HAMILTON MEMORIAL HOSPITAL DISTRICT

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2024 AND 2023

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HAMILTON MEMORIAL HOSPITAL DISTRICT
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YEARS ENDED JUNE 30, 2024 AND 2023

INDEPENDENT AUDITORS' REPORT

Board of Directors
Hamilton Memorial Hospital District
McLeansboro, Illinois

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Hamilton Memorial Hospital District (the Hospital), which comprise the statements of net position as of June 30, 2024 and 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of June 30, 2024 and 2023, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 one year after the date the financial statements are available to be issued.

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Auditors' 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 auditors' 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 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, 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.

Board of Directors
Hamilton Memorial Hospital District

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 4 through 9 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 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Louis, Missouri
October 31, 2024

Introduction

Hamilton Memorial Hospital District, (Hospital) offers readers of our financial statements this narrative overview and analysis of the financial activities of the Hospital for the fiscal years ended June 30, 2024 and 2023. We encourage readers to consider the information presented here in conjunction with the Hospital's financial statements, including the notes thereto.

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 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 Statements of Net Position and Statements 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 statements of net position and the statements of revenues, expenses and changes in net position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net position and changes in them. The Hospital's total net position, the difference between assets and liabilities, are 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 resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash during the reporting period.

Financial Highlights

- The Hospital's total cash and cash equivalents decreased by $391,849 in 2024 from that reported in 2023.
- The Hospital's total current assets decreased by $278,154 in 2024 from those reported in 2023.
- The Hospital's total current liabilities decreased by $50,523 in 2024 from those reported in 2023.
- The Hospital's total liabilities decreased by $833,523 in 2024 from those reported in 2023.
- The Hospital's total net position decreased by $643,415 in 2024 and increased $1,828,744 in 2023.
- The Hospital reported an operating loss of $1,016,118 in 2024 and income of $561,858 in 2023.
- Total operating revenues of $20,248,308 and $19,494,914 were reported for 2024 and 2023.
- Total operating expenses of $21,264,426 and $18,933,056 were reported for 2024 and 2023.

Net Position

The Hospital's net position is the difference between its assets and liabilities reported on the statement of net position. Net position decreased by $643,415 or 9% in 2024 compared to 2023 and increased by $1,828,744 or 33% in 2023 compared to 2022, as shown in Table 1.

Table 1: Assets, Liabilities, and Net Position

	2024	2023	2022
Cash and Cash Equivalents	$ 7,547,764	$ 7,939,613	$8,272,863
Patient Accounts Receivable, Net	2,626,115	2,766,563	2,375,013
Other Current Assets	1,441,225	1,187,082	721,717
Investments	3,332,278	3,211,497	3,158,521
Noncurrent Cash and Investments	105,810	105,651	105,493
Capital Assets	8,424,565	9,744,289	10,128,872
Total Assets	$ 23,477,757	$ 24,954,695	$ 24,762,479
Current Liabilities	$ 2,368,343	$ 2,418,866	$3,302,561
Long-Term Debt	14,449,000	15,232,000	15,984,833
Total Liabilities	16,817,343	17,650,866	19,287,394
Net Position	6,660,414	7,303,829	5,475,085
Total Liabilities and Net Position	$ 23,477,757	$ 24,954,695	$ 24,762,479

2024 Significant Changes

The Hospital's significant changes in its assets and liabilities during 2024, as shown in Table 1:

- Total cash and cash equivalents decreased by $391,849 (5%).
- Patient accounts receivable, net decreased $140,448 (5%).
- Accounts payable for capital assets decreased by $307,443 (100%).

The Hospital's overall cash and investment position as of June 30, 2024, decreased by $271,068 over the overall position in 2023. This decrease can be attributed to an increase in expenses during the year.

Decreases in patient accounts receivable can be attributed to cleaning up old A/R from CPSI. The decrease in accounts payable for capital assets is the result of projects being completed during the year and less items being purchased for the projects that were active as of 6/30/2024.

2023 Significant Changes

The Hospital's significant changes in its assets and liabilities during 2023, as shown in Table 1:

- Total cash, restricted cash and investments decreased by $606,352 (5%).
- Patient accounts receivable, net increased $391,550 (16%).
- Unearned grant funds decreased by $263,385 (96%).
- Accounts payable for capital assets decreased by $143,797 (32%).

