Annual Financial Report
April 30, 2024 and 2023

Washington County Hospital

Nashville, Illinois

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Directors
Washington County Hospital
Nashville, Illinois

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Washington County Hospital (Hospital), as of and for the years then ended April 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Hospital, as of April 30, 2024 and 2023, and the respective changes in 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2024 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Eide Bailly LLP

Dubuque, Iowa
August 13, 2024

This discussion and analysis of the financial performance of Washington County Hospital (Hospital), provides an overall review of the Hospital's financial activities and balances as of and for the years ended April 30, 2024, 2023, and 2022. The intent of this discussion is to provide further information on the Hospital's performance as a whole. We encourage readers to consider the information presented here in conjunction with the Hospital's financial statements, including the notes thereto to enhance their understanding of the Hospital's financial status.

Overview of the Financial Statements

The financial statements are comprised of the statements of net position, statements of revenues, expenses, and changes in net position, and the statements of cash flows. The financial statements also include notes that explain in more detail some of the information in the financial statements. The financial statements are designed to provide readers with a broad overview of the Hospital's finances.

The Hospital's financial statements offer short and long-term information about its activities. The statements of net position include all of the Hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). The statements of net position also provide the basis for evaluating the capital structure of the Hospital and assessing the liquidity and financial flexibility of the Hospital.

All of the current year's revenues and expenses are accounted for in the statements of revenues, expenses, and changes in net position. These statements measure the success of the Hospital's operations over the past year and can be used to determine whether the Hospital has successfully recovered all of its costs through its patient and resident service revenue and other revenue sources. Revenues and expenses are reported on an accrual basis, which means the related cash could be received or paid in a subsequent period.

The final statement is the statement of cash flows. These statements report cash receipts, cash payments and net changes in cash resulting from operating, investing, and financing activities. They also provide answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Highlights

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report the net position of the Hospital and the changes in it. The Hospital's net position - the difference between assets and liabilities - is a way to measure financial health or financial position. Over time, sustained increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic condition, population growth and new or changed governmental legislation should also be considered.

- The Statement of Net Position at April 30, 2024, indicates total assets of $17,278,521, total liabilities of $2,064,026, and net position of $15,214,495. The Statement of Net Position at April 30, 2023, indicates total assets of $11,370,952, total liabilities of $1,223,516, and net position of $10,147,436. The Statement of Net Position at April 30, 2022, indicates total assets of $10,660,656, total liabilities of $2,602,518 and net position of $8,058,138.
- The Statement of Revenues, Expenses, and Changes in Net Position for the year ended April 30, 2024, indicates total operating revenues of $18,674,963 increased 9.84% from the previous fiscal year, and total operating expenses of $17,020,058 increased 6.48% from the previous year, resulting in operating income of $1,654,905. Net non-operating revenues of $3,412,154 brings the change in net position to an increase of $5,067,059. The Statement of Revenues, Expenses, and Changes in Net Position for the year ended April 30, 2023, indicates total operating revenues of $17,000,232 increased 9.21% from the previous fiscal year, and total operating expenses of $15,983,870 increased 2.97% from the previous year, resulting in operating income of $1,016,362. Net non-operating revenues of $1,072,936 brings the change in net position to an increase of $2,089,298. The Statement of Revenues, Expenses, and Changes in Net Position for the year ended April 30, 2022, indicates total operating revenues of $15,565,990 increased 16.94% from the previous fiscal year, and total operating expenses of $15,522,334 increased 10.37% from the previous year, resulting in operating income of $43,656. Net non-operating revenues of $2,744,061 and contributions for capital assets of $204,000 brings the change in net position to an increase of $2,991,717.
- The Hospital's current assets exceeded its current liabilities by $12,304,684 at April 30, 2024, providing a 6.97 current ratio. The Hospital's current assets exceeded its current liabilities by $6,904,433 at April 30, 2023, providing a 6.72 current ratio. The Hospital's current assets exceeded its current liabilities by $4,527,372 at April 30, 2022, providing a 2.84 current ratio.
- The Hospital's total unrestricted days of cash on hand were 195 at April 30, 2024, 139 at April 30, 2023, and 103 at April 30, 2022.
- Gross outpatient charges increased 7.88% during fiscal year 2024, increased 19.55% during fiscal year 2023, and increased 12.07% during fiscal year 2022.
- Net days in accounts receivable were 56 days at April 30, 2024, 52 days at April 30, 2023, and 66 days at April 30, 2022.
- Statistical information:
    - 154- Acute patient days of care (15% increase)
    - 910- Swing-bed and respite patient days of care (9% increase)
    - 5,055- Extended Care resident days of care (included as part of Routine Nursing Services effective November 2022) (3% decrease)
    - 3,026- Radiology procedures (4% increase)
    - 22,055- Physical Therapy treatments (14% increase)
    - 2,772- Emergency Room visits (19% increase)

Condensed Financial Statements
Statements of Net Position

	April 30, 2024	April 30, 2023	April 30, 2022
Assets			
Current Assets			
Cash and cash equivalents	$ 7,988,584	$ 4,851,626	$ 3,673,612
Patient and resident receivables, net of estimated uncollectibles	2,717,873	2,354,518	2,749,917
Estimated third-party payor settlements	-	166,278	-
Employee retention tax credit	2,748,166	-	-
Other	909,869	738,678	558,461
Total current assets	14,364,492	8,111,100	6,981,990
Assets Limited as to Use or Restricted			
Restricted under debt agreements	-	63,465	430,417
Restricted for nursing scholarships	21,665	21,665	21,665
By board for capital improvements	806,102	982,650	526,679
Total assets limited as to use or restricted	827,767	1,067,780	978,761
Capital Assets and Right-to-Use Leased Assets, Net	2,086,262	2,192,072	2,699,905
Total assets	$ 17,278,521	$ 11,370,952	$ 10,660,656

