366,751)	-	-	-	-	(366,751)
Noncapital grants and contributions	-	-	364,128	-	-	364,128
Noncapital appropriations - Decatur County	132,000	-	-	-	-	132,000
Other	549,388	1,115,489	(215,412)	-	-	1,449,465
Total nonoperating revenues (expenses)	<u>(5,903,220)</u>	<u>1,115,489</u>	<u>(61,538)</u>	<u>-</u>	<u>-</u>	<u>(4,849,269)</u>
<b>Excess (Deficiency) of Revenues Over Expenses Before Transfers</b>	<u>(13,192,238)</u>	<u>2,676,269</u>	<u>(61,538)</u>	<u>491,090</u>	<u>(250,457)</u>	<u>(10,336,874)</u>
<b>Transfers</b>	<u>1,250,670</u>	<u>(1,250,670)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Changes in Net Position</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(381,818)</u>	<u>194,727</u>	<u>(187,091)</u>
<b>Increase (Decrease) in Net Position</b>	<u>(11,941,568)</u>	<u>1,425,599</u>	<u>(61,538)</u>	<u>109,272</u>	<u>(55,730)</u>	<u>(10,523,965)</u>
<b>Net Position, Beginning of Year</b>	<u>95,235,732</u>	<u>(548,711)</u>	<u>1,556,028</u>	<u>210,088</u>	<u>(107,144)</u>	<u>96,345,993</u>
<b>Net Position, End of Year</b>	<u>\$ 83,294,164</u>	<u>\$ 876,888</u>	<u>\$ 1,494,490</u>	<u>\$ 319,360</u>	<u>\$ (162,874)</u>	<u>\$ 85,822,028</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  
Decatur County Memorial Hospital  
Greensburg, 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, the financial statements of Decatur County Memorial Hospital (Hospital), which comprise the balance sheet as of December 31, 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 6, 2023.

#### ***Report on Internal Control Over Financial Reporting***

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 Hospital's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**FORVIS,LLP**

Indianapolis, Indiana  
June 6, 2023