The Hospital's overall cash, restricted cash and investment position as of June 30, 2023, decreased by $606,352 over the overall position in 2022. This decrease can be attributed to a receivable due from Medicare at fiscal year-end for a cost report settlement.

Increases in patient accounts receivable can be attributed to growth as well as delays associated with payments from Medicare. The decrease in accounts payable for capital assets is the result of the new electronic medical record system that was in construction in progress last year, EPIC, being implemented during the year.

Operating Results and Changes in the Hospital's Net Position

In 2024, the Hospital's net position decreased by $643,415 as shown in Table 2. This decrease is made up of several different components and represents an increase compared with the increase in net assets for 2023 of $1,828,744.

Table 2: Operating Results and Changes in Net Position

	2024	2023	2022
Operating Revenues			
Net Patient Service Revenue	$ 19,657,103	$ 18,942,202	$18,467,386
Other Revenue	591,205	552,712	456,311
Total Operating Revenues	20,248,308	19,494,914	18,923,697
Operating Expenses			
Salaries and Wages	9,105,440	8,797,701	7,838,667
Employee Benefits	1,585,656	1,353,004	1,500,682
Physicians' Services	3,177,872	2,706,225	2,504,894
Supplies	2,448,739	2,020,388	2,411,210
Other Expenses	3,228,141	2,511,692	2,650,006
Depreciation and Amortization	1,718,578	1,544,046	1,555,327
Total Operating Expenses	21,264,426	18,933,056	18,460,786
Operating Income (Loss)	(1,016,118)	561,858	462,911
Nonoperating Revenues (Expenses)			
Interest Income	250,480	80,006	(26,914)
Property Taxes	739,312	758,815	755,429
Noncapital Grants and Contributions	90,949	90,921	384,739
Provider Relief Funds	-	-	781,349
Loss on Sale of Capital	-	(70,920)	-
Interest Expense	(708,038)	(744,814)	(776,591)
Total Nonoperating Revenues (Expenses)	372,703	114,008	1,118,012
Excess (Deficit) of Revenues Over Expenses	(643,415)	675,866	1,580,923
Capital Contributions	-	1,152,878	-
Increase (Decrease) in Net Position	$ (643,415)	$ 1,828,744	$ 1,580,923

Operating Income

The first component of the overall change in the Hospital's net position is its operating income generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. The year 2024 saw an operating loss of approximately $1,016,118. In the prior two years, the Hospital has reported operating income of approximately $562,000 and $463,000 in 2023 and 2022, respectively.

Operating Income (Continued)

Since the Hospital receives less than 4% of its total revenue from taxes, it must over time, generate income from operations or other non-operating sources in order to be able to pay for updating its building and equipment as well as providing the resources to maintain a viable health care facility. The Hospital must have facilities and technology that meet or exceed the current standard of care in order to provide the necessary health care services to residents of Hamilton County and surrounding areas. Likewise, the Hospital also must generate operating income or other non-operating income in order to be able to make its payments on its significant long-term debt obligations.

2024 Operating Results

Operating Income for 2024 decreased by $1,577,976 as compared to 2023, as shown in Table 2. The Hospital had two primary components of the operating changes:

- Total operating revenues increased $753,394 (3.9%).
- Total operating expenses increased $2,331,370 (12.3%).

Total net patient revenues increased by $714,901 which was primarily due to a decrease in volume.

During 2024, consistent with the broader healthcare industry, the Hospital experienced continued growth in operating expenses associated with inflationary pressures. The primary drivers of these expenses were salaries and benefits, as many clinical/nursing positions saw an increase in demand, as well as shift bonus incentives used to maintain an appropriate staffing level. Also, expenses related to both supplies and changes to other expenses, increased.

2023 Operating Results

Operating Income for 2023 increased by $98,947 as compared to 2022, as shown in Table 2. The Hospital had two primary components of the operating changes:

- Total operating revenues increased $571,217 (3.0%).
- Total operating expenses increased $472,270 (2.6%).

Total net patient revenues increased by $474,816 which was primarily due to a decrease in volume due to less COVID cases.

During 2023, consistent with the broader healthcare industry, the Hospital experienced continued growth in operating expenses associated with inflationary pressures. The primary drivers of these expenses were salaries and benefits, as many clinical/nursing positions saw an increase in demand, as well as shift bonus incentives used to maintain an appropriate staffing level. Also, expenses related to the pandemic response, both supplies and changes to other expenses, increased.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of tax revenue appropriations from Hamilton County, grants, investment income and interest expense.