Statements of Net Position

	April 30, 2024	April 30, 2023	April 30, 2022
Liabilities and Net Position			
Current Liabilities			
Current maturities of long-term debt	$ -	$ 60,000	$ 210,000
Current maturities of lease liabilities	12,632	71,052	111,336
Accounts payable			
Trade	683,847	368,479	310,263
Estimated third-party payor settlements	612,950	-	164,306
Advances from grantors and custodial funds	40,104	55,144	315,182
CMS and Medicaid advanced payments	-	-	532,405
Accrued expenses	710,275	651,992	711,126
Refundable advance - provider relief funds	-	-	100,000
Total current liabilities	2,059,808	1,206,667	2,454,618
Noncurrent Liabilities			
Long-term debt, less current maturities	-	-	60,000
Lease liabilities, less current maturities	4,218	16,849	87,900
Total noncurrent liabilities	4,218	16,849	147,900
Total liabilities	2,064,026	1,223,516	2,602,518
Net Position			
Net investment in capital assets	2,069,412	2,044,171	2,230,669
Restricted			
Non expendable endowment for nursing scholarships	20,000	20,000	20,000
Expendable for nursing scholarships	1,665	1,665	1,665
Expendable for debt service	-	63,465	430,417
Unrestricted	13,123,418	8,018,135	5,375,387
Total net position	15,214,495	10,147,436	8,058,138
Total liabilities and net position	$ 17,278,521	$ 11,370,952	$ 10,660,656

Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended April 30,		
	2024	2023	2022
Operating Revenues			
Net patient and resident service revenue (net of provision for bad debts)	$ 17,780,205	$ 16,377,379	$ 15,157,903
Other operating revenues	894,758	622,853	408,087
Total Operating Revenues	18,674,963	17,000,232	15,565,990
Operating Expenses			
Salaries and wages	7,245,770	6,743,796	6,679,719
Supplies and other expenses	9,199,842	8,611,981	8,229,088
Depreciation and amortization	574,446	628,093	613,527
Total Operating Expenses	17,020,058	15,983,870	15,522,334
Operating Income	1,654,905	1,016,362	43,656
Nonoperating Revenues (Expenses)			
County tax revenue	480,477	472,674	456,570
Noncapital grants and contributions	69,741	471,215	77,350
Provider relief funds	-	100,000	2,206,367
Employee retention tax credit	2,748,166	-	-
Investment income	93,411	18,564	13,431
Interest expense	(409)	(4,292)	(13,337)
Rental income	20,768	14,775	3,680
Net Nonoperating Revenues	3,412,154	1,072,936	2,744,061
Revenues In Excess of Expenses Before Contributions for Capital Assets	5,067,059	2,089,298	2,787,717
Contributions for Capital Assets	-	-	204,000
Change in Net Position	5,067,059	2,089,298	2,991,717
Net Position, Beginning of Year	10,147,436	8,058,138	5,066,421
Net Position, End of Year	$ 15,214,495	$ 10,147,436	$ 8,058,138

Long-Term Debt and Lease Liabilities

The Hospital had $12,632 and $4,218, respectively, in short-term and long-term debt and lease liabilities at April 30, 2024, $131,052 and $16,849, respectively, in short-term and long-term debt and lease liabilities at April 30, 2023, and $321,336 and $147,900, respectively, in short-term and long-term debt and lease liabilities at April 30, 2022. Remaining revenue bonds were repaid in May 2023 and restricted funds related to the debt were released to operations.

Economic and Other Factors and Next Year's Budget

The Hospital's Board and management considered many factors when preparing the fiscal year 2025 budget. Primary consideration in the 2025 budget are the unknowns of healthcare transformation, reform, and the continued difficulty in the status of the economy.

Items listed below were also considered:

- Recruitment of key providers to meet primary care, surgical, and procedural needs
- Transformation of delivery approaches driven by the COVID-19 experience and value-based care
- Impacts of continued tangible 340B changes over past year
- Increased care authorization demands due to payer mix shifts
- Medicare and Medicaid reimbursement rates
- Significant workforce availability/shortages
- Increase in self-pay accounts receivable due to uninsured and underinsured
- Increased expectations for quality at a lower price (competition, cash constraints, aging facility)
- Competitive salaries/benefits and the Illinois minimum wage changes
- Patient safety initiatives
- Technology advances
- Medical staff issues
- Declining patient volumes
- State budget crisis
- Significant capital needs
- Payer requirements to preauthorize more services
- Overall decline in people willing to work in health care
- Continued shift from inpatient to outpatient services
- Age of facility
- Gap of current wages to market

Summary

The Hospital's Board of Directors and Management continue to be extremely proud of the excellent patient care, dedication, commitment, and support each of our employees provide to every person they serve. We would also like to thank each member of the Hospital's medical staff for their dedication and support provided.

Contacting the Hospital's Finance Department

The Hospital's financial statements are designed to present users with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability. If you have questions about the report or need additional financial information, please contact the finance department at the following address:

Washington County Hospital
705 South Grand Avenue
Nashville, Illinois 62263

	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	$ 7,988,584	$ 4,851,626
Receivables		
Patient and resident, net of estimated uncollectibles of $664,000 in 2024 and $904,000 in 2023	2,717,873	2,354,518
Estimated third-party payor settlements	-	166,278
Other	332,441	139,369
Employee retention tax credit	2,748,166	-
Supplies	299,371	336,249
Prepaid expenses	278,057	263,060
Total current assets	14,364,492	8,111,100
Assets Limited as to Use or Restricted		
Restricted under debt agreements	-	63,465
Restricted for nursing scholarships	21,665	21,665
By board for capital improvements	806,102	982,650
Total assets limited as to use or restricted	827,767	1,067,780
Capital Assets		
Capital assets not being depreciated	62,855	62,855
Depreciable capital assets and right-to-use leased assets, net of accumulated depreciation and amortization	2,023,407	2,129,217
Total capital assets, net	2,086,262	2,192,072
Total assets	$ 17,278,521	$ 11,370,952