2024 Results – Overall nonoperating revenues increased by approximately $259,000. The significant changes over 2023 are the result interest income on investments and cash accounts due to market fluctuations during the year.

2023 Results - Overall nonoperating revenues declined by approximately $1,004,000. The significant changes over 2022 are the result of no Provider Relief Funds being recognized in the current year and a decrease of approximately $294,000 in Noncapital grants and contributions compared to 2023.

Capital Grants and Gifts

The Hospital receives both capital and operating grants from various state and federal agencies for specific programs and receives gifts from local donors.

The Hospital's Cash Flows

Changes in the Hospital's cash flows are consistent with changes in operating results and nonoperating revenues and expenses, discussed earlier.

Capital Assets

At June 30, 2024 and 2023, the Hospital had $8,424,565 and $9,744,289, respectively, invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements.

Debt

At June 30, 2024 and 2023, the Hospital had $15,232,000 and $15,980,000, respectively, in revenue bonds and note payable outstanding.

Other Economic Factors

As previously discussed demand and inflationary pressures specifically relating to employing healthcare staff continues to be a challenge for the Hospital and broader healthcare industry in 2024 and is expected for the foresable future.The Hospital is focused on providing opportunities for wage and benefits that they believe are competitive in the market place. However, as a rural provider this continues to be a strain on the overall operating environment.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, creditors, and Hamilton County taxpayers with a general overview of the Hospital's financial condition and to show its accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Hospital's Chief Excecutive Officer at Hamilton Memorial Hospital District, P.O. Box 429, McLeansboro, Illinois 62859.

HAMILTON MEMORIAL HOSPITAL DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2024 AND 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 7,547,764	$ 7,939,613
Patients Accounts Receivable, Net	2,626,115	2,766,563
Inventory	348,755	298,973
Prepaid Expenses and Other Assets	208,335	183,288
Estimated Third-Party Payor Settlements Receivable	884,135	704,821
Total Current Assets	11,615,104	11,893,258
INVESTMENTS	3,332,278	3,211,497
NONCURRENT CASH AND CASH EQUIVALENTS		
Restricted by Donor	105,810	105,651
CAPITAL ASSETS, NET	8,424,565	9,744,289
Total Assets	$ 23,477,757	$ 24,954,695
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	$ 783,000	$ 748,000
Accounts Payable:		
Operations	794,757	535,633
Capital Assets	-	307,443
Accrued Expenses:		
Payroll	305,180	314,178
Vacation Pay	352,297	363,051
Interest	49,359	60,686
Other Accrued Expenses	83,750	89,875
Total Current Liabilities	2,368,343	2,418,866
LONG-TERM DEBT, Net of Current Maturities	14,449,000	15,232,000
Total Liabilities	16,817,343	17,650,866
NET POSITION		
Net Investment in Capital Assets	(6,807,435)	(6,543,154)
Restricted: Restricted by Donor	105,810	105,651
Unrestricted	13,362,039	13,741,332
Total Net Position	6,660,414	7,303,829
Total Liabilities and Net Position	$ 23,477,757	$ 24,954,695

See accompanying Notes to Financial Statements.

HAMILTON MEMORIAL HOSPITAL DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
OPERATING REVENUES		
Net Patient Revenue	$ 19,657,103	$ 18,942,202
Other Revenue	591,205	552,712
Total Operating Revenues	20,248,308	19,494,914
OPERATING EXPENSES		
Salaries and Wages	9,105,440	8,797,701
Employee Benefits	1,585,656	1,353,004
Physicians' Services	3,177,872	2,706,225
Supplies	2,448,739	2,020,388
Other Expenses	3,228,141	2,511,692
Depreciation and Amortization	1,718,578	1,544,046
Total Operating Expenses	21,264,426	18,933,056
OPERATING INCOME (LOSS)	(1,016,118)	561,858
NONOPERATING REVENUES (EXPENSES)		
Investment Income	250,480	80,006
Property Taxes	739,312	758,815
Noncapital Grants and Contributions	90,949	90,921
Loss on Sale of Capital	-	(70,920)
Interest Expense	(708,038)	(744,814)
Total Nonoperating Revenues (Expenses)	372,703	114,008
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(643,415)	675,866
Capital Contributions	-	1,152,878
INCREASE (DECREASE) IN NET POSITION	(643,415)	1,828,744
Net Position - Beginning of Year	7,303,829	5,475,085
NET POSITION - END OF YEAR	$ 6,660,414	$ 7,303,829

See accompanying Notes to Financial Statements.

HAMILTON MEMORIAL HOSPITAL DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Patients and Third-Party Payors	$ 19,618,237	$17,253,361
Payments to Suppliers and Contractors	(10,256,113)	(8,646,582)
Payments to Employees	(9,131,317)	(8,680,822)
Other Receipts and Payments, Net	591,205	289,327
Net Cash Provided by Operating Activities	822,012	215,284
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
County Tax Revenue	739,312	758,815
Noncapital Grants and Contributions	90,949	90,921
Net Cash Provided by Noncapital Financing Activities	830,261	849,736
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(748,000)	(727,833)
Interest Paid on Long-Term Debt	(719,365)	(749,267)
Capital Contributions	-	1,152,878
Purchases of Capital Assets	(706,297)	(1,374,180)
Net Cash Used by Capital and Related Financing Activities	(2,173,662)	(1,698,402)
NET CASH PROVIDED BY INVESTING ACTIVITIES, INTEREST INCOME	129,540	26,872
DECREASE IN CASH AND CASH EQUIVALENTS	(391,849)	(606,510)
Cash and Cash Equivalents - Beginning of Year	7,939,613	8,546,123
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 7,547,764	$ 7,939,613
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (1,016,118)	$ 561,858
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,718,578	1,544,046
(Increase) Decrease in Current Assets:		
Patients Accounts Receivable, Net	140,448	(391,550)
Other Receivables, Inventory and Prepaid Expenses	(74,829)	(33,804)
Increase (Decrease) in Current Liabilities:		
Estimated Third-Party Payor Settlements Payable	(179,314)	(1,297,291)
Accounts Payable	259,124	(21,469)
Accrued Salaries, Vacation and Other Expenses	(25,877)	116,879
Unearned Provider Relief Grants	-	(263,385)
Net Cash Provided by Operating Activities	$ 822,012	$ 215,284
SUPPLEMENTARY DISCLOSURE OF NONCASH FINANCING ACTIVITIES		
Capital Purchases in Accounts Payable	$ -	$ 307,443

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION

Organization

Hamilton Memorial Hospital District (the Hospital) was established in accordance with the provisions of 70 ILCS 910 of the Illinois Hospital District Law and has approximately 25 beds in service in McLeansboro, Illinois. The Hospital is certified as a Critical Access Hospital for Medicare reimbursement purposes. The Hospital operates three rural health clinics and provides other physician services. The Hospital is served by admitting physicians whose patients account for substantially all of the Hospital's revenue. The Hamilton Memorial Hospital District Foundation (the Foundation) was established to solely benefit the Hospital. The Hospital is the sole corporate member of the Foundation. The financial statements include the accounts of both the Hospital and Foundation.

Tax Exempt Status

The Hospital is exempt from income taxes under provisions of the Internal Revenue Code (IRC) as a political subdivision of the state of Illinois.

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles 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.

Standards of Accounting and Financial Reporting

The accompanying financial statements have been presented in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles) in accordance with the American Institute of Certified Public Accountants' audit and accounting guide, Health Care Entities, and other pronouncements applicable to health care organizations and guidance from the Governmental Accounting Standards Board (GASB), where applicable.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents are considered to be highly liquid investments with an original maturity of 90 days or less.

Noncurrent Cash

These assets include assets restricted by a donor and internally designated unrestricted assets set aside by the board of directors over which the board retains control and may at its discretion use for other purposes.

Inventory

Supply inventories are stated at the lower of cost or net realizable value using the first in, first-out method.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

Patient Accounts Receivable

The Hospital provides an allowance for bad debts based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Patient services are provided on an unsecured basis. Payment is required upon receipt of the invoice. The Hospital bills third-party payors directly and bills the patient when the patient's liability is determined. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account. An estimated allowance of approximately $1,547,000 and $1,954,000 was recorded at June 30, 2024 and 2023, respectively.