	2024	2023
Liabilities and Net Position		
Current Liabilities		
Current maturities of long-term debt	$ -	$ 60,000
Current maturities of lease liabilities	12,632	71,052
Accounts payable		
Trade	683,847	368,479
Estimated third-party payor settlements	612,950	-
Advances from grantors and custodial funds	40,104	55,144
Accrued expenses		
Salaries, wages, and payroll taxes	209,426	189,217
Vacation	500,849	461,537
Interest	-	1,238
Total current liabilities	2,059,808	1,206,667
Noncurrent Liabilities		
Lease liabilities, less current maturities	4,218	16,849
Total liabilities	2,064,026	1,223,516
Net Position		
Net investment in capital assets	2,069,412	2,044,171
Restricted		
Nonexpendable endowment for nursing scholarships	20,000	20,000
Expendable for nursing scholarships	1,665	1,665
Expendable for debt service	-	63,465
Unrestricted	13,123,418	8,018,135
Total net position	15,214,495	10,147,436
Total liabilities and net position	$ 17,278,521	$ 11,370,952

	2024	2023
Operating Revenues		
Net patient and resident service revenue (net of provision for bad debts of $14,994 in 2024 and $254,603 in 2023)	$ 17,780,205	$ 16,377,379
Other operating revenues	894,758	622,853
Total operating revenues	18,674,963	17,000,232
Operating Expenses		
Salaries and wages	7,245,770	6,743,796
Supplies and other expenses	9,199,842	8,611,981
Depreciation and amortization	574,446	628,093
Total operating expenses	17,020,058	15,983,870
Operating Income	1,654,905	1,016,362
Nonoperating Revenues (Expenses)		
County tax revenue	480,477	472,674
Noncapital grants and contributions	69,741	471,215
Provider relief funds	-	100,000
Employee retention tax credit	2,748,166	-
Interest income	93,411	18,564
Interest expense	(409)	(4,292)
Rental income	20,768	14,775
Net nonoperating revenues	3,412,154	1,072,936
Change in Net Position	5,067,059	2,089,298
Net Position, Beginning of Year	10,147,436	8,058,138
Net Position, End of Year	$ 15,214,495	$ 10,147,436

	2024	2023
Operating Activities		
Receipts from and on behalf of patients and residents	$ 18,196,078	$ 15,909,789
Other receipts	695,686	535,564
Payments to and on behalf of employees	(7,186,249)	(6,798,506)
Payments to suppliers and contractors	(8,978,499)	(8,974,259)
Net Cash from Operating Activities	2,727,016	672,588
Noncapital Financing Activities		
County tax revenue received	480,477	472,674
Noncapital grants and contributions received	69,741	471,215
Net Cash from Noncapital Financing Activities	550,218	943,889
Capital and Capital Related Financing Activities		
Purchase of capital assets	(369,966)	(83,143)
Proceeds from sale of capital assets	6,000	30,411
Principal payments on lease liabilities	(71,051)	(111,335)
Interest payments on lease liabilities	(409)	(1,811)
Payment of principal on debt	(60,000)	(210,000)
Payment of interest on debt	(1,238)	(6,905)
Net Cash used for Capital and Capital Related Financing Activities	(496,664)	(382,783)
Investing Activities		
Sales and maturities of noncurrent cash and investments	123,355	-
Purchases of noncurrent cash and investments	-	(100,351)
Interest income	93,411	18,564
Rental income	20,768	14,775
Net Cash from (used for) Investing Activities	237,534	(67,012)
Net Change in Cash and Cash Equivalents	3,018,104	1,166,682
Cash and Cash Equivalents, Beginning of Year	5,798,247	4,631,565
Cash and Cash Equivalents, End of Year	$ 8,816,351	$ 5,798,247

Washington County Hospital
Statements of Cash Flows
Years Ended April 30, 2024 and 2023

	2024	2023
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents in current assets	$ 7,988,584	$ 4,851,626
Cash and cash equivalents in assets limited as to use or restricted	827,767	946,621
	$ 8,816,351	$ 5,798,247
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	$ 1,654,905	$ 1,016,362
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation and amortization	574,446	628,093
Gain on disposal of capital assets	(6,000)	(30,411)
Provision for bad debts	14,994	254,603
Changes in assets and liabilities		
Receivables	(571,421)	83,918
Estimated third-party payor settlements	779,228	(330,584)
Supplies	36,878	28,391
Prepaid expenses	(14,997)	(151,730)
Trade accounts payable	214,502	21,099
CMS advanced payments	-	(532,405)
Advances from grantors and custodial funds	(15,040)	(260,038)
Accrued expenses	59,521	(54,710)
Net Cash from Operating Activities	$ 2,727,016	$ 672,588
Supplemental Disclosure of Noncash Information		
Equipment included in trade accounts payable	$ 137,983	$ 37,117

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

The financial statements of Washington County Hospital (Hospital) have been prepared in conformity with generally accepted accounting principles in the United States of America. The *Governmental Accounting Standards Board* (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Hospital are described below.

Reporting Entity

The Hospital, located in Nashville, Illinois, is a 22-bed public hospital established in accordance with the provisions 70 ILCS 910 of Illinois Hospital District Law and governed by a Board of Directors. The Hospital also had a 28-bed extended care facility through October 2022. The Hospital primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in Nashville, Illinois, and the surrounding area.

For financial reporting purposes, the Hospital has included all funds, organizations, agencies, boards, commissions, and authorities. The Hospital has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Hospital to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Hospital. The Hospital has no component units which meet the GASB criteria.

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recorded when the liability is incurred.

Basis of Presentation

The statement of net position displays the Hospital's assets and liabilities, with the difference reported as net position. Net position is reported in the following categories/components:

> *Net investment in capital assets* consists of net capital assets reduced by outstanding balances for bonds, notes, capital lease obligations, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position:

Expendable – expendable net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Nonexpendable – nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Hospital.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Hospital's policy is to first apply the expense toward the most restrictive resources and then toward unrestricted resources.

Use of Estimates

The preparation of financial statements in conformity with 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of one year or less, excluding assets limited as to use or restricted. For purposes of the statement of cash flows, the Hospital considers all cash and investments with an original maturity of one year or less as cash and cash equivalents.