Capital Assets

The Hospital's capital assets are reported at historical cost. Capital assets are depreciated on a straight-line basis over the estimated useful life of each asset following guidelines of the American Hospital Association. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or their respective useful lives. Amortization of assets subject to leases is reported as part of depreciation expense. The following estimated useful lives are being used by the Hospital:

Buildings and Improvements	7 to 40 Years
Equipment	2 to 20 Years

Net Position

The net position of the Hospital is classified in three components. Net investment in capital assets are capital assets net of accumulated depreciation, reduced by total outstanding debt used to finance the purchase or construction of those assets. Restricted-expendable net position is noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital. Restricted net position is reduced by any liabilities payable from restricted assets. Unrestricted net position are remaining net position that do not meet the definition of invested in capital assets net of related debt or restricted-expendable net position.

Operating Revenues and Expenses

The Hospital's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Hospital's principal activity. Nonexchange revenues and expenses, including interest income, property taxes and interest expense are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

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, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policies without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charges excluded from revenue under the Hospital's Charity Care policy were approximately $104,000 and $48,000 for the years ended June 30, 2024 and 2023, respectively.

County Tax Revenue

The Hospital received Property Tax Revenue used to support operations of $670,069 and $653,760 for the years ended June 30, 2024 and 2023, respectively. The Hospital additionally received Replacement Tax Revenue used to support operations of $69,243 and $105,055 for the years ended June 30, 2024 and 2023, respectively. Taxes are levied each fiscal year on all taxable real property located in the County. Property taxes are recorded when received.

The personal property replacement tax is recorded on the accrual basis, based on estimated state allocations for each fiscal year ending June 30. Revenue is recognized in the fiscal year that tax allocations are received.

The County Assessor is responsible for assessment of all taxable real property within Hamilton County. The County Clerk computes the annual tax for each parcel of real property and prepares tax books used by the County Collector as the basis for issuing tax bills to all taxpayers in the County.

Grants and Contributions

From time to time, the Hospital receives grants and contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as other operating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

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. A summary of the payment arrangements with major third-party payors follows:

Medicare

The Hospital is designated as a critical access hospital. This designation provides for most inpatient and outpatient services to be reimbursed on a cost basis methodology. The Hospital's clinics are designated rural health clinics, which are also reimbursed on a cost basis methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been finalized by the Medicare fiscal intermediary through June 30, 2021.

Medicaid

Inpatient and substantially all outpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates. In addition, the Hospital qualifies for additional payments under the State of Illinois Medicaid hospital assessment program.

Under the assessment plan the Hospital received approximately $1,282,000 and $1,125,000 in payments for the years ended June 30, 2024 and 2023, respectively. This additional reimbursement represented approximately 7% of the Hospital's net patient revenue for the years ended 2024 and 2023, respectively. The programs are subject to future modification through legislative action, specifically related to Medicaid reform initiatives.

Other

The Hospital has also entered into payment agreements with Blue Cross and other commercial insurance carriers. The basis for reimbursement under these agreements includes discounts from established charges and prospectively determined rates.

Uninsured

For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, an increased portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for bad debts related to uninsured patients in the period the services are provided.

NOTE 2 NET PATIENT SERVICE REVENUE (CONTINUED)

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The following is a reconciliation of gross patient service revenue to net patient service revenue:

	2024	2023
Gross Patient Service Revenue	$ 38,303,175	$ 34,884,455
Discounts and Adjustments:		
Medicare Program	9,401,581	9,161,037
Medicaid Program	1,273,178	1,674,625
Other	6,896,728	4,770,933
Provision for Bad Debts	1,074,585	335,658
Total Discount and Adjustments	18,646,072	15,942,253
Net Patient Service Revenue	$ 19,657,103	$ 18,942,202

NOTE 3 ACCOUNTS RECEIVABLE

Patient accounts receivable reported as current assets by the Hospital at June 30 consist of these accounts:

	2024	2023
Receivables from:		
Patients and their Insurance Carriers	$ 535,731	$ 611,294
Medicare	2,453,431	3,034,005
Medicaid	1,183,971	1,075,032
Total Patient Accounts Receivable	4,173,133	4,720,331
Less: Allowance for Uncollectible Amounts	(1,547,018)	(1,953,768)
Patient Accounts Receivable, Net	$ 2,626,115	$ 2,766,563

NOTE 4 DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Hospital deposits may not be returned to it in full. The Hospital has a deposit policy which requires banks to collateralize deposits with securities at a fair market value equal to 100% of the funds on deposit, less insured amounts. Collateral securities must be held by the Hospital or a disinterested third party.

The Hospital's bank balances were $8,026,441 and $8,347,717 at June 30, 2024 and 2023, respectively. As of June 30, 2024 and 2023, $250,000 of the Hospital's bank balance at each financial institution was covered by FDIC insurance, and the remaining balance of $7,276,441 and $7,597,717, respectively, was subject to custodial credit risk.

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

At June 30, 2024 and 2023, the Hospital had the following investments and maturities (in years):

	2024				
Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10	Greater Than 10
U.S. Government Securities	$ 3,189,176	$ 2,691,241	$ 497,935	$ -	$ -
Money Markets	143,102	143,102	-	-	-
Total	$ 3,332,278	$ 2,834,343	$ 497,935	$ -	$ -

	2023				
Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10	Greater Than 10
U.S. Government Securities	$ 2,447,910	$ 1,960,440	$ 487,470	$ -	$ -
Money Markets	763,587	763,587	-	-	-
Total	$ 3,211,497	$ 2,724,027	$ 487,470	$ -	$ -

Interest Rate Risk – Interest rate risk is the risk that the fair value of an investment will decline as the interest rate increases.

Credit Risk – Credit risk is the risk that the financial counterparty will fail to meet its defined obligations. The Illinois Public Funds Investment Act allows funds belonging to the Hospital to be invested. Funds may be invested in the following types of securities within certain limitations: United States government securities, securities backed by the full faith and credit of the United Sates, bank certificates of deposit, commercial paper, money market mutual funds, public treasurers' investment pool, and repurchase agreements.

The Hospital has no investment policy that addresses interest rate and credit risk and limits its investment choices.

Summary of Carrying Values

The carrying value of deposits and investments are included in the Organization's statements of net position as of June 30, 2024 and 2023, as follows:

	2024	2023
Carrying Value:		
Deposits	$ 7,653,574	$ 8,045,264
Investments	3,332,278	3,211,497
Total	$ 10,985,852	$ 11,256,761
Included in the Following Statements of Net Position Captions:		
Cash and Cash Equivalents	$ 7,547,764	$ 7,939,613
Investments	3,332,278	3,211,497
Restricted by Contributors	105,810	105,651
Total	$ 10,985,852	$ 11,256,761

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Income

Investment income consisted of the following for the years ending June 30, 2024 and 2023:

	2024	2023
Interest and Dividend Income	$ 220,038	$ 80,009
Net Change in Fair Value of Investments	30,442	(3)
Total	$ 250,480	$ 80,006

NOTE 5 CAPITAL ASSETS

Capital Asset additions, retirements, and balances for the years ended June 30 were as follows:

	Balance June 30, 2023	Additions and Transfers	Retirements	Balance June 30, 2024
Land	$ 69,760	$ -	$ -	$ 69,760
Buildings and Improvements	21,640,768	-	-	21,640,768
Equipment	6,378,696	352,754	-	6,731,450
Construction in Progress	150,512	46,099	-	196,611
Total at Historical Cost	28,239,736	398,853	-	28,638,589
Less Accumulated Depreciation for:				
Buildings and Improvements	14,505,794	1,027,569	-	15,533,363
Equipment	3,989,653	691,009	-	4,680,661
Total Accumulated Depreciation	18,495,447	1,718,578	-	20,214,024
Capital Assets, Net	$ 9,744,289	$ (1,319,725)	$ -	$ 8,424,565

	Balance June 30, 2022	Additions and Transfers	Retirements	Balance June 30, 2023
Land	$ 69,760	$ -	$ -	$ 69,760
Buildings and Improvements	23,251,443	368,507	(1,979,182)	21,640,768
Equipment	8,886,646	1,204,537	(3,712,487)	6,378,696
Construction in Progress	493,173	(342,661)	-	150,512
Total at Historical Cost	32,701,022	1,230,383	(5,691,669)	28,239,736
Less Accumulated Depreciation for:				
Buildings and Improvements	15,465,426	1,019,550	(1,979,182)	14,505,794
Equipment	7,106,724	524,496	(3,641,567)	3,989,653
Total Accumulated Depreciation	22,572,150	1,544,046	(5,620,749)	18,495,447
Capital Assets, Net	$ 10,128,872	$ (313,663)	$ (70,920)	$ 9,744,289