Patient and Resident Receivables

Patient and resident receivables are uncollateralized patient, resident, and third-party payor obligations. Unpaid patient and resident receivables are not charged interest on amounts owed. Payments of patient and resident receivables are allocated to specific claims identified in the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient and resident receivables is reduced by a valuation allowance that reflects management’s estimate of amounts that will not be collected from patients, residents, and third-party payors. Management reviews patient and resident receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients and residents due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

Employee Retention Tax Credit Receivable

The Coronavirus Aid Relief, and Economic Security Act provided an employee retention credit (the credit) which is a refundable tax credit against certain employment taxes for eligible employers. The Consolidated Appropriations Act of 2021 and the American Rescue Plan Act of 2021 expanded the availability of the credit, extended the credit through September 30, 2021, and increased the credit to 70% of qualified wages, capped at $7,000 per quarter. As a result of changes to the credit, the maximum credit per employee increased from $5,000 in 2020 to $21,000 in 2021. During the year ended April 30, 2024, the Hospital recognized a $2,748,166 benefit related to the credit, which includes $300,000 in accrued interest and is presented in the statement of revenue, expenses and changes in net position as nonoperating revenue. At April 30, 2024, the Hospital has a corresponding $2,748,166 receivable related to the credit which is presented in the statement of net position as a current asset.

The Hospital's credit filings remain open for potential examination by the Internal Revenue Service through the statute of limitations, which has varying expiration dates extending through 2027. Any disallowed claims resulting from such examinations could be subject to repayment to the federal government.

Supplies

Supplies are stated at lower of cost (first-in, first-out) or market and are expensed when used.

Assets Limited as to Use or Restricted

Assets limited as to use include assets set aside by the Board of Directors for future capital improvements, over which the Board retains control and may, at its discretion, subsequently use for other purposes.

Restricted funds are used to differentiate resources, the use of which is restricted by donors or grantors, from resources of general funds on which donors or grantors place no restriction or which arise as a result of the operations of the Hospital for its stated purposes. Restricted funds also include assets which are restricted by debt agreements.

Investment Income

Interest on cash and deposits is included in nonoperating revenues and expenses.

Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historic cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would have been paid to acquire an asset with equivalent service potential on the date of the donation. The Hospital maintains a threshold level of $5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Land is not depreciated. The estimated useful lives of capital assets are as follows:

Land improvements	10-20 years
Buildings and improvements	5-40 years
Equipment	3-15 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position and are excluded from revenues in excess of expenses before contributions for capital assets. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net position.

Right-to-use leased assets are recognized at the lease commencement date and represent the Hospital's right to use an underlying asset for the lease term. Right-to-use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right-to-use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from 2 to 5 years.

Amortization for right-to-use leased assets is included in depreciation and amortization expense in the financial statements. The amortization period for these assets can vary from 3 to 5 years.

Compensated Absences

Hospital employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. The cost of projected vacation payouts is recorded as a current liability on the statement of net position based on pay rates that are in effect at April 30, 2024 and 2023.

Lease Liabilities

Lease Liabilities represent the Hospital's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by the Hospital.

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 and expenses of the Hospital result from exchange transactions associated with providing healthcare services – the Hospital's principal activity, and the costs of providing those services, including depreciation and amortization, and excluding interest cost. All other revenues and expenses are reported as nonoperating.

Net Patient and Resident Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, residents, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors and a provision for uncollectible accounts. 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 policy without charge or at amounts less than its established rates. Since the Hospital does not pursue collection of these amounts, they are not reported as revenue. The amounts of charges foregone for services provided under the Hospital's charity care policy were approximately $70,000 and $121,000 for the years ended April 30, 2024 and 2023. Total direct and indirect costs related to these foregone charges were approximately $37,000 and $66,000 at April 30, 2024 and 2023, based on an average ratio of cost to gross charges.

The Illinois legislature passed a bill titled the "Hospital Uninsured Patient Discount Act" (Act). This Act requires hospitals to provide certain mandated discounts from charges to the uninsured in Illinois. Charges are to be discounted to 135% of cost. Furthermore, a hospital may not collect more than 25% of an uninsured family's gross income in any one year.

County Tax Revenue

The Hospital records tax revenue received from Washington County, Illinois. The property taxes are recognized as revenue in the period that the County collects and remits the receipts to the Hospital.

Grants and Contributions

The Hospital may receive grants as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions for 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 non-operating revenues. Amounts restricted to capital acquisitions are reported after revenues in excess of (less than) expenses before contributions for capital assets.

Financial Instruments and Credit Risk

The Hospital maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per insured bank, for each account ownership category.

Note 2 - Net Patient and Resident 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 licensed as a Critical Access Hospital (CAH). The Hospital is reimbursed for most inpatient and outpatient services under a cost reimbursement methodology with final settlement determined after submission of annual cost reports by the Hospital and are subject to audits thereof by the Medicare Administrative Contractor (MAC). The Hospital's Medicare cost reports have been audited by the MAC through the year ended April 30, 2021.

The Rural Health Clinics (RHC) are designated as a Certified (Provider Based) Rural Health Clinics by the Medicare program. As a result, clinical services rendered to Medicare program beneficiaries are reimbursed under a cost reimbursement methodology.

Medicaid: Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services rendered to Medicaid program beneficiaries are reimbursed based on a fee schedule. A hospital specific adjustment factor is prospectively applied to the outpatient fee schedule to adjust the fee schedule to approximate cost.

Outpatient services related to Medicaid program beneficiaries are paid based on an Enhanced Ambulatory Procedure Grouping system, in which claims are paid based on clinical, diagnostic, or other factors.

Other Payors: The Hospital has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Hospital under these agreements may include prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Concentration of gross revenues by major payor accounted for the following percentages of the Hospital's gross patient and resident service revenues for the years ended April 30, 2024 and 2023:

	2024	2023
Medicare	48%	45%
Medicaid	7%	7%
Commercial payors	39%	41%
Self pay	6%	7%
	100%	100%

Laws and regulations governing the Medicare, Medicaid, and other 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 net patient and resident service revenue for the years ended April 30, 2024 and 2023 increased approximately $384,000 and $124,000 due to home office reimbursement, removal of allowances previously estimated that are no longer necessary as a result of final settlements, adjustments to amounts previously estimated, and years that are no longer likely subject to audits, reviews, and investigations.