NOTE 6 LONG-TERM DEBT

The following schedule summarizes the changes related to the outstanding long-term debt at June 30:

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024	Amounts Due Within One Year
2013 Hospital Revenue Bonds	$ 15,545,000	$ -	$ (690,000)	$ 14,855,000	$ 725,000
Wayne Electric Roof Loan	435,000	-	(58,000)	377,000	58,000
Total Long-Term Debt	$ 15,980,000	$ -	$ (748,000)	$ 15,232,000	$ 783,000

	Balance June 30, 2022	Additions	Reductions/ Forgiveness	Balance June 30, 2023	Amounts Due Within One Year
2013 Hospital Revenue Bonds	$ 16,214,833	$ -	$ (669,833)	$ 15,545,000	$ 690,000
Wayne Electric Roof Loan	493,000	-	(58,000)	435,000	58,000
Total Long-Term Debt	$ 16,707,833	$ -	$ (727,833)	$ 15,980,000	$ 748,000

2013 Hospital Revenue Bonds

The Series 2013 A & B Hospital Revenue Bonds were issued in the original amount of $20,770,000. The interest rate on the bonds is fixed at 4.83% for an initial 5-year term and will reset thereafter. The Bonds are payable solely from and secured by a pledge of revenues from the operations of the Hospital and are due in semi-annual installments on June 1 and December 1 beginning December 2013 to December 2038. Under the terms of the 2013 Revenue Bonds, the Hospital is required to maintain a debt service coverage ratio of 1.20 or greater and maintain days cash on hand of 75 or more. Management identified that the Hospital was not in compliance with the debt service coverage ratio for the year ended June 30, 2024, see Note 12 for subsequent event regarding pay-off of the bonds.

Wayne Electric Cooperative Loan

The Hospital entered into a rural development loan with Wayne County Electric Cooperative on December 14, 2020 for $580,000, bearing no interest. The loan is secured by an irrevocable standby pass-through letter of credit issued the lender from the Hospital. Under the terms of the agreement, the Hospital is to invest all proceeds of the loan within 12 months of the issuance. The loan matures on December 14, 2030, with monthly payment terms of $4,833.

NOTE 6 LONG-TERM DEBT (CONTINUED)

Future Maturities

Future Maturities on long-term debt are as follows:

Year Ending June 30,	Bonds and Loan Payable Principal	Bonds and Loan Payable Interest
2025	$ 783,000	$ 707,250
2026	833,000	675,050
2027	853,000	641,240
2028	898,000	605,360
2029	933,000	568,330
2030-2034	3,002,000	1,463,030
2038-2039	5,885,000	1,503,395
2040-2041	2,045,000	233,910
Total	$ 15,232,000	$ 6,397,565

NOTE 7 EMPLOYEE RETIREMENT PLANS

457 Pension Plan

The Hospital offers to eligible employees the Hamilton Memorial Hospital District Money Purchase Plan, a deferred compensation plan created in accordance with IRC 457. The plan permits them to defer a portion of their salary until future years. The deferred compensation is not available until termination, retirement, death, or unforeseeable emergency.

Employees not covered under a collective bargaining agreement, discussed below, meeting service, age and other criteria are eligible to participate in a money-purchase defined contribution pension plan administered by The Hartford Group. After five years of service, participating employees are fully vested in the Hospital's contributions. The Hospital contributed 2% of eligible annual compensation less forfeitures through June 30, 2024, and 2023. Employees who became covered by a collective bargaining agreement on July 1, 1997, continue to participate in the plan, although no further Hospital contributions have been made on their behalf. Voluntary employee contributions are not allowed. The plan provisions and contribution requirements are established and may be amended by the Hamilton Memorial Hospital District. Net employer contributions were $62,465 and $50,981 for the years ending June 30, 2024 and 2023, respectively.

LIUNA Pension Fund

Employees covered under a collective bargaining agreement participate in the Laborers International Union of North America National (Industrial) Pension Fund which is a defined benefit pension plan qualified under Section 401 and tax exempt under Section 501(a) of the IRC. It is a multi-employer plan under the accounting standards.

NOTE 7 EMPLOYEE RETIREMENT PLANS (CONTINUED)

LIUNA Pension Fund (Continued)

A unique characteristic of a multi-employer plan compared to a single employer is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers. The Plan issues a financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the plan administrator in care of Fund Administrator Adam Downs, LIUNA National (Industrial) Pension Fund, 905 16th Street, N.W., Washington, D.C. 20006 or by calling 1-202-693-8673.