Illinois Hospital Medicaid Incentive Programs

The State of Illinois enacted legislation that provides for a hospital assessment program, which has been approved by the federal Centers for Medicare and Medicaid Services (CMS) and has been extended through December 31, 2026. All Illinois hospitals (excluding publicly owned hospitals) pay the State an assessment each year. The assessments in part fund additional Medicaid payments.

The legislation requires the State of Illinois and Managed Care Organizations (MCO's) to make timely payment of direct and pass-through payments to hospitals in Illinois. The Illinois Department of Healthcare and Family Services is permitted to adjust the rates used in the fixed rate direct payments if volumes fluctuate so the anticipated total spending level is achieved.

As a result of these programs, additional Medicaid payments included in net patient and resident service revenue were approximately $375,000 and $413,000 for the years ended April 30, 2024 and 2023.

Note 3 - Cash and Deposits

Custodial credit risk is the risk that in the event of a bank or investment company failure, the Hospital's deposits may not be returned to it. State law allows collateralization of deposits in excess of federal depository insurance. The Hospital's deposit policy for custodial credit risk is to obtain a pledge of collateral for deposits substantially in excess of federal depository insurance. None of the Hospital's deposits were either uninsured or uncollateralized as of April 30, 2024 and 2023.

At April 30, 2024 and 2023, the Hospital's carrying amounts of cash and deposits are as follows:

	2024	2023
Checking, savings, and money market accounts	$ 8,795,377	$ 5,478,491
Certificates of deposit	20,974	440,915
	$ 8,816,351	$ 5,919,406

Cash and deposits are reported in the following statement of net position captions:

	2024	2023
Cash and cash equivalents	$ 7,988,584	$ 4,851,626
Assets limited as to use or restricted	827,767	1,067,780
	$ 8,816,351	$ 5,919,406

Note 4 - Capital Assets

Capital asset additions and transfers, deductions, and balances for the years ended April 30, 2024 and 2023, are as follows:

	April 30, 2023 Balance	Additions and Transfers	Deductions	April 30, 2024 Balance
Capital Assets Not Being Depreciated				
Land	$ 62,855	$ -	$ -	$ 62,855
Capital Assets Being Depreciated/Amortized				
Land improvements	419,030	226,890	-	645,920
Buildings	9,800,210	52,902	-	9,853,112
Equipment	7,083,604	189,723	(59,100)	7,214,227
Software - electronic health records	377,287	-	-	377,287
Total capital assets being depreciated/ amortized	17,680,131	469,515	(59,100)	18,090,546
Less Accumulated Depreciation/Amortization for				
Land improvements	407,976	4,129	-	412,105
Buildings	8,890,961	196,034	-	9,086,995
Equipment	6,225,129	223,851	(59,100)	6,389,880
Software - electronic health records	116,698	78,234	-	194,932
Total accumulated depreciation/amortization	15,640,764	502,248	(59,100)	16,083,912
Net capital assets being depreciated/ amortized	2,039,367	$ (32,733)	$ -	2,006,634
Right-to-Use Leased Assets being Amortized				
Equipment	279,287	$ -	$ (224,776)	54,511
Buildings	227,418	-	(227,418)	-
Total right-to-use leased assets being amortized	506,705	-	(452,194)	54,511
Accumulated Amortization				
Equipment	249,935	12,579	(224,776)	37,738
Buildings	166,920	60,498	(227,418)	-
Total accumulated amortization	416,855	73,077	(452,194)	37,738
Net right-to-use leased assets	89,850	$ (73,077)	$ -	16,773
Total Capital Assets and Right-to-Use Assets Being Depreciated/Amortized, Net	2,129,217			2,023,407
Total Capital Assets and Right-to-Use Leased Assets, Net	$ 2,192,072			$ 2,086,262

	April 30, 2022 Balance	Additions and Transfers	Deductions	April 30, 2023 Balance
Capital Assets Not Being Depreciated				
Land	$ 62,855	$ -	$ -	$ 62,855
Capital Assets Being Depreciated/Amortized				
Land improvements	419,030	-	-	419,030
Buildings	9,800,210	-	-	9,800,210
Equipment	6,998,278	120,326	(35,000)	7,083,604
Software - electronic health records	377,287	-	-	377,287
Total capital assets being depreciated/ amortized	17,594,805	120,326	(35,000)	17,680,131
Less Accumulated Depreciation/Amortization for				
Land improvements	406,189	1,787	-	407,976
Buildings	8,672,133	218,828	-	8,890,961
Equipment	6,034,087	226,042	(35,000)	6,225,129
Software - electronic health records	44,017	72,681	-	116,698
Total accumulated depreciation/amortization	15,156,426	519,338	(35,000)	15,640,764
Net capital assets being depreciated/ amortized	2,438,379	$ (399,012)	$ -	2,039,367
Right-to-Use Leased Assets being Amortized				
Equipment	279,287	$ -	$ -	279,287
Buildings	227,418	-	-	227,418
Total right-to-use leased assets being amortized	506,705	-	-	506,705
Accumulated Amortization				
Equipment	224,574	25,361	-	249,935
Buildings	83,460	83,460	-	166,920
Total accumulated amortization	308,034	108,821	-	416,855
Net right-to-use leased assets	198,671	$ (108,821)	$ -	89,850
Total Capital Assets and Right-to-Use Assets Being Depreciated/Amortized, Net	2,637,050			2,129,217
Total Capital Assets and Right-to-Use Leased Assets, Net	$ 2,699,905			$ 2,192,072

Note 5 - Provider Relief Funds

The Hospital has received a total of $4,324,006 of Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Funds administered by the Department of Health and Human Services (HHS), which includes a $354,332 American Rescue Plan Rural Payment. The funds were subject to terms and conditions imposed by HHS. Among the terms and conditions was a provision that payments will only be used to prevent, prepare for, and respond to coronavirus.

The Hospital also received $149,461 through the Paycheck Protection Program and Health Care Enhancement Act (PPPHCEA) for its rural health clinic to conduct COVID-19 testing. This funding could only be used for conducting COVID-19 testing and related expenses, including building or construction of temporary structures, leasing of properties, and retrofitting facilities as necessary to support COVID-19 testing.

These funds were considered subsidies and recorded as a liability when received and were recognized as revenues in the accompanying statements of revenues, expenses, and changes in net position as all terms and conditions were considered met. As these funds were considered subsidies, they were considered nonoperating activities. The terms and conditions are subject to interpretation, changes, and future clarification, the most recent of which have been considered through the date that the financial statements were available to be issued. In addition, this program may be subject to oversight, monitoring, and audit. Failure by a provider that received a payment from the Provider Relief Fund to comply with any term or condition can subject the provider to recoupment of some or all of the payment. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

During the years ended April 30, 2024 and 2023, the Hospital recognized $-0- and $100,000 as revenue, respectively, included as nonoperating activities on the statements of revenues, expenses, and changes in net position.

Note 6 - Leases

The Hospital has certain leasing arrangements for the use of equipment and a clinic building which are summarized below.

The Hospital has entered into various agreements to lease equipment. The lease terms are primarily for 3 to 5 years. The lease terms began in various dates ranging from July 2017 through September 2020 with final payments due at various dates ranging from June 2022 through August 2025. The Hospital utilized risk free rates from 0.26%-3.00%.

Remaining obligations associated with the equipment lease is as follows:

Years Ending April 30,	Principal	Interest	Total
2025	$ 12,632	$ 29	12,661
2026	4,218	2	4,220
	$ 16,850	$ 31	$ 16,881

The Hospital entered a building lease with a related party for one of its rural health clinics. The initial lease term was for two years, with an option to extend the lease for an additional two years. The lease term began in January 2020 with final payment made January 2024. This building is now leased on a month-to-month basis. Total lease payments on the building for the year ended April 30, 2024 were $88,200, which were paid to an estate in which a hospital board member is the executor.

Note 7 - Long-Term Debt

A schedule of changes in the Hospital's long-term debt for the years ended April 30, 2024 and 2023, is as follows:

	April 30, 2023 Balance	Additions	Payments	April 30, 2024 Balance	Amounts Due Within One Year
Hospital revenue bonds	$ 60,000	$ -	$ 60,000	$ -	$ -
Less current maturities				-	
Long-term debt, less current maturities				$ -	

	April 30, 2022 Balance	Additions	Payments	April 30, 2023 Balance	Amounts Due Within One Year
Hospital revenue bonds	$ 270,000	$ -	$ 210,000	$ 60,000	$ 60,000
Less current maturities				(60,000)	
Long-term debt, less current maturities				$ -	

Hospital Revenue Bonds:

The Hospital issued $750,000 of Hospital Revenue Bonds, Series 2005. The revenue bonds were issued under the provision of an ordinance and were payable solely from Hospital revenues derived from the operation of the hospital facilities of the District. The revenue bonds did not constitute an indebtedness or an obligation of the District payable from taxes. Interest was due semiannually. Principal payments were made each May 1st.

The bonds required that management establish certain restricted funds under the agreement. The last principal payments for the bonds were made May 1, 2023 and therefore, these funds were released to operations in May 2023.

Note 8 - Pension and Retirement Benefits

The Hospital has a defined contribution pension plan under which substantially all employees become participants upon completion of a consecutive 12-month period, during which the employee works at least 1,000 hours. The Hospital contributes to the plan in accordance with the plan agreement. The Hospital contributes 2.5% of eligible full-time employee compensation. Full time employees must contribute 4% of their compensation. Part time employees are required to contribute an amount equal to 2% of their compensation. Employees have the option of contributing up to 10% of their regular compensation.

Vesting of employer contributions occur on a graduated scale based on years of service. Currently, all contributions are invested in various funds with One America. Employees hired after May 1, 1994, will be 100% vested after five years of continuous employment. Those hired prior to May 1, 1994, were vested 60% after three years and 20% each of the following two years until 100% vesting was reached at the fifth-year anniversary of employment. Benefits are paid upon retirement under four different annuity options with optional surviving spouse benefits. Total retirement plan expense for the years ended April 30, 2024 and 2023, was $111,313 and $103,071.

Note 9 - Concentration of Credit Risk

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

	2024	2023
Medicare	36%	34%
Medicaid	5%	7%
Commercial insurance	44%	51%
Other third-party payors, patients, and residents	15%	8%
	100%	100%

Note 10 - Contingencies

Risk Management

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

Malpractice Insurance

The Hospital has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of $1 million per claim and an annual aggregate limit of $3 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured.

Excess Liability Umbrella Insurance

The Hospital also has excess liability umbrella coverage subject to a limit of $4 million per occurrence and an annual aggregate limit of $4 million.

Litigation, Claims, and Disputes

The Hospital is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of any litigation, claims, and disputes in process will not be material to the financial position, operations, or cash flows of the Hospital.

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity has increased with respect to investigations and allegations concerning possible violations by healthcare providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient and resident services.

Note 11 - Management and Affiliation Agreement

The Hospital and SSM Health Care Corporation, d/b/a SSM Health, have a management agreement. SSM Health provides management, administrative, and professional services to the Hospital. The Hospital also has an additional affiliation agreement with SSM Health for electronic health records (EHR) remote access and services. During the years ended April 30, 2024 and 2023, the Hospital paid SSM Health $917,594 and $933,577, respectively, for these services. At April 30, 2024 and 2023, the Hospital had a payable to SSM Health of $169,859 and $85,828 for these services, respectively.

In addition, the Hospital recognized rent revenue for unused clinic space from SSM Health of $26,746 for the year ended April 30, 2024.

Supplementary Information
April 30, 2024 and 2023

Washington County Hospital

Nashville, Illinois

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Supplementary Information

The Board of Directors
Washington County Hospital
Nashville, Illinois

We have audited the financial statements of Washington County Hospital (Hospital) as of and for the year ended April 30, 2024 and 2023, and have issued our report thereon dated August 13, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole.