The Hospital's contributions to the LIUNA National (Industrial) Pension Fund in 2024 and 2023 represented less than 5% of the total contributions made to the plan by all participating employers. The Hospital made contributions to the plan of $150,229 in 2024 and $157,676 in 2023. There have been no significant changes that affect the comparability of 2024 and 2023 contributions.

The Hospital's participation in the LIUNA National (Industrial) Pension Fund for the annual period ended in June 30, 2024 is outlined in the table below:

EIN/Pension Number	Pension Protection Act Zone Status 2024	Pension Protection Act Zone Status 2023	FRP Status	Contributions of Hospital 2024	Contributions of Hospital 2023	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
52-6074345-001	Yellow as of 1/1/2024	Yellow as of 1/1/2023	Implemented	$ 150,229	$ 157,676	Yes	6/30/2024

Under federal pension law a plan generally will be considered to be in endangered status if at the beginning of the plan year, the funded percentage of the plan is less than 80% or in critical "red" zone status if the percentage is less than 65%. When a pension plan enters the red zone the plan is required to adopt a rehabilitation plan.

The LIUNA Pension Fund was determined to be in the "green" zone status for the 2024 plan year. On March 31, 2024, an annual certification determined by an actuary determined that the plan was in the "green" zone status for 2024. The Pension Fund's board adopted a Funding Improvement Plan (FIP) on January 1, 2016 to improve the funding status over a period of 10 to 12 years. The board has determined that the FIP remains on track.

The Pension Protection Act required the Pension Fund to impose a contribution surcharge to each employer. The surcharge amount was 10% of total contributions owed to the Pension Fund, payable with the employer's monthly contributions. All contributions and surcharges were paid timely by the Hospital.

NOTE 8 SELF-FUNDED INSURANCE

Substantially all of the Hospital's employees are eligible to participate in the Hospital's health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents up to limits provided for in an agreement with its insurance plan administrator. At June 30, 2024 and 2023, the Hospital has a net liability of approximately $80,000 for unpaid claims, respectively. The Hospital has recognized approximately $562,799 and $494,522 in total employer health insurance expense for the years ended June 30, 2024 and 2023, respectively.

NOTE 9 RISK MANAGEMENT

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; 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 worker's compensation, malpractice coverage, and employee health insurance. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Hospital has joined together with other providers of health care services to form the Illinois Provider Trust and the Illinois Compensation Trust, two risk pools currently operating as common risk management and insurance programs for their members. The Hospital pays annual premiums to the Pools for its general liability and professional liability torts and employee injuries insurance coverage. The Pools' governing agreements specify that the Pools will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

The Hospital purchases medical malpractice insurance under a claims made policy for professional liability, and an occurrence based policy for general liability. Under such policy, claims occurring during the policy term are covered. The Hospital has malpractice coverage with Illinois Provider Trust (IPT). The limit on coverage is $3,000,000 per individual claim with no limit on aggregate. The physician and surgeon coverage for the ER and Clinic doctors is through Medical Alliance Insurance Company, which is through IPT. The limit on the coverage is $1,000,000 per individual claim. There is no deductible per individual or aggregate. Generally accepted accounting principles require a health care provider to accrue the expense of its share of covered claims, plus unasserted claims and unreported incidents occurring during the year by estimating the probable ultimate cost of any related claims. Although the Hospital has no knowledge of any asserted or unasserted claims against it.

NOTE 10 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 insurance program (discussed elsewhere in these notes); for example, allegations regarding performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Litigation based upon 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.

Healthcare Legislation and Regulation

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

Violation of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the Hospital is in substantial compliance with fraud and abuse as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations is subject to government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

NOTE 11 CONCENTRATION OF CREDIT RISK

Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors at June 30, 2024 and 2023 is:

	2024	2023
Medicare	44 %	47 %
Medicaid	18	18
Patients and Other Third-Party Payors	38	35
Total	100 %	100 %

NOTE 12 SUBSEQUENT EVENT

Subsequent to year-end the Hospital entered into a term loan agreement with a bank to pay-off the existing 2013 Hospital Revenue bonds. The transaction included borrowing approximately $11 million from the bank and using cash reserves of approximately $3.9 million to pay-off the outstanding bonds.

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