The schedules of net patient and resident service revenue, other operating revenues, operating expenses, and statistical information are presented for the purposes of additional analysis and are not a required part of the 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 financial statements. The schedules of net patient and resident service revenue, other operating revenues, and operating expenses have been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The schedules of statistical information on page 35 have not be subjected to audit procedures and as such, we do not express an opinion on them.

Eide Bailly LLP

Dubuque, Iowa
August 13, 2024

Washington County Hospital
Schedules of Net Patient and Resident Service Revenue
Years Ended April 30, 2024 and 2023

	2024	2023
Patient and Resident Service Revenue		
Routine services - hospital	$ 2,135,451	$ 1,461,321
Routine services - extended care	-	517,638
Operating and recovery rooms	543,358	608,482
Central services and supply	100,302	105,485
Emergency services	3,345,080	2,897,698
Laboratory and blood bank	6,048,603	5,805,455
Cardiac rehab	185,082	183,893
Electrocardiology	331,014	268,647
Radiology	8,362,279	7,376,345
Pharmacy	1,929,942	1,975,116
Anesthesiology	59,869	55,325
Respiratory therapy	106,249	88,077
Physical therapy	3,546,878	2,909,689
Occupational therapy	452,795	328,814
Speech therapy	334,098	300,615
Sleep study	11,550	-
Rural health clinic - Grand	1,987,629	2,159,996
Rural health clinic - Mill Street	363,778	429,217
Other outpatient services	644,423	661,054
	30,488,380	28,132,867
Charity care (charges foregone)	(70,008)	(121,114)
Total patient and resident service revenue*	$ 30,418,372	$ 28,011,753
* Total Patient and Resident Service Revenue - Reclassified		
Inpatient revenue	$ 3,362,150	$ 2,988,876
Outpatient revenue	27,126,230	25,143,991
Charity care (charges foregone)	(70,008)	(121,114)
Total patient and resident service revenue	30,418,372	28,011,753
Contractual Adjustments	(12,152,470)	(10,856,700)
Policy Discounts	(470,703)	(523,071)
Net Patient and Resident Service Revenue	17,795,199	16,631,982
Provision for Bad Debts	(14,994)	(254,603)
Net Patient and Resident Service Revenue (Net of Provision for Bad Debts)	$ 17,780,205	$ 16,377,379

Washington County Hospital
Schedules of Other Operating Revenues
Years Ended April 30, 2024 and 2023

	2024	2023
Other Operating Revenues		
340B pharmacy program revenue	$ 557,247	$ 535,485
Insurance proceeds	281,485	-
Cafeteria	6,892	9,650
Gain on disposal of capital assets	6,000	30,411
Sale of drugs to employees, net	2,658	935
Other	40,476	46,372
Total Other Operating Revenues	$ 894,758	$ 622,853

Washington County Hospital
Schedules of Operating Expenses
Years Ended April 30, 2024 and 2023

	2024	2023
Nursing Administration		
Salaries and wages	$ 72,899	$ 141,892
Supplies and other expenses	1,194	2,316
	74,093	144,208
Routine Nursing Services		
Salaries and wages	1,363,957	889,967
Supplies and other expenses	233,704	362,516
	1,597,661	1,252,483
Extended Care		
Salaries and wages	-	303,845
Supplies and other expenses	-	16,316
	-	320,161
Operating and Recovery Rooms		
Salaries and wages	184,859	156,774
Supplies and other expenses	51,429	61,586
	236,288	218,360
Central Services and Supply		
Salaries and wages	76,886	66,589
Supplies and other expenses	75,998	126,218
	152,884	192,807
Emergency Services		
Salaries and wages	594,517	449,146
Supplies and other expenses	1,244,523	1,437,191
	1,839,040	1,886,337
Laboratory and Blood Bank		
Salaries and wages	498,677	468,066
Supplies and other expenses	542,974	530,583
	1,041,651	998,649
Electrocardiology		
Salaries and wages	5,755	5,844
Supplies and other expenses	6,410	7,872
	12,165	13,716
Sleep Studies		
Supplies and other expenses	4,799	-

	2024	2023
Radiology		
Salaries and wages	$ 333,839	$ 309,038
Supplies and other expenses	383,462	427,928
	717,301	736,966
Pharmacy		
Salaries and wages	162,273	148,313
Supplies and other expenses	993,090	990,217
	1,155,363	1,138,530
Anesthesiology		
Supplies and other expenses	44,342	42,115
Respiratory Therapy		
Salaries and wages	3,440	4,329
Supplies and other expenses	44,379	25,576
	47,819	29,905
Cardiac Rehabilitation		
Salaries and wages	70,795	77,664
Supplies and other expenses	9,305	14,751
	80,100	92,415
Physical Therapy		
Salaries and wages	677,576	632,690
Supplies and other expenses	109,562	11,538
	787,138	644,228
Speech Therapy		
Salaries and wages	99,948	96,005
Supplies and other expenses	410	-
	100,358	96,005
Occupational Therapy		
Salaries and wages	127,415	108,371
Supplies and other expenses	3,067	560
	130,482	108,931
Rural Health Clinic - Grand		
Salaries and wages	1,132,429	1,105,356
Supplies and other expenses	253,439	235,225
	1,385,868	1,340,581

Washington County Hospital
Schedules of Operating Expenses
Years Ended April 30, 2024 and 2023

	2024	2023
Rural Health Clinic - Mill Street		
Salaries and wages	$ 128,584	$ 144,928
Supplies and other expenses	59,607	36,580
	188,191	181,508
Outpatient Clinic		
Supplies and other expenses	-	4,454
Medical Records		
Salaries and wages	180,720	200,659
Supplies and other expenses	91,528	18,273
	272,248	218,932
Dietary		
Salaries and wages	266,291	243,173
Supplies and other expenses	138,260	132,574
	404,551	375,747
Plant Operation and Maintenance		
Salaries and wages	164,860	157,274
Supplies and other expenses	447,887	503,048
	612,747	660,322
Housekeeping		
Salaries and wages	309,956	293,608
Supplies and other expenses	33,134	31,030
	343,090	324,638
Laundry and Linen		
Supplies and other expenses	109,743	90,794
Administrative Services		
Salaries and wages	790,094	740,265
Supplies and other expenses	2,242,262	1,534,397
	3,032,356	2,274,662
Unassigned Expenses		
Depreciation and amortization	574,446	628,093
Insurance	140,304	123,202
Employee benefits	1,935,030	1,845,121
	2,649,780	2,596,416
Total Operating Expenses	$ 17,020,058	$ 15,983,870

	2024	2023
Patient Days		
Hospital		
Acute	154	134
Swing-bed and respite	910	835
Extended Care	5,055	5,193
Number of Beds		
Hospital	22	22
Discharges		
Hospital		
Acute	80	42
Swing-bed and respite	114	76
Average Length of Stay		
Hospital		
Acute	1.9	3.2
Swing-bed and respite	8.0	11.0

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's 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*

The Board of Directors
Washington County Hospital
Nashville, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Washington County Hospital (Hospital) as of and for the year ended April 30, 2024, and the related notes to the financial statements, and have issued our report thereon dated August 13, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) as the 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 Hospital's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2024-01, 2024-02, and 2024-03 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

Hospital's Responses to Findings

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

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.

Dubuque, Iowa
August 13, 2024

Part I: Findings Related to the Financial Statements:

Significant Deficiency:

2024-01 Preparation of Financial Statements and Audit Adjustments

Criteria – A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity. Management is responsible for establishing and maintaining internal control over financial reporting and procedures related to the fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP).

Condition – The Hospital does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes and statement of cash flows, as required by GAAP. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. Also, adjusting journal entries were proposed and made to the financial statements during the audit.

Cause – The outsourcing of these services is not unusual in an organization of your size. We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with GAAP, can be considered costly and ineffective.

Effect – The effect of this condition is that the year-end financial reporting is prepared by a party outside of the Hospital. The outside party does not have the constant contact with ongoing financial transactions that internal staff have. Furthermore, it is possible that new standards may not be adopted and applied timely to the interim financial reporting. Accordingly, interim financial statements may be misstated as well.

Recommendation – It is the responsibility of Hospital management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. We recommend that management continue reviewing operating procedures in order to obtain the maximum internal control over financial reporting possible under the circumstances to enable staff to draft the financial statements internally and make any necessary adjustments on a regular basis.

Response – This finding and recommendation is not a result of any change in the Hospital's procedures, rather it is due to an auditing standard implemented by the American Institute of Certified Public Accountants. Management feels that committing the resources necessary to remain current on GAAP and GASB reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis.

Part I: Findings Related to the Financial Statements (continued):

Significant Deficiency:

2024-002 Reconciliations

Criteria – Accurate monthly reconciliation and review of all significant statement of net position accounts is essential to preparing reliable financial statements. Auditors must also assess the impact of audit entries on the financial statements.

Condition – Certain statement of net position accounts, such as patient accounts receivable, prepaid expenses, and accounts payable, were not accurately reconciled at year end. Audit entries were proposed to adjust these accounts on the general ledger to properly record the balances at year end.

Cause – All significant statement of net position accounts need to be reviewed in-depth monthly to ensure they are accounted for properly. An internal review process that verifies the accuracy of the general ledger account balances monthly was not implemented.

Effect – Failure to reconcile these accounts can result in errors on the interim financial statements and represents a weakness in internal control in the accounting system. Entries were proposed during the audit to adjust these year-end account balances.

Recommendation – All general ledger accounts must be reconciled and reviewed monthly. Furthermore, the Chief Financial Officer should review reconciliations prepared by the accounting staff to ensure that the reconciliations are completed on a timely basis and are accurate. This will help ensure that necessary entries are made on a timely basis. In addition, staff reconciling accounts need to work collectively monthly to ensure that any unusual items are addressed and corrected as soon as possible. In addition, all adjusting journal entries should be reviewed by someone on the management team, in conjunction with account reconciliations, to ensure reasonableness of the journal entries made.

Response – Management agrees with the finding. The Hospital's accountant and Chief Financial Officer will work collectively in the preparation and review of monthly reconciliations to improve the financial reporting process going forward.

Findings Related to the Financial Statements (continued):

Significant Deficiency:

2024-03 Segregation of Duties

Criteria – An effective system of internal control depends on an adequate segregation of duties with respect to the execution and recording of transactions, as well as the custody of an organization's assets. Accordingly, an effective system of internal control will be designed such that these functions are performed by different employees, so that no one individual handles a transaction from its inception to its completion.

Condition – Certain employees perform duties that are incompatible.

Cause – The limited number of office personnel prevents a proper segregation of accounting functions necessary to ensure optimal effective internal control. This is not an unusual condition in organizations of your size.

Effect – The lack of segregation of duties increases the risk of fraud related to misappropriation of assets, financial statement misstatement, or both. Limited segregation of duties could result in misstatements that may not be prevented or detected on a timely basis in the normal course of operations.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. We also recognize that in some instances it may not be cost effective to employ additional personnel for the purpose of segregating duties. It is the responsibility of management and those charged with governance to determine whether to accept the degree of risk associated with this condition because of cost or other considerations.

However, the Hospital should continually review its internal control procedures, other compensating controls and monitoring procedures to obtain the maximum internal control possible under the circumstances. Management involvement through the review of reconciliation procedures can be an effective control to ensure these procedures are being accurately completed on a timely basis. Furthermore, the Hospital should periodically evaluate its procedures to identify potential areas where the benefits of further segregation of duties or addition of other compensating controls and monitoring procedures exceed the related costs.

Response – Management agrees with the finding and has reviewed the operating procedures of the Hospital. Due to the limited number of office employees, management will continue to monitor the Hospital's operations and procedures. Furthermore, management will continually review the assignment of duties to obtain the maximum internal control possible under the circumstances.